Annual Report 2016

For the Year Ended March 31, 2016

ITOCHU Corporation

COVER STORY

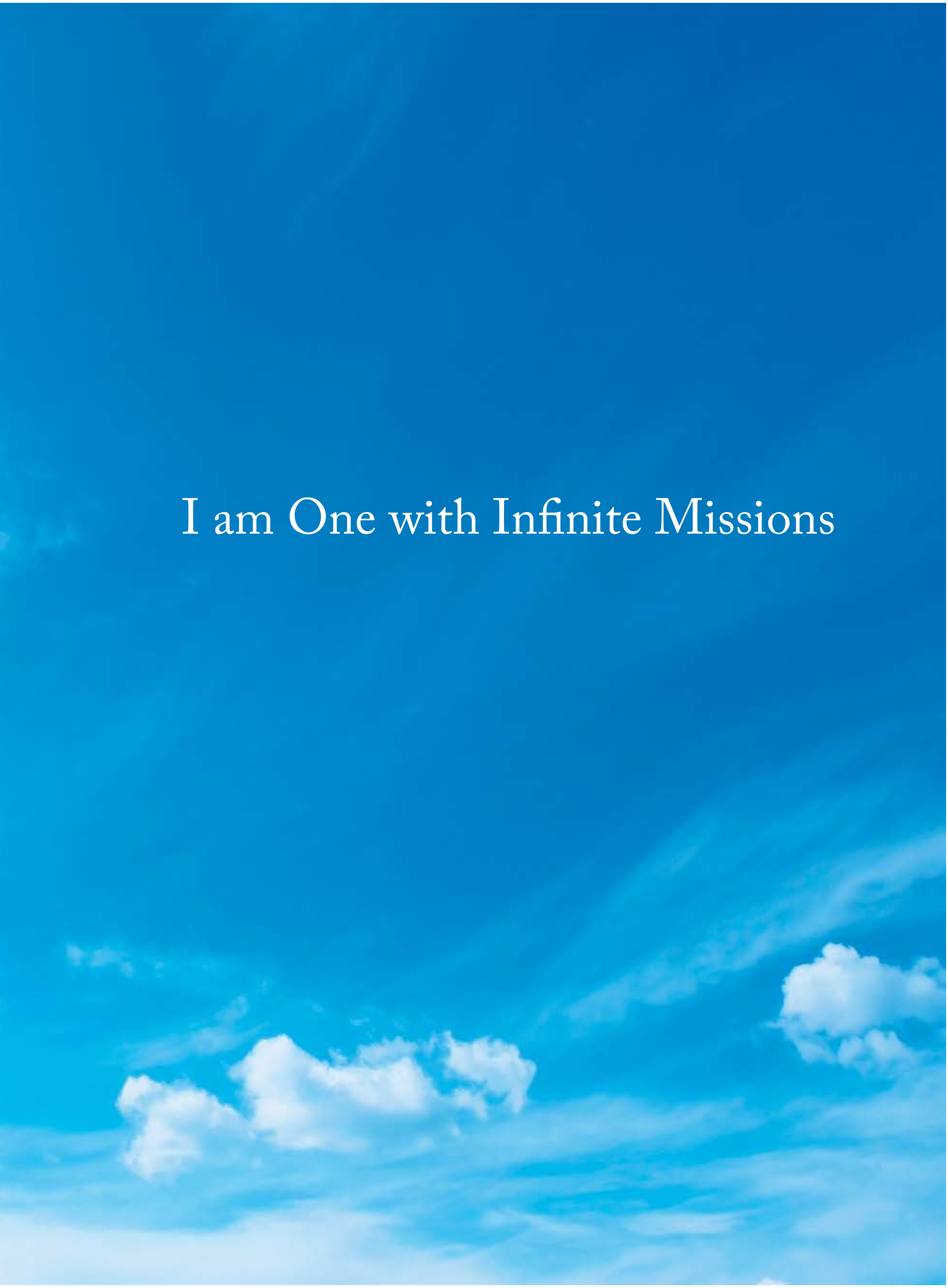
To Lead A New Era

In FYE 2016, to build a solid growth foundation that can withstand changes in the economic environment, ITOCHU accelerated asset replacement, advanced measures to address issues, and further strengthened cash flow management.
In FYE 2017, to lead in the "New Era for the *Sogo Shosha,*" the entire company will work together and aim to achieve a new record high for profits.

The Corporate Message — I am One with Infinite Missions — is an expression that comes to mind when pondering the corporate philosophy of "Committed to the Global Good."

The Corporate Message incorporates our promise to society, that we will continue to provide the abundance that results from business activities, and it also incorporates diverse aspects "typical to ITOCHU," such as the rich personalities of our employees, our free spirited corporate culture, and "individual capabilities." In this way, the Corporate Message expresses the values that must be shared by all employees as we take on further challenges.

Keeping ITOCHU's spirit in our hearts and minds, we will aim for business activities to benefit the seller, the buyer, and society. In this way, we will fulfill our responsibility to society — our "infinite missions."


I am One with Infinite Missions


三方合作儀式
Tri-party Cooperation
Chang Zhen Ming
Okafuji Masahiro
Soopakij Chearavanont


ITOCHU in the “New Era for the *Sogo Shosha*”

Generating Earnings in China and Asia

ITOCHU will fully leverage its strengths in the non-resource sector, centered on consumer-related businesses, such as textiles and food. We will contribute to abundance for the people of China and Asia and achieve sustained gains in corporate value while steadily moving ahead with our strategic business alliance and capital participation with CITIC and CP Group.

Focus Fields

Non-Resource

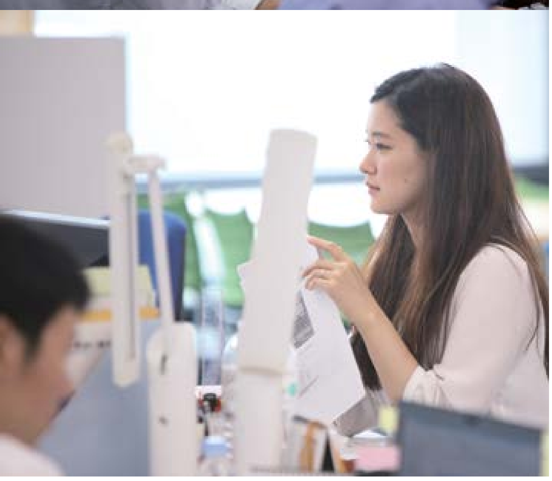
Textiles were ITOCHU’s founding business. Moving forward, we will build a platform for stable earnings in the non-resource sector, including not only consumer-related businesses, such as textiles and food, but also machinery, chemicals, and other products.
In this way, ITOCHU will continue to lead the industry.

⇨ Page 38 Special Feature: Asset Strategies in a “New Era for the *Sogo Shosha*”







ITOCHU in the "New Era for the *Sogo Shosha*"

All Employees Working Together to Take On Challenges

By establishing an environment in which diverse human resources can fully leverage their capabilities, ITOCHU will concentrate the "individual capabilities" of its employees and aim to move on to "Engaging All Employees to Lead a New Era for the *Sogo Shosha*."

Inherited Strengths

"Individual Capabilities"

ITOCHU's growth has been centered on consumer-related businesses. The "individual capabilities" that draw on personal strengths to create businesses on the front-lines have been passed down from generation to generation.
In the future, ITOCHU will further improve "individual capabilities" in both business divisions and administrative divisions, including structural reforms as well as human resources policies based on a focus on the front-lines.

⇨ Page 46 Human Resources Strategy











ITOCHU in the "New Era for the *Sogo Shosha*"

Toward a System that Continues an Aggressive Posture While Reinforcing Defense

By strengthening corporate governance, ITOCHU will reinforce defense, leverage management leadership, and implement decision-making that is transparent and fair. In addition, ITOCHU will work to bring up the next generation of leaders and improve the sustainability of the Company's growth.

Toward Ongoing Growth

Strengthening Governance

By increasing the number of outside directors and having an outside director serve as the chair of the Nomination Committee, ITOCHU has strengthened the supervision function.
In addition, ITOCHU has introduced evaluations of the Board of Directors and introduced a performance-linked and share-based remuneration plan. In these ways, the Company is working to achieve ongoing increases in corporate value by strengthening corporate governance.

⇨ **Page 54 Corporate Governance**

Keywords

Growth Strategies
Growth Track / Strengths /
Medium-term Management Plan /
CFO / Dividend Policy / Stock Price /
Business Models /
Business Investment /
Risk Management

Specific Progress in Growth Strategies and Examples of Business Models in Action
Investing in Areas Where We Have Strengths / Asset Replacement /
Cash Flow Management

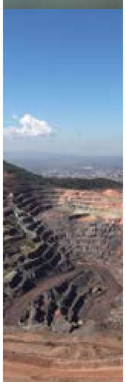
Management Resources
Human Resources /
Clients and Partners / Organizations /
Corporate Governance

Data
Performance Trends /
Performance Trends by Segment

Operating Segments
Business Overview / Strengths /
Business Portfolios /
Performance Overview /
Opportunities and Risks / ESG /
Medium to Long-term Strategies







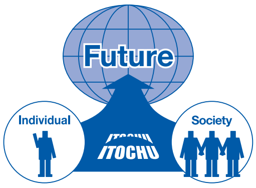

Contents

Forward-Looking Statements
This Annual Report contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing; financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Corporate Philosophy

ITOCHU Mission

Committed to the Global Good



The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.

Since its founding in 1858, ITOCHU has passed down the spirit of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society). After considering ways to demonstrate its commitment to society as an international corporation and to put this commitment into practice, in 1992 ITOCHU formulated "Committed to the Global Good" as a corporate philosophy. In 2009, in order for employees around the world to properly understand the philosophy and reflect it in their everyday work, the core element, "Committed to the Global Good," was set as the ITOCHU Mission for the entire ITOCHU Group.

ITOCHU has formulated the Basic Policies for CSR Promotion in consideration of the corporate philosophy and changes in the internal and external business environments. The Company is promoting CSR in an organized and systematic manner. Based in part on opinions from inside and outside the Company, ITOCHU has designated CSR material issues* and incorporated them into CSR Action Plans, which reflect risks and opportunities in each business. In this way, the Company is utilizing the PDCA cycle to advance CSR through business. These activities also contribute to the achievement of the 2030 sustainable development goals (SDGs) that were adopted by the United Nations in 2015.

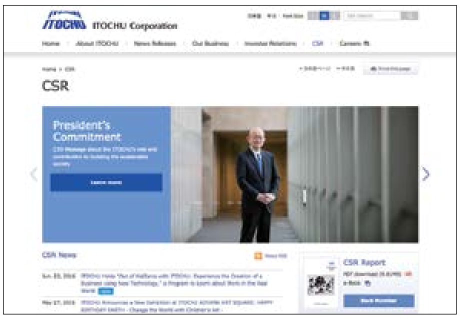
From among the initiatives that are being advanced in line with business strategies, those that are considered to be especially important from the viewpoint of investors have been selected for introduction in Annual Report 2016. For a wider range of CSR-related information, please refer to the CSR website or the Sustainability Report. The icons that appear both on the CSR website and in this report can be used to confirm relationships among material issues and business activities.

* Material issues: Important issues in sustaining our corporate activities

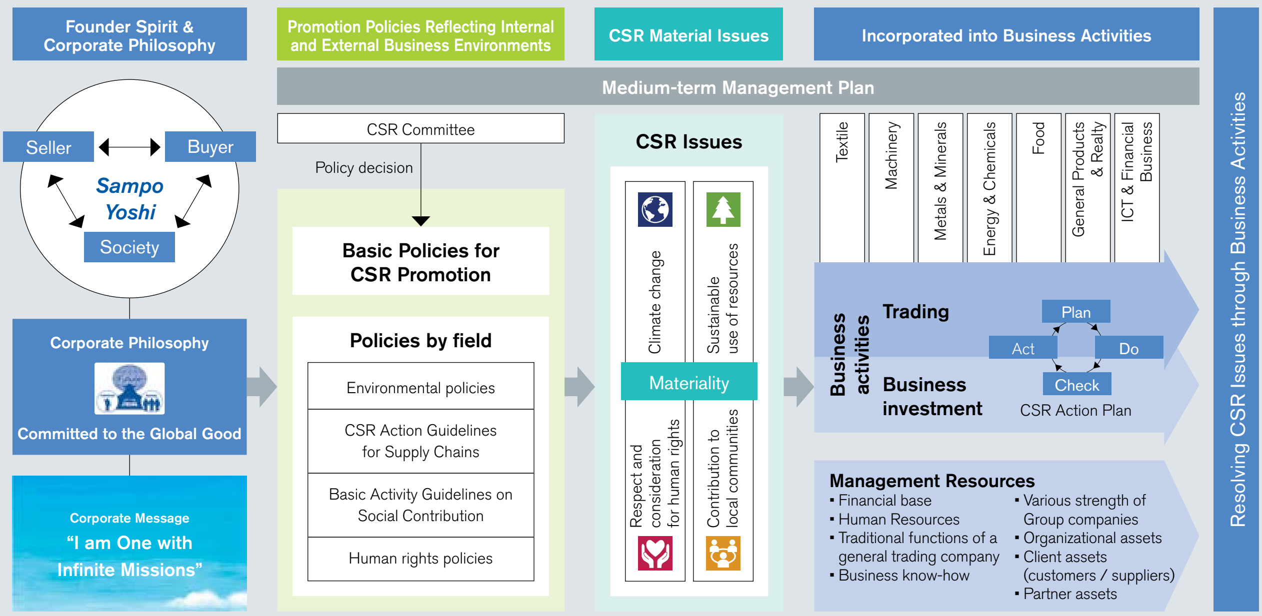
For more information about CSR

CSR website http://www.itochu.co.jp/en/csr/

- Sustainability Reports
- CSR for ITOCHU Corporation
- Our Initiatives for the Environment
- Comparative Table with GRI Guidelines
- CSR and Our Business
- Social Contribution Activities, etc.



CSR Promotion Flow



To Our Shareholders, Investors, and Other Stakeholders

Moving forward, ITOCHU Corporation will maintain its combative spirit of taking on challenges as it leads the new era for general trading companies in the years ahead.

In FYE 2016, we became the No. 1 general trading company in terms of net profit attributable to shareholders (hereinafter: net profit). Nonetheless, we will not let this achievement lead to overconfidence, and we will not forget our starting point as merchants. By rigorously implementing the "Earn, Cut, Prevent" principles and concentrating the individual capabilities of the Group's more than 100,000 employees, we will make strong progress toward the establishment of an earnings base to generate ¥400.0 billion in net profit.

M. Okafuji

President & Chief Executive Officer
Masahiro Okafuji

The Long-Standing Expectations of Generations of Predecessors

I think that, in some ways, management is similar to a long-distance relay race. Runners take the baton from their predecessors and, with a commitment to the expectations represented by the baton, they fulfill their duty by sprinting at full speed over their section of the race before passing the baton on to the next runner. This process is very similar to management.

I received the management baton in April 2010, and on the solid financial foundation inherited from my predecessors, my role has been to shift from management that emphasized financial discipline to proactive management that is focused on business. The management baton that has been passed from generation to generation represents the expectations of our predecessors, who created ITOCHU's history up to this point.

Established in 1858, ITOCHU has built a comprehensive business portfolio ranging from its founding business of textiles to heavy industry. That process of expansion continued from the postwar reconstruction phase through the period of rapid economic growth. Unlike Japan's *Zaibatsu*-industrial groups, ITOCHU did not have extensive connections with industries that played central roles in national policies, such as steel and petrochemicals. With limited access to resource and energy development projects, our predecessors faced many hardships during that period. The decision to aim for growth through a focus on the consumer-related sector rather than the resource sector was made out of necessity. Throughout ITOCHU's history, the ambition to compete on an equal footing with the *Zaibatsu*-industrial groups steadily strengthened. We developed a combative spirit of taking on challenges, and that spirit has been passed down through successive generations. This corporate culture has nurtured hungry, motivated young employees. Over many years, the individual capabilities of these employees have become ITOCHU's strength, and our corporate culture has been compared to that of a merchant band.

I am one of the employees who was attracted by that corporate culture. The reason why I chose ITOCHU was my defiant attitude of wanting to take on the challenge posed by the higher ranking general trading companies. When I joined ITOCHU, I was somewhat presumptuous, and I could not accept the conservative business practices of the textile industry. I was frequently at odds with customers. I was kept away from customers, and the person in charge of my training advised me that I was not cut out for the trading department. I remember that I was terribly shocked. However, it was this aspect of my temperament that became the combative spirit of taking on challenges, as well as the driving force behind my commitment to always ensuring victory over our rivals.

Now I am in a position to chart the course of the Company's management, and I am still full of that fighting spirit. That is because I want to meet the expectations of our predecessors, which are represented by the management baton that I have received.

Achieving Plans to Realize Our Long-Term Vision

ITOCHU achieved its initial plans for the five consecutive years up to FYE 2015. As a general trading company that must address a variety of unexpected situations, ITOCHU has been a company that always turns its words into accomplishments. I am proud of that achievement, which has been made possible by the focused efforts of all of the Group's employees. It is important to understand that our focus on achieving our plans each year does not mean that our management is orientated toward a short-term viewpoint. Rather, our strategies, and our commitment to achieving our plans, are based on a long-term vision of achieving our long-standing ambition of becoming a company that can stand shoulder to shoulder with the top general trading companies affiliated with the *Zaibatsu*-industrial groups.

In a long-distance relay race, if runners try to take the lead from the very beginning and use all their strength in a reckless sprint, they will fail. It is important to think tactically and to ask yourself: Who will I strive to overtake, where, and how? In the same way, my strategic view is that we need to divide our long-term vision into periods of two to three years during which the organization continually focuses its powers of concentration, to set specific objectives that can be achieved with hard work, and to move ahead one step at a time.

Based on this approach, we first set out to "strengthen our front-line capabilities," and in FYE 2012 we recaptured our position in the ranks of the top three general trading companies. Next, I was confident that if we competed in business fields where we have strengths, we could definitely succeed, and our next objective was to become the No. 1 trading company in the non-resource sector, and we achieved that goal in FYE 2015. In these ways, we have made steady progress toward achieving our vision.

To increase corporate value with this long-term viewpoint, it is essential to continually plant the seeds of growth, such as business investment. It is frequently the case that a certain period of time is required before earnings are generated by the assets acquired through an investment. In addition, there are also cases in which initial plans are not achieved due to unexpected circumstances, and as a result an exit becomes unavoidable. To rigorously implement this approach to management, it is necessary to maintain the trust of the shareholders, who have entrusted the Company with their funds. This is the reason why we have taken steps to ensure that we have a common interest with shareholders in increasing corporate value. To that end, we have introduced a highly transparent dividend policy and a minimum dividend guarantee ⇨ Page 28 Shareholder Value. We also place importance on dialogue with shareholders and other investors, and we are always aware of ITOCHU's stock price, which could be considered a performance result card for management. The most important thing is to get our shareholders to trust the managements by delivering good results. That is the reason why I remain committed to the achievement of plans.

However, in FYE 2016 we did not keep this commitment. For the first time since I became president, we failed to achieve our initial plans.

Maintaining Our Momentum

In a long-distance relay race, it is important for runners to maintain their own pace, and in the same way I think that "continuity" is important in corporate management. In particular, with the FYE 2016 financial settlement, we decided to give priority to maintaining our strength.

"Brand-new Deal 2017" is a three-year medium-term management plan that clearly reflects our target of standing shoulder to shoulder with the industry leaders in FYE 2018, the final year of the plan. In FYE 2016, the first year of the plan, despite the accelerated implementation of measures to address concerns about the future, we had the opportunity to achieve our initial plan of net profit of ¥330.0 billion by taking steps to expand our base in the non-resource sector, receiving equity in earnings of CITIC by implementing the investment one quarter earlier than our plan, and steadily realizing the one-time profit that was expected in the plan.

In this environment, other general trading companies decided to record large-scale impairment losses after January 2016, principally in resource businesses, due primarily to the rapid decline in resource prices. As a result, these general trading companies have reduced their amortization burden and lowered costs, and they will make a fresh start in FYE 2017 as more agile companies. As our presence in the industry has increased, customers and other parties are starting to look at ITOCHU in a different light, and the motivation of our employees has also increased substantially. In this setting, there is no sense in allowing this strength to be diminished through unforeseen circumstances, such as impairment losses. After much deliberation, we decided to focus on the future and implement impairment processing, even though it meant that we would not achieve our initial plan for FYE 2016. We took this step so that we could establish a solid position that can withstand changes in the operating environment in FYE 2017 and subsequent years and maintain the organization's powers of concentration at an advanced level, thereby sustaining our current strength.

We accelerated asset replacement in both non-resource and resource fields, and we rigorously implemented rapid exits from low-profit businesses.

In addition, we evaluated the fair value of goodwill and intangible assets based on the most conservative assumptions, reflected the maximum possible loss at the current time, and focused on achieving a lean structure. In these ways, we worked to further improve the content of our asset portfolio.

In the resource field, we decided to sell certain coal interests for which we determined that the coal mine life was nearing an end and losses would increase due to mine closure. In addition, we recorded additional impairment losses on multiple interests. These initiatives were also extended to the consumer-related sector. For example, European Tyre Enterprise Limited, a tire wholesaler and retailer in Europe, currently has steady earning power at about the ¥5.0 billion level, but we conservatively considered external factors, such as the medium to long-term tire demand forecast for the U.K., and consequently we recorded goodwill impairment. In addition, LeSport Sac is a high-efficiency brand, but we conducted impairment processing for our trademark rights in order to implement an across-the-board replacement and introduce products with higher added value. In addition, we disposed of inventories at retail-related apparel companies. In these ways, we implemented detailed analysis and conducted impairment processing.

Impairment processing totaled approximately ¥90.0 billion, and our net profit in FYE 2016 declined ¥60.2 billion year on year, to ¥240.4 billion. I regret that we did not turn our words into accomplishments, but nonetheless I believe that we made the correct management decision.
⇨ Page 24 Medium-Term Management Plan

We made steady progress in "strengthening our financial position," which is one of the basic policies in "Brand-new Deal 2017." We also moved ahead aggressively with "accelerating asset replacement" and "stringent cash flow management," and consequently operating cash flows in FYE 2016 was more than ¥400.0 billion for the third consecutive year. Excluding investment and financing related to the acquisition of CITIC shares, we generated positive core free cash flows of approximately ¥410.0 billion. ⇨ Page 26 CFO Interview

Even though we implemented approximately ¥90.0 billion in impairment processing, in FYE 2016 we unexpectedly became the No. 1 general trading company in terms of net profit. This was due in part to the effectiveness of our clear strategies and the specific measures based on those strategies, but I think that mismanagement by our competitors—large-scale impairment losses at other general trading companies—was also a major factor. In FYE 2017 and subsequent years, general trading companies will compete with each other on the basis of their strengths. When ITOCHU succeeds in that competition, it will then be the time for our shareholders and Group employees to celebrate our victory.

Continuing to Work to Avoid Stagnation

FYE 2016 marks the sixth year since I became president, and at ITOCHU this would customarily be my final year as president. However, we are at a point where the future course of the management environment is difficult to forecast, and we have just commenced our strategic business and capital tie-ups with CITIC and CP Group, for which we implemented investment of approximately ¥600.0 billion, the largest investment in the history of ITOCHU. In addition, we are near to a management integration in the convenience store business. I now believe that it would be irresponsible to follow the customary practice and retire at this point, when we face a number of important management challenges and we have just launched these ventures. Moreover, it would require one to two years for the new leader to accept the management baton, finish building relationships inside and outside the Company, and take charge in a full-fledged manner. This is an important time as we work to build an earnings base to generate ¥400.0 billion in net profit, and we must avoid stagnation in our organization and our businesses. Accordingly, after giving serious consideration to the opinions of outside directors and outside parties, I have decided to continue to taking on challenges as the leader of ITOCHU. As we move forward, I will take on the challenge of a new competitive era.

ITOCHU's Choices in a New Era for General Trading Companies

I think that employees who work at general trading companies have certain habits in common. They are always aware of other companies in the same industry, and when a project emerges they tend to act before a competitor takes the project. With that state of mind, they often jump in without calmly conducting a corporate value evaluation. Formerly, general trading companies were prone to "buy high," and all of the companies conducted management with similar, all-round business portfolios. That became apparent around the time of the resource boom, when all the companies went on shopping sprees for resource interests. However, that era marked the close of the resource boom, which ended with the recording of large-scale impairment losses by each general trading company.

Moving forward, we will enter a competitive environment in which general trading companies compete on the basis of their individual characteristics. This will be a new era for general trading companies. In this era, the successful companies will be those that have rapidly established business models to compete in fields in which they have strengths.

ITOCHU will maintain its presence in the resource business on a scale that is appropriate for its size. However, I think it is a management mistake to take an easygoing approach that "resource prices will recover in due course." Looking at the example of crude oil, when the price increases to a certain extent, then shale oil will make a comeback. In other words, there is a price ceiling. Moreover, heretofore long-term contracts with resource purchasers have supported aggressive investment in interests and become the foundation for stable earnings. Moving forward, however, in place of these contracts there will likely be an increase in spot transactions as purchases are made on the market when necessary.

The fields on which ITOCHU will focus in the new era are clear. These are the non-resource fields, centered on consumer-related businesses, such as textiles, food, and general products, in which we lead the industry. To generate earnings in these fields, we will have to focus on China, which has a population of approximately 1.4 billion, and on Southeast Asia, which is posting notable growth. To open up those markets, we will need partners with strong market positions, the CP Group and the CITIC Group are the best partners for ITOCHU. The CP Group has built a wide-ranging overseas Chinese network and has deep roots in local markets in China and Southeast Asia, while the CITIC Group has extensive connections with the Chinese government.

The next few years will be a transitional period in which the general trading company industry undergoes significant change. However, ITOCHU anticipated this and has stayed one step ahead in preparing for it. Consequently, when our rivals are winding up the resource boom and developing their strategies for the future, we will stay one step ahead by maintaining our strategic focus on the fields where we have decided to compete through our alliance with the CP Group and the CITIC Group.

Taking Steps While Continually Looking Ahead

Our drive to stay one step ahead led to substantial cash collection in FYE 2016.

PrimeSource, a building material company in North America, was a top earner in the U.S. general products business, generating aggregate earnings of approximately ¥75.0 billion. However, the investment efficiency was gradually declining. Accordingly, we considered the active M&A market in the U.S. to be an excellent opportunity, and we decided to sell our shares in PrimeSource. Through this sale, we collected approximately ¥110.0 billion in cash. In addition, Nacional Minérios S.A. (NAMISA), an iron ore production and sales company in Brazil, was merged with the mining division of Companhia Siderúrgica Nacional (CSN), which owns the neighboring Casa de Pedra mine. Through this merger, we successfully acquired one of the world's most competitive assets. In these ways, we rapidly generated multiple benefits, such as the collection of approximately ¥70.0 billion in cash and a reduction in resource exposure.

⇨ Page 43 Pursuing Risk Management and Asset Efficiency

Clearly, it is irrational to take advantage of favorable market conditions to collect funds by selling an asset and then to immediately invest in a comparatively expensive asset, simply because management leaders want to post record-setting results during their tenure or because the market pressure for capital efficiency is too great. Companies are not limited to specific accounting periods or specific leadership tenures. Rather, I think that the correct management approach is to look ahead, hold cash, and invest when superior assets have become inexpensive. Accordingly, I have given instructions to remain calm and select projects based on rigorous standards, even if that means holding back on plans.

To Continue to Lead in a New Era for General Trading Companies

"Brand-new Deal 2017" has an extremely important position with the potential to write a new chapter in the 158-year history of ITOCHU. We will not be satisfied with holding the No. 1 position only temporarily. To lead in the new era for the general trading companies, we must build an earnings base for the generation of ¥400.0 billion in net profit while continuing to aim for an ongoing hold on the No. 1 position.

In FYE 2017, the second year of the medium-term management plan, we anticipate growth in profit in the non-resource sector, a full-year profit contribution from the investment in CITIC, and a favorable rebound from the losses processed in the previous fiscal year. Accordingly, we are aiming to achieve a new record high in profit, with plans calling for net profit of ¥350.0 billion, an increase of ¥110.0 billion year on year. This is an aggressive quantitative plan. The assumptions for exchange rates and the prices of crude oil and other resources have been conservatively revised, but if these revised assumptions were replaced by the pricing assumptions that were used when "Brand-new Deal 2017" was initially announced, the result would call for net profit in the ¥400.0 billion range.

Under "Brand-new Deal 2017," one of the management objectives is to aim for ROE of more than 13% on a consistent basis. We are rigorously implementing management with a focus on the cost of capital, and for FYE 2017 our plan calls for ROE of 15.2%. There is no change to our fundamental stance for increasing ROE. We maintain a strong orientation toward growth, and consequently we will aim to raise ROE by emphasizing increasing profit, which is the numerator.

⇨ Page 26 CFO Interview

Zaibatsu-industrial groups are also focusing their efforts on strengthening operations in the non-resource sector. However, I believe that there are fundamental differences between the resource business, where the aim is to reap returns of tens of billions of yen from a single investment of hundreds of billions of yen, and the non-resource business, where profits are made from reductions of a few yen. ITOCHU is committed to generating earnings as a merchant who modestly bows to its customers. We do not possess assets like those inherited by the *Zaibatsu*-industrial groups, who have strengths in resource businesses. However, we do have superior assets in the non-resource sector that we have cultivated over many years, and we have our combative spirit of taking on challenges. The ITOCHU Group has "individual capabilities."

Aiming to be a Company that Engages All Employees

To enhance our "individual capabilities," ITOCHU has also formulated original measures in the area of human resources, and those measures have generated steady results. For example, the revision of our personnel compensation system in FYE 2011 emphasized the results of individuals rather than their organizational units. Consequently, it raised the motivation of employees and officers in the non-resource sector, who have worked assiduously to generate earnings. Furthermore, our morning-focused working system has fostered a return to our starting point as a merchant, the rigorous focus on the viewpoints of customers, and it has also promoted employee health and enhanced operational efficiency. In these ways, the system has produced the expected results in maximizing "individual capabilities." The effectiveness of these policies can be seen in our achievement of the highest profit in the industry, despite the fact that our workforce of approximately 4,300 people on a parent-company basis is the smallest among the five large general trading companies.

To lead in the new era for the general trading companies, we must further concentrate the "individual capabilities" of all employees. To that end, from FYE 2017 we changed the plan's subtitle to "Engaging All Employees to Lead a New Era for the *Sogo Shosha*." The main point is to enable diverse employees to leverage their full potential, including employees who face time limitations due to such responsibilities as child-rearing and nursing care. On the other hand, we will not advance diversification while ignoring experience and results. Our basic policy will remain focused on ability, and we will establish an environment that engages employees while providing a carefully calibrated accommodation of individual circumstances. In addition, we are also advancing human resources policies linked with our China strategy, such as planning to expand the number of employees with Chinese-language ability to 1,000 at the end of FYE 2018, approximately three times the level in FYE 2016.

I have doubts about the idea that "even if compensation is low it is not a problem if employees are motivated." At ITOCHU, by providing compensation in line with results, we will work to hire and retain excellent employees and take steps to ensure that they maintain their powers of concentration. In this way, we will reinforce a favorable human resources cycle that draws out their abilities to the fullest extent.

⇨ Page 46 Human Resources Strategy

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.

Strengthening Governance, the Foundation of Sustainability

We will continually strengthen corporate governance as the foundation of sustained corporate growth. We have taken steps to strengthen the Board of Directors' supervision function through the Nomination Committee, an advisory committee. From FYE 2017, the chair of the Nomination Committee is an outside director, and a majority of the members are outside officers. In addition, we have moved to a system of three outside directors, an increase of one, with the addition of Atsuko Muraki, former Vice Minister of Health, Labour and Welfare. Ms. Muraki has extensive experience, and we expect her to supervise management from an objective and neutral viewpoint and to provide advice that will contribute to increases in corporate value over the long term. Furthermore, to heighten the awareness among officers toward making contributions to increasing ITOCHU's corporate value over the medium to long term, we introduced a performance-linked and share-based remuneration plan for the two-year period to FYE 2018. As the plan's name suggests, the plan is designed to be closely linked to corporate performance while being highly transparent and objective. We are continually strengthening compliance. That is because if ITOCHU commits a compliance violation, we could be subject to severe censure and lose trust in an instant.

The main purposes of the changes among officers made in FYE 2017 were to activate the Board of Directors through extensive replacement and to support increases in corporate value. These moves were also made with a focus on the abilities of successors, and we are steadily developing promising candidates for my successor. Initially, I may give some advice to the person who succeeds me and takes the management baton, but I will be careful to avoid meddling. I have a flexible approach in regard to the decisions made during my tenure, and if they are determined to be mistakes from a medium to long term perspective, then they should be revised.

With reference to the results of the evaluation of the Board of Directors that was implemented in consideration of the advice of outside consultants, we will consider measures to further strengthen corporate governance.

⇨ Page 54 Corporate Governance

Passing the Management Baton On to the Future

The curtain has opened on the new era for general trading companies. If resource prices recover to a certain extent, the *Zaibatsu*-industrial groups are expected to recover, and moving forward the winners will be determined on the basis of their true strengths. For ITOCHU, that will mean steadily turning our words into accomplishments each year in accordance with clear strategies. ITOCHU's greatest enemy is overconfidence. All employees, and I myself, have to avoid overconfidence, return to the starting point, and rigorously implement our three business principles—"Earn, Cut, Prevent."

The ITOCHU Group will focus the individual capabilities of its more than 100,000 employees, continue to take a proactive approach, and achieve the long-standing expectations of its predecessors. Then, the management baton will be passed on to the future of ITOCHU Corporation.

Challenges to Date
Future Challenges

Around 2010, in the middle of the resource boom, ITOCHU reconsidered its true strengths as a general trading company not affiliated with any of Japan's *Zaibatsu* industrial groups. We were the first to clarify our growth strategy of generating earnings in the non-resource sector, and on that basis we steadily reformed our business models. This section explains how ITOCHU made steady progress to become No. 3 among general trading companies in net profit in FYE 2012 and No. 1 in the non-resource sector in FYE 2015, as well as the Company's path to new growth under "Brand-new Deal 2017" (FYE 2016–2018).

Market Capitalization (including treasury stock)

¥1.3 trillion → **¥2.3 trillion**

March 31, 2010 → March 31, 2016

Cash Dividends per Share

¥18 → **¥50**

FYE 2011 → FYE 2016

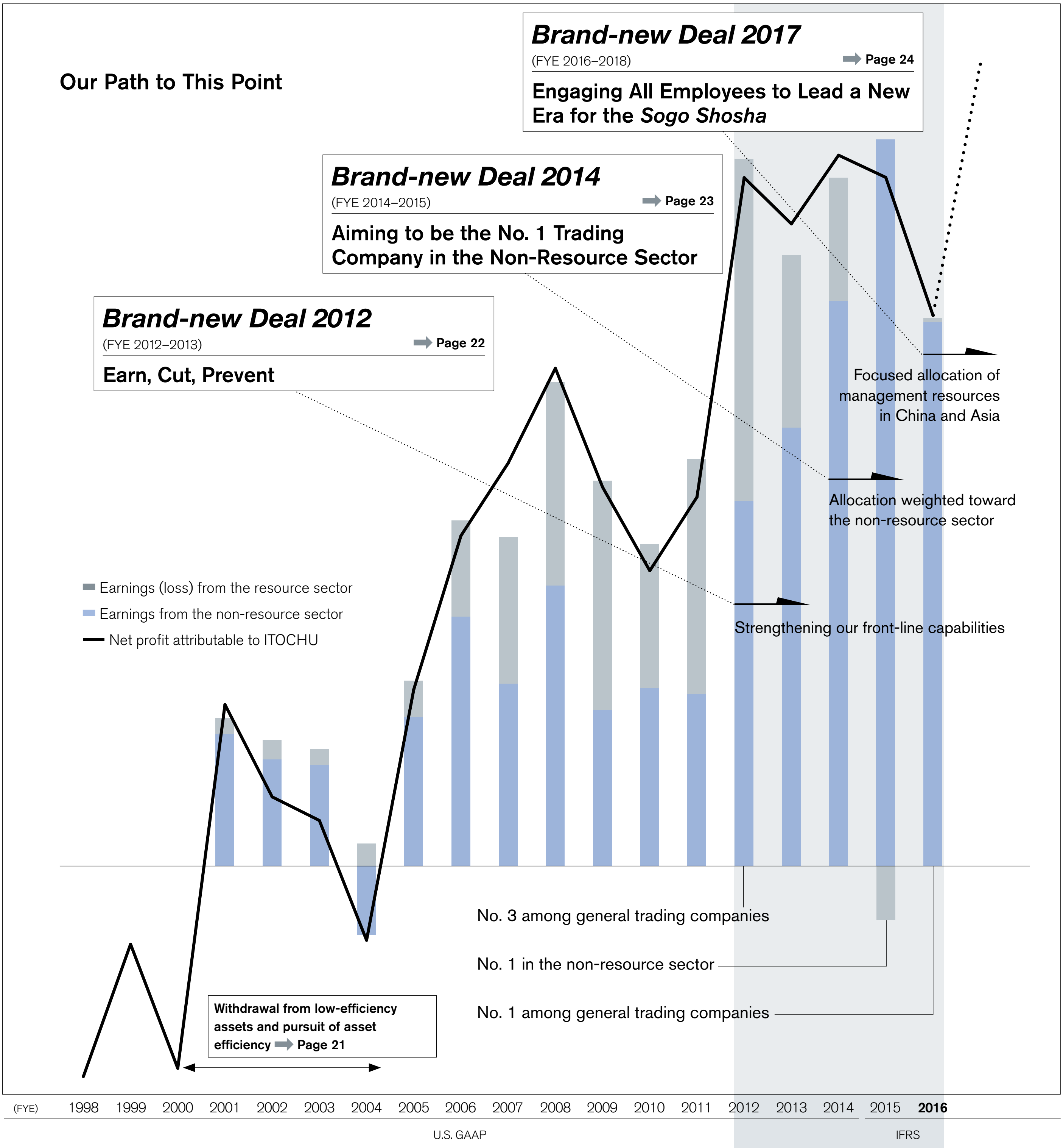
Core Free Cash Flows in FYE 2016, excluding Investment and Loan related to CITIC

Approx. ¥410 billion

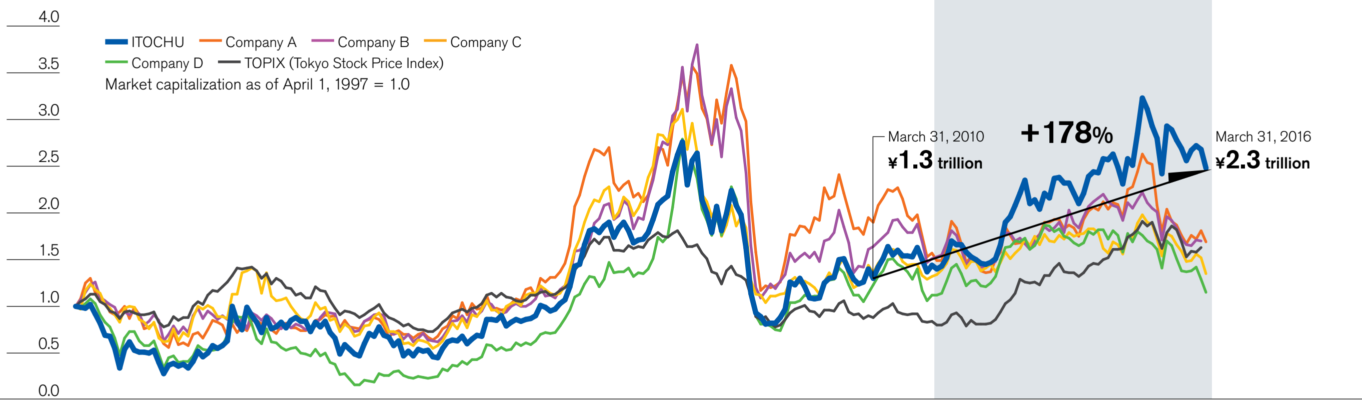
FYE 2016 Net Profit Attributable to ITOCHU

No.1 among General Trading Companies

Our Path to This Point



Market Capitalization of Five General Trading Companies (Monthly)*



* Includes treasury stock

ITOCHU Corporation — Our Present and Future

This section explains ITOCHU's potential for sustained growth in profit in the future by describing the background to the formation of ITOCHU's current approach as well as the true strengths ITOCHU inherited from earlier eras and the turning points the Company faced.

