ITOCHU's Business Models

As our business initiatives have progressed, we have built business models that achieve both the "creation of added value" through a complex approach to the utilization of internal and external management resources and "asset strategies" comprising investment in areas where we have strengths, risk management, and monitoring for efficiency. We are working to maximize earnings on trade and investment returns through the ongoing enhancement of management resources.

Business Models that Create Added Value and Implement Asset Strategies

BUSINESS MODELS

BACKGROUND

Business Development that Sets the Stage for ITOCHU's Business Models

Since our founding, our traditional business development has centered on trade, where we link demand and supply by serving as an intermediary in the flow of commercial distribution. When manufacturers began to conduct their own operations overseas, we started to transition toward a style of business development in which we take the lead in the multifaceted generation of commercial activity while leveraging business investment.

Traditional business development

Matching demand and supply from position as intermediary in the flow of commercial distribution

Focus on earnings from trade

Business Development Based on Sustained Efforts to Broaden Multifaceted Initiatives

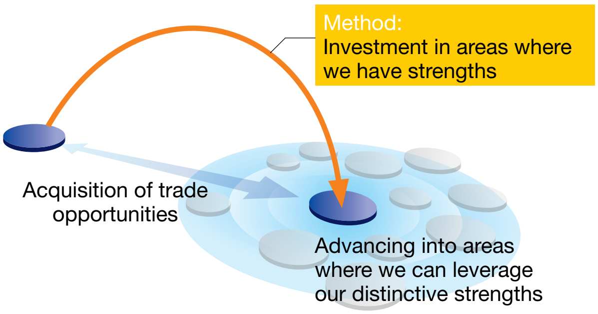
1 Advancing into areas where we can leverage our distinctive strengths

ITOCHU narrows down possible areas to those in which it can generate synergies with existing businesses and control risk on its own, and on that basis we advance into new businesses and markets. Accordingly, we select areas in which we can leverage our distinctive strengths. Among those areas, we focus on whether or not we can secure trade business by linking purchasers with producers. Business investment is a key method of entering a new area.

Distinctive strengths

- Securing natural resources / raw materials
- Linking purchasers with producers
- Providing value added that meets consumer needs
- Providing solutions

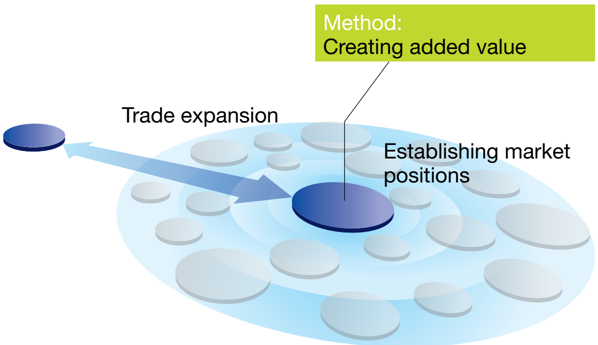
Advancing into new businesses

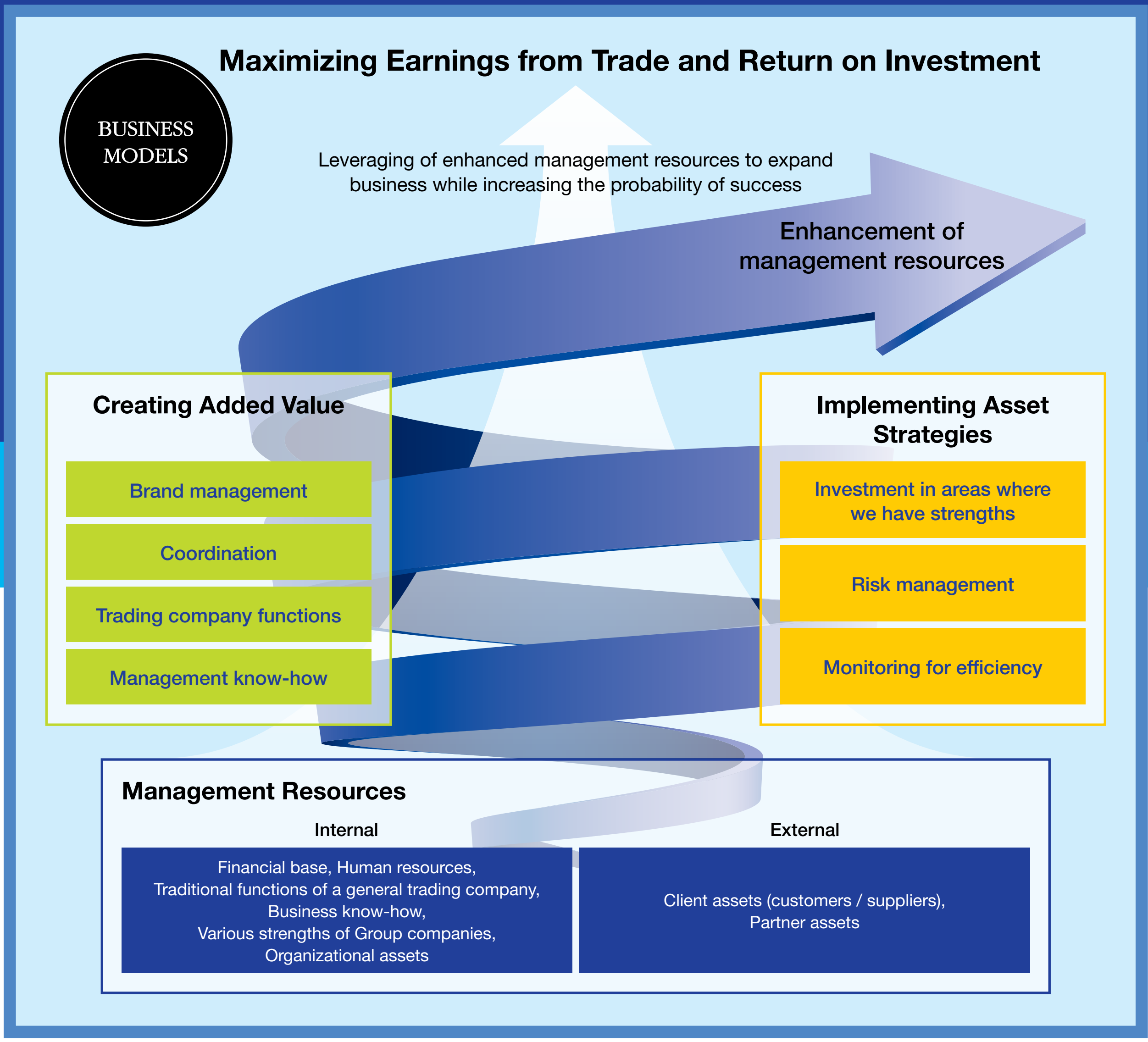


2 Establishing market positions

After advancing into a new area, we strive to accumulate business know-how. In addition, by applying the distinctive management resources of a general trading company, we take steps to increase the corporate value of the companies that we have invested in to establish a market position. At the same time, we are continually considering initiatives targeting the next business or market.

