



ITOCHU Corporation

## Annual Report 2018

For the Year Ended March 31, 2018





*Brand-new Deal 2017*

—— Set strategic steppingstones to the Chinese and other Asian markets ——



*Brand-new Deal 2014*

—— Enhance earning power by overweighting investments in the non-resource sector ——



*Brand-new Deal 2012*

—— Establish an infrastructure to show “individual capabilities” ——

金澤朝子書

# Dramatically Increasing Corporate Value

Since FYE 2012, we have worked to unleash our strength in three areas: “individual capabilities,” “earning power in the non-resource sector,” and “experience and track record in China and other parts of Asia,” while leading in a new era for general trading companies.

## Consolidated Net Profit (Net Profit Attributable to ITOCHU)

**¥161.1 billion**

FYE 2011



Approx.  
2.5 times

**¥400.3 billion\***

FYE 2018

## Share of Group Companies Reporting Profits

**78.1%**

FYE 2011



+12.9 pts.

**91.0%\***

FYE 2018

## Cash-Generating Power (Core Operating Cash Flows)

**¥282.0 billion**

FYE 2011



Approx.  
1.6 times

**¥460.0 billion\***

FYE 2018

## Dividends per Share

**¥18**

FYE 2011



Approx.  
3.9 times

**¥70\***

FYE 2018

## TSR

**Approx. 240% in 8 years**

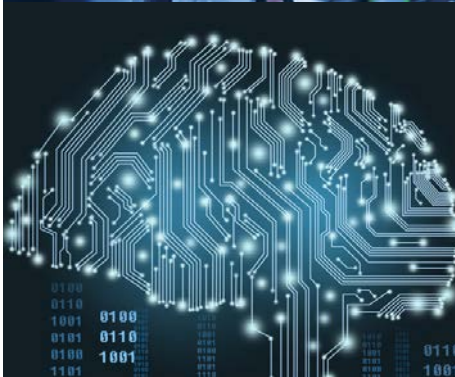
TOPIX: approx. 108% / Average of other 4 leading general trading companies: approx. 78%

## Long-term Credit Rating

**Received Moody's **A** rating (A3)  
for first time in around 20 years**

Acquired A rating from all four major credit rating agencies

\* Record-high



The “Fourth Industrial Revolution,” making use of leading-edge technologies such as artificial intelligence (AI), the Internet of Things (IoT), and the blockchain, are transforming the entire global industrial structure.

By applying the corporate DNA of taking on challenges that has enabled us to overcome adversity, we are boldly advancing our business model to help drive us forward.



Medium-Term Management Plan

# ***Brand-new Deal 2020***

**ITOCHU: INFINITE MISSIONS: INNOVATION**

The ITOCHU logo is located in the bottom right corner of the main image area. It consists of the word "ITOCHU" in a bold, blue, sans-serif font, with a stylized blue brushstroke graphic above it.

**With a rich history spanning over 160 years,  
ITOCHU is excited to create a bright future founded on innovation.  
New technologies, new businesses, new lifestyles, new values.**

**These are our core strengths in trading.**

**With innovation, these strengths will bring about an even more  
dynamic ITOCHU and an era of transformation.**

(⇨ Page 38 New Medium-Term Management Plan)

In compiling this annual report, ITOCHU focuses on two functions in particular: (1) providing an in-depth understanding of its unique business model to a wide range of readers around the world, and (2) effectively explaining the process and the possibilities of achieving sustainable long-term enhancement of corporate value.

Annual Report 2018 was compiled based on this focus with consideration paid to the disclosure framework of the International Integrated Reporting Council (IIRC). Special emphasis was also placed on connectivity and relationships with stakeholders. Some 160 years have passed since the Company's founding, and we are preparing for a "second founding." In this report, we have included an explanation of our fundamental way of thinking, which involves promoting "Reinvented Business" while anticipating changes. Furthermore, we have inserted clear explanations regarding initiatives aimed at achieving sustainable enhancement of corporate value based on the competitive edge we have cultivated over many years and

on present risks. These initiatives include sustainable financial and capital strategies, human resources strategies leading to improvements in labor productivity, and a deepening of environmental, social, and governance (ESG) based on our "sampo yoshi" philosophy. The content of this annual report has been limited to information on matters that can have a substantial influence on ITOCHU's corporate value. A more comprehensive range of investor relations; ESG; and other information has been disclosed on ITOCHU's corporate website for easy access by various stakeholders around the world. We have used annual reports as tools for communication with investors and are aware of the current trends surrounding "Guidance for Collaborative Value Creation."

Moving forward, we will aim to further improve our annual reports, with enhancements such as further reflection of reader opinions.



**Reporting Scope and Other Items**

**Reporting Period:** April 1, 2017 to March 31, 2018

(Certain sections include activities occurring in or after April 2018.)

**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 from FYE 2015.

**Terminology:** Throughout this report, "consolidated net profit" has been used to refer to "net profit attributable to ITOCHU."

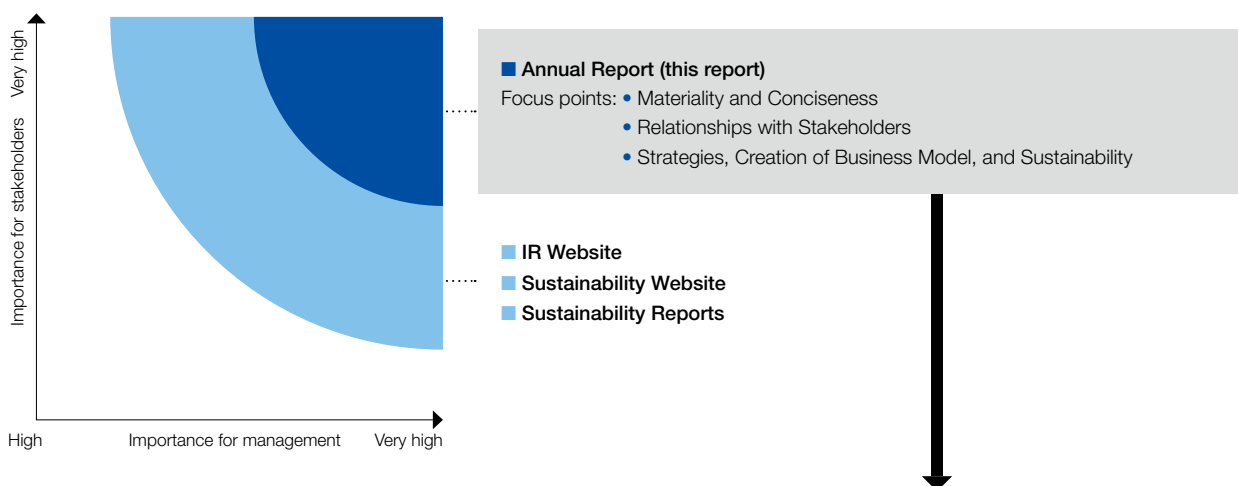
**Reporting Scope and Other Items**

For detailed financial information for FYE 2018, please see the Financial Section.

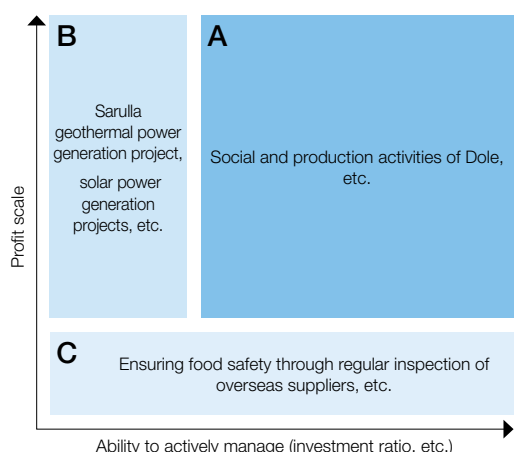
[https://www.itochu.co.jp/en/ir/doc/financial\\_section/](https://www.itochu.co.jp/en/ir/doc/financial_section/)

Inquiries for Annual Reports

IR Department: ☎ 81 (3) 3497-7295



ESG information is selected for inclusion in annual reports based on profit scale.



**Contained in Annual Reports**

**A. High-profit businesses that ITOCHU can actively manage**

These are businesses that are highly important in terms of opportunities and risks and in which ITOCHU is highly active in management due to it possessing a high degree of control.

**B. High-profit businesses in which ITOCHU has limited involvement in management**

These are businesses that are highly important in terms of opportunities and risks and in which ITOCHU has limited involvement in management due to low investment ratios or other factors.

**Contained in Sustainability Website / Sustainability Reports**

**C. Businesses with low earnings capacity over the short term**

These are activities that will have only a small financial effect over the short term. However, as these activities have significant social value, ITOCHU is participating in them to take advantage of opportunities and address risks over the long term.



**For more information about Sustainability**

**Sustainability website** <https://www.itochu.co.jp/en/csr/>

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

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## Cover Image

This image represents the "individual capabilities" that are one of ITOCHU's strengths. It expresses the form of our employees' vigorous contributions to "Reinvented Business" as they take charge of our "infinite missions" as "individual merchants."

## Forward-Looking Statements

Data and projections contained in this report are based on the information available at the time of publication, and various factors 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 practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

# ITOCHU's Spirit That Goes Beyond Generations



Origin: 1858

## *Sampo Yoshi*

ITOCHU was founded in 1858 by Chubei Itoh, a merchant involved in the linen trade.

The base of Chubei Itoh's business was the spirit of *sampo yoshi* (good for the seller, good for the buyer, and good for society), which was a management philosophy of merchants in Ohmi, the province where he was born. That spirit is evident in Chubei Itoh's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society." This spirit has been carried down through the Company's DNA to this day as "ITOCHU-style" sustainability.

The new head office, built in 1915 (Osaka)  
The building was unusual at the time, being a large-scale building fitted with elevators and other modern equipment.

## Passing on the Management Baton



Chubei Itoh I



Chubei Itoh II



Takenosuke Itoh



Uichiro Kosuga

1949–1960



Masakazu Echigo

1960–1974

Period of appointment as CEO  
(after the establishment of  
ITOCHU Corporation in 1949)



ITOCHU maintains its mercantile spirit and a “*sampo yoshi*” management philosophy that have led the Company to overcome adversity over numerous generations for 160 years. Seeing unprecedented structural changes as business opportunities, we are boldly undergoing a process of self-transformation. Even so, we will remain true to the values that we have followed since our founding. We will continue to fulfill our “infinite missions” for all stakeholders as we carve out a new history for ourselves.

Present

## I am One with Infinite Missions

The Corporate Message—I am One with Infinite Missions—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.”



Seiki Tozaki

1974–1983



Isao Yonekura

1983–1990



Minoru Murofushi

1990–1998



Uichiro Niwa

1998–2004



Eizo Kobayashi

2004–2010



Masahiro Okafuji

2010–

President & COO  
Yoshihisa Suzuki

2018–

# CEO MESSAGE

## ITOCHU responds boldly to change. Our corporate culture of staying ahead and taking on challenges will come into its own as we evolve into a “next-generation merchant.”

FYE 2018 marked our second consecutive year of posting record-high consolidated net profit.

We also met the goal we had committed to under “Brand-new Deal 2017,” our medium-term management plan: “build solid earnings base to generate ¥400.0 billion consolidated net profit.”

In FYE 2019, the 160th anniversary of our founding,

we are launching a new medium-term management plan, “Brand-new Deal 2020.”

Under this plan, the ITOCHU Group will pull together as it takes on altogether new challenges.

Moving toward our vision as a “next-generation merchant,” we will keep evolving in line with the “earn, cut, prevent” principles that are the hallmark of our business.

(⇒ Page 36 “Brand-new Deal 2017” (FYE 2016–2018) General Review, Page 38 New Medium-Term Management Plan)

**Masahiro Okafuji**

Chairman & Chief Executive Officer



### Rereading My Policy Speech

One day in April 2010, my legs seemed heavy as I trudged from Osaka to Tokyo. Earlier, on February 11, 2010, I was told to take over the reins from President Kobayashi for the next term of office. I still recall that day vividly. A cold rain was falling as I contemplated the weighty responsibility of taking the helm of a company with more than 150 years of history and the responsibility for supporting the families of more than 60,000 employees on a consolidated basis. Until that point, most of the Company’s presidents had hailed from Corporate Planning in the Tokyo head office. It had been 36 years since someone from the Textile Company had been appointed to the office. I suppose one reason my legs felt heavy was because I felt I was coming from a tributary business—a Division Company headquartered in Osaka, far away from Tokyo, and one that had shrunk in scale.

The first few years were lonely, as I racked my brains to work out a future vision for the Company and figure out how to get there. The goal I came up with was to become a company that can stand shoulder to shoulder with the top general trading companies (*sogo shosha*) that hail from Japan’s large *zaibatsu* industrial groups. This goal was easier to express than achieve, of course, and few people shared my enthusiasm. After all, at the time we were solidly

in fourth position in the industry. Unable to give full voice to the true dream, I instead set a goal that all employees could get behind and that we were capable of achieving. This belief stiffened my resolve to go back to the “basics of being a merchant,” applying my experiences of success during my time at the Textile Company. I consolidated those concepts into my policy speech. Over the next eight years, I held those thoughts in my mind, occasionally stopping to reread the speech. We took steady steps to move toward our goals, becoming the No. 3-ranked *sogo shosha*, moving to become the No. 1 *sogo shosha* in the non-resource sector, and then embracing an era of two leading general trading companies. Slowly, we began realizing the dream, and now the entire ITOCHU Group seems a monolith of solidarity. The sense of loneliness I felt when I was first appointed has been swept away, and now all the employees of ITOCHU Group feel like family to me.

Viewed from the outside, the process may appear to have been all smooth sailing, but I was always urged on by a sense of crisis as I tried to work out however we could progress. In general, I think CEOs tend to be optimists; I, on the other hand, am somewhat of a pessimist. Again feeling a major sense of crisis, I reread my policy speech and think, “We need to get back to the basics.”



## Sogo Shosha Facing Major, Unprecedented Threats

I feel a major sense of crisis in the fact that even now *sogo shosha* are fully immersed in the old economy. As market conditions change, technology progresses, and initiatives toward a carbon-free society go into effect, some resources may become essentially valueless.

In November 2017, I went to the United States to get a sense of the current state of business there. I came face to face with the global trend toward convergence of the Internet and the physical world, seeing how one major e-commerce company was working to gain a foothold in bricks-and-mortar stores by acquiring a supermarket. I saw how companies that had been founded only recently were combining the germ of an idea with IT technologies to grow into huge entities in a short time. Over the past decade, in the US and Chinese stock markets the top five companies by market capitalization have shifted; formerly dominated by smokestack industries, the top companies are now in the IT field. In that same period, however, the lineup in Japan has remained largely unchanged. Being in Japan, where regulations are slow to change, it is easy to have the illusion that the tectonic shifts taking place at breathtaking speed across the world in all manner of industrial fields—some of the biggest changes since the Industrial Revolution—are limited to certain countries and specific fields. However, turning our eyes away from the outside world as Japan did during its isolationist era could be dangerous for the country as a whole.