True Strength ❶

Front-line Capabilities and Individual Capabilities

General trading companies can be divided roughly into the *Zaibatsu* affiliated companies, which have strong ties to heavy industry, and the non-*Zaibatsu* affiliated companies, which principally trace their origins to the textile industry, one of Japan's leading industries in the Meiji period. ITOCHU, which was established in 1858 with textiles as its founding industry, is a non-*Zaibatsu* affiliated general trading company. As Japan's industrial structure shifted towards heavy industry, we expanded from our roots in the textile industry and broadened the scope of our operations to include a wide range of fields. The individual capabilities that we cultivated through business activities in fields close to consumers formed ITOCHU's corporate culture, which was compared to that of a merchant band.

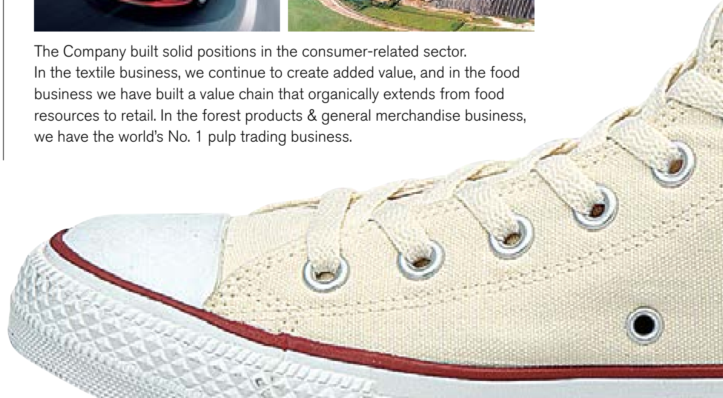
Founder — Chubei Itoh I
Chubei Itoh I, the founder of ITOCHU, placed a high value on *sampo yoshi*, the management philosophy of the Ohmi merchants. After more than a century, this philosophy was incorporated into ITOCHU's Corporate Message — I am One with Infinite Missions — which was formulated in 2015, and it has become the foundation of the Company's sustainable growth.

True Strength ❷

Competitive Edge in Textiles, Food, and General Products (Consumer-Related Sector)

At one point, general trading companies were primarily involved in intermediate distribution linking sellers and buyers, but this position was continually threatened by disintermediation. In the 1970s, ITOCHU created a new business model in the textile business that entailed the addition of value in the form of "branding" to the existing business of import and sales of woolen fabrics. This led to a major change in the business models of general trading companies. This pursuit of added value and leveraging of initiative became the driving forces for the transformation of our strengths in areas close to consumers into strengths in the consumer-related sector.

The Company built solid positions in the consumer-related sector.
In the textile business, we continue to create added value, and in the food business we have built a value chain that organically extends from food resources to retail. In the forest products & general merchandise business, we have the world's No. 1 pulp trading business.



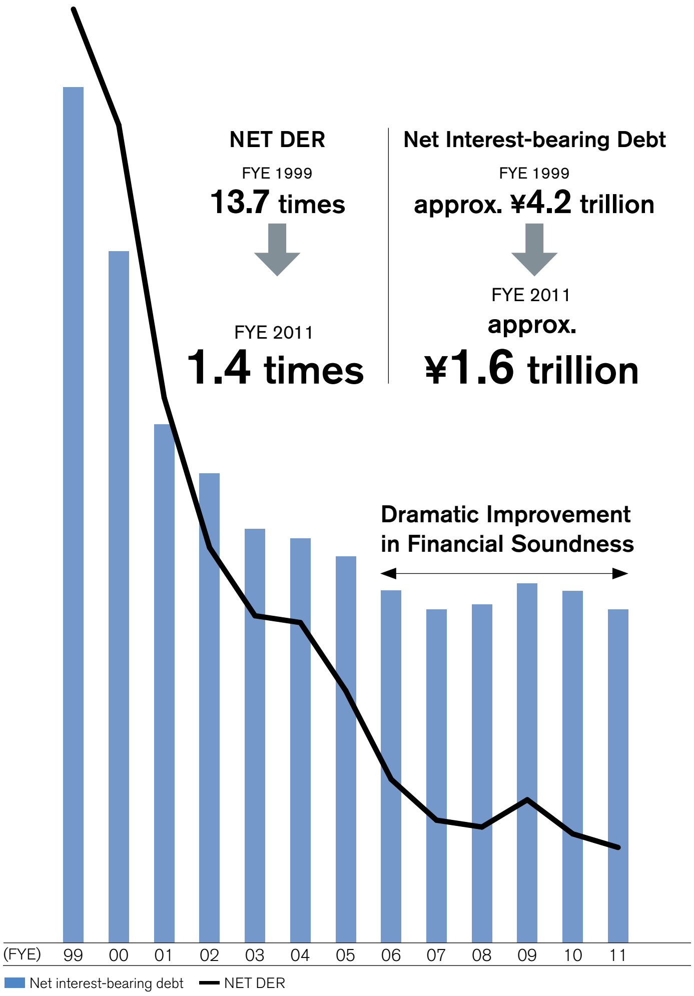
Foundation for Proactive Management

Withdrawal from Low-efficiency Assets and Pursuit of Asset Efficiency

From the late 1990s to the early 2000s, ITOCHU was burdened by large amounts of interest-bearing debt and unprofitable assets. We faced a crisis which threatened our continued existence. From FYE 2000 to FYE 2005, we sold, scaled down, or withdrew from inefficient and unprofitable businesses. In addition, we focused the allocation of our limited management resources on the consumer-related sector and reformed our earnings model. Moreover, in FYE 2000 we introduced risk capital management (RCM), and began to implement quantitative risk management and control. That framework for rigorous management of asset efficiency has since become our current asset strategies, which comprise "investment in areas where we have strengths," "risk management," and "pursuit of asset efficiency." Also, our stable financial foundation, which was strengthened through a rigorous focus on financial discipline up to FYE 2014, has been the foundation for our proactive management from FYE 2011.

In the late 1990s and early 2000s, we focused our investment of management resources on fields in which we have strengths, such as the acquisition of FamilyMart in 1998, which marked the start of our full-scale entry into the retail field. This focus later became the foundation for our overwhelming competitive edge in the consumer-related sector.

Improving Financial Position: FYE 1999–2011



Leveraging Our True Strengths to Take On Challenges

Brand-new Deal 2012 / Brand-new Deal 2014

We implemented structural reforms, such as reorganization measures and a reevaluation of our compensation system. In addition, in FYE 2011 we advanced the processing of inefficient assets and reevaluated our investment criteria. In these ways, we reinforced our footing. From FYE 2012, we made a major change in our course and began to rigorously implement proactive management. Under the "Brand-new Deal 2012" and "Brand-new Deal 2014" plans, we focused on our strengths—individual capabilities and the consumer-related sector.

Brand-new Deal 2012

(FYE 2012–2013)

Earn, Cut, Prevent

In comparison with investment of approximately ¥560.0 billion on a gross basis under the previous medium-term management plan, under this plan we increased cumulative total investment to approximately ¥970.0 billion over two years and we accumulated superior assets. One-half of this amount, approximately ¥485.0 billion, was invested in the non-resource sector, and we made large-scale investments, such as in METSA FIBRE, of Finland, one of the world's leading softwood pulp producers. We strengthened our infrastructure-related businesses, which include wind power and water-related businesses, and our automobile-related businesses, which provide a stable earnings base. In this way, we expanded our machinery business, which had a comparatively small scale of earnings.

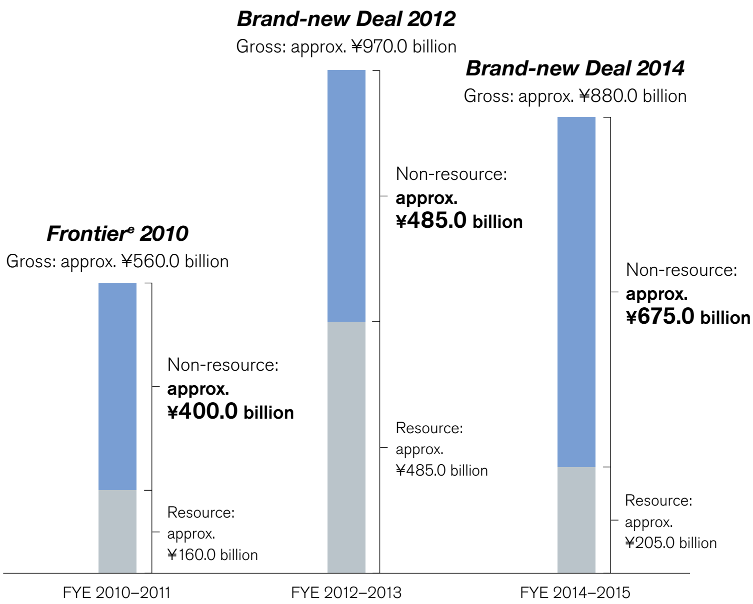
In FYE 2012, we recorded profit of ¥300.5 billion, the highest in ITOCHU's history, and reinforced our position as one of the top three general trading companies. In FYE 2013, with resource prices falling, the non-resource sector recorded solid growth and supported earnings for the entire company. In addition, we also revised our shareholder return policy and instituted a highly transparent policy linked to net profit.

STEP 1

Toward No. 3 among General Trading Companies

Shift to Full-scale Proactive Management While Shifting Focus to Non-resource Sector

Amount of Investment



And then, we moved on to *"Brand-new Deal 2017."*

STEP 2

Toward No. 1 in the Non-resource Sector

Brand-new Deal 2014

(FYE 2014–2015)

Aiming to be the No. 1 Trading Company in the Non-Resource Sector

Our next step as one of the top three general trading companies, was the target in "Brand-new Deal 2014"—to become No. 1 in the non-resource sector. Investment was approximately ¥880.0 billion on a gross basis, of which two-thirds was invested in the non-resource sector. We also advanced cash flow management. Moreover, in addition to the consumer-related sector, we also took steps to raise the earnings base in the basic industry-related sector, such as machinery and chemicals. We implemented a range of initiatives during the period covered by this plan, such as making the Dole business and Edwin subsidiaries, implementing an additional acquisition of FamilyMart, and concluding a strategic business alliance and capital participation with CP Group. These initiatives were focused on the next step. In FYE 2014, we once again set a new historical record for profits, and in FYE 2015, despite a significant decline in resource prices, we solidified our position as one of the top general trading companies from the result of our growth in the non-resource sector.

True Strength 3

Leading Japanese Trading Company in China

More than 40 years have passed since 1972, when ITOCHU became the first general trading company ratified to resume trade between Japan and China. ITOCHU has continued to lead Japanese companies and has developed such strengths as business infrastructure, human relations networks, and business know-how. Through strategic business alliance and capital participation agreements with CITIC and the CP Group, we have established a foundation for strengthening our position as the leading Japanese trading company in China.

×

Business Opportunities

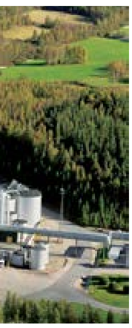
Increase in Consumer Spending in China and Asia

We are trying to leverage our strengths in order to grasp two business opportunities. The first is consumer spending in China, where the driving force of economic growth has shifted from investment/exports to internal demand, leading to a transformation in consumer spending from quantity to quality. The second is consumer spending in Asia, where purchasing power is expected to increase substantially against a background of economic growth.

Population of Affluent and Upper Middle Class Consumers

	ASEAN	China
in 2020	160 million	500 million
Average annual growth rate of	8.4%	9.8%
in 2010	70 million	200 million

Source: Ministry of Economy, Trade and Industry, White Paper on International Economy and Trade 2013



Medium-Term Management Plan

Brand-new Deal 2017: Targets

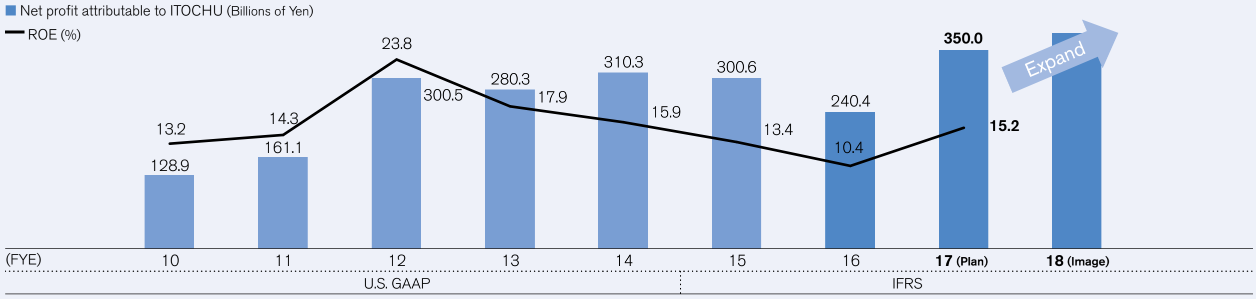
Medium-Term Management Plan

Brand-new Deal 2017

Engaging All Employees to Lead A New Era for the Sogo Shosha

Build a solid earnings base to generate ¥400.0 billion in net profit by progressing growth strategy especially focused on the non-resource sector.

Pursue to consistently exceed ROE of 13%, whilst further accumulating shareholders' equity.



Frontier[e] 2010 → Brand-new Deal 2012 → Brand-new Deal 2014 → Brand-new Deal 2017

Brand-new Deal 2017: Basic Policies

Strengthen Our Financial Position	Accelerate Asset Replacement Stringent Cash Flow Management	■Accelerate asset replacement to further improve quality and income efficiency of assets. ■Realize sustainable positive Free Cash Flow by strengthen cash generation capacity and comply investment policy. ■Thorough corporate management with focus on cost of capital.
Build Solid Earnings Base to Generate ¥400 Billion Level Net Profit	Enhance Progress Cooperation with Strategic Partners Further Reinforcement of the Non-Resource Sector	■Expand operating capabilities and business areas in China and the Asian region by maximizing synergetic benefits from the strategic alliance with CITIC and CP Group. ■Further strengthen the earning base utilizing the superiority and business strength in the non-resource sector. ■Increase profitability by expanding existing business and proceeds from new projects.

Investment Policy

Aggressively pursue synergetic profit derived from the strategic alliance with CITIC and CP Group, especially in China and the ASEAN regions.

New Investments: Cap new investments to be made only within the aggregate amount generated by core operating cash flows*1 and withdrawal from existing projects.

Core Free Cash Flows*2	Consecutively generate in excess of ¥100.0 billion of positive core free cash flows

Core Operating Cash Flows Cash Generated by Withdrawal from Projects	New Investments	■Investment into joint projects with CITIC and CP Group ■Other investments

*1 "Operating cash flows" minus "increase/decrease of working capital"
*2 Excludes increase/decrease of working capital

FYE 2016 Results / FYE 2017 Plan

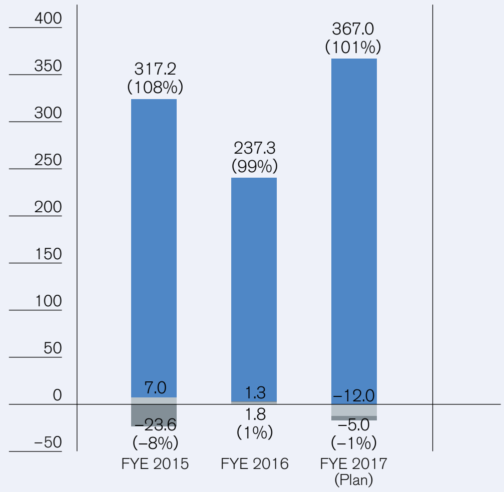
Billions of Yen	FYE 2016 Plan	FYE 2016 Results	FYE 2017 Plan	Increase / Decrease
Gross trading profit	1,100.0	1,069.7	**1,080.0**	**+ 10.3**
Trading income	240.0	226.4	**240.0**	**+ 13.6**
Equity in earnings of associates and joint ventures	120.0	147.7	**180.0**	**+ 32.3**
Net profit attributable to ITOCHU	330.0	240.4	**350.0**	**+ 109.6**
Exchange rate (¥/US$, average in the year)	115	121	**110**	**−11 (Appreciation)**

Billions of Yen	March 31, 2015 Results	March 31, 2016 Results	March 31, 2017 Plan	Increase / Decrease
Total assets	8,560.7	8,036.4	**8,200.0**	**+ 163.6**
Net interest-bearing debt	2,380.5	2,555.6	**2,500.0**	**– 55.6**
Total shareholders' equity	2,433.2	2,193.7	**2,400.0**	**+ 206.3**
NET DER	0.98 times	1.17 times	**1.0 times**	**improve 0.1 pt.**
ROE	13.4%	10.4%	**15.2%**	**+ 4.8pt.**

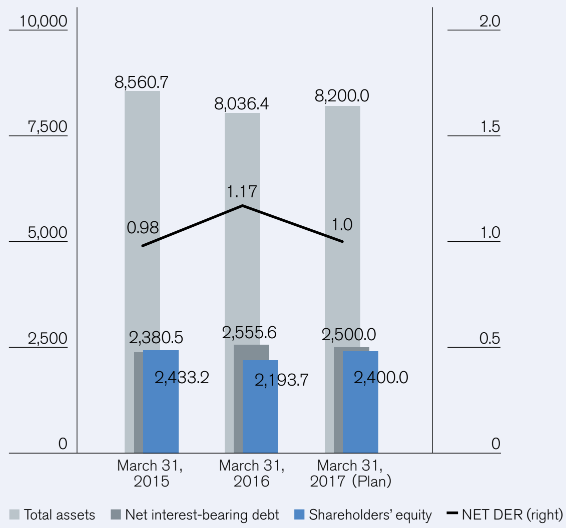
Assumptions	FYE 2015 Results	FYE 2016 Results	FYE 2017 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU
Exchange rate (¥/US$, average in the year)	108	121	**110**	Approx. –¥1.5 billion (¥1 appreciation against US$)
Exchange rate (¥/US$, at year-end)	120	113	**110**	
Interest (%) YEN TIBOR 3M, average	0.20%	0.16%	**0.20%**	Approx. –¥8.5 billion (1% increase)
Crude Oil (US$/BBL)*3	86	49	**35**	±¥0.33 billion
Iron Ore (US$/TON) (fine ore)	93*4	53*4	**N.A.*5**	±¥1.18 billion
Hard coking coal (US$/TON)	119*4	93*4	**N.A.*5**	±¥0.36 billion
Thermal coal (US$/TON)	81.8*4	67.8*4	**N.A.*5**	

*3 The price of crude oil is the price of Brent crude oil.
*4 FYE 2015 and FYE 2016 prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.
*5 In the prices for iron ore, hard coking coal and thermal coal used in the FYE 2017 plan, the prices for FYE 2017 1st quarter are assumed based on the prices that major suppliers and customers have agreed on regarding shipments as follows and current spot prices, and the prices for FYE 2017 2nd to 4th quarter are assumed based on the prices agreed on the 1st quarter. However, the actual sales prices are decided based on negotiations with each customer, ore type and coal type.
Iron Ore US$39/ton, Hard coking coal US$84/ton, Thermal coal US$61.6/ton

Non-Resource / Resource



Balance Sheets

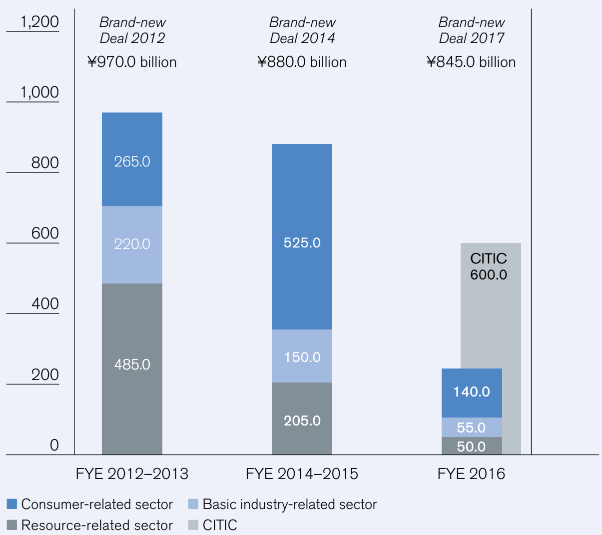


Major Investments in FYE 2016 (excluding CITIC)

Non-Resource Related*6	Additional acquisition of FamilyMart / Bosideng / Provence Huiles / Prima Meat Packers capital increase / METSA FIBRE loan, etc.
Resource-Related	IMEA expansion / ACG investment / BTC pipeline investment, etc.

*6 Non-resource related sector includes consumer-related sector and basic industry-related sector.

Investment (Gross)



CFO Interview

Further Develop Financial and Capital Strategies and Increase Shareholder Value.

Member of the Board,
Managing Executive Officer, CFO
Tsuyoshi Hachimura

Q Would you review the financial and capital strategies implemented in FYE 2016?

A We adhered to the concept of controlling borrowings and made steady progress in "strengthening our financial position."

Under the current medium-term management plan, which started in FYE 2016, our basic policies are to build an earnings base to generate ¥400.0 billion in net profit and to strengthen our financial position. In regard to new investments, our policy is to implement investment within the limits of core operating cash flows and cash generated from exits. Under this policy, our framework is to control investment and use the free cash flows that we generate to provide a return to shareholders and to further reduce debt. In FYE 2016, we steadily accumulated operating cash flows and accelerated asset replacement. As a result, core free cash flows, excluding the CITIC investment, was ¥410.0 billion, substantially exceeding the target figure of ¥100.0 billion. Debt increased accompanying the CITIC investment, but that increase was held to a minimal level, and we moved forward with initiatives targeting NET DER of 1.0 times.

Moreover, ITOCHU is highly sensitive to risk, and one of the characteristics of the Company is an emphasis on always taking action quickly. In consideration of the increasingly uncertain global economic environment, we decided that we needed to take steps to control future risk, and in FYE 2016 we implemented impairment processing. This measure affected our shareholders' equity and various ratios, such as NET DER, but the purpose was to address concerns about the future. I believe that calmly focusing on the economic environment, rapidly taking action, and reducing the management burden are elements of the Company's drive to "strengthen our financial position."

Q Would you discuss key points of financial and capital strategies in FYE 2017?

A We will clarify the four commitments and strive to meet stakeholders' expectations.

As CFO, I have four commitments for financial and capital strategies in FYE 2017.

(1) Enhancing shareholder return (performance-linked and progressive dividends, with minimum guarantee of ¥55 per share, an increase of ¥5 per share year on year)
(2) Achieving core free cash flows in excess of ¥100.0 billion
(3) Working to achieve NET DER of 1.0 times
(4) Achieving ROE of more than 13%

FYE 2017 will be the second year of the current medium-term management plan, and under the framework for this plan I will continue working to implement the four commitments in FYE 2017.

In addition, one of my most important responsibilities as CFO is to maintain and enhance the Company's credit rating so that we can implement smooth fund-raising from a global viewpoint. Against a background of declines in resource prices, the environment for general trading company credit ratings is becoming increasingly severe, but as the Company advances measures to strengthen its financial position, we will demonstrate the differences between ITOCHU and other companies.

Q **Please discuss the progress and future outlook for “strengthening cash flow management,” which is a focus for the Company.**

A **Our unshakable fundamental policy is to achieve core free cash flows of more than ¥100.0 billion.**

In FYE 2016, operating cash flows exceeded ¥400.0 billion for the third consecutive year. We implemented aggressive asset replacement measures, including the collection of funds through the sale of PrimeSource and the meregr of NAMISA. In addition, we rigorously selected new investments. Accordingly, the level of cash generated substantially exceeded our initial targets. I believe that these results demonstrate the steady progress that we have made in expanding our earnings capacity and replacing assets, as well as the extent to which “cash flow management” has reached the level of each employee. In accelerating the CITIC/CP Group alliance strategy, in FYE 2017 we will reach a stage at which we will make a certain level of investment. Nonetheless, our unshakable fundamental policy is to achieve core free cash flows of more than ¥100.0 billion. In addition to adhering to our investment policy, we will also continue to advance the strengthening of cash flow management.

Q **What are your thoughts about the cost of shareholders’ equity and ROE?**

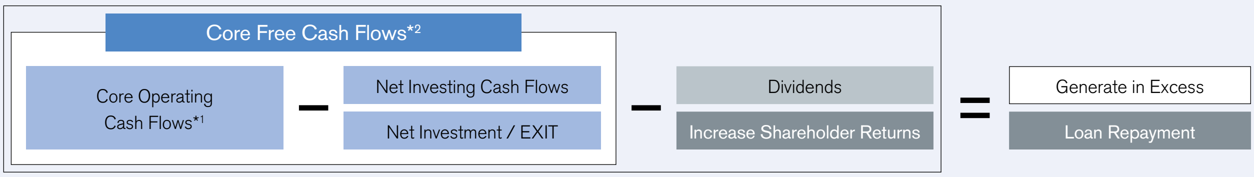
A **We will strive to achieve capital efficiency at a level above the cost of shareholders’ equity.**

Our ROE is No. 1 in the industry, and we have established a dominant position in comparison with other general trading companies. Moving forward, we will not aim to maintain and enhance ROE by reducing shareholders’ equity or increasing leverage. There will be no change to our approach of aiming to achieve ROE of more than 13% through growth in profits. There is a clear distinction between ITOCHU and other general trading companies that emphasize resource portfolios. We have established a business portfolio that is centered on the consumer-related sector, where volatility is comparatively low. The cost of shareholders’ equity as determined by the market currently contains a certain level of risk premium for general trading companies. However, we will clear this and continue to secure a level of ROE that is overwhelmingly superior to those of other general trading companies.

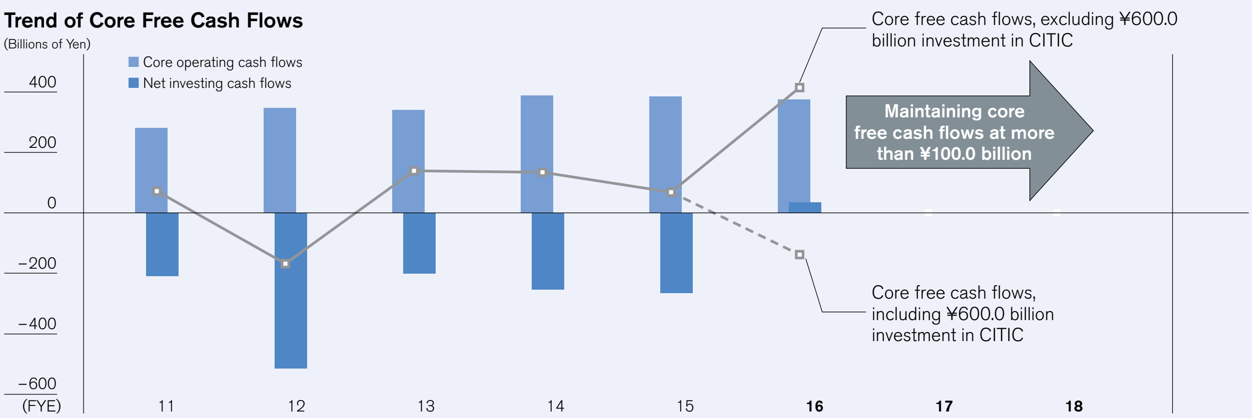
In the future, we will take steps to foster a deeper understanding of our businesses through communication with the markets. We will make progress in reducing the cost of shareholders’ equity, and at the same time we will increase shareholder value while paying constant attention to the cost of shareholders’ equity.

Stringent Cash Flow Management and Financial Position

We will maintain core free cash flows at more than ¥100.0 billion and allocate it to shareholder returns through dividends and to further repayment of borrowings. Moving forward, we will manage cash flows in a manner that is easier to understand and more clear.



Trend of Core Free Cash Flows



*1 “Operating cash flows” minus “increase/decrease of working capital”
*2 Excludes increase/decrease of working capital

Shareholder Value

Shareholder Return Policy, FYE 2016 Dividends, and Dividend Forecast for FYE 2017

Under the medium-term management plan, "Brand-new Deal 2017," ITOCHU has guaranteed a minimum per-share dividend of ¥50 in FYE 2016, ¥55 in FYE 2017, and ¥60 in FYE 2018, surpassing our record-high dividend each year. In addition, the Company will maintain its performance-linked and progressive dividend policy. Under this policy, to share results with shareholders in line with growth in net profit, we target a dividend payout ratio of 20% on net profit attributable to ITOCHU up to ¥200 billion, and a dividend payout ratio of approximately 30% on the portion of net profit attributable to ITOCHU exceeding ¥200 billion.

In accordance with this policy, annual per-share dividends of ¥50 (interim: ¥25, year-end: ¥25) were paid for FYE 2016.

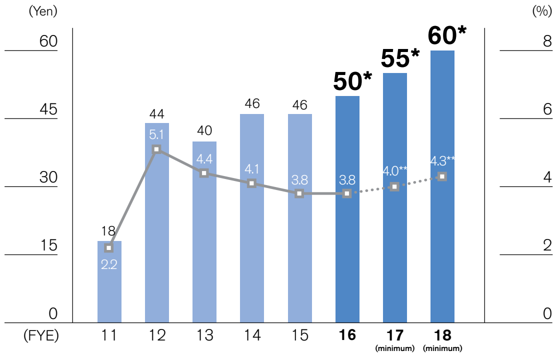
The dividend forecast for FYE 2017 calls for annual per-share dividends of ¥55 (interim: ¥27.5, year-end: ¥27.5).

"Aiming to Annually Surpass Our Record-high Dividend"

Brand-new Deal 2017

minimum guaranteed
FYE 2016: ¥50
FYE 2017: ¥55
FYE 2018: ¥60

Cash Dividends per Share / Dividend Yield

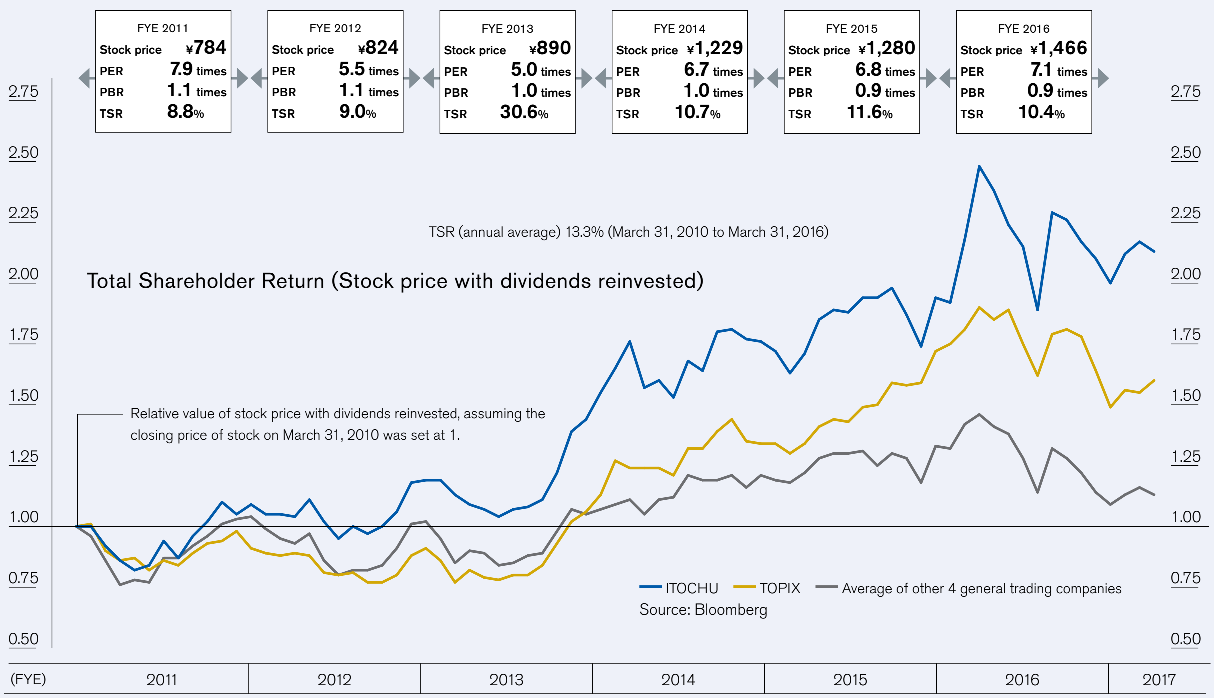


Cash dividends per share (left) Dividend yield (right)
* Minimum per-share dividend
** Dividend yield is calculated using the March 31, 2016, stock price of ¥1,386.0.
Dividend yield = Annual per-share dividends ÷ Stock price at previous fiscal year-end

Stock Price / PER / PBR / TSR

In TSR, ITOCHU has significantly outperformed TOPIX and the average for the other four general trading companies. In the future, we will continue working to steadily increase shareholder value.

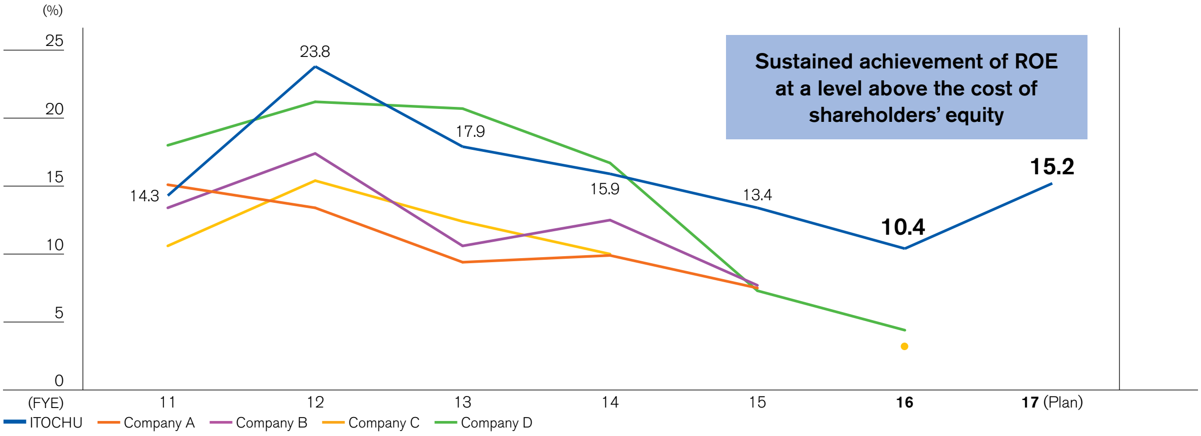
Stock price: Annual average of daily trading value
PER: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Outlook for net profit attributable to ITOCHU, announced by ITOCHU)
PBR: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Most-recent results of shareholders' equity)
TSR (total shareholder return): Return on investment assuming that dividends are reinvested



ROE and Shareholders' Equity

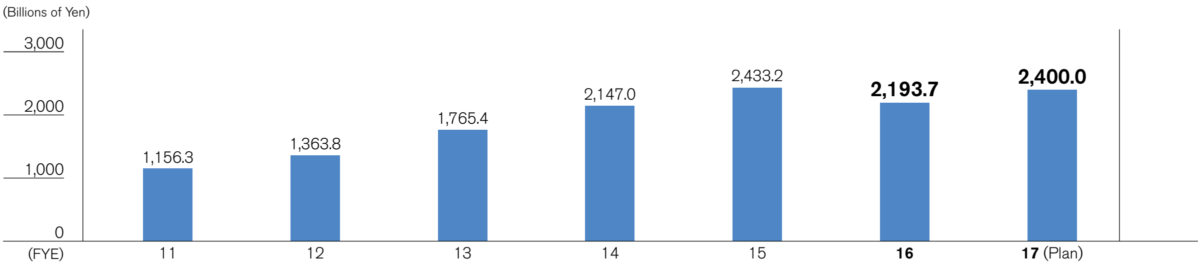
We currently have the No. 1 ROE in the industry, and moving forward we will aim to achieve ROE of more than 13% by recording growth in profits while enhancing shareholders' equity.

ROE of Five General Trading Companies



Our basic policy calls for ROE of more than 13% while steadily accumulating shareholders' equity and achieving profit growth. For FYE 2017, our plans call for ROE of 15.2%.

Shareholders' Equity



Stock and Shareholder Information

Basic Information about Our Stock

Stock listing	Tokyo
Category	Trade
Stock code	8001
Minimum number of stocks allowed per trade	100
Fiscal year	From April 1 to March 31
Shareholder fixed day for dividend payment	March 31 (Interim: September 30)
Number of common shares issued	1,662,889,504 shares (As of March 31, 2016)
Treasury stock (owned by ITOCHU)	82,161,959 shares (As of March 31, 2016)

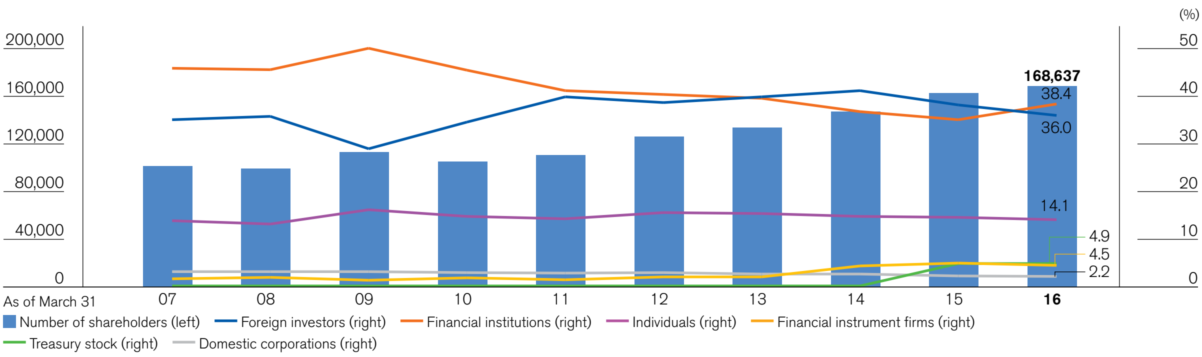
Major Shareholders*1

As of March 31, 2016

Name	Number of shares held (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	89,461	5.38
The Master Trust Bank of Japan, Ltd. (trust account)	75,894	4.56
CP WORLDWIDE INVESTMENT COMPANY LIMITED*2	63,500	3.82
Mizuho Bank, Ltd.	39,200	2.36
Nippon Life Insurance Company	34,056	2.05
Mitsui Sumitomo Insurance Company, Limited	30,400	1.83
Sompo Japan Nipponkoa Insurance Inc.	26,336	1.58
Barclays Securities Japan Limited	25,000	1.50
Asahi Mutual Life Insurance Company	23,400	1.41
Japan Trustee Service Bank, Ltd. (trust account9)	22,369	1.35

*1 Our treasury stock of 81,238 thousand shares (shareholding ratio 4.89%) has been excluded from the above list.
*2 In addition, En-CP Growth Investment L.P. holds 14,500 thousand shares (shareholding ratio 0.87%), for a combined shareholding ratio of 4.69% for the CP Group.

Trends in Number of Shareholders and Breakdown of Shareholders (% of shares)



Business Investment

Fundamental Approach

Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods and investment ratios, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&A transactions. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize its corporate value and to expand trade and investment return through the full utilization of our Groupwide capabilities.

