

Frontier+ 2008

**FY2008 - FY2009
Mid-Term Management Plan**

**May 8, 2007
ITOCHU Corporation**

Frontier-2006 – Quantitative Review



Established highly profitable corporate group constantly achieving ¥100 billion or more in consolidated net income

Frontier-2006 - Results

(¥ billion)

	FY2006 (results)	FY2007 (results)
Net income	145	177
Total assets	4,797	5,271
Net DER	2.4 times	1.8 times

Frontier-2006 - Initial Plan

(¥ billion)

	FY2006 (plan)	FY2007 (plan)
Net income	100	110
Total assets	4,700	5,000
Net DER	3.3 times	less than 3.0 times

Shift to Aggressive Business

Achieved highest-ever consolidated net income

Consumer related sectors:	further advanced brand business developed food wholesale business in Japan and overseas
Natural resource / energy related sectors:	expanded iron ore project in Western Australia expanded production of ACG crude oil development project
New businesses:	undertook strategic preparation in life and health care sector entered preventative medical care sector

Solid Management

Further improved financial position >>Achieved net DER of 1.8 times

Reinforced internal control

Pursued ITOCHU DNA Project

Frontier-2006 - Investment Plan

Actively undertake investment to increase earnings

Net investment of approximately ¥200 billion over 2 years

※Net investment = Total investment minus disposition

Frontier-2006 – Results

Net investment of ¥310 billion (total investment: ¥500 billion) over 2 years

- ① Consumer related sectors: 1/4
- ② Natural resource / energy related sectors: 1/4
- ③ Other sectors (machinery, IT, financial services, chemicals etc.): 1/2

Frontier-2006 - Main Investment Projects

Consumer related sectors:	Paul Smith, LeSportsac, NIPPON ACCESS
Natural resource / energy related sectors:	IMEA (Australian), ACG (Azerbaijan) BTC Pipeline, Alba and Caledonia (UK North Sea)
Other sectors:	Orient Corporation, Isuzu Motors, Akebono Brake

Frontier+ 2008

- Enhancing Corporate Value on the World Stage -

Basic Policies

In addition to continuing efforts reflecting *Frontier-2006* themes, we will be more aggressive. At the same time, we will strive to become a *Global Enterprise* that is highly attractive to all stakeholders.

- Global perspective:** Increase earnings worldwide by developing business as a truly global enterprise
- Create new initiatives:** Leverage change, take on challenges, open up new areas
- Enhance human resources:** Seek, foster, and fully utilize the talents of personnel worldwide

Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Frontier+ 2008

(¥ billion)

	FY2007 (results)	FY2008 (plan)	FY2009 (plan)
Net income	177	210	210
Total assets	5,271	5,800	6,300
Net DER	1.8 times	1.7 times	Less than 1.7 times

Assumptions

	FY2007 (results)	FY2008	FY2009
Currency exchange (¥/\$)	117	110	110
Interest (%) TIBOR(¥)	0.4%	1.1%	1.7%
Oil (\$/BBL)	66	55	Equivalent to FY2008
Iron ore (\$/ton)	53	58	Equivalent to FY2008
Coal (hard coking)(\$/ton)	116	98	Equivalent to FY2008

Oil: Brent crude oil

Iron ore, hard coking coal: benchmark price for Japan market

Frontier+ 2008

- Enhancing Corporate Value on the World Stage -

Key Measures

Develop new business areas
Accelerate overseas business development
Strengthen core businesses

Financial strategy
Risk management
Governance / Internal control
Corporate social responsibility

Human resources strategy
with global perspective

Develop new business Areas

Frontier+ 2008

- Enhancing Corporate Value on the world stage -

L-I-N-E-S - future earnings mainstays

Create new initiatives

Life & Health Care: Medical and health related businesses
 * Established Healthcare Business Department in headquarters

Infrastructure: Functional infrastructure (IT / LT/ FT) / social infrastructure related businesses

New Technologies & Materials: Biotechnology, nanotechnology, etc.

Environment & New Energy: Solar Power, Bio Ethanol, etc.

Synergy

Textile Company.

