Review of Super A&P-2004

(from April 2003 to March 2005)

Since the fiscal year ended March 2004, ITOCHU has implemented its two-year mid-term management plan, Super A&P-2004, which represents the final phase of the A&P strategy launched in the fiscal year ended March 2002.

The A&P strategy defines A&P segments as fields and regions attractive to customers and in which ITOCHU is powerful. It then sets the framework for accelerating the reallocation of assets to these highly-efficient segments, thereby boosting asset efficiency and increasing earnings.

Our numerical targets for the fiscal year ended March 2005, as set at the start of the mid-term management plan, were affected by early application in the fiscal year ended March 2004 of impairment accounting for fixed assets under Japan GAAP. Although we fell somewhat short of the plan's initial target of ¥540 billon in stockholders' equity, we essentially reached our main targets for net income, ROA, ROE, and net DER. We also achieved most of our various policy and qualitative targets, and determined that we could achieve fully satisfactory results concerning the reform of our profit structure and an improvement in our financial position, which are the overall objectives of the A&P strategy.

1. Enhancing Our Profitability through an Optimized Asset Portfolio

Highly-efficient business units including the A&P segments, namely those with at least 2% of ROA and at least 8% of RRI*, were targeted for earnings expansion through strategic investment. Meanwhile, less-efficient business units that failed to satisfy these requirements were subject to drastic downsizing and withdrawal measures.

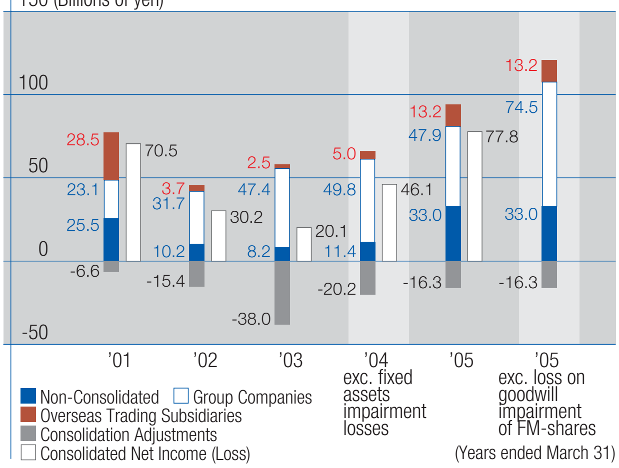
As a result, we succeeded in building a high profit structure by increasing the proportion of total assets accounted for by A&P and other highly-efficient segments from 50% at the end of the fiscal year ended March 2003 to 78% at the end of the fiscal year under review.

ITOCHU set the scope of strategic investment to a total of ¥100 billion over the two-year period and invested particularly in the Consumer and Retail Related segment and in Asia, especially China. These investments include a coal development project in Australia (approximately ¥22 billion), Orient Corporation (approximately ¥22 billion**), Isuzu Motors Ltd. (approximately ¥19 billion), Prima Meat Packers, Ltd. (approximately ¥6 billion), and a joint venture with Asahi Breweries, Ltd. in the soft drink business in China (approximately ¥3 billion).

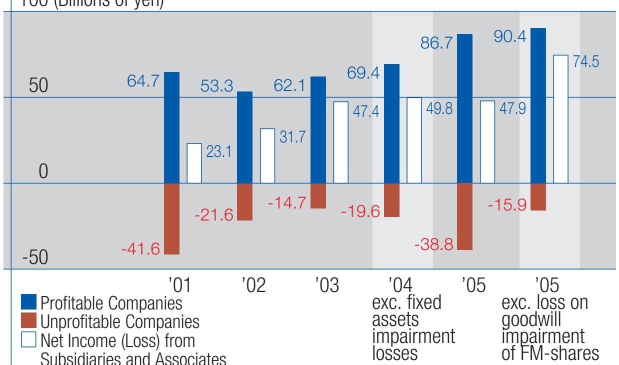
* RRI (Risk Return Index) = Net income/Risk assets
Risk assets = Maximum potential loss from possession of assets
= Σ (Asset book value x Risk weight for each asset)

** The total amount of investment up to the present in Orient Corporation, including investments in the fiscal year ending March 2006, is approximately ¥70 billion.

Structure of Net Income (Loss)



Net Income (Loss) from Group Companies



	'01	'02	'03	'04 exc. fixed assets impairment losses	'05	'05 exc. loss on goodwill impairment of FM-shares
Number of subsidiaries and associates	740	671	651	645	656	656
Ratio of profitable companies	73.5%	76.2%	80.2%	82.8%	83.1%	83.2%

(Years ended March 31)