

# Tireless Business Creation

# Evolving into a Business-Creating Company

From intermediary to creator, from a single approach to a multifaceted approach—amid volatile business conditions, ITOCHU Corporation has tirelessly developed its unique growth model while constantly creating new businesses.

## Discovering Markets and Creating Businesses

ITOCHU has developed its growth model flexibly in response to dramatic changes in the business conditions it faces—such as structural change in the global economy and increasingly borderless markets.

Traditionally, our business model has centered on businesses that are market intermediaries. In other words, businesses linking suppliers with users have accounted for the majority of operations.

Currently, we are looking for potential markets (business seeds) to actively build businesses ourselves going forward.

After identifying a market, in light of our expertise and experience as well as market characteristics, we will create businesses in optimal business areas that include raw material production, processing or manufacturing, wholesale and distribution, and retail.

## Diversifying Participation Formats

When creating businesses, we will take into consideration market and business characteristics as well as earning opportunities and risks, and then participate in new areas in the most appropriate way and heighten our overall business coordination capabilities. Our options will include tie-ups with competitive partners, strengthening tie-ups and stabilizing businesses through capital investment, and participating in management or making companies into subsidiaries with a view to generating revenue synergistically or optimizing overall business.

## Continuous Asset Replacement for Enhancing Asset Efficiency

Management risk grows as we increase our commitment to a market through business investment. In some cases, business projects may not produce the results we initially expected. We will always scrutinize the strategic relevance of each business investment and seek to replace assets continuously to maintain and enhance asset efficiency.

## Traditional Intermediary Businesses



## Raw material / Production



CGB (Grain Handling & Logistics Company in the U.S.)



Mt. Newman JV Iron Ore Mines in Western Australia (Developing metals and mineral resources)

## Processing / Manufacturing



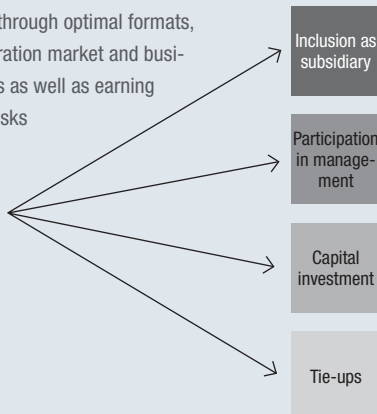
Marubeni-Itochu Steel Inc. (Import / export and processing of steel products)



Methanol Plant in Brunei (Manufacture of methanol)

## Diverse Participation Formats

Create businesses through optimal formats, taking into consideration market and business characteristics as well as earning opportunities and risks



## Replacing Assets Continuously

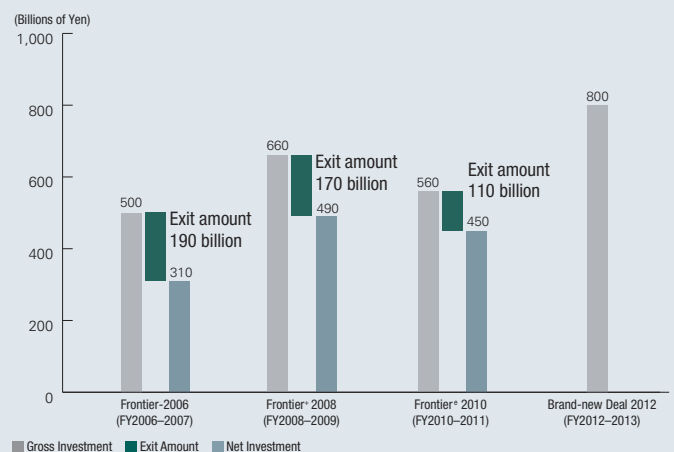


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- ① NAMISA Iron Ore Mines in Brazil  
(Developing metals and mineral resources)
- ② renoma (Brand business in China with Shanshan Group Co., Ltd.)
- ③ EGT (Grain Export Terminal on the West Coast in the U.S.)
- ④ Kwik-Fit (Tyre retail business in the U.K.)
- ⑤ CPV Keenan II LLC  
(Wind Power Generation Business in North America)
- ⑥ FamilyMart store in China  
(CVS business with the Ting Hsin International Group)
- ⑦ DEAN & DELUCA (Lifestyle brand business)

# Create new businesses

Discover new market

Accumulate further resources and expertise  
Increase market presence

Maximize business value by mobilizing  
comprehensive capabilities

Create new businesses by exploiting  
resources and expertise

## Pursuing Multifaceted Business Expansion

ITOCHU will expand its earning opportunities based on a multifaceted approach that develops businesses in upstream areas, enter downstream areas, extend product lineups, and expand businesses regionally, taking advantage of the knowledge, expertise, and market presence, garnered through the pursuit of added value in existing businesses. Continuously repeating this process will ensure that the ITOCHU Group's business portfolio constantly evolves to reflect market demand.

(For specific examples in each segment, please see the "The Growth Strategies" sections of "Division Companies" on pages 34 through 54.)