Establishing market positions





[redacted]

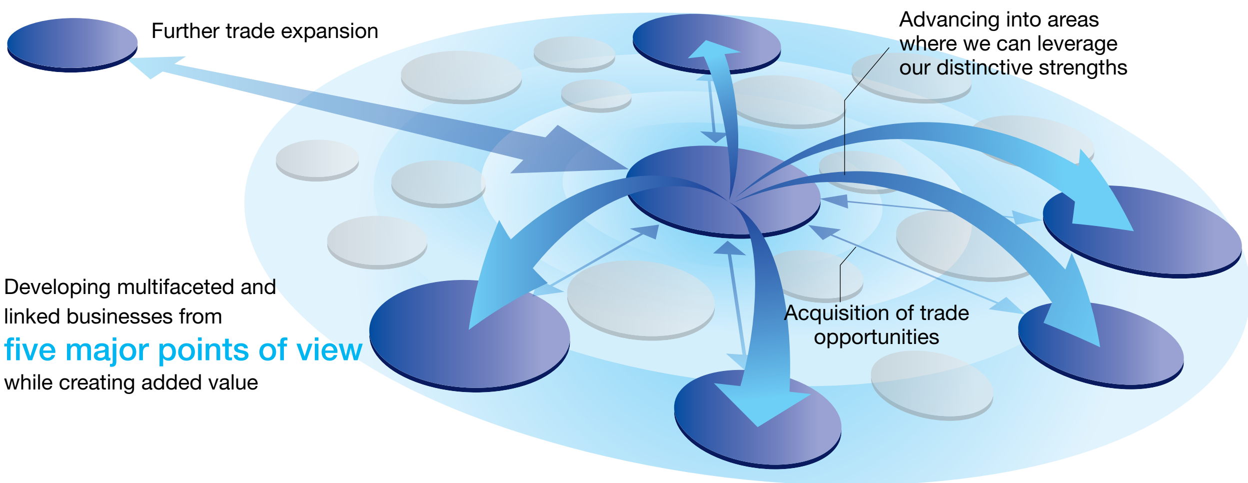
3 Multifaceted and linked business development

Starting from the areas in which we have established a presence, we leverage the business know-how that we have accumulated and the market positions that we have established. As we create new added value, we expand business opportunities from the following five major points of view. With a view to further increasing earnings, we then create new businesses in a multifaceted, linked manner.

Five major points of view

- Expanding and diversifying sources of supply
- Participating in production activities
- Expanding the range of success models
- Pursuing economies of scale
- Obtaining points of contact with consumers

Multifaceted and linked business development



Overview

ITOCHU, on the Move

Brand-new Deal 2014 —*Aiming to be the No. 1 Trading Company in the Non-Resource Sector*

Basic Policies

Boost Profitability
- Reap benefits from large-scale investments
- Increase profitability of existing business
- Aggressively take on promising new projects

Pursue Balanced Growth
- Maintain balance between non-resource and resource sectors
- Reinvigorate domestic and trading businesses
- Capitalize on our strengths, Move to the next level

Maintain Financial Discipline and Lean Management
- Sustain a sound NET DER
- Place priority on operating cash flows
- Reduce stock holdings in non-affiliate companies
- Further improve ratio of SG&A expenses to gross trading profit

Review of Basic Policies

Become the No. 1 trading company in the non-resource sector

Reached No. 1 position with substantial growth in earnings from the non-resource sector, to ¥317.2 billion. Achieved record-high profits in Machinery Company; Food Company; ICT, General Products & Realty Company

Boost Profitability	■ Large-scale investment projects implemented in recent years have room for further improvement in earnings. ■ Earnings in the non-resource sector offset weak resource prices, and we achieved our initial plans. ■ We implemented investments contributing to the expansion of our earnings platform while maintaining positive free cash flows.
Pursue Balanced Growth	■ Due to declining resource prices, the recording of impairment losses, and other factors, a loss was recorded in the resource sector, but substantial growth was registered in the non-resource sector. ■ Domestic earnings increased, centered on Group companies, and new investments in EDWIN and Bellsystem24 Holdings successfully contributed to growth in earnings. ■ Trade was supported by the depreciation of the yen and was basically favorable, centered on plant- and automobile-related businesses.
Maintain Financial Discipline and Lean Management	■ NET DER improved to 0.98 times. ■ Operating cash flows exceeded ¥400.0 billion for two consecutive years. Focusing on operating cash flows became an established management practice. ■ The reduction in strategic shareholdings exceeded plans (reduction of approximately ¥50.0 billion). ■ Ratio of SG&A expenses to gross trading profit was basically stable, at 74% in fiscal 2015 versus 73% in fiscal 2013.

Results in Fiscal 2014 and 2015

Quantitative Review

Billions of Yen	Fiscal 2014 Initial Plan (U.S. GAAP)	Fiscal 2014 Results (U.S. GAAP)	Fiscal 2015 Initial Plan (IFRS)	Fiscal 2015 Results (IFRS)
Net income / profit attributable to ITOCHU	290.0	310.3	300.0	**300.6**
Total assets	7,500.0	7,848.4	8,200.0	**8,560.7**
Net interest-bearing debt	2,650.0	2,224.3	2,500.0	**2,380.5**
Stockholders' / shareholders' equity	1,900.0	2,147.0	2,300.0	**2,433.2**
NET DER	1.4 times	1.0 times	1.1 times	0.98 times
Exchange rate (¥/US$, average in the year)	¥90	¥100	¥100	**¥108**
Exchange rate (¥/US$, at year-end)	¥90	¥103	¥100	**¥120**

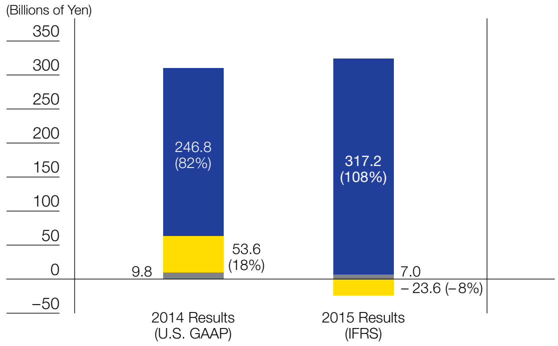
- In fiscal 2014, we achieved record-high profits due to higher earnings from the non-resource sector.
- In fiscal 2015, we recorded impairment losses in the resource sector, but we achieved record-high profits in the non-resource sector, our strength, and we achieved our initial plan.
- For the first time, NET DER was reduced below 1.0 times at the end of fiscal 2015, to 0.98 times.

Net Income / Profit Attributable to ITOCHU

Operating Segment

Billions of Yen	Fiscal 2014 Results (U.S. GAAP)	Fiscal 2015 Results (IFRS)
Textile	32.5	**32.0**
Machinery	43.4	**54.6**
Metals & Minerals	74.1	**11.2**
Energy & Chemicals	16.7	**2.4**
Food	57.5	**114.4**
ICT, General Products & Realty	76.3	**79.0**
Adjustments & Eliminations and others	9.8	**7.0**
Total	310.3	**300.6**

Non-Resource / Resource



■ Non-Resource ■ Resource ■ Adjustments & Eliminations and others

Years ended March 31

*1 % composition is calculated with the total for the operating segments before Adjustments & Eliminations and others.

*2 The steel products transactions and petroleum products transactions of energy are included in the non-resource sector.