Looking back, *sogo shosha* have faced many difficult, “wintry” periods. By investing in the upstream and downstream areas of product distribution and gaining more

sophisticated functions, the industry has been able to overcome the “disintermediation” that was once perceived as a serious threat. However, the threat the industry faces from the “Fourth Industrial Revolution” has an altogether different aspect. To date, general trading companies have relied on their contacts with companies in smokestack industries, but the influence of these companies is waning, and *sogo shosha* currently have only limited contact with the companies that are leading the current revolution. Furthermore, these new companies have business models that distribute goods in a variety of ways that do not require the intermediate distribution function that has historically been a core skillset for *sogo shosha*. Large *sogo shosha* are all reporting favorable earnings; in FYE 2018 combined profits came to around ¥2 trillion. That being said, I believe expansion along the same vector is limited. I think *sogo shosha* will face the limitations of their current business models in the not-too-distant future.

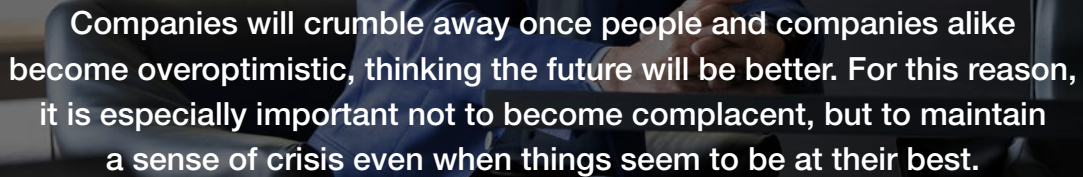
## No Time to Be Complacent

The second sense of crises I feel is toward ITOCHU.

In FYE 2018, the final fiscal year of “Brand-new Deal 2017,” we met many goals. Consolidated net profit reached a historic high for the second consecutive year, and we achieved record high in gross trading profit, trading income, and equity in earnings of associates and joint ventures. By building an earnings base less affected by resource prices, we succeeded in one of our basic policies, “build solid earnings base to generate ¥400.0 billion level consolidated net profit.” By working together, the ITOCHU Group pursue the “earn, cut, prevent” principles, and we reached new heights in profits/losses of Group companies, the share of Group companies reporting profits, and profits from companies operating in the black, all of which contributed substantially to our record levels of consolidated net profit. By recognizing an impairment loss to reduce future risks, we ranked third in consolidated net profit, but core profit, which excludes one-time profits and losses, exceeded ¥400.0 billion for the first time. These results show how we have steadily reinforced our earning power. We had committed to generating core free cash flows of “over ¥100.0 billion +α;” the actual figure was ¥175.0 billion. Also, net debt-to-shareholders’ equity ratio (NET DER) reached the lowest level to date, at 0.87 times. These results demonstrate that we have fully met our other basic policy, “strengthen our financial position.” As a result, we achieved another major objective—obtaining an A rating from Moody’s—a dearly held wish for around 20 years. (⇒ Page 42 CFO Interview)

As we continue our forward march, we will often face imminent crisis. Having gloried in the days of Japan’s bubble economy, we had to address a legacy of losses when the bubble burst. The existential crisis we faced at that time is still fresh in my mind. A newer memory is of how





**Companies will crumble away once people and companies alike become overoptimistic, thinking the future will be better. For this reason, it is especially important not to become complacent, but to maintain a sense of crisis even when things seem to be at their best.**

general trading companies benefited from high resource prices. After posting unprecedentedly favorable results, the global financial crisis occurred, bringing us to another crossroads. This cycle has repeated itself numerous times. Companies will crumble away once people and companies alike become overoptimistic, thinking the future will be better. For this reason, it is especially important not to become complacent, but to maintain a sense of crisis even when things seem to be at their best.

### **Create a Brighter Future Founded on Innovation ITOCHU : Infinite Missions : Innovation**

I am always reluctant to give on-the-spot interviews at the New Year's parties hosted by Japan's three economic organizations. This is because I am not good at improvising serious discussion in front of large groups of people. Therefore, I put a good deal of effort into preparing answers beforehand as usual. This year, my talk emphasized "innovation" as a keyword for 2018.

At a voluntary early-morning study session in May 2018, a room with space for 400 people was packed full of employees. The theme was "leading-edge technology trends." I have already expressed the sense of crisis I felt in a number of situations. Attendance at this session helped reassure me that ITOCHU Group employees share this sense of crisis, and even today our corporate culture of staying ahead and taking on challenges is alive and well.

We do not take a reactive approach to dealing with threats. I am confident that the ITOCHU Group will confront its new competitive environment, fueled more than ever by a fighting spirit. Our new medium-term management plan, "Brand-new Deal 2020," prepares us to "create a bright future founded on innovation." We will anticipate change and push forward vigorously with "reinvented business."

We have pursued business in a broad range of industrial fields in the 160 years since our founding, and we have cultivated assets throughout this time. These assets include a variety of strengths, including technologies, know-how, and our customer base. As an example, FamilyMart Co., Ltd. has some 17,000 stores across Japan that are visited by around 15 million people each

day. E-commerce is making inroads, but physical stores still account for more than 90% of personal consumption, so having a network of stores in good locations is a major strength, as it allows us to obtain purchasing information from valuable consumer contact points. YANASE & CO., LTD. enjoys strong customer loyalty from the wealthy customers who purchase its luxury cars. NIPPON ACCESS, INC. operates approximately 10,000 trucks from 550 locations around Japan, providing a nationwide low-temperature distribution network that is unrivaled in Japan. We see this network as a competitive advantage, as we believe distribution is key to the fusion of the digital and physical worlds.

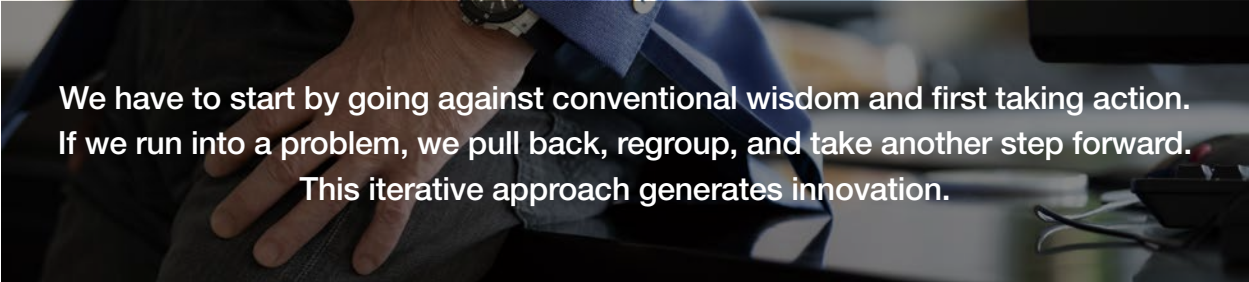
In the textile industry, conventional retailers such as department stores and general merchandise stores are hard-pressed, while e-commerce companies have built up extremely streamlined business models. For instance, START TODAY CO., LTD., which operates ZOZOTOWN, has grown into a company with market capitalization of more than ¥1 trillion. This example illustrates how companies can grow even in mature markets by changing the way they sell, taking their cue from shifts in how and where consumers make purchases.

The "reinvented businesses" do not involve large-scale investments in e-commerce and IT companies, and often we need not look to entirely new fields of business. By combining the tangible and intangible assets of our existing businesses with new technologies, we believe we can create business models updated for a new era—what we refer to as "reinvented business." (⇨ Page 51 Toward "Reinvented Business")

All general trading companies are fumbling along as they attempt to make progress on their business models. We believe we are particularly well-positioned to take the lead in innovation because of our strength in the non-resource sector, specifically the consumer-related sector such as textiles and food.

### **Issues on the Road to Reinvention**

These days, I often find myself telling employees "Why not just give it a try? If it doesn't work out, you can try something different." Our morning-focused working system was



**We have to start by going against conventional wisdom and first taking action. If we run into a problem, we pull back, regroup, and take another step forward. This iterative approach generates innovation.**

one such approach. Reinvention requires us to revise our approaches to business. We have to start by going against conventional wisdom and first taking action. If we run into a problem, we pull back, regroup, and take another step forward. This iterative approach generates innovation.

To ensure the ideas are not easily crushed, together with our corporate culture of “taking on challenges,” a culture of “taking on challenges again” will also come into its own.

One major pillar of this “reinvention” is FamilyMart UNY Holdings Co., Ltd. (⇒ Page 30 Our Business Model, as Seen through a Functional Example). By introducing new technologies and services from the ITOCHU Group and its alliance partners, we will pursue reinvention, centered on FamilyMart UNY’s existing value chain. As part of this initiative, we will pursue optimization, involving NIPPON ACCESS, in logistics; ITOCHU Techno-Solutions Corporation to help enhance operating efficiencies; POCKET CARD CO., LTD., which provides financial service functionality; as well as further alliances with various other operating companies. In April 2018, we announced our decision to increase our stake, making FamilyMart UNY Holdings a subsidiary through a tender offer. This acquisition has several aims, including protecting from potential acquirers that aim to benefit from the substantial value of the company’s physical stores. Our foremost objective for making it a subsidiary, however, was to reinforce and transfigure its value chains led by us. As for FamilyMart, through our existing alliances with strong partners, particularly in China and other parts of Asia, we intend to work with these partners to promote business development overseas.

E-commerce companies are “professionals at selling” by leveraging IT. Taken to the extreme, they require no “product professionals.” ITOCHU, meanwhile, has seven Division Companies that have face-to-face contacts with different industries. For example, the Food Company is segmented into specialized fields that deal with specific product types, such as coffee, tuna, and bananas, which is an issue when creating a cross-industry framework. As a first step, under the direction of the Chief Strategy Officer (CSO), we have created a new cross-field organization, and we will leverage the technologies of our Division Companies to support alliances among operating

companies, partners, and venture companies. We plan to continue addressing this issue, as silo-like organizations tend to be an impediment to cross-company initiatives.

As part of the reinvention process, we will require cooperation with e-commerce and IT companies, as well as companies from other industries. We will consider collaboration with a wide range of partners, closely examining cooperation to ensure that such relationships are sufficiently beneficial to ITOCHU in terms of augmenting corporate value, as well as to its partners.

### **Balancing New Blood with Management Continuity**

I often look back on my working life and consider whether this is the best path for my life to take. I also want to spend more time with my family as I grow old. Remaining the president of a *sogo shosha* that operates across a broad range of fields is quite difficult. By forming a capital and business alliance with Don Quijote Holdings Co., Ltd. and FamilyMart UNY Holdings we will be able to address one concern we had been facing, namely the benefits of the general merchandise store business. Also, I recognize that my being in office for eight years is exceptional for ITOCHU, and if I were to continue in my role as president, the impact when I retire would be greater. I thought it was time to change the management team to prepare for the next generation of the Company, as well as to change the awareness among employees. For this reason, I communicated to the Company’s Nomination Committee that I would not be continuing in my role.

Some issues remain, such as generating synergies from our alliances with the CITIC Group and the CP Group. We need to maintain our relationships with the groups’ top management, but my understanding is that in China, position within the company is of particular importance, rather than the individual. Also, to further strengthen management throughout the ITOCHU Group, we need to control the numerous presidents of the ITOCHU Group companies of my generation who have extensive experience. The Nomination Committee strongly requested that I continue. The committee’s argument was the Company required a combination of management continuity and “new blood,”

in order to move the business model forward. After much deliberation, we came to a solution. I proposed a new management structure in which I would become the Company's first Chairman and Chief Executive Officer (CEO), retaining the CEO title, while Yoshihisa Suzuki, President of the ICT & Financial Business Company, would be appointed President and Chief Operating Officer (COO). After meeting with Mr. Suzuki a number of times, the Nomination Committee approved the idea. For the foreseeable future, therefore, I will formulate management strategy for the overall ITOCHU Group and be in charge of the strategies of key operating companies and of maintaining relationships with important business partners. Meanwhile, the President and COO will oversee overall execution at ITOCHU, take charge of anticipating global trends, and consider and promote new "earning" businesses. I think this approach will enable us to maintain a good flow while steadily cultivating the next generation (⇨ Page 56 Next-Generation Management Structure).

Mr. Suzuki, who has a technical background, is interested in and well versed in new technologies. He has had a spectacularly successful career, becoming an executive officer in his 40s. At the same time, he experienced the global financial crisis during a post as President of a US subsidiary, and understands firsthand that taking on challenges does not always lead to success. Not losing heart, at the young age of 55 he became President of JAMCO Corporation, a manufacturer of aircraft interiors, helping the company rebound following the damage it suffered in the Great East Japan Earthquake and shepherding it to a listing on the First Section of the Tokyo Stock Exchange. Having experienced both success and frustration, I think he is an excellent choice for taking on new challenges.

### Making Sure Employees Feel They Have Found Their True Home

I am a firm believer in the idea that with people, what lies inside is the important part, rather than what you see on the outside. That being said, I think that conducting coordination, which requires employees to think of all sorts of things, enhances the flexibility of their imagination. On the day we presented our operating results for FYE 2018, I was wearing a lilac jacket and denim, because that was the first day of "dress-down+," which we had introduced in May. We introduced this policy in the belief that providing a constant stimulus was important training in creativity, which would be required in the business of the future. As I have always said, our human resources policies are positioned as part of our management strategy.

On a non-consolidated basis, we have fewer employees than any other large *sogo shosha*. To compete, we need to have better labor productivity. Also, with labor shortages becoming the norm, securing superior human

resources is difficult. We have taken the lead in introducing work-style reforms, such as our morning-focused working system. As a result of our forward-looking efforts in this regard, we have been selected as a Health & Productivity Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. We have also won a number of awards from the Ministry of Health, Labour and Welfare. In numerous rankings of places of employment, we have scored top among *sogo shosha*, and we are a favorite among students, too. We take care not to unilaterally impose reforms on employees. Rather, management aims to ensure an employee focus, which I believe is the reason our programs have taken root. For instance, under our morning-focused working system we provide employees with breakfast and pay an overtime allowance for hours worked in the morning.

Under "Brand-new Deal 2020," we place human resource strategies such as "smart management" and "No. 1 health management company" alongside "reinvented business" as strategic pillars, and we aim to lead the industry in labor productivity (⇨ Pages 58–63). I have a special place in my heart for this strategy, which we explain in line with our basic policies as "ensure employees feel motivated and rewarded in their work and become the best company for employees' families as well."

In spring of 2017, an employee died of cancer. Prior to his death, he saw an article in which ITOCHU had ranked second overall in a magazine's ranking of "companies where employees are happy." After reading the article, he sent me a message indicating his gratitude for the Company's support, saying "For me, ITOCHU is the best company in Japan." Reading his words, I made a vow. I was convinced that we could bring significant energy to bear in ensuring a true home for our people, whether healthy or struggling with illness. Based on this conviction and in the belief that people fighting illness were "family members," I vowed that ITOCHU would support employees with serious illnesses both physically and emotionally. This background is behind our introduction of "Support Measures for Balancing Cancer Care and Work." (⇨ Page 63 "Support Measures for Balancing Cancer Care and Work")





The number of employees who are working hard while at the same time fighting cancer and other serious diseases is not insignificant. I find it encouraging to see many people who have returned to work after a battle with illness and gone on to achieve remarkable results. We are indeed a company where people who work hard can take on new challenges.