Machinery Company

Aerospace, Electronics & Multimedia Company

Energy, Metals & Minerals Company

Chemicals, Forest Products & General Merchandise Company

Food Company

Finance, Realty, Insurance & Logistics Services Company

Development organization of headquarters

Accelerate Overseas Business Development



Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Global perspective

Priority regions:
 • North America, China/Asia
 * Promote lateral initiatives across Asia



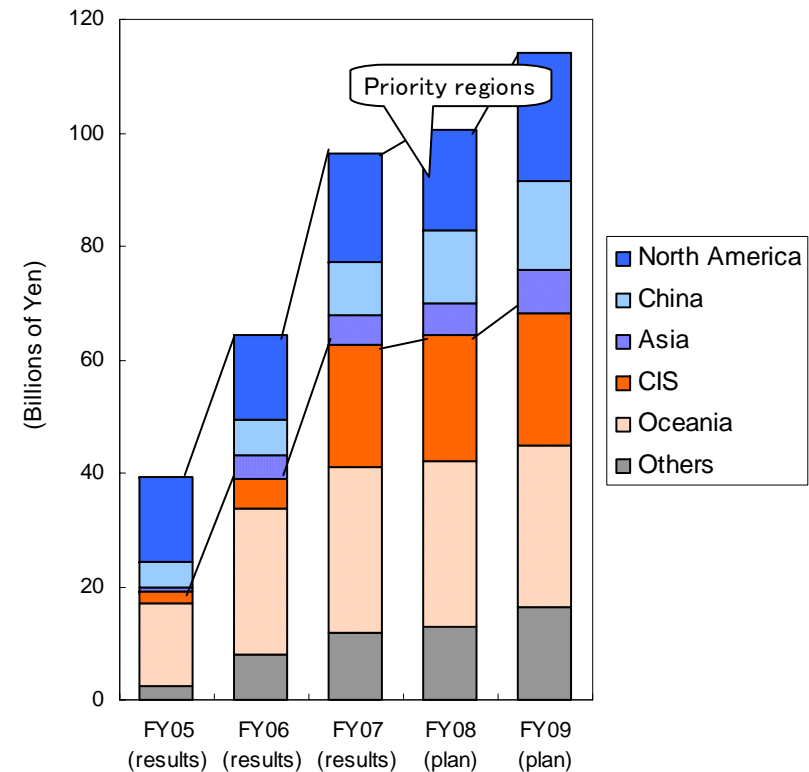
Focus regions:
 • Growing countries with rich natural resources
 • Countries in which ITOCHU enjoys an advantage

Plan to undertake approximately 70% of companywide investment overseas, centered on priority regions