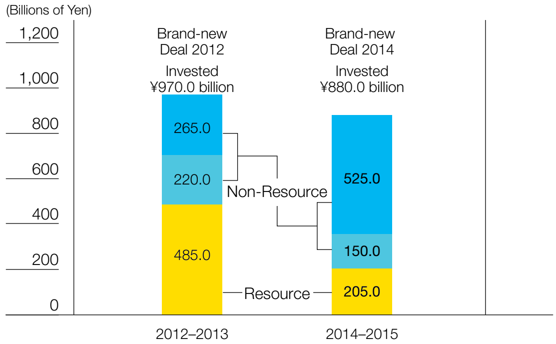
Investment Review

Billions of Yen	2-year Plan	Fiscal 2014 Results (U.S. GAAP)	Fiscal 2015 Results (IFRS)	2-year Results
Non-Resource		**285.0**	**390.0**	**675.0**
Consumer-related sector	Non-Resource : Resource = 2:1	215.0	310.0	525.0
Basic Industry-related sector		70.0	80.0	150.0
Resource		**145.0**	**60.0**	**205.0**
Gross amount	**1,000.0**	**430.0**	**450.0**	**880.0**
Net amount	**800.0**	**320.0**	**370.0**	**690.0**

Major Investment Projects in Fiscal 2014 and 2015

Consumer-related	Acquisition of Dole businesses / C.P. Pokphand / EDWIN / acquisition of additional shares in FamilyMart / Bellsystem24 Holdings, etc.
Basic Industry-related	Osaka Car Life Group (ITOCHU ENEX), etc.
Resource-related	Jimblebar acquisition / IMEA (ITOCHU Minerals & Energy of Australia Pty Ltd) expansion / additional investment in the Azeri-Chirag-Gunashli (ACG) Oil Field in the Caspian Sea, etc.

Investment (Gross)



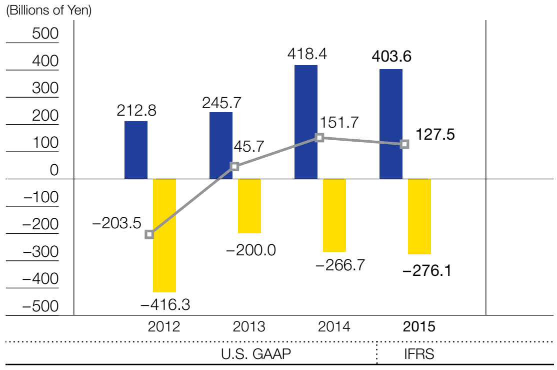
■ Consumer-related ■ Basic Industry-related ■ Resource-related

Years ended March 31

Cash Flows

Billions of Yen	Fiscal 2014 Results (U.S. GAAP)	Fiscal 2015 Results (IFRS)
Cash flows from operating activities	418.4	**403.6**
Cash flows from investing activities	(266.7)	**(276.1)**
Cash flows from financing activities	(71.7)	**(97.9)**
[Free cash flows]	151.7	**127.5**

Cash Flows



■ Cash flows from operating activities ■ Cash flows from investing activities
Free cash flows

Years ended March 31

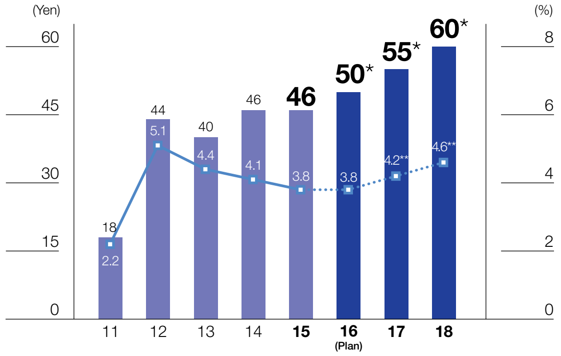
"Aiming to Annually Surpass our Record-high Dividend"

Brand-new Deal 2017

Fiscal 2016: ¥50
Fiscal 2017: ¥55 guaranteed minimum
Fiscal 2018: ¥60

During the period covered by the new medium-term management plan, "Brand-new Deal 2017," ITOCHU has guaranteed a minimum per-share dividend of ¥50 in fiscal 2016, ¥55 in fiscal 2017, and ¥60 in fiscal 2018, surpassing our record-high dividend each year. In addition, the Company will maintain its existing dividend policy, which is performance-linked and progressive, and aim to enhance shareholder return through growth in earnings.

Cash Dividends per Share / Dividend Yield*1



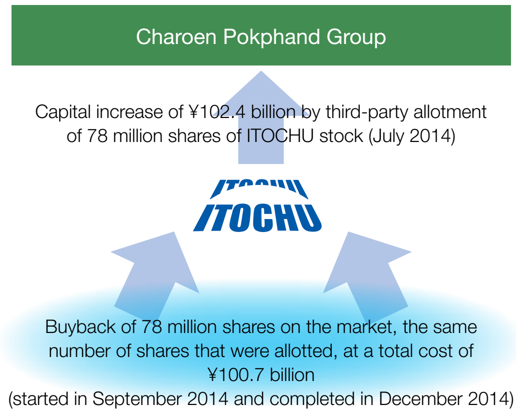
*1 Dividend yield = Annual per-share dividends ÷ Stock price at previous fiscal year-end
* Minimum per-share dividend
** Dividend yield is calculated using the March 31, 2015, stock price of ¥1,301.5.
Years ended / ending March 31

Shareholder Return Policy and Fiscal 2015 Dividends

Since fiscal 2012, we have used a highly transparent dividend policy under which we quantitatively present our dividend payout ratio and link the amount of dividends to net profit attributable to ITOCHU. Specifically, we utilize a dividend policy under which we target our dividend based on a dividend payout ratio of approximately 20% on net profit attributable to ITOCHU up to ¥200 billion, and a dividend payout ratio of approximately 30% on the portion of net profit attributable to ITOCHU exceeding ¥200 billion. In accordance with this policy, with further addition of an amount of ¥2 per-share, annual per-share dividends of ¥46 (interim: ¥23, year-end: ¥23) were paid for fiscal 2015.

Establishment and Implementation of Share Buyback Program to Mitigate the Effect of the Dilution of the Value of Existing Shares Accompanying Capital Increase by Third-Party Allotment

In conjunction with the conclusion of a strategic alliance agreement with the Charoen Pokphand Group (the CP Group), which was announced in July 2014, ITOCHU implemented a capital increase of ¥102.4 billion by third-party allotment of 78 million shares, equivalent to approximately 4.9% of ITOCHU's shares (based on the number of issued shares before the capital increase by third-party allotment) to the CP Group. To mitigate the effect of the dilution of the value of existing shares due to this capital increase, ITOCHU established a share buyback program for 78 million shares, the same number of shares that were allotted, and gradually acquired shares on the market. These purchases were completed in December 2014 at a total cost of ¥100.7 billion.



