

To Lead A New Era

Investing in Areas Where We Have Strengths

ITOCHU's China and Asia strategy—Centered on strategic business alliance and capital participation with CITIC Limited and Charoen Pokphand Group Company Limited

We have determined our strategic emphasis in the “New Era for the *Sogo Shosha*.” We will focus on the non-resource sector, centered on consumer-related businesses, where we are the strongest company in the industry. Together with the most appropriate partners, we will develop operations in China and Asia, where we have strengths that we have reinforced over many years.

Significant Potential in the Markets for Textiles, Food, and General Products in China and Asia

Real GDP growth in China is slowing to 6% to 7%. However, ITOCHU is not pessimistic about the future of economic conditions, including those in China, because the primary objective of our strategic business alliance and capital participation with the CITIC Group, China's largest conglomerate, and the CP Group, Thailand's leading conglomerate and one of the leading conglomerates worldwide, is to address the significant medium to long term potential in the markets for textiles, food, and

general products in China and Asia.

In China, there is an ongoing transition in the economic growth model. There is a shift from government-led growth that is dependent on public investment and focused on heavy industry toward stable growth led by the private sector and consumer spending. The vigorous consumer spending has not declined even though there was an adjustment of excessive investment, overproduction, and excessive credit created by the 4 trillion yuan (approximately ¥5.3 trillion applied exchange rate at that time), equivalent to 13% of GDP economic stimulus plan during the 2008 global financial crisis. An increase

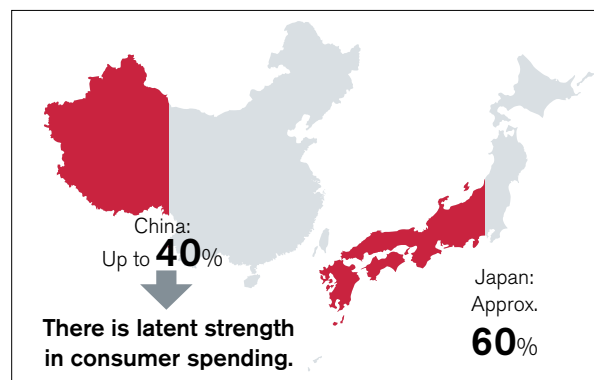
of the middle class has led to dramatic changes in lifestyles, and consequently consumption behavior has shifted from quantity to quality. In this setting, demand for Japan's safe, secure products has shown notable growth, as seen in the large volumes of expensive products and daily items purchased by visitors to Japan. It is clear that there will be major business opportunities if people are able to purchase Japanese products more easily in China. Looking toward the future, there will be further significant opportunities. Per-capita GDP in China is expected to increase from approximately US\$8,000 in 2015 to approximately US\$11,400 in 2020.

Per-Person Spending by Chinese Visitors to Japan



Source: Japan Tourism Agency, Consumption Trend Survey for Foreigners Visiting Japan, 2015

Private-Sector Consumption as a Percentage of GDP



Sources: Japan: Cabinet Office. China: National Bureau of Statistics