

**Notice of Strategic Cooperation Agreement and Capital Participation**  
**China's Largest Conglomerate : CITIC Limited**  
**One of Asia's Leading Conglomerates : Charoen Pokphand Group Company Limited**

**Jan 20, 2015**  
**ITOCHU Corporation**



# Announcement



- CITIC Limited (“CITIC”) –China’s largest conglomerate, Charoen Pokphand Group Company Limited (“CPG”) – one of Asia’s leading conglomerates, and ITOCHU Corporation (“ITOCHU”) signed a Strategic Cooperation Agreement and agreed on a capital participation structure for future business developments.
- A joint investment company (“SPC”) owned by ITOCHU and CPG will obtain ordinary shares (10%) and preferred shares(convertible to approx. 13.4% of ordinary shares) of CITIC. Upon conversion of the preferred shares into ordinary shares, CITIC will become an affiliated company of SPC, accounted for under the equity method .

## Strategic Alliance and Capital Participation

Comprehensive Strategic Alliance (Signed April 2011)  
(Between CITIC Group Corporation, the parent company of CITIC)



50%

Strategic Alliance  
and  
Capital Participation  
(Signed July 2014)



50%



## Capital participation in CITIC

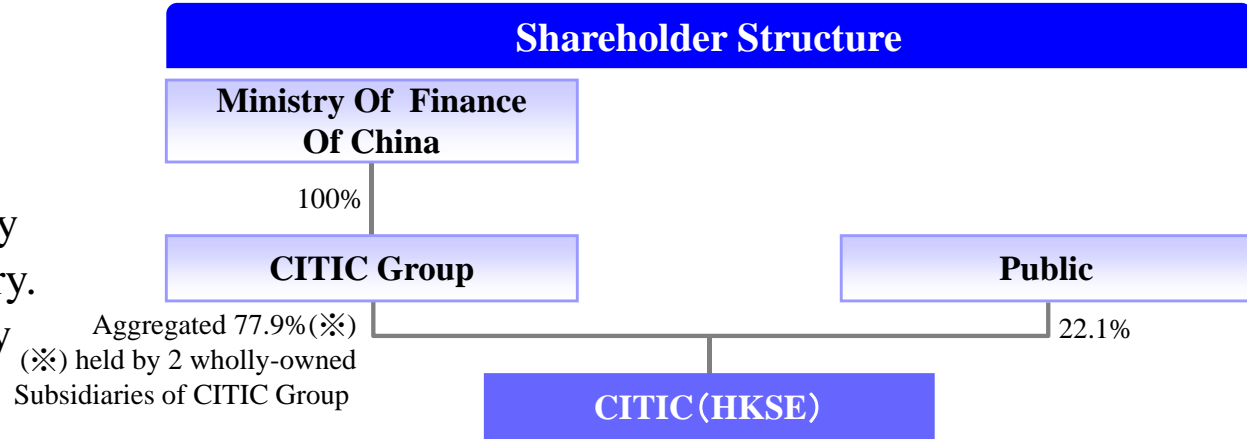
SPC

Approx. 20%

# Overview of CITIC Limited



- China's largest conglomerate established in 1979 under direction of the State Council of China.
- Has many industrial sectors of business, many of which are leading companies in the industry. The company intends to globalize & diversify its business going forward.



## CITIC Summary (1HK\$=15Yen)

Company	CITIC Limited (CITIC)
<b>2013 Consolidated Total Assets</b>	HK\$ 5,322 Billion (Approximately 80Trillion Yen)
<b>2013 Consolidated Net Income</b>	HK\$ 48 Billion (Approximately 730Billion Yen)
<b>Market Capitalization(Jan 19, 2015)</b>	HK\$ 332 Billion (Approximately 5.0Trillion yen)
<b>Moody's Rating</b>	A3

<b>Financial Services</b>	Ranked #1 Trust Company in China Ranked #1 Securities Company in China Ranked #7 Bank in China
<b>Real Estate &amp; Infrastructure</b>	Operations in 29 Cities throughout China
<b>Engineering Contracting</b>	Ranked # 6 Construction Company in China
<b>Resources &amp; Energy</b>	Oil & Gas Exploration and Production, Coal/Iron Ore mining throughout Asia, Australia, South America
<b>Manufacturing</b>	Ranked #1 Alloy Wheel Manufacturer in the World Ranked #1 Construction Equipment Manufacturer in China Ranked #1 Special Steel Producer in China
<b>Other</b>	Information Services, Motor Vehicles, Food and Logistics, General Aviation Service, Publishing, tourism, Sports, etc.