Nurture global human resources

Increase earnings from overseas businesses

* Overseas businesses = overseas subsidiaries & affiliates

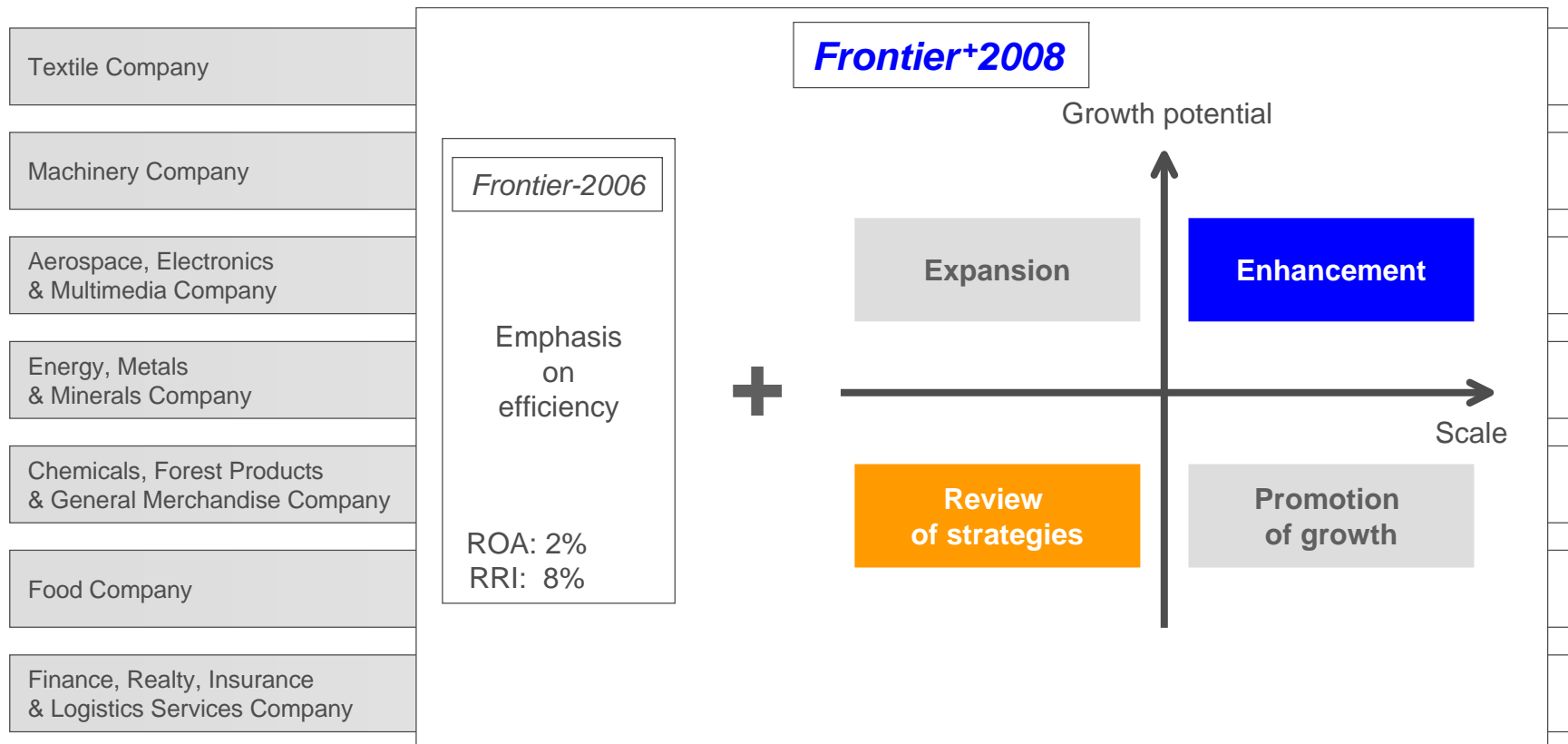


Strengthen Core Businesses



Frontier+ 2008

- Enhancing Corporate Value on the world stage -



Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Investment plan

Frontier+ 2008 earmarks total investment of ¥500 billion over 2 years

Major investment targets

Consumer related sectors	Brand-marketing sector	Form alliance with brand holders, acquire new trademark rights, and develop businesses in China / Asia
	Food sector	Advance global SIS (Strategic Integrated Systems) strategy, in addition to domestic SIS strategy
	General merchandise sector	Develop businesses and trading globally around a core of building materials, pulp / paper, and rubber / tire
Natural resource / energy related sectors	Natural resource development sector	Enhance earnings base through the expansion of existing projects and the acquisition of new projects in metal and energy, and through synergies with trading business.
Other sectors	Automobile sector	Expand trading in growth markets and develop automobile related businesses in strategic markets.
	Information technology sector	Pursue scale with CTC(ITOCHU Techno-Solutions Corp) at the core, and develop service businesses that exploit IT infrastructure
	Financial sector	Expand retail business with Orico playing the center role and develop market trading and wholesale services
	Chemicals sector	Develop business on a global scale, from basic chemicals through to plastic products and pharmaceuticals

Strategy for Retail Financial Services



MIZUHO



New Business Development

Provide services and goods through the channels and networks of ITOCHU and MIZUHO

Strategies for New Credit Cards

Develop credit card businesses with MIZUHO



Leveraging Synergies

Pursue synergies through business alliance between ITOCHU and Orico

Strategies for Existing Credit Cards

Develop retailer-affiliated credit card operations



Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Basic Dividend Policy

ITOCHU maintains and reinforces its competitive power as well as increases stockholders' equity by retaining earnings to promote growth strategy. ITOCHU's basic policy regarding dividend payments is a consistent and stable distribution of returns to stockholders considering its business performance.

Through ***Frontier+ 2008***, ITOCHU increases dividend amount gradually and aims to improve dividend payout ratio, while improving parent company's stockholders' equity.

Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Financial Strategy / Risk Management

Further enhance stockholders' equity
Strict control of risk assets

Governance / Corporate Social Responsibility / Internal Control

Strengthen corporate governance
Actively take initiative in advancing corporate social responsibility
Establish appropriate and efficient internal control

ITOCHU DNA Project

In collaboration with internal control projects, further promote business process re-engineering to enhance operational efficiency.

