

"Frontier-2006" - Shift to Aggressive Business and Enhancement of Solid Management - Toward the Final Fiscal Year of the Plan

Assessing the outlook for the future business environment surrounding the ITOCHU Group, domestically we expect a positive growth cycle will be maintained in which the high level of corporate profits will bring about an increase in employment and capital investment and this in turn will lead to an expansion in production and earnings.

Turning our eyes to overseas, the economies of the U.S.A. and China are expected to expand in spite of a slight slow down. An accelerated recovery driven by domestic demand is forecast for the economies of Europe and Southeast Asia. Meanwhile it will be necessary to pay continuous attention to an increase in inflationary pressures from the world-wide economic expansion.

Further promotion of the mid-term management plan "Frontier-2006"

Taking into consideration these situations both at home and abroad, the ITOCHU Group has decided to continue and further strengthen the basic policies of "Frontier-2006" in the final fiscal year of the plan, the fiscal year ending March 2007. We will establish the optimal management system underpinning "aggressive business" and "solid management," accelerate the shift to aggressive business, and continue to enhance solid management. The banner to success is now "Acceleration of the shift to aggressive business."

(1) Earning expansion

ITOCHU will accelerate the management resources injection in the core segments led by each Division Company in order to expand earnings to take advantage of our vertical strength. Furthermore, we will strengthen the promotion structure of our company-wide projects, work toward horizontal integration in the Consumer Related and Natural Resource Development sectors, the fortes of the ITOCHU Group, and shoot for earning expansion. In addition in the priority markets of North America and Asia including China, we aim to expand our earnings further, while positioning Russia, India, and Brazil as emerging markets and proactively proceeding with strategic moves for future earning expansion.

(2) New business creation

We will expand the consumer business where needs are diversifying further amid the accelerated declining birthrate and aging society. We will strengthen the healthcare & living services sector including medical treatment, nursing care, hobbies, travel, primarily for seniors. In the area of innovative technologies, we will take the initiatives of boosting global strategic alliances and realizing earlier profit generation. Furthermore, we have established the "Corporate Development Meeting" with the president as chairperson and will strengthen our endeavors to develop new businesses including the consumer business, healthcare & living services sector, and innovative technologies businesses.

(3) Further promotion of enhancement of solid management

ITOCHU will continue the strict control of interest-bearing debt, make further advancement of our financial position, formulate more sophisticated risk management policies toward further strengthened risk management. We will continuously monitor internal control systems for their evaluation and improvement and work tirelessly to strengthen them. Concerning our corporate social responsibility (CSR) efforts, we will strengthen our communication with our stakeholders and constantly work to improve and enhance CSR. Moreover we will steadfastly pursue our endeavors to establish more highly transparent corporate governance.