

alliance, we will collaborate with Uny and other companies on a range of initiatives. In June 2006, we increased our interest in NIPPON ACCESS INC., with the purchase of common stock. As a result, NIPPON ACCESS INC. became a core subsidiary of ITOCHU's domestic food distribution group.

Overseas, we accelerated the establishment of FamilyMart stores. In July 2005, we opened the first Famima!! store on the U.S. West Coast, and in Shanghai we launched our 100th store. These initiatives are bringing us closer to our target of achieving a global 20,000-store network.

In China, we strengthened ties with our Japanese partners and leading local companies as we pursued further business opportunities. Together with Japanese food conglomerate Kagome Co., Ltd., and Ting Hsin International Group, we established a joint venture to produce chilled fresh vegetable and fruit juices. We also launched a project with Asahi Breweries and Ting Hsin International Group to manufacture soft drinks.

As a result, in the fiscal year ended March 2006 we posted record-high consolidated net income of ¥19.4 billion.

Mid-to-Long Term Challenges and Strategies

The Food Company will concentrate on the following three strategies over the mid-to-long terms: (1) To adapt to changes in the market structure caused by Japan's aging society and long-term population decline caused by falling birthrates; (2) To seek new markets in line with the shift to higher quality and more functional foods; and (3) To play an active role in the new domestic retail market, building on our involvement in supermarkets and convenience stores.

Policies and Outlook for the Fiscal Year Ending March 2007

In the fiscal year ending March 2007, the second and final year of the "Frontier-2006" mid-term management plan, we will aim to increase consolidated revenues and earnings. To this end, we will focus on the following two key initiatives: (1) To continue applying our SIS strategy to the domestic market, as well as to overseas bases exporting to Japan, thus increasing the earnings of core businesses and major investment projects; and (2) To develop SIS strategies for overseas markets, including China and other Asian markets, especially Thailand, while expanding overseas operations that supply food to Japan and broadening the domestic consumer market.

Number of Employees

Consolidated*	6,418
Non-consolidated	379

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associate

Domestic	73
Overseas	23

Major products & Services

• Wheat, Barley • Vegetable Oils
• Soybeans, Corn • Beverage Materials (Juice, Coffee) • Sugar, Sweeteners • Dairy Products
• Marine, Livestock, Agri Products
• Frozen Foods • Processed Foods, Pet Foods • Soft Drinks, Liquor



Famima!! store at Santa Monica, U.S.

(around 8,000 stores in Japan and 12,000 stores overseas), while strengthening its ties with FamilyMart in peripheral areas,

such as food supplies, logistics, and vendor operations, by mobilizing our functions as a trading company.

NIPPON ACCESS INC. Becomes Consolidated Subsidiary

In June 2006, ITOCHU increased its stake in NIPPON ACCESS INC., transforming that company into a consolidated company. Here, our strategy to clearly position NIPPON ACCESS INC. as a core subsidiary in ITOCHU's domestic food distribution group. As a result, it will accelerate growth and strengthen the competitiveness of the Food Company in the domestic food distribution market, one of the key aims of our SIS strategy. Looking ahead, we are also considering a merger with Nishino

Trading, a core company in our domestic food group, in April 2007. We believe that closer and more effective use of these companies' business resources will enable the Food Company to expand the scale of its operations and strengthen its functional capabilities.



A distribution center of NIPPON ACCESS INC.