With larger-scale investments and increases in acquisition prices in recent years, we are rigorously screening the appropriateness of the business plan and acquisition price when we invest. For existing investments, to increase investment earnings and to exit quickly from low-efficiency assets, we are further strengthening monitoring procedures, centered on instituting more rigorous "EXIT" criteria and thoroughly implementing regular investment review.

Decision-Making Process

The department making the application first gives due consideration to such factors as the purpose of the investment, growth strategies, risk analysis, business plans, the appropriateness of the acquisition price, the state of conformance with investment criteria, the establishment of exit conditions, and the status of internal control. Risk analysis includes CSR and environmental checks, such as for labor, environmental, and compliance risks; and checks to exclude antisocial forces in addition to analyze quantitative risk. Next, related administrative organizations implement screening from various specialized perspectives and attach their results to the application. After deliberation by the Division Company Management Committee (DMC), the application is

PROCESS FOR INVESTMENTS

1 Investment Decisions

Quantitative and qualitative evaluations in accordance with the following investment criteria

Investment decision items
Purpose of investment / growth strategies
Risk analysis
Appropriateness of the business plan (acquisition price)
Application of investment criteria
Establishment of exit conditions
Status of internal control

Thorough Verification of the Appropriateness of the Business Plan
- Screening of business plans at the time of new investment (including sensitivity analysis)
- Advance preparation of countermeasures for downward divergence from plan (including establishment of exit measures)

Investment Criteria
- Investment efficiency in accordance with Net Present Value (NPV*) based on investee's free cash flows
- Cash inflows into ITOCHU, such as dividends received and earnings from trade activities
- Scale of investee's earnings

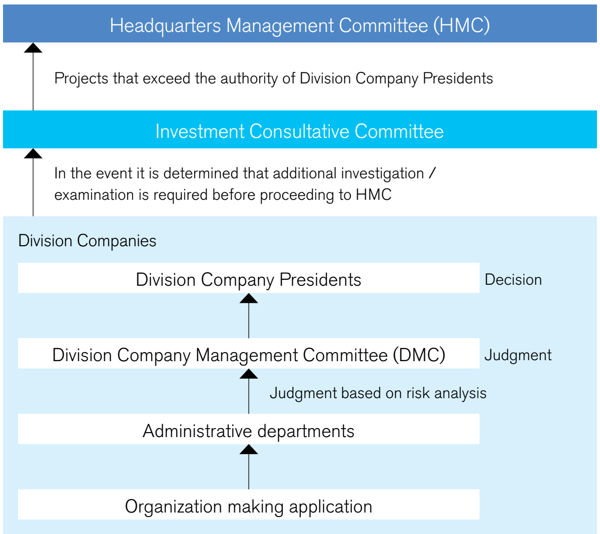
* NPV calculations utilize hurdle rates set by country and industry sector

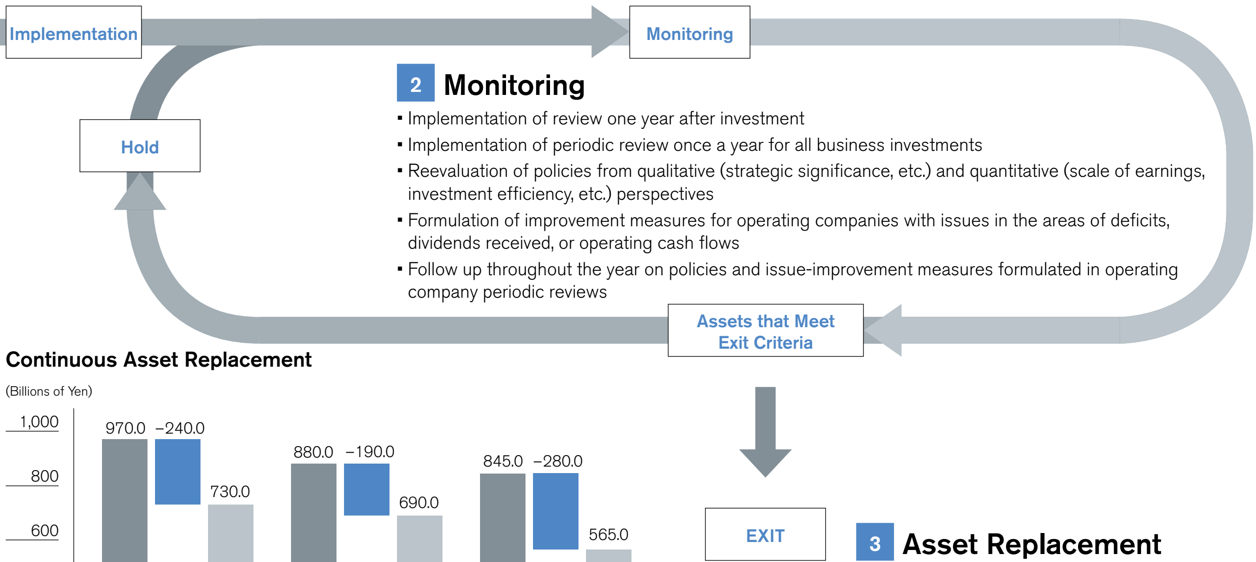
Exit Criteria
- Last three-year cumulative consolidated net profit is negative
- Cumulative Consolidated Investment Return is significantly below the original projection.
- Last three-year cumulative Value Added (Return minus Cost of Equity) is negative.

submitted to the Division Company President for a final decision. Projects that exceed the Division Company President's authority must be approved by the Headquarters Management Committee (HMC). If additional consideration and screening of an investment's profitability and strategy are needed prior to the HMC, the application is sent to the Investment Consultative Committee*1 for deliberation. After discussing the application, this committee puts the matter before the HMC. This approach devolves authority to the Division Companies and speeds decision-making, while at the same time providing appropriate screening processes to pursue return on investments and also control investment risk.

*1 Investment Consultative Committee: Core members include the CSO·CIO*2, CFO*3, CAO*4, General Counsel, General Manager of the General Accounting Control Division, General Manager of the Corporate Planning & Administration Division, General Manager of the Global Risk Management Division, and Corporate Auditors
*2 CSO·CIO: Chief Strategy & Information Officer
*3 CFO: Chief Financial Officer
*4 CAO: Chief Administrative Officer

Decision-Making Process for New Investments





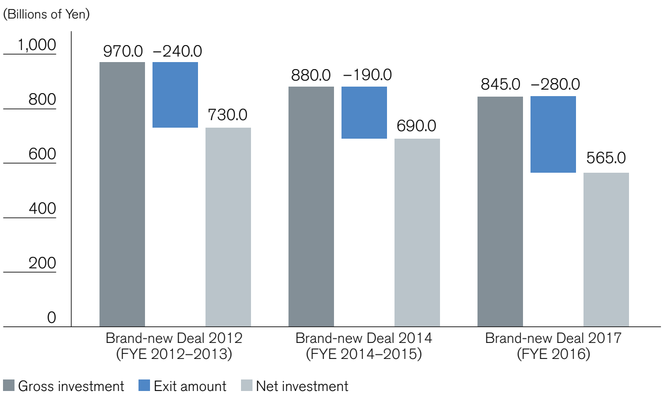
2 Monitoring

- Implementation of review one year after investment
- Implementation of periodic review once a year for all business investments
- Reevaluation of policies from qualitative (strategic significance, etc.) and quantitative (scale of earnings, investment efficiency, etc.) perspectives
- Formulation of improvement measures for operating companies with issues in the areas of deficits, dividends received, or operating cash flows
- Follow up throughout the year on policies and issue-improvement measures formulated in operating company periodic reviews

3 Asset Replacement

- To strengthen financial position, promote replacement of low-efficiency assets that meet exit criteria, in consideration of the cost of capital and other factors, and of businesses that have lost strategic holding significance

Continuous Asset Replacement



Risk Management

Risk Capital Management and Management of Concentrated Risks

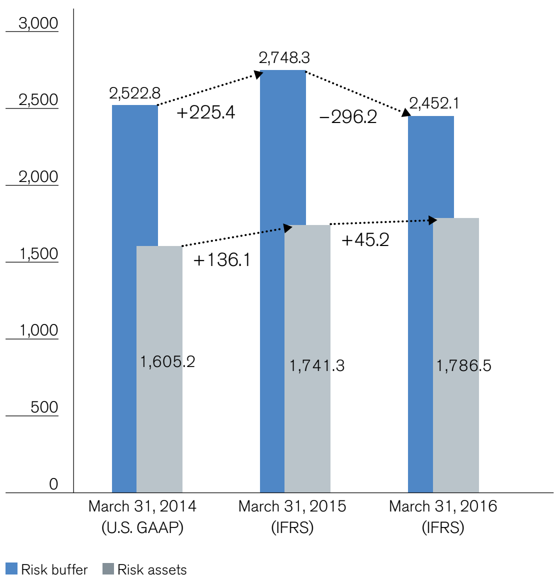
Risk Capital Management

We have introduced, and are utilizing, a Risk Capital Management (RCM) strategy. Under this strategy, we first calculate "risk assets" based on the maximum amount of the possible future losses from all assets on the balance sheet including investments, and all off-balance-sheet transactions. Second, we manage to control the quantity of risk assets within the limits of our "risk buffer" (consolidated shareholders' equity + noncontrolling interests). At the end of March 2016, the amount of risk assets stood at 73% of the risk buffer.

Managing Concentrated Risks

We also manage overall country risk exposure to non-industrialized countries and manage individual country risk based on internal country rating standards. Country limits are deliberated by the Asset Liability Management (ALM) Committee and approved by the HMC.

Risk Assets



<Reference> The ITOCHU Group's Major Business Risks and Countermeasures

Risks		Overview	Countermeasures
Market Risk	Foreign Exchange Rate Risk	• Foreign exchange rate risk related to transactions in foreign currencies in import/export trading • In regard to investments in overseas businesses, risk that fluctuations in foreign exchange rates could affect shareholders' equity through the accounting for foreign currency translation adjustments and risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to yen	• The Group implements hedge transactions that utilize such derivatives as forward exchange contracts.
	Interest Rate Risk	• Interest rate risk in both raising and using money for investing, financing, and operating activities	• Among the interest insensitive assets such as investment securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. ITOCHU is working to quantify the interest rate risk to control the fluctuation of gains and losses due to interest rate change properly. • To be specific, using the Earnings at Risk (EaR) method, ITOCHU has set a certain limit (Loss Cut Limit) for interest expense and has executed hedging transactions primarily in the form of interest rate swaps to manage interest rate risk.
	Commodity Price Risk	• Commodity price fluctuation risk arising from the holding of long or short positions in a variety of commodities • Price fluctuation risk due to participation in development businesses such as mineral resources and energy and other manufacturing businesses	• The Group has analyzed inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity and conduct monitoring, management, and periodic reviews. • The Group implements hedging transactions, such as commodity futures and forward contracts.
	Stock Price Risk	• Stock price fluctuation risk associated with the holding of various marketable stocks that are held in order to pursue business earnings and corporate value by strengthening relationships with customers and suppliers and by submitting various proposals to investees	• The Group uses the Value at Risk (VaR) method to analyze and monitor the effect of stock price fluctuations on consolidated shareholders' equity periodically.

Risks	Overview	Countermeasures
Credit Risk	▪ Credit risk in relation to credit becoming uncollectible due to the deteriorating credit status or insolvency of the Group's trading partners, both domestically and overseas	▪ When granting credit, the Group conducts risk management through the establishment of credit limits and the acquisition of collateral or guarantees as needed. ▪ The Group establishes allowances for doubtful receivables based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners.
Country Risk	▪ Risk such as unforeseen situations arising from political, economic, and social conditions in various countries and regions overseas, and national expropriation or remittance suspension due to changes in various laws and regulations	▪ The Group formulates risk countermeasures for each transaction. ▪ With the aim of avoiding a concentration of exposure, the Group works to reduce risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country.
Risks Associated with Fund-raising	▪ Risk of experiencing an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and consequently experiencing an increase in funding costs should ITOCHU's credit worthiness in the capital market deteriorate due to a significant lowering of the Company's credit rating, or should there be an upheaval in the financial systems in major financial markets	▪ To secure stable funds and reduce the cost of funds, the Group works to increase the long-term fund-raising ratio, to diversify funding sources, and to diversify fund-raising methods and instruments. In accordance with changes in financial situations, the Group flexibly utilizes indirect financing, such as bank loans, and direct financing, such as commercial paper and debentures. ▪ Through commitment line contracts with financial institutions, the Group secures liquidity in preparation for unforeseen situations.
Risks Associated with Laws and Regulations, Compliance, and Significant Lawsuits	▪ Risk of unexpected, additional enactment, or change in laws and regulations by legislative, judicial, and regulatory bodies both domestically and overseas ▪ Risk of major change in laws and regulations by political/economical changes ▪ Risk associated with personal misconduct by directors and employees and risk associated with suffering social disgrace	▪ Being aware that the observance of laws and regulations is a serious obligation of the Group, the Group has taken a thorough approach to the observance of laws and regulations by reinforcing the compliance system. ▪ Through networks among legal circles, the Group works to obtain, at an early stage, information related to enactment or changes in laws and regulations, to reflect that information in internal systems, and to implement training for employees at an early stage.
Risks Associated with the Environment	▪ Risk that the occurrence of environmental pollution due to the Group's business activity could lead to the delay or suspension of operations, the incurring of pollution disposal expenses or expenses due to compensation for damage, or the lowering of society's evaluation of the Group	▪ The Group has designated global environmental issues as one of the most important elements of its management policy, and the Group has established an environmental policy. ▪ The Group has built an environmental management system in order to minimize environmental risk, such as the risk of infringement of laws and regulations in the handling of goods the provision of services, and business investment.
Risks Associated with Natural Disasters, Climate Change, and Other Factors	▪ Risk of damage from natural disasters; infectious diseases, such as new types of influenza; and abnormal weather arising from climate change, etc.	▪ ITOCHU has implemented measures such as developing Business Continuity Plans (BCPs) for large-scale disasters and the outbreak of new types of influenza. ▪ ITOCHU has introduced a safety confirmation system and conducts emergency drills. ▪ To reduce the influence of abnormal weather, the Group has diversified its sources of supply for raw materials, such as food resources. ▪ The Group is implementing initiatives in renewable energy, including geothermal and wind power, and water-related businesses.
Investment Risk	▪ Risk such as being unable to achieve expected earnings due to changes in business conditions or deterioration in the business results of partners and investees ▪ Risk such as the likelihood of investment recovery are lowered due to poor corporate results of investees, or stock prices are expected to drop below a specified level for a considerable period of time which may lead to necessities that the whole or partial investment is recognized as a loss, and that the infusion of additional funds is required ▪ Risk of being unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires due to differences in business management policy with partners or the low liquidity of investments	▪ ITOCHU works to reduce risk through decision-making based on the establishment of investment criteria for the implementation of new investments while monitoring existing investments periodically. ▪ ITOCHU promotes asset replacement through the application of exit standards to investments with low investment efficiency that it has little reason to hold.
Risks Associated with Information Systems and Information Security	▪ Risk of sensitive information leakage due to unauthorized access from the outside or computer viruses and the risk of the stoppage of information systems due to equipment damage or problems with telecommunications circuitry	▪ The Group has formulated a code of conduct concerning the handling of information for all directors and employees and has secured high information security level. ▪ In order to maintain secure operation of its information systems, the ITOCHU Group has established security guidelines and has developed crisis control measures.

* Excerpt / reorganization of the "Risk Information" section of the Consolidated Financial Results (*kessan tanshin*) and the Annual Securities Report (*yuka shoken hokokusho*).

Multifaceted Business Creation

As a general trading company, ITOCHU leverages business investment while maintaining a focus on trade that links demand and supply. The Company takes the lead in implementing a multifaceted approach to expanding the flow of commercial distribution and creating businesses, ranging from upstream areas to downstream and including peripheral and similar industries as well as other geographic regions.

Leveraging Our Distinctive Strengths to Expand Multifaceted Initiatives in a Linked Manner

I. Advancing into Areas Where We Can Leverage Our Distinctive Strengths

ITOCHU narrows down possible areas to those in which it can generate synergies with existing businesses and control risk on its own, and on that basis the Company advances into new businesses and markets. Accordingly, we select areas in which we can leverage our distinctive strengths. In particular, we focus on whether or not we can secure trade business. Business investment is a key method of entering a new area.

Distinctive Strengths

- Securing natural resources / raw materials
- Linking purchasers with producers
- Providing value added that meets consumer needs
- Providing solutions

II. Establishing Market Positions

After advancing into a new area, we strive to accumulate business know-how. In addition, by applying the distinctive management resources of a general trading company, we take steps to increase the corporate value of the companies that we have invested in to establish a market position. At the same time, we are continually considering initiatives targeting the next business or market.

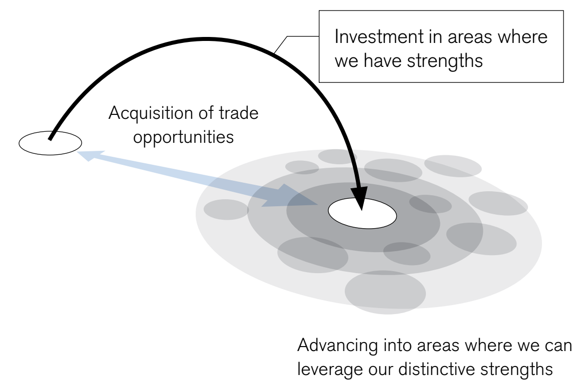
III. Multifaceted, Linked Business Development, and Flexible Exits

Starting from the areas in which we have established a presence, we leverage the business know-how that we have accumulated and the market positions that we have established. As we create new added value, we create new businesses in a multifaceted, linked manner with a view to further increasing earnings. In addition, from the viewpoint of asset efficiency, we recover funds by exiting from assets that have lost strategic significance.

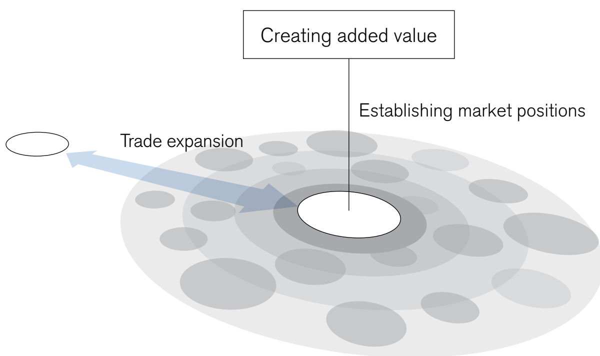
Six Points of View in Multifaceted Business Development

1. Expanding and diversifying sources of supply
2. Participating in production activities
3. Expanding the range of success models
4. Pursuing economies of scale
5. Obtaining points of contact with consumers
6. Cash collection from exits

I. Advancing into Areas Where We Can Leverage Our Distinctive Strengths



II. Establishing Market Positions

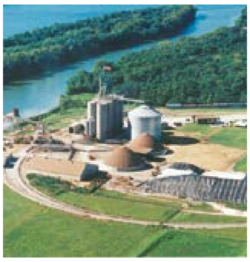


Six Points of View in Multifaceted Business Development

1 Expanding and Diversifying Sources of Supply

In procurement, ITOCHU works to diversify and expand its sources of supply. In this way, we disperse risks, such as geopolitical and exchange rate risks; increase buying power; and strengthen our competitiveness by increasing the amounts supplied.

Targeting a stable supply of food, ITOCHU is establishing and expanding grain handling and supply bases. (Photo: CGB grain export facility on the west coast of the United States)



2 Participating in Production Activities

We participate in upstream production activities with the objectives of developing and procuring competitive products, taking the initiative on the supply side, and generating earnings.

We are reinforcing our position as the global No. 1 pulp trader by participating in the pulp production business. (Photo: Celulose Nipo-Brasileira S.A.)

3 Expanding the Range of Success Models

We aim to create businesses efficiently and rapidly by extending models of success with certain products and regions to other products and regions.

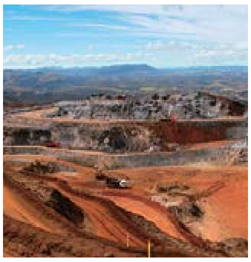
In brand business, licensing business and business development in China is leading to growth in source of earnings.
(Photo: OUTDOOR PRODUCTS)

4 Pursuing Economies of Scale

We are working to increase our operational efficiency and strengthen competitiveness by expanding our scale through mergers and boosting our competitiveness.

⇨ **Page 38 Special Feature:
Asset Strategies in a "New Era for the *Sogo Shosha*"**

In the iron ore business, we increased our competitiveness through the merger in Brazil of NAMISA and the mining division of CSN.



5 Obtaining Contact with Consumers

We are aiming to achieve synergistic earnings growth by obtaining contact with consumers, feeding information back to mid-stream and upstream businesses, and optimizing the supply chain.

Information obtained by FamilyMart, which is a point of contact with customers, is increasing added value throughout the entire value chain.

FamilyMart

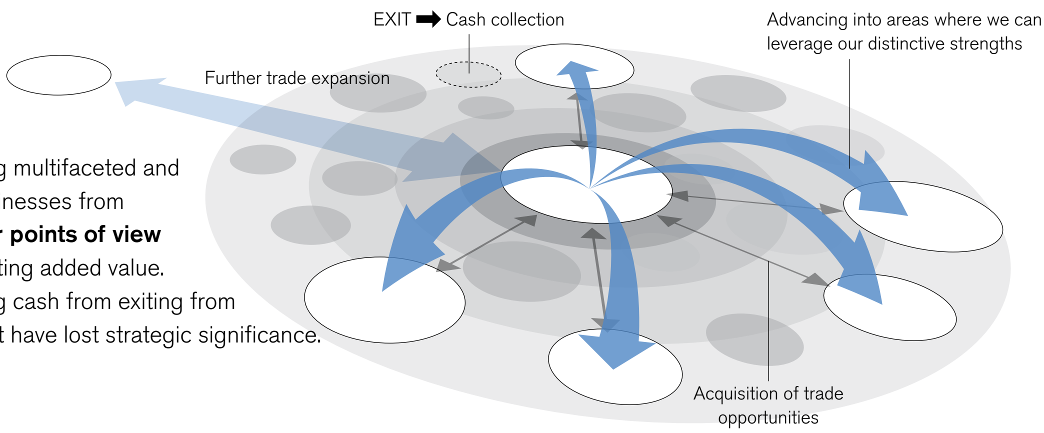
6 Cash Collection from Exits

Based on our view of the long-term business environment, we implement exits from existing businesses and reinvest in new strategic fields using the cash generated from exits. In this way, we are working to create new businesses.

⇨ **Page 38 Special Feature:
Asset Strategies in a "New Era for the *Sogo Shosha*"**

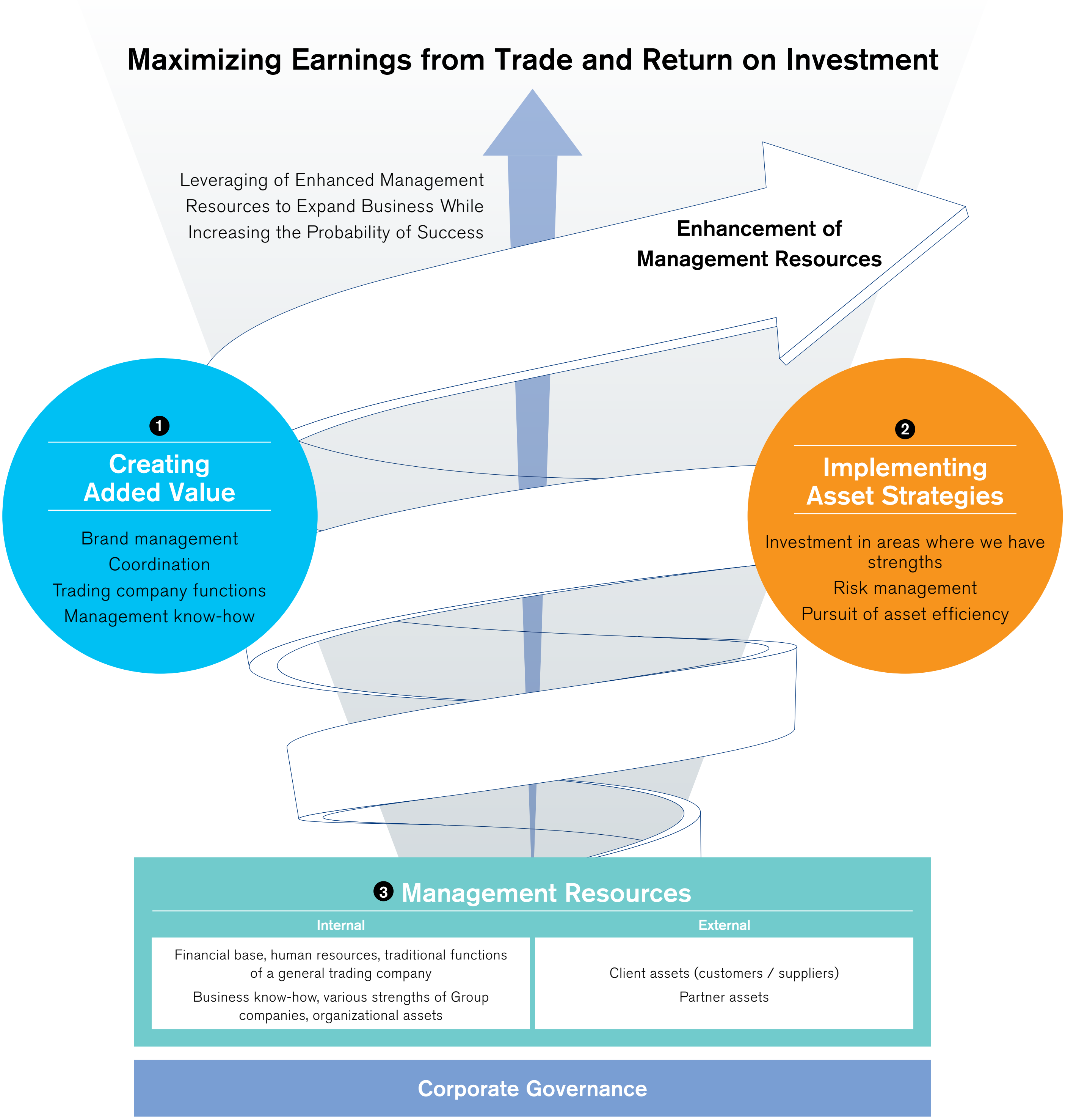
III. Multifaceted, Linked Business Development, and Flexible Exits

Developing multifaceted and linked businesses from **five major points of view** while creating added value. Generating cash from exiting from assets that have lost strategic significance.



Creating Added Value and Implementing Asset Strategies

In conjunction with progress in our business development, we have implemented business models that involve both the "creation of added value" to take the initiative in the flow of commercial distribution and "implementing asset strategies" comprising investment in areas where we have strengths, risk management, and the pursuit of asset efficiency. In this way, we are building and reinforcing business models that maximize earnings from trade and return on investment.



1 Creating Added Value

We strive to stabilize commercial rights, expand trade, and increase the value of businesses, including the companies that we have invested in, by leveraging the distinctive functions of a general trading company, continually creating added value from the customer's viewpoint.

Brand Management

Through integrated management of the entire merchandising function, including sales channels and product nurturing, ITOCHU strives to increase brand value and take the initiative in business activities.

Coordination

Leveraging its client assets and partnerships with leading companies, ITOCHU works to cultivate sales channels and suppliers and takes steps to foster the creation of new businesses, such as large-scale project structuring.

Trading Company Functions

ITOCHU offers its business partners more than just the traditional functions of a general trading company, such as credit, insurance, logistics, and IT. We also provide new functions aligned with needs to create new businesses.

Management Know-how

By providing the management know-how that we have accumulated and by dispatching management personnel, we promote increases in the corporate value of companies that we have invested in.

2 Implementing Asset Strategies

As the strategic importance of business investment has increased, we have developed asset strategies comprising investment in areas where we have strengths, risk management, and the pursuit of asset efficiency.

Investment in Areas Where We Have Strengths

Our fundamental principle is to invest in areas where we have strengths, such as the non-resource sector, centered on consumer-related businesses, and in China and Asia. On this basis, we are working to further reinforce our competitive edge.
⇨ **Page 40**

Risk Management

ITOCHU is implementing comprehensive management of risk through risk assets, risk management on a project-by-project basis through evaluation of investments using a hurdle rate based on the cost of capital, and analysis and control of a wide range of risk factors that affect business. ⇨ **Page 32**

Pursuit of Asset Efficiency

We exit from investments that are determined to be low-efficiency assets from such perspectives as scale of earnings, investment efficiency, and strategic significance. In this way, we are working to increase asset efficiency and to maximize free cash flow under strengthened cash flow management. ⇨ **Page 43**

3 Management Resources

Internal

Financial Base

ITOCHU's foundation for investing aggressively to expand future earnings is supported by (1) its capacity to steadily generate operating cash flows, (2) its sound financial base, and (3) its strong fund-raising ability, including Group financial systems in Japan and overseas. ⇨ **Page 26**

Human Resources

It is human resources that are the driving force behind the functioning of ITOCHU's business models. We are working to develop industry professionals who have high levels of expertise in specific areas.
⇨ **Page 46**

Traditional Functions of a General Trading Company

The traditional functions of a general trading company, such as credit, insurance, logistics, and IT, are the foundations of the provision of solutions for smooth progress in business transactions.

Business Know-How

ITOCHU is developing businesses in a broad array of industries spanned by its seven Division Companies, and has accumulated a wide range of business know-how. This know-how is an indispensable intangible asset in creating new businesses and in advancing into new business fields.

Various Strengths of Group Companies

The combination of the strengths of ITOCHU's 212 subsidiaries and 114 associated companies (as of the end of March 2016) and the strengths of the Company itself substantially expands the potential for the creation of added value.

Organizational Assets

In addition to rapid decision-making systems, ITOCHU also has functional organizations that possess high levels of expertise in such fields as legal affairs, risk management, accounting, taxation, finance, and more. These organizations provide strong backup for ITOCHU's ability to generate income from a front-line perspective. ⇨ **Page 52**

External

Client Assets (Customers / Suppliers)

Maintaining relationships with customers and suppliers is indispensable in securing continued trade opportunities. In addition, ITOCHU can control risk in investments precisely because we can draw on these client assets. ⇨ **Page 50**

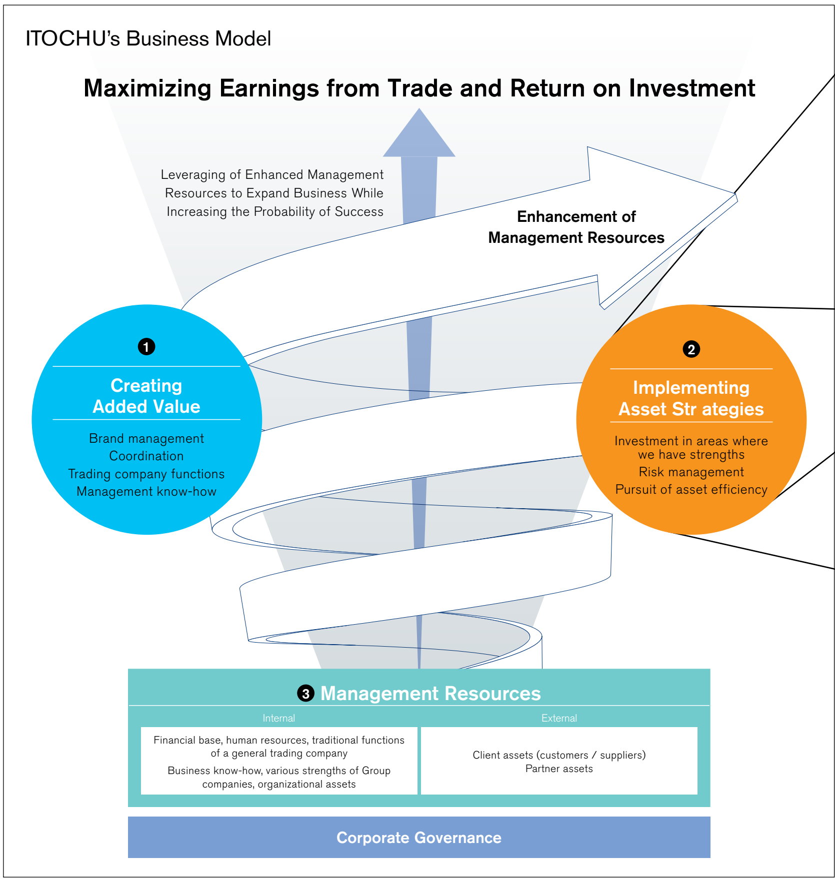
Partner Assets

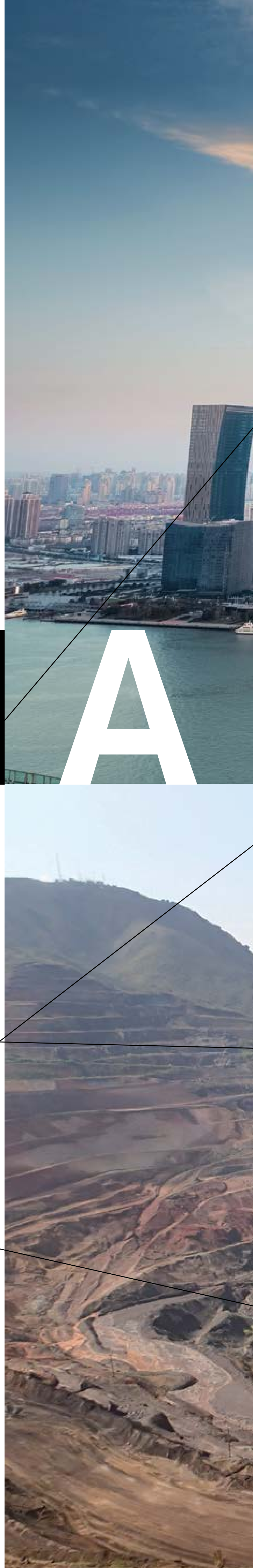
From the viewpoints of rapidly advancing into new business areas and increasing the probability of business success, ITOCHU emphasizes win–win relationships with partners. Over many years, ITOCHU has built excellent relationships with many leading companies. ⇨ **Page 50**

Asset Strategies in a "New Era for the *Sogo Shosha*"

The "Brand-new Deal 2017" medium-term management plan (FYE 2016–2018) clearly sets out ITOCHU's strategic focus on the non-resource sector in China and Asia, where the Company has strengths. In addition, with an eye toward the target of consistently maintaining ROE of more than 13% while continuing to bolster shareholders' equity, we are accelerating asset replacement and implementing stringent cash flow management to strengthen our financial position and to further increase asset quality and efficiency. This special feature section explains ITOCHU's asset strategies, with a focus on the "New Era for the *Sogo Shosha*."

To Lead A





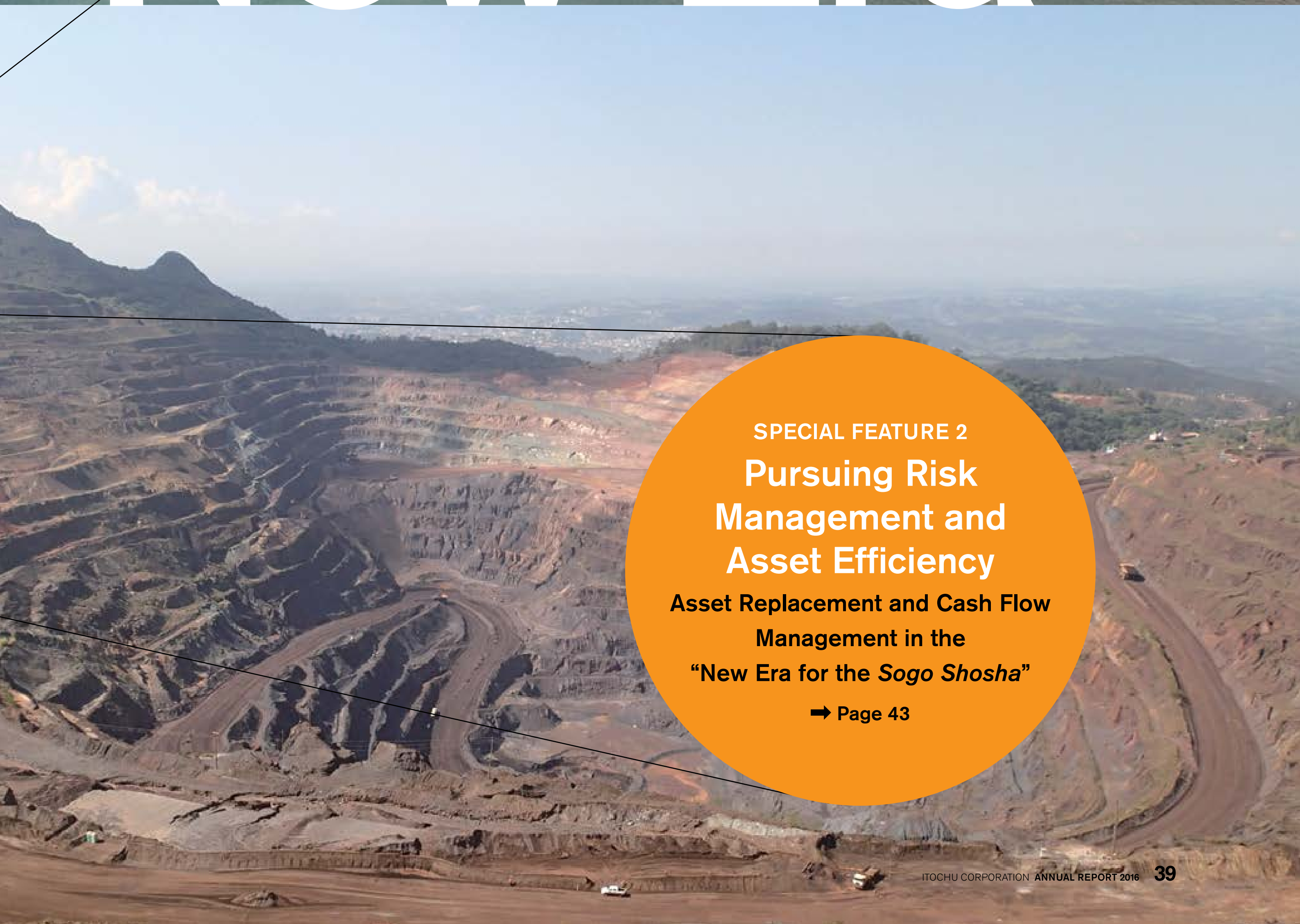
SPECIAL FEATURE 1

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

➡ Page 40

New Era



SPECIAL FEATURE 2

Pursuing Risk Management and Asset Efficiency

Asset Replacement and Cash Flow Management in the "New Era for the *Sogo Shosha*"

➡ Page 43

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

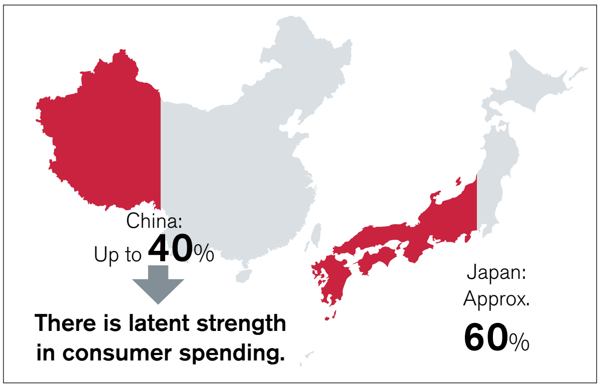
Real GDP growth in China is slowing to 6% to 7%. However, ITOCHU is not pessimistic about the future of economic conditions, including those in China, because the primary objective of our strategic business alliance and capital participation with the CITIC Group, China's largest conglomerate, and the 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

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.

