The Preparations are Complete, and ITOCHU is Now Ready to Proactively Seek New Opportunities.

Since I became CEO in April 2010, I have worked to rapidly implement a wide range of reforms, centered on the theme of "strengthening our front-line capabilities." We have achieved the objective that we set out at the beginning of fiscal 2011—to resolve pending issues by the end of March 2011, and have laid the foundation for proactively seeking new opportunities.

Under Brand-new Deal 2012, the basic policies are to strengthen our front-line capabilities, proactively seek new opportunities, and expand our scale of operations. On that basis, the entire ITOCHU Group will work together to "Earn, Cut, Prevent."

We will do our utmost to meet the expectations of all of our stakeholders.

M. Okafuji

Masahiro Okafuji President & Chief Executive Officer

Great East Japan Earthquake

First, I would like to offer our deepest condolences to all those who suffered from the Great East Japan Earthquake.

We are praying for the earliest possible recovery for the disaster-stricken areas, and will do everything that we can to provide ongoing support for these areas.

At this point, the overall impact of the earthquake on ITOCHU's results in fiscal 2012 is expected to be minimal. However, the impact on our operations could be more significant if there is no improvement in sluggish domestic consumption and the current electricity shortages in Japan. Moving forward, we will maintain a close watch on the operating environment and implement appropriate responses as needed. If the situation changes, we will provide updates on the ITOCHU web site—http://www.itochu.co.jp/en/news/

ITOCHU—Moving to a New Growth Stage

Since the mid-1990s, ITOCHU has taken steps to improve its balance sheet, such as rigorously disposing of inefficient assets and reducing interest-bearing debt. As we strengthened our balance sheet, conditions in the markets for resources and energy began to improve around the mid-2000s, and we were able to build an earnings platform that can steadily generate profits of more than ¥100 billion a year. We have increased consolidated stockholders' equity more than threefold, from about ¥310 billion at the end of March 2001 to ¥1,150 billion at the end of March 2011. At the same time, we have reduced net interest-bearing debt by about ¥900 billion. Consequently, NET DER (net debt-to-equity ratio) improved substantially, from 8.0 times to 1.4 times. Through the rigorous pursuit of efficiency over the past 10 years, ITOCHU has dramatically improved its financial position.

On the other hand, over the same period, our total assets have increased by only a small margin of 6.0%.

During the 10-year span in which we were focused on reinforcing the strength of our balance sheet, the business environment around the world changed dramatically. In particular, China and other emerging countries have grown to become the engines of global economic growth. The robust demand from these countries for any and all kinds of goods, and the resulting rise in the price of natural resources, have had a major influence on the earnings of all general trading companies. This process of change in the external environment has given rise to an abundance of business opportunities, but the strict operational rules that we had adopted in the pursuit of efficiency ended up hindering our business activities. Consequently, I feel that we may have missed certain opportunities to acquire highly-profitable assets. I also believe that those operational rules were the reason for our relative lack of growth in total assets.

In the changing environment, "to maintain" means "to decay." Now, the financially-strengthened ITOCHU needs to make a transition to more aggressive management, taking on risk that we can reasonably handle and obtaining new sources of earnings. In fiscal 2011, we focused all of our capabilities on preparing for that new stage of growth.

Review of Frontier[e] 2010

"Don't carry pending issues over to the next fiscal year." This was the objective that we set out at the beginning of fiscal 2011, which was the final year of Frontier[e] 2010. Accordingly, we decided to aggressively accelerate the disposal or replacement of inefficient assets and to recognize resulting losses.

We decisively resolved pending issues and restructured or disposed of low-efficiency businesses. For example, we recognized impairment losses on Orient Corporation and other listed equity-method associated companies, and liquidated 41 affiliates that were unprofitable or had limited growth potential. Furthermore, we recognized valuation losses on marketable securities. Nonetheless, thanks to the higher-than-expected levels of natural resource and energy prices, we recorded net income attributable to ITOCHU of ¥161.0 billion, an increase of about ¥32.8 billion from fiscal 2010 and higher than our initial plans.

