

Intangible Investment Results

Some people are concerned about further declines in China's economy. However, China has a current account surplus, with foreign currency reserves of more than ¥350 trillion, about three times those of Japan. The situation in China is entirely different from that in South America and other regions where credit risk is considered to be a problem. Also, it is the government-led infrastructure industry and heavy industry that are being affected by economic trends. ITOCHU is focused on consumer-related businesses that support textiles, food, and general products. Accompanying growth in wealthy and middle-income consumers, consumer needs are shifting from quantity to quality, and in this setting, I believe that there is tremendous potential for Japan's secure and safe products.

Through our investment in CITIC, we anticipate profit of about ¥70.0 billion each period, and are able to make possible large-scale asset replacement. In

addition to these direct effects, we are also realizing a variety of intangible benefits. The CITIC Group is a conglomerate with wide-ranging connections with the government and an extensive network in industry. Therefore, we are now able to access high-value information in real-time. We can accurately grasp the direction of economic policy, and the precision of project selection has increased markedly. Moreover, we have become a major shareholder of CITIC, and accordingly we can now smoothly advance business without being under-rated or mistrusted by other Chinese companies.

In addition to our participation in cross-border e-commerce in cooperation with China Mobile Communication Corporation and a company affiliated with a municipality, we have also agreed to a partnership with Bosideng International Holdings Limited, one of China's leading apparel manufacturers. In these ways, we are making steady progress with joint initiatives. On the

other hand, I have also heard the comment that the generation of synergies has been slow. However, these initiatives are long-term strategies that we are advancing under a time frame of five years or more. In addition, the returns pursued by ITOCHU, which is a shareholder that has invested 20% together with the CP Group, are not limited to trade. We are also working to increase the corporate value of CITIC and benefit from dividends and gains in the stock price. However, to impact the corporate value of a large company that generates profits in the ¥1 trillion range, large-scale initiatives will be necessary. We will not be impatient about these cooperative initiatives. Rather, we will work carefully behind the scenes and play our cards at the right time to achieve a balance among heaven-sent opportunities, natural advantages, and harmony between people.

⇒ [Page 40 Investing in Areas Where We Have Strengths](#)

Sampo Yoshi Supporting Business Continuity

The point of the strategic business and capital tie-ups among the CP Group, the CITIC Group, and ITOCHU is to generate synergies through the integration of management resources and to increase the corporate value of all three parties. One more thing that must not be forgotten is that an investment in outstanding government-owned assets in China is not something that is possible for any company that wants to make a purchase. We received approval for this investment, and accordingly we are committed to creating businesses that enhance the lifestyles of the Chinese people. This is an instance of the implementation of "*sampo yoshi*" (Good for the seller, Good for the buyer, and Good for society), which was the philosophy of merchants in the *Ohmi* region where ITOCHU was founded. Selfish business practices focused only on ensuring one's own profit will not be successful over the long term. Our

sustained commitment to the *sampo yoshi* philosophy is the reason why ITOCHU has remained in business for 158 years.

In January 2016, the sustainable development goals (SDGs) that were approved by UN members took effect, and moving forward we will enter an era in which companies will not be able to record sustained growth without addressing the demands of international society. I am increasingly convinced that we need to step up the implementation of *sampo yoshi* from a broader viewpoint. ITOCHU is a general trading company with more than 100,000 employees on a Groupwide basis, and our influence on global markets, especially the societies and environments of emerging countries and resource-producing countries, cannot be ignored. In particular, we need to give careful consideration to society in consumer-related business areas. For example, through agricultural management, the

continuity of our business model is supported by Dole's harmonious coexistence with local communities, such as consideration for human rights and workplace environments and the establishment of lifestyle infrastructure. On the other hand, ITOCHU's business know-how and global network, with contacts in a wide range of industries, offer significant potential to turn social issues into business opportunities. Examples include water-related businesses, waste management, and renewable energy, such as the Sarulla geothermal power generation project in Indonesia, which is slated to start operation in FYE 2017.

To fulfill our corporate message, "I am One with Infinite Missions," which incorporates the spirit of our Corporate Philosophy of "Committed to the Global Good," it is important that each individual in each workplace continues to provide value to society.