Stock and Shareholder Information

Basic Information about Our Stock

Stock listing	Tokyo
Category	Trade
Stock code	8001
Minimum number of stocks allowed per trade	100 (From April 2010)
Fiscal year	From April 1 to March 31
Shareholder fixed day for dividend payment	March 31 (Interim: September 30)
Number of common shares issued	1,662,889,504 shares (As of March 31, 2015)
Treasury stock (owned by ITOCHU)	81,179,919 shares (As of March 31, 2015)

Major Shareholders*2

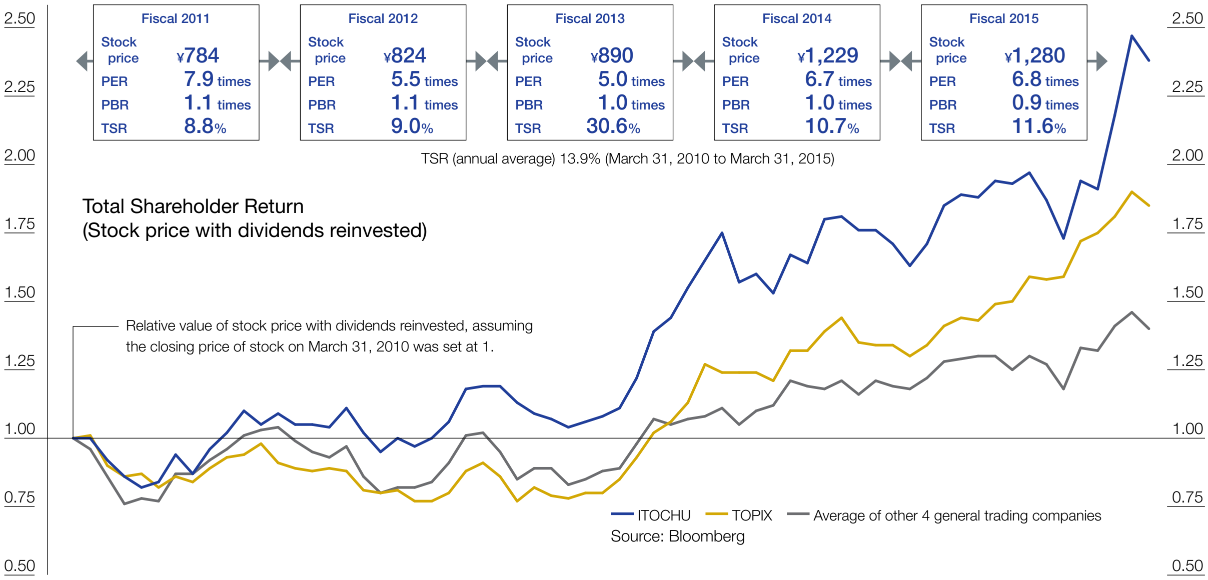
As of March 31, 2015

Name	Number of shares held (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	68,593	4.12
The Master Trust Bank of Japan, Ltd. (trust account)	65,027	3.91
CP Worldwide Investment Company Limited*3	63,500	3.82
Mizuho Bank, Ltd.	39,200	2.36
Nippon Life Insurance Company	34,056	2.05
Mitsui Sumitomo Insurance Company, Limited	30,400	1.83
Sompo Japan Nipponkoa Insurance Inc.	26,336	1.58
Barclays Securities Japan Limited	25,000	1.50
Asahi Mutual Life Insurance Company	23,400	1.41
The Bank of New York Mellon SA/NV 10	23,173	1.39

*2 Our treasury stock of 81,179 thousand shares (4.88%) has been excluded from the above list.
*3 In addition, En-CP Growth Investment L.P. holds 14,500 thousand shares (shareholding ratio 0.87%), for a combined shareholding ratio of 4.69% for the CP Group.

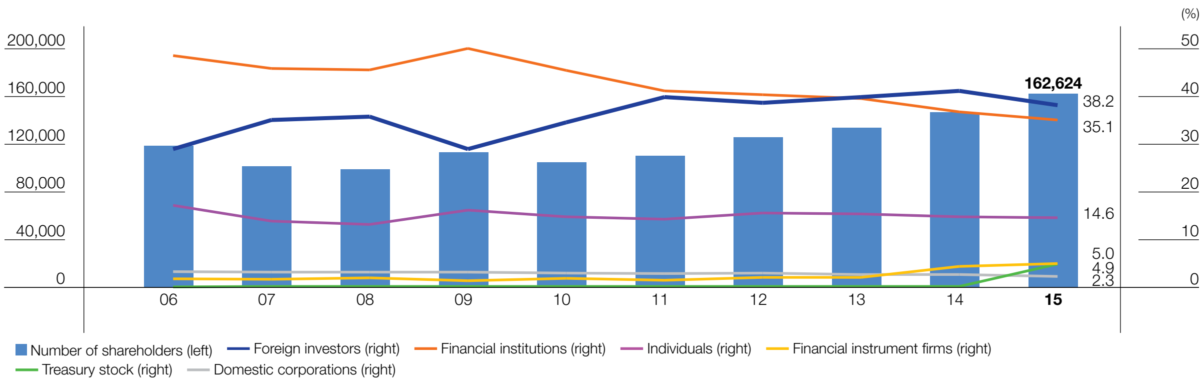
Stock Price / PER / PBR / TSR

PER: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Outlook for net profit attributable to ITOCHU, announced by ITOCHU)
PBR: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Most-recent results of shareholders' equity)
TSR (total shareholder return): Return on investment assuming that dividends are reinvested



		Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
ITOCHU News Releases	Company		Announcement of "Brand-new Deal 2012" medium-term management plan Revision of dividend policy		Announcement of "Brand-new Deal 2014" medium-term management plan	Announcement of share buyback program Announcement of capital increase by third-party allotment	Announcement of "Brand-new Deal 2017" medium-term management plan
	Non-Resource		Agreement to acquire the Kwik-Fit Group, the largest tyre retailer in the U.K.	Agreement to acquire Asian fresh produce business and worldwide packaged foods business of Dole Food Company of the U.S.		Agreement on strategic business alliance and capital participation with the CP Group Agreement on strategic business alliance and capital participation with CITIC and CP Group	
	Resource		Agreement to invest in Colombian coal mines of Drummond Company, of the U.S. Agreement to invest in Samson, a U.S. oil development company		Agreement to invest in new interests in the Jimblebar Iron Ore Mine		
External Factors		Expansion of fiscal problems in Europe Great East Japan Earthquake	Yen reached record-high level of ¥75.32 versus the U.S. dollar	Start of Japan's "Abenomics" economic policy		Consumption tax rate increased to 8% Yen depreciates to between ¥120 and ¥130 versus the U.S. dollar Resource/energy prices decline significantly	

Trends in Number of Shareholders and Breakdown of Shareholders (% of shares)



As of March 31

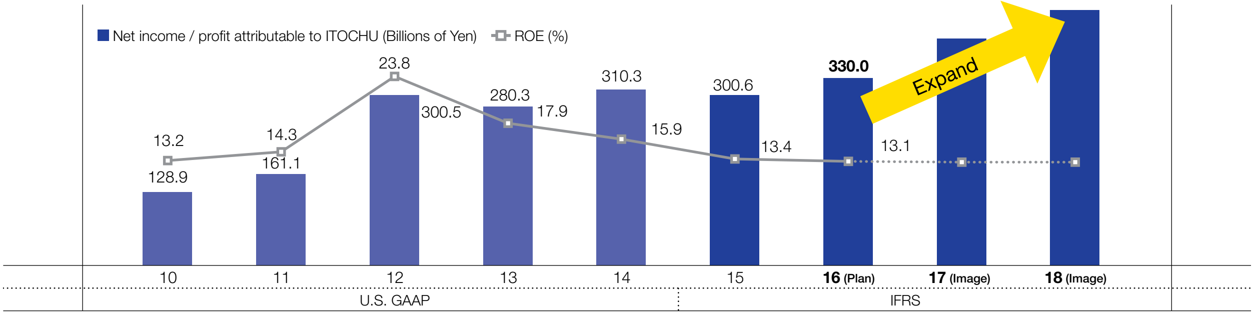
Medium-Term Management Plan

Brand-new Deal 2017 Challenge

Brand-new Deal 2017: Goals

Build a solid earnings base to generate **¥400.0 billion in net profit** by progressing growth strategy especially focused on the non-resource sector.

