

Japanese trading company, and boasts a network of 14 local offices and more than 200 companies in which we have invested. We will develop our global business based on a “leveraged growth strategy” in which partners in global alliance mutually utilize strengths of the others, and will thereby capitalize on our strength in China to promote large-scale businesses on a global basis together with powerful partners.

Our third initiative involves developing innovative technologies, including biotechnology and nanotechnology. We already have in place the Innovative Technology Business Development Office, and it plays a central role in gathering and analyzing information on promising technologies from all over the world. Our focus here is on creating new businesses based on new technologies that leverage ITOCHU's strengths, an approach to apply newly developed technologies into businesses, which differs from simply developing new technologies. Although many promising fields exist, we see a tremendous business opportunities in the consumer and retail related sector. In addition to a variety of potential applications of biotechnology to medicine and food, we

believe we will be able to create a number of truly innovative businesses. For instance, we have an alliance with Hitachi Ltd. to develop applications for their “ μ -chip,” the world's smallest wireless IC tag. We see a great potential

to develop new businesses that combine the μ -chip with the nearly 120 brands we handle. We have already experimented with applications for several sports and fashion brands that would improve inventory efficiency and prevent counterfeiting. I expect such initiatives will demonstrate ITOCHU's creativity and ambition in taking on innovative technologies.

Our final initiative represents an evolution from the previous mid-term plan. We have significantly increased the scale of funds available for strategic investments because of the current imperative to obtain quality assets in order to strengthen busi-

nesses with high growth potential in the future. Specifically, we have increased the fund for strategic investments from ¥40 billion to ¥200 billion in terms of assets. In addition, the Super A&P Strategic Investment Committee helps make timely and appropriate decisions regarding strategic investments, including mergers and acquisitions to reinforce businesses, acquisitions of new technologies, and business expansion in the Asian region. Priority areas for fund allocation will be A&P segments that are expected to contribute to our target of profit doubling and mid- to long-term development projects. At the same time, we will unhesitatingly reduce the assets of or withdraw from business units that exhibit little growth potential and those that fail to enhance efficiency.

Aiming to Become the Strongest Corporate Group

Our full-scale reforms began with the Global-2000, which was executed from April 1999 to March 2001. In fiscal year 2000 under this plan, we wrote off large bad debts and other negative legacies totaling ¥303.9 billion. After that, under A&P-

These huge, heavy gears are regaining their fuel and beginning to enter a phase of acceleration. Riding on this momentum, we are ready to take a big leap toward higher profitability.

2002, we reorganized our profit structure and restructured our management system. Owing to these reforms, we substantially improved both profitability and financial position, elevating employees' sensibility to return against risks. Now, I have the sense that the big gears inside ITOCHU that were long covered with rust are beginning to inch forward, which resulted from four years of effort by our employees and group companies. These huge, heavy gears are regaining their fuel and beginning to enter a phase of acceleration. Riding on this momentum, we are ready to take a big leap toward higher profitability.