Frontier+ 2008

- Enhancing Corporate Value on the world stage -

Enhance human resources

Nurture managerial human resources

Nurture global human resources

Develop management level human resources throughout the Group
Promote further diversification of human resources
Establish a Global Human Resources Center

Frontier+ 2008

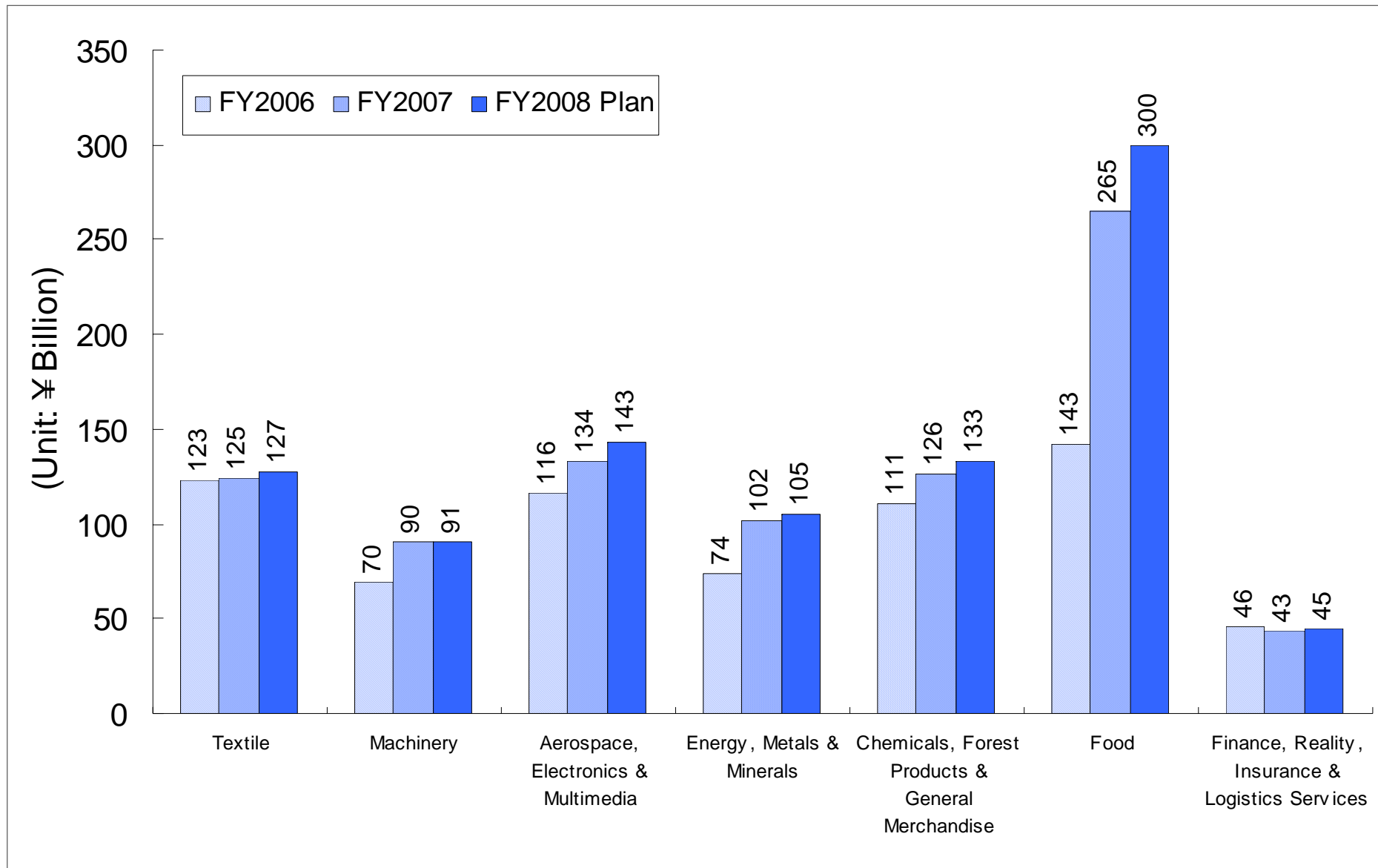
- Enhancing Corporate Value on the World Stage -