Pursue to consistently exceed **ROE of 13%**, whilst further accumulating shareholders' equity.



Years ended / ending March 31

Frontier® 2010 → Brand-new Deal 2012 → Brand-new Deal 2014 → **Brand-new Deal 2017**

Brand-new Deal 2017: Basic Policies

Strengthen Our Financial Position	**Accelerate Asset Replacement** **Stringent Cash Flow Management**	■Accelerate asset replacement to further improve quality and income efficiency of assets. ■Observe investment discipline to promptly realize positive free cash flows. ■Further sophisticate corporate management with focus on cost of capital.
Build solid earnings base to generate ¥400 billion level net income	**Progress Cooperation with Strategic Partners** **Further Reinforcement of the Non-Resource Sector**	■Expand operating capabilities and business areas in China and the Asian region by maximizing synergetic benefits from the strategic alliance with CITIC and CP Group. ■Further strengthen the earning base utilizing the superiority and business strength in the non-resource sector. ■Increase profitability by expanding existing business and proceeds from new projects.

Fiscal 2016 Quantitative Plan

Billions of Yen	Fiscal 2015 Results	**Fiscal 2016 Plan**	Increase / Decrease
Gross trading profit	1,089.1	**1,100.0**	**+ 10.9**
Trading income	272.7	**240.0**	**– 32.7**
Equity in earnings associates and joint ventures	10.1	**120.0**	**+ 109.9**
Net profit attributable to ITOCHU	300.6	**330.0**	**+ 29.4**
Exchange rate (¥/US$, average in the year)	¥108	**¥115**	**+¥7 (depreciation)**

Billions of Yen	Fiscal 2015 Results	**Fiscal 2016 Plan**	Increase / Decrease
Total assets	8,560.7	**9,200.0**	**+ 639.3**
Net interest-bearing debt	2,380.5	**2,900.0**	**+ 519.5**
Shareholders' equity	2,433.2	**2,600.0**	**+ 166.8**
NET DER	0.98 times	**1.1 times**	**up 0.1**
ROE	13.4%	**13.1%**	**– 0.3%**
Exchange rate (¥/US$, at year-end)	¥120	**¥115**	**–¥5 (appreciation)**

Investment Policy

We have made a major change in our policy from the establishment of limits on investment amounts to the implementation of investment within the scope of substantial operating cash flows and cash in resulting from exits of existing projects.

Aggressively pursue synergetic profit derived from the strategic business alliance with CITIC and CP Group, especially in China and Asian regions

New Investments: Cap new investments to be made only within the aggregate amount generated by substantial operating cash flows*1 and withdrawal from existing projects

Substantial Free Cash Flows*2

Consecutively generate in excess of ¥100.0 billion of positive substantial free cash flows

Substantial operating cash flows

Cash generated by withdrawal from projects

New investments

- Investment into joint projects with CITIC and CP Group
- Other investments

Investment in CITIC Limited (approx. ¥600.0 billion)

*1 "Operating cash flows" minus "increase/decrease of working capital"
*2 Exclude ¥600.0 billion investment into CITIC Limited and increase/decrease of working capital

Stringent Cash Flow Management

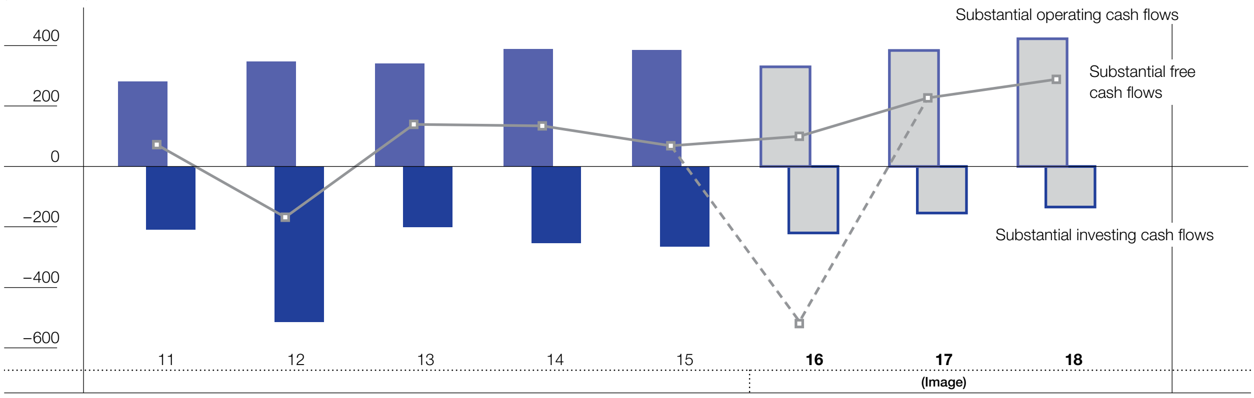
We will maintain free cash flows at more than ¥100.0 billion and allocate it to shareholder returns through dividends and to further repayment of borrowings. Moving forward, we will manage cash flows in a manner that is easier to understand and more clear.

Substantial Free Cash Flows

Substantial Operating Cash Flows – Net Investments Cash Flows / Net Investment / EXIT – Dividends / Increase Shareholder Returns = Generate in Excess / Loan Repayment

Trend of Substantial Free Cash Flows

(Billions of Yen)



– –□– – Substantial free cash flows, including ¥600.0 billion investment in CITIC ——□—— Substantial free cash flows, excluding ¥600.0 billion investment in CITIC

Years ended / ending March 31

Assumptions	Fiscal 2014 Results	Fiscal 2015 Results	Fiscal 2016 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU
Exchange rate (¥/US$, average in the year)	100	108	115	Approx. +¥1.5 billion (¥1 depreciation against US$)
Exchange rate (¥/US$, at year-end)	103	120	115	
Interest (%) YEN TIBOR	0.23%	0.20%	0.20%	Approx. –¥10.0 billion (1% increase)
Crude oil (US$/BBL)*3	108	86	60	±¥0.28 billion
Iron ore (US$/TON) (fine ore)	126*4	93*4	N.A.*5	±¥1.32 billion
Hard coking coal (US$/TON)	153*4	119*4	N.A.*5	±¥0.73 billion
Thermal coal (US$/TON)	95.0*4	81.8*4	N.A.*5	

*3 The price of crude oil is the price of Brent crude oil.
*4 FY2014 and FY2015 prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.
*5 In the prices for iron ore, hard coking coal and thermal coal used in the FY2016 plan, the prices for FY2016 1st quarter are assumed based on the prices that major suppliers and customers have agreed on regarding shipments as follows and current spot prices, and the prices for FY2016 2nd to 4th quarter are assumed based on the prices agreed on the 1st quarter. However, the actual sales prices are decided based on negotiations with each customer, ore type and coal type. Iron Ore US$62/ton, Hard coking coal US$109.5/ton, Thermal coal US$67.8/ton

Under "Brand-new Deal 2017," we will strive to meet the expectations of stakeholders over the next three years.

Tsuyoshi Hachimura
Director
Managing Executive Officer
CFO
General Manager, Finance Division

Q1 What approach will you take as CFO?

A1 I will strive to implement "practical management" rather than taking a formal approach.

The CFO has the role of meeting directly with shareholders, investors, and financial institutions. I recognize the importance of the responsibility to provide explanations at the management level, and will aggressively reach out to stakeholders and work to deepen communications.

