ITOCHU made a good performance in the Natural Resource Development sector for the fiscal year ended March 2006. Do you foresee the business will continue to expand after the fiscal year ending March 2007? Also what is your growth strategy for other businesses?

We do not foresee any possibilities of sharp drops in resource and energy prices during the fiscal year ending March 2007, because steady demand for resources is expected to continue from China and other countries. In addition, there is little possibility that resource producing countries can make a sharp increase in their production capacities in a short-term. Thus, ITOCHU anticipates that our Natural Resource Development sector will remain to be our important profits sector for the fiscal year ending March 2007.

However, we foresee that current high prices are unlikely to continue after the fiscal year ending March 2007. Accordingly, we are careful in examining new resource development projects to prevent, so-called, "high price buy."

Our consolidated net income for the fiscal year ended March 2006 comprises some 40% of net income earned in the Natural Resource Development sector, 30% in the Consumer Related sector, and 30% in other sectors. ITOCHU will maintain these net income percentages, namely earning some 30% of net income in each of these sectors in order to maintain a balanced corporate management.

Would you tell us ITOCHU's view of investment and criteria for screening on decision making?

ITOCHU is a general trading company that engages in vast and diverse operations, encountering various risks, such as market risk and credit risk. To counter these risks, ITOCHU has adopted Risk Capital Management (RCM) that focuses on corporate risk management. At present, the Company grasps a total of risk volumes and implements the control of individual business portfolios of the Division Companies.

Among others, ITOCHU's basic view of investment is to carefully screen business projects whose return to risk asset (RRI: Risk Return Index) exceeds shareholders' equity cost. In addition to our RRI criterion, ITOCHU, as an investor, determines whether the target company deserves our investment by examining criteria of the target company, such as RRI, ROA, income scale, and the number of years to clear cumulative losses. As for overseas investment, ITOCHU takes foreign exchange risks into consideration and sets shareholders' equity cost by the country to determine whether or not to make investment.

We also think that reallocation of assets is essential for utilizing limited Group resources and forming high-profits and high-efficiency Group companies, besides examining new investment projects. In line with this view, ITOCHU monitors not only deficit-ridden Group companies but also profitable businesses if their income scale is small or if their operation is not efficient. Then, the Company sells the assets of those that cannot meet the criteria or withdraws from the industry.

According to ITOCHU's mid-term management plan, you will invest some ¥200 billion (in net value) for two years. Would you tell us the progress that you have made so far and a plan for the final year?

ITOCHU invests in businesses and projects with good prospects but withdraws from those in low efficiency and poor strategic role within the Group.

ITOCHU invested a little over ¥230 billion (in gross value) in new projects for the fiscal year ended March 2006. The major investment projects include Orico, North Sea oil field concession, iron ore related expansion in Australia, and acquisition of a new brand in the area of textile.

On the other hand, ITOCHU withdrew from businesses and projects worth of some ¥110 billion. The net difference of ¥120 billion is the actual investment for the fiscal year ended March 2006. We anticipate that our investment level will remain almost the same for the fiscal year ending March 2007.

ITOCHU will continue to screen projects and boost investment as we have done in the past based on our investment criteria. Meanwhile, we will also continue to implement our exit criterion steadily to low efficient businesses and projects.