Raw material /  
Production

Processing /  
Manufacturing

Market  
discovery

Wholesale /  
Distribution

Retail

### Wholesale / Distribution



Automobile & Construction Machinery  
Division (Automobile trade & sales)



Stapleton's (Tyre Services) Ltd. (Wholesale  
and retail tyre business in the U.K.)

### Retail



Paul Smith (Brand business)



FamilyMart store in Japan (CVS business  
in Japan)





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# **Strengthening Profitability and Financial Base**

## Strengthening Profitability and Financial Base

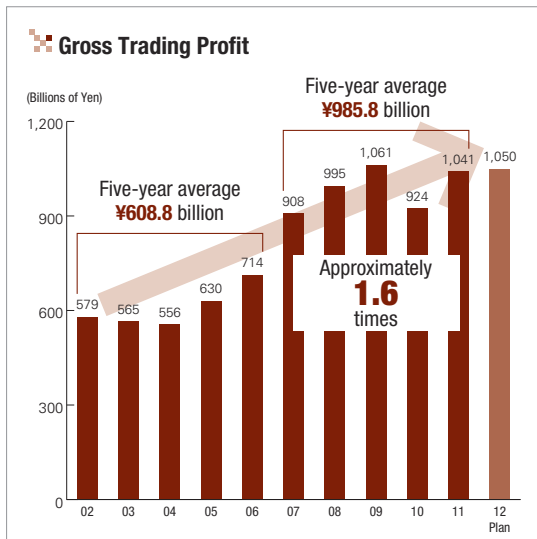
ITOCHU's earning capabilities, financial soundness, and capital efficiency have improved beyond recognition over the past 10 years.

We have completed preparations for shifting to a phase of even stronger growth.

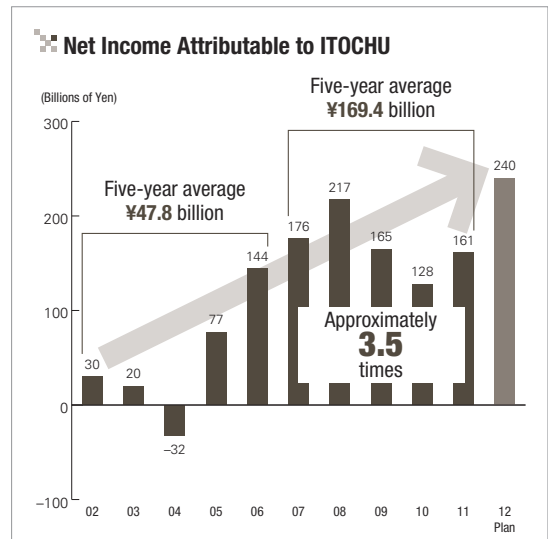
### Improving Profitability

#### Growth Yardsticks—Gross Trading Profit and Net Income Attributable to ITOCHU

The past decade has seen ITOCHU's earning capabilities grow dramatically. ITOCHU has undergone a transformation since the late 1990s by reducing underperforming or inefficient assets while concentrating investment on growth areas—such as the Natural Resource / Energy-Related Sector and China—and areas in which it has strengths, such as the Consumer-Related Sector.



Years ended March 31

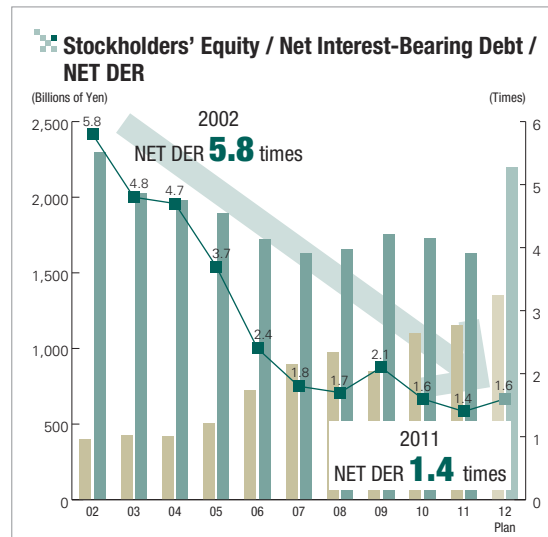


Years ended March 31

### Building a Robust Financial Base to Proactively Seek New Opportunities

#### Financial Soundness Benchmark—NET DER

Establishing NET DER as an important indicator in financial soundness, ITOCHU has strengthened its financial position by the reduction of interest-bearing debt and increasing stockholders' equity through the accumulation of earnings. NET DER has improved significantly from more than 13.7 times in fiscal 1999 to a record low of 1.4 times in fiscal 2011. Even in phases of expanding investment, we will maintain and improve financial soundness by keeping NET DER between 1.5 times and 2.0 times.