Internally, I will be called on to check the Company's systems utilizing my understanding of the Company's management policies and business operations autonomously. On the other hand, we have set challenging objectives under our medium-term management plan, "Brand-new Deal 2017." Accordingly, I will do my utmost to continually implement practical management that supports operating divisions by leveraging the know-how and resources of administrative departments, without relying solely on formal, by-the-book management.

Q2 Would you describe the financial and capital strategies in "Brand-new Deal 2017"?

A2 Moving forward, we will further strengthen our focus on shareholders.

We will strive to ensure that the three years covered by "Brand-new Deal 2017" are a period of accurately meeting the expectations of our shareholders and other stakeholders.

We have clarified our growth strategy and increased the probability that we will achieve our profit plan. On that basis, I will explain the key points of our financial and capital strategies.

First, we have further strengthened our focus on shareholders. For dividends, over the next three years, we are guaranteeing a minimum dividend of ¥50 in fiscal 2016, ¥55 in fiscal 2017, and ¥60 in fiscal 2018, thereby surpassing our record high each year. Also we will maintain our basic dividend policy, which is performance-linked and progressive. Moreover, we have intensified our focus on cost of capital, and for the first time the plan includes an objective of pursuing to consistently exceed ROE of 13% whilst further accumulating shareholders' equity. In fiscal 2015, our ROE was 13.4%, which is a high level even in comparison with other companies in the same industry. Nonetheless, we are not satisfied with the current level of ROE, and will work to further increase capital efficiency.

In recent years, we have strengthened our cash flow management. For the past two years we have generated operating cash flows of more than ¥400.0 billion, and free cash flows have been positive for three consecutive years. Under "Brand-new Deal 2017," we will borrow funds for the investment in CITIC, and will further increase the attention paid to cash flows. In fiscal years 2016 to 2018, we will implement new investments within the aggregate amount generated by substantial operating cash flows and cash in from exits of existing projects. Excluding the ¥600.0 billion for the CITIC investment, we aim to generate positive substantial free cash flows in excess of ¥100.0 billion each year. Moreover, our policy calls for also paying dividends from substantial free cash flows. For fiscal 2016, we expect operating cash flows to be the same level as our plan for net profit attributable to ITOCHU, which is ¥330.0 billion.

We are forecasting growth, and accordingly will step up asset replacement. To further increase asset quality, we will take a rigorous, more-aggressive approach to exiting investment projects that do not reach expected levels of performance. Even for superior assets, we will implement asset replacement from a strategic viewpoint in order to make effective use of limited management resources. As one facet of those initiatives, in April 2015 we sold PrimeSource Building Products, Inc., which had made a substantial contribution to the Company's profits.

Q3 What are ITOCHU's specific policies for pursuing to consistently exceed ROE of 13%?

A3 We will take an approach that can be put into practice on the business front lines.

Increasing financial leverage through own-stock purchases is drawing attention as one means of increasing ROE. However, ITOCHU's policy is to increase ROE by achieving sustained growth in profits through increases in its profit margin, or ROA, which is a component of ROE. Specifically, we will strive to maintain and increase ROA at a level of about 3.7% to 4.0%.

For ITOCHU, we need to do more than simply consider ROE from the perspective of the Company management or administrative departments. We believe that we need to push this focus down to the front lines in the form of initiatives that can be put into practice to increase ROE. Although the business front lines have little control over leverage and shareholders' equity, they work on a daily basis with management indicators such as gross margin, which are closely connected to our profit margin, inventory turnover period, and accounts receivable collection period. The front lines can improve these indicators through originality and ingenuity in business activities, and increases in asset turnover lead to improvement in cash flows, which is a point of focus for ITOCHU. Accordingly, we have made the basic principle of "earning" the starting point for increases in ROE.

Q4 What is ITOCHU's policy regarding NET DER, and what level of NET DER do you anticipate in the first year of the plan and thereafter?

A4 Our policy will be to control NET DER at a level below 1.0 times at the end of fiscal 2018.

Due to the investment in CITIC, our net interest-bearing debt will increase by about ¥2,900.0 billion. On the other hand, the consumer-related sector will represent a higher share of our total assets, and as a result we believe that earnings volatility will decline and the cost of capital will decrease. However, ITOCHU will not be content with these circumstances. Rather, our policy will be to pursue high returns and to steadily manage interest-bearing debt and NET DER while keeping in mind the risk of future increases in interest rates.

Accompanying the investment in CITIC, at the end of fiscal 2016 NET DER will increase to 1.1 times. However, we will implement strict financial discipline, reduce net interest-bearing debt, and build up shareholders' equity by accumulating profits. In this way, we will control NET DER at a level below 1.0 times at the end of fiscal 2018. In addition, we will maintain risk assets at less than 80% of the risk buffer.

Q5 What is your view of country risk in regard to the CITIC investment?

A5 I think it is at a level that we can adequately control.

ITOCHU manages concentrated risks for each country through an asset management system by country. Including both the approximately ¥340.0 billion exposure at the end of fiscal 2015 and the investment in CITIC, our exposure to China will be slightly less than ¥1 trillion, but that is about 10% of our total assets. Also, considering that we have shifted the focus of our growth strategy to China and Asia, I believe that the concentrated risk is not excessive and is at a level where we can control it adequately. The consumer-related sector is a focus area for ITOCHU, and moving forward we can expect significant growth in this sector in China. In regard to the risks, U.S. and European ratings agencies have awarded China higher ratings than Japan, and we believe that the risk of the government implementing expropriations or halting foreign remittances is low.

Fundamental Approach

Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods and investment ratios, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&A transactions. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize its corporate value and to expand trade and investment return through the full utilization of our Groupwide capabilities.

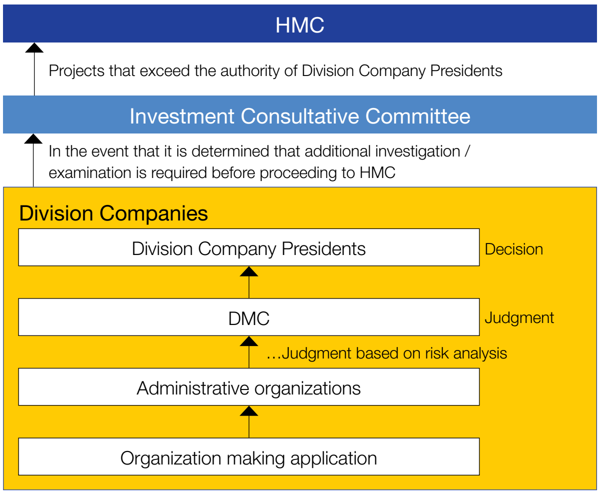
With larger-scale investments and increases in acquisition prices in recent years, we are strengthening screening of the appropriateness of the business plan and acquisition price when we invest. For existing investments, to increase investment earnings and to exit quickly from low-efficiency assets, we are further strengthening monitoring procedures, centered on instituting more rigorous "EXIT" criteria and thoroughly implementing regular investment review.

