



Inc. to handle fresh meat products, seafood, and fruit and vegetables.

Under this organizational structure, we are seeking to strengthen our earnings base by bolstering the Group's integrated strengths and competitiveness with a view to becoming a prominent global foods company.

Strengths

As a leading food company, we aim to achieve stable and continuous consolidated net income in the order of ¥20.0 billion per year. To this end, we will continue applying our SIS strategy to our Japanese and overseas operations, delivering exports to Japan to increase earnings of our core businesses and major investments. We will also develop and pursue SIS strategies in our Asian markets, primarily China and Thailand, and expand our businesses related to overseas bases supplying the Japanese market, as well as the domestic consumer market.

The Food Company boasts a net income level that places it among the top trading companies in the industry. Especially in the domestic food distribution sector, the Group's turnover of food at the wholesale level is around ¥2.0 trillion as one of the leaders in this sector. In the retail segment, the chain of FamilyMart stores is one of the largest in the convenience store industry.

The Food Company has four key strengths. First, in upstream operations, we have stable overseas operations for the supply of food resources. One example is U.S.-based CGB Enterprises, Inc.,

which collects and ships grain products. Second, in domestic mid-stream operations, we have nationwide food distribution networks for handling foods and food products in all temperature ranges. These networks were established by three major Group companies: ITOCHU-SHOKUHIN Co., Ltd., NIPPON ACCESS INC., and Nishino Trading. Third, we are active in the downstream sector. Here, our retail operations center on FamilyMart and its peripheral business, as well as Uny. Fourth, we have joint businesses in China through strategic alliances with Ting Hsin International Group.

Business Performance in the Fiscal Year Ended March 2006

At the macro level, the domestic food industry will be affected by an expected decline in Japan's total population, once it reaches its peak in 2006. In addition, food expenditure is forecast to decrease in line with the country's falling birth rate and aging population. The domestic food industry is also undergoing reorganization on all levels.

In overseas markets, business opportunities are increasing, thanks to continued near-double-digit growth of China's food market and liberalization of foreign investment in that nation.

Under these circumstances, in the fiscal year ended March 2006 we worked to strengthen our business base in the domestic food distribution sector. In April 2005, for example, we increased our stake in Showa Co., Ltd., making it a consolidated company. In January 2006, we agreed to form a business alliance with Uny. Under the



A "Uny" store in Japan

Strengthening Retail Interests through Alliance with Uny

In January 2006, we signed a memorandum with Uny Co., Ltd., with which we have a long association in food distribution. According to the agreement, we will not only expand our dealings at the wholesale food level, but also cooperate in a variety of sectors, including product development and marketing, information technology, logistics, and property development. We will pursue a range of joint measures, making effective use of our mutual business resources. Specifically, we will target the seamless integration of Uny's retail stores with the ITOCHU's consumer business development capabilities, global network,

product planning and procurement strengths, brand marketing, and retail support expertise.

Accelerate Establishment of FamilyMart Stores Overseas

Making use of the know-how it has cultivated domestically, the Food Company will pursue aggressive expansion of FamilyMart convenience stores overseas in cooperation with FamilyMart Co., Ltd. Following previous launches in Taiwan, South Korea, Thailand, and Shanghai, we opened our first store on the U.S. West Coast in July 2005. As a general trading company, ITOCHU intends to provide full support for FamilyMart's "Global 20,000 Store Plan"