In August 2014, under the reforms state-owned enterprises implemented by the leadership of the Chinese Government, and in an effort to expand funding opportunities, increase transparency, develop and strengthen corporate governance and globalization, the CITIC Group concentrated its assets (including shares of group companies involved in banking, investment brokerage, and resource development) into CITIC Limited.

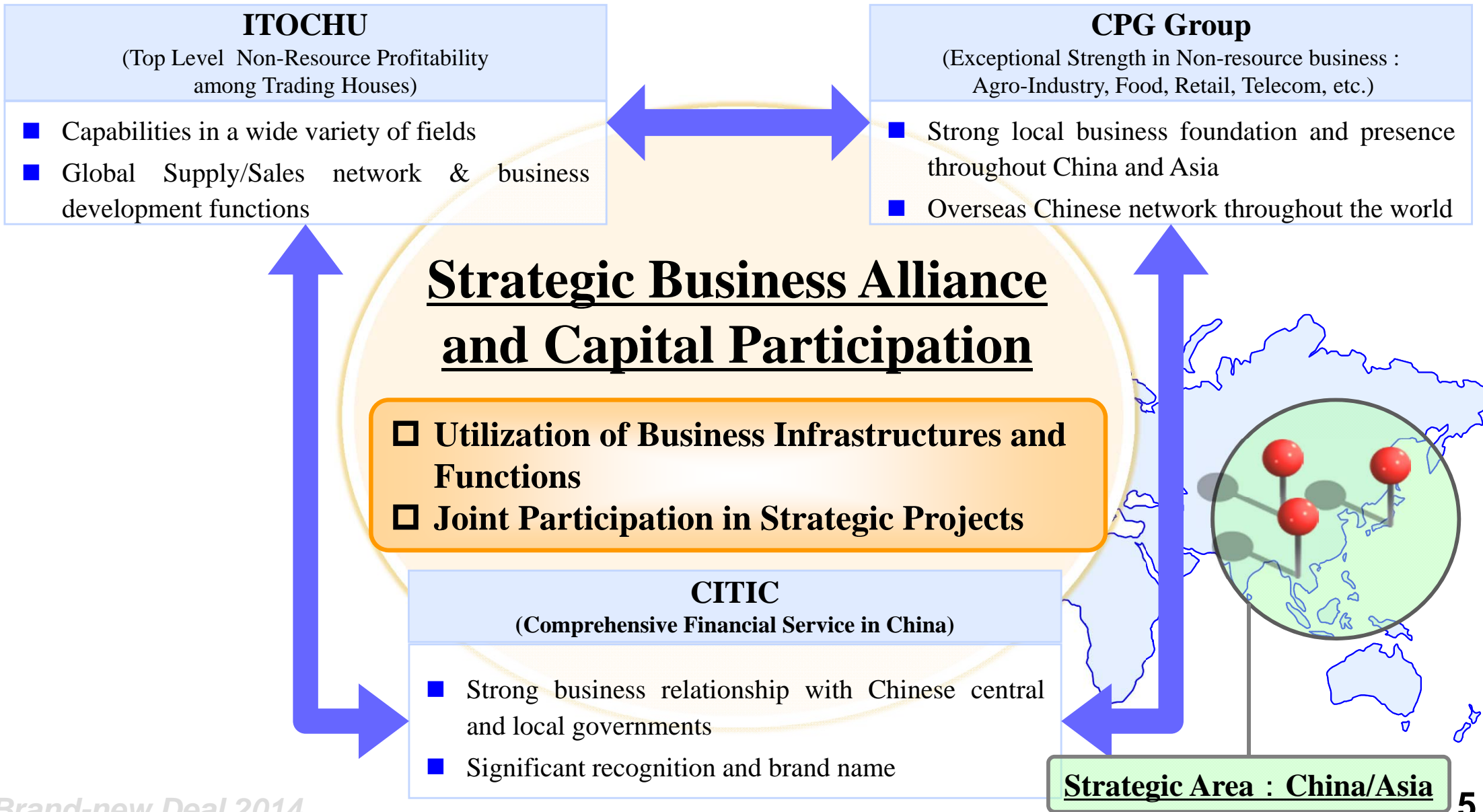
- This strategic cooperation with CITIC - the largest conglomerate in China, and CPG - one of Asia's leading conglomerates, will significantly strengthen ITOCHU's growth strategy to "develop its non-resource business sector primarily in China and Asia".
- CITIC had chosen ITOCHU and CPG as its partner in consideration of its strategy for globalization and diversification. ITOCHU was the first company to be designated as a "friendly trading company" by the Chinese government in 1972, while CPG was the first foreign company to enter into China after it opened its doors to foreign investment in 1979.
- CPG is not only involved in agro-industry and food business, but also has expanded its presence in areas such as Telecommunications, Retail, Finance, Pharmaceuticals, etc. and further aims to promote business development in Asia.
- In addition to the strategic cooperation agreement between the three companies, the joint capital participation in CITIC and appointment of board members will enable higher level of coordination and intimate business relationship to create new business opportunities and boost profitability.





