

An Overview of the New Mid-Term Management Plan Frontier⁺ 2008

—Accelerating Aggressive Business for the Next-Generation ITOCHU

In Frontier⁺ 2008, ITOCHU sets the even more ambitious goal of becoming "A Global Enterprise That Is Highly Attractive to All Stakeholders." The plan, which covers the period from April 2007 through March 2009, will be implemented in line with three main guiding principles: "Maintain a Global Perspective," "Create New Initiatives," and "Enhance Human Resources."

FRONTIER⁺ 2008 OUTLINE

Building on the themes pursued under Frontier-2006, Frontier⁺ 2008 calls for a further acceleration of the shift to aggressive business and for ITOCHU to become "A Global Enterprise That Is Highly Attractive to All Stakeholders." Having set ourselves even more ambitious goals, we will implement a range of initiatives based on aggressive business, solid management, and a global human resources strategy that is the foundation for all strategy.

Three main principles will guide our efforts in executing the plan: "Maintain a Global Perspective," or increase earnings worldwide by developing business as a truly global enterprise; "Create New Initiatives," or leverage change, take on challenges, and open up new areas; and "Enhance Human Resources," or seek, foster, and fully draw on the talents of personnel worldwide.

We have set a target for consolidated net income of ¥210 billion for the fiscal year ending March 2008. For the fiscal year ending March 2009, we have also set a target of ¥210 billion for consolidated net income. This figure takes into account the absorption of the absence of the projected tax effect for Orient Corporation (Orico) that will be recorded in the fiscal year ending March 2008.

Consolidated total assets were raised by more than ¥790 billion under Frontier-2006. In accordance with more aggressive management under Frontier⁺ 2008, we intend to raise total assets by ¥500 billion each fiscal year, for an accumulated increase of ¥1.0 trillion to a total of ¥6.3 trillion at March 31, 2009.

In addition, stockholders' equity will be increased through higher net income and the steady accumulation of retained earnings, and strict control of net interest-bearing debt will continue with a view to lowering the NET DER to below 1.7 times.

OUTLINE

Frontier⁺ 2008—Enhancing Corporate Value on the World Stage

■ Basic Policy

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, and open up new areas

[**Enhance Human Resources**] Seek, foster, and fully utilize the talents of personnel worldwide

■ Key Measures

Develop new business areas
Accelerate overseas business development
Strengthen core businesses

Human resources strategy with global perspective

Financial strategy
Risk management
Governance / Internal control
Corporate social responsibility

■ Quantitative Targets

(Billions of Yen)

	FY 2007 (Results)	FY 2008 (Targets)	FY 2009 (Targets)
Net income	¥ 177.1	¥ 210.0	¥ 210.0
Total assets	5,271.5	5,800.0	6,300.0
NET DER (times)	1.8	1.7	Less than 1.7

Frontier⁺ 2008

MAJOR INITIATIVES FOR AGGRESSIVE BUSINESS

1 DEVELOP NEW BUSINESS AREAS

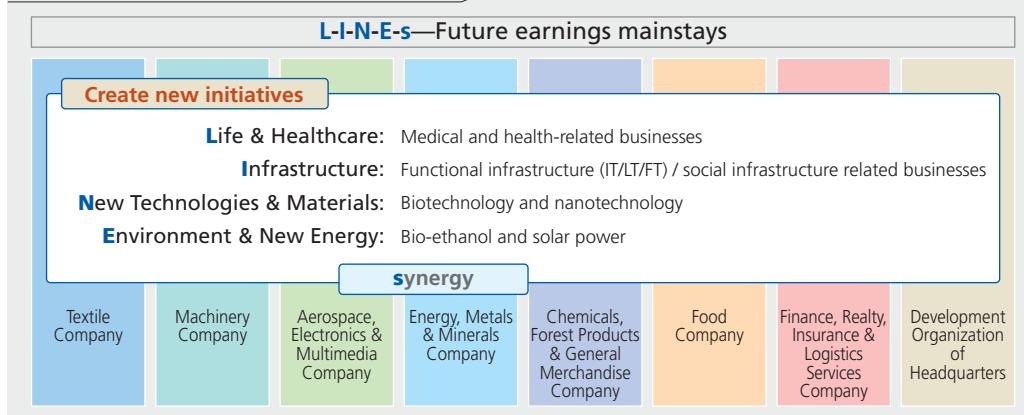
Creating New Initiatives in L-I-N-E-s^{*1}—Future Earnings Mainstays