Stockholders' equity became ¥1,154.8 billion at the end of fiscal 2011, an increase of ¥56.4 billion from fiscal 2010, and NET DER, a key indicator of financial soundness, improved to 1.4 times.

Total new investments over the two years of the plan were about ¥560 billion on a gross basis. Due to asset replacement, our exit from existing investments totaled about ¥110 billion, so our net investment was about ¥450 billion. We achieved our objectives for both gross and net investment.

Overall, we fulfilled the objective that we set out at the beginning of fiscal 2011—to avoid carrying pending issues over to fiscal 2012—and also achieved the initial target for net income. Accordingly, I believe that we achieved satisfactory results. Also, we made investments in highly-profitable assets that will contribute to enhancing our earnings base without excessive concentration in any specific area.

In addition, we implemented a wide range of internal reforms. These reforms prepared the foundation for proactively seeking new opportunities in fiscal 2012 and thereafter.

Internal Reforms: Supporting Sales Activities

For the growth of a general trading company, nothing is more important than the customer. Brand business is a good example. The business requires investment in intangible assets, trademarks, and the calculation of brand value is based on how customers support the brand. In much the same way, natural resource businesses depend on relationships with the customers who purchase the natural resources, such as steelmakers. These relationships determine the effectiveness of the distinctive trading company business model—leveraging synergies between natural resource development and trade—and they make it feasible for trading companies to invest huge sums in equity interests in natural resource businesses.

In other words, strong businesses are those that keep their customers close. If we continue to provide what customers want, then our business opportunities will be unlimited.

Therefore, what is essential is to grasp customer needs through close, ongoing communications with them. I believe that this approach was the driving force behind ITOCHU's growth as a general trading company in a wide range of business areas.

The goal of our internal reforms is to return to this traditional approach, and to that end, we have revised the previous operational rules where the focus was on control over business departments, and have established an environment that aggressively supports sales activities.

Streamlining Operating Rules: Reallocating Management Resources to Seize More Business Opportunities

First, we decisively reduced the frequency of in-house meetings and the volume of materials used in meetings. New business is generated, not in the conference room, but on the front lines. The time required to prepare materials is time that could be better spent with customers. The substantial amount of time that was previously used by participating in in-house meetings and preparing materials can now be directed toward our customers and for business-creation opportunities.

The revision of our investment criteria was one facet of streamlining operating rules. These criteria, which had been the same for all Division Companies, have been subdivided into 40 categories by industry, enabling investment that is more closely attuned to the distinctive features of specific business areas. For example, as a result of this revision, it has become easier to invest in businesses where high profitability is not anticipated, but stable profits can be expected, such as infrastructure businesses. We are already seeing results from this revision. In fiscal 2011, we were able to move forward with some high-potential initiatives under the new investment criteria, such as the acquisition of interests in gas-fired power plants in the United States.

Moreover, in conjunction with the revised investment criteria, we also changed our method of calculating risk assets. The previous method, which was strictly focused on improving our financial position, was excessively conservative and treated all assets in the same manner. Accordingly, we revised the risk asset calculation method to reflect the distinctive features of specific assets, making it possible for us to track risk more effectively and to implement appropriate investment activities.

Fair Personnel and Compensation Systems: Working Together to Proactively Seek New Opportunities

Previously, under ITOCHU's pay-for-performance compensation system, compensation was based on the performance of individual employees and the results of the organizational unit in which they worked. In practice, however, this system ended up putting too much weight on unit results in a single fiscal year. Unit results are not always accurately reflected in a single year, and there were many cases in which initiatives originally launched by the previous employees of a unit only began to generate results years later. This resulted in questions of fairness when a single year's results were weighted very heavily in the compensation of employees who had just recently joined that organizational unit.

