

Q&A Summary at Investors Meeting for
Announcement Regarding the Execution of a Strategic Cooperation Agreement with
CITIC Limited, China's Largest Conglomerate, and
Charoen Pokphand Group Company Limited, one of Asia's Leading Conglomerates

Presentation Date: January 20, 2015 (Tuesday) 16:45 - 17:30

Speakers: Masahiro Okafuji, President & Chief Executive Officer
Tadayuki Seki, Executive Vice President, CFO & CAO
Koji Takayanagi, Senior Managing Executive Officer, CSO
Yuji Fukuda, Managing Executive Officer, President, Energy & Chemicals Company

Abbreviations used in Q&A Summary—Cash Flow: CF, Free Cash Flow: FCF, Charoen Pokphand Group: CP, Itochu: ITC

1 【Purpose of the investment】

Q: Exactly what sort of effects and new business opportunities are you expecting? Are you confident about their realization?

A: We expect this capital tie-up to produce greater effects than a simple business tie-up. CITIC's business is now about 80% in the finance field, but they aim to expand their business in non-finance fields. As their partners in those initiatives, CITIC chose CP, which has a strong network in China and Asia, and ITC, which has strengths in consumer-related businesses. In food-related business, for example, CITIC expects ITC to provide safe and secure Japanese products. This will provide opportunities to create new businesses. CITIC is a state-owned company but is aiming to become a stronger, global enterprise through cooperation with private companies. We assume that this is part of the Chinese government's plans for reforming state-owned enterprises. We are confident that great effects will be realized.

2 【The risk factors】

Q: How will you collect cash from this investment? In the event that CP wants to dispose of its CITIC shares, is there any possibility that ITC would purchase additional CITIC shares? How are you planning to collect cash from the investment with CP?

A: At this moment, we are not thinking about acquiring any additional CITIC shares. In any case, if both ITC and CP want to dispose of shares, we will consider the issue at that time. As many Chinese companies want to acquire CITIC shares, even if we decide to dispose of shares, there shouldn't be a big problem.

Q: The image of CITIC has an image as a company that concentrates investment in high risk areas, such as resources and real-estate. How will you manage losses from these investments? From a risk management point of view, can ITC send directors to CITIC?

A: We are aware of the risks from these concentrated investments. However considering the future economic scale and economic growth of China, we assume that we do not need to be afraid of the absolute worst-case scenario. Out of 16 directors, ITC and CP plan to send 2 directors.

3 【Next medium-term management plan, shareholder return, CF】

Q: Are there plans to include share buybacks and increased dividend distributions in the next medium-term management plan?

A: Profits will increase from this investment, and hence dividends should automatically increase [in accordance with our dividend policy?]. We will aim to steadily increase the dividend, such as 50 yen per share for next fiscal year, and then 55 yen and 60 yen. We will decide whether to repurchase our own shares depending on the FCF, but we will steadily increase dividends.

Q: What is your image of the capital structure after increasing debt by 600 billion yen?

A: We plan to borrow from banks to invest in CITIC, and as a result the leverage ratio will temporarily increase to near 1.3 times. We will step up our focus on exiting from existing investments. We will also further tighten the implementation of investments within operating CF, and undertake projects that offer increasing cash returns due to synergies. Returning the leverage ratio to the current level will be a target in the next medium-term management plan.

Q: Will FCF be positive during the period of the next medium-term management plan, even if this investment in CITIC is included?

A: With this 600 billion yen investment, it will be difficult to make FCF positive in the next 3 years. This investment portion will have a negative impact, but we will work to steadily reduce the amount by which FCF is negative, even by 100 or 200 billion yen.

Q: How much dividends are you expecting to receive from this investment? Also, how will this investment affect ITC's CF?

A: In trading company business, we traditionally collected cash from trading after making investments. However, nowadays collecting cash from business investments themselves is another method. The investee accumulates profit and cash as its corporate value increases. Moving forward, in the collection of cash we need to focus on the balance of trading business and investment. Accordingly, ITC is willing to hold good assets and work to increase their value by creating new businesses and expanding consolidated profit. We will generate cash by pursuing synergies and replacing existing assets as we strive to manage CF appropriately.

4 【Others】

(Due diligence and valuation of assets)

Q: How did you implement the valuation of the stock that will be acquired? Also, what is your view of the continuity of the scale of CITIC's profits? Is it possible that this has been overestimated?

A: We used various ways, such as a Comparable Company Analysis, to value this investment. Due diligence has been done and we would say this value is appropriate. Our profit forecast for CITIC Limited is somewhat conservative, and we think there is a high probability that the actual profit might exceed our estimation. We believe that there is no problem with the FY2014 profit level, based on comparison with the valuation that takes everything into account, including the real estate business portfolio.