New Mid-term Plan, Super A&P-2004

ITOCHU has recently begun its new mid-term management plan "Super A&P-2004" for the two-year term from April 2003 to March 2005. Our primal goals are to double profits and further strengthen financial position by focusing on our Super A&P strategy based on the results of the previous mid-term plan, "A&P-2002."

Super A&P Strategy

The Super A&P strategy deepens the initiatives that were implemented in the A&P strategy, further focusing on the A&P segments which we highlighted in the previous plan. We will strengthen our strategic allocation of management resources through aggressive selection and concentration.

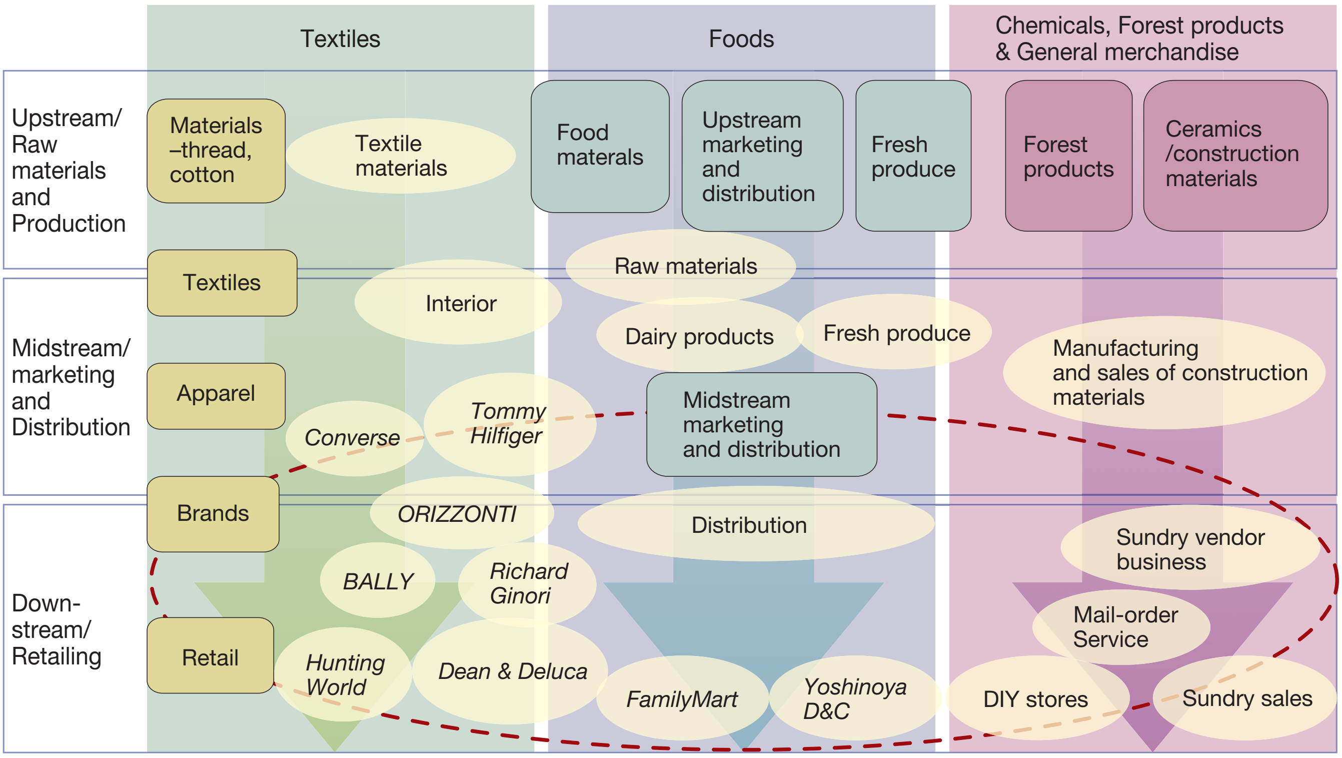
Specifically, we have positioned the consumer and retail related sector and the Asian region centered on China as our growth engine. We plan to allocate more management resources to these segments throughout the two years. In addition, we will actively develop new businesses including new technologies as one of our core businesses in the future (see page 13 for our China strategy and page 14 for our innovative technology related business strategy).

