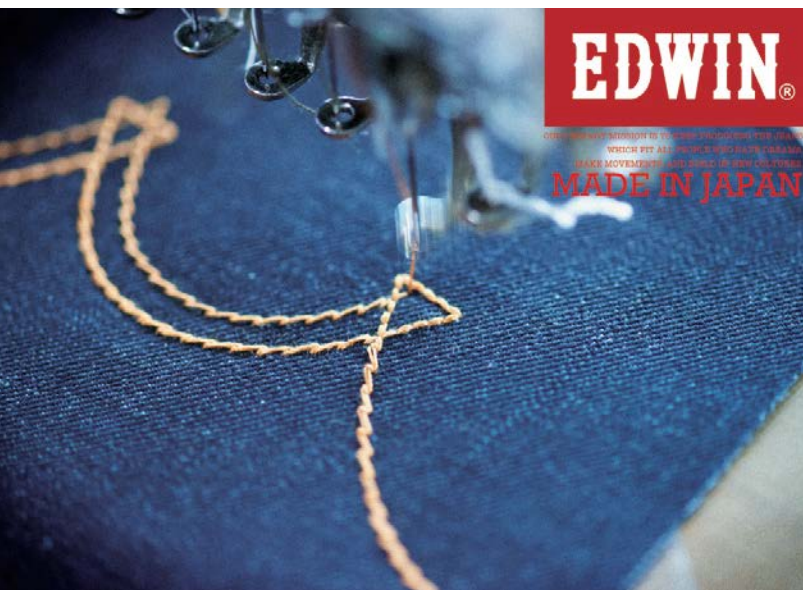


Sustained Earnings Over the Long Term

ITOCHU conducts business across a wide span of industries in Japan and overseas. We have a diverse array of business models that cover a broad range of industries and companies, as well as the foundation needed to support sustained growth. ITOCHU works to achieve sustained, long-term growth in the corporate value of the businesses in which it invests, paying careful attention to risks in each business and making sure to sow the seeds for new opportunities against a background of the needs of society.



page 35

Providing MADE IN JAPAN
around the World

EDWIN Joins the ITOCHU Group



page 38

Managing a Range of Risks and
Sowing Seeds from a Long-Term
Viewpoint

Risk Management—Dole Business

**Opportunities—Projects in Water and
the Environment Sectors**



Providing MADE IN JAPAN around the World

EDWIN Joins the ITOCHU Group

EDWIN has led the Japanese jeans industry with continual innovation and unrivaled manufacturing. Moving forward, ITOCHU will make wide-ranging use of the distinctive strengths of a general trading company and strive to achieve further increases in EDWIN's corporate value.

Background Japan's Largest Jeans Manufacturer, Creator of Multiple Global Standards

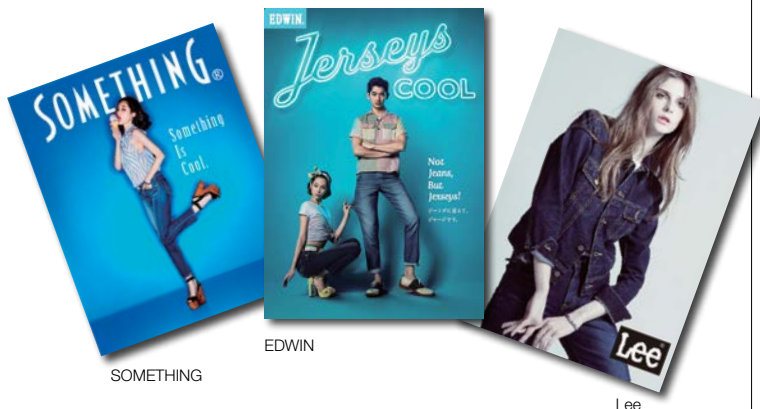
The pre-washing of jeans so that the texture of the fabric is similar to a well-worn item of clothing is now a standard processing technique around the world. In the early 1960s, EDWIN (EDWIN CO., LTD.) had the idea of providing jeans for everyone that were easy to wear, and the company took the initiative in transitioning from work clothes to the world of fashion. Today, EDWIN is an established manufacturer of jeans in Japan. EDWIN imported denim into Japan for the first time in 1961, and became the first Japanese company to manufacture and sell jeans. The company was not limited by existing frameworks, as shown by the name EDWIN, which is based on the letters in "denim." EDWIN added new value to jeans in a number of ways, including "stone washing" and "liquid-ammonia processed denim." Currently, in addition to manufacturing and sales of the EDWIN and SOMETHING brands, which have high levels of nationwide recognition, the company has licensing rights for leading North American brands, such as Lee, Wrangler, and ALPHA INDUSTRIES. EDWIN continues to drive growth as the largest company in the industry, and ITOCHU has built a relationship of trust with EDWIN through many years of business transactions in such areas as textile materials procurement, product development, brand launches, sales channel openings, and credit support.