### **Learning through Reflection**

It is my character to be prudent—some would even call me a worrier. It is my practice to take a step, stop and reflect, and then move forward again. When announcing our results for FYE 2018 and the briefing session for the new medium-term management plan, I once again learned a lesson in self-reflection.

I consider enhancing corporate value to be my topmost responsibility. I do my best to manage the Company by aligning myself with the perspectives of shareholders and investors. I am fully aware that a company's stock price can be considered as a manager's scorecard. General trading companies' stock prices have tended to be low in relation to profit levels. In my understanding, one reason is the volatility of operating performance caused by resource prices. Since the start of our plan, my overriding priorities have been to build an earnings base that can generate stable profit independently of resource prices and to earn the trust of shareholders and investors. Also, from the very beginning I have been firmly committed to reaching the plan's numerical targets that have been announced. Each year, we paid historically high levels of annual dividends. In FYE 2018, we paid dividends of ¥70 per share, ¥6 higher than the ¥64 dictated by our dividend formula. These dividends were 3.9 times the level we paid in FYE 2011 and the highest rate of increase for a *sogo shosha*. Assuming we deliver consolidated net profit of ¥450.0 billion in FYE 2019, which would be a record high for the third consecutive year, we plan to raise dividends again, by ¥4 per share, to ¥74 (minimum).

Looking at the one-year period from April 2017, other general trading companies revised their performance outlooks upward several times, due to rising resource prices. Even so, we recorded the highest percentage growth in our share price. Also, our share price has risen each year since April 2010, in contrast with other *sogo shosha*. I believe this rise in share price attests to the evaluation of our management by shareholders and investors.

Our share price fell sharply the day after we announced "Brand-new Deal 2020," our new medium-term management plan, which coincided with our earnings presentation in May 2018. The drop seemed to come from a misunderstanding that we were diverging from our previous stance of "turning words into accomplishments." This misunderstanding stemmed from the facts that first, we had left our conventional dividend formula unchanged, and second, differently from our previous medium-term management plan, the new plan provided qualitative rather than quantitative targets for consolidated net profit and minimum per-share dividends from the second year onward. In addition, our new plan was perceived as abstract and difficult to understand.

In a time when changes in the management environment are accelerating, accurately judging the situation three years into the future is difficult. That said, as in the past we had set a quantitative single-year target, based on the belief that regardless of conditions corporate management needed to be able to ascertain the situation one year hence and meet the goals it had committed to. Bearing in mind the ITOCHU Group's consistent growth and increases in corporate value, we aim to achieve steady increases in operating performance from the second year onward. To do so, we aim to turn our words into accomplishments with a focus on further enhancing our existing businesses. Along with this short-term perspective, we have positioned the three years of "Brand-new Deal 2020" as a period for turning new businesses into reality and accumulating know-how. In this manner, we will pursue business from a



medium- to long-term perspective. I believe we need to ensure that our current foundation is solid and take a deep breath before making a major leap forward.

Given this background, I recognize that I was somewhat overly cautious, and that I did not respond fully to the market's expectations. Learning from this experience, I plan to do a better job of staying in tune with the market.

### The Key to Achieving Sustainable and Long-Term Increases in Corporate Value

From a longer-term perspective, we plan to significantly cultivate our strategic business alliance and capital participation with the CITIC Group and the CP Group in the interest of achieving sustainable increases in our corporate value. We will keep putting every effort into this initiative even under "Brand-new Deal 2020."

I am aware that progress on synergy investment projects has been slower than planned, due to such factors as the impact of China's anti-corruption campaign. As a result, the scale and speed of our efforts to generate synergies have been below our initial expectations. The National Congress of the Communist Party of China outlined its policy of strengthening state-owned enterprises, improving the environment for promoting cooperation, and we are moving forward with discussions on cooperative business with the two groups. One attractive possibility is to cooperate on the convenience store business in China. In addition, even more than in the United States, China is leading the charge in leading-edge businesses such as mobile payments, drones, and electric and plug-in hybrid vehicles. By leveraging networks in China, including those of the CITIC Group and the CP Group, we are also looking to participate in businesses that are pursuing technological innovation ahead of Japan. Through the culmination of individual measures such as these, we expect to increase the corporate value of the CITIC Group and the CP Group, as well as their sluggish share price.

To spearhead efforts to build a foundation for expanding business in China over the medium to long term, in FYE 2016 we launched a project to increase our number of Chinese-speaking employees from around 300 to 1,000. We had met that goal as of March 31, 2018. This 1,000-strong corps accounts for around one-third of ITOCHU's employees in career-track positions, and is of an

unprecedented scale among Japanese companies. To celebrate meeting this goal, in April 2018 we held the ITOCHU China 1,000-Talents Gathering. This celebration was marked by the attendance of Mr. Cheng Yonghua, the Chinese Ambassador to Japan; Mr. Yang Xiaoping, Vice Chairman of the CP Group; and Mr. Pu Jian, Vice President of CITIC Ltd. We understand that in the following days, the ambassador communicated our initiatives to the highest authorities in the Chinese Communist Party.

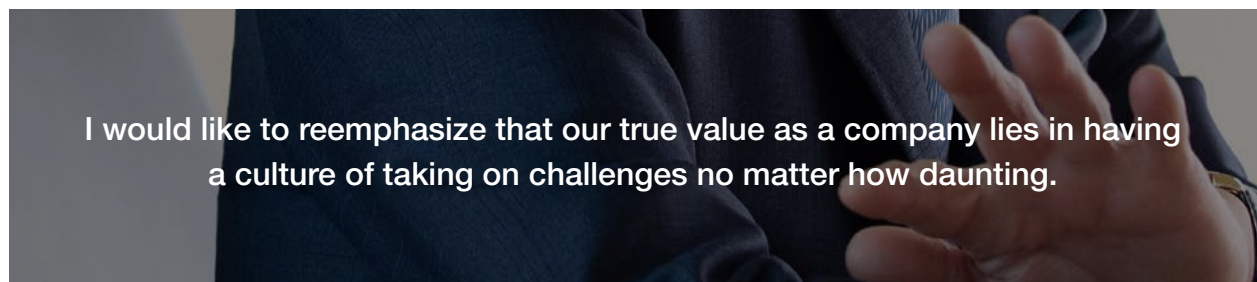
In addition to this strategic move from a long-term perspective, we recognize the need to continue responding to requests from global society and pursue initiatives to achieve long-term, sustainable increases in corporate value. Alongside our strategic moves, we remain committed to helping resolve the issues facing society through our core business. As such, under "Brand-new Deal 2020" we seek "sustainable growth through a 'reinvented *sampo yoshi*' approach." (⇔ Page 64 Sustainability)

### Getting Back to Basics, Moving Forward Again

I will never forget how, as I was opening my email one morning, tears sprang to my eyes as I read the message from the employee fighting cancer who I mentioned earlier. As a company, our mission is to increase profits. As a merchant, our responsibility for meeting the plan we set for each fiscal year goes without saying. Doing so can be difficult. At the same time, I believe an ideal company is one that employees and society at large think of as a "good company" and a place where employees can work with pride. Recently, I hear from many quarters the comment that "ITOCHU employees seem enthusiastic." A strong sense exists that we are taking firm steps to become the sort of company we envision as ideal. But this is no time to indulge in deep emotion.

Looking back at the words in the policy speech I wrote when my appointment had been confirmed stokes the emotion for me all over again. Being resolved to "getting back to the basics," every day the ITOCHU Group is making strides to become a next-generation merchant.

I would like to reemphasize that our true value as a company lies in having a culture of taking on challenges no matter how daunting.



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## COO MESSAGE



### **I am resolutely committed to reinventing our business, taking ITOCHU into the next generation.**

**I am Yoshihisa Suzuki, appointed President and COO on April 1, 2018.  
I will bear firmly in mind the history of ITOCHU, built by my predecessors,  
as I work diligently on a daily basis to increase our corporate value.**

**I would like to take this opportunity to offer my greetings  
to our shareholders, investors, and all other stakeholders.**

#### **Humility, Study, Challenge**

At university, I studied aeronautical engineering, and I yearned to get a job where I would be involved with aircraft. When I was selected to work at ITOCHU and assigned to the Aerospace and Space Department, I had the chance to fulfill this desire and become involved in the aerospace business.

This was in the 1980s, and in Europe satellite launches were moving into the private sector. Few people in Japan

thought this would turn into a business, but ITOCHU believed in its business potential and, accordingly, launched a space-related business. Several years later, satellite launches were privatized in Japan as well, and ITOCHU obtained an agency contract for its satellite launch service. In this project, I became acutely aware of the need for general trading companies (*sogo shosha*) to be on the front lines of Japan's economic growth and consistently take on challenges in new domains in Japan and overseas. Moving into cutting-edge businesses requires us to be

humble and respectful of the people who already have experience in these areas. Recognizing that ITOCHU's ability to adapt easily to changing environments was due to its belief in the mantra of "be humble, do not neglect your studies, and continue to take on challenges without fearing failure," I embraced this as my personal creed, which I have followed to this day.

### Remaining Alert for Danger, Even in Times of Peace

I have taken on challenges that ended up as major failures. In April 2007, I was appointed CEO of ITOCHU International Inc. (III), a US subsidiary. The US financial industry was enjoying an unprecedented boom at the time, and III's operating results were favorable. I took on the challenge of adopting an investment banking model that ITOCHU did not have at the time. Just as we were introducing this model, the global financial crisis hit, the corporate value of our investees slumped instantaneously, and III's operating results plunged. I learned a number of things through this experience. First, I learned that ITOCHU's investments should be those that add value to its existing business and that expand its trading and other businesses, not those that adopt the investment banking model of pursuing capital gains. Also, I learned that the time when business is going well is precisely when you should remember to prepare for the worst. Since that time, I have been a firm believer in "remaining alert for danger, even in times of peace."

In March 2011, I stepped down as that company's managing executive director and transferred to JAMCO Corporation, which makes aircraft interiors. This was a time of extremely high yen appreciation, and the company was facing difficulties due to the damage its factory sustained in the Great East Japan Earthquake. Amid this situation, the entire company pulled together to maintain the levels of quality and delivery times that are essential to a manufacturer, while at the same time pursuing relationships of trust with customers. These efforts led to a significant improvement in earning capacity, and in March 2015 the company successfully changed its designation to the First Section of the Tokyo Stock Exchange. I will never forget the employees who encouraged each other and the people who provided support as we worked to overcome the difficulties.

### Taking on the Role of Reinventing the Company into the Next Generation

In April 2016, I returned to ITOCHU, where I was appointed President of the ICT & Financial Business Company. I understand that returning to the parent company after

having been dispatched and transferred to other Group companies is generally atypical in the business world. Still, this practice is not unusual at ITOCHU, which has a corporate culture of evaluating people fairly, whether they have been successful at ITOCHU itself or at an operating company. In FYE 2018, we posted the highest level of consolidated net profit to date. It is no exaggeration to say that this result, which includes the profit contribution from operating companies, is attributable to the successful management of ITOCHU on a consolidated basis, and of putting the right people in the right job, as occasion demands.

In January 2018, President Okafuji (now Chairman & CEO) spoke to me about taking over the position of President. I was hugely surprised, but when I learned that the plan was, from April, for Mr. Okafuji to take over the role of formulating future strategy for the entire ITOCHU Group as Chairman & CEO and for me to take an operational role with responsibility for working with the individual Division Companies, I became confident that I could take on the position. I recognize that reinventing the Company's business into the next generation is of particular importance. Also, this position means that I will be sharing some of the operations that Mr. Okafuji has handled to date, and I hope that one plus one will deliver results greater than two.

### A Clumsy Elephant

For the past two years, Mr. Okafuji has been strongly aware of the need to reinvent ITOCHU's business in response to the digital revolution. I share his sense of crisis and his view about the need for us to become a "next-generation merchant."

Overseas, the digital revolution is moving forward at breakneck speed. In particular, China, where regulatory hurdles are low, is serving as a large-scale test site of leading-edge technologies for the global economy. For instance, in China companies are creating business models that directly connect manufacturing and retailing in the non-resource sector, particularly the consumer-related sector, which is one of ITOCHU's fortes. This breakthrough business model that has emerged in China, is spreading through Asia, the Near and Middle East, and Africa, and will arrive in Japan sooner or later. Accordingly, ITOCHU needs to quickly move forward with a business model that will become outdated. I feel a sense of crisis because I recognize that particularly when business is going well companies tend to behave like clumsy elephants. My first task, therefore, is to encourage every employee to understand the need for transformation from the core of their being and to reawaken our erstwhile "hungry spirit." I will do my best to achieve this goal.

**Giving Our Business a “Version Upgrade” by Leading-Edge Technology**

Our new medium-term management plan, “Brand-new Deal 2020,” calls for us to become a next-generation merchant, underpinned by “reinvented business” and “reinvented work styles.” We aim to achieve a new generation of “*sampo yoshi*,” realizing sustainable growth by improving employees’ job satisfaction, enhancing society’s evaluation of the Company by achieving further profit growth, and realizing a virtuous cycle whereby society’s evaluation of the Company attracts excellent employees and new customers (⇔ Page 38 New Medium-term Management Plan).

One of our basic policies as a next-generation merchant is to reinvent businesses in all domains, centered on the Business Innovation Unit, which is overseen by the Chief Strategy Officer (CSO).

By “reinvented business,” we do not mean fields entirely divorced from ITOCHU’s conventional businesses, nor do we refer to areas requiring large-scale investment. Rather, these areas of business are broad-ranging and ones that we have cultivated over a long period of time. We will look at these businesses from a fresh perspective, append leading-edge technology—sometimes through partnerships—and efficiently achieve a “version upgrade” on these businesses. (⇔ Page 51 Toward “Reinvented Business”) For instance, ITOCHU FEED MILLS CO., LTD. and NTT TechnoCross Corporation have jointly developed Digital *Mekan*, which uses AI technology in an app to guess a pig’s weight—something that previously required an expert’s eye. This product is a good example of a “version upgrade,” as it uses technology to achieve a major

boost in efficiency to solve a problem that has plagued people in the hog industry for some time: accurately judging a pig’s weight at time of shipping, to avoid differences in selling prices. Also, we have added UK company Moixa’s AI in the platform technology software used in storage batteries to our electricity storage system to provide an optimal electricity storage service. This example shows how leading-edge technology can be used to advance an existing business.