Numerical Plans for Super A&P-2004 (Consolidated-basis)

	Billions of Yen	
	Plans of the First Year of Super A&P-2004	Plans of the Second Year of Super A&P-2004
	2004	2005
P/L (For fiscal years):		
Net income	45.0	75.0
B/S (As of March 31):		
Total assets	4,450.0	4,400.0
Interest-bearing debts	2,500.0	2,350.0
Net interest-bearing debts	2,000.0	1,950.0
Stockholders' equity	470.0	540.0
Ratio (For fiscal years):		
ROA	1.0%	1.7%
ROE	9.6%	13.9%
Net DER	4.3 times	3.6 times
Equity ratio	10.6%	12.3%

Super Powerful: Consumer and retail related
Attractive: Information and multimedia, Natural resource development, Financial services, North America, Asia

Strategy for the Consumer and Retail Related Sector



Acceleration of Reallocation of Assets and Optimal Use of Funds for Strategic Investments

In Super A&P-2004, we will more dynamically implement selection and concentration. In order to do this, we have methodically analyzed our 120 business units, classifying them into three groups: "highly-efficient" units (with over 2% of ROA and 8% of RRI), "semi-efficient" units (with over 2% of ROA or 8% of RRI) and "low-efficient" units. We will apply the "profit doubling" strategy to the highly-efficient units, the "2%&8%" strategy to the semi-efficient units to be improved to meet both criteria. Low-efficient units are to be further classified into either the "2% & 8%" or the "reduction or exit" strategy. Businesses to be fostered mid- to long-term including natural resource development will be separately dealt with. This process will be applied to all business units in ITOCHU including ones in A&P segments. Thus, there is a possibility of any units in A&P segments being reduced or exited, and vice versa, aiming to allocate more assets to efficient units.

Risk Return Index (RRI) = Net Income / Risk assets
Risk Assets = Asset book value x Risk weight for each asset

"Profit doubling" Strategy

This strategy is to be applied to the highly-efficient units. Focus will be on increasing profits, through an increased asset base.

These units will have a top priority in the allocation of funds for strategic investments, which consist of a ¥200 billion of total assets. Strengthening will include acquisition of high quality assets by M&As and support of new projects.

"2% & 8%" Strategy

The 2% & 8% strategy is to be applied to the semi-efficient units and relatively higher bracket of the low-efficient units with over 1% of ROA and over 4% of RRI. Primary focus will be on improving efficiency of current assets. At the same time, these units will seek to reach 2% in ROA and 8% in RRI by reducing current assets and increasing alternative assets. New investments will be allowed only as a replacement to the low-efficient assets, thus without increasing in the unit's assets.

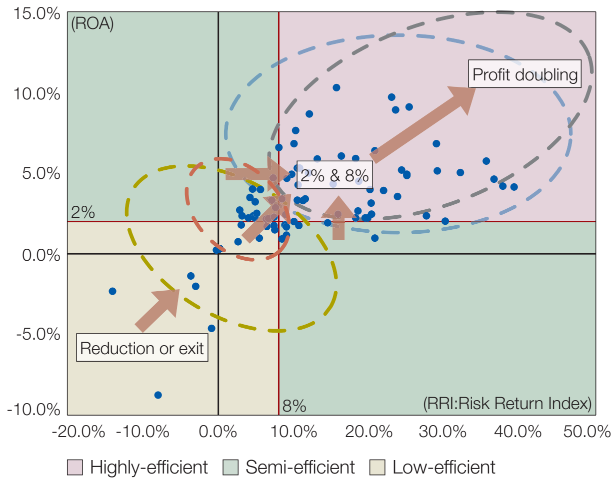
"Reduction or exit" Strategy

The reduction or exit strategy is to be applied to the low-efficient units.

The headquarters will continuously monitor asset efficiency to ensure the reduction in assets and interest-bearing debts.

Funds for strategic investments: We have prepared funds for strategic investments composed of ¥200 billion of total assets. By accelerating our investments in highly strategic areas, we aim to promote intensive allocation of management resources.

Analysis by Segments



Goals of Super A&P-2004

1) Optimization of our Asset Portfolio and Profit Growth in A&P Segments

Our target is to increase the ratio of A&P assets to total assets from the current 50% as of March 31, 2003 to 63% as of March 31, 2005, with consolidated net income earned from A&P segments increasing from the current ¥50.7 billion to ¥88 billion.

As a result of our efforts to reorganize the non-A&P assets, we have seen some "highly-efficient" assets emerging from the non-A&P segments. We will pursue growth in profit from these assets, positioning them as growth areas next to A&P segments (see page 8 for results and plans).