In March 2014, ITOCHU concluded a sponsorship agreement with EDWIN, which had taken steps to rebuild its business through turnaround ADR procedures, and in June 2014 EDWIN became a subsidiary of ITOCHU.



Decision Business Model Based on Unique "Manufacturing Capabilities"

EDWIN's decision to rebuild its business through turnaround ADR procedures was not due to problems with its core operations. Rather, large losses, incurred as a result of foreign exchange derivatives, were discovered in August 2012. In an intensely competitive environment in a market that was not expanding, EDWIN recorded strong sales and maintained its position as an industry leader. Many jeans manufacturers have abandoned domestic production and transferred their manufacturing bases to China and Asia. Meanwhile, EDWIN continues to focus on domestic manufacturing. EDWIN has followed a MADE IN JAPAN business model, from planning to production and sales, centered on its 15 in-house jeans factories in Japan, the largest number in the industry. That business model is the cornerstone of EDWIN's continued competitive edge.



SPECIAL FEATURE



- 1** World's most-advanced sewing uses 13 types of thread in accordance with the part of the garment being sewn
2 Pursuing "optimal harmonization of machine and employee" **3** Washing process: EDWIN linked jeans with "washing."

EDWIN rigorously enhances its product development capabilities in its own factories, and its unrivaled technical capabilities have become a major strength. EDWIN has established close cooperative relationships with partners, including working with textile manufacturers to select raw materials that match product concepts and cooperating with sewing machine manufacturers to jointly develop equipment. With an uncompromising commitment to manufacturing, including original sewing that uses 13 types of thread in accordance with the part of the garment being sewn as well as fit and wash processing, EDWIN continues to maintain high-value-added "Japan quality." Thus, through clear differentiation from low-priced products that were encroaching on the market, EDWIN continues to obtain the support of customers even as a mid-priced brand.

In addition, while the lead times for competitors that manufacture their products overseas are 60 to 75 days in China and 75 to 90 days in Vietnam, EDWIN, in contrast, achieves a much shorter lead time with domestic production—about 27 days. As a result, in response to a market environment that changes continually due to seasonal factors and trends, it is possible for EDWIN to flexibly adjust its production plans and to reduce the inventory risk caused by mistakes in long-term sales forecasts. Moreover, the number of five-pocket jeans* produced per operator per

day is about 22 units in China and 15 in Vietnam. In contrast, at its domestic factories EDWIN achieves substantially superior results of about 42 units. While valuing the expert skills and sensitivity of its employees, EDWIN has worked to implement "optimal harmonization of machine and employee," which is intended to achieve rigorous rationalization and process management unlike any other in the industry. In this way, EDWIN has achieved a level of production efficiency that is among the highest in the industry.

EDWIN also takes a thorough approach to traceability, using manufacturing lot numbers on all of its products made in Japan or overseas to make it possible to trace such factors as textile materials, factory, production date, quality, and safety data. In this way, EDWIN is working to achieve differentiation in added value by linking fulfillment of social responsibilities to purchase motivation and by addressing the growing concerns with security and safety.

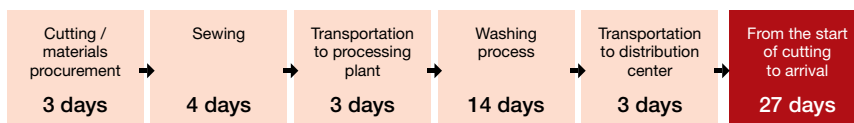
* Standard-type jeans with five pockets

Comparison of Productivity

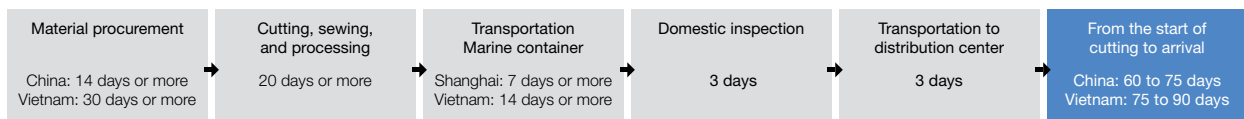
Production Country / Region	Five-pocket jeans productivity (Units per operator)
EDWIN's domestic production	42 units per day
Cooperating factories in China and Vietnam	15 to 22 per day

Comparison of Production Lead Time

Domestic



China / Vietnam



Harmony with Local Communities that Support Ongoing Manufacturing

EDWIN has formed an industrial cluster of in-house sewing factories and cooperating factories in the northern Tohoku region (Akita, Aomori, and Miyagi prefectures). These factories, which are geographically close to each other, compete in such areas as quality and cost. At the same time, the employees engaged in manufacturing develop a spirit of professionalism, and share and transmit skills at an advanced level. In these ways, this system supports the continuity of EDWIN's world-class business model.