Targeting an earnings structure that will be the base for sustainable high growth, we will execute a series of company-wide horizontal integration initiatives designed to develop new business areas. Division Companies will concentrate their resources on the L-I-N-E-s priority areas to develop the earnings base of the future. These priority areas are the Life & Healthcare sector, which is centered on medical and health-related businesses; the Infrastructure sector, which includes IT, Logistics Technologies, and Financial Technologies; the New Technologies & Materials sector, which is mainly focused on biotechnology and nanotechnology; and the Environment & New Energy sector, which is mainly centered on bio-ethanol and solar power.

Among these new sectors, we will weight the allocation of management resources to the Life & Healthcare sector to develop it into a new earnings pillar, and this effort will be coordinated by the newly established Healthcare Business Department at our Headquarters. In addition, through the horizontal linkage of these new sectors with our existing core businesses, we will seek synergistic increases in earnings.

*1 "L-I-N-E-s" stands for ITOCHU's newly prioritized business sectors and the synergies that can be developed from them: Life & Healthcare, Infrastructure, New Technologies & Materials, Environment & New Energy, synergy.

DEVELOP NEW BUSINESS AREAS



2 ACCELERATE OVERSEAS BUSINESS DEVELOPMENT

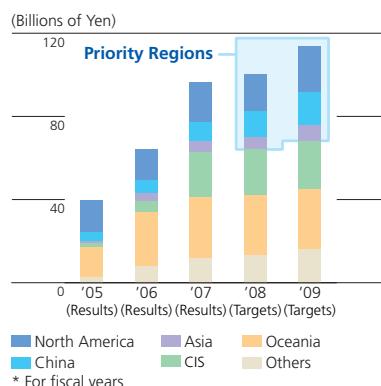
Increasing Earnings Worldwide with a Global Perspective

The priority areas for accelerating overseas business development are North America, China, and Asia. In particular, we will introduce a company-wide horizontal approach in efforts targeting Asia and promote business in Singapore, Thailand, Indonesia, Vietnam, and India, centered on the Consumer-Related sector, under the recently appointed Chief Executive for Asia. We will also strengthen our business development efforts in areas rich in natural resources, including the CIS, the Near and Middle East, and Brazil as well as in such countries as Algeria, where we have competitive advantages.

About 70% of company-wide investment will be directed overseas, focusing on these regions. Through these initiatives, we aim to secure stable and continuous earnings from overseas businesses^{*2} of more than ¥100 billion a year.

*2 Overseas businesses = Overseas subsidiaries and associates

Increase Earnings from Overseas Businesses



* For fiscal years

3 STRENGTHEN CORE BUSINESSES

Focusing on the Scale and Growth Rate of Net Income

In accordance with our A&P Strategy, under Frontier-2006 we maintained our basic management indices and allocated resources to highly efficient sectors that have a Return on Assets (ROA) of more than 2% and a Risk Return Index (RRI)^{*3} of more than 8%.

Under Frontier⁺ 2008, as we accelerate aggressive business, we will continue to apply these investment criteria to enhance asset efficiency. At the same time, we will take into consideration indices of income scale and growth rate as criteria for strengthening core businesses.