Investing in Areas Where We Have Strengths

中信 CITIC

- Financial services
- Resources and energy
- Manufacturing
- Engineering contracting
- Real estate
- Other

CITIC has top-ranked companies in a variety of industries in China

- Trust Company
- Securities Company
- Alloy Wheel Manufacturer
- Mining and Construction
- Equipment Manufacturer
- Special Steel Producer

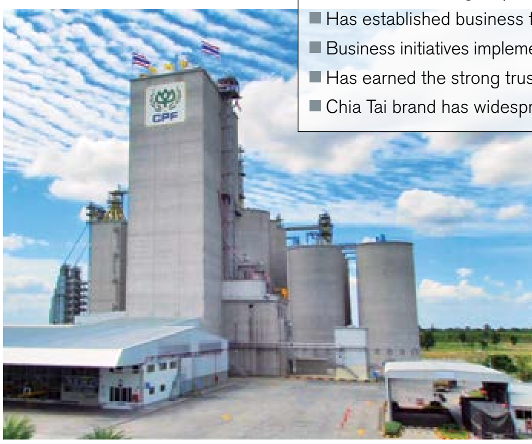
Focus

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



C.P. GROUP

as the policy direction of the Chinese economy, human networks, and the potential of various projects. Together with the overseas Chinese network of the CP Group, the intangible competitive advantage obtained through this strategic business alliance and capital participation has advanced ITOCHU's China strategy to a new level.

We will carefully implement major initiatives with a view toward achieving the greatest possible increase in the corporate value of CITIC, a large corporate group.

Senior Managing Executive Officer Yuji Fukuda, who advanced the alliance negotiations
CEO for Asia & Oceania Bloc;
President & CEO, ITOCHU Singapore Pte Ltd.;
Executive Advisory Officer for CP & CITIC Operations

Major Initiatives with an Impact on CITIC's Corporate Value

In this strategic business alliance and capital participation, ITOCHU and the CP Group invested a combined total of about ¥1,200.0 billion in CITIC on a 50:50 basis. The CP Group owns 4.7% of ITOCHU's stock, making the CP Group one of our major shareholders. ITOCHU holds 25% of the stock of C.P. Pokphand Co. Ltd., which is the core company in the CP Group and has feed, livestock, aquaculture, and food processing businesses in China and Vietnam. All three parties share the same destiny.

ITOCHU invested ¥600.0 billion, the largest single investment in the Company's history. To obtain a return commensurate with that level of investment we need to not only participate in the flow of commercial distribution and expand trade but also do our utmost to help increase the corporate values of the CITIC Group and the CP Group and strive to expand earnings and market capitalization.

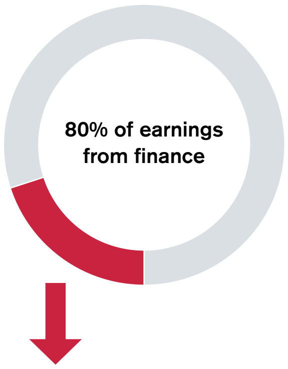
Financial Service Business accounts for 80% of CITIC's earnings. Through growth in non-finance businesses, centered on consumer-related businesses, ITOCHU can contribute to the reform of CITIC's earnings structure. This will have a major impact on the corporate value of the CITIC Group. Synergies can be created in an extremely wide range of fields, such as retail, processed foods, livestock, grains and other foods, brands and other apparel-related areas, communications, and medicine. On the other hand, CITIC, a large corporate group with assets of about ¥110 trillion, generated net profit of about ¥800.0 billion in FYE 2015. Major initiatives suitable for this large scale will be required to influence CITIC's earnings structure. Accordingly, ITOCHU will not rush forward in a hurry to achieve benefits from the tie-up. Rather, we will take a careful approach to projects from a long-term viewpoint.

Generating Synergies over the Long Term with a Commitment to *Sampo Yoshi*

We are moving forward with dispatches and exchanges of personnel from both short-term and long-term perspectives. Through meetings of the Strategic Cooperation Committee, the top management of ITOCHU, CITIC, and the CP Group coordinate the direction of cooperative initiatives. Moreover, management collaboration meetings are also conducted at the senior management level, where detailed discussions are held to foster the generation of full-scale synergies. The key to generating sustained synergies over the long term is the cultivation of relationships of trust at the level of the middle-rank employees, who will support the future. In addition to rigorous employee selection, we are creating opportunities for detailed discussions in a wide range of areas, such as mutual understanding of management policies, values, history, and principal businesses as well as the potential for generating synergies. In this way, the three corporate groups share the concept of working to increase each other's corporate value with a future orientation.

We believe that sustained growth in profits for ITOCHU will result from efforts to give concrete expression to *sampo yoshi* (Good for the seller, Good for the buyer, and Good for the society), which is the foundation of our business. Through these efforts, we will work to benefit all of our partners, including CITIC and the CP Group, and contribute to abundance for the people of China and Asia.

Expanding the Non-finance Business of the CITIC Group through the Generation of Synergies



中信 CITIC

FYE 2015 Results

Consolidated Total Assets	Approx. **¥110 trillion**
Consolidated Net Profit	Approx. **¥650.0 billion**
Moody's Rating	**A3**

Expanding non-finance businesses

SPECIAL FEATURE 2

To Lead A New Era

Pursuing Risk Management and Asset Efficiency

Asset Replacement and Cash Flow Management in the "New Era for the *Sogo Shosha*"

In FYE 2016, ITOCHU moved quickly to replace low efficient assets and further strengthened its cash flow management. In addition, we conducted detailed analyses in both the non-resource and resource sectors and took a thorough approach to recording losses in order to reduce future risks. The purpose of those initiatives was to build a more solid foundation that will be able to withstand changes in the economic environment in order to lead in the "New Era for the *Sogo Shosha*."

Increasing Asset Quality through the Strengthening of Our Financial Position

ITOCHU has continually taken steps from an early stage to address future potential risks. In FYE 2016, we determined uncertainty in the economic environment was increasing, and we decided to record approximately ¥90.0 billion in losses.

In the resources sector, we rigorously selected businesses, and we decided to sell certain coal interests in Australia. In addition, we conservatively revised our outlook for commodity prices over the long term, and recorded impairment losses at IMEA and a North Sea crude oil project.

In addition to the resource sector, we also conducted detailed analyses of asset values in the non-resource sector, where we have a competitive edge, and worked to clear away concerns about the future. For example, at LeSportsac, which earns nearly 15% of the trademark rights value in the textile business, we recognized impairment losses when we implemented replacement to introduce products with higher added value. In addition, we decided to withdraw from Bramhope, a major UK-based manufacturer and wholesaler of apparel. Moreover, for Dole, where impairment losses were anticipated due to insufficient harvests, we conservatively reevaluated the uncertainty of agricultural products and recognized additional impairment for the entire amount of goodwill and a portion of intangible assets. For ETEL, a tire wholesaler and retailer in Europe, we conservatively took into consideration the forecast for tire demand over the medium to long term and recorded impairment losses of ¥31.0 billion on goodwill. The various types of impairment loss processing that we implemented in FYE 2016 were one facet of our efforts to "strengthen our financial position," a basic policy of the medium-term management plan.

The next section introduces examples of asset replacement that were implemented from the viewpoint of corporate value that is suitable for the "New Era for the *Sogo Shosha*."

Loss Processing Implemented in FYE 2016

- One facet of efforts to "strengthen our financial position"
- Reducing factors that will affect earnings in the future
- Increasing asset quality

WIDP (impairment)	approx. –¥18.0 billion
IMEA coal (impairment)	approx. –¥18.0 billion
Dole (impairment)	approx. –¥6.0 billion
Total	approx. –¥42.0 billion

Total amount of additional losses **approx. –¥90.0 billion**

Textile approx. –¥17.0 billion	Bramhope exit	approx. –¥6.0 billion
	Java/LeSportsac (impairment)	approx. –¥8.5 billion, etc.
Metals & Minerals approx. –¥22.0 billion	IMEA/sale of certain coal interests	approx. –¥17.0 billion
	Indonesia coal loss	approx. –¥2.5 billion, etc.
	IMEA coal (impairment) (additional)	approx. –¥2.5 billion
Food approx. –¥14.5 billion	Dole (impairment) (additional)	approx. –¥11.5 billion
	Dole Australia exit	approx. –¥2.0 billion, etc.
Forest Products and General Merchandise approx. –¥31.0 billion	ETEL (impairment)	approx. –¥31.0 billion

Others: Approx. –¥5.5 billion

Merger & Cash-In

Integration of Brazilian Iron Ore Related Assets

Nacional Minérios S.A. (NAMISA), an iron ore production and sales company in Brazil, operates a project in the state of Minas Gerais in Brazil that was acquired in December 2008, in the middle of the resource boom, through a consortium that ITOCHU established in collaboration with five large domestic iron and steel companies and POSCO, of South Korea.

Competitive strength in the iron ore mine business is determined not only by high-quality iron ore mines but also by infrastructure assets, including railway and port facilities. NAMISA was a project that had limitations on the use of infrastructure under a long-term contract with Companhia Siderúrgica Nacional (CSN). Also, CSN's neighboring Casa de Pedra (CdP) Mine has minable reserves of more than 3.0 billion tons (probable reserves of more than 6.5 billion tons), about 10 times NAMISA's reserves. The investment in NAMISA was initially made with a view toward a management integration with the CdP mine, one of the most competitive mines in the world.

In June 2011, a new business plan was concluded with CSN and the generation of synergies among the two mines was commenced. Full-scale negotiations started from 2012. Internally, centered on the Metals & Mineral Resources Division (currently, the Mineral Resources Division), we formed Team ITOCHU NAMISA, comprising up to 50 professionals from all business areas, including ITOCHU Brasil S.A., NAMISA, ITOCHU Mineral Resources Development Corporation, and the legal, finance, accounting, and tax departments from headquarters. With iron ore prices declining, we focused our Companywide comprehensive strengths on the management integration project, which involved obtaining favorable terms while controlling risk.

Simultaneously Transitioning to Superior Resource Assets and Strengthening Cash Flow Management

In November 2015, the merger was concluded after eight years of effort. ITOCHU's share in the newly merged company is 7.6%, compared with 21.95% in NAMISA. The merged company is a mining company with significant strengths that are competitive, not only within Brazil but on a global basis, in such areas as iron ore resources, quality, production scale, and infrastructure. For ITOCHU, this means that a major earnings pillar has been established in Brazil, on a par with the iron ore mines in Western Australia, among the largest in the world, where we work together with BHP Billiton to conduct development and production. Through this merger, ITOCHU collected US$700 million in cash, and in addition we took a major step forward in the establishment of a higher quality resource asset portfolio that will be less susceptible to future resource price fluctuations.

Sale of Shares of PrimeSource, a Superior Asset

In March 2015, ITOCHU and ITOCHU International Inc. (hereinafter, "III"), concluded an agreement with Platinum Equity, LLC (United States) for the sale of their entire holdings of shares of PrimeSource Building Products, Inc. (hereinafter "PrimeSource"), a building material company in the U.S. and Canada. The sale was concluded in May 2015.

The "niche / low-tech / domination strategy," which aims at the achievement of No. 1 positions in specific fields, is one part of the basic strategy of the Forest Products & General Merchandise Division. In accordance with this strategy, ITOCHU worked to raise the value of PrimeSource, which III acquired in 1998 for $50 million (approximately ¥6.5 billion).

In FYE 2016, the company had a dominant position, with net sales of approximately US$1.3 billion (approximately ¥156.0 billion), 1,300 employees, and 42 distribution bases in the United States. In particular, PrimeSource 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.

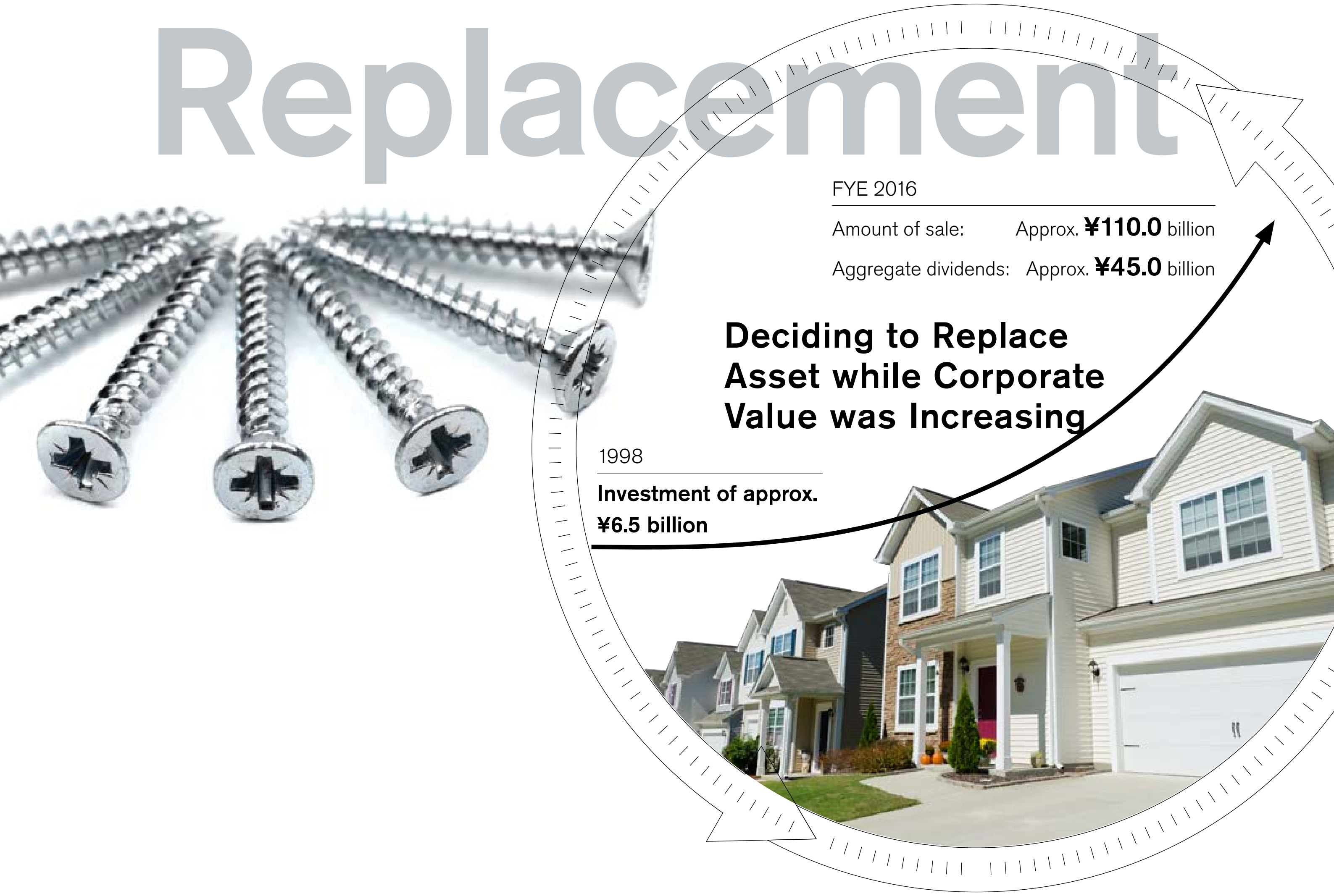
In consideration of the need for new ownership for further reinforcement of PrimeSource's competitiveness, ITOCHU decided that it was a good time to replace this asset and thus began to take steps toward the divestiture.

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.

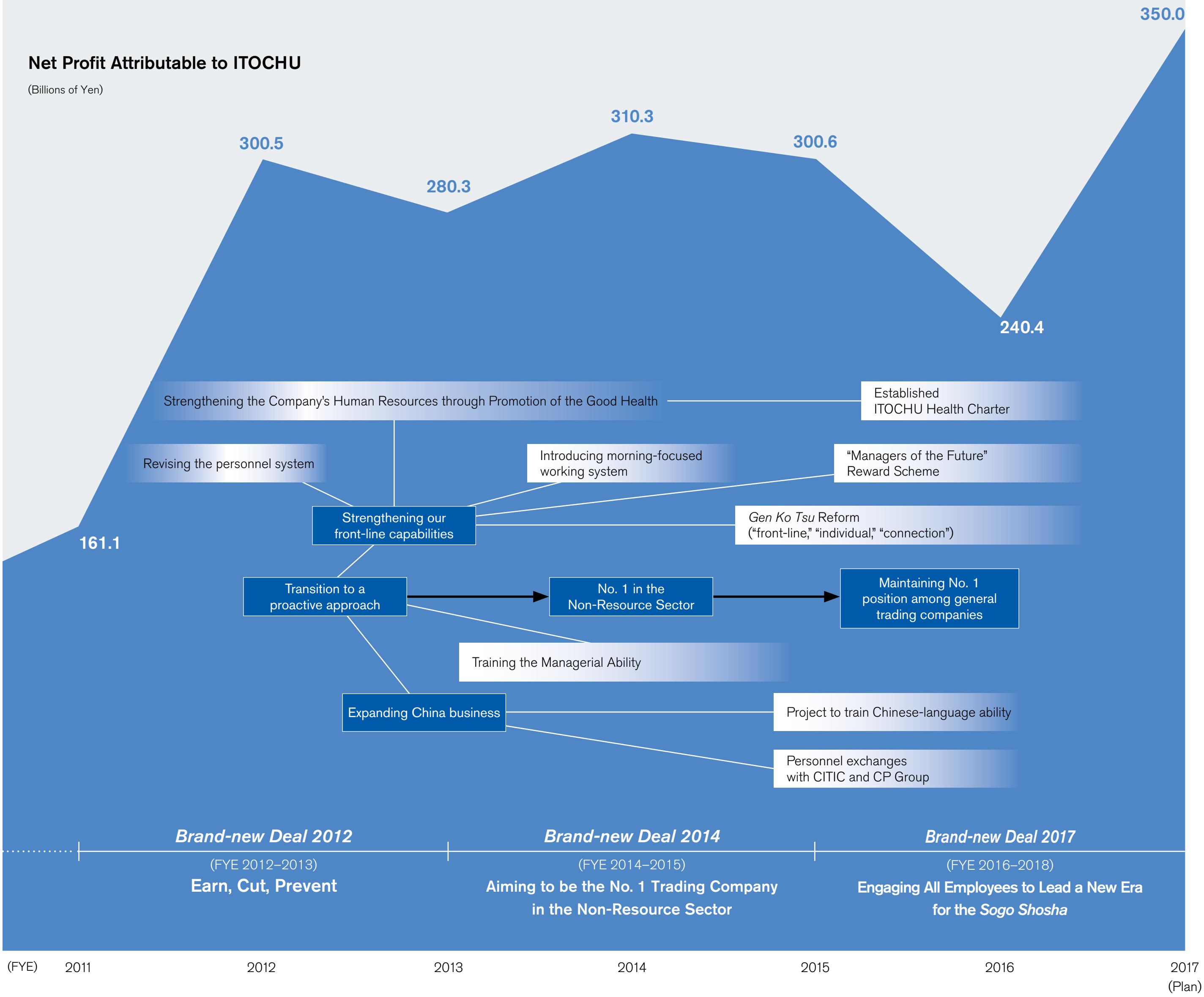
This project is an example of recovering cash with a view to utilizing the cash for asset replacement in a strategic area by selling the company while the corporate value was increasing instead of withdrawing from the business due to a marked decline in performance.



Human Resources Strategy

With a diverse range of businesses around the world, ITOCHU believes that "human resources" are its greatest management resource. Accordingly, to lead a new era for general trading companies, ITOCHU is aggressively developing and strengthening its human resources as the foundation of management.

Human Resources Strategy Linked to Management Plan



INPUT

Human Resources who Support "Infinite Missions"

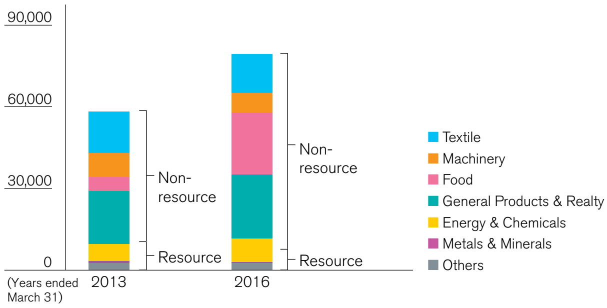
ITOCHU has the smallest number of employees among the other general trading companies (non-consolidated), and we have traditionally taken on the challenge of intense competition with a small group of highly capable people. Accordingly, we strive to employ people who are good matches for our corporate culture, which has been compared to that of a merchant band that creates business through "individual capabilities." On that basis, we hire people regardless of gender, nationality, or age.

Optimal Allocation of Human Resources

Asset diversification reduces the risks associated with long-term changes in economic structure. At headquarters, which plays a central role in consolidated management, we disperse our human resources by field. For example, we allocate a certain number of employees to resource-related fields, even though market conditions are poor at this time. On the other hand, as we strengthen our operations in non-resource businesses, the number of employees in non-resource fields is increasing each year on a consolidated basis.

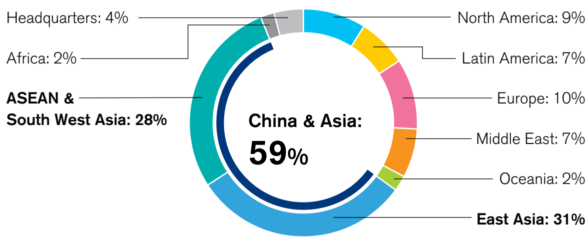
By region, we have allocated 59% of our global workforce to China and Asia, where we need to expand our earnings base further.

Consolidated: Number of employees by Division Company



Number of Overseas Employees by Region, FYE 2016

* excluding subsidiaries and associated companies



VALUE-UP

A high level of competitiveness based on the maximum utilization of the abilities of each employee will be indispensable to lead a new era for general trading companies, and accordingly we are implementing initiatives from a variety of directions.

Implementing Reforms by "Strengthening Our Front-Line Capabilities"

To further advance the goal of "strengthening our front-line capabilities," which will enable us to lead a new era for general trading companies, we are moving forward with reforms of the working styles and awareness of all employees.

1. Working-style reform through morning-focused working system

In FYE 2014, ITOCHU introduced a morning-focused working system as part of working-style reforms intended to increase efficiency and productivity. The introduction of this system has had results, both in the timing of when employees come and leave the office and in the hours of overtime they work. Two years since the program's introduction, and it continues to make steady progress.

This groundbreaking initiative has had a major influence not only on industry but also on national and local government institutions, and it has changed attitudes in Japan in regard to working styles.

Results of morning-focused working system		Before introduction	Six months after introduction	Two years after introduction
Leaving*	8:00 p.m. or after	30%	7%	6%
	(of which, 10:00 p.m. or after)	10%	nearly 0%	nearly 0%
Entering*	8:00 a.m. or before	**20%**	**34%**	**40%**
Hours of overtime work (compared to before introduction)		**—**	**−10%**	**−12%**

*% of people in the headquarters

2. Increasing employees' awareness of participation in management

To increase corporate value, it is essential to enhance employees' awareness of participation in management.

In FYE 2016, we introduced the "Managers of the Future" reward scheme, under which employees at the rank of Section Head or above, who will be the key people responsible for the future growth of ITOCHU, to receive shares of the Company when they retire.

On the other hand, for the stock ownership plan that can be joined by all employees, from FYE 2016 the incentive award rate has been doubled, and the participation rate has increased substantially, from approximately 52% to approximately 75%. In these ways, employees' interest in management is being increased through ownership of the Company's stock.

3. Strengthening Human Resources Capabilities through Improved Health

ITOCHU has built a system that enables employees to work to their full potential. For example, in 2002 we became the first private-sector company to offer career counseling through a specialist organization. In addition, we also offer health guidance through a borderless medical concierge service that has been implemented for more than 30 years by a specialist health management organization. Enhancing the health of employees through the correction of long working hours is also an aim of the morning-focused working system.

These initiatives have been highly evaluated, and in FYE 2016 we were selected as a Health & Productivity Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (25 companies selected).

In June 2016, we formulated the ITOCHU Health Charter, which incorporates our thinking about health management. Moving forward, in regard to diet and exercise, we will strengthen the support system and enhance the workplace environment. In these ways, our policy will be to foster further advances in the vitality of employees.

Enhancing Human Resources Capabilities through the Promotion of Diversification

ITOCHU believes that an organization that utilizes a diverse range of human resources, including diversity in such areas as gender and nationality, is the source of competitiveness for a general trading company that operates a wide range of businesses. Based on this belief, in FYE 2004 we formulated the Plan for Promotion of Human Resources Diversification. With a special emphasis on supporting the career development of female employees, we have led the industry in expanding the number of women in career-track positions and have established systems that exceed legal requirements.

Currently, we have moved to a new stage, known as *Gen Ko Tsu* Reform, which is derived from *Genba* (front-line), *Kobetsu* (individual), and *Tsunagari* (connection). With a focus on three fields — promotion, overseas assignment, and childcare — we are moving forward based on an action plan for the Act on Promotion of Women's Participation and Advancement in the Workplace. For example, we are providing individual support for female employees, such as overseas assignment support for female employees with children and a work-from-home system.

Moreover, to enhance the awareness of male employees, in FYE 2016 we proactively encouraged male employees to take childcare leave, and the number taking this leave increased substantially. The morning-focused working system also plays a role in the promotion of diverse working styles.

We are taking steps to move forward with the establishment of an environment that will accelerate support for the career development of female employees, such as inviting Atsuko Muraki, former Vice Minister of Health, Labour and Welfare, to be an outside director in FYE 2017.

Due to the favorable evaluation of these initiatives, in FYE 2016 we were selected as a Nadeshiko Brand (45 companies selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange) and a New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry).

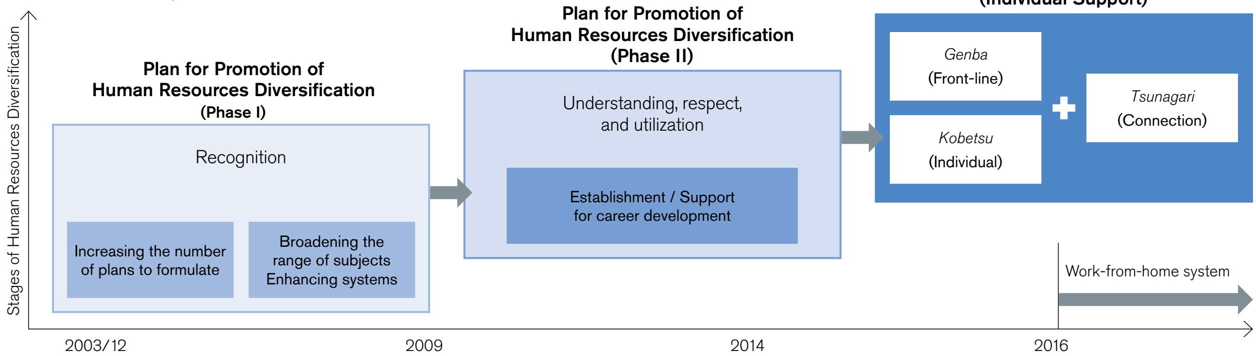
Enhancing "Individual Capabilities" through Development

To develop "strong individuals" who can be active in global environments, ITOCHU operates a diverse array of programs.

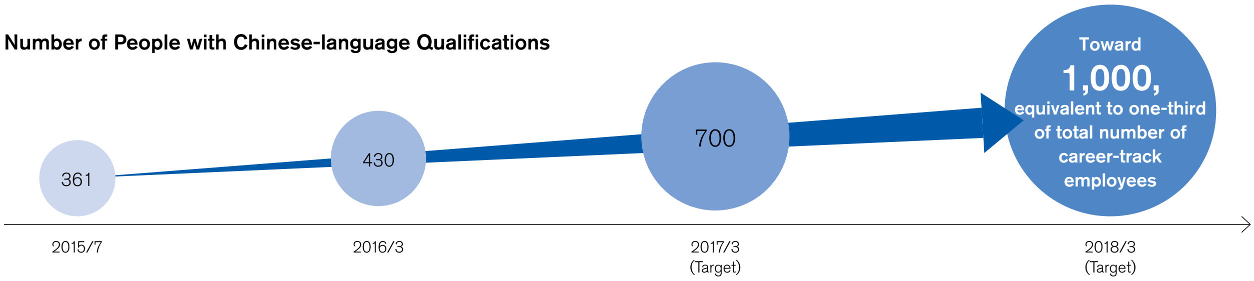
At headquarters, from FYE 2011 we introduced a system for training all young employees in third languages in addition to the traditional English training. Due to our initiatives with CITIC and the CP Group, the Chinese language is a special focus. In FYE 2016, we launched a project to develop 1,000 employees with Chinese-language ability, which is about one-third of our total number of career-track employees. We are moving forward with rigorous measures to build a foundation for the expansion of business in China and emerging countries over the medium to long term.

In FYE 2016, CITIC, the CP Group, and ITOCHU reached an agreement regarding human resources development. To solidify the human resources network among the three companies and build a foundation to support the strategic alliance,

Human Resources Diversity Initiatives, Centered on Support for the Career Development of Female Employees



Number of People with Chinese-language Qualifications



the three companies are already moving forward with mutual exchanges and development of capable personnel.

In addition, with consolidated business management becoming more and more important, from FYE 2014 we introduced a system to develop human resources who will manage operating companies in the future. In this way, we are working to increase the management capabilities of sales employees, and we are expanding the number of employees participating in the program each year.

Number of people who have received training or been dispatched	FYE 2014	FYE 2015	FYE 2016
Overseas training in the Chinese language and other special foreign languages (of which, Chinese language)	77 (21)	66 (29)	66 (44)
Number of people who have taken Chinese-language lessons	139	86	390
Training to develop personnel who will manage operating companies	5	94	111

We are also aggressively expanding support for the development of employees at domestic operating companies and locally hired overseas employees.

In FYE 2016, more than 10,000 employees of domestic group companies participated in training and worked to enhance their skills and expand their networks within the Group. In addition, for the development of overseas employees we offer five types of programs in line with specific themes and career ranks. These programs include courses launched in FYE 2016 for locally hired employees at overseas operating companies.

Number of people who have received training	FYE 2014	FYE 2015	FYE 2016
Number of people who have received training for domestic Group companies	6,868	8,191	10,734
Global training for locally hired overseas employees	135	135	126

OUTCOME

Results of Human Resources Strategy

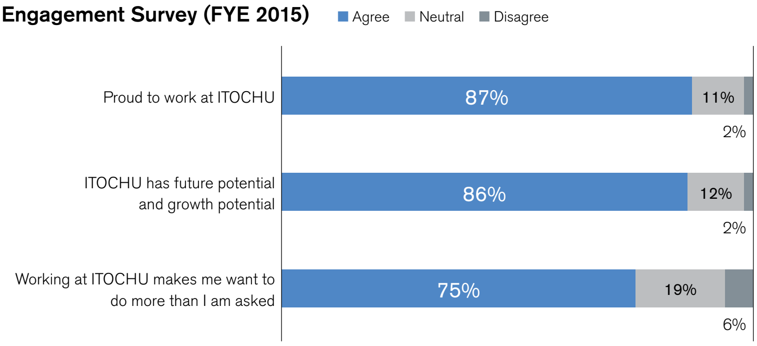
The various initiatives implemented by ITOCHU in recent years have been highly evaluated socially through a number of corporate award programs. In addition, the employee engagement survey periodically conducted by the Company shows gains in all categories from the previous survey. We are successfully motivating employees to make contributions.

Awards Over the Past Three Years

FYE 2014	Merit Award in "Firm of Integrity" Award (Integrex Inc.)
FYE 2015	Best Excellence HR Award 2014 for Corporates' Human Resource Divisions (Japanese HR Divisions "HR Award" selection committee)
	Kurumin certification obtained* (also obtained in 2011) (Ministry of Health, Labour and Welfare)
	DBJ Employee Health Management Ratings, highest rank <A rank> (Development Bank of Japan)
FYE 2016	Top Prize in "Firm of Integrity" Award (Integrex Inc.)
	2016 Health & Productivity Stock (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange)
	2016 Nadeshiko Brand (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange)
	New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry)

* Certified by the Minister of Health, Labour and Welfare as a "Childcare Support Company." Certification was also obtained in 2011.

Engagement Survey (FYE 2015)



vs. FYE 2011	vs. Japan average	vs. Global average
+3 Pt.	+18 Pt.	+9 Pt.
+10 Pt.	– Pt.	– Pt.
+11 Pt.	+29 Pt.	+17 Pt.

Client and Partner Assets

Client and partner assets are important management resources for the functioning of business models and for initiatives to maximize earnings on trade and investment returns. They also have a major influence on the sustainability of business models.

Reasons Why Clients are the Important Management Resources

- Long-term relationships with sellers and buyers lead to stable earnings on trade.
- Stable demand decreases investment risk.
- It becomes possible to accumulate business know-how in a wide range of industries.
- New businesses can be created through ITOCHU's coordination function. ⇨ **Page 34 Multifaceted Business Creation**
- The overall value chain is strengthened through the feedback of information obtained at customer contact points to upstream areas.

Reasons Why Partners are the Important Management Resources

- By complementing finances and functions with partners, it is possible to create new businesses more rapidly while simultaneously controlling risks.
- Relationships with various countries and local communities around the world have an influence on business continuity.

⇨ **Page 34 Multifaceted Business Creation**

Relationships between Strategies / Businesses and the Client and Partner Assets

(Examples)

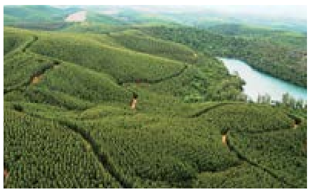
Significance of Partner Assets in China and Asia Strategies

In developing business initiatives in China and Asia, the local market presence, human networks, and knowledge of partners are indispensable. Our strategic business alliance and capital participation with CITIC and the CP Group is aimed at the creation of synergies through the fusion of our partners' resources and ITOCHU's management resources.

⇨ **Page 38 Special Feature Asset Strategies in a "New Era for the *Sogo Shosha*"**

Significance of Client Assets in the Pulp Trade

Our investment in METSA FIBRE Oy, of Finland, one of the world's leading softwood pulp producers, was made possible by the pulp sales network of Celulose Nipo-Brasileira S.A., of Brazil. In this way, we further strengthened our position as one of the leading global pulp traders.



Significance of Customer Assets in the SIS Strategy

In the food business, we are following the Strategic Integrated System (SIS) strategy, which aims to maximize earnings through vertical integration extending from upstream to midstream and downstream. The starting points of SIS are the customer contact points of FamilyMart. By feeding customer needs back to upstream levels, we are strengthening our competitiveness in such areas as product development, intermediate distribution, and raw material procurement.

Karawang International Industrial City—High-quality Infrastructure that Creates Complementary Relationships with Partners

Providing the High Value Added of Japanese Quality

Karawang International Industrial City was started in 1992 as a 50:50 investment between ITOCHU and Sinar Mas, a large Indonesian conglomerate. Approximately 140 companies have moved onto a site of more than 1,200 hectares, and about 85% of these are Japanese companies. The industrial park provides high-quality infrastructure that enables companies advancing into Indonesia to concentrate on manufacturing. This infrastructure includes land, buildings, and stable supplies of electricity and industrial water, as well as excellent security. Currently, the phase 3 expansion work is under way, and plans call for the area of the site to be expanded by a further 200 hectares.

Development area: 1,400 ha
Number of companies: More than 140

Karawang International Industrial City (KIIC)

At Karawang International Industrial City, ITOCHU and Sinar Mas are active in more than just financial areas. We also operate the park by maintaining our complementary relationship based on each other's strengths.

In Indonesia, where the acquisition of industrial sites by corporations is restricted, the connections and presence of a powerful local corporate group, such as those of Sinar Mas, are indispensable. Sinar Mas has fully leveraged its know-how and resources in such areas as land sourcing, acquisition of approvals, and construction project structuring. On the other hand, ITOCHU drew on its accumulated industrial real estate development know-how and leveraged its client assets to invite a large number of leading Japanese companies. In these ways, we leveraged our special strengths. In addition, ITOCHU Logistics, a comprehensive distribution subsidiary, and other companies provided the high value added of Japanese quality in such areas as distribution procedures and inventory management. This industrial park has been highly evaluated for the quality of its management and operational services, and it received awards from Indonesia's Ministry of Industry as the best industrial park in 2013 and as an excellent industrial park in 2015.

Partnerships with Local Communities

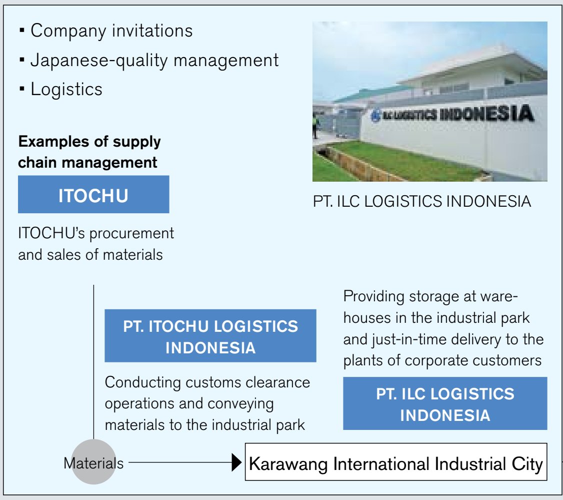
Agricultural workshops for a local women's group

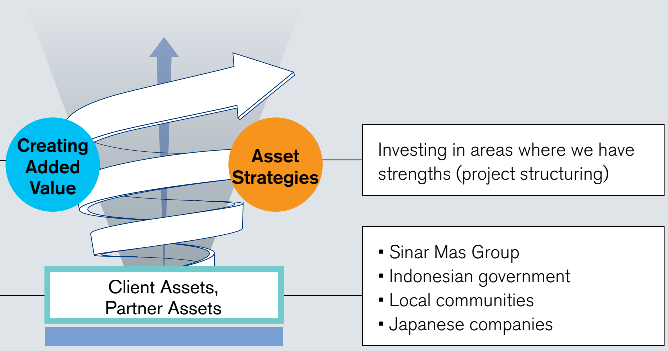
In addition to win-win relationships among ITOCHU, Sinar Mas, and companies in the industrial park, partnerships with local communities are also essential for sustained business development, such as contributions to the Indonesian economy through the creation of employment.

We obtained the cooperation of Indonesia's Bogor Agricultural University, and we are promoting harmony with local communities through social contributions, such as agricultural guidance for small-scale farmers, support for the establishment of a local infant health liaison office, free healthcare support, provision of monthly baby food, and provision of scholarships.

In this way, the industrial park business is an example of ITOCHU's provision of a wide range of functions and is also a concrete example of how *sampo yoshi* (Good for the seller, Good for the buyer, and Good for the society) benefits stakeholders.

For further information, please refer to "Industrial Park Business Growing with the Local Community."
http://www.itochu.co.jp/en/csr/activities/csr_reportage/001.html



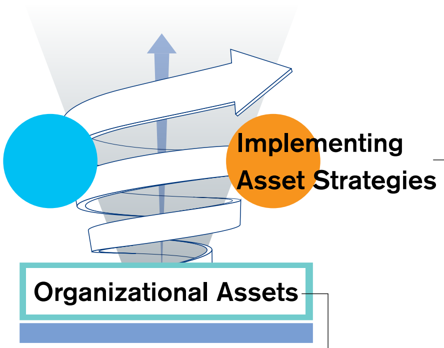


Organizational Assets

ITOCHU's business and administrative divisions are aggregates of individual capabilities. They possess advanced expertise, and as "organizational assets" they support the competitiveness and sustainability of ITOCHU's business models.

What Are Business and Administrative Divisions with a Front-line Focus?

ITOCHU has expanded its business activities around the world and moved beyond trade-centered operations to establish and enhance business models that encompass both investment and trade. Through this process, ITOCHU has improved its business divisions and administrative divisions, such as finance, accounting, tax, legal, and risk management. In particular, ITOCHU's administrative divisions are not simply "back office" units that supervise and check the business divisions. Rather, they have a front-line focus, actually work on the front-lines as needed, and shoulder responsibility for the strategic functions that support the "Earn, Cut, Prevent" initiatives of the business divisions.