In addition, EDWIN takes a thorough approach to harmonious coexistence with local communities to heighten the employees' sense of belonging. In principle, workers at EDWIN's in-house factories are hired as permanent employees, and EDWIN has become a key employer in the region. EDWIN has also put in place a number of initiatives so that women, who account for 80% of the workforce, can work for many years. Nearly 100% of female employees take childbirth and childcare leave, and nearly 100% of them subsequently return to their jobs.

The pollution of rivers by effluents from dyeing is a problem around the world. EDWIN takes a number of steps to treat wastewater, such as removing textile waste, neutralizing alkalinity, decolorization, and bacteria processing. Regulations are met and wastewater is treated to the point where the water is clean enough for fish to live in.

EDWIN's business model, which is based on domestic production, could be a major competitive edge versus apparel-producing countries such as China, where labor costs are increasing and companies have been slow to rationalize through the introduction of equipment. ITOCHU decided that by providing its management resources it could link this competitive edge to further gains in corporate value, and on that basis the Company concluded to make the investment in EDWIN.

Course Providing MADE IN JAPAN around the World While Maintaining a Focus on Tradition and Originality

By utilizing the abundant experience and know-how that it has cultivated throughout the textile industry—ranging from textile materials to apparel and brands—Itochu will provide strong support for increases in EDWIN's corporate value. We have already dispatched management personnel to EDWIN,

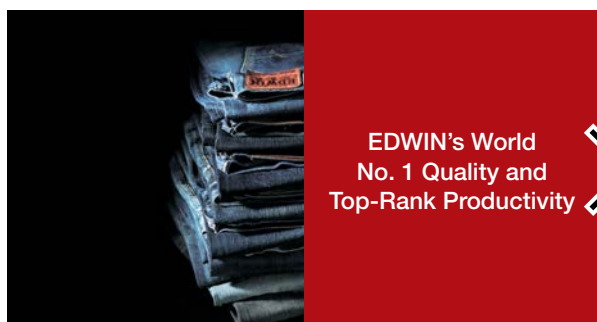


and have started to strengthen internal control. To strengthen integrated manufacturing-sales initiatives based on market needs, we implemented organizational reforms, transitioning from an orientation around function, such as planning and production, design, and sales, to an orientation around men's and women's brands.

We are taking steps to bolster domestic casual jeans, EDWIN's core business, such as reinforcing relationships with customers. In addition, we are advancing the procurement of competitive materials from our overseas bases. We are also working to enhance the lineup of products other than jeans, such as tops, while increasing cost competitiveness through the use of overseas manufacturing bases.

Furthermore, ITOCHU's overseas network will open up new possibilities in EDWIN's overseas business development initiatives. EDWIN previously implemented export activities and recorded major successes with stonewashed jeans and London Slim products. Currently, results are favorable in Europe, where a high-quality image has been established, and there is substantial room for growth in other regions. While we continue to focus on expanding existing business in Japan, we will subsequently take on the challenge of achieving growth in overseas business. To that end, we will leverage EDWIN's world-class quality and price competitiveness and draw on ITOCHU's overseas networks to target overseas markets with growth potential.

As we implement these wide-ranging initiatives, we will continue to respect EDWIN's tradition and originality. EDWIN's enthusiasm for manufacturing and spirit of taking on challenges, which have been passed down over a long history, have been the source of the competitiveness of MADE IN JAPAN, and will continue to play that role in the future.




Managing a Range of Risks and Sowing Seeds from a Long-Term Viewpoint

Risk Management—Dole Business

Opportunities—Projects in Water and the Environment Sectors

With its business fields expanding and the needs of society increasing, the Company has to track an extremely broad range of risks, including not only financial risk but also social, environmental, and other risks. To ensure business sustainability and future competitiveness, the Company is steadily advancing initiatives to appropriately deal with these risks and social issues.

 In regard to the evaluation of risks in business investment, see pages 24 to 25, "Our Approach to Business Investment."



Risk Management Asian Fresh Produce Business and Worldwide Packaged Foods Business of Dole International Holdings

Through the newly established Dole International Holdings, Inc. (Dole), ITOCHU acquired the Asian fresh produce business and worldwide packaged foods business of Dole Food Company, Inc., of the United States. Using the global "Dole" brand as a driving force, we are transitioning these businesses to a true "global business model" targeting local markets around the world. To realize sustained growth in these businesses, which utilize large-scale agricultural management, we are paying careful attention to the management of risks that are a distinctive part of the agricultural business.

