importing medical equipment from abroad, and operates businesses in North and Central America. In the construction and industrial machinery field, the division is engaged in businesses in Japan, Europe, the U.S., China, Asia, and Africa while participating in official development assistance projects in developing countries. Additionally, the division is engaged in businesses in fields such as textile, synthetic resin, food, environmental, and port machinery.

Strengths

One of the features of the Machinery Company is its highly efficient management and its ROA is among the highest for machinery segment of general trading companies. Another feature is its proactive overseas expansion with its long-standing focus on trading in the overseas markets and it has nearly one-third of its personnel at overseas branches and subsidiaries.

The Machinery Company intends to further enhance its strengths and expand into new areas of business and has identified the following as its key policies — (1) allocating management resources to core segments, (2) aggressively pursuing the core market of the U.S. as well as the emerging markets in the BRICs, and (3) revenue generation in new business models.

Business Performance in the Fiscal Year Ended March 2006

From a macroeconomic perspective, despite negative factors such as rising costs of plant construction caused by price increase in steel products, the overall environment surrounding the industry was a favorable one for the Machinery Company, thanks to expansion in the automobile and construction machinery markets in countries and regions such as Europe, the U.S., Russia and Commonwealth of Independent States, strong shipping market, expansion of plant business in oil producing countries, rising demand for various environment-related projects and improved export competitiveness due to the weaker yen.

Under such circumstances, the Machinery Company's automobile-related business in Europe and the U.S. and construction machinery business in North America did well for the fiscal year ended March 2006 and the strong shipping market also gave a boost to its business. As a result, gross trading profit of the Machinery Company rose 11.5 billion yen to 69.5 billion yen compared with the previous fiscal year and net income increased by 3.2 billion yen on year to 13.7 billion yen.

During the fiscal year ended March 2006, the Company won orders for more than 50 ships from China, Europe and Japan including nine bulkers for Greek ship owners. In Saudi Arabia, the Company started working jointly with Sasakura Engineering Co., Ltd. on a seawater desalination plant rehabilitation project and embarked on a business to supply water, electricity and steam for the Rabigh Project. In North America, the Company invested

Organization (As of April 1, 2006)
Machinery Company

- **Plant & Project Division**
  - Marine Department
  - Oil, Gas & Petrochemical Project Department
  - Transport & Infrastructure Projects Department
  - Utility Solution Business Department
- **Automobile Division**
  - Automobile Department No.1
  - Automobile Department No.2
  - Automobile Department No.3
  - Department of Automobile Business Strategy and Development
  - Isuzu Business Promotion Department
- **Industrial Machinery & Solution Division**
  - Medical Solution Business Department
  - Industrial Machinery & Project Department
  - Fine Process Machinery Department
- Planning & Coordinating Department
- Administration Department
- Affiliate Administration & Risk Management Department

TOPICS

An automobile dealer of Nissan in Chengdu, Sichuan province, China

Investing in Automobile Dealer in Sichuan Province, China

In February, ITOCHU Group made a capital investment in Sichuan Ganghong Group Co.,Ltd.(hereinafter, "Gang Hong"), the No. 1 automobile dealer in terms of sales in Chengdu, Sichuan province, China (investment ratio: ITOCHU Corporation — 20%; ITOCHU (China) Holding Co., Ltd. — 20%). ITOCHU Corporation and Gang Hong Group had established an auto repair company in 1997 and the good relationship built on the subsequent joint management contributed to the Machinery Company becoming the first foreign company to gain approval to enter the automobile sales business in China. Gang Hong currently handles six brands from Japan, the U.S., Europe and South Korea (Nissan, Honda, Buick,