Business Division / Accounting Division / Legal Division / M&A Team

Finance / Global Risk Management / Investor Relations / Human Resources & General Affairs / Internal Audit / Corporate Planning & Administration / Research & Business Development / Corporate Communications / IT Planning

Strategic Functions of Each Division as Seen in the Sale of Shares of PrimeSource

In FYE 2016, ITOCHU completed an asset replacement project involving PrimeSource Building Products, Inc. This project was promoted by the business divisions and strongly supported by experts in a variety of fields, such as M&A, legal, accounting, tax, and more.

LEGAL DIVISION

Functions

- Close examination of content of various contracts for M&A execution
- Negotiation of legal terms during contract negotiations, providing advice, and minimizing legal risks related to sales contract

Role in the project

Close review and provision of advice regarding sale contract

Legal Advice on the Front-Lines

Participating from the initial stage of the process, we provided advices that reflected front-line needs and worked to secure better terms in negotiations with the legal representatives of the counterparty. In this project, I stressed that focusing only on the goal of completion of the sale without paying attention to the post-sale legal risks was nonsense. For this project, I was quite nervous about my responsibilities, but I was also very motivated.

Keisuke Masuda
At that time: Legal Division
(Current: ITOCHU ENEX)

Satoshi Adachi
ITOCHU International Inc.

ACCOUNTING DIVISION

Functions

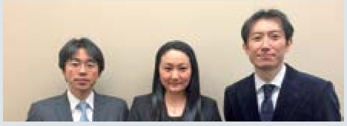
- Providing advice about and resolving accounting and tax issues that directly impact corporate value
- Providing support for the establishment of systems for both management accounting and financial accounting for the acquired company

Role in the project

Accounting and taxation, preparation of consolidated financial statements

Working toward the Issuance of the Merger Audit Report

To sell PrimeSource and Itochu Building Products as a set, it was necessary to prepare aggregated consolidated financial statements and annotations. This required a considerable amount of time and effort, and together with the auditors, we worked day and night right up to the deadline. I will never forget how, after these extensive procedures, we received an e-mail from the controller of PrimeSource notifying us that the merger audit report had been issued.



Shosei Odayama, Erika Noda, Takekuni Takamura
ITOCHU International Inc.

BUSINESS DIVISION

Functions

- Specialized knowledge in each industry and the establishment and development of new businesses using that knowledge
- Take the initiative and lead the project toward completion
- Central role in external negotiations
- Integration with internal organizational resources

Role in the project

Lead role in the sale, discussions and negotiations with financial advisors and buyers

Key Point: Ideal Teamwork with Administrative Divisions

ITOCHU realized the sale of PrimeSource at a fair value. This was supported not only by the strong leadership of the Division Company president but also by ideal teamwork with the administrative divisions. The M&A team was deeply involved in discussions with the financial advisors. The Legal Division closely examined the contract from the viewpoint of specialists and made a significant contribution to minimizing the risks, both during the contract negotiations and after the contract signing. The accounting team provided strong support in such areas as the preparation of disclosure data and the production of a wide range of documents. I felt a strong sense of unity between the business divisions and the administrative divisions through this project. When the sale was completed, I remember how we cheered and enjoyed the moment together.

Wataru Goroku
At that time: ITOCHU International Inc.
(Current: Forest Products & General Merchandise Division, General Products & Realty Company)

M&A TEAM

Functions

- In-house financial advisor
- Make proposals and provide support when it comes to execution for both M&A and divestiture like this project
- Offer analysis and proposals to optimize the portfolios of operating companies and increase corporate value, EBITDA management, and proposals for optimizing working capital to increase free cash flows.

Role in the project

Management of the overall sales process

Focusing Comprehensive Capabilities to Achieve a Strategic Exit

During the final bid negotiations, the value and the terms of the stock transfer agreement were changing one after another, and an especially difficult challenge was to prompt the related parties to make quick decisions and to acquire internal approvals under those circumstances. At each phase, we worked side by side with the administrative divisions. This strategic exit, which generated substantial profit and cash flow, was the result of the efforts of all the people involved. The fact that I was able to be a part of this project is something that I will recall for the rest of my life.

Taro Ikeba
At that time: M&A Team, Planning and Administration Department, ICT, General Products & Realty Company
(Current: Group Manager, General Products & Financial Business Group, ITOCHU Europe PLC)

Acutely Aware of the Need to Focus on Corporate Value

In this project, I faced the strict valuation of the buyer and from this experience I learned that the corporate management should be conscious of increasing corporate value from a third-party perspective and should be aware of risks. I also recognized the importance of management with a focus on free cash flows and of building a business foundation with a focus on corporate value.

Miki Hasegawa
At that time: M&A Team, Planning and Administration Department, ICT, General Products & Realty Company
(Current: M&A Team, Planning and Administration Department, General Products & Realty Company)

Promoting and Supporting the Companywide “Earn, Cut, Prevent” Initiatives

Corporate Governance

ITOCHU will aim to achieve sustained gains in corporate value by both showing strong leadership and implementing transparent and fair decision-making.

Fundamental Approach to Corporate Governance

With its corporate mission of "Committed to the Global Good," ITOCHU strives to respect each individual and to make meaningful contribution towards creating a bright future for all human beings and the environment. In addition, ITOCHU has formulated its corporate message—"I am One with Infinite Missions"—which expresses the purpose of the corporate mission in plain terms and describes the exceptional individual capabilities that are ITOCHU's core strength.

A strong leadership and a transparent decision-making system are pillars of good corporate governance. ITOCHU adopts an organizational structure with the presence of a Board of Corporate Auditors. In recent years, ITOCHU has gradually shifted to a governance model where executive officers decide and carry out the day-to-day business under the direction and supervision of the Board of Directors, as itself monitored and audited by the Board of Corporate Auditors. In order for the Board of Directors to further exercise effective control and management over the corporation, ITOCHU has established a Governance and Remuneration Committee and a Nomination Committee, each of which is chaired by an outside director. In appointing outside directors and corporate auditors, ITOCHU places great importance on their independence, and in this connection ITOCHU has adopted its own independence criteria, augmenting the independence criteria established by the Tokyo Stock Exchange. The Board of Directors, which includes multiple, highly independent directors, supervises the business execution of "senior managements" and conducts deliberations regarding business execution that is highly important, from both quantitative and qualitative perspectives. The Company believes that, through this type of functioning by the Board of Directors, the supervision of business execution can be handled appropriately and important business execution matters can be considered from an outside perspective.

It is vital that ITOCHU timely and adequately discloses its financial and non-financial information to the stakeholders as part of good governance. In May 2015, ITOCHU adopted the "Basic IR Policy" to further promote a multi-party stakeholder dialogue. Through communication with its stakeholders, ITOCHU aims to enhance its corporate value on a long-term basis.

The Company is aware of the rapid progress of discussions regarding Japan's corporate governance as well as trends in overseas countries. ITOCHU will continue to evaluate and improve its corporate governance structure so that it always best suits ITOCHU in any given moment and time in its corporate history.

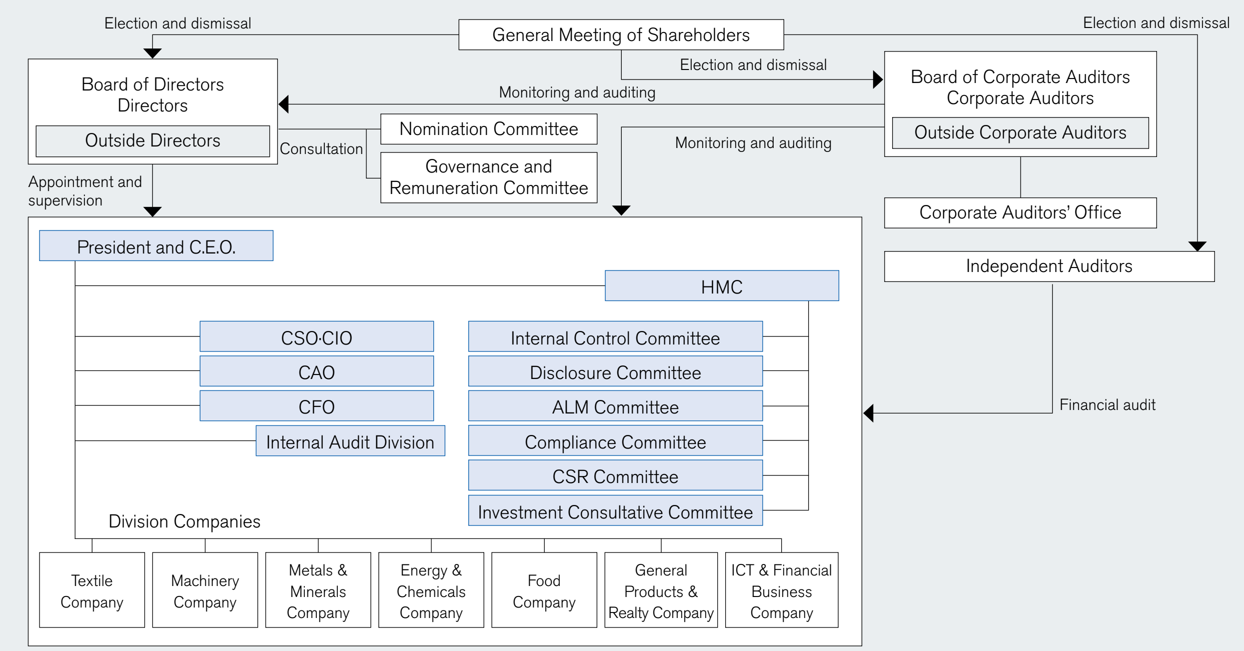
Steps Taken to Strengthen Corporate Governance

1999	Introduced Executive Officer System	To strengthen decision-making and supervisory functions of the Board of Directors
2011	Introduced an Outside Directors System	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	Established the Nomination Committee and the Governance and Remuneration Committee, etc.	To strengthen the Board of Directors' supervision function and increase transparency
2016	Increased the number of outside directors by one, moved to three-person system	To strengthen the Board of Directors' supervision function
	For the Nomination Committee and the Governance and Remuneration Committee, made the chairs outside directors and made outside directors half or more of the committee members	To strengthen the functioning of the Nomination Committee and the Governance and Remuneration Committee
	Implemented Board of Directors' effectiveness evaluation	To consider a future system based on Board of Directors' recognition of issues

Corporate Governance System

Type of system	Company with the Board of Directors and corporate auditors (the Board of Corporate Auditors)
Number of directors	14
Of which, number of outside directors	3
Number of corporate auditors	5
Of which, number of outside corporate auditors	3
Term of office for directors	1 year (the same for outside directors)
Adoption of an Executive Officer System	Yes
Organization to support CEO decision-making	Headquarters Management Committee (HMC) deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee
Corporate Officer Compensation System (⇨ Page 58)	(1) Monthly compensation: Monthly compensation determined by the contribution to ITOCHU of each director according to a base amount set by position (2) Performance-linked bonuses: (3) Performance-linked and share-based remuneration plan } Total payment amount determined on the basis of consolidated net profit attributable to ITOCHU Note: Outside directors paid monthly compensation only
Independent external auditor	Deloitte Touche Tohmatsu LLC

Overview of ITOCHU's Corporate Governance and Internal Control System



*1 HMC: Headquarters Management Committee CSO·CIO: Chief Strategy & Information Officer CAO: Chief Administrative Officer CFO: Chief Financial Officer
ALM: Asset Liability Management
*2 CAO is the chief officer for compliance. Also, each Division Company has a Division Company president.
*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

Advisory Committees to the Board of Directors

Name	Functions
Nomination Committee	Deliberates on proposed appointments of executive officers, directors, and corporate auditors
Governance and Remuneration Committee	Deliberates on proposals related to the compensation system for executive officers and directors and to other governance-related matters

Principal Internal Committees

Name	Objectives
Internal Control Committee	Deliberates on issues related to the development of internal control systems
Disclosure Committee	Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee	Deliberates on issues related to risk management systems and balance sheet management

Name	Objectives
Compliance Committee	Deliberates on issues related to compliance
CSR Committee	Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives
Investment Consultative Committee	Deliberates on issues related to investment and financing

Composition of the Nomination Committee and the Governance and Remuneration Committee

Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	President & Chief Executive Officer	○	○
Hitoshi Okamoto	Director		○
Fumihiko Kobayashi	Director	○	
Ichiro Fujisaki	Outside Director		○ (Chair)
Chikara Kawakita	Outside Director	○ (Chair)	
Atsuko Muraki	Outside Director		○
Yoshio Akamatsu	Corporate Auditor	○	
Kiyoshi Yamaguchi	Corporate Auditor		○
Shingo Majima	Outside Corporate Auditor		○
Harufumi Mochizuki	Outside Corporate Auditor	○	
Kentaro Uryu	Outside Corporate Auditor	○	
		(6 members)	(6 members)

Policies on Holding Listed Shares for Purposes Other than Pure Investment and Standards for the Exercise of Voting Rights

ITOCHU implements a strict policy in regard to the selection of listed shares held for purposes other than pure investment (such as “cross-shareholding”). We apply rigorous investment standards based on the cost of capital, and also conduct reviews annually at the management committee and at meetings of the Board of Directors from the perspectives of both investment efficiency and strategic holding significance. In regard to listed shares held for purposes other than pure investment for which, as a result of a review, the Company has determined that the economic rationale is lacking or that the likelihood of realizing the investment purpose is low, in principle, the Company’s policy is to sell the shares. Moreover, in accordance with a policy approved by the Board of Directors, in consideration of our investment objectives and holding policies we will ensure that we exercise the voting rights on such listed shares and will not delegate the exercise of our voting rights to others.

Formulation of “Independence Criteria for Outside Directors and Outside Corporate Auditors”

In consideration of the TSE’s Corporate Governance Code, following deliberations by the Nomination Committee, the Board of Directors has decided on the Company’s original “Independence Criteria for Outside Directors and Outside Corporate Auditors,” which are stricter than the TSE’s conditions for “independent directors / independent corporate auditors.”

In regard to ITOCHU’s “Independence Criteria for Outside Directors and Outside Corporate Auditors,” please refer to the Company’s website.
http://www.itochu.co.jp/en/about/governance_compliance/governance/pdf/independence_criteria.pdf

The Company’s current three outside directors and three outside corporate auditors all meet the conditions for “independent directors / independent corporate auditors” as determined by the TSE and the Company’s original “Independence Criteria for Outside Directors and Outside Corporate Auditors,” and all are filed with the TSE as independent directors or independent corporate auditors.

Internal Control System

On April 19, 2006, ITOCHU’s Board of Directors established the Basic Policy regarding the Internal Control System, which was most recently partially revised as of May 6, 2016. ITOCHU intends to revise and improve the internal control system tirelessly in order to build a system that is even more appropriate and efficient.

For an overview of ITOCHU’s Basic Policy regarding the Internal Control System and its Operational Systems, please refer to the Company’s website.
http://www.itochu.co.jp/en/about/governance_compliance/control/policy/

Compliance

We have established systems and environments that enable each individual employee to study and strictly observe the rules that are related to corporate activities, such as laws and international rules, and to conduct their activities from a highly ethical viewpoint, including the prevention of corruption.

ITOCHU has established a system under which the Compliance Department plans and formulates overall policies and measures, and people in charge of compliance have been assigned to each ITOCHU organizational unit, to overseas trading subsidiaries, and to principal Group companies in Japan and overseas. When cases related to compliance are discovered, reports are made to the director in charge of compliance (CAO), and when ultimately critical cases are discovered, they are reported to the Board of Directors. Furthermore, in regard to the status of the maintenance and operation of this system, we implement Monitor & Review surveys once a year, and with consideration for those results, we are formulating and implementing individual compliance reinforcement measures tailored to each organization. Furthermore, we are implementing employee training with the objective of raising compliance awareness and preventing the occurrence of any cases. In FYE 2016, on-site compliance training was provided for a total of 9,000 people, including all ITOCHU officers and employees as well as employees at 87 Group companies and 6 overseas blocs. This training uses actual incidences of compliance violations as teaching materials. When a compliance violation case has been confirmed, we take steps to determine the cause and implement recurrence prevention measures, such as training of the people involved and related parties. In addition, any officers and employees that participated are treated in a strict and fair manner.

Messages from Outside Directors

Strengthening Corporate Governance through the Governance and Remuneration Committee

I have been given the opportunity to serve as the chair of the Governance and Remuneration Committee. Governance is the foundation of all corporate activities, and society's interest in governance is increasing. Through the Board of Directors and the Board of Corporate Auditors, outside directors and outside corporate auditors participate in corporate management. The principal objective is to check the functioning of governance from a third-party perspective. In other words, outside directors and outside corporate auditors are expected to look at decisions, even those decisions that might be seen as a matter of course internally due to business practices of long-standing, and to determine if they will be accepted by society and if there are any issues with regard to accountability. It is important to take preventive actions before problems arise.

The Governance and Remuneration Committee conducts detailed discussions with a smaller number of members than the Board of Directors. This year, the committee reviewed the report on the evaluation of the effectiveness of the Board of Directors, which was consigned to outside experts. After active discussion, the committee identified issues for future consideration.

The committee also discussed the introduction of the share-based remuneration plan prior to the meeting of the Board of Directors.

In FYE 2016, ITOCHU became the No. 1 general trading company in terms of profits. In the period after a success like this, it is especially important that we do not relax our guard. In consideration of the important mission of the Governance and Remuneration Committee, all of the members have newly resolved to do their utmost to fulfill their duties.

Ichiro Fujisaki

Apr. 1969	Joined Ministry of Foreign Affairs
	Worked in the Embassy of Japan in Indonesia, Permanent Delegation of Japan to the OECD, Budget Bureau, Ministry of Finance
Aug. 1987	Counselor, Embassy of Japan in the UK
Feb. 1991	Director, Overseas Establishments Division, Minister's Secretariat, Ministry of Foreign Affairs
Mar. 1992	Director, Financial Affairs Division, Minister's Secretariat, Ministry of Foreign Affairs
Feb. 1994	Deputy Director-General, Asian Affairs Bureau, Ministry of Foreign Affairs
Jul. 1995	Minister, Embassy of Japan in the United States of America (Political Affairs)
Aug. 1999	Director-General, North American Affairs Bureau, Ministry of Foreign Affairs
Sep. 2002	Deputy Minister for Foreign Affairs (Economic Affairs), Ministry of Foreign Affairs
Jan. 2005	Ambassador Extraordinary and Plenipotentiary, Permanent representative of Japan to the International Organizations in Geneva
Apr. 2008	Ambassador Extraordinary and Plenipotentiary to the United States of America
Nov. 2012	Retired from Ministry of Foreign Affairs
Jan. 2013	Distinguished Professor, Chairman of International Strategies, Sophia University (current position)
Jun. 2013	Outside Director, ITOCHU Corporation
Jun. 2014	Outside Director, NIPPON STEEL & SUMITOMO METAL CORPORATION (current position)

Chikara Kawakita

Apr. 1977	Joined Ministry of Finance
Jul. 2001	Director, Income Tax and Property Tax Policy Division, Tax Bureau, Ministry of Finance
Jul. 2002	Director, Policy Planning and Research Division, Minister's Secretariat, Ministry of Finance
Jul. 2004	Director, Management and Co-ordination Division, Minister's Secretariat, Ministry of Finance
Jul. 2005	Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency
Jul. 2007	Deputy Director-General, Tax Bureau, Ministry of Finance
Jul. 2008	Deputy Vice Minister for Policy Planning and Co-ordination, Minister's Secretariat, Ministry of Finance
Jul. 2009	Director-General, Financial Bureau, Ministry of Finance
Jul. 2010	Commissioner, National Tax Agency
Aug. 2012	Retired from Ministry of Finance
Oct. 2012	Professor, Graduate School of Law, Hitotsubashi University
Jun. 2013	Outside Director, ITOCHU Corporation
Oct. 2014	Vice President, General Insurance Rating Organization of Japan (current position)

Establishing the Nomination Committee Supervision Process

For companies, the nomination of candidates for senior management is the most fundamental issue that needs to be decided. The Company's Nomination Committee is a voluntary committee for the provision of advice to the Board of Directors. The committee does not have the authority to make final decisions regarding nominations, but it does have the important role of supervision regarding the nomination of senior management and succession planning for the position of president.

To strengthen the supervision function of this committee, in FYE 2017 the Company transitioned to a system under which the proportion of committee members who are outside members has been increased and the committee is chaired by an outside director. The names of committee members are announced, and the outside committee members are independent directors and independent corporate auditors. As a committee chair, under this type of system, which is based on neutrality, transparency, and independence, I recognize that we must conduct deliberations that serve the interests of shareholders while closely exchanging opinions with the president and other senior managements.

The committee will need to accumulate experience moving forward. I believe that this year, in the operation of the committee, it will first of all be important to establish a normative supervision process aligned with the aim of the establishment of this committee.

For the Company to further increase corporate value and fulfill greater responsibilities in a "New Era for the *Sogo Shosha*," the Nomination Committee will conduct appropriate supervision to support appropriate decisions by the Board of Directors.

Evaluating the Effectiveness of ITOCHU's Board of Directors

With the objectives of confirming the effectiveness of the Board of Directors, identifying issues for consideration by the Board of Directors, and contributing to the improvement of the Company's future corporate governance system, in March 2016 ITOCHU implemented an evaluation of the effectiveness of the Board of Directors for the first time. For the evaluation, an independent, external specialist institution was used to ensure objectivity in the evaluation process. Taking into account the results of the analysis by the external specialist organization, the effectiveness of the Board of Directors and issues for future consideration were discussed.

[Evaluation Items]

- Structure of the Board of Directors
- Structure, etc., of advisory committees to the Board of Directors (Nomination Committee, Governance and Remuneration Committee)
- Roles and duties of the Board of Directors
- Operation status of the Board of Directors
- Information provision and training for Directors and Corporate Auditors

[Evaluation Method]

Based on answers to questionnaires provided to all Directors (13 people) and all Corporate Auditors (5 people) who were serving in those positions as of the end of March 2016, individual interviews with all of the respondents were conducted by an external specialist institution. With consideration for the results of the analysis by the external specialist institution, deliberations were held by the Governance and Remuneration Committee, followed by analysis and evaluation by the Board of Directors.

[Results of the Effectiveness Evaluation]

Based on the results of the evaluation, in terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision and training and other items thereof, the Board of Directors of ITOCHU confirmed that it was functioning appropriately as a whole, and the effectiveness of the Board of Directors was secured. Specifically, the evaluation by the external specialist institution concluded that such factors as the prior deliberations at various layers of meetings, clear and concise materials, thorough discussions in crucial situations, and ITOCHU's corporate culture that values substance over form worked effectively to secure the effectiveness of the Board of Directors.

[Issues]

The Board of Directors of ITOCHU confirmed that it needs to continue discussing, following an additional review of the structure of the Board of Directors and matters to be submitted to the Board of Directors, whether the Board of Directors should shift to a governance model where it focuses more on "monitoring (supervision)" of business execution in the future. At a meeting of the Governance and Remuneration Committee held in advance of a meeting of the Board of Directors, active discussions were held regarding the positive and negative aspects of shifting to the governance model where the Board of Directors would focus on "monitoring (supervision)" while maintaining the type of system as a company with corporate auditors.

Corporate Officer Compensation

Actual corporate officer compensation for FYE 2016 was as follows.

Actual Corporate Officer Compensation for FYE 2016

Type	Number of people	Amount paid (Millions of Yen)	Details	Maximum compensation paid
Directors (Outside directors)	13 (2)	1,198 (24)	(1) Monthly compensation ¥751 million (2) Bonuses ¥447 million Please refer to Page 59	(1) ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) (2) ¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors) (Both (1) and (2) were resolved at the General Meeting of Shareholders on June 24, 2011)
Corporate auditors (Outside corporate auditors)	7 (4)	117 (36)	(1) Only monthly compensation	(1) ¥13 million per month (Resolved at the General Meeting of Shareholders on June 29, 2005)
Total (Outside directors and corporate auditors)	20 (6)	1,315 (60)		

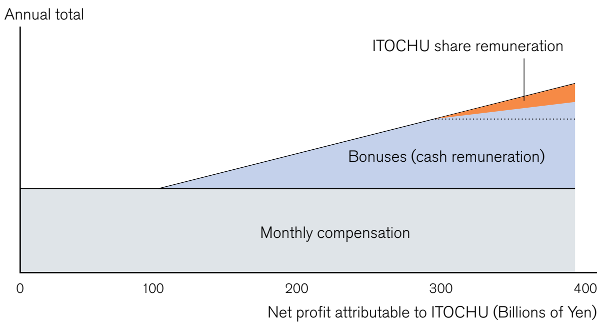
* The retirement benefits system for directors and corporate auditors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that directors and corporate auditors retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

FYE 2016 Corporate Officer Compensation System

The compensation paid to all directors of ITOCHU (excluding outside directors) consists of (i) monthly compensation, (ii) performance-linked bonuses, and (iii) performance-linked and share-based remuneration (trust type), which was newly introduced from FYE 2017. The total amount of (i) monthly compensation is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (ii) performance-linked bonuses and (iii) performance-linked and share-based remuneration is determined based on consolidated net profit attributable to

ITOCHU. The performance-linked and share-based remuneration was introduced from FYE 2017 with the aim of heightening awareness toward making contributions to improving our performance over the medium and long term and to increasing corporate value. As a result of the introduction of this share-based remuneration plan, with respect only to the consolidated net profit attributable to ITOCHU exceeding ¥300 billion, 50% of the amount of bonus that would be calculated under the formula for the current performance-linked bonus will be paid by means of share-based remuneration in lieu of bonus in cash. Only monthly compensation is paid to the outside directors and bonuses and performance-linked and share-based remuneration are not paid thereto.

After Revision of Remuneration Plan



	Type of remuneration	Content	Remuneration limit	Resolution of General Meeting of Shareholders
Directors	(1) Monthly compensation	Monthly compensation determined by the contribution to ITOCHU of each director according to a base amount set by position	¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors)	June 24, 2011
	(2) Bonuses	Determination of total payment amount on the basis of net profit attributable to ITOCHU Refer to the formula below.	¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors)	
	(3) Share-based remuneration (trust type) FYE 2017 introduction		The following is the limit for a two-year period for directors and executive officers • Upper limit for contribution to trust from ITOCHU: ¥1.5 billion • Total points awarded to persons eligible for the plan: 1.3 million points (conversion at 1 point = 1 share)	June 24, 2016
Corporate Auditors	Only monthly compensation		¥13 million per month	June 29, 2005

Formulas for Performance-linked Bonuses and Share-based Remuneration

In accordance with confirmed results for FYE 2017, directors' bonuses and share-based remuneration for FYE 2017 will be determined according to the calculation method below and paid after the completion of the 93nd Ordinary General Meeting of Shareholders (in regard to share-based remuneration, points will be awarded).

Total Amount Paid to all Directors

Total amount paid to all directors = (A+B) x Sum of position points for all the eligible directors ÷ 55

A = (Of net profit attributable to ITOCHU for FYE 2017,
the portion up to ¥300.0 billion - ¥100.0 billion) x 0.35%

B = (Of net profit attributable to ITOCHU for FYE 2017,
the portion exceeding ¥300.0 billion) x 0.35%

The total amount paid to all directors shall be the total of (A) 0.35% of the amount after deducting ¥100.0 billion from the portion up to ¥300.0 billion of net profit attributable to ITOCHU for FYE 2017, such amount as provided in the 93rd Annual Securities Report (*yuka shoken hokokusho*); if consolidated net profit attributable to ITOCHU is less than ¥100.0 billion, it shall be treated as zero for the above calculation purposes, and (B) 0.35% of the portion exceeding ¥300.0 billion of consolidated net profit attributable to the Company for FYE 2017, such amount as provided in the 93rd Annual Securities Report (*yuka shoken hokokusho*), which shall be adjusted with due regard to the increase / decrease in the number of eligible directors and the change in position and other factors. (There are limits due to the remuneration limit.)

Amount Paid to an Individual Director

Amount paid to an individual director = Total amount paid to all directors × Assigned position points / Sum of position points for all the eligible directors

Chairman President & Chief Executive Officer	Executive Vice President	Senior Managing Executive Officer	Managing Executive Officer
10	5	4	3

Of the amount paid to an individual director, the portion corresponding to A in the total amount paid to all directors is paid entirely in cash. In regard to the portion corresponding to B, 50% is paid as share-based remuneration and the balance is paid in cash. In regard to share-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement share-based remuneration is paid from the trust in correspondence with accumulated points. Plans call for all of the shares paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

Members of the Board, Corporate Auditors & Executive Officers

As of July 1, 2016

Members of the Board

President & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2010 President & Chief Executive Officer
Number of shares held: 150,795

Member of the Board

Koji Takayanagi

President, Food Company

1975 Joined ITOCHU Corporation
2015 Executive Vice President
Number of shares held: 56,600

Member of the Board

Hitoshi Okamoto

Chief Strategy & Information Officer

1980 Joined ITOCHU Corporation
2014 Senior Managing Executive Officer
Number of shares held: 48,465

Member of the Board

Yoshihisa Suzuki

President,
ICT & Financial Business Company

1979 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer
Number of shares held: 24,484

Member of the Board

Shuichi Koseki

President, Textile Company;
General Manager, CP & CITIC
Business Development Department

1979 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer
Number of shares held: 37,400

Member of the Board

Eiichi Yonekura

President,
Metals & Minerals Company

1981 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer
Number of shares held: 49,105

Member of the Board

Masahiro Imai

President,
Energy & Chemicals Company

1980 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer
Number of shares held: 40,300

Member of the Board

Fumihiko Kobayashi

Chief Administrative Officer

1980 Joined ITOCHU Corporation
2015 Managing Executive Officer
Number of shares held: 61,480

Member of the Board

Kazutaka Yoshida

President, Machinery Company

1981 Joined ITOCHU Corporation
2016 Managing Executive Officer
Number of shares held: 40,200

Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer

1991 Joined ITOCHU Corporation
2015 Managing Executive Officer
Number of shares held: 40,700

Member of the Board

Yasuyuki Harada

President, General Products &
Realty Company

1982 Joined ITOCHU Corporation
2016 Managing Executive Officer
Number of shares held: 60,700

Member of the Board *1

Ichiro Fujisaki

2013 Outside Director, ITOCHU Corporation
Number of shares held: 2,300

Member of the Board *1

Chikara Kawakita

2013 Outside Director, ITOCHU Corporation
Number of shares held: 0

Member of the Board *1

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation
Number of shares held: 0

*1 indicates an outside director as provided in Paragraph 2, Clause 15 of the Corporate Law
*2 indicates an outside corporate auditor as provided in Paragraph 2, Clause 16 of the Corporate Law
*3 Ms. Mitsuru Chino's registered name is Mitsuru Ike.

"Number of shares held" indicates the number of ITOCHU shares.

Corporate Auditors

Corporate Auditor

Yoshio Akamatsu

1974 Joined ITOCHU Corporation
2010 Director, Senior Managing Executive Officer
2012 Corporate Auditor
Number of shares held: 41,540

Corporate Auditor

Kiyoshi Yamaguchi

1980 Joined ITOCHU Corporation
2011 Executive Officer
2016 Corporate Auditor
Number of shares held: 10,400

Corporate Auditor*2

Shingo Majima

Mar. 1972 Registered as a certified public accountant
Sep. 1975 Joined Peat Marwick Mitchell & Co. New York Office (currently KPMG LLP)
Mar. 1981 Registered as a certified public accountant, USCPA (New York)
Jul. 1987 Partner, Audit Division, KPMG LLP
Jan. 2005 Advisor, KPMG LLP
Apr. 2006 Professor, Faculty of Commerce, Chuo University (current position)
Apr. 2013 Outside Director, WIN-Partners Co., Ltd. (current position)
Jun. 2013 Corporate Auditor, ITOCHU Corporation
Number of shares held: 0

Corporate Auditor*2

Harufumi Mochizuki

Apr. 1973 Joined Ministry of International Trade and Industry
Jul. 1998 Deputy Director-General for Economic Structural Reform, Ministry of International Trade and Industry
Jan. 2001 Director-General for Nuclear and Industrial Safety Policy, Nuclear and Industrial Safety Agency
Jul. 2002 Director-General for Commerce and Distribution Policy, Ministry of Economy, Trade and Industry
Jul. 2003 Director-General, Small and Medium Enterprise Agency
Jul. 2006 Director-General, Agency for Natural Resources and Energy
Jul. 2008 Vice-Minister of Economy, Trade and Industry
Jul. 2010 Retired from Ministry of Economy, Trade and Industry
Jun. 2012 Outside Board Director, Hitachi, Ltd. (current position)
Jun. 2013 President & CEO, Tokyo Small and Medium Business Investment & Consultation CO., LTD. (current position)
Jun. 2014 Corporate Auditor, ITOCHU Corporation
Number of shares held: 0

Corporate Auditor*2

Kentaro Uryu

Apr. 1995 Registered as attorney at law (current position)
Joined Tsunematsu Yanase & Sekine (currently Nagashima Ohno & Tsunematsu)
Jan. 1996 Joined Legal Corporation Matsuo & Kosugi
Feb. 1999 Joined Salomon Smith Barney (Japan) Ltd. (currently Citigroup Global Markets Japan Inc.)
Aug. 2002 Attorney-At-Law, Managing Partner, CAST Law Professional Corporation (currently URYU & ITOGA) (current position)
Aug. 2008 CEO, SUI Advisory Service Co., Ltd. (currently U&I Advisory Service Co., Ltd.) (current position)
Sep. 2014 Board of Directors of GMO TECH, Inc. (current position)
Mar. 2015 Outside Company Auditor, Kyowa Hakko Kirin Co., Ltd. (current position)
Jun. 2015 Corporate Auditor, ITOCHU Corporation
Number of shares held: 900

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Executive Vice President

Koji Takayanagi
President, Food Company

Senior Managing Executive Officers

Tomofumi Yoshida
President & CEO, ITOCHU International Inc.
Number of shares held: 63,250

Hitoshi Okamoto
Chief Strategy & Information Officer

Yuji Fukuda
CEO for Asia & Oceania Bloc;
President & CEO, ITOCHU Singapore Pte Ltd.;
Executive Advisory Officer for CP & CITIC Operations
Number of shares held: 44,200

Yoshihisa Suzuki
President, ICT & Financial Business Company

Shuichi Koseki
President, Textile Company;
General Manager, CP & CITIC Business Development Department

Eiichi Yonekura
President, Metals & Minerals Company

Masahiro Imai
President, Energy & Chemicals Company

Managing Executive Officers

Fumihiko Kobayashi
Chief Administrative Officer

Kazutaka Yoshida
President, Machinery Company

Yozo Kubo
Executive Vice President, Food Company
Number of shares held: 29,795

Tsuyoshi Hachimura
Chief Financial Officer

Akihiro Ueda
CEO for East Asia Bloc;
Chairman, ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, BIC
Number of shares held: 32,100

Yasuyuki Harada
President, General Products & Realty Company

Isao Kubo
General Manager, Internal Audit Division
Number of shares held: 33,016

Hiroyuki Tsubai
Chief Executive for European Operation;
CEO for Africa Bloc;
CEO, ITOCHU Europe PLC
Number of shares held: 11,155

Hiroyuki Fukano
Executive Advisory Officer for Kansai District Operation;
Executive Advisory Officer for Osaka Headquarters
Number of shares held: 5,600

Executive Officers

Mitsuru Chino*3
General Counsel
Number of shares held: 20,904

Akihiko Okada
Chief Operating Officer, Steel, Non-Ferrous & Solar Division
Number of shares held: 15,200

Keita Ishii
Executive Vice President, Energy & Chemicals Company;
Chief Operating Officer, Chemicals Division
Number of shares held: 20,003

Masahiro Morofuji
Executive Vice President, Textile Company;
Chief Operating Officer, Brand Marketing Division 1; Deputy General Manager, CP & CITIC Business Development Department
Number of shares held: 21,382

Hiroaki Kawashima
General Manager for Chubu Area
Number of shares held: 5,200

Takeshi Takasugi
Vice President, Food Company;
Chief Operating Officer, Provisions Division;
Deputy General Manager, CP & CITIC Business Development Department
Number of shares held: 13,898

Yoichi Ikezoe
Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)
Number of shares held: 2,500

Shiro Hayashi
Chief Operating Officer, Apparel Division 1
Number of shares held: 14,806

Hiroshi Sato
Chief Operating Officer, Plant Project, Marine & Aerospace Division
Number of shares held: 6,600

Mamoru Seki
General Manager, General Accounting Control Division
Number of shares held: 20,406

Tomoyuki Takada
General Manager, Corporate Communications Division
Number of shares held: 23,300

Takashi Yasuda
Chief Operating Officer, Energy Division
Number of shares held: 10,050

Hiroyuki Kaizuka
General Manager, Corporate Planning & Administration Division
Number of shares held: 26,697

Hiroshi Oka
General Manager, Secretariat
Number of shares held: 20,816

Shigetoshi Imai
CEO for Latin America;
President & CEO, ITOCHU Brasil S.A.
Number of shares held: 13,732

Motonari Shimizu
Chief Operating Officer, Apparel Division 2
Number of shares held: 19,696

Masato Osugi
Chief Operating Officer, Automobile Division
Number of shares held: 2,456

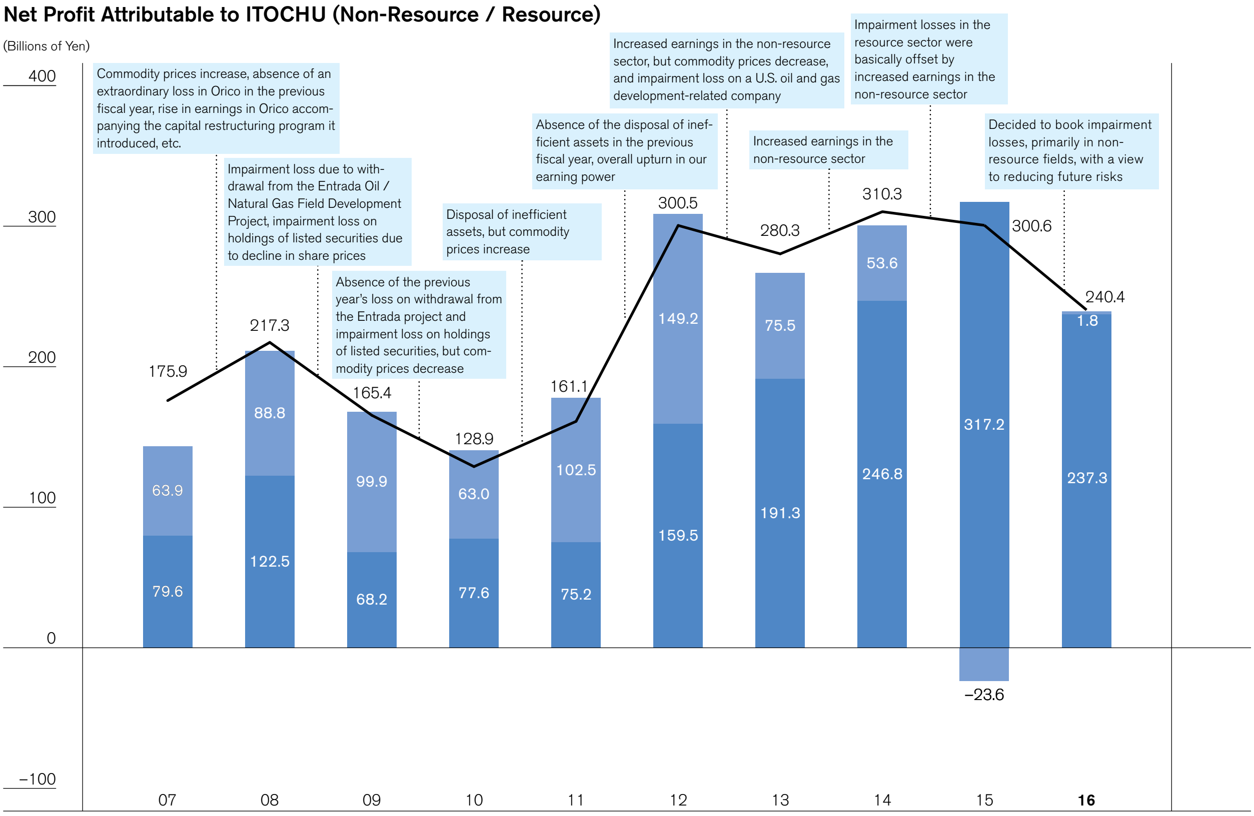
Akira Tsuchihashi
CFO, ICT & Financial Business Company
Number of shares held: 12,155

Ten-year Financial Summary

Years ended March 31

* Based on U.S. GAAP through FYE 2014, IFRS from FYE 2015

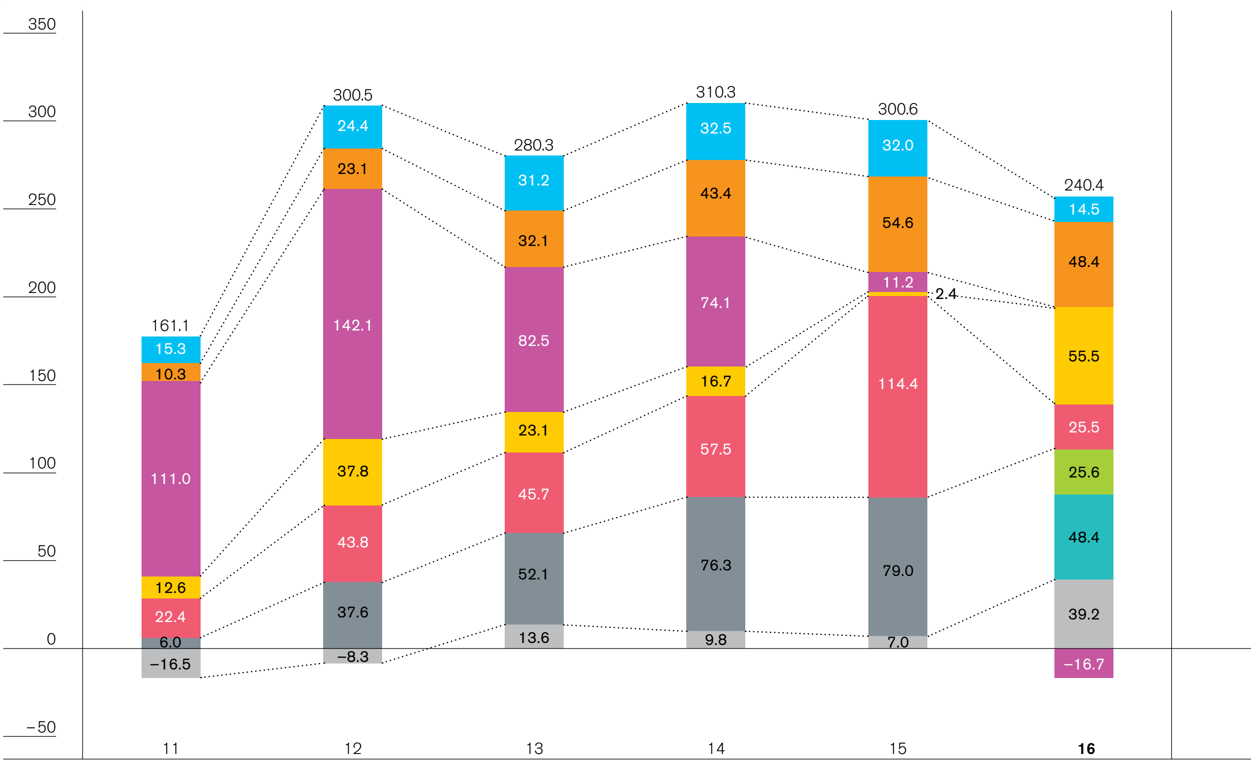
Net Profit Attributable to ITOCHU (Non-Resource / Resource)



— Net profit attributable to ITOCHU ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

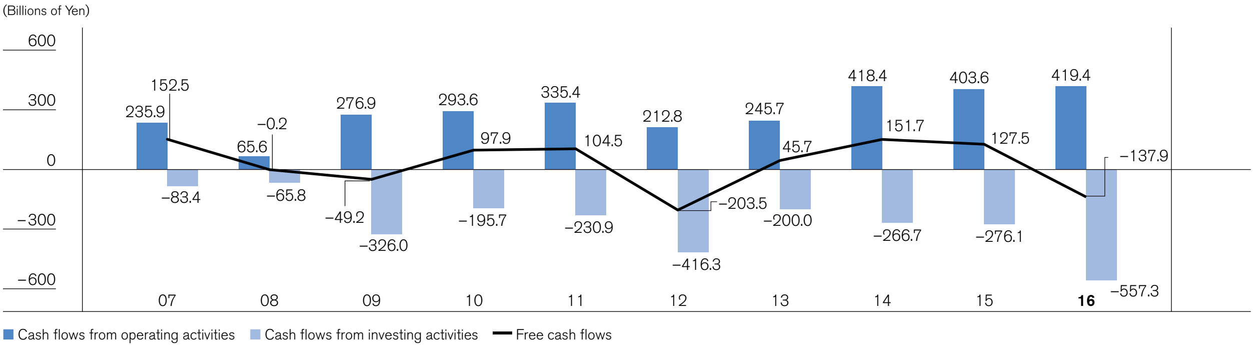
* Adjustments & Eliminations and others is not included in earnings from the non-resource / resource sectors.

