

earned an overwhelming top share of the U.S. market for nail and screw distribution, and its share of nails imported into the United States reached 27.4%.

ITOCHU's aggregate earnings from PrimeSource reached a total of approximately ¥75.0 billion and dividends were approximately ¥45.0 billion. PrimeSource made a large contribution to cumulative consolidated profit after tax for the Forest Products & General Merchandise Division over the same period.

Thanks to the booming economy and monetary easing around the world, the North American M&A market was active around 2014, when ITOCHU began to consider selling its PrimeSource shares. The housing and building products market was recording steady growth, and the valuations of the companies similar to PrimeSource in

the M&A market were increasing.

In consideration of the need for new ownership for further reinforcement of PrimeSource's competitiveness, ITOCHU decided that it was a good time to replace this asset and thus began to take steps toward the divestiture.

Returns—Cash Recovery and Practical Know-how

In November 2014, ITOCHU approached 60 potential buyers, and after management presentations, due diligence was conducted for four companies. In March 2015, final bids were submitted by three companies, and the contract negotiations were subsequently started with one of these three, Platinum Equity. ITOCHU first identified its mandates, and subsequently, persistent negotiations were continued

and reached a conclusion at a price that was basically in line with the initial mandates. The deal was closed in May 2015.

Through the completion of this project, ITOCHU obtained economic returns—cash of approximately ¥110.0 billion, net profit on sale of approximately ¥20.0 billion, and aggregate earnings and dividends of approximately ¥100.0 billion—as well as intangible returns through the process.

This project is an example of recovering cash with a view to utilizing the cash for asset replacement in a strategic area by selling the company while the corporate value was increasing instead of withdrawing from the business due to a marked decline in performance.

Replacement



FYE 2016

Amount of sale: Approx. **¥110.0** billion

Aggregate dividends: Approx. **¥45.0** billion

Deciding to Replace Asset while Corporate Value was Increasing

1998

Investment of approx. **¥6.5** billion