Decision-Making Process

The department making the application first gives due consideration to such factors as the purpose of the investment, growth strategies, risk analysis, business plans, the appropriateness of the acquisition price, the state of conformance with investment criteria, the establishment of exit conditions, and the status of internal control. Risk analysis includes CSR and environmental checks, such as for labor, environmental, and compliance risks; and checks to exclude antisocial forces in addition to analyze quantitative risk. Next, related administrative organizations implement screening from various specialized perspectives and attach their results to the application. After deliberation by the Division Company Management Committee (DMC), the application is submitted to the Division Company President for a final decision. Projects that exceed the Division Company President's authority must be approved by the Headquarters Management Committee (HMC). If additional consideration and screening of an investment's profitability and strategy are needed prior to the HMC, the application is sent to the Investment Consultative Committee for deliberation. After discussing the application, this committee—whose members include the CSO*1, CFO*2, CAO*3, General Manager of the Corporate Planning & Administration Division, General Manager of the Global Risk Management Division, General Counsel, and Corporate Auditors—puts the matter before the HMC. This approach devolves authority to the Division Companies and speeds decision-making, while at the same time providing appropriate screening processes to pursue return on investments and also control investment risk.

*1 CSO: Chief Strategy Officer *2 CFO: Chief Financial Officer
*3 CAO: Chief Administrative Officer

Decision-Making Process for New Investments



Investment Decision Items and Risk Analysis Items

〈Investment decision items〉
Purpose of investment / growth strategies
Risk analysis
Appropriateness of the business plan (acquisition price)
Application of investment criteria
Establishment of exit conditions
Status of internal control

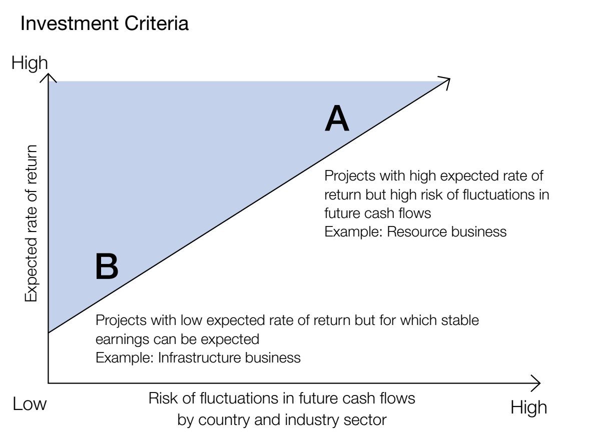
〈Risk analysis items〉	
Business model risk (market changes / business partners, etc.)	Governance risk*4 (decision-making and execution, supervision and checks, etc.)
Market risk (interest rates / foreign exchange rates / commodity prices / stock prices, etc.)	Operating activity risk*4 (sales / inventory / logistics / purchase, etc.)
Credit risk	Investment risk (goodwill impairment, etc.)
Country risk	Information risk*4 (security, system problems, etc.)
Financing risk	Risks related to financial reporting and internal control*4
Legal risk*4 (conflicts, legal system changes, etc.)	Compliance risk*4 (related to laws and regulations, antisocial force checks, etc.)
External environment risk*4 (weather risk, etc.)	Human resources risk*4 (labor management, human rights, managerial human resources, etc.)
CSR risk*4 (social responsibility, environmental destruction, etc.)	Manufacturing risk*4 (safety risk, quality risk, etc.)
Other risks	

*4 Also implementing CSR and environmental checklist for investments in accordance with the seven core subjects (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development) of ISO 26000 (Guidance on social responsibility).

1. Investment Decisions

Investment Criteria

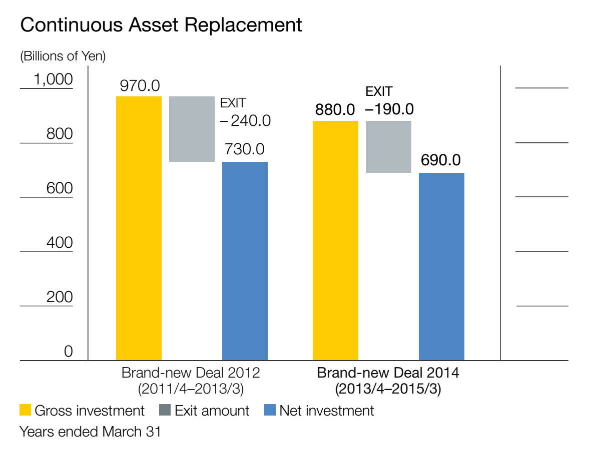
In making investment decisions, we evaluate investment efficiency by calculating the net present value of free cash flows using a hurdle rate based on cost of capital set individually by country and industry sector. In addition to investment efficiency, our investment criteria also include cash inflows to ITOCHU, such as dividends received and earnings from trade activities, and scale of earnings. Through these initiatives we are making strictly selected investments.



2. Continuous Asset Replacement

All investments (Group companies) are reviewed annually (Group company annual review) from a qualitative perspective (strategic significance, etc.) and a quantitative perspective (scale of earnings, investment efficiency, etc.). After making investments, we reevaluate our policies and advance continual asset replacement for Group companies that do not meet our designated criteria for investment return after a given period of time or for Group companies that have become strategically less significant. This includes exits from businesses that have a reduced holding significance due to their small scale, unprofitability, or low efficiency.

In addition, to strengthen our financial position under the medium-term management plan for fiscal years 2016 to 2018, we have revised the “EXIT” criteria, with consideration for cost of capital and other factors. Even if investments are profitable, we will consider liquidation or consolidation when their profits do not cover the cost of capital. On that basis, we will aggressively advance asset replacement for businesses with weakened holding significance.



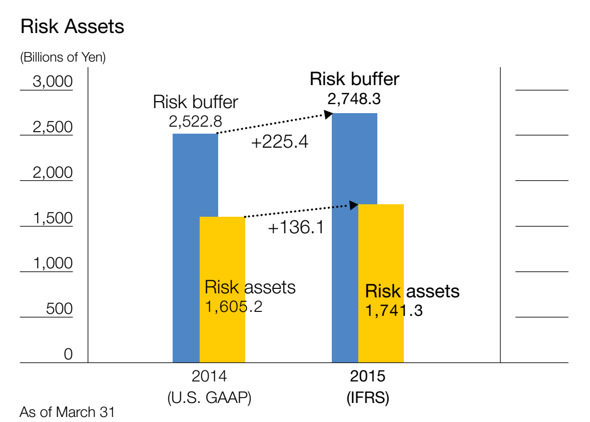
3. Risk Management

Managing Investment Risk Based on Risk Assets

We have introduced, and are utilizing, a Risk Capital Management (RCM) strategy. Under this strategy, we first calculate “risk assets” based on the maximum amount of the possible future losses from all assets on the balance sheet including investments, as well as all off-balance-sheet transactions. Second, we manage to control the quantity of risk assets within the limits of our “risk buffer” (consolidated shareholders’ equity + noncontrolling interests). At the end of March 2015, the amount of risk assets stood at 63% of the risk buffer.

Managing Concentrated Risks

ITOCHU defines asset limits in areas of trading where exposure is high, thereby managing the risk of concentration of management resources in specific segments and areas. We also manage overall country risk exposure to non-industrialized countries and manage individual country risk based on internal country rating standards. Limits on assets in specific areas and country limits are deliberated by the Asset Liability Management (ALM) Committee and approved by the HMC.



Human Resources Strategy

With a diverse range of businesses around the world, ITOCHU believes that "human resources" are its greatest management resource. Accordingly, ITOCHU is strategically developing and strengthening human resources as the management foundation supporting the growth of its business activities.