Net Profit Attributable to ITOCHU by Operating Segment (Six Years)

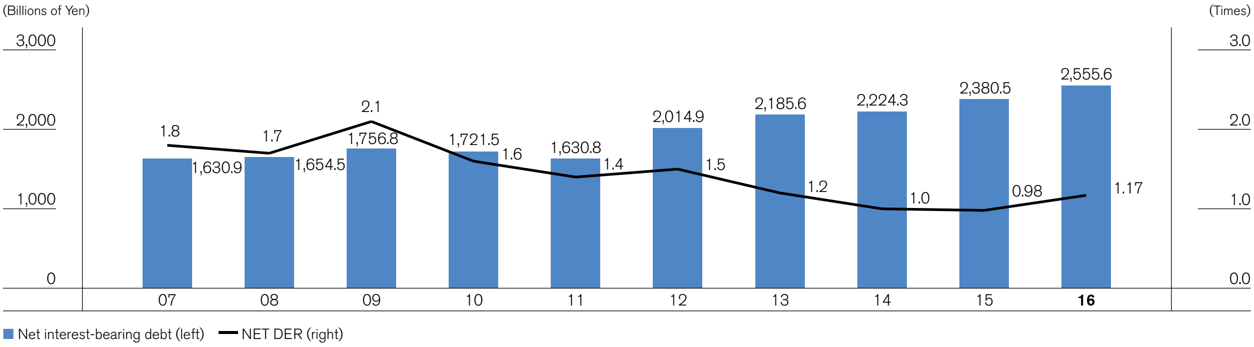


■ Textile ■ Machinery ■ Metals & Minerals ■ Energy & Chemicals ■ Food ■ ICT, General Products & Realty (FYE 2011 to 2015) ■ General Products & Realty (from FYE 2016) ■ ICT & Financial Business (from FYE 2016) ■ Adjustments & Eliminations and others

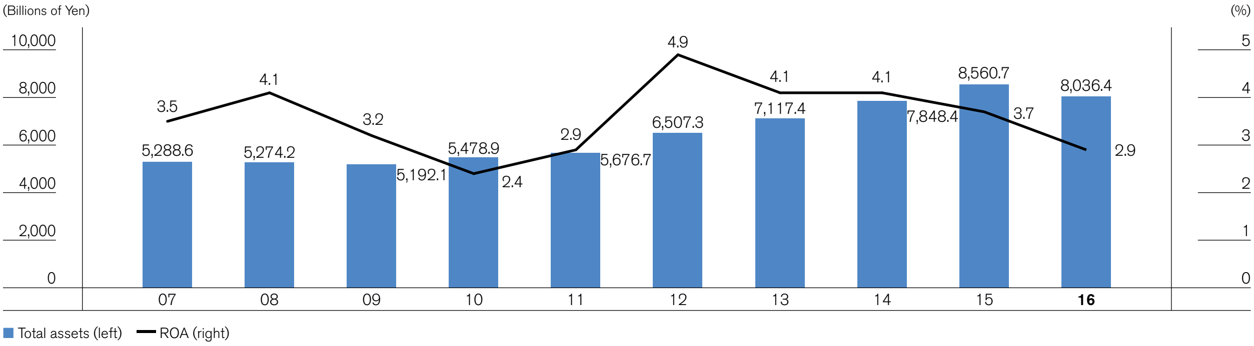
Cash Flows



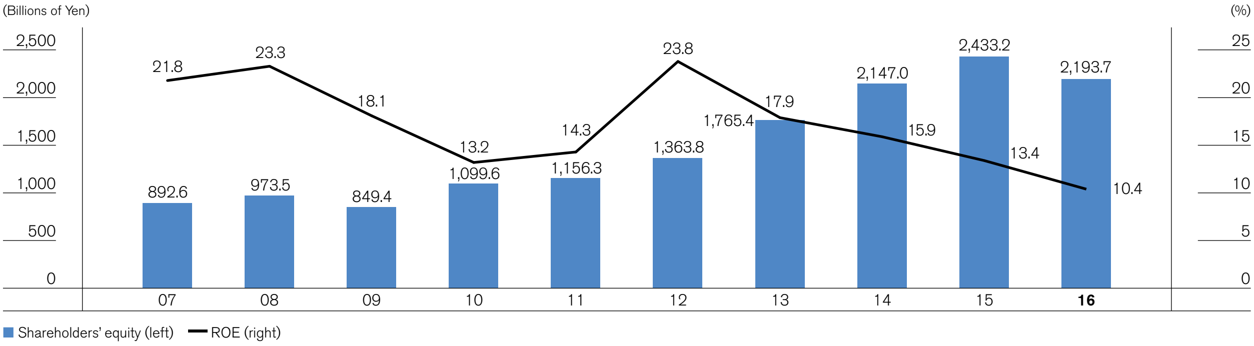
Net Interest-bearing Debt and NET DER



Total Assets and ROA

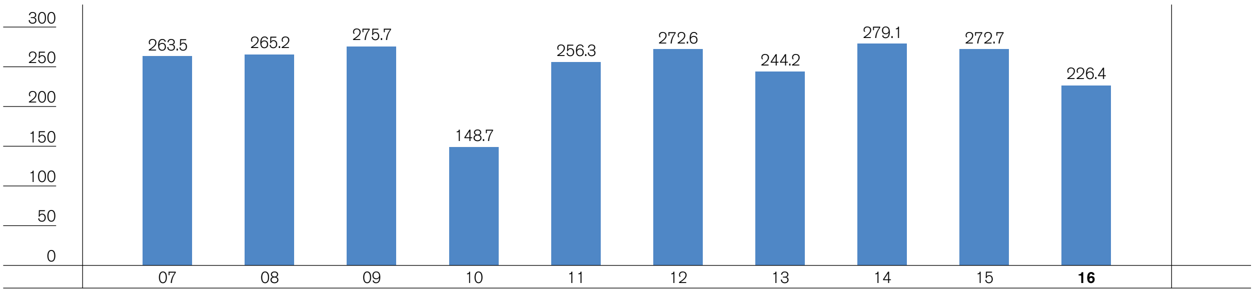


Shareholders' Equity and ROE



Trading Income*1

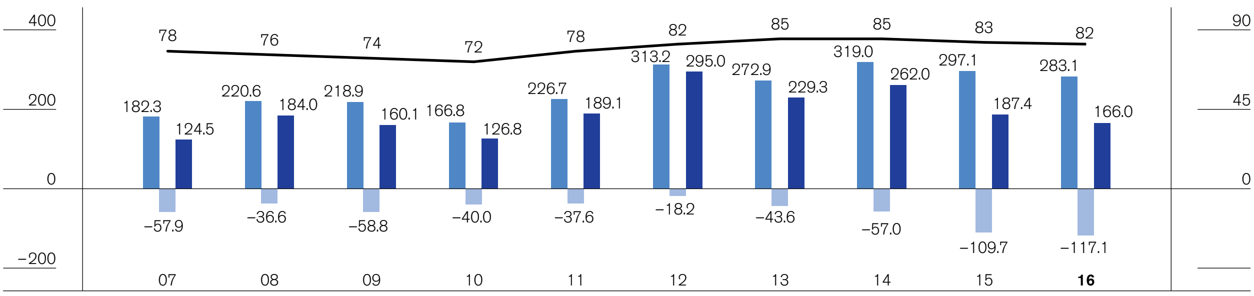
(Billions of Yen)



*1 Trading income = Gross trading profit + SG&A expenses + Provision for doubtful receivables / Provision for doubtful accounts

Net Profit (Loss) from Subsidiaries and Equity-method Associated Companies

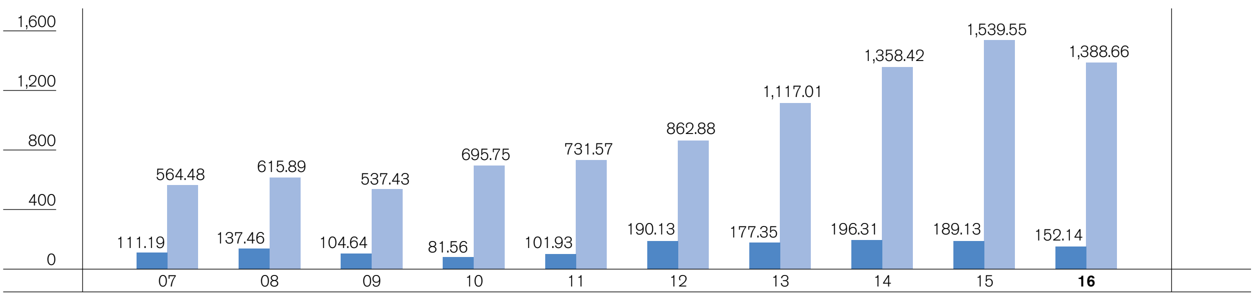
(Billions of Yen) (%)



■ Companies reporting profits (left) ■ Companies reporting losses (left) ■ Net profit (loss) from subsidiaries and equity-method associated companies (left)
— Share of Group companies reporting profits*2 (right) *2 Number of Group companies reporting profits as a percentage of the number of companies included in consolidation

Basic Earnings per share attributable to ITOCHU and Shareholders' Equity per share*3

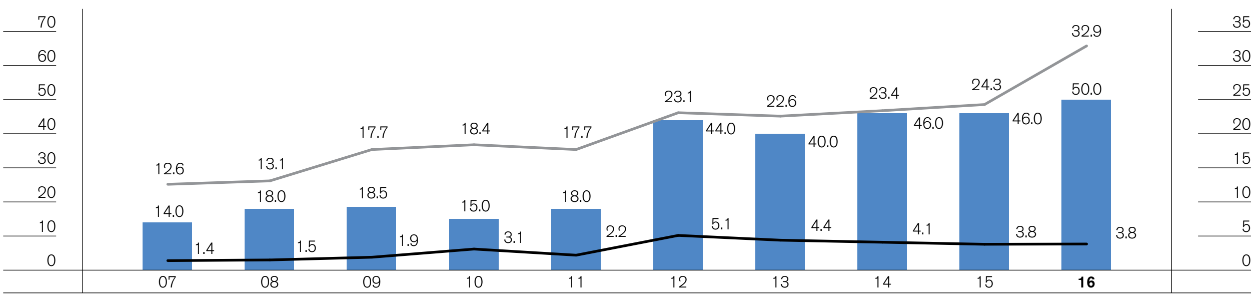
(Yen)



■ Basic earnings per share attributable to ITOCHU ■ Shareholders' equity per share
*3 Shareholders' equity per share = Shareholders' equity ÷ Number of issued shares excluding treasury stock

Cash Dividends per Share, Dividend Payout Ratio, and Dividend Yield*4

(Yen) (%)



■ Cash dividends per share (left) — Dividend payout ratio (right) — Dividend yield (right) *4 Dividend yield = Annual per-share dividends ÷ Stock price at previous fiscal year-end

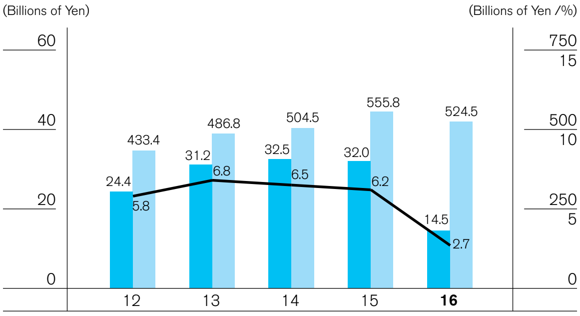
Financial Summary by Operating Segment

(Net Profit attributable to ITOCHU, Total Assets, and ROA)

Years ended March 31

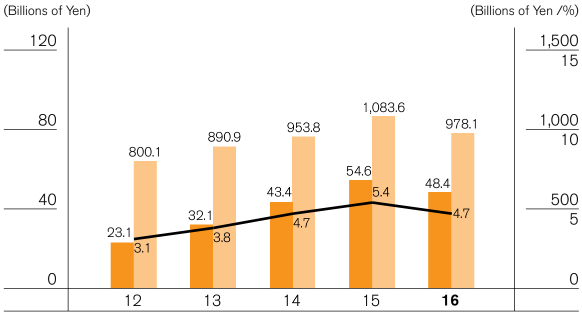
* Based on U.S. GAAP through FYE 2014, IFRS from FYE 2015

Textile Company



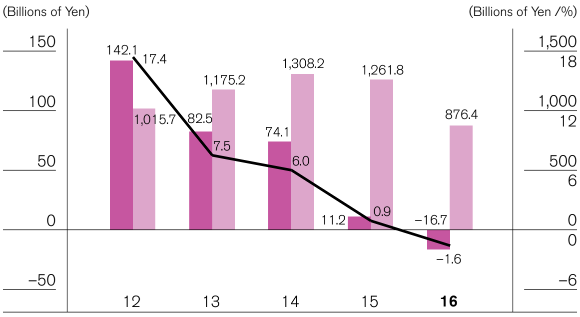
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

Machinery Company



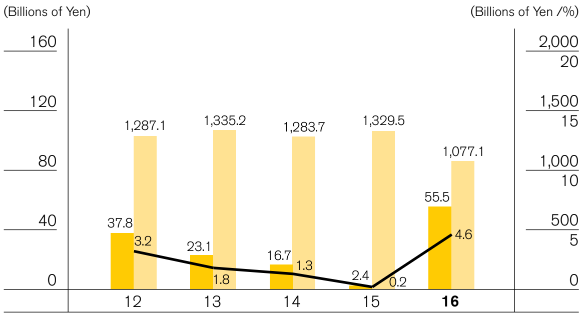
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

Metals & Minerals Company



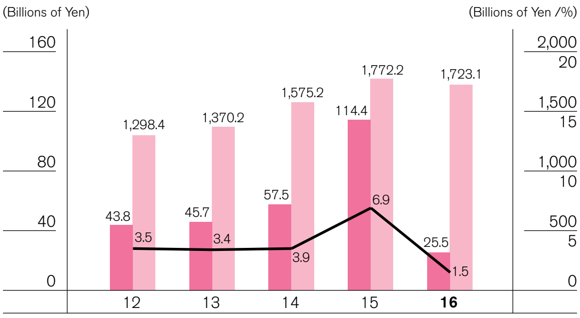
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

Energy & Chemicals Company



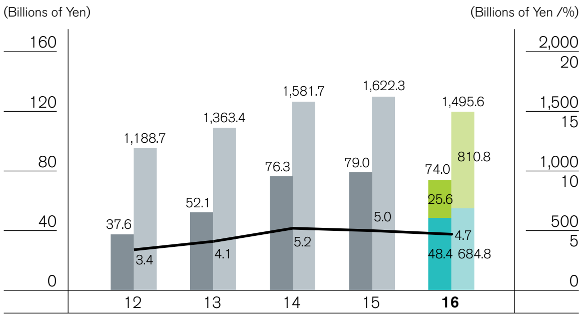
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

Food Company



■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

ICT, General Products & Realty Company



ICT, General Products & Realty (FYE 2012 to 2015)
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right) — ROA (below right)

General Products & Realty (from FYE 2016)
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right)

ICT & Financial Business (from FYE 2016)
■ Net profit attributable to ITOCHU (left)
■ Total assets (above right)

Adjustments & Eliminations and others

Billions of Yen

	2015	2016
Net profit attributable to ITOCHU	7.0	39.2
Total assets	935.4	1,361.7

Operating Segments

Textile Company

We will target further earnings growth by accelerating our pursuit of downstream strategies, accumulating superior assets, and replacing assets.

President,
Textile Company
Shuichi Koseki

Strengths

- Maintaining and expanding our business as the leading general trading company in the textile business
- Creating a value chain spanning upstream to downstream operations in the textile industry
- Establishing a highly efficient management foundation by augmenting and replacing our asset portfolio

Business Fields

Raw Materials for Clothing / Industrial Materials
Fiber, raw materials, textile fabrics, lining, garment materials, and functional materials
All kinds of fiber materials for industry and manufacturing, such as automobiles, aircraft, electronics, building materials, and engineering, as well as general merchandise

Apparel
All types of garments from men's and women's fashion, shirts, denim, underwear, sportswear, and uniforms

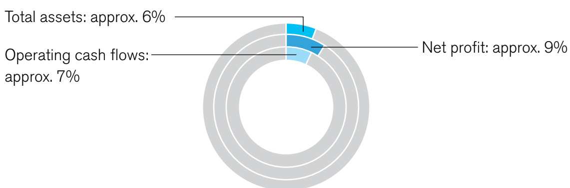
Brand Business
Businesses focusing on import licenses for lifestyle brands, fashion accessories and garments in a wide range of areas, such as luxury, casual, and sports

Organization

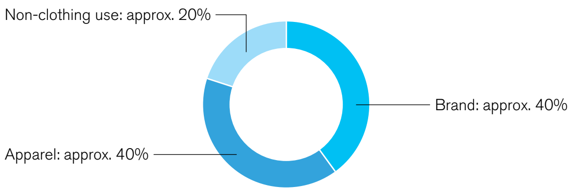
Textile Company
- Apparel Division 1
- Apparel Division 2
- Brand Marketing Division 1
- Brand Marketing Division 2
- CFO
  - Planning & Administration Department

Front row, from left
Masahiro Morofuji, Executive Vice President, Textile Company; Chief Operating Officer, Brand Marketing Division 1
Shiro Hayashi, Chief Operating Officer, Apparel Division 1
Back row, from left
Motonari Shimizu, Chief Operating Officer, Apparel Division 2
Kensuke Hosomi, Chief Operating Officer, Brand Marketing Division 2
Tatsuya Izumi, CFO
Shoji Miura, General Manager, Planning & Administration Department

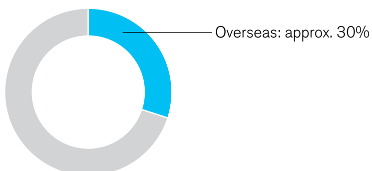
Percentage of the Total for ITOCHU (image)



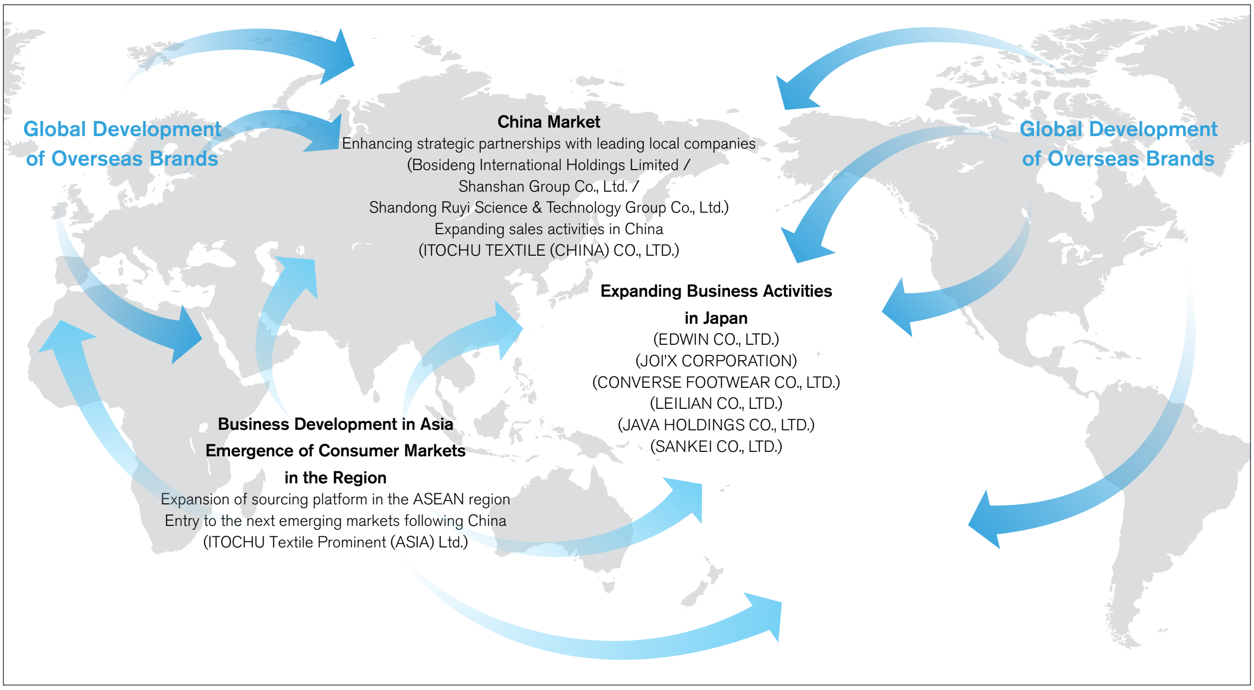
Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)



Business Portfolio



Overview of FYE 2016

Net profit attributable to ITOCHU decreased ¥17.5 billion year on year, to ¥14.5 billion, despite the posting of an unordinary gain from the conversion of a China-related company from an associated company to other investments. The decline was mainly due to lower trading income and the impairment losses to treat potential future risks.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014 — Billions of Yen

Years ended March 31	2012	2013	2014	2015	**2016**
Total assets	433.4	486.8	504.5	555.8	**524.5**
ROA	5.8%	6.8%	6.5%	6.2%	**2.7%**
Trading income	25.2	33.3	29.2	29.2	**22.7**
Equity in earnings of associated companies / associates and joint ventures	5.9	12.6	11.7	11.7	**9.5**
Net profit attributable to ITOCHU	24.4	31.2	32.5	32.0	**14.5**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Textile Proment (ASIA) Ltd.*	1.0	1.1	2.0	1.4	**0.9**
ITOCHU TEXTILE (CHINA) CO., LTD.	1.1	1.3	1.2	1.2	**0.9**
JOI'X CORPORATION	(0.3)	1.3	1.3	1.3	**1.1**
SANKEI CO., LTD.	4.0	1.6	1.5	2.6	**1.0**
[Subtotal]	[5.8]	[5.3]	[6.0]	[6.5]	**[3.9]**
Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image)			approx. 30%		

		2015	**2016**
Percentage of Total Employees	Consolidated (rounded)	20,500 (19%)	**19,000 (18%)**
	Non-consolidated	418 (10%)	**426 (10%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies	Japan	24 (18%)	**23 (18%)**
	Overseas	14 (7%)	**11 (6%)**

* Net profit from ITOCHU Textile Prominent (ASIA) Ltd. includes net profit of equity-method associated companies which were transferred from ITOCHU due to the business restructuring in the former Textile Material & Fabric Division. As a result, profit for the periods after FYE 2012 includes these companies' profit.

Earnings Opportunities for Growth

- Change in consumer trends in Japanese market including inbound tourism
- Expansion of consumer market in China and other parts of Asia due to an improvement in standards of living
- New business opportunities by joining the Trans-Pacific Partnership, etc.
- Create a stable structure for manufacturing products through a supply chain that values human rights and achieves improvements in the working environment
- Meet new consumer demand for sustainability and ethical practices by creating environment-friendly businesses, such as those using recycled textiles

Challenges to Address

- Encouraging consumption through the creation of new ways to add value for consumers under the shrinking domestic apparel market
- Cultivating overseas markets with influential partners under a decreasing domestic population
- Improve the precision of supply chain management and conduct more in-depth and broader initiatives
- Ensure business sustainability by responding swiftly and positively to environmental legislation

IN DEPTH

Expanding Business in the Chinese Market by Establishing a Joint Venture with the DESCENTE Brand and ANTA Sports

Signing ceremony

Management Resources

The renowned DESCENTE brand,

ANTA Sports' strong sales management capabilities, and

the ITOCHU Group's robust network

Creating Added Value

Through an overseas subsidiary ITOCHU established a joint venture with ANDES Sports Products Limited and DESCENTE Global Retail, Ltd. and entered into a basic agreement to develop the DESCENTE brand in China on an exclusive basis. ANDES Sports is a subsidiary of ANTA Sports Products Limited, and DESCENTE Global Retail is the South Korean subsidiary of DESCENTE Ltd.

ANTA Sports is a leading sportswear brand management company in China with excellent network management capabilities, and the DESCENTE Group offers superior brands from Japan. The collaboration also utilizes the ITOCHU Group's value chain spanning raw materials to products and a robust network of prominent local companies through this new venture we aim to expand the DESCENTE brand in the Chinese market.

IN DEPTH

Supply Chain Management (Sustainable Labor Management and Environmental Practices)

Field survey at TI GARMENT

Reason for Importance from a Strategic Perspective

Manufacturing is at the heart of the Textile Company and as we expand production worldwide, including manufacturing bases in China and other parts of Asia, we must take full account of labor customs in the supply chain and our environmental impact. A lack of care in such areas could result in reputational damage and legal sanctions, which could significantly affect business continuity.

Current and Future Actions

Based on ITOCHU's CSR Action Guidelines for Supply Chains, we currently perform monitoring surveys on an ongoing basis that include Group companies as part of our efforts to cooperate with suppliers in ascertaining risks and promoting improvements. In FYE 2016, we worked with third-party specialists to conduct surveys of ROY-NE CO., LTD., a Japanese underwear manufacturing subsidiary, and TI GARMENT COMPANY LIMITED, an overseas subsidiary that produces shirts in Myanmar. We plan to continue boosting the precision of our supply chain management going forward.

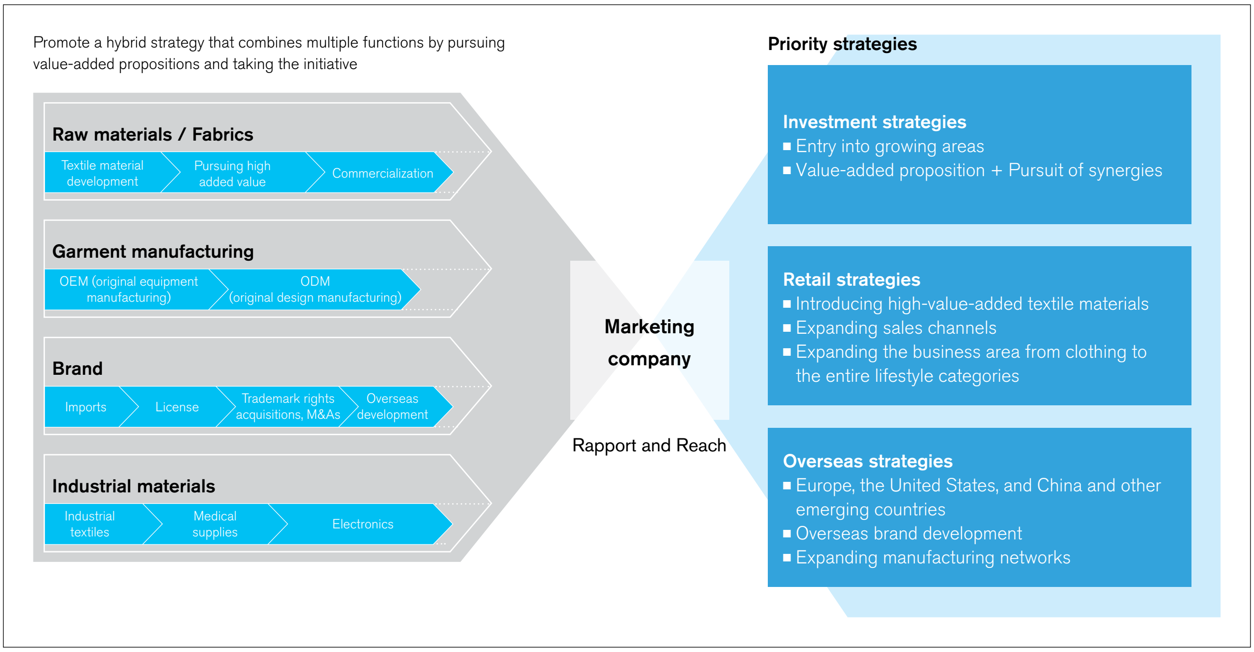
Medium to Long-Term Growth Strategies

Our scope of business spans all lifestyle categories as a customer-oriented marketing company, and we have developed our business around a value chain that covers the entire textile industry, from raw materials / fabrics to garment manufacturing, brands, and industrial materials, demonstrating Groupwide strengths.

In Japan, we are working to ascertain changing consumer trends, including inbound consumption, to promote high-value-added manufacturing, and to expand the number of brands under development. In addition, by forming capital alliances we are working to expand our fields of business in the retail and healthcare sectors. We are also augmenting our asset portfolio overseas and working to reinforce our operations in growing markets, including China, other parts of Asia, and emerging countries where consumption is expected to increase. One initiative involves a joint business with CITIC and CP Group. Further tariff liberalization should lead to more opportunities for us to respond to global consumers' needs as we begin to address the pan-Asia market. We will further reinforce manufacturing in the most suitable areas, remaining cognizant of customs benefits, and expand our value chain from materials procurement to sewing throughout China and the rest of Asia. Meanwhile, we will respect human rights and labor customs, protect the environment, and maintain harmony with communities.

As the Company plays a key role in the consumer-related sector and utilizes its position as the leading company in the textile business, we will steadily work on initiatives to strengthen our existing businesses and expand synergies within the ITOCHU Group as well as accelerate the accumulation of superior assets and the replacement of others. These efforts will enable us to solidify the Textile Company's earnings platform.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



Machinery Company

We aim to make a further leap forward by accumulating superior assets and reconfiguring and reinforcing the value chain business.

President, Machinery Company
Kazutaka Yoshida

Strengths

- Solid, long-term business relationships with excellent partners in each field of operations
- Broad-based business development on a global scale in the automobile sector
- Numerous business developments in advanced countries having low country risk

Business Fields

Plant Project, Marine & Aerospace
Electric power generation, Oil, gas and petrochemical plants, Water and environment-related businesses, Transportation infrastructure, New ships, Second-hand ships, Ship finance, Ship owning, Chartered ships, Defense equipment, Aircraft, Aircraft lease, Aircraft interiors

Automobile
Sales and business development of passenger cars, commercial vehicles and manufacturing parts in domestic and international markets

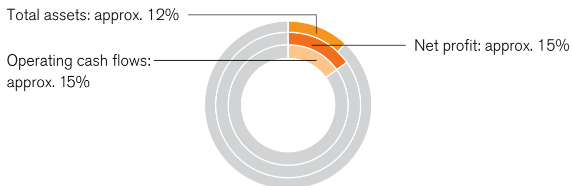
Construction Machinery, Industrial Machinery & Healthcare
Sales and business development of construction machinery, electronic systems, industrial machinery, and medical devices in domestic and international markets

Organization

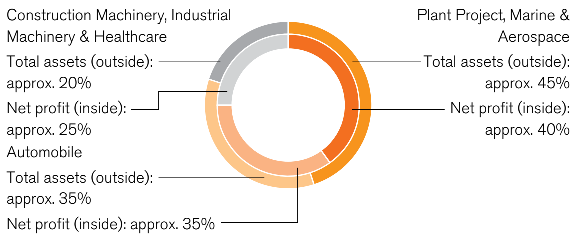
Machinery Company
- Plant Project, Marine & Aerospace Division
- Automobile Division
- Construction Machinery & Industrial Machinery Division
- CFO
- Planning & Administration Department

From left:
Hiroshi Sato, Chief Operating Officer, Plant Project, Marine & Aerospace Division
Masato Osugi, Chief Operating Officer, Automobile Division
Yoshiaki Hongo, Chief Operating Officer, Construction Machinery & Industrial Machinery Division
Ikuya Hirano, CFO
Hisao Yakushiji, General Manager, Planning & Administration Department

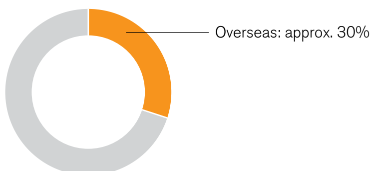
Percentage of the Total for ITOCHU (image)



Composition by Segment (image)

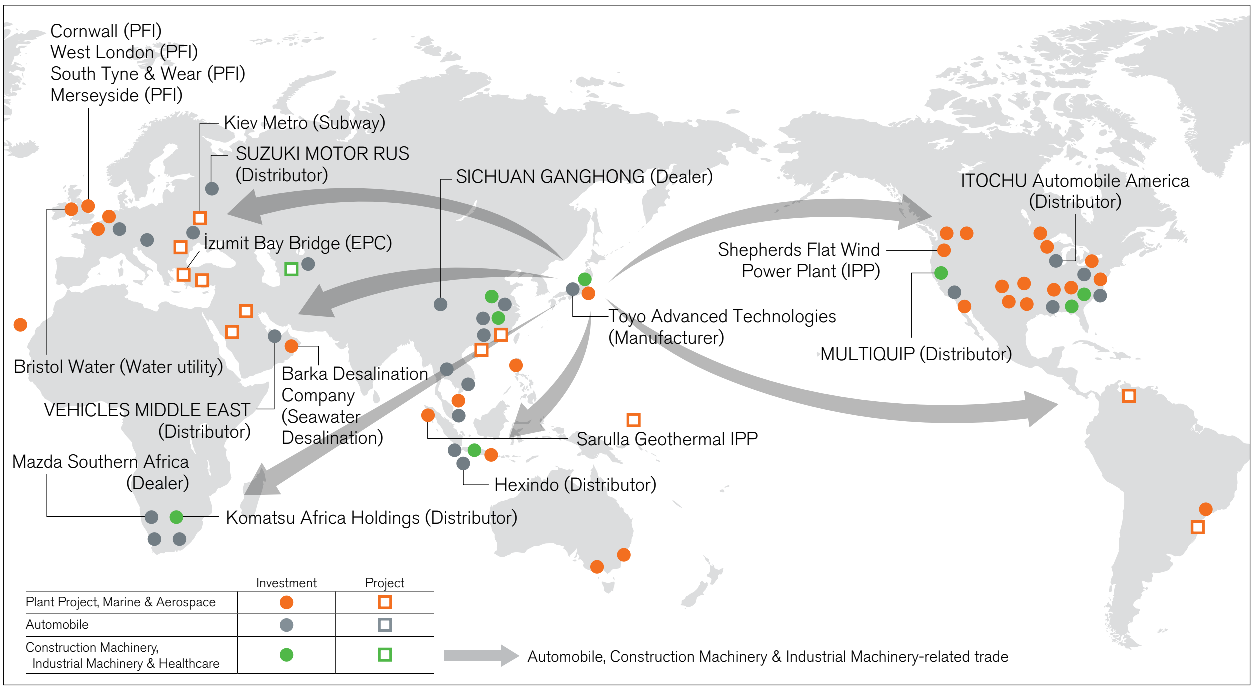


Percentage of Earnings from Overseas Businesses (image)



- Textile Company
- Machinery Company
- Metals & Minerals Company
- Energy & Chemicals Company
- Food Company
- General Products & Realty Company
- ICT & Financial Business Company

Business Portfolio



Overview of FYE 2016

Trading income was flat year on year. Net profit attributable to ITOCHU decreased ¥6.2 billion, to ¥48.4 billion, due to worsening gains on investments and tax expense, although equity in earnings of associates and joint ventures expanded.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	**2016**
Total assets	800.1	890.9	953.8	1,083.6	**978.1**
ROA	3.1%	3.8%	4.7%	5.4%	**4.7%**
Trading income	15.2	19.3	22.9	31.7	**31.4**
Equity in earnings of associated companies / associates and joint ventures	12.5	13.4	19.0	20.1	**21.6**
Net profit attributable to ITOCHU	23.1	32.1	43.4	54.6	**48.4**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
JAPAN AEROSPACE CORPORATION	0.6	0.7	1.0	0.9	**1.0**
JAMCO Corporation	(1.2)	0.6	0.9	1.7	**1.5**
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.6	0.9	1.3	0.9	**0.8**
Century Tokyo Leasing Corporation	6.2	6.2	8.4	9.1	**9.6**
Century Medical, Inc.	0.9	1.0	1.1	1.0	**0.3**
ITOCHU MACHINE-TECHNOS CORPORATION	0.6	0.7	0.6	0.5	**0.7**
SUNCALL CORPORATION	0.3	0.6	0.7	0.6	**0.4**
[Subtotal]	[8.0]	[10.7]	[14.0]	[14.7]	**[14.3]**

Percentage of Total Employees	Consolidated (rounded)	12,500 (11%)	**9,600 (9%)**
	Non-consolidated	453 (11%)	**449 (10%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies	Japan	21 (16%)	**17 (13%)**
	Overseas	44 (21%)	**46 (23%)**

Earnings Opportunities for Growth

- Numerous investment opportunities to meet demand for global infrastructure (electric power, water, environmental, transport, and energy)
- Market expansion due to rising automobile demand in emerging countries
- Growing needs for leading-edge medical devices as industrialized countries' aging society
- Participation in renewable energy projects, including geothermal and wind generation
- Initiatives in water-related businesses in response to increasing demand for water
- Contribution to local communities through transportation infrastructure (automobiles, railways, etc.)