Basic Policies

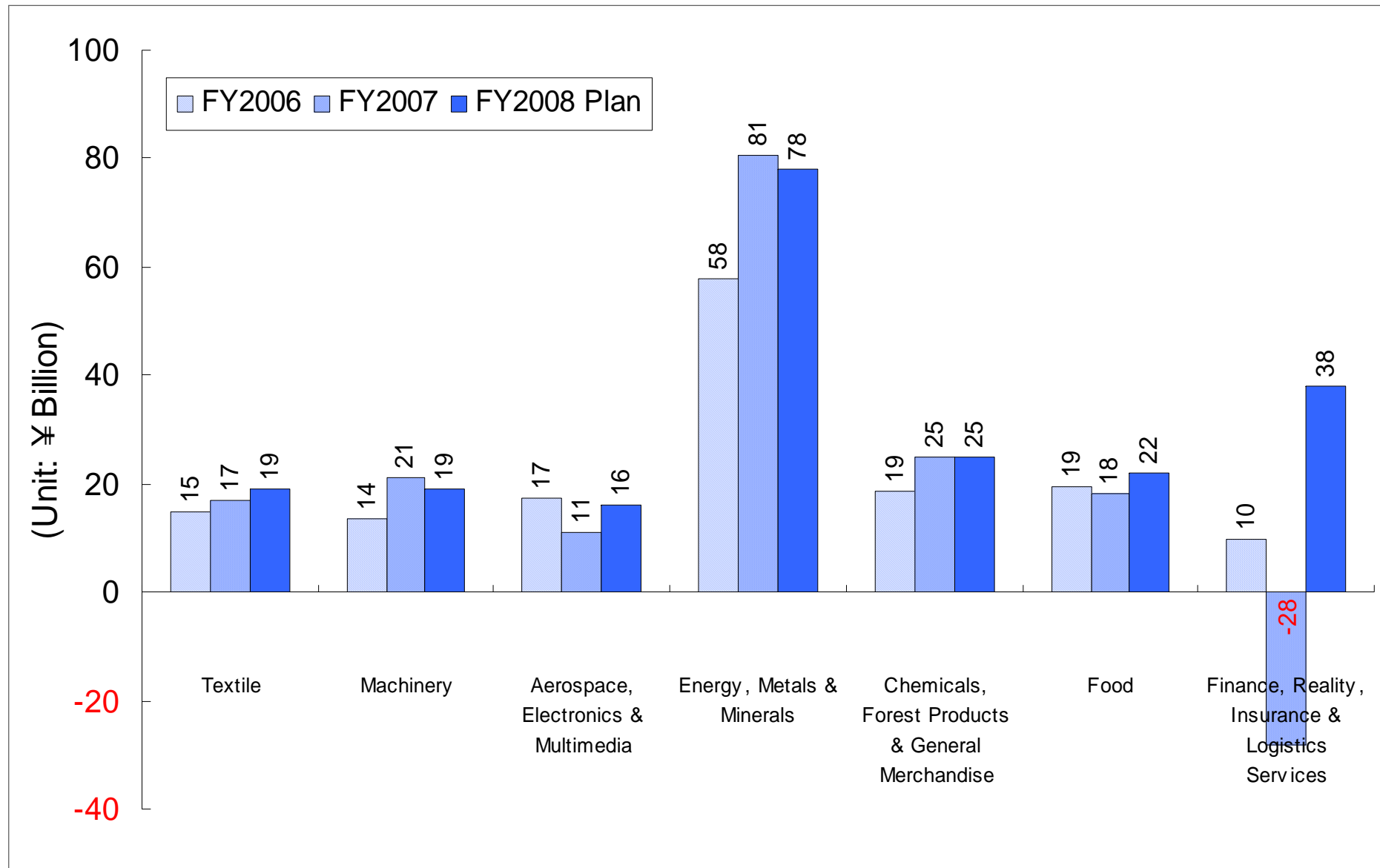
In addition to continuing efforts reflecting *Frontier-2006* themes, we will be more aggressive. At the same time, we will strive to become a **Global Enterprise** that is highly attractive to all stakeholders.

- Global perspective:** Increase earnings worldwide by developing business as a truly global enterprise
- Create new initiatives:** Leverage change, take on challenges, open up new areas
- Enhance human resources:** Seek, foster, and fully utilize the talents of personnel worldwide

Gross Trading Profit by Segments



Net Income by Segments



Forward-Looking Statements:

This material contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.