

Business Development Based on Continued Evolution

Multifaceted Business Creation

As a general trading company, ITOCHU leverages business investment while maintaining a focus on trade that links demand and supply. The Company takes the lead in implementing a multifaceted approach to expanding the flow of commercial distribution and creating businesses, ranging from upstream areas to downstream and including peripheral and similar industries as well as other geographic regions.

Leveraging Our Distinctive Strengths to Expand Multifaceted Initiatives in a Linked Manner

I. 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 the Company advances into new businesses and markets. Accordingly, we select areas in which we can leverage our distinctive strengths. In particular, we focus on whether or not we can secure trade business. 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

II. Establishing Market Positions

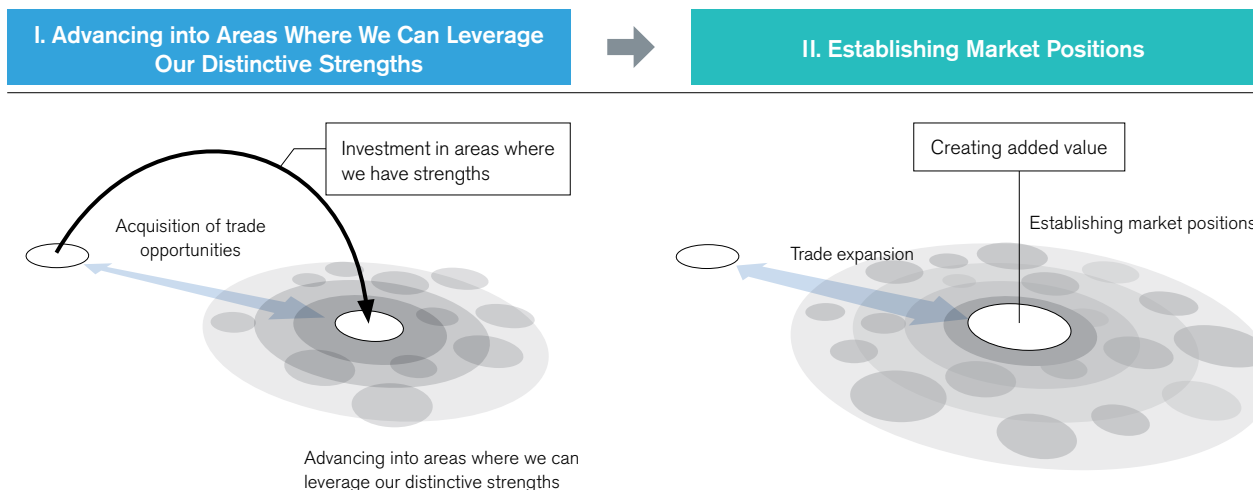
After advancing into a new area, we strive to accumulate business know-how. In addition, by applying the distinctive management resources of a general trading company, we take steps to increase the corporate value of the companies that we have invested in to establish a market position. At the same time,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

Six Points of View in Multifaceted Business Development

- 1 Expanding and diversifying sources of supply
- 2 Participating in production activities
- 3 Expanding the range of success models
- 4 Pursuing economies of scale
- 5 Obtaining points of contact with consumers
- 6 Cash collection from exits

III. Multifaceted, Linked Business Development, and Flexible Exits

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 create new businesses in a multifaceted, linked manner with a view to further increasing earnings. In addition, from the viewpoint of asset efficiency, we recover funds by exiting from assets that have lost strategic significance.



Six Points of View in Multifaceted Business Development

1 Expanding and Diversifying Sources of Supply

In procurement, ITOCHU works to diversify and expand its sources of supply. In this way, we disperse risks, such as geopolitical and exchange rate risks; increase buying power; and strengthen our competitiveness by increasing the amounts supplied.

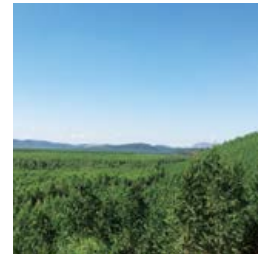
Targeting a stable supply of food, ITOCHU is establishing and expanding grain handling and supply bases. (Photo: CGB grain export facility on the west coast of the United States)



2 Participating in Production Activities

We participate in upstream production activities with the objectives of developing and procuring competitive products, taking the initiative on the supply side, and generating earnings.

We are reinforcing our position as the global No. 1 pulp trader by participating in the pulp production business. (Photo: Celulose Nipo-Brasileira SA.)



3 Expanding the Range of Success Models

We aim to create businesses efficiently and rapidly by extending models of success with certain products and regions to other products and regions.