Challenges to Address

- Expanding infrastructure-related businesses (electric power, water, environmental, transport, and energy)
- Trade and business development that takes into consideration the pace of growth and country risk in emerging countries
- Initiatives to meet growing demand in each business field in the Chinese and ASEAN markets
- In infrastructure-related businesses, consideration for environmental protection, local communities, and human rights in development regions
- In medical businesses, response to the rapid aging of society
- Response to a low-carbon society by utilization of renewable energy

IN DEPTH

Providing a Stable Supply of Potable Water through the Largest Seawater Desalination Project in Oman

Conceptual rendering of the completed plant

Management Resources
Relationship with the Omani government and the ITOCHU Group's network

Creating Added Value

In March 2016, Barka Desalination Company, in which ITOCHU takes part as a shareholder, signed a contract to build and operate a seawater desalination plant with a capacity of 281,000m^3 per day at Barka, in northern Oman. This project, a public–private partnership being promoted by the Omani government, involves the construction and operation for 20 years of a seawater reverse osmosis desalination plant with surrounding facilities. Slated to commence commercial operation in April 2018, the project will constitute the largest seawater desalination project in Oman with a total cost of approximately US$300 million. ITOCHU views the water business as a promising business area in light of growing demand for water arising from global population increases, economic growth, climate change and other factors. We are keen to expand our water businesses including seawater desalination and water and sewage utilities.

IN DEPTH

Sarulla Geothermal IPP Project

Project construction site

Reason for Importance from a Strategic Perspective

Indonesia has abundant geothermal resources that are ranked to be the top level around the world, and holds a policy of promoting geothermal energy as a strategic source of electric power. ITOCHU is determined to contribute to such Indonesian government's policies, as we also believe that the renewable energy should be further developed in order to protect the environment.

Current and Future Actions

ITOCHU, INPEX Corporation, Kyushu Electric Power Co., Inc., PT. Medco Power Indonesia, and Ormat Technologies, Inc. from the United States, have concluded a 30-year power purchase agreement through the jointly established operating company, Sarulla Operations Ltd., with Indonesia's state-owned electricity company, PT Perusahaan Listrik Negara (PLN), and PT Pertamina Geothermal Energy (PGE), a subsidiary of PT Pertamina. The project involves the development of a geothermal resource concession owned by PGE in the Sarulla region in North Sumatra, Indonesia, construction of a geothermal plant with a total capacity of 320 MW and sales of generated power to PLN for 30 years starting from 2016. We will continue to support promoting economic development in emerging countries through participation in infrastructure development projects with consideration for environmental protection and harmony with local communities.

Medium to Long-Term Growth Strategies

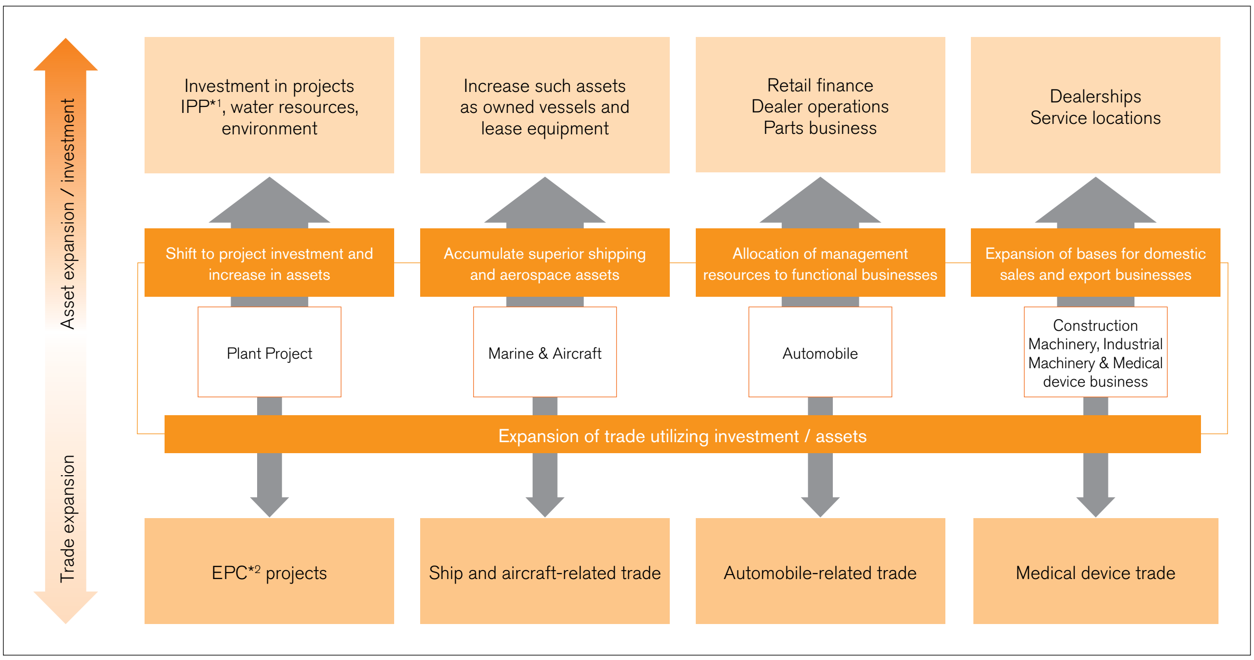
In IPP, water supply, environmental, energy, transport, and other infrastructure businesses, we will strive to promote a balance between the accumulation of superior assets in industrialized countries and highly profitable development projects in developing countries. We will endeavor to expand trade in fields of conventional strength, including marine, aerospace, automobile, construction machinery, and industrial machinery, and reconfigure and reinforce the value chain business. We will also strive to generate stable earnings through stringently selected investments in peripheral sectors. Furthermore, we will promote the construction of a medical device value chain to meet anticipated future growth in medical device businesses, aiming to further enhance business investment and trade in Japan and other parts of Asia.

We will maximize earnings from existing investments, promoting the accumulation of superior assets and asset replacement, and conduct trade in related and ancillary fields.

In promoting infrastructure projects in emerging countries, we will give due consideration to environmental protection and local communities to ensure projects proceed smoothly. The world faces such issues as climate change, waste management, and water resource securement; the Machinery Company views these as promising medium- to long-term business opportunities. As such, we are taking part in renewable energy-related businesses involving wind and geothermal power, as well as waste management projects. We are also involved actively in seawater desalination and other water-related projects.

Furthermore, based on our strategic business and capital alliance agreement with CITIC and CP Group, we are considering joint investment and trade expansion that will leverage that group's characteristics, particularly in China and the ASEAN region.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



*1 IPP: Independent power producer
*2 EPC: Engineering, Procurement, and Construction

Metals & Minerals Company

We will grow by striking a balance between investment and trade, creating a stable earnings base, and taking advantage of new growth opportunities.

President,
Metals & Minerals Company
Eiichi Yonekura

Strengths

- Strong relationships with excellent business partners in each business area
- Ownership of superior natural resource assets
- Deep, broad-ranging trade flows that run from upstream (metals and mineral resources) to downstream (steel and non-ferrous products)

Business Fields

Metals & Mineral Resources
Iron ore, Iron ore pellets, Direct reduced iron, Rare metals, Base metals, Aluminum, Alumina, Ferro alloys and its materials, Coking coal, Coke, Thermal coal, Nuclear fuel

Steel & Non-Ferrous Products
Steel plates, Hot & cold rolled sheets, Galvanized steel, Steel for machinery, Stainless steel, High tensile steel, Various specialty steel materials, Construction materials, Welded steel pipes, Seamless steel pipes, Steel wires, Marine steel structures, Bridges, Prefabricated steel for buildings, Rails, Non-ferrous/aluminum products, Aluminum rolled products, Aluminum extrusion products, Electric wires, Optical fiber cables, Electronic materials, Steel scrap, Pig iron, Metal powder, Electrodes, Activated carbon

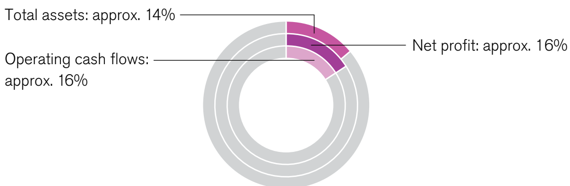
Solar and Environmental Businesses
Biomass, Emission credits, Solar power generation businesses

Organization

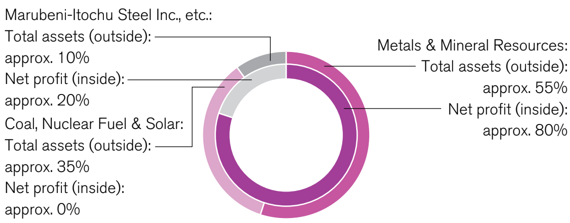
Metals & Minerals Company
- Mineral Resources Division
- Steel, Non-Ferrous & Solar Division
- CFO
- Planning & Administration Department

From left:
Shuzaburo Tsuchihashi,
Chief Operating Officer, Mineral Resources Division
Akihiko Okada,
Chief Operating Officer, Steel, Non-Ferrous & Solar Division
Norio Matsui, CFO
Kenji Seto, General Manager, Planning & Administration Department

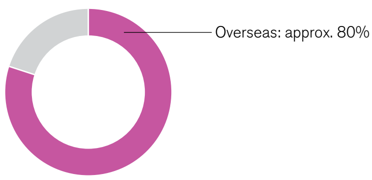
Percentage of the Total for ITOCHU (image)



Composition by Segment (image)

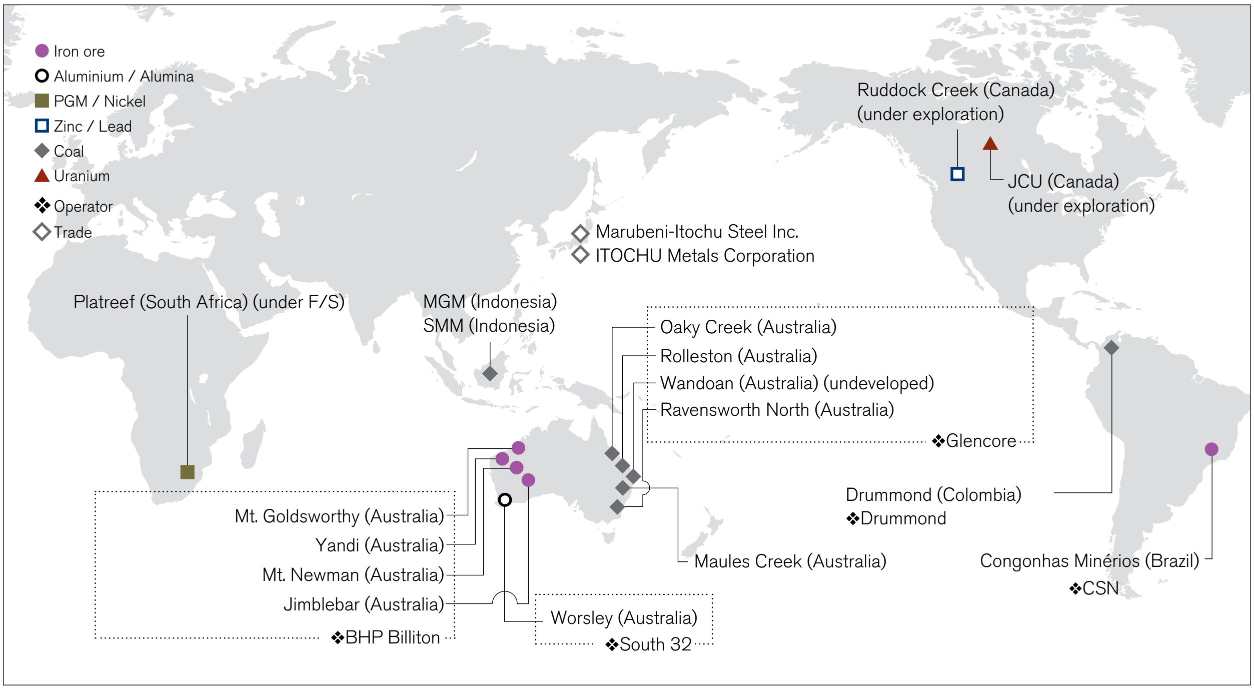


Percentage of Earnings from Overseas Businesses (image)



■ Textile Company
■ Machinery Company
■ Metals & Minerals Company
■ Energy & Chemicals Company
■ Food Company
■ General Products & Realty Company
■ ICT & Financial Business Company

Business Portfolio



Overview of FYE 2016

Net profit attributable to ITOCHU worsened ¥27.9 billion, to a net loss of ¥16.7 billion, despite the absence of the previous year's impairment loss on a Brazilian iron ore business, due to such factors as a decline in resource prices and the posting of an impairment loss on and loss accompanying the sale of certain assets in an Australian coal-related business.

Business Results
Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	**2016**
Total assets	1,015.7	1,175.2	1,308.2	1,261.8	**876.4**
ROA	17.4%	7.5%	6.0%	0.9%	**—**
Trading income	101.6	57.4	73.2	47.1	**11.6**
Equity in earnings of associated companies / associates and joint ventures	44.3	42.1	34.3	(46.8)	**18.3**
Net profit attributable to ITOCHU	142.1	82.5	74.1	11.2	**(16.7)**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Metals Corporation	1.2	1.3	1.4	0.2	**2.0**
ITOCHU Minerals & Energy of Australia Pty Ltd	89.3	50.3	58.4	42.3	**(22.6)**
Marubeni-Itochu Steel Inc.	12.9	12.8	13.0	12.8	**6.6**
Brazil Japan Iron Ore Corporation	36.8	10.4	3.8	(44.8)	**(0.9)**
ITOCHU Coal Americas Inc. (ICA)	2.0	3.5	0.5	0.1	**(2.3)**
[Subtotal]	[142.2]	[78.3]	[77.1]	[10.6]	**[(17.2)]**
Percentage of Total Employees — Consolidated (rounded)				550 (0.5%)	**500 (0.5%)**
Percentage of Total Employees — Non-consolidated				220 (5%)	**207 (5%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies — Japan				5 (4%)	**6 (5%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies — Overseas				8 (4%)	**8 (4%)**

ITOCHU's Equity Interests (Sales Results)

Million Tons

Years ended March 31	2012	2013	2014	2015	**2016**
Iron Ore	16.1	17.6	18.1	20.5	**20.0**
ITOCHU Minerals & Energy of Australia Pty Ltd	12.4	13.4	16.0	18.7	**19.2**
Brazil Japan Iron Ore Corporation (NAMISA)	3.7	4.3	2.0	1.8	**0.8**
Coal	8.9	11.6	10.7	13.2	**13.4**
ITOCHU Minerals & Energy of Australia Pty Ltd	6.8	7.0	7.0	7.4	**7.5**
ICA (Drummond Company's Mining Operations in Colombia)	2.1	4.5	3.7	5.8	**5.9**

Earnings Opportunities for Growth

- Long-term demand growth for metals and mineral resources and energy
- Expansion of trade and construction of supply chain based on equity interests
- Reinforcement of business with excellent partners and new business development
- Proliferation and gain in momentum of solar and other types of renewable energy
- Progress in the biomass power generation business and expansion of the market for biomass fuels
- Development of resource recycling toward the creation of a recycling-oriented society

Challenges to Address

- Establishment of a balanced earnings platform that has stable profitability in any business environment
- Improvement in production efficiency at each project to be more resistant to fluctuations in resource prices
- Acquisition of superior interests to secure stable supply of metals and mineral resources
- Harmony with local communities in resource development projects
- Sustainable resource development with consideration for impacts on the environment and ecology, health, and safety at the workplace
- Thorough enactment and ongoing monitoring of supply chain management

IN DEPTH

Merger of Assets Related to Iron Ore Business in Brazil

Casa de Pedra Mine

Management Resources
One of the world's most prominent projects, by Companhia Siderúrgica Nacional (CSN) of Brazil and alliances with leading companies in Japan, Asia, and Brazil

Creating Added Value
November 2015 marked the merger of Nacional Minérios S.A. (NAMISA), a Brazilian iron ore producer in which ITOCHU already owned a stake along with other shareholders, and the mining division of CSN, NAMISA's local partner. The addition of the scale and quality of CSN's mining division, which includes the globally prominent Casa de Pedra Mine, as well as its auxiliary logistics assets such as a railway company's share and a port terminal, transformed the merged company into a leading global mining entity with integrated mining and logistics capabilities. Going beyond the simple consolidation of tangible assets, the project combines the management, operational, and sales strengths from Asia and Brazilian partners, aiming to take advantage of business synergies and growth.

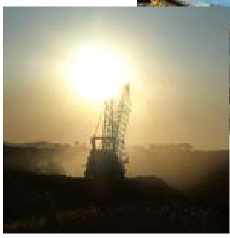
IN DEPTH

Initiatives in the Renewable Energy Field

Oita Hiyoshibaru Mega-Solar Power Plant

Reason for Importance from a Strategic Perspective
The prevention of global warming and the accompanying need to realize a low-carbon society are issues of the highest importance on a global scale. The renewable energy market is expanding due to a variety of initiatives in Japan and overseas to introduce and promote the proliferation of solar power generation, biomass generation, and other types of renewable energy.

Current and Future Actions
In March 2016, commercial operation commenced at the Oita Hiyoshibaru Mega-Solar Power Plant, a joint project with Kyudenko Corporation and Mitsui Engineering & Shipbuilding Co., Ltd. The facility will engage in power generation with an output of 44,800 kW and capacity equivalent to the annual power consumption of around 9,300 regular homes. The project is expected to reduce CO_2 emissions by approximately 32,000 tons per year. In addition to the Saijo Komatsu Solar Power Plant (Ehime Prefecture), which is currently operational, ITOCHU is moving forward with the construction of new plants in Okayama and Saga prefectures. Going forward, we will continue to play an active role in renewable energy power generation and related trading businesses in Japan and overseas.



Medium to Long-Term Growth Strategies

We will grow by striking a balance between investment and trade, creating a stable earnings base, and taking advantage of new growth opportunities.

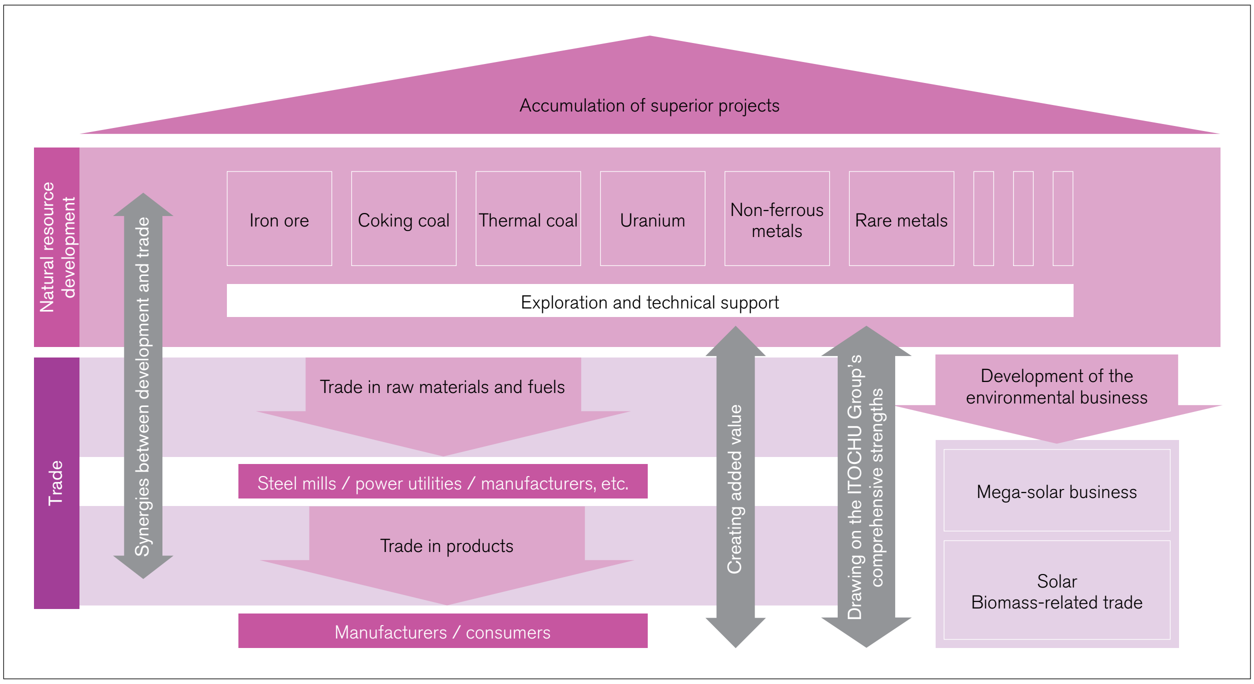
In the resource development business, we will strengthen our resistance to fluctuations in market prices through acquisition of prime projects that are cost competitive and have other superior characteristics, as well as continuous improvement in production efficiency of existing projects. Also, we will further expand and optimize our asset portfolio, including through the acquisition of non-ferrous resources and rare metal interests, where stable supply is an issue.

In the trading business, we will expand resource and fuel trading based on our equity interests. We will also create a value chain including manufactured product fields and leverage the collective strengths of the ITOCHU Group to create added value. Through these measures, we will develop a broad and deep flow of trade spanning upstream and downstream categories.

By strengthening ties with our strategic partner, CITIC and CP Group, we will promote collaborative projects on the resource development and trading fronts by leveraging each other's strengths.

To ensure a stable supply of metals and mineral resources, we will work with our business partners to develop metals and mineral resources in a sustainable manner, taking into consideration the environment at development sites and harmony with local communities, and giving thorough consideration to safety in the workplace. Furthermore, we will aggressively take up the challenge of environmentally friendly businesses, including the mega-solar, biomass-related trade, and recycling businesses.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



Energy & Chemicals Company

We aim to strengthen business foundations by increasing base earnings through synergies between divisions and by taking on challenges in new business fields.

President,
Energy & Chemicals Company
Masahiro Imai

Strengths

- Solid customer base for energy trading business in Asia and the Middle East
- Worldwide sales network of chemicals trading
- Robust portfolio of chemicals projects ranging from upstream to downstream

Business Fields

Energy
Crude oil, Natural gas liquid (NGL), Gasoline, Naphtha, Kerosene, Jet fuel, Gas oil, Fuel oil, Bunker oil, Lubricant, Asphalt, Liquefied petroleum gas (LPG), Liquefied natural gas (LNG), Natural gas, Electricity, etc.

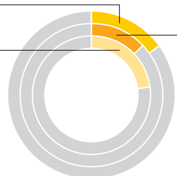
Chemicals
Raw materials for synthetic fibers, Aromatics, Alcohol, Sulfur, Fertilizer, Inorganic mineral resources, Pharmaceuticals, Synthetic resin, Household goods, Packing materials, Fine chemicals, Electronic materials, etc.

Organization

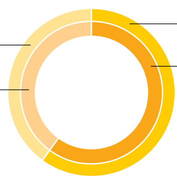
Energy & Chemicals Company
- Energy Division
- Chemicals Division
- CFO
- Planning & Administration Department

From left:
Takashi Yasuda, Chief Operating Officer, Energy Division
Keita Ishii, Executive Vice President, Energy & Chemicals Company; Chief Operating Officer, Chemicals Division
Satoshi Nakajima, CFO
Hisato Okubo, General Manager, Planning & Administration Department

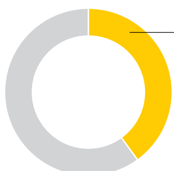
Percentage of the Total for ITOCHU (image)



Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)



- Textile Company
- Machinery Company
- Metals & Minerals Company
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- Food Company
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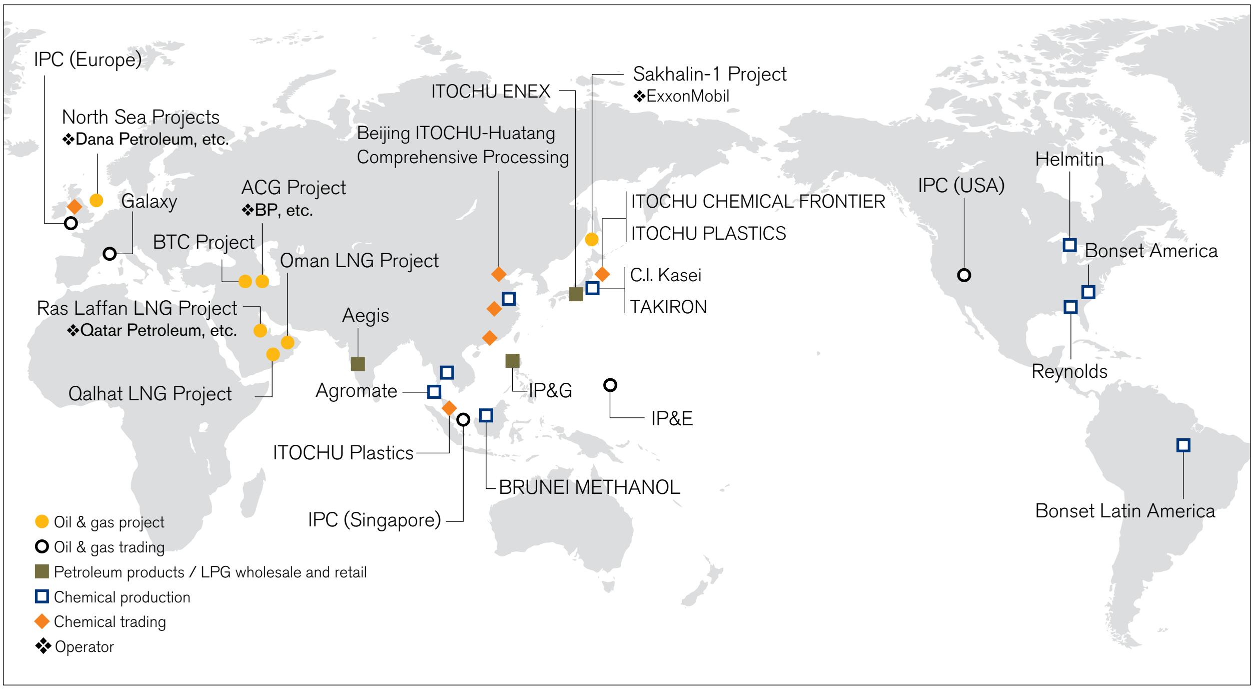
- ICT & Financial Business Company

Business Portfolio



Overview of FYE 2016

Despite an impairment loss on the North Sea E&P project, net profit attributable to ITOCHU was ¥55.5 billion, up ¥53.1 billion year on year, mainly due to higher trading income, the absence of impairment loss incurred in the previous year in the U.S. oil and gas development company, and the improvement in tax expenses relating to exit from the US oil and gas development company.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	2016
Total assets	1,287.1	1,335.2	1,283.7	1,329.5	**1,077.1**
ROA	3.2%	1.8%	1.3%	0.2%	**4.6%**
Trading income	47.0	53.7	57.5	43.9	**46.2**
Equity in earnings of associated companies / associates and joint ventures	2.4	(28.3)	(32.9)	(39.6)	**(0.3)**
Net profit attributable to ITOCHU	37.8	23.1	16.7	2.4	**55.5**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Oil Exploration (Azerbaijan) Inc.	13.0	13.1	15.7	6.9	**5.0**
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	(0.2)	0.8	4.3	1.0	**2.3**
JD Rockies Resources Limited	(0.1)	(31.2)	(32.5)	(43.8)	**—***
ITOCHU CHEMICAL FRONTIER Corporation	2.9	3.0	3.2	3.1	**3.1**
ITOCHU PLASTICS INC.	1.9	2.2	3.0	3.5	**3.5**
C.I. Kasei	1.2	1.1	1.2	1.1	**1.3**
ITOCHU ENEX CO., LTD.	2.4	3.2	3.9	2.8	**4.1**
TAKIRON	0.5	1.0	1.3	0.7	**0.9**
Dividend from LNG Projects (PAT)	6.6	7.7	7.8	8.3	**4.8**
[Subtotal]	[28.2]	[0.9]	[7.9]	[(16.4)]	**[25.0]**
Percentage of Total Employees	Consolidated (rounded)			11,700 (11%)	**11,600 (11%)**
	Non-consolidated			335 (8%)	**329 (8%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies	Japan			21 (16%)	**16 (13%)**
	Overseas			29 (14%)	**27 (14%)**

* Not a consolidated affiliate of ITOCHU as of June 30, 2015

ITOCHU's Equity Interests

1,000 Barrels per Day*

	2012	2013	2014	2015	2016
Oil and Gas	33.0	58.0	52.0	50.0	**30.0**

* 6,000 cubic feet of natural gas = 1 barrel of crude oil equivalent

Earnings Opportunities for Growth

- Expansion of trading business in crude oil, petroleum products, and LNG underpinned by robust selling capabilities
- Steady demand increases for chemicals in China, the ASEAN region, and the Americas and associated increases of trading opportunities
- Response to higher demand for food products in accordance with expected global population growth (such as fertilizer business)
- Efforts to curtail electricity consumption in response to global warming

Challenges to Address

- Promotion of cost-competitive energy development projects with prime partners
- Entry into domestic electricity trading business in line with electricity liberalization
- Shift to (i) export of high value chemicals to China, and (ii) trading of China-manufactured chemicals within China, due to changes in Chinese chemical industrial structure
- Establishment of a compliance system for changing chemical-related legislations
- Consideration for health, safety, and the environment (HSE) in energy development projects
- Symbiosis with local communities

IN DEPTH

Agromate

Fertilizers handled by Agromate

Management Resources
Agromate's fertilizer sales and production business in Southeast Asia and the ITOCHU Group's global network

Creating Added Value
In July 2012, ITOCHU acquired a 25% share of Agromate Holdings Sdn Bhd (Agromate), one of the largest fertilizer distributors in Malaysia. Founded in 1970, Agromate operates nine distribution centers in Malaysia and six in Indonesia. The company has the capacity to manufacture 260,000 tons of NPK fertilizer and sell around 1.6 million tons of fertilizer per year, making it one of the largest fertilizer sales and production companies in Malaysia and a prominent player in Asia.

Due to global population increases, demand for fertilizer is growing. Consequently, the supply–demand balance for fertilizer resources is expected to be tight over the medium to long term. By leveraging ITOCHU's network, we are endeavoring to expand supply sources and create a strong sales structure centered in Asia.

IN DEPTH

Azeri-Chirag-Gunashli (ACG) Project in the Caspian Sea in Azerbaijan

Offshore drilling rig (photo courtesy of BP)

Reason for Importance from a Strategic Perspective
Since its participation in the ACG oil field in Azerbaijan in 1996, ITOCHU has contributed to the development of oil production from the project, and the current production volume ranks at world-class levels. This joint project, propelled with such excellent partners as BP p.l.c.—who has extensive experience in the Caspian Sea—and other renowned oil majors, is a core business for the Energy & Chemicals Company, and we aim to ensure stable sustainable production over the long term.

Current and Future Actions
The ACG oil field currently produces approximately 600,000 barrels of crude oil per day. The oil is transported via the BTC Pipeline, in which ITOCHU invests, from Baku, Azerbaijan, via Tbilisi, Georgia, to Ceyhan, Turkey. In addition to ITOCHU (4.3%), partners of the projects include BP (35.8%) as the operator, State Oil Company of Azerbaijan Republic, SOCAR (11.6%), Chevron Corporation (11.3%), INPEX Corporation (11.0%), Statoil ASA (8.6%), and ExxonMobil Corp. (8.0%). Going forward, we endeavor to provide a stable supply of energy resources to the market while duly taking care of local communities and the environment.

Medium to Long-Term Growth Strategies

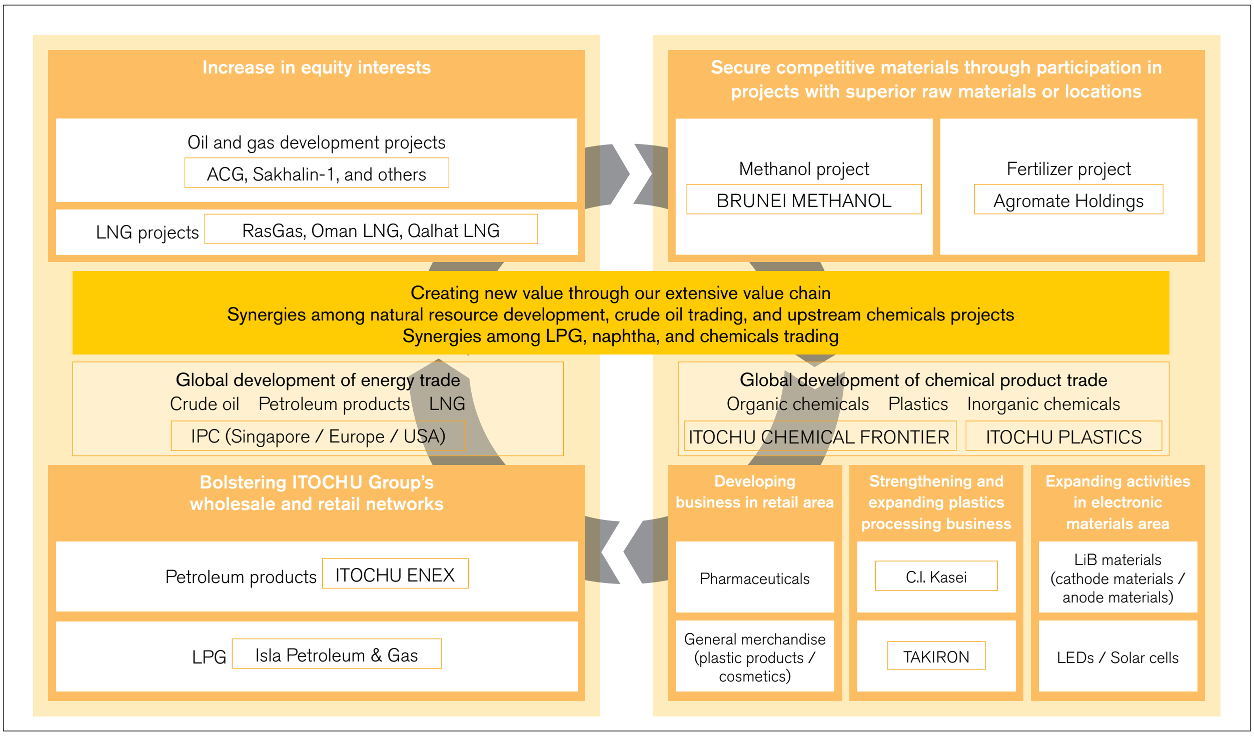
With regard to energy trading, we are going to expand conventional flows of business—importing and wholesaling products between two countries in Asia. At the same time, we aim to take business chances based on new product flows from North America to Asia.

In energy projects areas, we utilize our accumulated expertise and experience in the industry to expand existing projects while trying to curtail risk together with excellent partners, and to enlarge our business base for future earnings through participation in cost-competitive new projects. We recognize that factors such as consideration for the environment, harmony with local communities, and safe working environments are essential to sustainability. Accordingly, we and our partners take necessary measures to these considerations.

In chemicals areas, we endeavor to expand our business field in organic chemicals, plastics, and inorganic chemicals by utilizing our global trading capabilities. We aim to advance projects in various areas to secure competitive raw materials, while taking steps to bolster our supply chains, especially in the retail area including pharmaceuticals, plastics processing, electronic materials, and fine chemicals. With regard to handling of chemical products, we ensure compliance with chemical-related laws in any jurisdiction through appropriate education as well as strengthened control over the supply chain, from raw materials to our products that reach end purchasers.

Furthermore, we plan to continue creating synergies with CITIC and CP Group in line with the strategic business alliance and capital participation agreement.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



* … Company / project name

Food Company

We will expand our operating capabilities and business areas in Japan, China, and other parts of Asia based on the strategic business alliance with CITIC and CP Group.

We will also work on maximizing the profitability of Dole and other existing businesses.