For example, there were major differences in the compensation of employees in the Energy, Metals & Minerals Company, which, in recent years, has been driving ITOCHU's earnings against a background of favorable market conditions, and employees in other Division Companies. These differences were not a fair reflection of the performance of individual employees. Also, from the perspective of effective allocation of personnel, rather than having top-rank employees

concentrated in units with strong results, we wanted to create a system in which all employees can work with high levels of motivation to support the future success of ITOCHU. Through the elimination of the organizational results evaluation system, we have improved the personnel compensation system so that now unit results are only a small factor in the compensation of individual employees. As a result, counterproductive sectionalism has disappeared, and we are returning to the traditional approach of trading companies—reaching beyond organizational boundaries and working together to provide what the customer wants.

Moreover, we have also revised our system for evaluating and promoting officers of our affiliates. Abandoning the system of uniform standards for all, we revised the mandatory retirement age system for officers so that highly capable officers can stay in their jobs for longer periods of time.

Organizational Reforms: Targeting Full Use of Management Resources and a Rigorous Focus on Front-Line Operations

As one facet of efforts to prepare the foundation for proactively seeking new opportunities, we also substantially revised our organization. In ITOCHU's first large-scale reorganization in 11 years, the seven Division Companies were streamlined into five Division Companies.

We have strengths in the consumer-related sector and the natural resource/energy-related sector. To further enhance earning power, we need to reinforce our businesses in these sectors, as well as in other areas. In particular, machinery is a sector in which business activities often generate opportunities in other areas. In accordance with this concept, we created the ICT & Machinery Company through the merger of the Machinery Company and the ICT, Aerospace & Electronics Company to achieve a scale of earnings that would enable flexible asset replacement. Moving forward, we will reallocate our personnel and other management resources to key growth areas.

Also, the Finance, Realty, Insurance & Logistics Services Company, which has had weak earnings in recent years, has been split into the Construction & Realty Division, Financial & Insurance Services Department, and Logistics Services Department—these new units do not belong to any specific Division Company. The Construction & Realty Division will establish a business model that can secure stable earnings through joint initiatives with leading partners in Japan and overseas. The Financial & Insurance Services Department and the Logistics Services Department, meanwhile, will work to strengthen their earning power and capabilities in their respective areas of specialty.

We also reorganized the headquarters administrative organizations. We consolidated the previous 16 administrative divisions into 11 divisions, thereby fostering increased administrative efficiency and strengthening administrative capabilities. In addition, functions that had been concentrated in headquarters, such as business accounting and control and credit control, have been shifted to the Division Companies. These reforms were implemented to ensure that administrative divisions also implement a rigorous focus on front-line operations and work together closely with business departments to foster "practical management" on the front-lines. I believe that, by strengthening the synergies between the "gas pedals" (business departments) and the "brakes" (administrative organizations), we will be able to make full use of both capabilities.

Through the various initiatives that I have described, we have created a system that will focus ITOCHU's full strengths on proactively seeking new opportunities. Next, I will provide an overview of our new medium-term management plan.

Medium-Term Management Plan—Brand-new Deal 2012

We selected the name Brand-new Deal 2012 to incorporate the concepts of "building a new ITOCHU Corporation" and "accelerating growth." The basic policies are as follows: Strengthen Our Front-Line Capabilities, Proactively Seek New Opportunities, and Expand Our Scale of Operations. With an entirely new spirit, officers and employees will work to achieve growth in profits and expansion in scale.

Committed to Achieving Our Quantitative Objectives

The plan covers the two-year period from April 2011 to March 2013. However, there are a number of areas of uncertainty about the future of the economic environment, and it is difficult to forecast natural resource prices. Consequently, the quantitative plan covers one year, fiscal 2012.

The plan calls for record-high results at each major level of profit on the income statement, with net income attributable to ITOCHU of ¥240.0 billion, an increase of 49.0% from fiscal 2011. Of course, we will not expand our scale of operations for its own sake, but will strictly follow our financial discipline to maintain financial soundness. By further increasing consolidated stockholders' equity and controlling interest-bearing debt, we will maintain consolidated NET DER at a sound level of about 1.6 times, and will basically balance risk assets and the risk buffer.

My philosophy is that plans should be achieved. It is ideal to exceed them. We will rigorously implement the three guiding principles—Earn, Cut, Prevent—and strive to meet, at least, the targets spelled out in the plan.