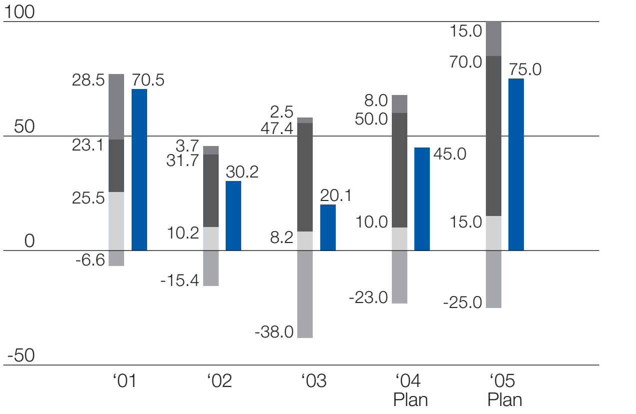
2) Consolidated Net Income Structure with Special Emphasis on Net Income from Group Companies

Since we have to a great extent achieved the restructuring of unprofitable companies during the period of A&P-2002, our current focus is shifting to the maximization of profit from profitable companies. To achieve this, we will strengthen the businesses of core companies with profit contribution of over ¥1 billion, and semi-core companies from ¥0.3 to ¥1 billion. At the same time, we will consolidate the overall profitability of overseas trading subsidiaries, by recovering profitability of businesses in North America, particularly in the fields of consumer and retail related and other services as well as expanding profits from Asian operations. ITOCHU also plans to continue to ensure an adequate level of profitability on a non-consolidated basis to pay dividends consistently and stably.

3) Improving the Financial Position

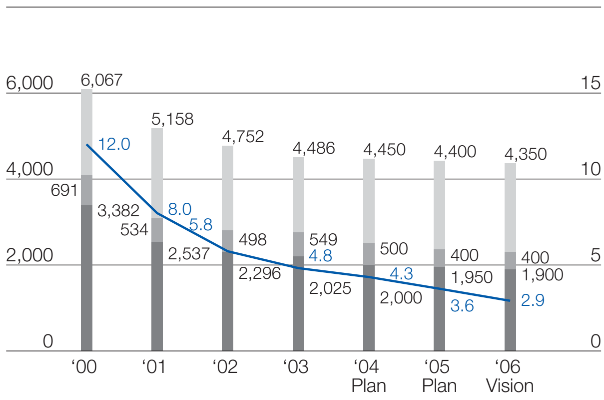
We plan to improve the net DER to 3.6 times, by reducing total assets to ¥4,400 billion and net interest-bearing debts to ¥1,950 billion as of March 2005, and on the other hand, increasing stockholders' equity to ¥540 billion by retaining earnings.

Structure of Consolidated Net Income



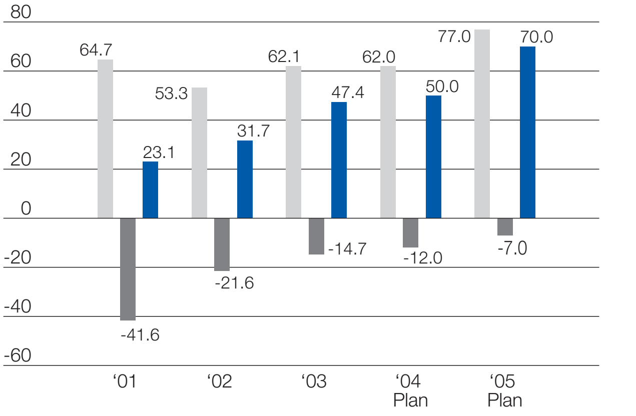
Years ended March 31

Total Assests, Interest-Bearing Debts and Net DER



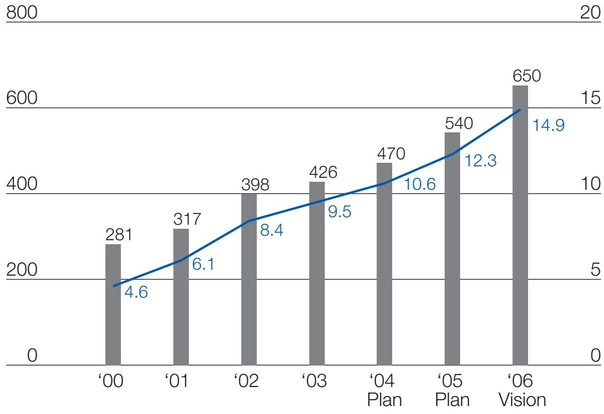
As of March 31

Net Income from Group Companies



Years ended March 31

Stockholders' Equity and Ratio of Stockholders' Equity to Total Assets



As of March 31