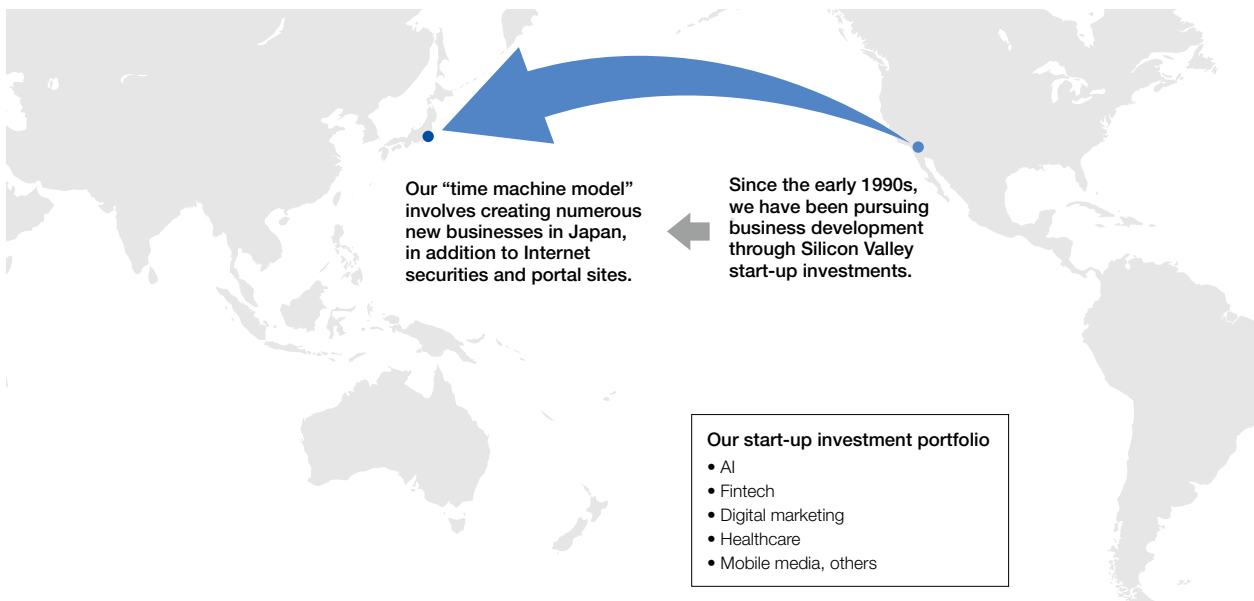
New businesses such as these can be created in a variety of domains, including mobility, agritech, regenerative medicine, advanced logistics, new materials, and fintech (tech-based financial services). By steadily nurturing these small seeds of business, some will grow into major businesses for ITOCHU, so we should steadily increase the number of projects of this nature.

**Taking the Industry Lead in Start-Up Investments**

One important way to achieve a next-generation shift is through start-up investments. ITOCHU’s history of start-up investing dates back to the dawning of the Internet, in the early 1990s. At that time, we invested in a variety of projects in Japan and overseas, both through funds and directly. When the Internet surged in popularity in the 2000s, the “time machine model” developed in Japan using leading technology from the United States generated new businesses, such as Internet securities and search portal sites. Today, we have created an extensive portfolio of start-up investments across numerous genres, including AI, fintech, and digital marketing.

These results and history have enabled us to form networks with leading funds in Silicon Valley and other

**Our Pioneering Start-Up Investments**



locations and cultivate expertise in start-up investments. Although our scope of investment is by no means large, we believe we are now able to make start-up investments efficiently. One such example is our strategic investment in Inagora Inc., which aims to enter the cross-border e-commerce market targeting China. Rather than simply targeting capital gains and dividends in the manner of a private equity fund, with our start-up investments we aim to invest in adding new technologies to existing businesses and expand a variety of future business opportunities. (⇨ Page 29 “How ITOCHU Differs from a General Private Equity Fund”)

### Remembering Our Origins

Earlier, I touched on the idea of humility, which I believe is of particular importance from the perspective of a merchant. A *sogo shosha* serves as a middleman—the mid-stream business is our livelihood. For this reason, we have customers at both the upstream and downstream ends of our business. No matter how involved we become in advancing our business model or how favorable our results may be, we must not forget that we are at our nature, merchants, and we should maintain a sense of humility. I believe this concept is incorporated into the management philosophy of “*sampo yoshi*” (good for the seller, good for the buyer, and good for society) that we have inherited from the merchants of Ohmi.

As indicated by the addition of “society” to our philosophy of buying and selling, the importance of providing value to society is ingrained in the “*sampo yoshi*” philosophy we have followed as we have engaged in trade over 160 years. Nowadays, we are building value chains in a host of industries throughout the world. Developing our business in a lasting manner requires that we satisfy not only customers at both ends of our business, but also broader society. In this sense, “society” refers to the consumers that lie beyond our customers, the local communities housing businesses where we are expanding our value chains, the global environment, and a wide range of other stakeholders. As our corporate message indicates, we truly have “infinite missions.”



### A Time to Take on Challenges without Fear

The Darwinian phrase “survival of the fittest” does not mean that organisms with the best biological capabilities survive. Rather, it emphasizes the importance of adapting to changes in the environment. This idea is fitting for *sogo shosha*. Instead of asset scale or the physical prowess of financial conglomerates, our emphasis needs to be on adapting moment by moment to changes in the operating environment. I am convinced that ITOCHU can adapt flexibly and swiftly to the changing environment. This ability is based on our corporate culture, which emphasizes that “failing and trying again is better than not failing.” This willingness to take on challenges is valid for *sogo shosha* of all times and sizes: at the time of our founding by Chubei Itoh, a merchant of Ohmi who started business by peddling linen; in the 1980s when the launch of communications satellites was privatized (as mentioned earlier); in the 1990s when we entered the convenience store business by investing in FamilyMart Co., Ltd.; and in recent days with Dole business and large-scale investments in the CITIC Group and the CP Group.

By unleashing the potential of our “DNA of taking on challenges” and fulfilling my mission through the business principles of “earn, cut, prevent,” we will create the next-generation ITOCHU. I ask all our shareholders, investors, and other stakeholders for your ongoing support of our endeavors.

# A 160-Year History of Rising above Adversity

During Japan's period of rapid economic growth, the country's economic structure shifted toward smokestack industries. Keeping pace with this change, ITOCHU expanded its non-textile business, adopting a policy of "diversification" in the 1960s. After that point, we continued to flexibly channel management resources into growth domains in keeping with the times. By nimbly promoting business investments both upstream and downstream across the value chain, we adopted a flexible business structure. The three major transformations to overcome headwinds we faced several times are the foundations of our current, highly sustainable business model.

ITOCHU's Major Milestones	Expanded Fields of Business, Adapting Flexibly to the Changing Times
<p><b>2010s–</b> <b>Shift to Aggressive Stance and Strengthen our Financial Foundation</b></p> <p>Ahead of other trading companies, we pioneered a shift into the non-resource sector. We commenced a strategic business alliance and capital participation with the CITIC Group and the CP Group and acquired Dole business and METSA FIBRE. We also strengthened our financial position further and promoted cash flow management.</p>	<p><b>End of the Commodities Super Cycle, Economic Recession due to the Global Financial Crisis, and Ensuing Global Economic Recovery</b></p> <ul style="list-style-type: none"> <li>• Abenomics (2012–)</li> </ul> <p>2010s– Focus on the non-resource sector</p> 
<p><b>2000s</b> <b>Disposal of Negative Legacy Assets and the Commodities Super Cycle</b></p> <p>We took decisive action to dispose of inefficient and unprofitable assets. Simultaneously, to adopt more sophisticated risk management we introduced a quantitative risk management method. Our financial position improved, and earnings from the resource business expanded as we entered the commodities super cycle period.</p>	<p><b>Emerging Market Boom, Commodities Super Cycle, and a Flagging Economy</b></p> <ul style="list-style-type: none"> <li>• China's participation in the World Trade Organization (2001)</li> <li>• Global financial crisis (2007–2008)</li> </ul> <p>2000s– Selection and concentration</p> 
<p><b>1990s</b> <b>Set the Steppingstones for the Current Business</b></p> <p>We introduced management reform measures to sweep away unprofitable legacy assets from the bubble era. At the same time, we set in place the steppingstones for the future by acquiring shares in FamilyMart Co., Ltd. in 1998. In 1999, ITOCHU TECHNO-SCIENCE Corporation (currently, ITOCHU Techno-Solutions Corporation) was listed on the Tokyo Stock Exchange.</p>	<p><b>Bursting of Japan's Economic Bubble, the Heisei Recession, and a Revolution in Information and Communications</b></p> <ul style="list-style-type: none"> <li>• Asian financial crisis (1997)</li> </ul>
<p><b>1980s</b> <b>Aggressive Promotion of Telecommunications Business</b></p> <p>As yen appreciation became a fixture of the economy, we promoted internationalization and globalization. We moved aggressively into the information and communications technology fields and entered the satellite business.</p>	<p><b>Bubble Economy (Shift in the Industrial Structure toward Services and Software)</b></p> <ul style="list-style-type: none"> <li>• Plaza Accord (1985)</li> </ul> <p>1980s– Expansion of information and communications technology fields</p> 
<p><b>1970s</b> <b>Move into Resource Development and Space Development</b></p> <p>As one aspect of our policy of aggressive expansion into such areas as space development, ocean development, and overseas resource development, we returned to the Chinese market prior to the normalization of diplomatic relations between Japan and China. In 1977, we expanded the iron and steel business through a merger with Ataka &amp; Co., Ltd.</p>	<p><b>Period of Stable Economic Growth (Conservation of Energy and Resources)</b></p> <ul style="list-style-type: none"> <li>• Oil crises (1973 and 1979)</li> <li>• Normalization of diplomatic relations between Japan and China (1972)</li> </ul> <p>1970s– Resource development</p> 
<p><b>1950s–1960s</b> <b>Internationalization and Diversification</b></p> <p>We pursued a path of diversification, and as a result non-textile areas accounted for around 60% of trading volume (1958). In the 1960s, we expanded our business to include energy, machinery, general merchandise projects, and the iron and steel business, becoming a "¥1 trillion trading company."</p>	<p><b>Japan's Period of Rapid Economic Growth (Shift toward Heavy Industry, Era of Mass Consumption)</b></p> <p>"Diversified" operations to include automobiles, oil, and food</p> <p>1950s–</p> 
<p><b>1858</b> <b>Founded</b></p> <p>Chubei Itoh commenced linen trading operations via Osaka in Senshu and Kishu.</p>	<p><b>Founding–</b> Focused on textiles</p> 

FYE 2012–

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**“Shift to Aggressive Strategy, Brand-new Deal”**

**Brand-new Deal 2017** (FYE 2016–2018)

—Set strategic steppingstones to the Chinese and other Asian markets

**Brand-new Deal 2014** (FYE 2014–2015)

—Enhance earning power by overweighting investments in the non-resource sector

**Brand-new Deal 2012** (FYE 2012–2013)

—Establish an infrastructure to show “individual capabilities”

Drivers of Corporate Value Creation  
Creating Added Value

Drivers of Corporate Value Creation  
Asset Strategies

Consolidated Net Profit

FYE 2018

FYE 2011

FYE 2001

FYE 1991

FYE 1981

FYE 1971

FYE 1998–2011

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Eliminating Underperforming Assets and Adopting More Sophisticated Risk Management

Drivers of Corporate Value Creation  
Asset Strategies

Founding–Today

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Creating Added Value

Drivers of Corporate Value Creation  
Creating Added Value

TRANSFORMATION TO BUILD THE  
FOUNDATION OF OUR BUSINESS MODEL

01

## Creating Added Value

(Founding–Today)

Foundation of  
Our Business Model

### Creating Added Value

Upgrading trade business  
Promoting business  
management  
Generating synergies  
among businesses

### Continuing to Enhance Our Presence

In the 1960s, we added selling functions to accommodate large manufacturers of steel and chemicals, overcoming the notion that trading companies were a declining force. In the 1980s, a period of hardship for trading companies, we invested in overseas business in resources and other areas and expanded third-country transactions. When Japan's economic bubble burst in the 1990s and countered the emerging perception that trading companies are unnecessary, we pursued further globalization and the retail business. In these ways, we have surmounted various threats arising from changes in the industrial structure by creating added value.

#### Upgrading Trade Business

##### Brand Business

Amid the hollowing out of the textiles industry in the 1970s and 1980s, we moved into the high-value-added brand business. Thereafter, we countered the risk of



expiring contracts by extending and stabilizing our commercial rights through the direct acquisition of companies that possessed their own brands. By adding value to the business model and trading, we became the only large trading company to continue protecting our founding legacy in the area of textiles.

#### Generating Synergies among Businesses

##### Providing Added Value across Divisions

Since acquiring Dole business in April 2013, we have worked throughout the Group to enhance corporate value. A key issue of post-acquisition was to recover production volume. We achieved this goal through hands-on management, dispatching managers and on-site employees. We also leveraged the Group's financial system and switched procurement of materials to the Metals & Minerals Company and the General Products & Realty Company. By taking advantage of the ITOCHU Group's management resources, we succeeded in augmenting our cost competitiveness.



#### Promoting Business Management

##### Strengthening Our Competitive Advantage through the Fusion of Management Resources

We sought to make investees more competitive by providing management know-how and spearheading mergers and alliances between operating companies. For example, at the General Products & Realty Company, we consolidated retail and wholesale operations of our UK tire business (Kwik-Fit and Stapleton's). We also boosted profitability by balancing the allocation of management resources between softwood pulp (METSА FIBRE) and hardwood pulp (CENIBRA). In recent years, we have integrated our management know-how in the North American construction materials business with the management control techniques of MASTER-HALCO, an operating company that produces and sells fencing. As a result, we have positioned ourselves as a leader in the US wholesale fencing industry, substantially improving profitability. In addition to generating synergies with Alta Forest Products, a leading North American wooden fence manufacturer we acquired in FYE 2018, we are reinforcing our North American fencing business and augmenting its management sophistication.

##### Integration of Management Resources



###### Aims in Acquiring Alta Forest Products

- To expand sales of Alta's products by leveraging MASTER-HALCO's wholesaling network
- To increase sales of ITOCHU and MASTER-HALCO products by taking advantage of Alta's brand name and retail sales network

Provision of management know-how

###### Alta Forest Products

A leading company in the North American wooden fence production industry, the company manufactures high-end wooden fencing at four production facilities in the United States

###### MASTER-HALCO

A leading wholesaler of fencing in the United States, with five wire mesh production facilities and 53 sales locations in North America



TRANSFORMATION TO BUILD THE  
FOUNDATION OF OUR BUSINESS MODEL

02

# Eliminating Underperforming Assets and Adopting More Sophisticated Risk Management

(FYE 1998–2011)

Foundation of  
Our Business Model  
**Asset Strategies**  
Risk management  
Pursuing asset efficiency

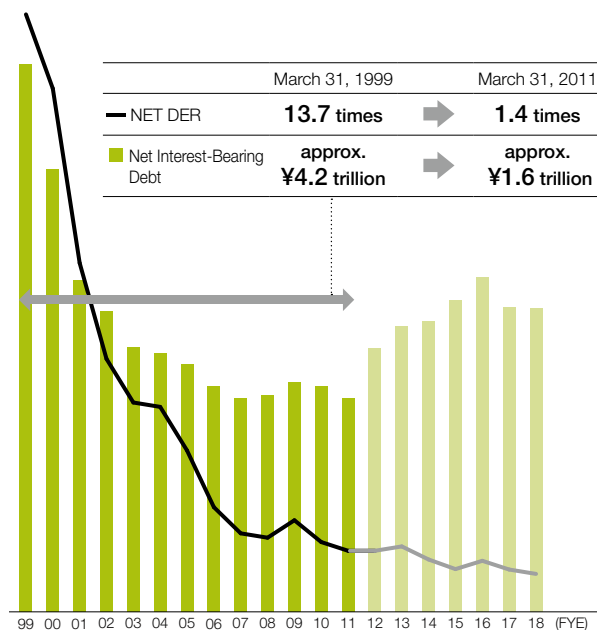
## Sophisticated Management Skilled in Responding to Crisis

Burdened by large amounts of interest-bearing debt and inefficient assets, radical management reforms had become a matter of urgency for ITOCHU. In FYE 2000, we embarked on management reform measures to strengthen our financial position and adopt more sophisticated risk management. These efforts were the origin of our current asset strategies, which formed the foundation for our aggressive strategy from FYE 2012.

