

## Doubling Profits with Super A&P Strategy

Based on the progress made under A&P-2002, we began implementing Super A&P-2004, a new two-year mid-term plan covering the period from April 1, 2003 to March 31, 2005.

Under the new plan, we will further enhance the strategies laid out in the previous A&P plan in order to more fully satisfy our customers, stockholders, employees and society as a whole. We plan to continue strengthening our existing designated profit-driving A&P segments (information and multimedia, consumer and retail related, natural resource related, financial services, North America and Asia).

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With the new plan, at the same time, we also regard the consumer and retail related sector as a “super powerful” segment in which ITOCHU has a strong market presence, and the China business, information and media, solutions, and natural resources as “attractive” businesses to strengthen. Further, as a driving tool for the future, we intend to develop new businesses that are related to innovative technologies in fields such as biotechnology and nanotechnology.

**For the two-year period under the new plan, we intend to increase the ratio of A&P assets to total assets from 50% to 74% including assets in the newly nominated “highly-efficient” segment from fiscal year 2004, and consolidated net income from A&P segments from ¥50.7 billion to ¥88.0 billion.** To reach these goals, we will advance our “selection and concentration” strategy by analyzing the business efficiency of 120 business units and applying one of three strategies: “profit doubling,” “2% & 8%” (for semi-core business units in which we target an ROA of 2% and a risk return index (RRI) of 8%), or “reduction or exit.” We intend to both increase profits and strengthen our financial position by reducing total assets and

aggressively reallocating assets.

## Initiatives to Bolster Super A&P Strategy

We have set out four major initiatives for Super A&P-2004.

Executive Vice President, Makoto Kato, has taken on the responsibility for supervising the consumer and retail related sector, our designated “super powerful” segment in which ITOCHU enjoys an overwhelming competitive advantage. He will manage a cross-company project system that encompasses the three fields of textiles; foods; and chemicals, forest products, and general merchandise; and will work to integrate all businesses that are closely related to daily consumer needs. ITOCHU is admittedly one of the largest textile companies in the world. Our food business boasts a top-tier domestic

distribution and wholesale network, and our forest products and general merchandise business has a strong presence in the construction and housing materials market. In addition, each of these businesses is characterized by a vertical synthesis of upstream, midstream and downstream businesses; that is, the integration of raw materials procurement and production, wholesaling, distribution and processing, and retailing. We have decided that it is time for us to leverage the sizable synergies that potentially exist in the three fields, and to strengthen horizontal syntheses through inter-segment consumer related projects.

For our second initiative, we set up the China Market Global Development Office to bolster our overall China-related business. The word “global” was included in the department name to indicate that our global strategy is centered on China. In other words, all ITOCHU teams in Japan, the U.S., and Europe come together as one to tackle businesses related to China. This approach differs considerably from the conventional business model of trading companies, which has been based on bilateral trade between Japan and China. ITOCHU has a longer history in China than any other