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President, Food Company

## Food Company

The Food Company seamlessly brings together all levels of the foodstuff field, from the development of food materials in Japan and overseas to manufacturing and processing, distribution, and the retail business. We are developing our business by applying a Strategic Integrated System (SIS), which features the building of a supply and demand system based on customer needs.

In the domestic distribution sector, the Company has built the top-level food distribution network in the industry. The three wholesalers ITOCHU SHOKUHIN Co. Ltd., Nishino Trading CO., LTD., and NIPPON ACCESS, INC. form the core of this nationwide, multi-temperature distribution network.

### Net Income from Major Group Companies\*

Years ended March 31 (Billions of yen)	2004	2005
• Nishino Trading Co., Ltd.	¥0.9	¥0.7
• Japan Foods Co., Ltd.	0.1	0.2
• FamilyMart Co., Ltd.	4.2	4.0
• CGB ENTERPRISES, INC.	0.1	0.6

\*ITOCHU's share of net income

In the retail sector, we are developing FamilyMart convenience stores. In addition to aggressively opening stores in Japan and overseas, the Company is operating FamilyMart as a major component of its SIS strategy at the forefront of its retail operations. These stores function as strategic bases, providing feedback on consumers' needs to mid and upstream operations and offering information to consumers through new products and services. We expect that these functions will continue to be enhanced.

In Asian markets centering on China and Thailand, which are experiencing a rapid expansion, we are also pursuing strategic alliances with leading local partners such as the Ting Hsin International Group (China). Our strategy is to rapidly and actively pursue the establishment of a supply base for Japan and to break into new consumer markets by transplanting to overseas markets the technology, brand power, and SIS strategy know-how we have cultivated in Japan.

### Business Performance and Priority Policies in Fiscal Year 2005

Regarding the macro environment for the industry, reorganization of the domestic food industry on all levels is progressing. In overseas markets, we are seeing sustained high growth for the food sector in China, which experiencing close to double-digit growth. Business opportunities are also expanding in China with the easing of restrictions on foreign investment in the wholesale industry in December 2004.