I believe that we have prepared the foundation for initiatives related to the "Earn" principle by resolving pending issues and liquidating low-efficiency businesses, thereby increasing the earning power of Division Companies, and by profit contribution of new projects. We will continue to step up initiatives related to the "Cut" principle. Our objective for the SG&A expenses to Gross trading profit ratio is a reduction of 10.0 percentage points over the two years of fiscal 2011 and 2012. In addition, the headquarters will step up its involvement in affiliates with especially high expenses.

Over the period from the bursting of Japan's bubble economy to the early 2000s, many Japanese companies recorded substantial losses, and ITOCHU was no exception. Subsequently, due to the ascendance of emerging countries, to rising prices for natural resources and energy, and to the decreasing importance of borders in the global economy, the external environment faced by management has shown increasing volatility. Given the large number of uncertain elements in our business environment, I think that we need to place a special emphasis on the "Prevent" principle, that is, on preventing losses. In addition to eliminating easy decision-making and focusing on profitability and future potential, we will invest in projects where we have knowledge, where we can take the initiative and demonstrate our capabilities, and where losses will be minimized even if the unexpected happens. When necessary, we will move rapidly to exit from investments.

Measures by Key Sector: Extend Strengths and Improve Weaknesses

Under the new plan, we have formulated the following measures by key sector: Aggressively Expand Business in China, Increase and Accumulate Assets in the Machinery-Related Sector, and Expand and Upgrade Business in the Natural Resources.

ITOCHU has already entered capital and business tie-ups with Shanshan Group Co., Ltd., one of China's leading conglomerates, and TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major food and distribution company in China and Taiwan. In China, where the economy is currently experiencing rapid growth, local companies like these are active in expanding their lines of business. Typically, joint ventures are limited to a single line of business, but if we can build strong relationships with this type of holding company, there will be diverse cooperative business opportunities as the partner's businesses grow. That is a major advantage of these types of relationships. ITOCHU has expanded these types of partnerships with leading companies into a broad range of business areas. In spring 2011, we concluded a comprehensive strategic alliance with the CITIC Group, a major Chinese government-run conglomerate. In addition to the financial services that we had already been developing with CITIC, we will now expand business activities to an extremely wide range of areas, including real estate, natural resource development, and the consumer-related sector.

Now, other general trading companies are also focusing on the China market, but ITOCHU moved ahead of them because we have had the longest history in China among the Japanese general trading companies. As I mentioned earlier, we have developed relationships of trust with leading companies. In addition, we have market knowledge that we have accumulated over our extensive history in China. We have more human resources who can conduct business in Chinese than any other general trading company. I am committed to maintaining our position as the strongest trading company in the China market and to expanding our competitive edge, and to that end, we have already made strategic preparations. Moving forward, we want to generate a steady stream of new business by leveraging ITOCHU's unique strengths to provide added value to partners and by serving as an intermediary between those partners and other Japanese companies.

In the Machinery-Related Sector, we will accumulate superior assets that generate stable earnings in such areas as IPP (independent power producer), infrastructure, and auto retail finance, through strong partnerships with leading companies. In addition, we will also focus on growth areas, such as lithium-ion batteries, renewable energy, and Life & Healthcare. In the United States, which is the world's largest renewable energy market, we are already moving forward with wind power projects in cooperation with General Electric Company.

In the Natural Resource-Related Sector, earnings tend to be susceptible to market fluctuations. However, from a long-term perspective, market conditions are expected to be supported by firm demand in emerging countries. Consequently, we continue to position this sector as a source of ongoing growth in our earnings, and we will strive to expand our businesses. Leveraging our strengths in trade, we will implement strategic initiatives with rapid decision-making that is prudent, yet bold.

In the oil and gas area, we will implement new investment with the objective of doubling our equity interests. We will also further strengthen our businesses in the areas of iron ore and coal, where we have the No. 2 position among general trading companies. We will take steps to expand our equity interests by steadily advancing follow-on investment in existing projects, as well as investment in new projects, not only in Australia but also in South America and other regions. Also, given the current state of technological innovation and environmental issues, there is a need for stable, long-term supplies of non-ferrous metals, including rare metals and rare earth metals. Accordingly, we will allocate resources to build an earnings platform in this area.

