

Business Performance in the Fiscal Year Ended March 2006

As for the macroeconomic environment for each sector, the IT sector, despite the continuation of falling prices across a broad spectrum of IT products and services, was spurred by sustained IT-related investment thanks to an increasing number of companies achieving an earnings recovery, the diffusion of broadband services, and the overhaul and enhancement of systems to meet security and compliance requirements. The media and mobile sector witnessed an emergence of business opportunities stemming from the ongoing integration of communication and broadcasting as seen in the expansion of optical broadband lines and one-segment broadcast, and growth of new services due to the spread of electronic money-enabled mobile phone handsets.

Amid these developments, we addressed the following matters in the fiscal year ended March 2006. On Demand TV, Inc., a video distribution service for users of the NTT Group's FLET'S Internet

services, extended the coverage of video-on-demand services to the whole country. Two of our mobile business operators debuted on stock exchanges. NANO Media Inc. was listed on the Mothers market of the Tokyo Stock Exchange in November 2005, while ITC NETWORKS CORPORATION gained a listing on the Second Section of the Tokyo Stock Exchange in March 2006, as part of our efforts to expand the business on both fronts of hardware and software.

Our earnings performance for the fiscal year ended March 2006 improved from the previous fiscal year, thanks to favorable developments in domestic IT businesses, led by ITOCHU TECHNO-SCIENCE Corporation, the contribution from JAPAN AEROSPACE CORPORATION, an aerospace business operator we took over in the fiscal year ended March 2005, and the exchange listing of the two media-related business firms.

Organization (As of April 1, 2006)

Aerospace, Electronics & Multimedia Company

Aerospace & Electronic Systems Division

IT & Business Solutions Division

Media Business Division

Planning & Coordinating Department

Accounting & Control Department

Affiliate Administration & Support Department

Aerospace & Defence Department

Commercial Aerospace & Electronics Department

Information Technology Business Department

Business Solutions Department

Network & Content Business Department

Mobile & Wireless Department

In the fiscal year ended March 2006, two of our mobile business operators made their debut on the stock exchanges.

NANO Media Inc.:

Listed on the Mothers market of the Tokyo Stock Exchange in November 2005

NANO Media Inc., which manages official websites for entertainment, is also broadening the base of users through the distribution of content for mobile phones, including EPG (Electronic Program Guide) in conjunction with radio and television operators. The company is also in the business of developing application software for mobile handsets. Taking advantage of the strength of mobile media, NANO Media will continue to seek to open up new fields of business in collaboration with existing media (including broadcasting companies and publishers).



A NANO application for mobile handsets