Dispersal of Producing Regions to Reduce the Risk of Unseasonable Weather

To secure stable earnings in the agricultural business, it is essential to take steps to address the risk of unseasonable weather. In Mindanao, the Philippines, where Dole grows bananas, pineapples, and other produce on farms totaling about 32,000 hectares, historically there has been a very low incidence of direct damage from typhoons. As such, the agricultural business has recorded strong development in this region in comparison with other regions. However, in December 2012 typhoon Bopha (935 hPa) became the first to make a direct strike in Mindanao in 50 years, and Dole

farms suffered significant damage, which had an impact on production volume.

With the support of ITOCHU's strong financial position, Dole is taking steps to reduce the risk of unseasonable weather. To that end, Dole has expanded its banana production in Sri Lanka, which is less susceptible to the effects of typhoons, and is developing new producing regions in Southeast Asia and Africa. In these ways, Dole is aggressively working to disperse its producing regions, centered on neighboring countries that are promoting agriculture.

Dispersal of Producing Regions to Reduce the Risk of Unseasonable Weather



Multifaceted CSR Risk Management

ITOCHU's headquarters, Division Companies, and Group companies share an awareness of the importance of the many risks that are faced by businesses and are working to take preventive measures prior to the manifestation of risks. In regard to CSR risks, we work together with third-party specialist institutions to conduct periodic inquiries at major businesses in which we have invested.

Approximately 9,000 employees work at farms in the Philippines directly operated by Dole. Maintaining and strengthening the relationships with these employees, and coexisting harmoniously with local communities, are considered to be important issues. These issues not only influence such factors as stable production, productivity, and quality but also affect business sustainability. Accordingly, ITOCHU is taking steps to strengthen management in these areas.

An investigation conducted in March 2015 at farms in the Philippines confirmed that management systems addressing

quality and safety, human rights, and the environment have been established and are being properly utilized. In particular, in regard to labor management the work is handled in appropriate shifts, employees of appropriate ages are hired, and there is no discrimination in the work environment. There is also rigorous attention to safety management. In tandem with this investigation, we tracked the state of affairs in compliance and confirmed that systems have been appropriately established.

Please see "Documentary Report on Supply Chains - How Bananas Reach Your Table" page of our website.

http://www.itochu.co.jp/en/csr/supply_chain/reportage/?step=07



Opportunities

Business Opportunities in Sustainable Resource Utilization—Public Infrastructure Projects in Water and the Environment Sectors

Due to the rapid growth in the global population, rise of emerging countries, and global warming, the global water market is expected to expand from approximately ¥60 trillion in 2005 to ¥111 trillion by 2025. In addition, worldwide greenhouse gas emissions are forecast to increase markedly from 2010 to 2050, which may cause more destructive climate changes. ITOCHU views the businesses in water and the environment sectors including sustainable resource utilization as future business opportunities, and seeks to provide the best solutions it can offer for those emerging opportunities.

ITOCHU is the first Japanese company to enter the water utility business in the United Kingdom and Spain, providing high-quality, sustainable, and economical water services. Our aim is to build and accumulate know-how from these water utilities and leverage that know-how into advancing further in the water businesses worldwide. In addition to participating in the water utility sector, we are involved in one of the Southern Hemisphere's largest seawater desalination projects located in Victoria, Australia, which has been implemented as a public-private partnership (PPP)* project by the state government of Victoria. ITOCHU has played a significant role in the project development with

its distinctive coordination capabilities, such as project finance structuring, and is contributing to the stable operation of the business after the completion of construction as well. ITOCHU will accelerate and expand its activities in the water sector including seawater desalination projects in regions with severe water shortages. In Saudi Arabia, for example, we are providing plant engineering as well as production and sales of reverse osmosis (RO) membrane elements for seawater desalination.

Waste management businesses contribute to the mitigation of climate change and reductions in CO₂ emissions, and ITOCHU has contributed in four projects in this sector within the U.K., one of which is located in Merseyside. Through the incineration of waste that was traditionally land-filled directly, the four projects will reduce the annual volume of landfill waste by 1.31 million tons and greenhouse gases by 335,000 tons, and furthermore, by utilizing the excess heat produced, electricity equivalent to the power consumption of 165,000 homes will be generated. We will draw on our accumulated expertise, capacity to arrange finance, and worldwide network to continue developing projects and assets in water and the environment businesses.

* PPP (Public-Private Partnership): A partnership between the public (government) and private sector for the purpose of effective delivering of government projects (e.g. infrastructure projects) or government services.

Please see "Water and Environmental Public Infrastructure Projects" page of our website.

<http://www.itochu.co.jp/en/csr/activities/water/>

Global Map of Our Investments in Water and Waste Management Sectors