Of course, it goes without saying that we will continue to pay close attention to profitability. Even if the amount of the investment is comparatively large, we will aggressively move forward, within our financial capacity to manage projects, in the cases that projects have completed the exploration stage, or, even if projects are still in the exploration stage, we determine that we can increase the probability of success and reduce risk through cooperation with knowledgeable partners.

Investment Policy: Investing in Carefully-Selected Projects in Which We Can Take the Initiative

Over a two-year period, we are planning new investment of ¥800 billion on a gross basis. In comparison with the investment during the period covered by the previous medium-term management plan, this is an increase of about ¥240 billion. However, we will never accumulate investments just to meet a numerical target. We will invest in carefully-selected projects while maintaining a balance among sectors. On the other hand, we will continue to exit from projects in unprofitable areas and areas with poor growth prospects.

There are four business sectors under this plan: Consumer-Related Sector, Natural Resource / Energy-Related Sector, Machinery-Related Sector, and Chemicals, Real Estate, and Others Sector. Under the previous plan, the Machinery-Related Sector and Chemicals, Real Estate, and Others Sector were included in the "Other" category and handled in a uniform manner. However, in consideration of the distinct characteristics of these areas, we have decided that it is no longer appropriate to treat them as if they were all in the same category. In chemicals, our businesses are already in the top class in the industry, and in the Machinery-Related Sector, we expect strong growth. In conjunction with the measures in the new medium-term management plan, we reclassified the Machinery-Related Sector as an independent sector.

Policies for Overseas Operations: Discovering Business Opportunities Around the World

Under our policies for overseas operations, we recognize that there are many business opportunities, not only in emerging countries such as China, but in other countries and regions. Consequently, we will not limit ourselves to a particular set of focused countries and regions. For example, there is no doubt that India, another newly-emerging country, will be a huge consumer market in the future and will offer substantial business opportunities. Even in industrialized countries with mature economies, there is substantial room for ITOCHU to expand its business by leveraging its capabilities, management resources, and relationships with partners.

One example is our acquisition of the Kwik-Fit Group, the largest tire retailer in the United Kingdom. By integrating the knowledge, networks, and know-how of Kwik-Fit and Stapleton's (Tyre Services) Ltd., an ITOCHU subsidiary that is the largest tire wholesaler in the U.K., we will create substantial synergies and build an unshakeable position at the top of the tire distribution industry among general trading companies.

In this way, our strategy calls for discovering more profitable opportunities in markets around the world. To that end, the plan does not include geographical priorities. Rather, overseas business development will be advanced under the leadership of the Division Companies based on their individual strategies.

Strengthening Our Management Foundation: Cultivating Industry Professionals

We say that trading companies are made up of their people. Human resources are the greatest management asset of general trading companies, and cultivating them is the key to securing a competitive edge over the long-term. Accordingly, investing in human resources is one of our top priorities. For example, our per person spending on education and training places us in the top ranks, not only of general trading companies, but of all companies in Japan.

We have instituted a system for dispatching all young employees overseas. Under this system, we have not only conducted English training in the United States and other countries, but also instituted mandatory overseas study of Chinese.

If general trading companies are to maintain their strong presence in a variety of industries, they must provide capabilities that are not available from other companies and must offer added value that leverages their distinctive strengths. Language skills are one of those strengths.

Moving forward, we will step up our efforts to cultivate industry professionals in a wide range of areas.

We will not neglect our efforts to strengthen internal control systems, risk management, and corporate governance. In June 2011, two highly independent outside directors were appointed. Through advice and suggestions based on specialized knowledge and objective viewpoints, they will contribute to the further bolstering of ITOCHU's corporate governance.

