

Human Resources is said to be essential for a trading company. Would you tell us ITOCHU's basic view of Human Resources and its policy?

ITOCHU recognizes that securing and training workers are extremely important in order to uphold high competitiveness and to target higher growth all the time.

We continue to employ new graduates as our main recruitment source and mid-career personnel as immediately useful players to complement the new graduate recruitment source. Under this recruitment policy, ITOCHU sets a goal of employing 150 to 160 workers annually from its mid-to-long term viewpoints.

ITOCHU anticipates that it will become difficult to secure workers stably, due to the increasing retirement of the baby-boomer generations and declining birth rates. To counter the situation, the Company will continue to maximize the diversity of employees, regardless of gender, nationality, and age based

on the "Promotion Plan on Human Resource Diversification" that the Company formulated in December 2003.

ITOCHU bases its Human Resources policy on precisely grasping the capability, aptitude, and preference of workers and appointing the right person in the right place, regardless of the age and sex in order to make the most of them.

Moreover, ITOCHU has been emphasizing the training of employees for the management position who can work in the world-level. Such targets include young and female management personnel and thus, we can promote consolidated management of the Group. Furthermore, ITOCHU has established personnel programs in Group companies abroad, that aims to promote the appointment of local staff in the management of ITOCHU.

Would you tell us ITOCHU's strategy abroad?

Our mid-term management plan, "Frontier-2006," sets a goal of earning a half of consolidated net income in overseas. ITOCHU will boost profits in North America, China, and other Asian regions, which have been defined as priority markets in "Frontier-2006," for the fiscal year ending March 2007. ITOCHU has also defined Russia, India, and Brazil to be emerging markets with growth potential and is introducing a number of preceding aggressive steps to boost revenues in these markets in the future.

ITOCHU saw increasing profits in its building material related business, construction equipment business, and small generators related business in the North America market due to steady demand for housing and facilities. The Company foresees increasing profits for the fiscal year ending March 2007 compared with the previous fiscal year, due to favorable performances of the Group companies that are continuing to boost revenues.

ITOCHU also saw a favorable performance in China for the fiscal year ended March 2006 due to a strong performance in its financing business and increasing revenues stemmed from trading of chemicals and nonferrous materials. ITOCHU invested in the beverage business established by the Dingxin group and the Asahi group, and in the leading automobile dealer in the city of Chengdu in the Sichuan Province. Both investment projects are closely associated with the local industry. Since China entered into the WTO in 2001, many domestic markets have been opened to overseas corporations, domestic laws and regulations have been eased, and legislative arrangement has been promoted. With these movements, ITOCHU obtained the authorization of the Company as a Regional Headquarters of Transnational Corporation from the Ministry of Commerce of China in September 2005. The authorization has enabled ITOCHU to acquire a right to have international trade, a right to market products in the domestic market, and a right to invest in outside China.

ITOCHU established a trading subsidiary in India in April 2006 to boost revenues stemming from trades within the emerging market. During the fiscal year ended March 2006, ITOCHU increased exports to India centering on energy-related products, chemicals

(synthetic fiber materials), and textiles (fabric products). Moreover, the Company has won an LNG terminal expansion project contract, and has been preparing itself for the infrastructure business including new freight railway and traffic system construction.

For Russia and the surrounding areas, ITOCHU made a sharp increase in sales for the fiscal year ended March 2006, mainly due to boosting trade of crude oil from Azerbaijan and Russia and increased sales of automobiles in Russia. It is noteworthy to report that the ACG Oil Field Development Project started crude oil production in the western Azeri oil field, which has been on the gradual increase of production.

ITOCHU regards Brazil to be an important nation as a resource producer. Thus, the Company has been cooperating on a number of resource and energy related projects. Particularly, ITOCHU has worked and will continue to work with Petróleo Brasileiro S.A.(Petrobras) for joint projects including investment in resources outside Brazil. Concerning pulp business, ITOCHU has set a goal of becoming No. 1 in terms of pulp trade volumes in the world. To this end, the Company is focusing on increase in trade of pulps in Asia, North America, and Europe through Celulose Nipo-Brasileira S.A (CENIBRA) in which ITOCHU has invested through Japan Brazil Paper and Pulp Resources Development Co., Ltd. (JBP).

