

Currently, private-sector consumption accounts for up to 40% of China's GDP, which is low in comparison with the level in Japan of approximately 60%. In conjunction with the emphasis of economic policies, it is easy to envision a scenario in which this potential becomes the driving force of economic growth.

Investing in Fields Where Two Strengths Overlap

ITOCHU and the CP Group have invested in CITIC, a state-owned company in which the Chinese government effectively owns a majority through the CITIC Group. As one pillar of its reforms of state-owned enterprises, the Chinese government is advancing the "mixed ownership model," which promotes the acceptance of private-sector capital, including capital from overseas, and accelerates the absorption of management know-how and the implementation of international development. Although government is promoting the policy, it is extremely unusual for foreign companies to acquire 20% of the shares of a government-owned asset.

In 1972, when China had just started to follow a course of reform and opening up, ITOCHU became the first Japanese general trading company to be ratified to resume trade between Japan and China. In 1979, we established a representative office in Beijing, and since that time we have stayed ahead of other Japanese general trading companies and accumulated management resources, such as business infrastructure, human networks, and personnel with expertise in the Chinese language and culture. The CP Group, which became the first foreign company to enter China in 1979, has built a foundation in local markets throughout China, centered on such products as poultry, swine, and eggs. This capital participation is unprecedented in China and was made possible by the expectation that the two leading corporate groups would make a contribution to the provision of abundant textiles, food, and general products for the people of China in the future, the same as in the past. For ITOCHU, the significance

of this agreement is that two of our strengths cultivated over many years—in "China" and in "consumer-related businesses"—will lead to new opportunities, and our strengths will be further reinforced by the new business opportunities.

Real-time Information that Raises our Competitive Edge to a New Level

This section introduces an example of how ITOCHU's competitive edge will

further extend the Company's lead as one of the strongest general trading companies in China. For a general trading company, information is an extremely important factor to launch business rapidly and guide them to steady success. Through the CITIC Group, which has a close relationship with the central government, ITOCHU now has access to real-time information that it was not able to obtain in the past. For example, we are now acquiring detailed information about such matters



The CP Group's Strengths in China



- One of China's largest poultry exporters
- Has established business foundation in 29 of 31 provinces
- Business initiatives implemented by more than 300 companies
- Has earned the strong trust of the government
- Chia Tai brand has widespread name recognition