President, Food Company
Koji Takayanagi

Strengths

- Possession of a robust value chain in Japan
- Ability to procure food resources stably, particularly from North and South America and Australia
- Global development, centered on the Dole business

Business Fields

Food Resources
Procuring wheat, barley, corn, soybeans, rice, palm oil, and other foodstuffs from countries all around the world, and supplying to Japan and other countries in Asia

Product Processing
Stepping up initiatives in production and processing through Group companies such as Dole, Prima Meat Packers, FUJI OIL HOLDINGS, and ITOCHU Sugar

Midstream Distribution
Providing high-value-added services through food wholesalers such as ITOCHU-SHOKUHIN, and NIPPON ACCESS

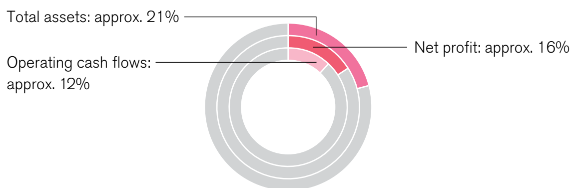
Retail
Creating high-value-added value chains rooted in consumer needs centered on FamilyMart

Organization

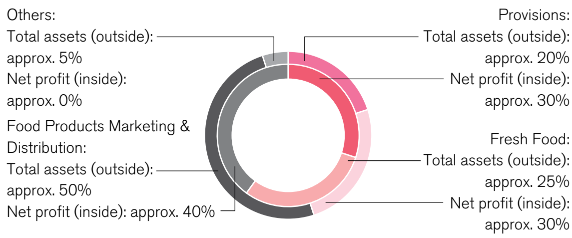
Food Company
- Provisions Division
- Fresh Food Division
- Food Products Marketing & Distribution Division
  - CFO
  - Planning & Administration Department

From left:
Takeshi Takasugi, Chief Operating Officer, Provisions Division
Yutaka Yamamura, Chief Operating Officer, Fresh Food Division
Yozo Kubo, Executive Vice President, Food Company
Haruo Takagaki, Chief Operating Officer, Food Products Marketing & Distribution Division
Makoto Kyoda, CFO
Kenji Tanaka, General Manager, Planning & Administration Department

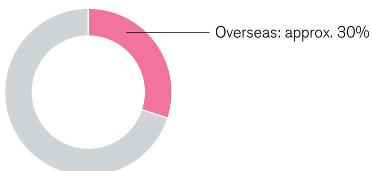
Percentage of the Total for ITOCHU (image)



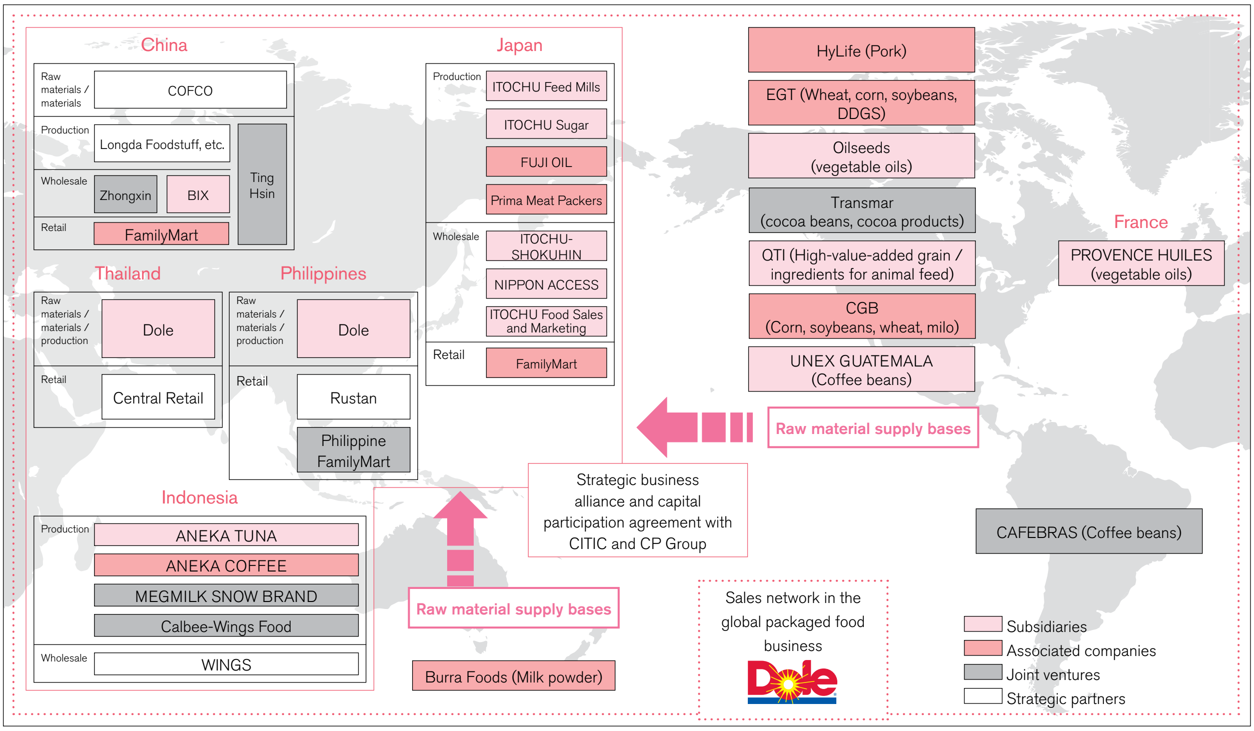
Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)



Business Portfolio



Overview of FYE 2016

Although operating income rose, net profit attributable to ITOCHU fell ¥88.9 billion year on year, to ¥25.5 billion, due to the absence of an unordinary gain recorded in the previous year in relation to shares in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., as well as to an impairment loss on fresh food-related subsidiaries.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	2016
Total assets	1,298.4	1,370.2	1,575.2	1,772.2	**1,723.1**
ROA	3.5%	3.4%	3.9%	6.9%	**1.5%**
Trading income	37.4	40.4	49.3	46.6	**48.7**
Equity in earnings of associated companies / associates and joint ventures	20.1	22.9	21.5	27.0	**17.3**
Net profit attributable to ITOCHU	43.8	45.7	57.5	114.4	**25.5**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
NIPPON ACCESS, INC.	8.6	10.8	11.6	8.6	**8.9**
China Foods Investment Corp.*1	2.4	2.7	4.3	3.3	**—**
Dole International Holdings, Inc.	—	0.0	7.1	4.8	**(16.9)**
FUJI OIL HOLDINGS INC.*2	2.3	2.3	2.1	2.4	**2.4**
Prima Meat Packers, Ltd.	2.4	2.4	2.0	2.7	**2.6**
FamilyMart Co., Ltd.	6.7	9.1	7.3	8.1	**6.1**
ITOCHU-SHOKUHIN Co., Ltd.	2.3	1.9	1.0	1.3	**1.5**
HYLIFE GROUP HOLDINGS LTD.	—	0.1	0.0	2.1	**2.6**
[Subtotal]	[24.7]	[29.3]	[35.4]	[33.3]	**[7.2]**
Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image)		approx. 15%			

		2015	2016
Percentage of Total Employees	Consolidated (rounded)	30,200 (27%)	**30,200 (29%)**
	Non-consolidated	397 (9%)	**406 (9%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies	Japan	17 (13%)	**18 (14%)**
	Overseas	22 (11%)	**20 (10%)**

*1 Not a Group company as of March 31, 2015
*2 FUJI OIL HOLDINGS INC. shifted to a holding company structure on October 1, 2015, and changed its company name from FUJI OIL CO., LTD.

Earnings Opportunities for Growth

- Robust value chain in Japan
- Business expansion based on strategic business alliance with CITIC and CP Group
- Market expansion due to increasing population and rising income, centered on China and other parts of Asia
- Further increase in consumer awareness toward food safety and security
- Reinforcement of the structure to supply sustainable raw materials

Challenges to Address

- Ensuring a stable supply of foodstuffs
- Configuring robust supply chains overseas
- Responding to the shrinking market in Japan caused by a falling birthrate and aging population
- Contributing to food safety and security in countries around the world, particularly in Asia
- Contributing to local communities
- Responding to the risk of climate change

CSR Materialities

Climate change

Sustainable use of resources

Contribution to local communities

Respect and consideration for human rights

IN DEPTH

Initiatives by HyLife, a Group Company in Canada

Pork processing at a HyLife factory

Management Resources
A fully integrated system to produce high-quality pork that is safe and secure

Creating Added Value

ITOCHU holds 49.9% of the shares of HyLife Group Holdings, a pork producer based in Manitoba, Canada. The company engages in integrated production, operating a pig-breeding farm, feed mill, and pork production plant. This arrangement provides traceability and ensures safe, secure, and high-quality products are provided in a stable manner. Furthermore, integrated production allows the company to receive and provide information about individual customers' needs to the hog farm, establishing a special program for Japan. The company enjoys market acclaim and is currently Canada's leading exporter of chilled pork to Japan. ITOCHU employees stationed locally ensure thorough control and supervision on a daily basis.

IN DEPTH

Contributing to Local Communities: One Aspect of a Growth Strategy

Students with school supplies provided by Dole

Reason for Importance from a Strategic Perspective

Dole International Holdings, Inc. (Dole), a wholly owned subsidiary of ITOCHU, operates a fruit and vegetable business in Asia and a global packaged foods business. As it considers people, the environment, and society to be its most important resources in terms of business continuity and development, Dole contributes to local communities through a variety of CSR activities. The company positions these efforts as one aspect of its growth strategy.

Current and Future Actions

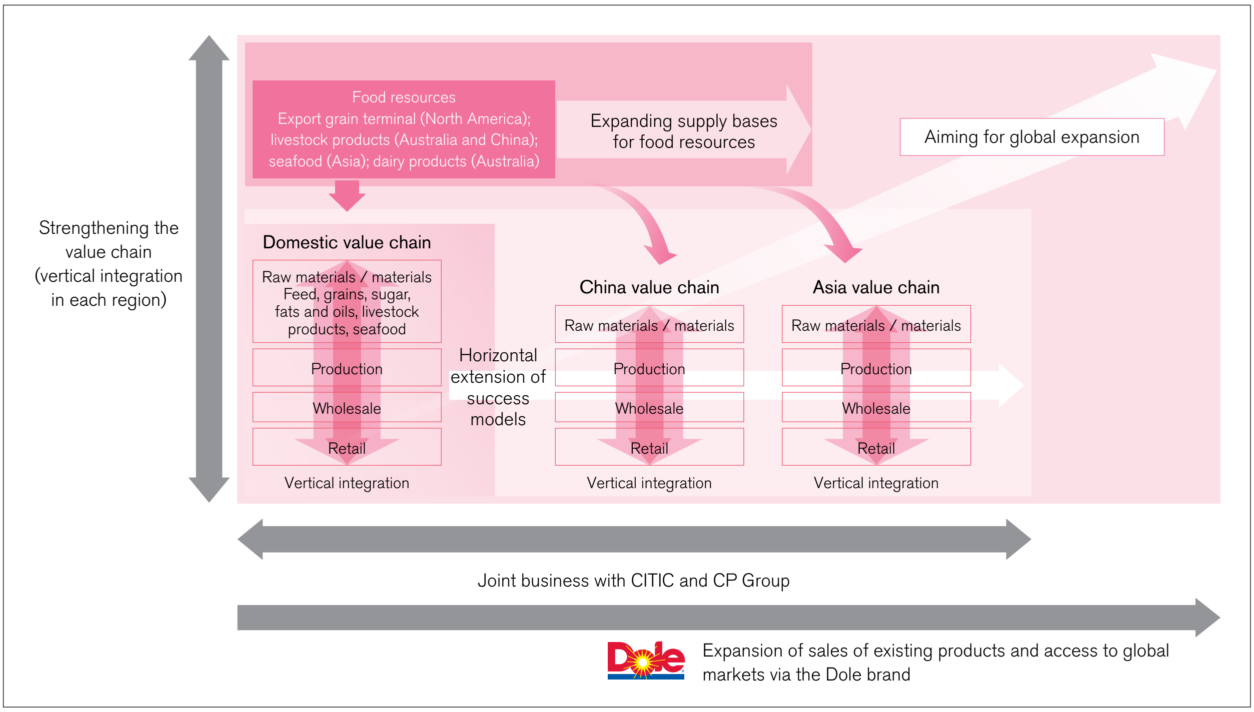
In FYE 2016, Doles spent approximately US$2 million in various countries, including the Philippines, Sri Lanka, Japan, South Korea, China, and in North America, providing study materials, equipment, and meals to around 60 schools. The company offers approximately 300 scholarships; provides educational opportunities to children with disabilities; contributes housing, infrastructure equipment, and farm equipment; provides technical instruction on farming; sponsors regional events and undertakes other measures to invigorate local communities; provides additional resource recycling programs; protects waterways; monitors CO_2 emissions; and conducts other environmental protection activities.

Medium to Long-Term Growth Strategies

In Japan, the environment in which the Food Company operates is characterized by lackluster personal consumption stemming from such factors as sluggish growth in household income. Furthermore, since the start of 2016, yen appreciation and a decrease in stock prices have been sapping consumer sentiment, rendering the environment to become even more difficult. On the other hand, business opportunities are increasing overseas, as growing populations and rising levels of income in Asian and other emerging countries drive demand higher. Against this backdrop, and in line with the Companywide policy of "strengthening our financial position," the Food Company will work to further improve the quality and efficiency of its assets through asset replacement. We will also continue building a high-value-added value chain in Japan, China, and other parts of Asia, as well as throughout the world, concentrating specifically on the Dole business and joint business development with CITIC and CP Group.

Simultaneously, we will endeavor to ensure a stable supply of food resources, thereby addressing food issues that affect all of humankind. Also recognizing that ensuring food safety and security is our topmost objective, the Food Company will undertake a wide range of measures to ensure safety in the foodstuffs business. For example, we will identify overseas suppliers for on-site inspections and determine inspection frequency according to their control systems, product characteristics, sanitation risks during processing, and other individual circumstances. Going forward, the Food Company will continue working with investees and partners to further enhance its management system.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



General Products & Realty Company

We will strengthen our earnings platform in core businesses, aggressively replace assets, and take on the challenge of making high-value-added investments.

President, General Products & Realty Company
Yasuyuki Harada

Strengths

- Firm position and value chains in each business area
- Creation of synergy through collaboration between businesses
- Strengthening of the management foundation through the aggressive replacement of our asset portfolio

Business Fields

Forest Products & General Merchandise
Logs, Lumber, Wood fiberboard, Building materials, Wood chips, Wood pulp, Recycled paper, Cotton linter, Paper, Paperboard, Paper products, Natural rubber, Tires, Glass, Cement, Slag, Landscape materials, Refractory materials, Natural gypsum, Biomass fuels (chips, pellets), etc.

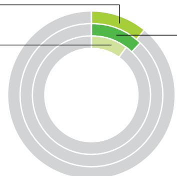
Construction, Realty & Logistics
Real Estate Development, Solutions Business, Private Finance Initiative (PFI) projects, Construction equipment and materials trading [Subsidiaries: Condominium development, Real estate management, Housing and renovation, etc.], Logistics Solutions (3PL, Logistics Center Management Operation, International Intermodal Logistics and Automobile Logistics), Maritime Shipping Services

Organization

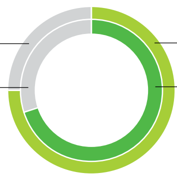
General Products & Realty Company
- Forest Products & General Merchandise Division
- Construction, Realty & Logistics Business Division
- CFO
- Planning & Administration Department

From left:
Nobuya Urashima, Chief Operating Officer, Forest Products & General Merchandise Division
Masatoshi Maki, Chief Operating Officer, Construction, Realty & Logistics Business Division
Noboru Fukushima, CFO
Minoru Araki, General Manager, Planning & Administration Department

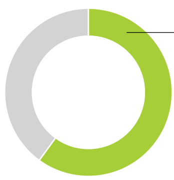
Percentage of the Total for ITOCHU (image)



Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)



Business Portfolio

Forest Products & General Merchandise Division	Construction, Realty & Logistics Division


Pulp production business (Brazil and Finland)


Natural rubber processing business in Southeast Asia


Domestic residential development business


Overseas real estate development business


Tire wholesale and retail business in Europe


Building material business in North America


Logistics facility development business


Logistics operations business

Overview of FYE 2016

Net profit attributable to ITOCHU was ¥25.6 billion, a year-on-year decrease of ¥10.3 billion. The decline was due to impairment losses on European tire-related companies, despite the positive impacts of higher trading income and earnings of associates and joint ventures, as well as a gain on sales of housing-materials-related subsidiaries in the United States.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	**2016**
Total assets	—	—	—	954.0	**810.8**
ROA	—	—	—	3.8%	**2.9%**
Trading income	—	—	—	33.2	**34.4**
Equity in earnings of associated companies / associates and joint ventures	—	—	—	14.3	**17.0**
Net profit attributable to ITOCHU	—	—	—	35.9	**25.6**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Kenzai Corp.	1.8	1.5	3.0	2.8	**1.7**
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	2.1	2.0	4.0	1.4	**3.7**
ITOCHU FIBRE LIMITED	—	2.4	6.5	5.9	**6.9**
European Tyre Enterprise Limited	(0.4)	2.2	5.1	4.7	**(29.9)**
ITOCHU Pulp & Paper Corp.	0.2	0.6	0.6	0.6	**0.9**
DAIKEN CORPORATION	0.2	0.3	0.6	0.7	**1.1**
ITOCHU Property Development, Ltd.	2.6	1.8	2.2	2.4	**2.8**
ITOCHU LOGISTICS CORP.	1.3	1.2	1.4	1.9	**2.1**
PT. KARAWANG TATABINA INDUSTRIAL ESTATE	0.6	0.8	1.8	2.0	**0.4**
[Subtotal]	[8.4]	[12.8]	[25.2]	[22.4]	**[(10.3)]**
Percentage of Total Employees			Consolidated (rounded)	17,500 (16%)	**16,000 (15%)**
			Non-consolidated	257 (6%)	**267 (6%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies			Japan	22 (16%)	**18 (14%)**
			Overseas	31 (15%)	**28 (14%)**

Earnings Opportunities for Growth

- Market expansion due to rising living standards of people in China and the ASEAN region
- Improvement in Japanese consumer sentiment
- Rise in demand for specialized and sophisticated logistics infrastructure services
- Demand for environmentally conscious products and construction materials
- Need for certified forestry products

Challenges to Address

- Hedging of market price fluctuation risk on commodity products (pulp, natural rubber, etc.) and housing
- Response to changing market needs and regulation in various fields
- Cultivation of overseas markets with prominent overseas partners
- Use of sustainable resources
- Harmony with local communities
- Assurance of traceability in raw materials

IN DEPTH

Accelerating the 3PL Logistics Business and Logistics Facility Development in Japan and Overseas

Logistics center of ITOCHU LOGISTICS (CHINA) CO., LTD.

Management Resources
Commercial distribution that a general trading company is uniquely positioned to provide and utilization of the ITOCHU Group's distribution network, specialization, and expertise

Creating Added Value

In recent years, distribution needs have grown more sophisticated and complex, leading to acceleration in the operation and development of advanced logistics facilities in Japan and overseas. ITOCHU LOGISTICS (CHINA) CO., LTD., has developed a distribution network that covers all of China, providing a supply chain for global companies. Recent brisk growth in sales over the Internet and a focus on the cold chain have led to efforts to develop added value going beyond the scope of distribution. In the real estate field, we have launched a logistics facility development project in the city of Wuxi, in China's Jiangsu Province, and we will consider further development plans to meet the demand. By combining the specialization and expertise we have cultivated in the 3PL logistics and logistics facility development businesses in Japan and overseas, we aim to configure an even more robust value chain in logistics-related businesses and reinforce our earnings platform.

IN DEPTH

Involvement with Pulp Producer METSA FIBRE (Stable Provision of Sustainable Forestry Resources)

METSA FIBRE's Joutseno mill

Reason for Importance from a Strategic Perspective

Finland's volume of pulpwood growth greatly exceeds its consumption, making it possible for the country to provide a stable supply of pulpwood on a long-term basis. Promoting the use of sustainable forestry resources and harmony with local communities are the key considerations.

Current and Future Actions

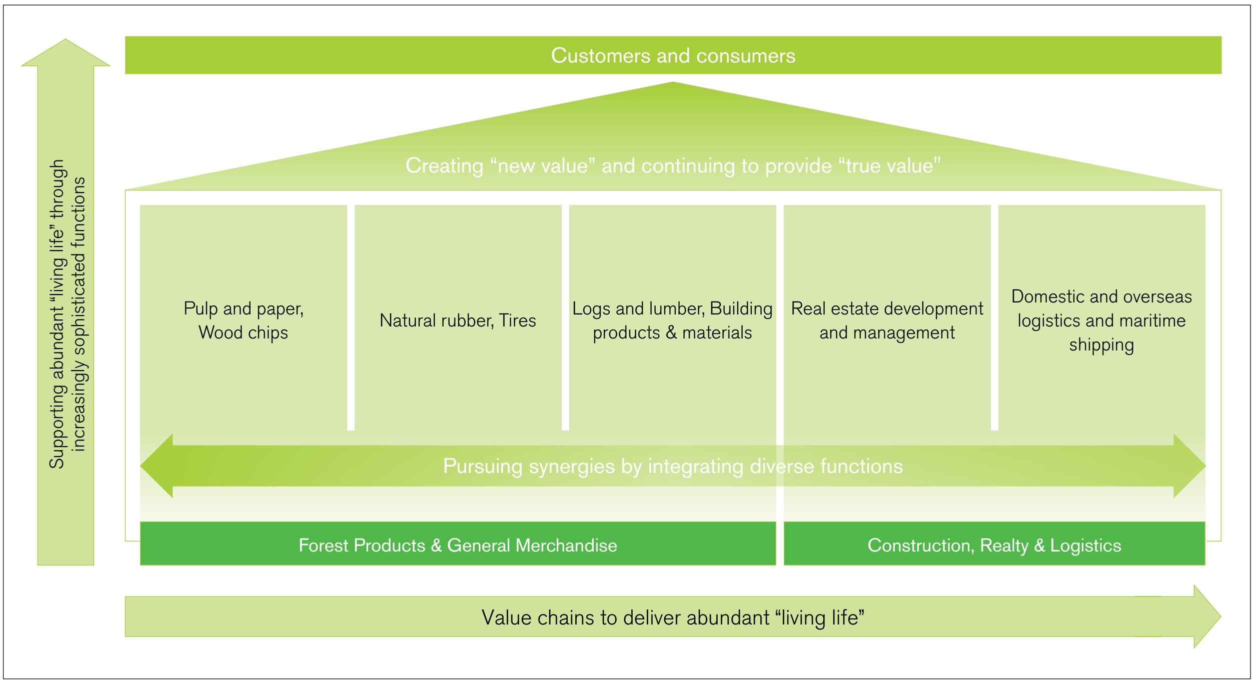
ITOCHU holds a 24.9% stake in METSA FIBRE Oy, a Finnish company that is one of the world's leading softwood pulp producers, providing some 2.3 million tons per year. We market the company's softwood pulp in the Asian market as an exclusive agent. As METSA FIBRE has decided to ramp up annual production by a substantial 800,000 tons, annual pulp production is expected to reach 3.1 million tons in 2018. In addition to promoting the use of sustainable forestry resources through business with excellent partners, we generate electricity in pulp production processes. We provide excess power to surrounding communities, helping to reduce regional fossil fuel consumption.

Medium to Long-Term Growth Strategies

This company, which is active in the consumer-related sectors of ITOCHU's operations, comprises the Forest Products & General Merchandise Division, which handles products closely linked to people's lives—paper and pulp, natural rubber and tires, wood resources and housing materials, etc.—and the Construction, Realty & Logistics Division, which is involved in housing, logistics facilities, and other development projects, as well as the logistics business, including 3PL and international transport. We work to provide new value to society through the comprehensive strengths and global networks these divisions possess, thereby contributing to more bountiful lifestyles. We will expand our portfolio through aggressive asset replacement, proactively develop our business to meet expected rises in consumption in China and other Asian markets, and promote collaboration with the CITIC and CP Group.

Meanwhile, we view societal and environmental issues as business opportunities. For instance, we consider ensuring stable forestry resources in the paper and pulp field and building businesses that achieve harmony with local communities to be priority issues. Accordingly, we strive toward sustainable forest management. In the condominium business, we take a customer/consumer viewpoint in providing environmentally conscious housing (energy-saving technologies, design, equipment, etc.) and offering universal design that suits housing for use by multiple generations. In addition to the quality control of products, we cultivate an energy-saving awareness among condominium inhabitants and take a proactive stance toward developing communities that foster connections between communities and residents.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



ICT & Financial Business Company

We intend to take the lead in the ICT and financial business, an area characterized by rapid change and where intelligence and speed are key. We aim to achieve further advances as a new company.

President,
ICT & Financial Business Company
Yoshihisa Suzuki

Strengths

- A solid position in the ICT field, and the creation of synergies through collaboration among the businesses
- Retail business development in the finance and insurance fields in Japan and overseas
- Provision of infrastructure services through various organizations with high levels of expertise

Business Fields

ICT

IT Solutions business, Internet-related services, Venture capital businesses, Mobile phone equipment and service, Broadcasting and communications business, Entertainment and content business, BPO business, Clinical development and sales support of pharmaceuticals, Outsourcing services for healthcare and preventive medicine, Fintech business

Financial & Insurance Business

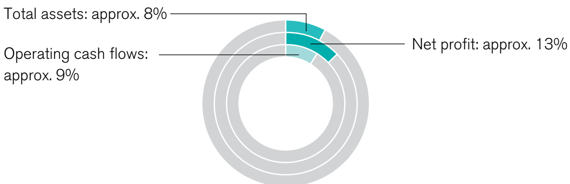
Finance for Companies and Projects, Global Consumer Finance (Credit Cards, Auto loans, loans), Insurance Brokerage, Reinsurance, Credit Guarantee, Fintech business

Organization

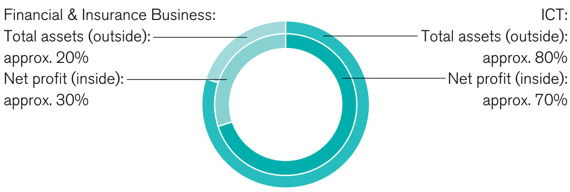
ICT & Financial Business Company
- ICT Division
- Financial & Insurance Business Division
- CFO
- Planning & Administration Department

From left:
Shunsuke Noda, Chief Operating Officer, ICT Division
Shuichi Kato, Chief Operating Officer, Financial & Insurance Business Division
Akira Tsuchihashi, CFO
Tadayoshi Yamaguchi, General Manager, Planning & Administration Department

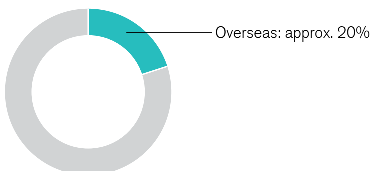
Percentage of the Total for ITOCHU (image)



Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)



Business Portfolio

ICT Division

IT solutions business

BPO service business

Satellite & communications business

Mobile phone distribution

Financial & Insurance Business Division

Global consumer finance

Corporate and project finance

Insurance underwriting business

Insurance distribution business

Overview of FYE 2016

Net profit attributable to ITOCHU grew ¥5.3 billion year on year, to ¥48.4 billion, due to the expansion of existing business and rises in trading income and equity in earnings of associates and joint ventures.

Business Results Note: Based on U.S. GAAP from FYE 2012 through FYE 2014

Billions of Yen

Years ended March 31	2012	2013	2014	2015	**2016**
Total assets	—	—	—	668.3	**684.8**
ROA	—	—	—	6.9%	**7.2%**
Trading income	—	—	—	39.8	**40.3**
Equity in earnings of associated companies / associates and joint ventures	—	—	—	20.5	**23.7**
Net profit attributable to ITOCHU	—	—	—	43.1	**48.4**
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Techno-Solutions Corporation	7.5	8.9	8.1	10.2	**10.4**
CONEXIO Corporation	1.5	4.2	5.4	2.9	**3.7**
BELLSYSTEM24 Holdings, Inc.*	—	—	—	1.7	**3.4**
Orient Corporation	(3.7)	(1.2)	2.7	3.0	**2.6**
ITOCHU Fuji Partners, Inc.	—	—	—	0.4	**2.3**
[Subtotal]	[5.3]	[11.9]	[16.2]	[18.2]	**[22.4]**
Percentage of Total Employees — Consolidated (rounded)				14,000 (13%)	**15,400 (15%)**
Percentage of Total Employees — Non-consolidated				160 (4%)	**176 (4%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies — Japan				21 (16%)	**26 (20%)**
Percentage of Total Number of Subsidiaries and Affiliated Companies — Overseas				10 (5%)	**8 (4%)**

* BELLSYSTEM24 Holdings, Inc. was merged by absorption into ITOCHU special-purpose company BCJ-15, which held the shares of BELLSYSTEM24 Holdings, Inc., and changed its corporate name on September 1, 2015. Results for the year ended March 31, 2015, are for BCJ-15.

Earnings Opportunities for Growth

- Expansion of the infrastructure services business in response to increasingly specialized and sophisticated business processes
- Creation and expansion of finance-related business opportunities connecting Japan and the rest of the world
- Initiatives in fintech and other new markets combining ICT and finance
- Business development using IoT to address a growing global population and falling birthrates and aging populations in industrialized countries
- Cultivation and support for business development by excellent companies in regional Japanese locations

Challenges to Address

- Further advances in customer-response quality and efficiency in the consumer-related sector
- Provision of business solutions to address increasingly complex and sophisticated business risks
- Initiatives in response to rapid industry restructuring and regulations in various sectors
- Thorough information management for ICT, medical, and financial business development
- Response to various laws and regulations in ICT & Financial business fields

IN DEPTH

The Business Process Outsourcing (BPO) Business

BELLSYSTEM24 Holdings, listed on the First Section of the Tokyo Stock Exchange (November 2015)

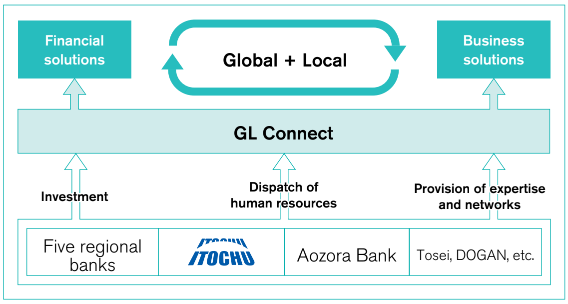
Management Resources
BELLSYSTEM24 Holdings' leading-edge BPO services and the comprehensive capabilities of the ITOCHU Group

Creating Added Value

In October 2014, ITOCHU invested and began participating in BELLSYSTEM24 Holdings, Inc., Japan's largest contact center operator. Since that time, ITOCHU has positioned BELLSYSTEM24 Holdings as a core company in the BPO sector, and worked to strengthen our operations in the non-resource sector, particularly the consumer-related sector. In August 2015, we concluded a comprehensive business partnership with BELLSYSTEM24 Holdings and ITOCHU Techno-Solutions Corporation (CTC). By combining ITOCHU's expertise in business expansion with CTC's leading-edge IT and BELLSYSTEM24 Holdings' operational know-how in customer service, we provide CRM and contact center service, a type of advanced BPO service.

IN DEPTH

Joint Business Development with Aozora Bank and Five Regional Banks, including Kagoshima Bank: Regional Revitalization Business



Reason for Importance from a Strategic Perspective

To create and expand business opportunities that connect Japan's regional and large cities with overseas locations, measures to proactively support overseas business development by regional banks' corporate customers, provide consulting functionality to support business expansion and finance functions related to commercial distribution, and invigorate regional economies constitute important policies.

Current and Future Actions

GL Connect Co., Ltd., a wholly owned ITOCHU subsidiary in the corporate finance business, underwent a capital increase through a third-party allotment of new shares, forming its first partnership with Aozora Bank, Ltd., and five regional banks including The Kagoshima Bank, Ltd. By organically integrating into a joint business entity with strengths in function, expertise, and information that its new shareholders possess, GL Connect aims to provide functions of both finance and creating business solutions, taking part in initiatives and business activities that will help to invigorate regional economies.

Medium to Long-Term Growth Strategies

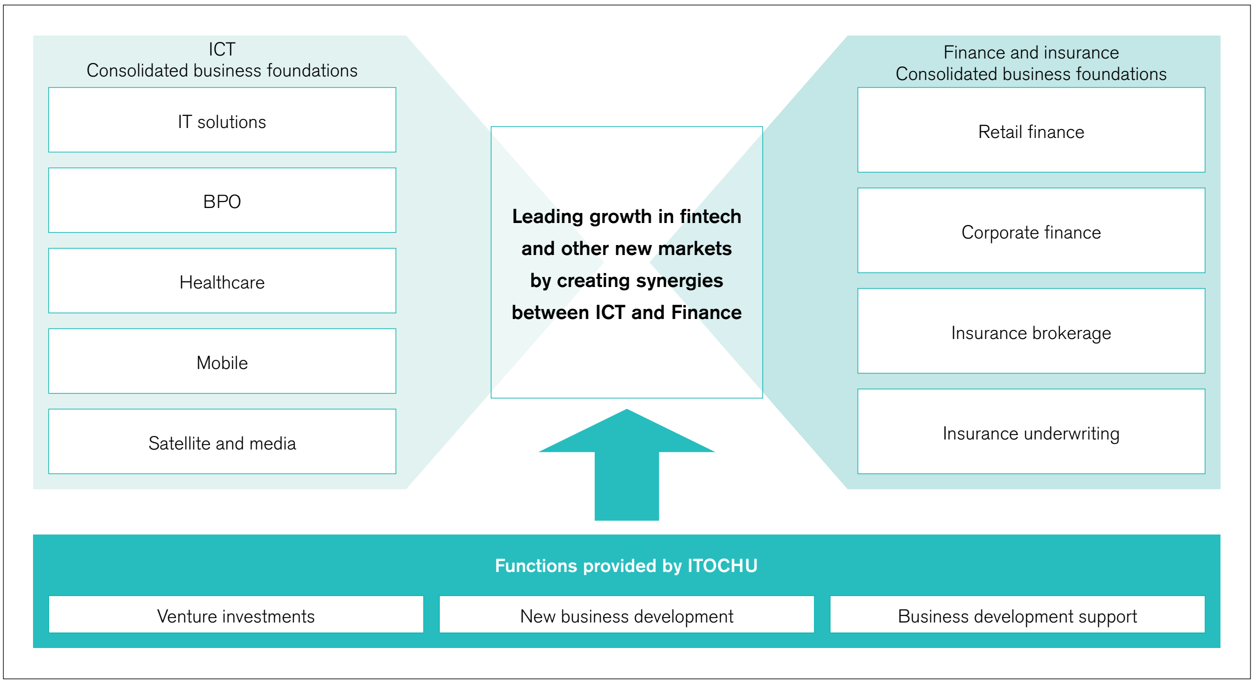
The ICT & Financial Business Company is developing its business in markets affected by rapid change. We comprise some of the Group's leading companies in various sectors of business. We strive to augment synergies between Group companies and undertake new initiatives to proactively provide support for changes in the operating environment, thereby expanding our business foundation.

In the ICT field, the additional development of leading-edge IT services is required to cultivate new markets. We will introduce some of the world's leading technologies through venture investment, using these technologies to lead the market and achieve ongoing growth by fostering the development of Group companies' business foundations.

In the finance and insurance fields, we will further emphasize our forte in the retail business and create a new investment and lending business targeting corporate customers. We also intend to bolster earnings further in our agency, brokerage, and reinsurance businesses.

Viewing social and environmental issues as business opportunities, in the ICT field we will provide indirect support to promote preventive medicine, which should help to increase the percentage of people undergoing medical checkups. In the finance and insurance fields, through collaboration with regional banks we intend to contribute to the revitalization of regional economies.

Medium to Long-Term Growth Strategies (Conceptual Diagram)



IR Activities

In FYE 2016, ITOCHU implemented various communications activities for analysts and institutional investors, overseas institutional investors, and individual investors. Through these activities, we explained our thinking, and the valuable opinions received were actively communicated to the management.
Principal investor relations (IR) activities were as follows.

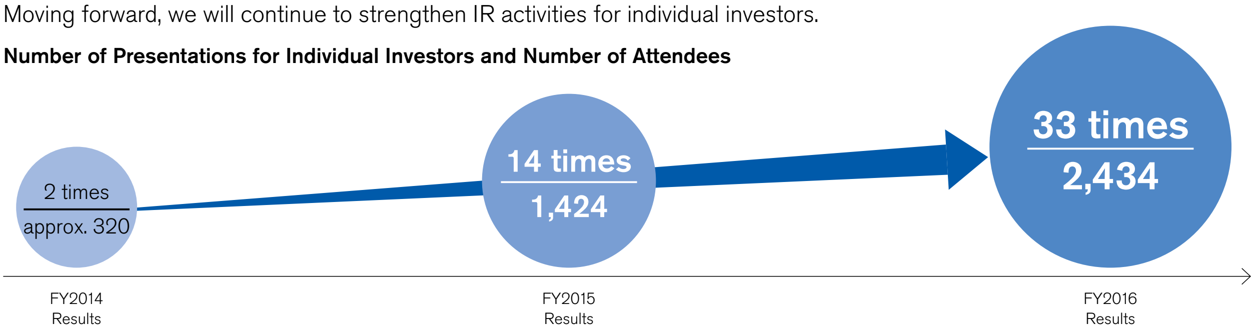
Activity	FY2014 Results	FY2015 Results	FY2016 Results
Number of separate meetings for institutional investors	455	457	408*
Presentations for analysts and institutional investors	4	4	4
Briefings on large-scale projects for analysts and institutional investors	—	2	—
Segment-specific briefings for analysts and institutional investors	1	—	1
Site tours for analysts and institutional investors	1	2	1
Overseas IR roadshow	6	8	8
Conferences sponsored by securities companies (Japan)	6	7	7

* Stopped preview meetings from December 2015

	FY2014 Results	FY2015 Results	FY2016 Results
Number of individual shareholders (as of the end of March)	147,032	162,624	**168,637**
Number of attendees at General Meeting of Shareholders	1,320	1,859	**2,202**

In FYE 2016, ITOCHU strengthened IR activities for individual investors. We increased the number of presentations for individual investors, and to increase understanding of ITOCHU among individual investors, we enhanced the contents of our website.
Moving forward, we will continue to strengthen IR activities for individual investors.

Number of Presentations for Individual Investors and Number of Attendees



External Evaluations of Annual Reports

2014

Second Prize in the Nikkei Annual Report Awards 2014

Outstanding company in the second WICI Japan Integrated Reporting Disclosure Award

2015

Award for Outstanding Performance in the Nikkei Annual Report Awards 2015

Outstanding company in the third WICI Japan Integrated Reporting Disclosure Award

For more information about IR
Investor Relations website
http://www.itochu.co.jp/en/ir/

- Financial statements
- TSE filings
- Shareholders and stock information
- Operating results and financial position, etc.

Inquiries for Annual Reports
IR Department : 81 (3) 3497-7295

Credit Ratings (As of June 30, 2016)

Credit Rating Agency	Long-term	Short-term
Japan Credit Rating Agency (JCR)	AA-	J-1+
Rating & Investment Information (R&I)	A+	a-1
Moody's Investors Service (Moody's)	Baa1	P-2
Standard & Poor's (S&P)	A-	A-2

Status of Inclusion in Indexes (As of June 30, 2016)

- JPX Nikkei Index 400
- TOPIX Large70 / TOPIX 100 / TOPIX 500 / TOPIX 1000
- Tokyo Stock Exchange Dividend Focus 100 Index
- Nikkei Stock Average (Nikkei 225)
- Nikkei Stock Index 300 / Nikkei 500 Stock Average / Nikkei JAPAN 1000
- Nikkei China Related Stock 50
- MSCI Japan Index
- S&P TOPIX 150
- Dow Jones Sustainability Index (World/Asia Index)
- Morningstar Socially Responsible Investment Index (MS-SRI)
- RobecoSAM Sustainability Award 2016 Gold Class, Industry Leader

Editorial Policy

ITOCHU emphasizes the role of this annual report as a communication tool to help promote a deep understanding among a wide range of readers in regard to ITOCHU's business models and business activities, which are unique internationally. Accordingly, in the preparation of Annual Report 2016, ITOCHU made its independent judgments while considering the disclosure framework of the International Integrated Reporting Council (IIRC). This report, which was prepared with a special emphasis on connectivity and conciseness, describes ITOCHU's various assets, functions, and initiatives, centered on the thinking of senior management and business models. ITOCHU hopes that this report will help readers to understand ITOCHU's true strengths as a general trading company. In addition, from this year's report, ITOCHU has narrowed down social and environment related information to factors that are highly important, especially from an economic perspective, and presented them in combination with business activities in two sections — Companywide Risk Management and Operating Segments. The Company has differentiated the annual report and the CSR website, which comprehensively discloses CSR-related information. Moving forward, we will aim to achieve further advances in integrated reporting.

Detailed Financial Information

For detailed financial information for FYE 2016, please see the Financial Section.

http://www.itochu.co.jp/en/ir/doc/annual_report/2016/pdf/ar2016e_FS.pdf

Reporting Scope and Other Items

- **Reporting Period**
  April 1, 2015 to March 31, 2016
  (Certain sections include activities occurring in or after April 2016.)
- **Reporting Scope**
  ITOCHU Corporation and the ITOCHU Group
- **Accounting Standards**
  Unless otherwise noted, this report is prepared in accordance with U.S. GAAP through FYE 2014, and with IFRS for FYE 2015.

ITOCHU Corporation

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