

Expanding Earnings

Vertical reinforcement (strengthening core segments led by each Division Company)



Priority Measure 1: Expansion of Our Earnings

1. Vertical Reinforcement through Division Company Leadership and Lateral Integration Across the Entire Company

Under the previous mid-term management plan, we selected priority A&P segments based on the major definition of Divisions or Division Companies. Reflecting the results that the assets of A&P segments accounted for nearly 80% of the total assets, under Frontier-2006 we will select priority segments in much smaller units to speed up selection and concentration aimed at expanding earnings. Specifically, the Division Companies will each specify core segments and proceed with the selection and concentration of management resources, thereby increasing the earnings of Division Companies. We also will continue to emphasize asset efficiency, setting a minimum requirement for all Division Companies to clear the hurdle of 2% ROA and 8% RRI (vertical reinforcement).

Conversely, to strengthen lateral business development across the Company beyond the framework of Division Companies, we will exhibit our Group strength under the primary leadership of the Function and Value (FV) Committee, focusing on those fields requiring a cross-company effort such as the Consumer-Related sector, Natural Resource Development sector, and markets in North America and Asia, including China (lateral integration).

2. Cross-Company Focus Area 1: Consumer-Related Sector

ITOCHU is developing a broad spectrum of businesses in a variety of fields associated with clothing, food, and housing. Among these is the textile business, where we boast overwhelming strength in fields ranging from raw material development to the brand business. Also in the foods business, we excel at grasping consumer needs at our FamilyMart convenience stores and our leading food distribution network. Other segments include chemicals, forest products, and general merchandise, where we manage operations ranging from the interior shop Illums to global trade in materials such as rubber and pulp.

Along with these comprehensive vertical strengths, ITOCHU is accelerating business development through ongoing efforts to apply its comprehensive lateral strengths, namely the formation of cross-Division Company linkages. Examples include the expansion of credit card operations of the Finance, Realty, Insurance & Logistics Services Company through the FamilyMart convenience stores of the Food Company. Other linkages are being formed involving the Aerospace, Electronics & Multimedia Company, which create logistics control systems by attaching the wireless IC tag “μ chips” they handle to the brand products of the Textile Company. In particular, our plan is for lateral integration at FamilyMart and Orient Corporation to become a cornerstone of our efforts.