### Sweeping Away a Negative Legacy Assets and Strengthening our Financial Position

Between FYE 1998 and FYE 2011, we radically processed inefficient and unprofitable assets, sweeping away our “negative legacy” from the years of Japan’s economic bubble. During this period, we also reduced interest-bearing debt, which had ballooned to more than ¥4 trillion. As a result of these unremitting efforts, we lowered NET DER from 13.7 times as of March 31, 1999 to 1.4 times as of March 31, 2011, improving our financial position dramatically.

### Strengthening Our Financial Position from FYE 1999 to 2011



Management reform measures (processed loss amount)  
 • FYE 1998–1999: around ¥200.0 billion in 2 consecutive years  
 • FYE 2000: ¥303.9 billion

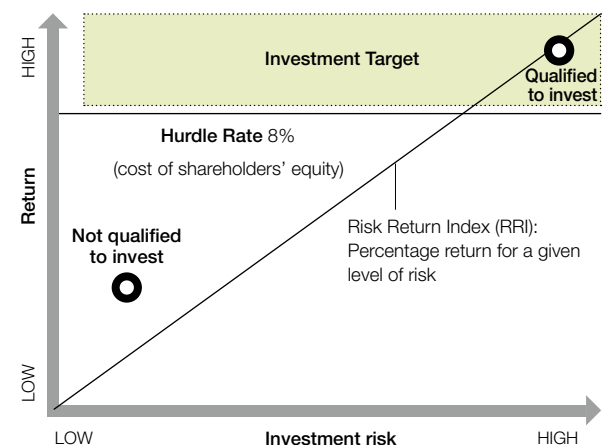
### Introduction of Quantitative Risk Management

To efficiently utilize our limited management resources, in FYE 2000 we introduced a new management method called Risk Capital Management (RCM). Based on our “A&P Strategy\*,” we used a Risk Return Index (RRI) to measure asset efficiency. We exited from inefficient assets, replacing them with highly efficient assets, undertaking proactive initiatives to create a highly profitable business model.

#### \* Pursuing an “A&P Strategy”

While strengthening our financial position, we allocated our limited management resources in a focused manner to fields that were attractive (A) to customers and where the Company was powerful (P).

### Introducing a Quantitative Risk Management Method



TRANSFORMATION TO BUILD THE FOUNDATION OF OUR BUSINESS MODEL

03

# “Shift to Aggressive Strategy, *Brand-new Deal*” (Transformation to Unleash Our Strengths)

(FYE 2012–)

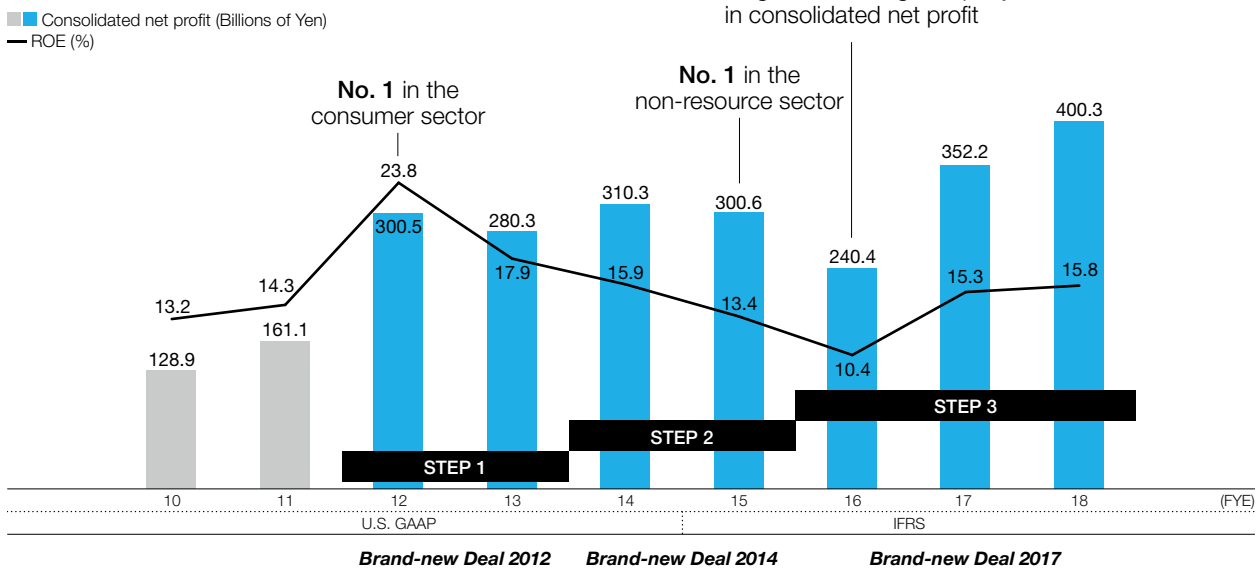
## Three Strengths

Earning power in the non-resource sector  
Individual capabilities  
Experience and track record in China and other parts of Asia

### Unleashing Our Strengths and Moving Boldly Ahead

Having improved our financial soundness considerably through 10 years of initiatives, in FYE 2012 we began introducing bold measures and unleashing our strengths under “Brand-new Deal.” In FYE 2012, we became the industry leader in the consumer sector, and in FYE 2015 we achieved our goal of being the No. 1 general trading company in the non-resource sector. In FYE 2016, our consolidated net profit became No. 1 among general trading companies.

### Three Steps to Unleashing Our Strengths



### STEP 1 *Brand-new Deal 2012*

#### Building a Foundation That Harnesses Individual Capabilities

In addition to reducing the number of internal meetings and materials, we put in place the foundation to unleash the potential of individual capabilities by thoroughly strengthening front-line capacity. In FYE 2014, we continued to enhance such moves as the morning-focused working system we pioneered. This system has had a major impact on initiatives in the government sector, as well as private companies, entrenching our reputation for having the industry’s highest level of labor productivity.

#### ROOTS: 1932 Sales department

Not being closely involved in national industries such as steel and energy that drove Japan’s post-war economic development and not affiliated with any of Japan’s *zaibatsu* industrial groups, ITOCHU developed a corporate culture based on the creative business powers of its individual employees.



**STEP 2 Brand-new Deal 2014**

**Further Strengthening Our Earning Power in Non-Resource Sector**

With a focus on “aiming to be the No. 1 trading company in the non-resource sector” under “Brand-new Deal 2014,” we set about reaping the rewards of large-scale investments we had already made and increasing profitability in existing businesses. By revising our “hurdle rate” for investments, we made nearly 80% of investments in non-resource sector, strengthening our presence in this area. We consequently met our goal of becoming the No. 1 general trading company in the non-resource sector and set the groundwork for the stable generation of cash flow we enjoy today.

**ROOTS: 1893**

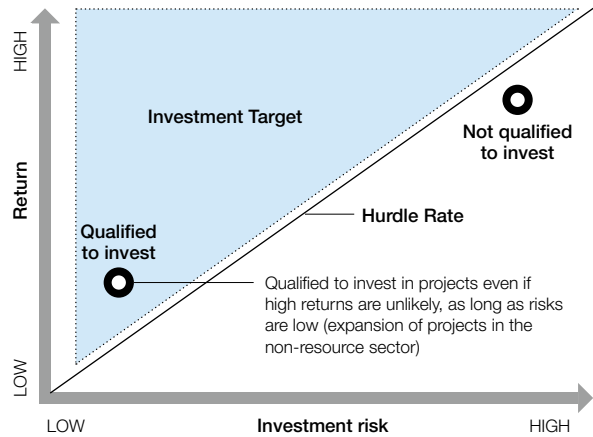
**Establishment of Itoh Itomise (Thread and Yarn Store)**

From its start, ITOCHU has expanded its trade to meet a host of needs, remaining near to consumers through its core in areas such as apparel, food, and housing.



**Allocating of Management Resource in Fields of Strength**

**Eliminate 8% of Uniform Hurdle Rate, Set Standards for Each Industry**



(⇨ Page 46 Business Investment)

A Business Model Enhanced through Transformation

**STEP 3 Brand-new Deal 2017**

**Set Strategic Steppingstone to the Chinese and Other Asian Markets**

Our next step was to concentrate on allocating resources in the Chinese and other Asian markets where we could maximize our strengths. Following our investment in the CP Group, we invested around ¥600.0 billion—the largest amount to date—in CITIC, allowing us to take further advantage of some of the strengths we have cultivated throughout our long history. As a result, we succeeded in unleashing our “three strengths,” paving the way for long-term increases in corporate value.

**ROOTS: 1972**

**Then-President Echigo heads mission to China**

In March 1972, half a year before diplomatic relations between Japan and China normalized, ITOCHU became the first major general trading company permitted to restart trade between the two countries. In this way, ITOCHU contributed to friendly relations and trade between Japan and China.



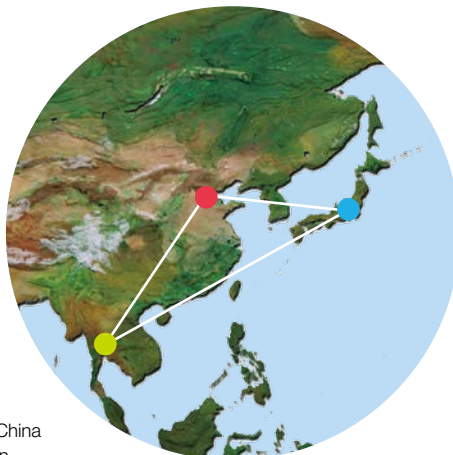
**Top-Ranked Companies in a Variety of Industries in China**

- Trust Company
- Securities Company
- Alloy Wheel Manufacturer
- Special Steel Producer



**The CP Group's Strengths in China**

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

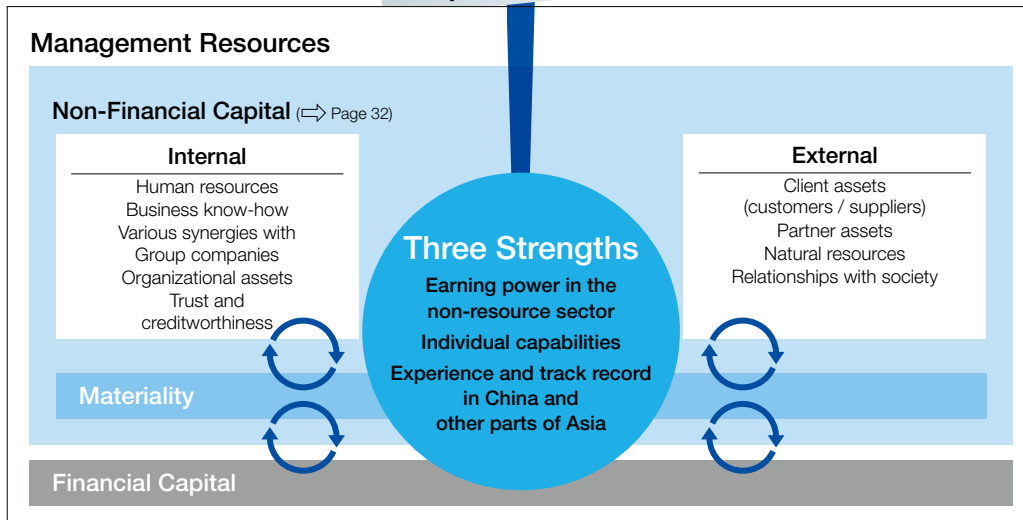
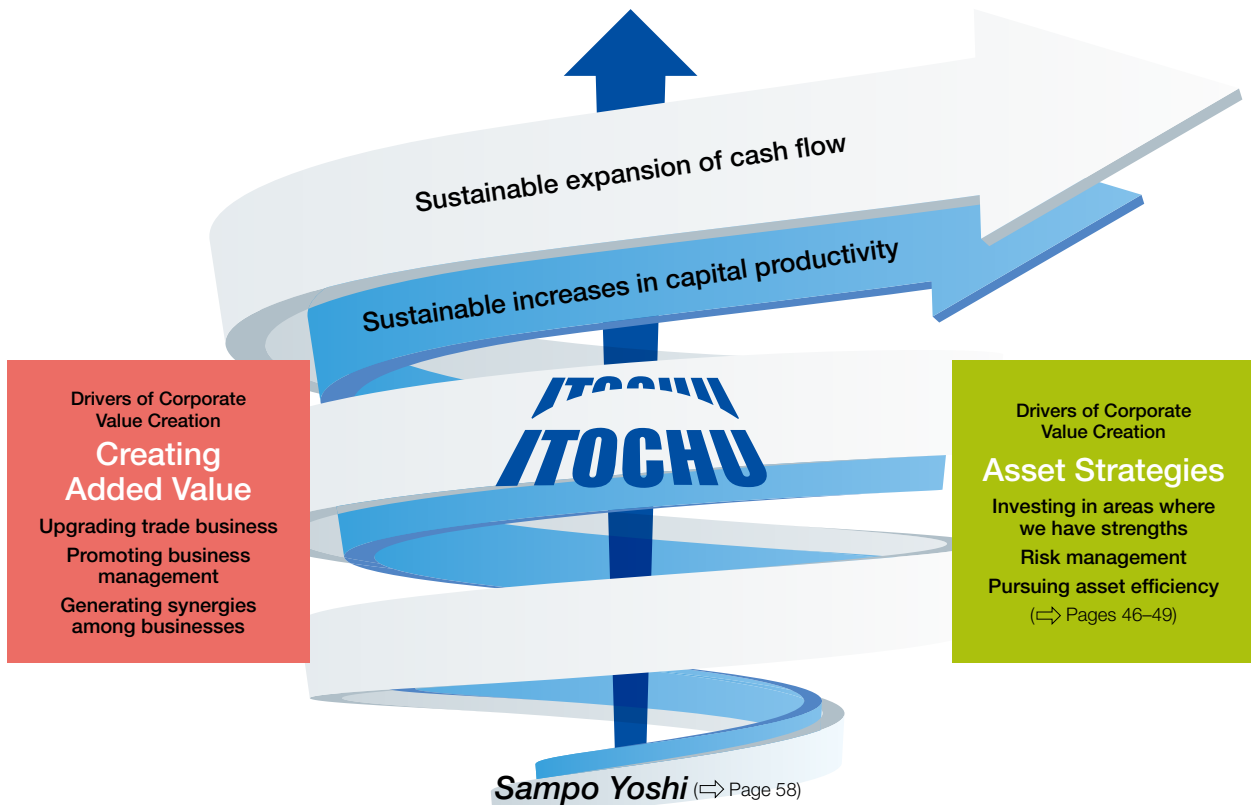