Corporate Message with a Strong Commitment to the "People"

Since its founding, the ITOCHU Group has followed the philosophy of the Ohmi merchants, *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society). This philosophy is expressed on a larger scale by the ITOCHU Group's corporate philosophy of "Committed to the Global Good." In June 2014, we formulated our "I am One with Infinite Missions" Corporate Message to further clarify this philosophy as well as for it to serve as a promise to society of our role.

This phrase includes the policy for "human" as "strong individuals." Keeping ITOCHU's spirit in our hearts and minds, we will complete these "infinite missions" by sustaining a rigorous commitment to the customer's viewpoint, maintaining a strong focus on the front lines, and providing the abundance that results from business activities.

We are working to spread our Corporate Message through a variety of media channels, inside and outside the Company.

Diverse Human Resources with Abundant Individuality

We are committed to hiring diverse human resources on the basis of "individual talent," without regard to gender, nationality, or age. Our employees have rich personalities known as "merchant band" and work in a free-spirited corporate culture to complete "infinite missions," in Japan as well as other markets around the world. On that basis, we work to conduct business that is deeply rooted in local communities. As of March 31, 2015, ITOCHU had approximately 800 employees stationed in 136 cities across 65 countries, and a total of more than 100,000 employees on a consolidated basis. These employees endeavor to provide abundance to people around the world.

Developing Human Resources to Enable the "Seeking of New Opportunities"

"Human resources" support the stable ongoing growth of the ITOCHU Group. Accordingly, based on each employee's work and abilities and experience, we help them develop into "professionals" with diverse values who contribute to their business fields, and "strong individuals" with the skills necessary to manage businesses as a core on a global level.

We have three key points of focus in human resources development—Group, overseas, and front-line capabilities. A point of special focus for ITOCHU is the development of human resources who can aggressively advance its strategic business alliance and capital participation agreement with CITIC and CP Group. To that end, we are expanding training programs from two perspectives: managerial ability and Chinese-language ability.

To help develop the human resources that will manage our businesses in the future, in fiscal 2014 we introduced a job internship program in in-house administrative units. We are further expanding this program, and are also stepping up the assignment of employees to China and the implementation of training. In these ways, we are taking steps to develop professionals with business expertise in China.

Number of Employees Participating in ITOCHU Corporation's Training Programs

Name of training	Fiscal 2013	Fiscal 2014	Fiscal 2015
Job internship program in in-house administrative units	—	5	94
Global Development Program*	102	135	135
Workshops for managers	372	325	437
Dispatch of employees to short-term business school programs overseas	44	50	39
Dispatch of new employees overseas	41	37	5
Dispatch of junior staff overseas to learn Chinese and other languages	54	25	47
Career Vision Support Training (total)	2,037	2,025	1,893

* Including participants from Group companies

Furthermore, we are aggressively taking steps to advance Groupwide human resources strategies. These initiatives include supporting hiring through the use of the Group's careers website, sharing the training programs implemented by the Company, and providing support for overseas assignments.

Creating an Environment in which Employees Can Make the Most of Their Capabilities

ITOCHU is implementing a variety of initiatives to leverage the special skills of all employees and support the creation of an environment in which they can concentrate on their work with peace of mind.

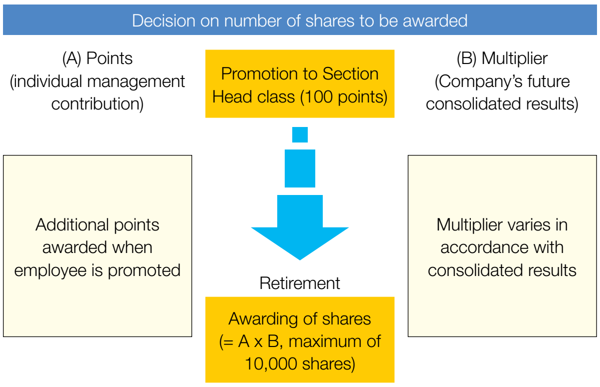
(1) "*Gen Ko Tsu* Reform"

In addition to providing support for *Kobetsu* or "individual" with close ties to *Genba* or "front line," we are working to foster an awareness of *Tsunagari* or "connection" to the Company and society. In this way, we are advancing reforms that we call *Genkotsu*, which is based on the Japanese words for *front lines*, *individuals*, and *connections*. These reforms facilitate the provision of an environment in which all employees can continue to contribute to the Company with the sense that their work is rewarding. Under these reforms, we are implementing a variety of initiatives, such as support for career development for women.

(2) “Managers of the Future” Reward Scheme

ITOCHU has introduced the “Managers of the Future” reward scheme to raise employees’ awareness of participation in management and to promote contributions from a medium to long-term viewpoint. Under this scheme, ITOCHU employees at the rank of Section Head or above, who will be the key people responsible for future growth, are positioned as candidates for “Managers of the Future.” These employees are awarded points when they are promoted, and those points are multiplied by a multiplier that is based on the Company’s consolidated results during the employee’s tenure in the reward scheme. On that basis, the employees receive shares of Company stock at no charge when they retire. We believe that this system will further increase corporate value, thereby enabling the Company to share the benefits with shareholders and other stakeholders.

“Managers of the Future” Reward Scheme



(3) Morning-Focused Working System


Providing light meals to employees who begin work before 8:00 a.m.

In May 2014, ITOCHU officially introduced a morning-focused working system to support a rigorous approach to customer service, increase productivity, and enhance employee health by increasing efficiency. Under this system, work after 8:00 p.m. is, in principle, prohibited and work in the early morning is promoted. This groundbreaking initiative has drawn attention not only within industry but also from government and national institutions, and has become a major trend in society.

Entering and Leaving Office

		Prior to introduction	After official introduction
Leaving	8:00 p.m. or after	about 30%	about 7%
	(of which, 10:00 p.m. or after)	(about 10%)	(nearly 0*)
Entering	8:00 a.m. or before	about 20%	about 34%

* Includes employees who applied in advance or on-the-spot

(4) Aggressive Health Promotion and Sound Career Formation

To ensure that employees can enjoy both physical and mental health as they work, we have established the Health Administration Center, which is a specialized unit for health administration, and are working to advance employee health and well-being in cooperation with the health insurance association. Moreover, to address mental health issues we have established an in-house stress management room, and counseling is available from a clinical psychologist. These initiatives are not only intended to prevent losses when employees are not feeling well but rather to further increase corporate value by enabling employees to work with good physical and mental health and a higher level of motivation.

In addition, at the Career Counseling Center, which was established in 2002 as the first center of its kind in a private-sector company, counselors with certification as career development advisors utilize interviews with employees to support sound career formation.

These types of diverse initiatives have been highly evaluated. Accordingly, ITOCHU was the first general trading company to be granted the highest rank in “DBJ Employee’s Health Management Rated Loan Program”—implemented by Development Bank of Japan Inc. for “superior health-conscious initiatives for employees.” Acquisition of this rank offers advantages in fund-raising.

DBJ健康格付
2014

Moving forward, ITOCHU aims to realize a workplace environment that fosters the demonstration of the full capabilities of diverse human resources.

Highly Motivated Employees

We periodically conduct employee engagement surveys, and in fiscal 2015 the results were higher in all categories compared with the previous survey in fiscal 2011. In particular, “employee engagement” remains high, and due to a range of initiatives employees have more pride about working at ITOCHU, are highly motivated to make a contribution, and are taking the initiative in addressing their work.

Engagement Survey (Fiscal 2015)