

ITOCHU's Business Models

Business Models that Create Added Value and Implement Asset Strategies

As its businesses have progressed, ITOCHU has built business models that both create added value and implement asset strategies. Through the enhancement and leveraging of management resources, we are working to maximize earnings from trade and return on investment while simultaneously increasing the probability of business success.

Maximizing earnings from trade and return on investment

Leveraging of enhanced management resources to expand business while increasing the probability of success

Enhancement of management resources

Creating Added Value

Brand management

Coordination

Trading company functions

Management know-how

Implementing Asset Strategies

Investment in areas where we have strengths

Risk management

Monitoring for efficiency

Management Resources

Internal

Financial base, human resources, traditional functions of a general trading company
Business know-how
Various strengths of Group companies
Organizational assets

External

Client assets (customers / suppliers)
Partner assets

40 YEARS IN THE MAKING

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

As a general trading company, ITOCHU's traditional business development was originally centered on trade. We linked demand and supply by serving as an intermediary in the flow of commercial distribution.

Subsequently, manufacturers began to conduct their own overseas operations, and ITOCHU began to shift toward a style of business development in which it took the lead in the generation of business and commercial distribution while leveraging business investment and maintaining a focus on trade. Today, ITOCHU's business development has evolved to the point where it generates business in a multifaceted, linked manner.

Expanding business in a multifaceted, linked manner

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

2. Establishing market positions

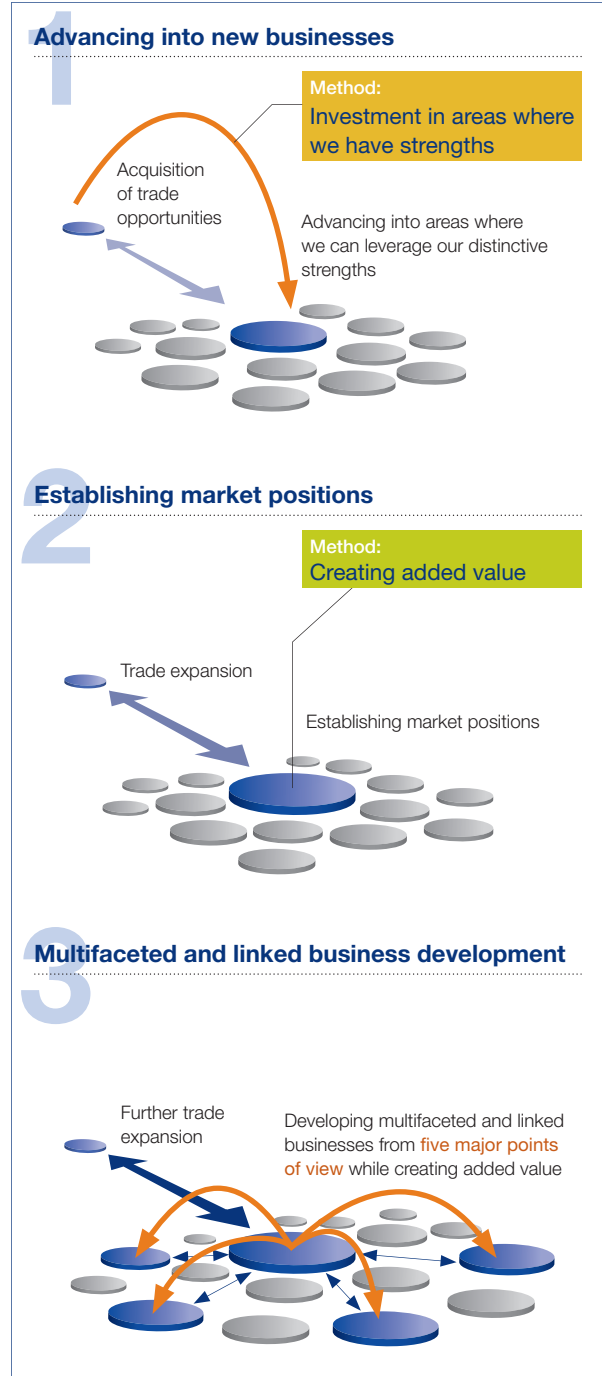
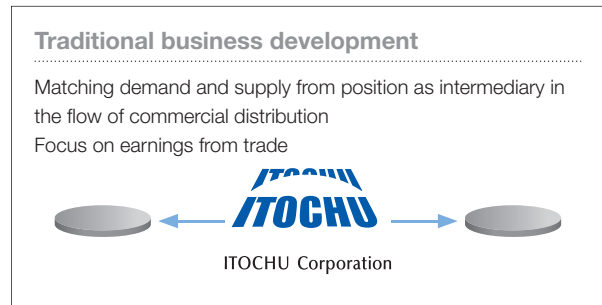
After advancing into a new area, we strive to accumulate business know-how. In addition, by applying the distinctive management resources of a general trading company, we take steps to increase the corporate value of the companies that we have invested in to establish a market position. At the same time,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

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



Business Model Suitable for Advanced Business Development

As its businesses have progressed, ITOCHU has built business models that both create added value and implement asset strategies. ITOCHU works to achieve continued advances in these business models while responding to changes in the management environment.