In brand business, licensing business and business development in China is leading to growth in source of earnings. (Photo: OUTDOOR PRODUCTS)



4 Pursuing Economies of Scale

We are working to increase our operational efficiency and strengthen competitiveness by expanding our scale through mergers and boosting our competitiveness.

⇒ Page 38 Special Feature: **Asset Strategies in a "New Era for the Sogo Shosha"**

In the iron ore business, we increased our competitiveness through the merger in Brazil of NAMISA and the mining division of CSN.



5 Obtaining Contact with Consumers

We are aiming to achieve synergistic earnings growth by obtaining contact with consumers, feeding information back to mid-stream and upstream businesses, and optimizing the supply chain.

Information obtained by FamilyMart, which is a point of contact with customers, is increasing added value throughout the entire value chain.

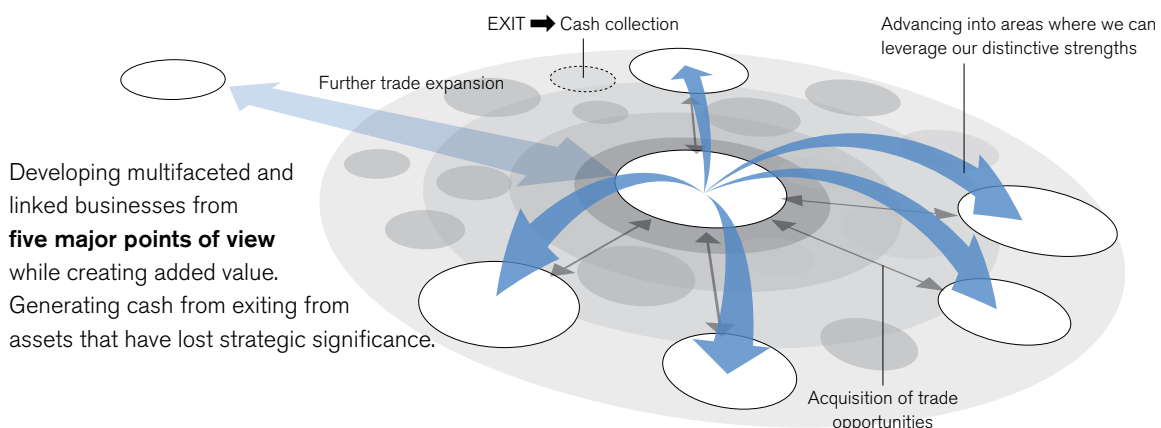


6 Cash Collection from Exits

Based on our view of the long-term business environment, we implement exits from existing businesses and reinvest in new strategic fields using the cash generated from exits. In this way, we are working to create new businesses.

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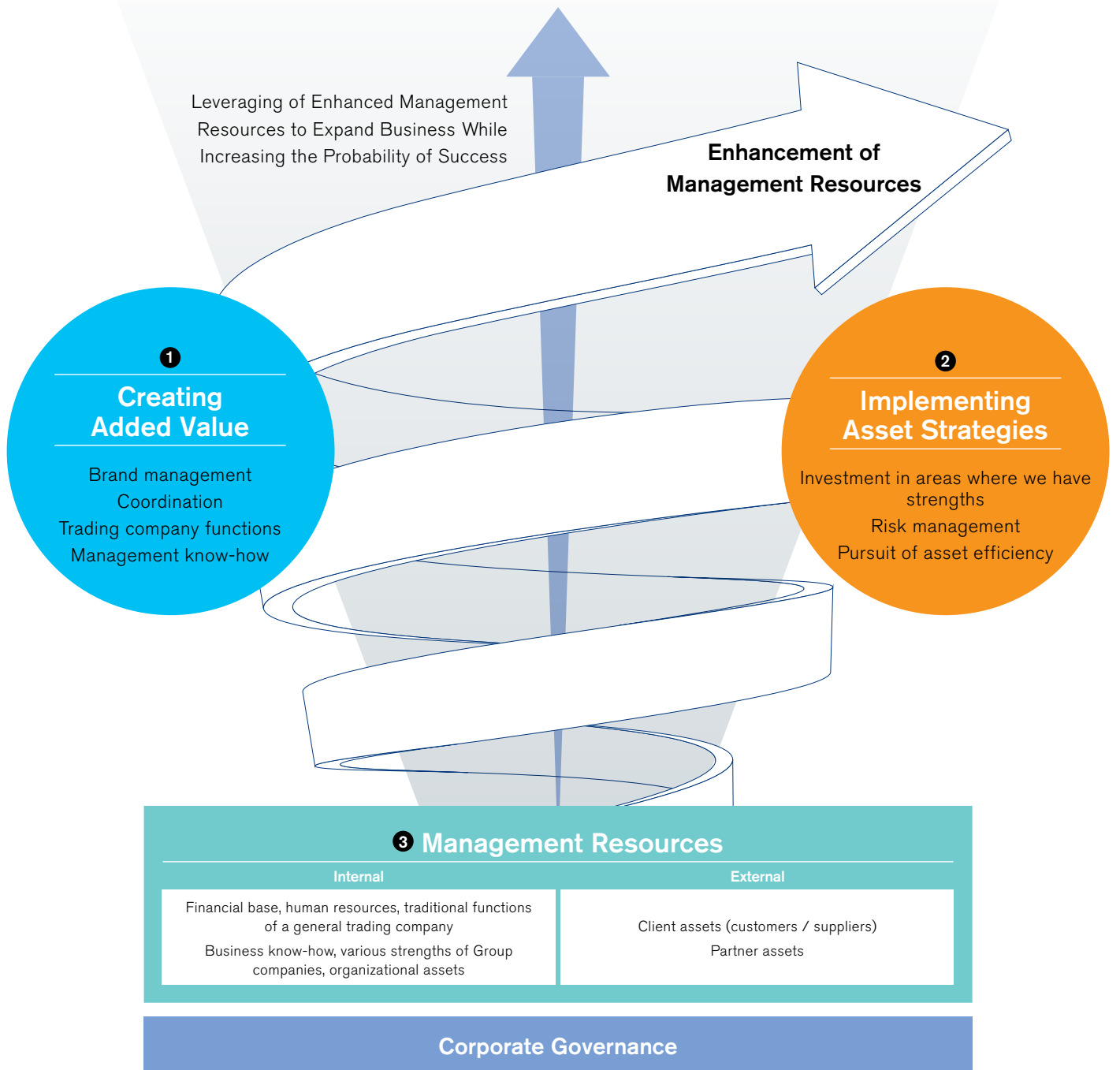


