Acceleration of Reallocation of Assets and Optimal Use of Funds for Strategic Investments

In Super A&P-2004, we will more dynamically implement selection and concentration. In order to do this, we have methodically analyzed our 120 business units, classifying them into three groups: "highly-efficient" units (with over 2% of ROA and 8% of RRI), "semi-efficient" units (with over 2% of ROA or 8% of RRI) and "low-efficient" units. We will apply the "profit doubling" strategy to the highly-efficient units, the "2%&8%" strategy to the semi-efficient units to be improved to meet both criteria. Low-efficient units are to be further classified into either the "2% & 8%" or the "reduction or exit" strategy. Businesses to be fostered mid- to long-term including natural resource development will be separately dealt with. This process will be applied to all business units in ITOCHU including ones in A&P segments. Thus, there is a possibility of any units in A&P segments being reduced or exited, and vice versa, aiming to allocate more assets to efficient units.

Risk Return Index (RRI) = Net Income / Risk assets
Risk Assets = Asset book value x Risk weight for each asset

"Profit doubling" Strategy

This strategy is to be applied to the highly-efficient units. Focus will be on increasing profits, through an increased asset base.

These units will have a top priority in the allocation of funds for strategic investments, which consist of a ¥200 billion of total assets. Strengthening will include acquisition of high quality assets by M&As and support of new projects.

"2% & 8%" Strategy

The 2% & 8% strategy is to be applied to the semi-efficient units and relatively higher bracket of the low-efficient units with over 1% of ROA and over 4% of RRI. Primary focus will be on improving efficiency of current assets. At the same time, these units will seek to reach 2% in ROA and 8% in RRI by reducing current assets and increasing alternative assets. New investments will be allowed only as a replacement to the low-efficient assets, thus without increasing in the unit's assets.

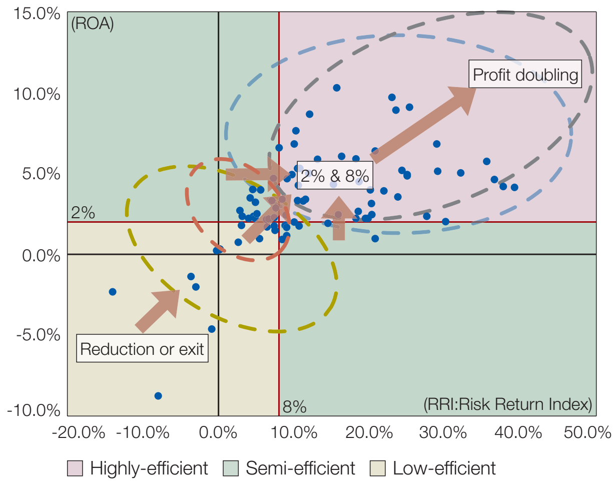
"Reduction or exit" Strategy

The reduction or exit strategy is to be applied to the low-efficient units.

The headquarters will continuously monitor asset efficiency to ensure the reduction in assets and interest-bearing debts.

Funds for strategic investments: We have prepared funds for strategic investments composed of ¥200 billion of total assets. By accelerating our investments in highly strategic areas, we aim to promote intensive allocation of management resources.

Analysis by Segments



Goals of Super A&P-2004

1) Optimization of our Asset Portfolio and Profit Growth in A&P Segments

Our target is to increase the ratio of A&P assets to total assets from the current 50% as of March 31, 2003 to 63% as of March 31, 2005, with consolidated net income earned from A&P segments increasing from the current ¥50.7 billion to ¥88 billion.

As a result of our efforts to reorganize the non-A&P assets, we have seen some "highly-efficient" assets emerging from the non-A&P segments. We will pursue growth in profit from these assets, positioning them as growth areas next to A&P segments (see page 8 for results and plans).