# Combined Strengths

➤ The combination of strengths of the three leading conglomerates each holding strong business foundations in Japan, Asia, and China, will maximize inherent synergies and facilitate growth in the ever expanding China and Asian markets through utilization of existing business infrastructures and joint participation in strategic projects.





# Potential Areas of Future Synergetic Benefits



- Seek synergetic benefits in the below areas with the optimum combination of CITIC, having a strong financial service sector with an aim to diversify and strengthen its portfolio, and CPG and ITOCHU, who possess strength in non-resource business especially in the consumer-related sectors.
- In addition, pursue areas of CITIC's strategic growth targeted area, such as environmental, agricultural, and energy conservation businesses.

## Consumer-related sector

Commercial Facility Development

Satellite & Communications

Brand Business

Real Estate

Medical & Health

Logistics

Investment in Food Supply Source

Financial Service & Fund Management

Optimization of Whole Sale & Retail Network and Logistics of Food products

## Basic industry-related sector

Automobile-Industry Related

Chemicals & Lithium-Ion Battery

Infrastructure & Construction

Energy Trading

## Resource-related sector

Metals & Mineral Resources

Energy Resources

## Creation of New Business

High-Net-Worth Individual Targeted

Elderly & Aged Individual Targeted

Water & Environmental

Agricultural Related

Energy Conservation

New Energy

※The above fields are examples of potential business areas of cooperation. Definitive items and areas of interest are subject to further discussion and agreement among the parties.



- In consideration of the public float requirements of the Hong Kong Stock Exchange (“HKSE”), a two step method will be implemented:
  - First-Stage (Target Completion- April 2015\*)  
CTB\*\* will acquire from CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group approximately 2.49Bil shares of ordinary shares of CITIC (10% of current voting rights) for a total of approximately 34.4Bil HK\$ with share price of 13.8 HK\$.
  - Second-Stage (Target Completion- October 2015\*)  
CTB\*\* will be issued preferred shares convertible into ordinary shares equivalent to approximately 13.4% of the current voting rights (3.328Bil shares) for a total of approximately 45.9Bil HK\$ (price of 13.8 HK\$ per share) by CITIC. The preferred shares will be converted to ordinary shares within three months of acquisition (subject to compliance with the public float requirement of the HKSE). Subsequent to the conversion, CITIC will become an affiliated company of CTB, accounted for under the equity method.

\* The completion of the First-Stage and Second-Stage are subject to fulfillment of respective conditions precedents under the agreements.

\*\*CTB = Chia Tai Bright Investment Company Limited, a joint venture company held 50:50 by CPG and ITOCHU

## ➤ Financial Impact

### • B/S Impact

1HK\$=15Yen	Step 1	Step 2	Total
Increase of Total Assets	Approx. 260Bil Yen	Approx. 340Bil Yen	Approx. 600Bil Yen

### • P/L Impact

Minimal impact during FY2014. Disclosures for treatment in FY2015 will be made after details are known.

### Forward-Looking Statements:

This material contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; outcome of pending and future litigation; and continued availability of financing, financial instruments and financial resources, all of which may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and further, that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.