

The New Mid-Term Management Plan, “Frontier-2006” (from April 2005 to March 2007)

Moving Toward “Aggressive” Management Based on Our Achievements

Due to the thorough implementation of the A&P strategy, ITOCHU has built a business foundation geared to sustained growth with a reformed profit structure and an improved financial position. Going forward, we aim to shift gears by adopting a more aggressive approach to business to take on the “challenge” of expanding earnings and to “create” new businesses. We are also “committed” to adhering to solid management, namely a further improvement of our financial position and strengthening of risk management capabilities, and evolving into a highly profitable corporate group capable of stable and consistent performance achieving more than ¥100 billion in net income. With these objectives, we formulated our new mid-term management plan, Frontier-2006.

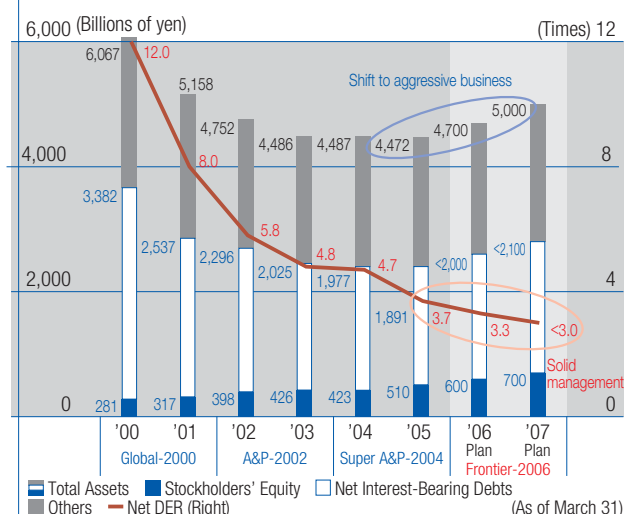
Summary of Frontier-2006

Frontier-2006, which is aimed at the two-year period from the fiscal year ending March 2006, envisions a net income of ¥110 billion in the final fiscal year of the plan. The plan seeks to establish an earnings structure capable of consistently generating more than ¥100 billion in net income, irrespective of changes in the business environment.

In contrast to the A&P strategy in which we focused on improving asset efficiency, Frontier-2006 seeks to increase total assets while maintaining a highly-efficient structure, reflecting our aggressive stance. Specifically, the plan calls for an increase in investments of ¥200 billion

and an expansion of trade receivables by the fiscal year ended March 2007, thereby raising total assets by ¥500 billion from the end of the term under review to a projected ¥5 trillion. Meanwhile, solid management will also be implemented through a reduction of net DER to a level below 3.0 times by the end of the fiscal year ending March 2007. Specifically, net interest-bearing debts will increase from ¥1,891.1 billion at the end of the term under review, but they will still be held to a level under ¥2,100 billion. The plan also expects an increase in stockholders' equity of approximately ¥200 billion from the end of the term under review due to the contribution of net income.

Further Improvement of Financial Position



Numerical Plan and Summary

A&P-2002	Super A&P-2004	Frontier-2006		2006-2007
		Challenge to expand earnings		
—“Selection & Concentration”—“Asset Reallocation & Upgrading”—				
		Create new business		
2002-2003	2004-2005	Commit		
		Billions of Yen		
		2005 (Result)	2006 (Plan)	2007 (Plan)
		(Years Ending March 31)		
Net Income		77.8	100	110
Total Assets		4,472	4,700	5,000
Net DER		3.7 times	3.3 times	Below 3.0 times

Establish a highly profitable corporate group that constantly achieves more than 100 billion yen in net income