**Top-Level Non-Resource Profitability among General Trading Companies**

# A Business Model Enhanced through Transformation

## Sustainable Increases in Corporate Value

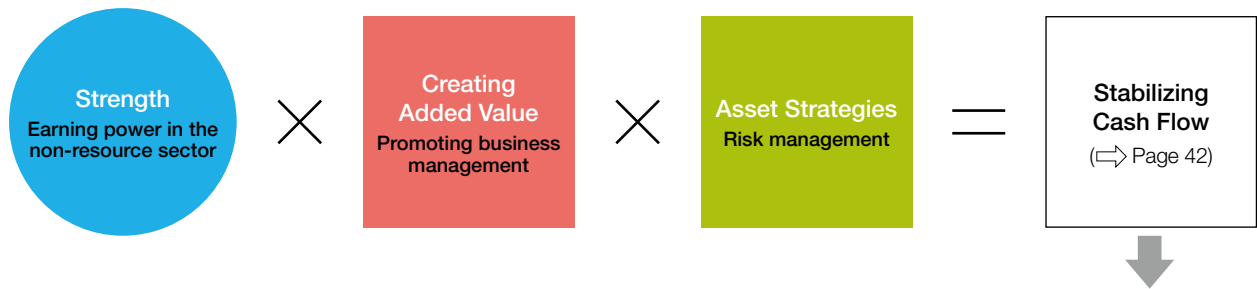
Social Value × Economic Value



**Corporate Governance** (⇒ Page 66)  
 Remuneration linked with long-term corporate value / Enhanced monitoring function /  
 Securing management human resources on an ongoing basis

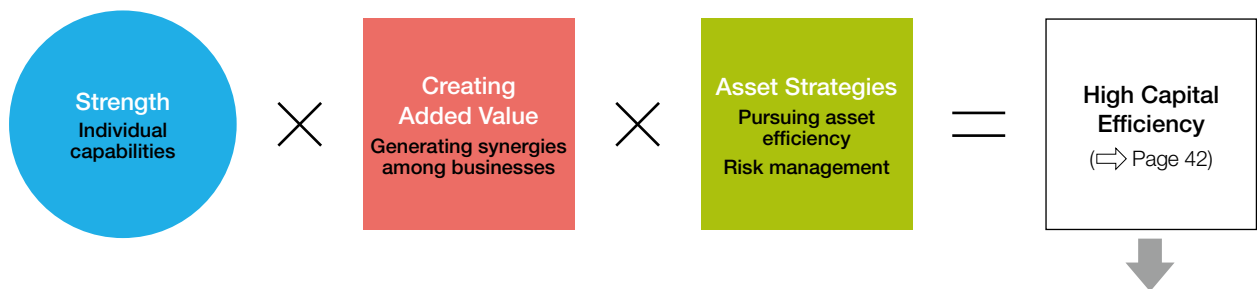
# Our Business Model, as Seen through the Corporate Value Formula

Our business model is designed to comply with domestic and international disclosure frameworks and be easy for readers to understand. We have a universal and highly durable business model that applies to all Division Companies and incorporates clear financial logic. The flow charts below show how to read our business model from a financial perspective.



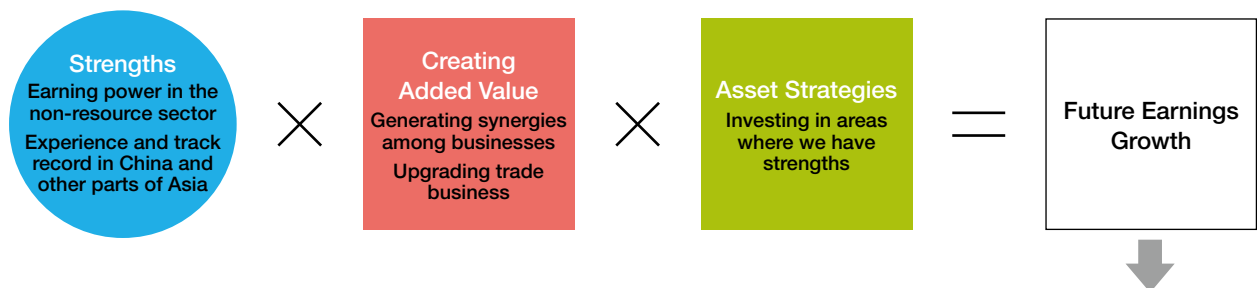
FYE 2018 Results  
Operating Cash Flows of  
**Around ¥400.0 Billion**  
for Five Consecutive Fiscal Years

The ITOCHU Group's operating companies represent an aggregation of relatively small-scale companies centered on the non-resource sector. This arrangement facilitates detailed, hands-on business management and generates stable cash flow that is relatively impervious to changes in the economic cycle and resource prices.



FYE 2018 Results  
**ROE 15.8%**

We have achieved high capital efficiency through work-style reforms, which led to high labor productivity, overweighted investment in fields of strength, a continued exit from inefficient investments, and a balanced capital policy.



2020  
Wealthy and upper-middle-income population:  
**Approx. 500 million**  
(Approx. 340 million in 2015)

We will leverage the synergies between two of our strengths—our prowess in China and other parts of Asia, which we expect to generate future growth, and our capabilities in the non-resource sector, centered on the consumer-related sector—to generate new added value and aim to expand earnings by forging links across Division Companies.

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

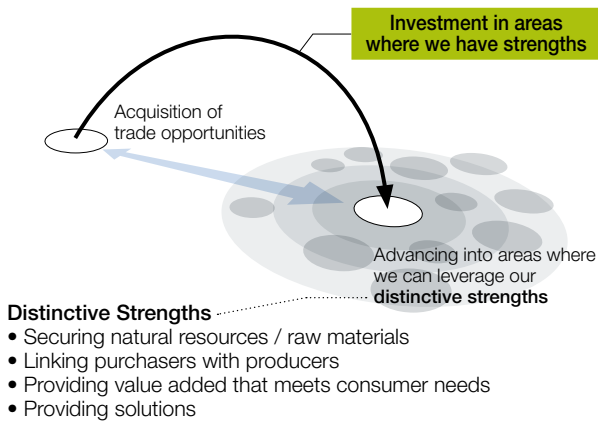
## A Business Model Enhanced through Transformation

# Our Business Model, as Seen through Business Development

We will take advantage of our distinctive strengths and consecutively expand our areas of operation, as well as promote an expeditious exit from inefficient assets to maintain and improve asset efficiency.

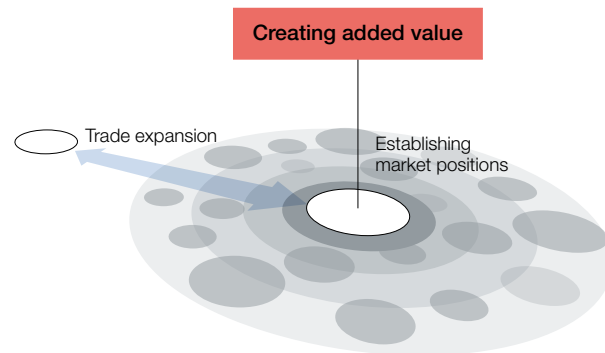
### I. Advancing into Areas Where We Can Leverage Our Distinctive Strengths

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.



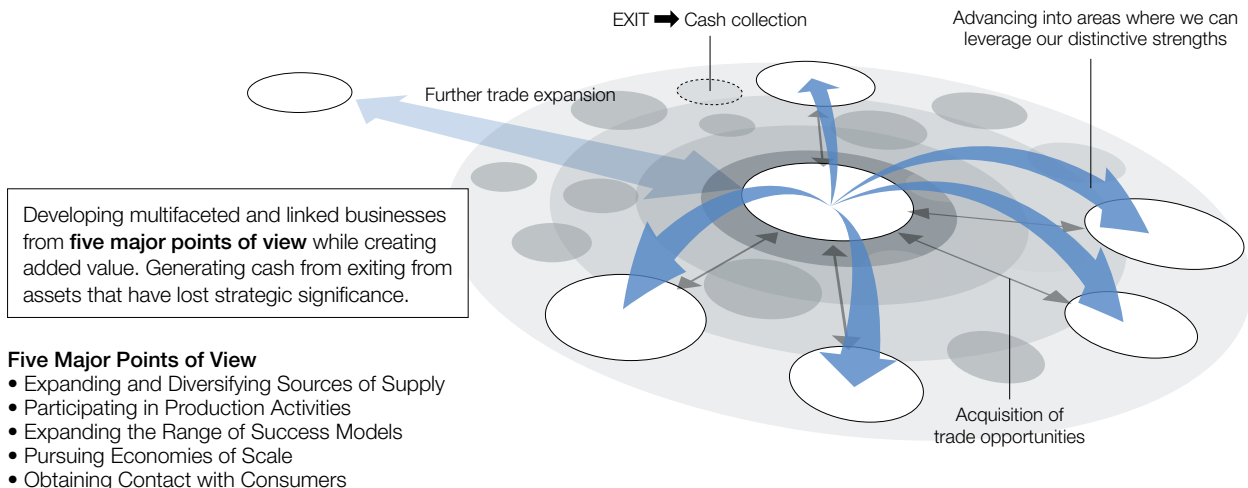
### II. Establishing Market Positions

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.



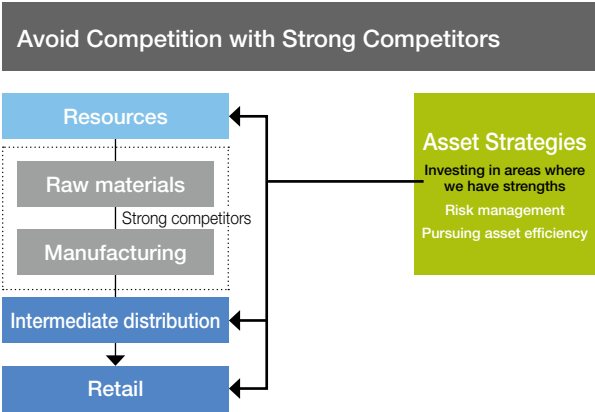
### III. Multifaceted, Linked Business Development, and Flexible Exits

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, mainly from the five perspectives outlined below. In addition, from the viewpoint of asset efficiency, we recover funds by exiting from assets that have lost strategic significance. We use the cash generated from exits to reinvest in new strategic fields to create new businesses.

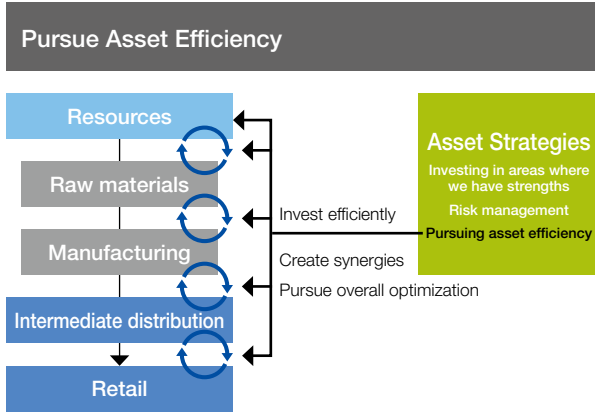


# Our Business Model, as Seen in the Value Chain

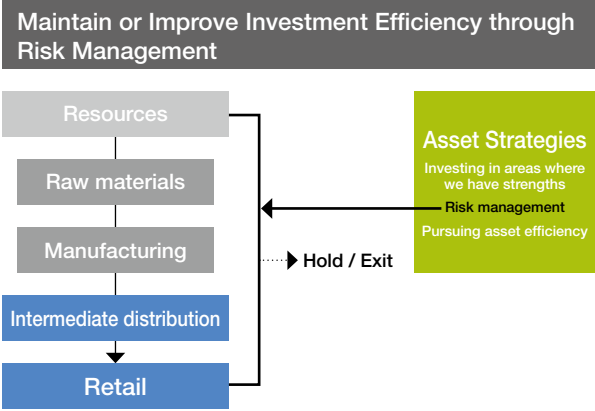
Across the industry value chain, or “longitudinally,” we seek to expand business opportunities while curtailing risks in business domains where we can make the most of functions in which we excel.



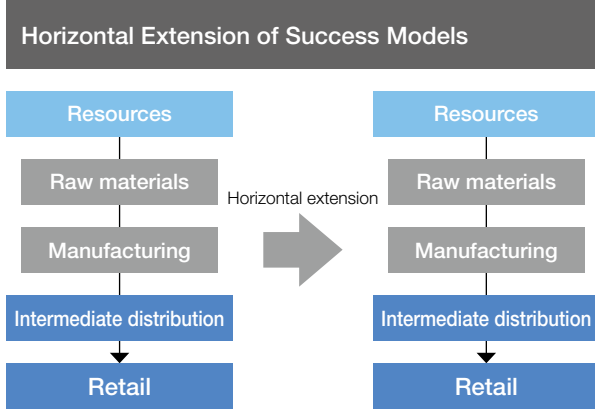
We move only into areas where we have strengths in various industry value chains, concentrating our investment of management resources. Rather than moving into domains in which strong competitors exist, we devote ourselves to the supplier and distribution side of the businesses.



We aim to maximize asset efficiency by minimizing our investment of management resources and pursuing overall optimization that makes the most of functions that are of use to investees.



We monitor asset efficiency stringently and on an ongoing basis, exiting from assets that fall below our criteria. We also control the loss by setting exit conditions at the time of making an investment (⇔Page 47 Business Investment Process).



We reduce the cost and risk of moving into new areas through horizontal extension of successful business models into other industries and markets, customizing our approach to match industry and market characteristics.

## How ITOCHU Differs from a General Private Equity Fund

As we consider business investment one of our major options, our business model is often compared to that of a private equity fund. There are certain similarities, such as the desire to contribute proactively to management and maximize the corporate value of investees. We view as different, however, the facts that we are also aiming to increase our own corporate value, we focus on generating synergy with existing businesses, and we enjoy returns (cash) centered on trading profits and dividends.