Business Models

Creating Added Value and Implementing Asset Strategies

In conjunction with progress in our business development, we have implemented business models that involve both the “creation of added value” to take the initiative in the flow of commercial distribution and “implementing asset strategies” comprising investment in areas where we have strengths, risk management, and the pursuit of asset efficiency. In this way, we are building and reinforcing business models that maximize earnings from trade and return on investment.

Maximizing Earnings from Trade and Return on Investment



1 Creating Added Value

We strive to stabilize commercial rights, expand trade, and increase the value of businesses, including the companies that we have invested in, by leveraging the distinctive functions of a general trading company, continually creating added value from the customer's viewpoint.

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 and partnerships with leading companies, ITOCHU works to cultivate sales channels and suppliers and takes steps to foster the creation of new businesses, such as large-scale project structuring.

Trading Company Functions

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

Management Know-how

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

2 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 the pursuit of asset efficiency.

Investment in Areas Where We Have Strengths

Our fundamental principle is to invest in areas where we have strengths, such as the non-resource sector, centered on consumer-related businesses, and in China and Asia. On this basis, we are working to further reinforce our competitive edge.

⇨ Page 40

Risk Management

ITOCHU is implementing comprehensive management of risk through risk assets, risk management on a project-by-project basis through evaluation of investments using a hurdle rate based on the cost of capital, and analysis and control of a wide range of risk factors that affect business. ⇨ Page 32

Pursuit of Asset Efficiency

We 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 and to maximize free cash flow under strengthened cash flow management. ⇨ Page 43

3 Management Resources

Internal

Financial Base

ITOCHU's foundation for investing aggressively to expand future earnings is supported by (1) its capacity to steadily generate operating cash flows, (2) its sound financial base, and (3) its strong fundraising ability, including Group financial systems in Japan and overseas. ⇨ Page 26

Human Resources

It is human resources that are the driving force behind the functioning of ITOCHU's business models. We are working to develop industry professionals who have high levels of expertise in specific areas. ⇨ Page 46

Traditional Functions of a General Trading Company

The traditional functions of a general trading company, such as credit, 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 seven Division Companies, and has accumulated a wide range of business know-how. This know-how is an indispensable intangible asset in creating new businesses and in advancing into new business fields.

Various Strengths of Group Companies

The combination of the strengths of ITOCHU's 212 subsidiaries and 114 associated companies (as of the end of March 2016) and the strengths of the Company itself substantially expands the potential for the creation of added value.

Organizational Assets

In addition to 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, finance, and more. These organizations provide strong backup for ITOCHU's ability to generate income from a front-line perspective. ⇨ Page 52

External

Client Assets (Customers / Suppliers)

Maintaining relationships with customers and suppliers is indispensable in securing continued trade opportunities. In addition, ITOCHU can control risk in investments precisely because we can draw on these client assets. ⇨ Page 50

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. ⇨ Page 50