

# Mid-Term Management Plan, "Frontier-2006"

(Two-Year Plan for the fiscal year ended March 2006 and the fiscal year ending March 2007)

## Outline of Mid-Term Management Plan, "Frontier-2006"

The basic policy of "Frontier-2006," a mid-term management plan which has been in progress in ITOCHU Group since the fiscal year ended March 2006, is to expand its earnings and to strengthen the management system during this two-year period (the fiscal year ended March 2006 and the fiscal year ending March 2007) to establish a highly profitable corporate group constantly achieving more than ¥100 billion in net income by foreseeing changes, seeking the Frontier always, and pursuing the three principles of "Challenge, Create and Commit." There are two key phrases set forth in "Frontier-2006." One is the "Shift to aggressive business" and the other is the "Enhancement of solid management." ITOCHU is working on these two strategies through the following five measures.

1) ITOCHU will challenge the expansion of earnings. By defining core segments/areas within each Division Company, ITOCHU will further accelerate the selection and concentration of management resources while continuing promotion of the reallocation and upgrades of assets. In addition, by maximizing synergy among ITOCHU groups, ITOCHU plans to further increase earnings in the Consumer Related sector, a strong business domain of ITOCHU, and the Natural Resource Development sector where demand increase is expected. In overseas markets, ITOCHU will not only expand business in markets in North America and Asia including China where many business opportunities are anticipated, but will also strengthen business in emerging countries such as Russia, India and Brazil, regard-

ing them as potential markets for future expansion of business.

2) ITOCHU will create new business. ITOCHU will develop core business fields for future profits by creating new value-added products and services in health-care and living services (healthcare, nursing care, medical treatment, hobbies and cultural education, etc.), consumer business, and innovative technologies, which are new potential markets generated by changes in population structure accompanied by the declining birthrate and rapidly aging of society, diversifying lifestyle, and innovation in technologies.

3) To enhance the "solid management" that supports "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 its financial position and reinforcement of risk management.

4) ITOCHU aims at establishing a management system that supports "aggressive business." In addition to setting up highly transparent corporate governance, ITOCHU is actively pursuing Corporate Social Responsibility (CSR) through communication with society including shareholders. In addition, ITOCHU is reinforcing internal control in order to strengthen compliance and to secure the 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.

## Numerical Plan and Summary

A&P-2002	Super A&P-2004	Frontier-2006		
		2006-2007		
		Challenge to expand earnings		
—"Selection & Concentration"—"Asset Reallocation & Upgrading"—				
2002-2003	2004-2005	Create new business		
		Commit		
		Billions of Yen		
		2005 (Result)	2006 (Result)	2007 (Forecast)
Net Income		77.8	145.1	155.0
Total Assets		4,472.3	4,797.0	5,200.0
NET DER		3.7 times	2.4 times	2.3 times

(Years Ending March 31)

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