

Major Group Companies Reporting Losses

Years ended March 31	Shares	(*1) Net income (loss) Billions of Yen		Reasons for changes
		2005	2004	
Domestic subsidiaries (*2)				
Roy-ne Co., Ltd	74.92%	¥(0.5)	¥ 0.0	Due to impairment loss on fixed assets
Overseas subsidiaries				
ITOCHU Europe PLC.	100.00%	¥(1.5)	¥ 0.3	Low performances in affiliated companies
ITOCHU Airlease B.V.	100.00%	(0.8)	(0.5)	Impairment losses for aircraft assets
Domestic equity-method associated companies				
Japan Brazil Paper and Pulp Resources Development Co., Ltd	25.94%	¥(0.6)	¥ 1.7	Due to recognition of goodwill impairment loss on CENIBRA
Overseas equity-method associated companies				
P.T. PURADELTA LESTARI P.T. PEMBANGUNAN DELTAMAS	25.00%	¥(1.9)	¥(1.7)	Effect of exchange loss in Indonesian rupiah

(*1) The Company's share of net income(loss) are the figures after adjusting to U.S. GAAP, which can be different from the figures each company announces.

(*2) There is Family Corporation Inc., that made a loss on goodwill impairment relating to shares of FamilyMart Co., Ltd., besides above mentioned.

Management Policy for the Future

ITOCHU has started a new mid-term management plan, "Frontier-2006, a shift to aggressive business and solid management," (a two-year plan for fiscal 2006 and 2007).

The "Frontier-2006" plan defines these two years as a period to make ITOCHU a highly profitable corporate group constantly achieving more than 100 billion yen in net income. By foreseeing changes, always seeking a "frontier", and pursuing three principles of "challenge, create and commit," ITOCHU will expand earnings and strengthen its management system with the following five measures.

- 1) ITOCHU will challenge the expansion of earnings. Under the "Frontier-2006" plan, ITOCHU defines core segments/areas within each Division Company to further accelerate the reallocation and upgrades of assets. In addition, by maximizing synergy among ITOCHU groups, ITOCHU plans to further increase earnings in consumer related sector, a strong business domain of ITOCHU and Natural resource development sector where demand increase is expected. In overseas markets, ITOCHU will not only expand business in North America and Asia including China, where ITOCHU can take a lot of business opportunities, but will also strengthen business in emerging countries such as Russia, India and Brazil, regarding them as potential markets for future expansion of business.
- 2) ITOCHU will create new business. ITOCHU will develop core fields for future profits by creating new value-added products and services in healthcare and living services (healthcare, medical treatment, hobbies and cultural educa-

tions, etc), consumer business, and innovative technologies, which are new potential markets generated by changes in population structure accompanied by declining birthrate and rapidly aging of society, diversifying lifestyle, and innovation in technologies.

- 3) To maintain a "solid management" that support "aggressive business," ITOCHU will keep controlling the amount of interest-bearing debt and enhance risk management on a consolidated basis by continuing the basic policy of further improvement of financial position and reinforcement of risk management.
- 4) ITOCHU aims at establishing a management system that supports "aggressive business." In addition to setting up a highly transparent corporate governance, ITOCHU will actively pursue CSR (Corporate Social Responsibility) through communications with society including shareholders. In addition, ITOCHU will reinforce internal control in order to strengthen risk management and secure credibility of financial reporting.
- 5) ITOCHU as a whole group will implement a more flexible human resource strategy to obtain, educate and rotate employees in order to realize ITOCHU's growth strategy.

By undertaking the above-mentioned efforts, ITOCHU will not only increase the value of ITOCHU group to reward its shareholders, but will also contribute to regional and global societies including active approaches to global environmental issues.