Stockholder Returns: Meeting Expectations of Stockholders with a Clear Policy

For fiscal 2011, we paid ¥9 per share as an interim dividend, as well as a year-end dividend of ¥9 per share, for a full-year dividend of ¥18 per share. For fiscal 2012, we announced our dividend payout ratio, which had been an issue for ITOCHU. Specifically, under the current medium-term management plan, our annual dividend targets will be a dividend payout ratio of 20% on net income attributable to ITOCHU up to ¥200 billion, and a dividend payout ratio of 30% on the portion of net income attributable to ITOCHU exceeding ¥200 billion. In accordance with this policy, if net income attributable to ITOCHU reaches our target of ¥240 billion, dividends for fiscal 2012 will be ¥33 per share. We will endeavor to clearly meet the expectations of stockholders through increasing earnings.

Sustainable Growth: Aiming to be a Company that Fills an Essential Role

The key capabilities and roles of trading companies have changed with the times, developing overseas sales channels for superb products from Japan, or introducing first-rate products from overseas to Japan's consumers. However, there exist capabilities and roles that customers always expect us to provide. To sustain a competitive advantage, we need to continue to provide distinctive capabilities and added value in a variety of industries so that we are always needed by our customers. In addition, we must continue to take the initiative in markets.

Moreover, from a broader perspective, we need to continue to fulfill a role that is essential for society through our business activities as well. As shown by the Great East Japan Earthquake, there are many tasks that can be accomplished by companies, not by the government. In addition to direct support such as donations, companies have the duty and ability to provide support through their various business activities. To provide support that is ongoing and effective, however, it is necessary for a company to have a certain operational scale and strength. Expanding profits and contributing to society are not mutually contradictory by any means. Rather, I believe that they are in accord with the idea of being a company that fills an essential role through business activities.

I will manage ITOCHU in the determination that we will help to drive recovery and growth for Japan's economy.

In Closing

I have always been proud that ITOCHU, which originated from the traditions of the Ohmi merchants, is the strongest among trading companies not belonging to any of Japan's conventional industrial groups ("*Zaibatsu*"). As can be seen from our current strengths in the consumer-related sector, our founding business of textiles was closely linked with consumers. From that starting point, we expanded our areas of business into heavy industry and natural resource-related areas. ITOCHU's history is truly unique. What enabled us to grow in this way are the talents of each individual employee and the fact that we have distinct front-line capabilities of discovering and cultivating business opportunities. Accordingly, to recover the original strength of ITOCHU, I will continue to emphasize "strengthening front-line capabilities."

We are now facing a period of great change. It is necessary that we take the initiative and move boldly to drive future progress. I would like to assure our stockholders, investors, and other stakeholders that we are committed to making further progress in strengthening our front-line capabilities and creating a new stage of growth for ITOCHU.

FY2012-FY2013 Medium-Term Management Plan

Brand-new Deal 2012

Earn, Cut, Prevent

Basic Policies:

- **Strengthen Our Front-line Capabilities**
- **Proactively Seek New Opportunities**
- **Expand Our Scale of Operations**

Quantitative Plan

Billions of Yen

	FY2011 (results)	FY2012 (plan)
Gross Trading Profits	¥1,041.3	**¥1,050.0**
NET Income Attributable to ITOCHU	161.0	**240.0**
Total Assets	¥5,673.7	**¥6,400.0**
Net Interest-Bearing Debt	1,633.2	**2,200.0**
ITOCHU Stockholders' Equity	1,154.8	**1,350.0**
NET DER	1.41 times	**1.6 times**

Measures by Key Sector

China: Aggressively Expand Business

Strengthen initiatives with local strong partners

- Deepen relationships with Shanshan Group, Ting Hsin Holding, COFCO, CITIC, etc.