Leveraging of enhanced management resources to expand business while increasing the probability of success

Creating Added Value

P30-37 Special Feature: Creating Added Value and Implementing Our Asset Strategies—Creating Added Value

We strive to continuously create added value and increase the value of businesses, including the companies that we have invested in, while simultaneously taking a complex approach to the utilization of internal and external management resources.

Brand management

Through integrated management of the entire merchandising function, including sales channels and product nurturing, ITOCHU strives to increase brand value and take the initiative in business activities.



Coordination

Leveraging its client assets, partnerships with leading companies, business infrastructure, and knowledge, ITOCHU works to cultivate sales channels and suppliers. In addition, through those activities we discover new needs and foster optimal product development and the creation of new businesses.



Trading company functions

ITOCHU offers its business partners more than just the traditional functions of a general trading company, such as credit, foreign exchange settlement, insurance, logistics, and IT. We also provide new functions aligned with needs to create new businesses with our customers and partners.



Management know-how

By providing the management know-how that we have accumulated and by dispatching management personnel, we support increases in the corporate value of companies that we have invested in.



Management Resources

As a general trading company, ITOCHU has accumulated a variety of management resources through its extensive history, its global

Internal

Financial base

ITOCHU's ability to invest aggressively to expand future earnings is supported by its capacity to steadily generate operating cash flows, its strong Group financial system frameworks in Japan and overseas, and its sound financial base.

Human resources

It is human resources that are the driving force behind the functioning of ITOCHU's development model and the source of the Company's competitiveness. We are working to develop industry professionals who have high levels of expertise in specific areas.

Traditional functions of a general trading company

The traditional functions of a general trading company, such as credit, foreign exchange settlement, insurance, logistics, and IT, are the foundations of the provision of solutions for smooth progress in business transactions.

Business know-how

ITOCHU is developing businesses in a broad array of industries spanned by its six Division Companies, and the Company has accumulated a wide range of business know-how that increases the probability of success in creating new businesses and in advancing into new business areas.

Maximizing earnings from trade and return on investment

Enhancement of management resources

Implementing Asset Strategies

▶ P22–23 ITOCHU's Approach to Business Investment

▶ P26–29 Special Feature: Creating Added Value and Implementing Our Asset Strategies—Implementing Asset Strategies

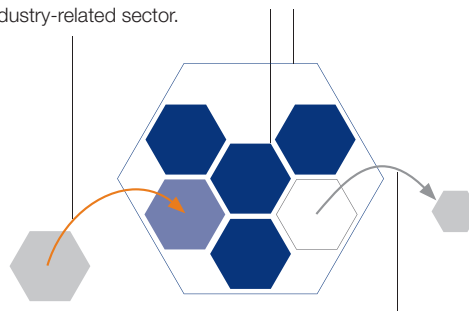
As the strategic importance of business investment has increased, we have developed asset strategies comprising investment in areas where we have strengths, risk management, and monitoring for efficiency.

Investment in areas where we have strengths

For new investments, our fundamental principle is to invest in areas where we have strengths. Under “Brand-new Deal 2014,” to establish a position as the No. 1 trading company in the non-resource sector, ITOCHU is implementing focused investment in the consumer-related sector and the basic industry-related sector.

Risk management

In addition to comprehensive management of risk through risk assets, ITOCHU is also implementing risk management on a project-by-project basis through evaluation of investment efficiency using a hurdle rate based on the cost of capital.



Monitoring for efficiency

We implement continual reviews, and exit from investments that are determined to be low-efficiency assets from such perspectives as scale of earnings, investment efficiency, and strategic significance. In this way, we are working to increase asset efficiency.

business development, and its adaptation to many changes in its business environment.

External

Various strengths of Group companies

The combination of the strengths of ITOCHU's 217 subsidiaries and 139 associated companies and the strengths of the Company itself substantially expands the potential for the creation of added value.

Organizational assets

In addition to a variety of systematic regulations and rapid decision-making systems, ITOCHU also has functional organizations that possess high levels of expertise in such fields as legal affairs / risk management, accounting / taxation, and finance. These organizations provide strong backup for ITOCHU's ability to generate income from a front-line perspective.

Client assets (customers / suppliers)

Maintaining relationships with customers and suppliers—client assets—is indispensable in securing continued trade opportunities. In addition, ITOCHU can control risk in investments precisely because it can draw on these client assets.

Partner assets

From the viewpoints of rapidly advancing into new business areas and increasing the probability of business success, ITOCHU emphasizes win-win relationships with partners. Over many years, ITOCHU has built excellent relationships with many leading companies in growth areas and markets.