

We are now ready to switch to an offensive management approach aimed at accelerating the expansion of our earnings by fully exercising ITOCHU's spirit of "Aggressive Challenges."

the point where once again our financial position is damaged. To prevent such an occurrence, we intend to reduce our net DER to below 3 times by the end of fiscal year 2007, while increasing the total assets by ¥500 billion as part of our shift to an offensive business footing. This is to be accomplished by continuing to control the amount of our interest-bearing debts and improving stockholders' equity due to a contribution of net income. At the same time, we will also strengthen steadily our risk management capabilities as we enhance solid management. By adopting a strategy that balances both offensive and defensive approaches, we will strive to make the ITOCHU Group a high-profit yielding entity that generates over ¥100 billion in net profits in a steady and sustainable manner.

The following is the basic outline of the Frontier-2006 strategy. (Please see pages 14–17 for more details.)

1. Focusing on segments in which ITOCHU can demonstrate competence

Three priority areas in which the entire Company will exercise its unique capabilities are the Consumer-Related sector, the Natural Resource Development sector, and North America and Asia including China.

In the Consumer-Related sector, we are fully positioned to gain a precise and timely understanding of consumer needs based on expertise acquired through our textile business, in which we have our roots. In addition, we are well prepared to comprehensively develop our business, which spans from downstream to upstream fields (comprehensive vertical strengths).

Our Natural Resource Development sector possesses top-level asset efficiency despite its small scope in comparison to other general trading companies. We expect to generate significant profit through several large-scale projects, such as the Azerbaijan crude-oil development project, that are scheduled to begin in earnest during the period of Frontier-2006.

In our overseas business in North America and Asia including China, we have taken the industry lead in penetrating the Chinese market in particular. Our strength lies in having developed our own network of contacts, distribution routes, and collaborative relationships with major local companies.

2. Exhibiting both lateral and vertical comprehensive strengths

The main feature of Frontier-2006 lies in the fact that it focuses on comprehensive strengths in a lateral direction.

Under our past mid-term management plans, each Division Company in the Group focused more on a strategy to exercise comprehensive strengths vertically. In the future, Frontier-2006 will look beyond our individual Division Companies to develop business across the entire Group.

An example of this is our announcement of a business alliance with Orient Corporation (Orico) in February 2005. Our goal for this tie-up is not simply to expand our retail finance business. Instead, we consider the alliance an opportunity to develop a new business model, through which we can provide retail support in the form of various products to Orico's 620,000 affiliated retail outlets, as well as marketing and distribution functions. By advancing our efforts under a comprehensive, cross-company approach, we aim to expand dramatically our earnings.