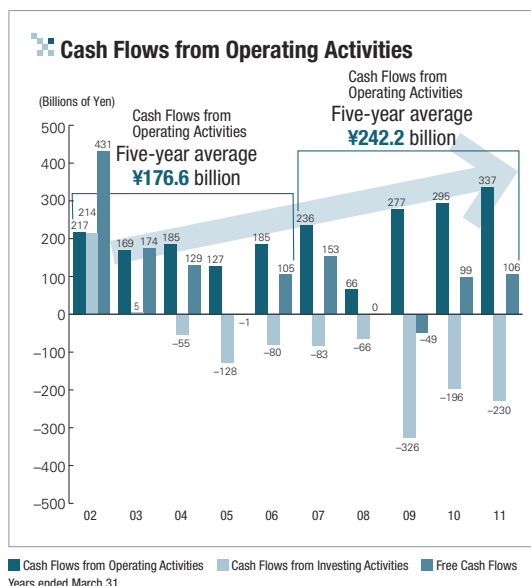


As of March 31

# Cash-Generation Capabilities support Aggressive Investment

## Cash Flows from Operating Activities

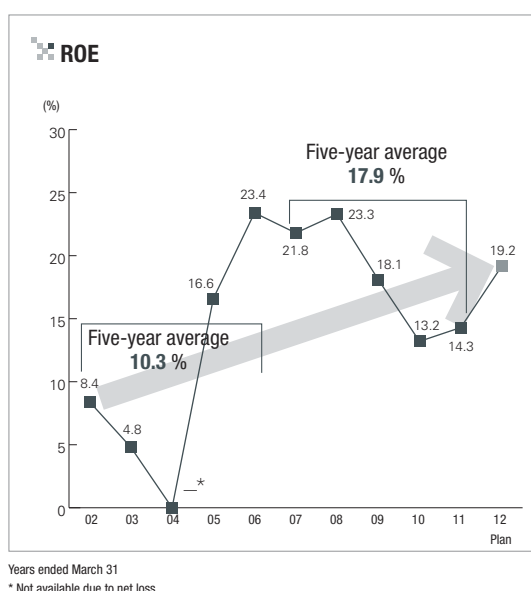
ITOCHU has ensured cash flows from operating activities by accumulating earnings, monitoring the collection of receivables from customers stringently, and heightening the dividend payout ratios of equity-method affiliates. The resulting abundant cash flows have enabled recent major investment initiatives.



# Improving Capital Efficiency

## Capital Efficiency Benchmark—ROE

We have raised ROE by taking into account capital efficiency through the corporate-wide portfolio management. Having gone through an adjustment since the financial turmoil in fiscal 2009, ROE is expected to recover and once again rise above 15%. While enriching stockholders' equity, we intend to keep ROE high.



# Enhancing Returns to Stockholders

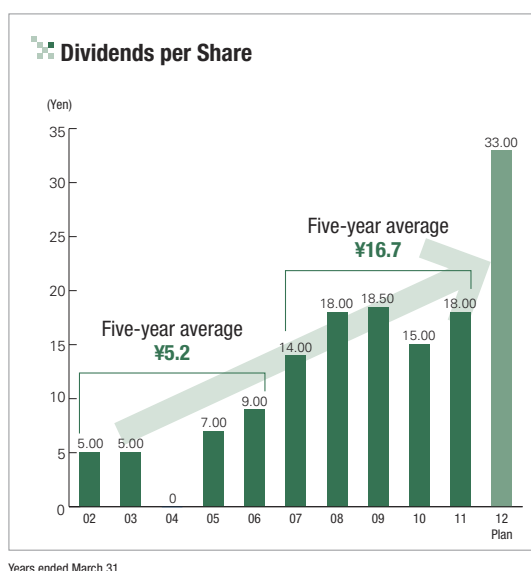
## Dividends

Consistent and stable distribution of returns to stockholders has long been ITOCHU's basic policy. The new medium-term management plan increases the transparency of ITOCHU's stance on distribution of returns by setting out a dividend payout ratio.

Under this medium-term management plan, our annual dividend targets will be:

- a dividend payout ratio of 20% on net income attributable to ITOCHU up to ¥200.0 billion and
- a dividend payout ratio of 30% on the portion of net income attributable to ITOCHU exceeding ¥200.0 billion.

Based on this policy, for fiscal 2012 we plan to pay a full-year cash dividend of ¥33.0 per share, comprising an interim cash dividend and a year-end cash dividend.



Improvement of profitability  
—Gross trading profit

2007–2011 average

**¥985.8** Billion

2002–2006 average  
**¥608.8** Billion

\* For fiscal year

Improvement of profitability  
—Net income attributable to ITOCHU

2007–2011 average

**¥169.4** Billion

2002–2006 average  
**¥47.8** Billion

\* For fiscal year

Robust financial base  
—NET DER

2011

**1.4** Times

2002  
**5.8** Times

\* As of March 31

Cash-generation capabilities  
—Cash Flows from operating activities

2007–2011 average

**¥242.2** Billion

2002–2006 average  
**¥176.6** Billion

\* For fiscal year

Improvement of capital efficiency  
—ROE

2007–2011 average

**17.9** %

2002–2006 average  
**10.3** %

\* For fiscal year

Enhancement of distribution of returns of stockholders  
—Dividends

2007–2011 average

**¥16.7**

2002–2006 average  
**¥5.2**

\* For fiscal year