	Investee liquidity	Investee ownership ratio	Investee ownership period	Business synergies	Returns (cash)
General private equity fund	In principle, unlisted	In principle, majority stake to 100%	Buy and hold having an exit strategy	In principle, none	Capital gains and dividends
ITOCHU	Either listed or unlisted	Decided individually, based on business conditions and market environment	Buy and hold	Create synergies with existing businesses	In principle, trading profit and dividends

## A Business Model Enhanced through Transformation

# Our Business Model, as Seen through a Functional Example

### Expanding Vertical and Horizontal Synergies in the Convenience Store Business (FamilyMart)

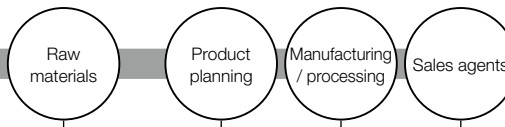
The convenience store business is a good example of the Strategic Integrated System (SIS) strategy, which entails constructing and reinforcing a value chain spanning upstream and downstream areas to maximize earnings. In addition to constructing and strengthening the food value chain (vertically), we have branched out from supplying items necessary to daily lives to provide financial services and an array of other services. By building systems and providing construction materials, we aim to provide a broad range of operational support, creating business synergies that go beyond Division Company boundaries.

#### Food Product and Peripheral Business Initiative Examples

Coordinating food value chains to ensure the optimal form for all processes that take place before items arrive at store shelves, including formulation of raw material procurement schemes, product development, manufacturing, processing, and procurement of containers and packaging materials.



Packages for ready-to-eat products, etc.	Rice ball wrapping films Boxed lunch containers, etc.	■ ITOCHU PLASTICS
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	Raw materials	Product planning / Manufacturing, Processing / Sales agents
Ready-to-eat products (rice balls, boxed lunches)	■ Japan Food Supply (NIPPON ACCESS Group) ■ ITOCHU Food Sales and Marketing ■ ITOCHU FEED MILLS, etc.	◆ Ready-to-eat producers
Fried chicken (FAMICHIKI)	◆ Chicken suppliers	▲ Meat Products Department
Fried chicken (Spicy Chicken, Chicken Steak)	◆ CP Group	▲ Meat Products Department
Counter coffee (FAMIMA CAFÉ)	■ UNEX (GUATEMALA), etc.	▲ Sugar, Confectionery Materials, Coffee & Dairy Products Department ▲ Food Products Marketing & Distribution Department
RIZAP collaboration products	■ Japan Food Supply ■ ITOCHU Food Sales and Marketing, etc.	▲ Food Products Marketing & Retail Department
Eggs	■ I-hiyoko (ITOCHU FEED MILLS Group)	■ ITS Farm (ITOCHU FEED MILLS Group)



#### Non-Food Product Initiative Examples

Providing the daily items that support lifestyle and the supplies needed for everyday store operation.

Daily items	New Year's cards	■ ITOCHU PULP & PAPER
	FamilyMart collection daily items (detergent, plastic bags, cleaning sheets, etc.) and umbrellas	■ ITOCHU Retail Link ■ Sanipak Company Of Japan
Supplies (Store items supporting operation, etc.)	Chopsticks, individual-use hand towels, take-out item containers (coffee cups, etc.) Plastic bags, cleaning supplies	■ ITOCHU Retail Link
	Uniforms	▲ Textile Company

■ Subsidiaries ● Associated companies ▲ ITOCHU ◆ Business partners



### Service Initiative Examples

Supplying customers with a wide range of services closely related to their daily lives, including financial services and ticket sales through multimedia terminals.

Financial / insurance services	Famima T Cards	● POCKET CARD
	Motorbike liability insurance	▲ ICT & Financial Business Company
Other services	POSA cards	■ CONEXIO
	Famiport coupons	▲ ICT & Financial Business Company
	Receiving agency and in-store pick-up services	● UFI FUTECH



Cards issued by POCKET CARD  
The collected data is used to facilitate effective marketing and product development, in addition to contributing to customer loyalty.

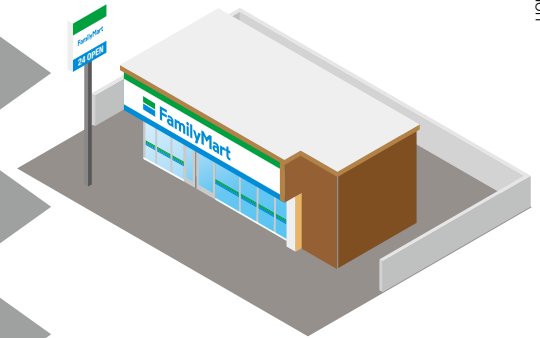
### Intermediate Distribution Example

The ITOCHU Group also plays a role in distribution to individual stores.

Wholesales / Logistics	■ NIPPON ACCESS Provision of the majority of logistics services for food and non-food products for FamilyMart stores (550 distribution locations (FYE 2018))
Delivery	● NIPPON CAR SOLUTIONS (Tokyo Century Group)



NIPPON ACCESS, supporting an industry-leading store network



### Operational Support Initiative Examples

Providing multifaceted support for the efficient operation of FamilyMart's nationwide network of approximately 17,000 stores, going beyond product sales, services, and store operation to assist in background areas.

System development	■ ITOCHU Techno-Solutions Support of operational efficiency through development of operational management systems
Electricity supply	▲ Energy Division / ■ ITOCHU Plantech By supporting efficient procurement and offering a high-voltage receiving service, we will help stores reduce their electricity costs.
Construction materials	■ ITOCHU Kenzai
3Rs+W services* * Reduce, reuse, recycle, and waste management	■ ITOCHU Metals Development of a nationwide network of partners to provide store fixture maintenance, reuse, recycle, and waste disposal services
Contact centers	● BELLSYSTEM24 Holdings

### Targets for the Expansion of Peripheral Businesses

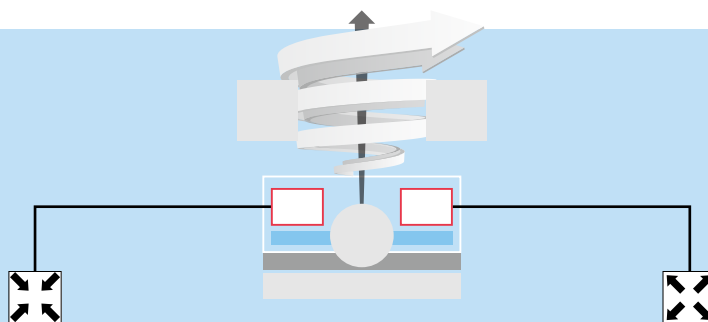
- Services leveraging Fintech
- More sophisticated marketing
- Optimization of production, storage, and distribution
- Improved efficiency of store management
- Expansion into other parts of Asia

(⇒ Page 53)

# Maintaining and Enhancing Non-Financial Capital

ITOCHU has enhanced corporate value by vertically and horizontally leveraging various types of non-financial capital that are not clearly evident in financial information. We believe that maintaining and further upgrading this non-financial capital is an important way to sustainably increase corporate value.

## Strong Non-Financial Capital



### Internal Management Resources

#### 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. In addition, we are working consistently to strengthen human resource productivity through work-style reforms.

#### 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 Synergies with Group Companies

The ITOCHU Group comprises 206 subsidiaries and 94 affiliated companies (as of March 31, 2018). The combination of their functions with those of ITOCHU expands the potential scope for added value creation.

#### 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 earn profit from a front-line perspective.

#### Trust and Creditworthiness

The trust and creditworthiness we have cultivated as a general trading company underpin our earning power throughout the value chain, including customers and investees.

### External Management Resources

#### 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 it can draw on these client assets.

#### 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.

#### Natural Resources

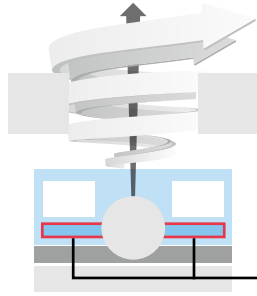
In order to maintain and enhance our strengths in the non-resource sector, the ability to steadily procure limited natural resources, particularly forestry resources, impacts our business sustainability.

#### Relationships with Society

As we expand our businesses around the world, maintaining and developing relationships with various countries' governments and local communities has a major impact on the sustainability of our business activities.

## Initiatives Based on Materiality for Supporting the Maintenance and Enhancement of Non-Financial Capital

In line with our “*sampo yoshi*” philosophy, we have formulated a new Basic Policy on Promotion of Sustainability and defined material sustainability issues (Materiality) from the standpoint of sustainable business growth. Through initiatives based on this materiality, we sustainably increase corporate value by maintaining and upgrading non-financial capital. (⇒ Page 64 Sustainability)



- Reinvent businesses through technological innovation
- Address climate change  
(Contribute to realization of low-carbon society)
- Cultivate a motivating workplace environment
- Respect human rights
- Contribute to healthier and more enriched lifestyles
- Ensure stable procurement and supply
- Maintain rigorous governance structures


### Relevance of Non-Financial Capital, Materiality, and the SDGs


		Materiality						
		Reinvent businesses through technological innovation	Address climate change	Cultivate a motivating workplace environment	Respect human rights	Contribute to healthier and more enriched lifestyles	Ensure stable procurement and supply	Maintain rigorous governance structures
Non-Financial Capital	Human Resources	■		■				■
	Business Know-How	■	■			■		
	Various Synergies with Group Companies	■				■		
	Organizational Assets			■				■
	Trust and Creditworthiness				■		■	■
	Client Assets (Customers / Suppliers)	■			■	■	■	
	Partner Assets	■	■					
	Natural Resources		■		■		■	
	Relationships with Society		■	■	■			
Related SDGs	9	7, 13	5, 8, 10	6, 8, 11	3, 9, 12	6, 14, 15	16	

■ Indicates particularly high relevance between non-financial capital and materiality.

# Macro Environmental PEST Analysis

The management environment surrounding ITOCHU is changing at a constantly accelerating pace. We are conducting PEST analysis to understand the inherent macro environmental risks and opportunities that we will face during the period of our new medium-term management plan, “Brand-new Deal 2020,” and are building a competitive edge by adapting to macro environmental changes.

 <b>P (Political / Legal)</b> Business development when factors that directly inhibit or raise the uncertainty of sustainable growth in the global economy are present.		
Risks		Opportunities
	<b>Political Trends</b>	
Disorder in the United Kingdom and destabilization of financial market	Brexit and Anti-EU Movements	Increased investment in the European continent and supply chain revisions
Coercive political management	Elections (US Mid-Term Elections and the Liberal Democratic Party's Presidential Election in Japan)	Economic stimulus
Economic stagnation due to terrorism and disorder in financial markets	Geopolitical Risks	Upward pressure on crude oil prices due to instability in the Middle East
	<b>Regulatory Changes</b>	
Trade volume decrease	Rising Protectionism (Trade Conflict between the US and China and Reexamination of NAFTA, etc.)	Supply chain revisions
Supply chain revisions	Conclusion of Trade Agreements (Japan-EU Economic Partnership Agreement, TPP11, RCEP, etc.)	Trade volume expansion
Existing energy market shrinkage (coal and crude oil)	Greenhouse Gas Containment Regulations (Paris Agreement, etc.)	New energy market expansion (wind power, solar power, etc.)
Cash flow deterioration in some companies	Chinese Financial Reforms (Strengthening of Shadow Banking Regulations, etc.)	Increasingly transparent market risks
Contracted business in conventional vehicle fields	Conversion to New-Energy Vehicles in China and Europe	Expanded business in related industries
	<b>Tax System Revisions</b>	
Supply chain revisions	International Tax Trends (Lowering of Corporate Taxes, Tax Avoidance Countermeasures)	Improved corporate performance and optimized taxation
Economic stagnation after tax increase	Japanese Consumption Tax Hike	Last-minute demand before tax increase

 <b>E (Economic)</b> Identify impact of maintaining comparatively high growth in the overall global economy due to synergy between expanding advanced economies and recovering emerging economies		
Risks		Opportunities
Rising interest rates connected to financial policy normalization and inhibited growth in Japan due to human resource shortages	<b>Sustained Expansion in Advanced Economies</b>	Expanded business opportunities and trade volume
Destabilization of some emerging currencies affected by rising interest rates in developed countries	<b>Exchange Rate Destabilization</b>	
Inflation and economic downturns due to overheating	<b>Recovery and Accelerated Growth in Emerging Economies</b>	Increased demand for consumer goods connected with improved living standards; expansion in demand for infrastructure and food accompanying population increases; higher prices for resources such as iron ore, coal, and crude oil
Emergence and collapse of asset bubbles	<b>Asset Price Increases (Stocks, Real Estate)</b>	Higher fund-raising capacity due to increased value of own portfolio assets
Steep rises in project prices and sizes	<b>Intensified Investment</b>	Increase in the number of investment projects



## S (Social / Cultural)

Transmitting our "sampo yoshi" philosophy to future generations and reconstructing business while response to social issues with an awareness of ESG points of view remains indispensable

Risks		Opportunities
Decreased fossil fuel demand and business damage due to increasingly abnormal weather	<b>Address Climate Change (Contribute to Realization of Low-Carbon Society)</b> 	Increased business opportunity in renewable energy and other fields and customer retention; acquisition due to strengthened supply systems
Labor shortages and personnel losses, harassment and long working hours, and increases in health-related costs	<b>Cultivate a Motivating Workplace Environment</b> 	Improved labor productivity, improved health and motivation, and securing of excellent human resources
Project delay and continuity risks due to human rights issues and compliance violations and data leaks	<b>Respect Human Rights and Ensure Compliance</b> 	Business stabilization and recruitment through harmonious coexistence with regional communities; construction of a safe and secure product supply system
Decrease in trustworthiness when safety and health issues occur; destabilization of markets and the social security system	<b>Contribute to Healthier and More Enriched Lifestyles</b> 	Increased demand for food safety and security; health promotion; expansion of personal consumption and information, financial and distribution services
Occurrence of environmental issues and protest campaigns; industry-wide structural exhaustion as competition drives down prices	<b>Ensure Stable Procurement and Supply</b> 	Increased demand for resources in emerging nations; environment-friendly and stable supply of resources and raw materials



## T (Technological)

Creation and evolution in business by adopting new technologies as rapid technological innovations occur and values and living environments change

Risks		Opportunities
Obsolescence and extinction of existing business models that accompanies rise of new technologies such as AI and IoT; leaks of internal data and other threats due to malware (malicious software)	<b>Progress in IT, Leading-Edge Technologies and Infrastructure Development</b> 	
	<b>Reinvented Business through Technological Innovation</b> 	Improvement of value across the consumer sector's value chain <ul style="list-style-type: none"> <li>• Optimization of value chain from production to sales</li> <li>• Smart distribution systems</li> <li>• Satisfying customer experiences and development of new retail proposals</li> </ul> Evolution of business models utilizing new technologies <ul style="list-style-type: none"> <li>• Optimal energy use and supply</li> <li>• Next-generation mobility society and shift from ownership to use</li> <li>• Improvement of management productivity through new technologies</li> </ul>

# “Brand-new Deal 2017” (FYE 2016–2018) General Review

## Brand-new Deal 2012

(FYE 2012–2013)

— Establish an infrastructure to show “individual capabilities”

## Brand-new Deal 2014

(FYE 2014–2015)

