

Chief Operating Officer, Division Companies Operation, and Chief Administration Officer

In April 2004, ITOCHU created two new Chief Officer level positions: Chief Operating Officer, Division Companies Operation and Chief Administration Officer.

The Chief Operating Officer, Division Companies Operation, as necessary, provides instruction and guidance from a cross-company point of view to the presidents of Division Companies, which are vertically organized by business area or product,



Chief Operating Officer, Division Companies Operation

The Chief Operating Officer, Division Companies Operation is responsible to create synergy and new added value with a cross-company function across the organization to the following two areas. The first is our areas of focus such as Consumer and Retail Related, which is defined as earnings drivers in our Super A&P-2004 plan. The second area is innovative technology businesses, which we expect to become an earnings mainstay in the future. In so doing, we aim to establish an agile operation system that is highly responsive to the changing business environment.

Function and Value (FV) Committee

In fiscal year 2004, we established a Consumer and Retail Related Committee that reports to the Executive Vice President supervising the Consumer and Retail Related segment. This committee pursues cross-company consumer and retail related synergies chiefly among the Textile, Food, and Chemicals, Forest Products & General Merchandise Companies.

In fiscal year 2005, we will expand these efforts into a company-wide activity under the direction of the Chief Operating Officer, Division Companies Operation. In addition to growing business in the Consumer and Retail Related segment, we will develop and promote innovative technology businesses and reinforce functions such as IT (information technology) / LT (logistics technology) / FT (financial technology).

Specifically, in fiscal year 2005 we launched a Function and Value (FV) Committee, chaired by the Chief Operating Officer, Division Companies Operation, as an advisory body to the Headquarters' Management Committee (HMC). The FV Committee's objectives are the reinforcement of "Function" and creation of "Value" for the ITOCHU Group.

FV Committee's Areas of Focus and Policies

- Consumer and retail related: Focusing on consumer businesses, we will pursue high-value-added businesses as well as cultivate and strategically invest in new consumer groups and markets such as active seniors.
- Innovative technologies: We will accelerate business development and profitability by matching "technology seeds" to "market needs" and pursuing wider application of innovative technologies.
- Function reinforcement: We will review and reinforce our functions as a general trading company, focusing on IT/FT/LT, which will become the infrastructure for future earnings improvement for the ITOCHU Group as a whole. In other areas, the Chief Operating Officer, Division Companies Operation will maintain a flexible approach, creating task forces as needed for areas where cross-company activities promise to generate synergies and for projects that require a company-wide approach. This includes the development and promotion of the Gambare Japanese Company Fund (*Gambare* means "Do your best!") and other small and medium enterprise businesses.

Makoto Kato
Chief Operating Officer, Division Companies Operation

in order to maximize profit, fully exploit the Company's comprehensive strengths, and integrate and optimize our businesses as a whole. The Chief Administration Officer reviews all administrative divisions and provides overall cross-functional administrative coordination for the individual administrative divisions to ensure smooth and sophisticated administrative operations in support of the Company's overall management policy and achievement of its targets.

Chief Administration Officer



The Chief Administration Officer focuses efforts on building a solid management system and executing a flexible personnel strategy in order to create a foundation strong enough to support the "profit doubling" and "reinforcement of the financial position" that are the basic policies of Super A&P-2004.

Building a "solid management system"

Our approach to risk management, the most important element of reinforcing the management system, is to make sure that each administrative division is playing a specialist role from the standpoint of compliance and risk capital management (RCM).

- Liquidity risks: The Finance Division covers this area by setting commitment lines, etc.
- Investment risks: The Affiliate Administration Division monitors observance of our strict standards for new investment and exit.
- Country risks: We have in place a county risk control system by setting assets limit for each country based on country ratings. Our standards for developing countries are strictly based on collateralization. The Risk Management Division monitors this area and eliminates risk concentration.
- Risks related to IT management systems (e.g., computer viruses): The IT Planning Division supports the Chief Information Officer (CIO) to provide a timely response.
- Compliance: The Compliance Office maintains and reinforces systems for ensuring thorough compliance throughout the Company.

Additionally, the Asset Liability Management (ALM) Committee, which is chaired by the Chief Financial Officer (CFO), meets twice a month to administer risk management for the Company as a whole and comprehensive balance sheet improvement.

Indeed, "reinforcement of the risk management system" was one of the factors cited for the rating upgrades we received from US rating agencies in fiscal year 2004.

The Initiative for the Retention and Advancement of Employees

We have launched the following three strategies:

- HR Strategy Tailored for Each Division Company: In order to successfully implement the A&P strategy of each Division Company, it is imperative that each Division Company has its own strong and unique HR strategy. We therefore monitor the progress of each Division Company's HR strategy to ensure that each employee is provided with extensive education and opportunity based upon his/her abilities and interests.
- Diversification Strategy: As a global company, we have always benefited from the diversity of our employees. This year, for example, we have decided to focus in particular on the advancement of female employees. By actively and openly welcoming diversity, we are broadening our human resources, which is one of the strengths that differentiate ITOCHU from others.
- "Performance Only" Strategy: We have adopted a truly performance-based reward system. Each employee will be rewarded based upon his/her performance, irrespective of age, education, or gender. We are promoting human resource mobility by evaluating individual requests for transfer based on our personnel assessment and in-house recruiting system.

A major goal for fiscal year 2005 is the completion of the Division Company System that we introduced in fiscal year 1998. We are further enhancing management support functions and reinforcing internal control and compliance in order to realize (1) an optimized autonomous management system by Division Companies and (2) Small & Efficient Headquarters functions.

Sumitaka Fujita
Chief Administration Officer,
Chief Financial Officer,
Chief Compliance Officer,
Chief Information Officer