Pursue promising China-related projects companywide

- Establish a China business promotion committee

Enhance human resources in China

Machinery-related: Increase and Accumulate Assets

Accumulate assets with stable earnings

- IPP, infrastructure business, auto retail finance

Bolster activities in growth fields

- Lithium-ion batteries, renewable energy, life and healthcare

Strengthen partnerships with leading companies

Select superior projects and tightly focused allocation of management resources

Natural Resources: Expand and Upgrade Business

Oil and Gas

- Make new investments targeting a two-fold increase in natural resource interests
- Bolster global trade development

Iron Ore / Coal

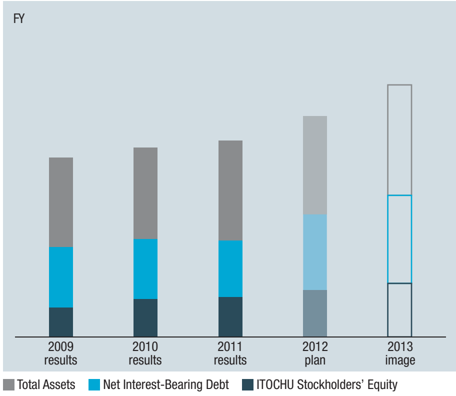
- Invest in project expansion in Australia and Brazil
- Participate in major new coal projects

Uranium / Non-ferrous metals / Biomass fuels

Investment Policies

Increasing Assets
- Continue to increase consolidated stockholders' equity beyond current level of more than ¥1 trillion; continue to increase financial foundation
- Achieve asset growth while maintaining financial soundness
- Implement tightly focused allocation of assets in each field while maintaining balance among four business sectors

Aggressive New Investment
- Over two-year period, planned investment of ¥800.0 billion on a gross basis
- Aggressively accumulate superior assets, expand scale of earnings and assets
- Continue to replace assets by exiting from low-efficiency investments



Consumer-Related Sector	Increase assets in China and other overseas markets and thereby increase stable earnings Planned new investment of **¥100.0 billion to ¥200.0 billion**
Natural Resource / Energy-Related Sector	Drive growth in companywide earnings by steadily increasing share to total assets Planned new investment of **¥350.0 billion to ¥450.0 billion**
Machinery-Related Sector	Implement focused reinforcement of earnings platform through expansion of assets with stable earnings Planned new investment of **¥100.0 billion to ¥200.0 billion**
Chemicals, Real Estate, and Others Sector	Implement methodical expansion in line with strategies for each segment Planned new investment of **¥50.0 billion to ¥150.0 billion**

Strategies for Affiliate Management

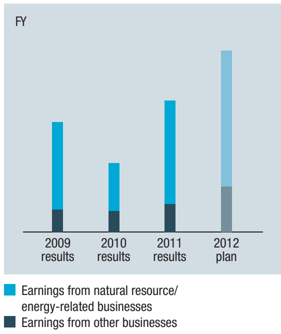
Implement tightly focused operational management
- Strengthen profit base through allocation of management resources in core and promising business
- Continue to liquidate and consolidate low-efficiency businesses

Prevent emergence of stagnant businesses and provide management support
- Improve the problem-solving abilities of administrative divisions and reinforce their commitment to the front lines

Strengthen Group cohesiveness
- Continue focusing on fair evaluation and assignment of top executives of affiliates

Policies for Overseas Operations

Quantitative objectives
- Establish stable profit base of more than ¥50.0 billion in sectors other than the natural resource / energy-related sector



Activity policies
- Advance overseas business development under leadership of each segment's operational front-lines
- In the consumer-related sector, cultivate powerful partners in countries, where strong economic growth is expected
- Enhance human resources in overseas blocks

Strengthen Management Foundation to Support a Commitment to Taking Assertive and Forward-looking Action

Cultivate "industry professionals," "strong human resources"
- Step up OJT by reinforcing leadership capabilities of section managers.
- Continue to enhance training program
- Provide appropriate opportunities and take other steps to upgrade the skills and capabilities of individual employees

Strengthen corporate governance
- Utilize highly independent outside directors
- Conduct appropriate, efficient operation of companywide meetings and committees, such as the board of directors, HMC, and internal committees

Optimize internal control / risk management
- Promote effective internal control system operated by front-lines
- Bolster compliance systems through an emphasis on priority areas
- Strengthen internal administration and auditing organizations overseas
- Revise asset limit management in specific business segments
- Undertake full-fledged construction of consolidated risk management system
- Introduce "stress tests" to quantitatively assess the potential risk under unexpectedly adverse market conditions