

Q&A Summary at Investors Meeting for  
Alliance with CP Group, Third-Party Allotment of Shares, and Acquisition of Shares of CPP

Presentation Date: July 24, 2014 (Thursday) 18:30 to 19:30

Location: Conference call

Speakers: Tadayuki Seki, Executive Vice President, CFO & CAO  
Koji Takayanagi, Senior Managing Executive Officer, CSO

Restated as follows in Q&A Summary—Charoen Pokphand Group: CP Group, Charoen Pokphand Group Company Limited: CPG, Charoen Pokphand Foods Public Company Limited: CPF, C.P. Pokphand Co. Ltd.: CPP

1 【Strategic Alliance with CP Group】

Q: How did you start discussions about the alliance with the CP Group? Also, why didn't you acquire over one third of the voting rights of CPP?

A: At first, the CP Group made an offer about the alliance to ITOCHU, when Mr. Dhanin Chearavanont (Chairman & CEO of the CP Group) had a first meeting with our CEO last November. The capital contribution ratio of 25% was finally decided in consideration of rules for listed companies and constraints from relationships between CPP and banks.

Q: What kind of contribution does the CP Group expect from ITOCHU in the alliance? Do you have any business relations with the CP Group?

A: CPP can diversify its sources of supply for feed materials, because ITOCHU deals with feed materials. In addition to the food business, which is their core business, the CP Group has a wide range of other businesses, such as chemicals, telecommunications, finance, and real estate. The CP Group wants to strengthen their non-resource business and ITOCHU can contribute in that area, even though the current business between ITOCHU and the CP Group in the food sector is relatively small in scale.

Q: Specifically, what types of synergies are expected?

A: We can expand trade in the food sector by supplying feed and buying livestock, marine related products, and packaged foods. In the future, for example, we might establish a joint venture for export grain terminals as infrastructure to increase our procurement capabilities in Latin America. In the chemical sector, plastics and fertilizer related businesses are expected to increase. Because the CP Group has marketing pharmaceutical products business and also has Ping An Insurance as an affiliate company, we can consider lots of possibilities for new businesses.

Q: Are there any changes in the Strategic Integrated System (SIS) strategies that ITOCHU's Food Division Company is currently developing?

A: In South East Asia, the Ting Hsin Group is mainly covering downstream businesses and is not strong in livestock. Expected new business would be the upstream area. Therefore, these

businesses can complement each other totally.

Q: Will the alliance with the CP Group become the core of the Food Division Company's strategy in the upstream area?

A: Immediate earnings will be expected in the food upstream area for a while. However, we are seeking additional synergies other than in the food sector.

Q: Are there any concrete plans for new businesses with the Ting Hsin Group, FamilyMart or Dole regarding the alliance with the CP Group?

A: There will basically be no conflicts between the Ting Hsin Group and the CP Group, because the CP Group has strength in upstream business and the Ting Hsin Group in downstream areas. We would like to maximize synergies by connecting the two companies. We are also considering working to increase sales of CP Group products by using Dole's Southeast Asian network.

Q: The Central Group, which has a business alliance with FamilyMart in Thailand, is one of the competitors of the CP Group. Will your business alliance with the CP Group have any negative influence on the relations between the Central Group and FamilyMart?

A: Each company, the Central Group and the CP Group, will maintain its business relations with its partner, FamilyMart and Seven-Eleven. The alliance with the CP Group will not change the current business frameworks at this point.

Q: With respect to the acquisition prices for CPP shares acquired by ITOCHU and ITOCHU shares acquired by the CP Group, how were they determined?

A: The price of ITOCHU's shares acquired by the CP group was set by reference to the average closing price of ITOCHU's shares on the Tokyo Stock Exchange for the previous one month. The price of CPP's shares acquired by ITOCHU was set by comparison with the EV/EBITDA ratios of other companies in the industry.

Q: Are there any terms and conditions such as repurchase and resale related to the acquisition of stock for both sides? Do you provide funding or a guarantee to the CP Group for the acquisition of ITOCHU stock by the Group?

A: We agreed only to a lock-up period of 5 years. We won't finance or provide a guarantee.

## 2 【Capital investment of ITOCHU in CPP】

Q: Why did ITOCHU decide to invest in CPP rather than CPG or CPF?

A: There are three reasons: 1. CPP is a company that runs real businesses. 2. CPP's business is centered in China and Vietnam, where growth is expected. 3. We have strengths in business in China and expect to have strong synergies with CPP.

Q: How about profit from the investment and synergies? Also, what about the amount of goodwill and yearly amortization cost from amortized assets?

A: We expect 4 to 5 billion yen per year as a profit. We don't mention synergies specifically but we expect profits of more than 10 billion yen in the medium-term, which means, "three years after the investment." The composition of the expected profit is about 80% profit from CPP and 20% from the effects of synergies. Goodwill is about 54 billion yen. We can allocate roughly 40 billion yen from goodwill to amortized assets. We expect 2 billion yen amortization cost per year, over 20 years, which is included in the expected profits.

Q: What is the main driver of CPP's profit? How about the potential for further growth?

A: The feed business in China and the livestock business in Vietnam are the main drivers. We can say the food processing business in China has growth potential, and a new factory will be established soon.

Q: CPP's stock price seems to be going up from last November. Has there been any change in valuation since the beginning of negotiation? Did ITOCHU expect profitability to increase because the stock price was going up?

A: When we discussed the acquisition price, we focused on the growth potential of the investee in the mid to long-term. In this case, we judged the price to be reasonable based on profit considerations.

3 **【Third-party allotment of shares to CP Group and share buy-back】**

Q: Specifically what sort of projects do you plan to invest in the next two years by utilizing approximately 15 billion yen (the total amount of proceeds from the third-party allotment of approximately 102 billion yen minus 87 billion yen for the investment in CPP)?

A: We do not have any specific projects in mind since we've not yet determined the specific use of the 15 billion yen proceeds.

Q: Is there any possibility of completely repurchasing your own shares earlier than the initial schedule? How about your basic policy about share buybacks?

A: We would like to implement share buybacks flexibly in accordance with our stock price. Aside from the share buyback related to the investment in CPP, our CEO has made positive comments toward the implementation of share buybacks and we will consider them in the next medium-term management plan.

Q: What is the role of DBJ in the third-party allotment?

A: The capital contribution to ITOCHU by the investment fund owned by DBJ and the CP Group reflects a request by the CP Group. We understand DBJ intends to support overseas development by Japanese companies, centered on South East Asia, through the fund.