*3 Risk Return Index (RRI) = Return calculated from net income / risk assets

INVESTMENT PLAN

Frontier⁺ 2008 earmarks gross investment of ¥500 billion and net investment of ¥400 billion over the two years of the plan. Investment will be concentrated on profitable projects, selected according to the basic management indices of an ROA of more than 2% and an RRI of more than 8%, with income scale and growth rate also considered. From the perspectives of risk dispersal and securing of stable earnings, we will strive for balanced investment in the following sectors: the Consumer-Related sector, the Natural Resource/Energy-Related sector, and other sectors, including automobile-related business, information technology, finance, and chemicals. We will downsize or withdraw from projects that do not meet the investment criteria outlined above or that lack strategic potential.

MAJOR INVESTMENT TARGETS

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

HUMAN RESOURCES STRATEGY WITH A GLOBAL PERSPECTIVE

Enhancing “Personnel Power” for ITOCHU’s Future

Human resources are at the heart of our bid to become a truly global enterprise. We are therefore accelerating the nurturing of personnel who have a global perspective. In December 2003, we formulated our “Promotion Plan on Human Resource Diversification,” which called for the utilization of a wide range of human talent, irrespective of gender, nationality, or age. We will now further promote this basic concept through a series of initiatives. Global HR Development Centers have been set up in Japan, New York, London, Shanghai, and Singapore to collect regional block data on the employment environment, labor regulations, and wage levels. Within these development centers, we will form committees composed of local staff who have specific expertise to assist in the framing of our global human resources strategy. As we review and streamline the entire Group personnel system, we will also develop training programs that target management candidates for our Headquarters and major Group companies.

Frontier⁺ 2008

STRATEGY FOR RETAIL FINANCIAL SERVICES

Pursuing Synergies with Orico and Development of the Retail Card Business

We intend to seamlessly integrate the products and services as well as the logistics and marketing know-how of the ITOCHU Division Companies with Orico's operational resources, which include 680,000 member stores and a 24-million customer base. We will create synergies to further strengthen our competitive advantage in retail financial services.

In March 2007, we merged the insurance agency businesses of Orico Trading Co., Ltd., and ITOCHU Insurance Services Co., Ltd., to form ITOCHU Orico Insurance Services Co., Ltd. We also undertook horizontal collaboration among Division Companies, such as creating the Orico-ITOCHU Synergy Book, which details the products and services that ITOCHU and Orico can jointly provide to Orico member stores.

In April 2007, Famima Credit Corporation formed a partnership with T CARD & MARKETING Co., Ltd., which handles the Tsutaya W Card and T-Point programs. Through the complementary functions of this partnership and the retail card program of POCKETCARD Co., Ltd., we intend to construct a system capable of generating steady earnings.

Pursuing New Business Development with the Mizuho Financial Group

In response to the capital restructuring program adopted by Orico in April 2007, ITOCHU agreed to consider an overall strategic business alliance with the Mizuho Financial Group in the retail finance area. ITOCHU and the Mizuho Financial Group will also explore possibilities for new business development through the utilization of their respective channels and customer bases.

FINANCIAL STRATEGY, RISK MANAGEMENT, AND STEPS TO STRENGTHEN AND STREAMLINE THE MANAGEMENT SYSTEM

ITOCHU will firmly adhere to its policy of solid management, which is necessary for the pursuit of aggressive business. We will further enhance stockholders' equity and continue to strictly control net interest-bearing debt in preparedness for unforeseen contingencies. At the same time, risk assets will be rigorously controlled through Risk Capital Management.

With regard to strengthening and streamlining the management system, ITOCHU is working to build a corporate governance system that improves the transparency of decision making and includes appropriate oversight and supervisory functions. We have also established the Internal Control Committee in order to construct a suitable and efficient internal control system. Linked to these initiatives, we will further promote operational efficiency and speed through the ITOCHU DNA Project—Designing New Age—*, a business process re-engineering project launched in April 2006.

In addition, we will actively promote our corporate social responsibility (CSR) activities. Externally, we aim to have our stakeholders gain a deeper understanding of ITOCHU's CSR activities, and, internally, we will achieve a wider dissemination of our CSR mission.

* A project intended to enhance the visualization of operational processes. Routine tasks will be examined and standardized or integrated for greater efficiency, and the quality and speed of operations will be improved.