— Enhance earning power by overweighting

### Basic Policies

Strengthen Our Financial Position	Accelerate Asset Replacement	<ul style="list-style-type: none"> <li>Continue asset replacement and rigorous investment selection to further improve quality and efficiency of assets</li> <li>Maintain positive free cash flow after dividend payout by strengthening cash generation capacity and adhering to stringent investment disciplines</li> <li>Thoroughly implement management control to front lines with focus on cost of capital and cash flow management</li> </ul>
	Stringent Cash Flow Management	
Build Solid Earnings Base to Generate ¥400.0 Billion Level Consolidated Net Profit	Enhance Progress Cooperation with Strategic Partners	<ul style="list-style-type: none"> <li>Establish operating capabilities and business areas in China and the Asian region utilizing the strategic alliance with CITIC and CP Group</li> <li>Further strengthen our earnings base utilizing the superiority and competitive edge in the non-resource sector</li> <li>Expand the core profit by thoroughly applying the “Earn,” “Cut,” and “Prevent” principles</li> </ul>
	Further Reinforcement of the Non-Resource Sector	

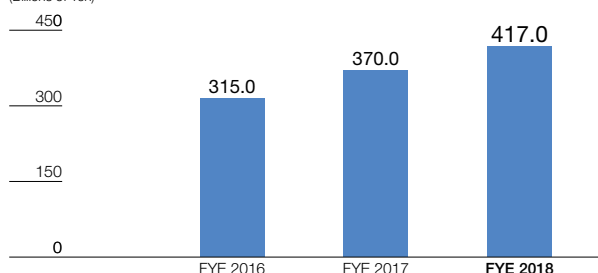
### Profits

- Recorded the highest consolidated net profit among general trading companies for the first time in FYE 2016 and achieved record-high profit in FYE 2017 and then again in FYE 2018, when profit exceeded ¥400.0 billion for the first time, by rigorously implementing “Earn, Cut, Prevent” principles
- Established an earnings base that is resilient to changes in resource prices and became the No. 1 general trading company in the non-resource sector
- Enhanced existing businesses to bring 91% of Group companies reporting profits

Billions of Yen	FYE 2016	FYE 2017	FYE 2018
Consolidated net profit	240.4	352.2	400.3
Gross trading profit	1,069.7	1,093.5	1,210.4
Selling, general and administrative expenses	(835.5)	(801.8)	(890.3)
Equity in earnings of associates and joint ventures	147.7	185.2	216.2
Income tax expense	(46.4)	(125.3)	(106.1)

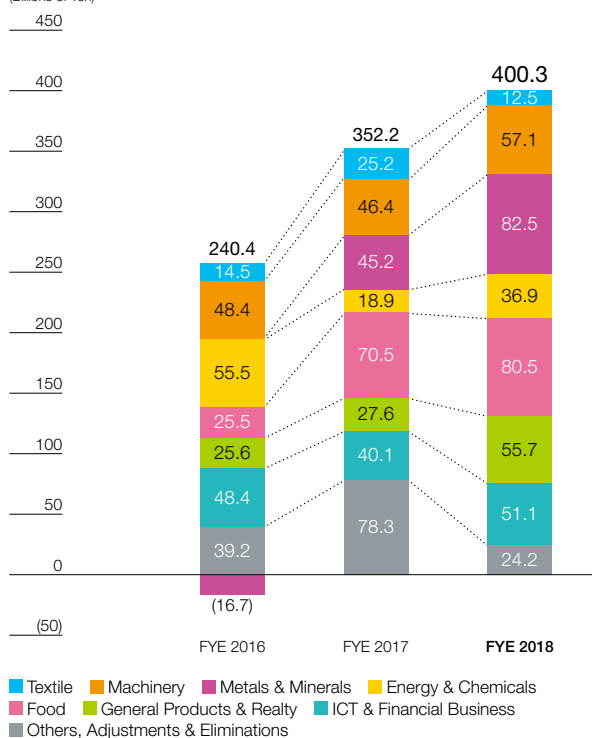
### Core Profit

(Billions of Yen)



### Consolidated Net Profit (Loss) by Operating Segment

(Billions of Yen)



## Brand-new Deal 2017

(FYE 2016–2018)

— Set strategic steppingstones to the Chinese and other Asian markets

### B/S, Cash Flows, and Investments

- ▶ Further improved already industry-leading ROE (15.8% in FYE 2018) while increasing total shareholders' equity
- ▶ Accomplished financial position targets earlier than projected, have achieved core free cash flows of more than ¥100.0 billion for three consecutive years, and was awarded credit ratings of A or higher from all rating agencies
- ▶ Practiced strict management to control new investment within the scope of core operating cash flows and investment inflows

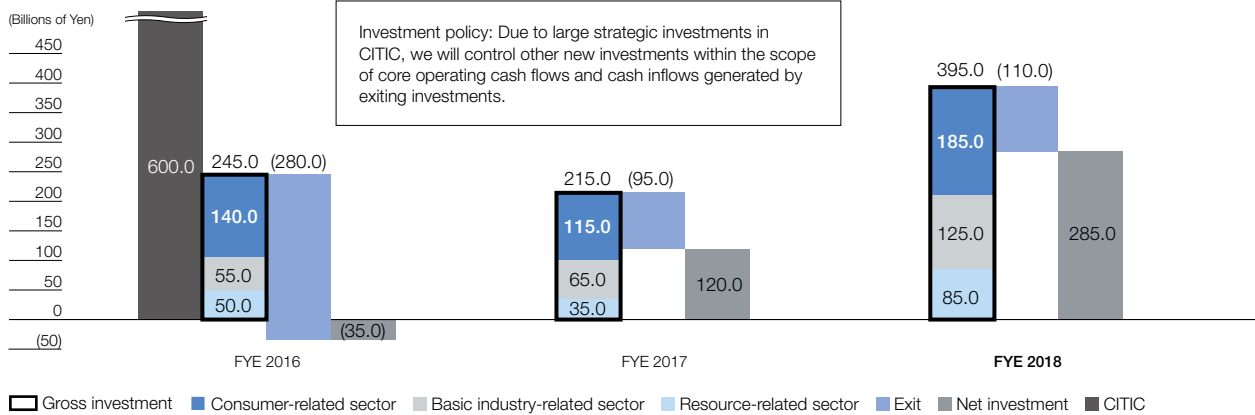
Billions of Yen	March 31, 2016	March 31, 2017	March 31, 2018
Total assets	8,036.4	8,122.0	8,663.9
Net interest-bearing debt	2,555.6	2,330.7	2,320.4
Total shareholders' equity	2,193.7	2,401.9	2,669.5
NET DER (times)	1.17	0.97	0.87
ROE	10.4%	15.3%	15.8%

Billions of Yen	FYE 2016	FYE 2017	FYE 2018
Core operating cash flows*1	375.0	420.0	460.0
Net investment cash flows*2	35.0	(120.0)	(285.0)
Core free cash flows	410.0	300.0	175.0

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

\*2 Payments and collections for substantive investment and capital expenditure. "Investment cash flows" plus "Equity transactions with non-controlling interests" minus "increase / decrease of loan receivables," etc. Excludes investment in CITIC

### Investments



**Investment in CITIC:** Following the investment, CITIC has performed favorably in each term, taking in profits exceeding ¥60.0 billion on an annual basis. On the other hand, despite the fact that the investment in CITIC was made in anticipation of medium- to long-term expansion, we acknowledge that progress in synergy projects has been slower than initial projections. We will continue to refrain from hastily demanding results, but carefully identifying projects that contribute to mutual increase in corporate value and steadily identifying that value. Additionally, we are aware that CITIC's sluggish stock prices are in need of continued attention.

### Stock Price and Shareholder Returns

- ▶ Renewed a record-high stock price and market capitalization reached ¥3.0 trillion, the highest ever
- ▶ Maintained performance-linked progressive dividend policy and set the highest minimum dividend guarantee ever of ¥70 per share in FYE 2018
- ▶ Conducted flexible share buybacks to enhance shareholder returns

### Work-Style Reforms and Corporate Governance

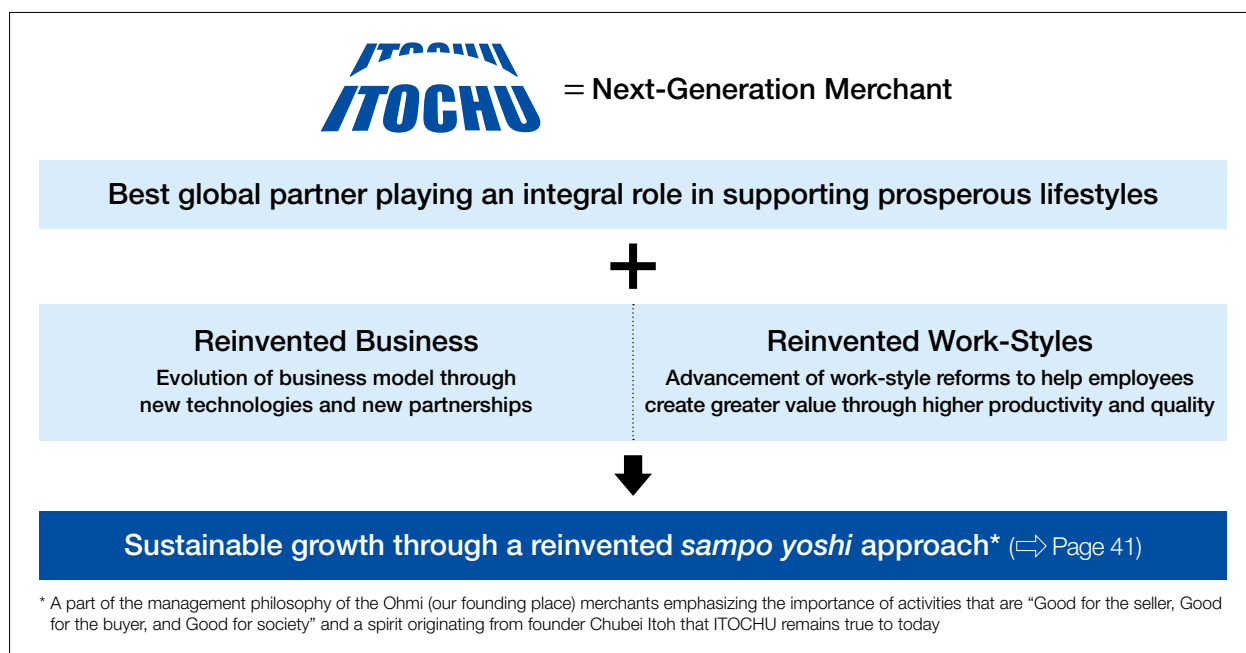
- ▶ Accelerated work-style reforms by improving productivity and placing emphasis on customers through implementing morning-focused working systems, policies related to health management, and living with cancer. Redesigned and executed compensation policies to reward performance
- ▶ Raised ratio of outside directors to above 1/3 and transitioned to monitoring-focused Board of Directors' structure to strengthen corporate governance

# New Medium-Term Management Plan

**Brand-new Deal 2020** (FYE 2019–2021)  
 — ITOCHU : Infinite Missions : Innovation

## Vision

We will upgrade ourselves through “Reinvented Business” and “Reinvented Work-Styles,” and achieve ongoing sustainable increase in corporate value through a “reinvented *sampo yoshi*.”



## Basic Policies

We will combine our abundant superior assets with new technologies and new business models to build modern business models and expand earnings. We will also pursue management efficiency and health management.



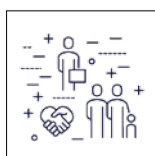
### Reinvented Business (⇒ Page 51)

- ▣ Evolve business model by utilizing new technologies at all division companies
- ▣ Improve value across Group value chain centered on FamilyMart UNY Holdings
- ▣ Accelerate creation of new businesses in China and other parts of Asia by actively engaging in alliances with strategic partners



### Smart Management (⇒ Pages 42, 58)

- ▣ Become an industry leader in terms of management efficiency indicators such as ROE and labor productivity
- ▣ Further advance work-style reforms and efficiency



### No. 1 Health Management Company (⇒ Page 58)

- ▣ Ensure employees feel motivated and rewarded in their work and become the best company for employees’ families as well
- ▣ Improve the health of all employees and energize the entire Group



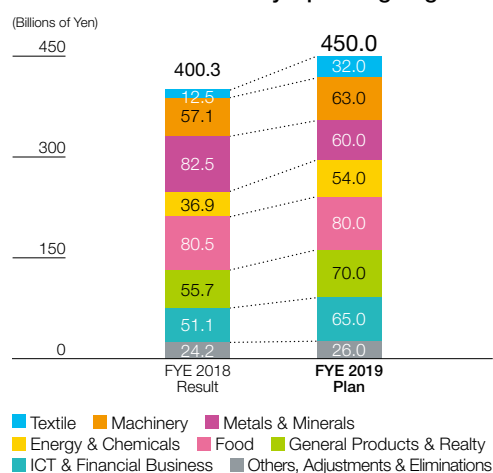
## Quantitative Targets for FYE 2019

- ▶ Project consistent growth in core profit and target record-breaking consolidated net profit of ¥450.0 billion
- ▶ Continue financial strategy for conducting disciplined growth investments and maintaining high capital efficiency  
(⇒ Page 42 CFO Interview)

Billions of Yen	FYE 2018 Result	FYE 2019 Plan	Increase/Decrease
Consolidated net profit	400.3	450.0	+ 49.7
Gross trading profit	1,210.4	1,593.0	+ 382.6
Trading income	316.9	377.0	+ 60.1
Equity in earnings of associates and joint ventures	216.2	214.0	(2.2)

Billions of Yen	March 31, 2018 Result	March 31, 2019 Plan	Increase/Decrease
Total assets	8,663.9	10,600.0	+ 1,936.1
Net interest-bearing debt	2,320.4	2,450.0	+ 129.6
Total shareholders' equity	2,669.5	3,000.0	+ 330.5
NET DER (times)	0.87	0.82	Improve 0.05 pt.
ROE	15.8%	15.9%	Increase 0.1 pt.

## Consolidated Net Profit by Operating Segment



## Investment Policy

We will continue our policy of disciplined growth investment cognizant of cash flows while conducting active investment aimed at "Reinvented Business."

Reinvent business through investment in new and next-generation technologies

Conduct continuous and disciplined growth investments while considering cash flows



Consistently maintain positive core free cash flows after deducting shareholder returns\*

\* "Core operating cash flows" minus "Net investment cash flows" minus "Dividends and share buybacks"

Billions of Yen	FYE 2016 Result	FYE 2017 Result	FYE 2018 Result	FYE 2019 Image
Core operating cash flows	375.0	420.0	460.0	Approx. 500.0
Net investment cash flows	35.0	(120.0)	(285.0)	
Core free cash flows	410.0	300.0	175.0	More than 120.0
Dividends	(75.0)	(83.0)	(93.0)	Approx. (120.0)
Share buybacks	—	(16.0)	(28.0)	Conduct flexibly
Core free cash flows after deducting shareholder returns	335.0	201.0	54.0	Maintain positive

## New Medium-Term Management Plan

**Brand-new Deal 2020** (FYE 2019–2021)

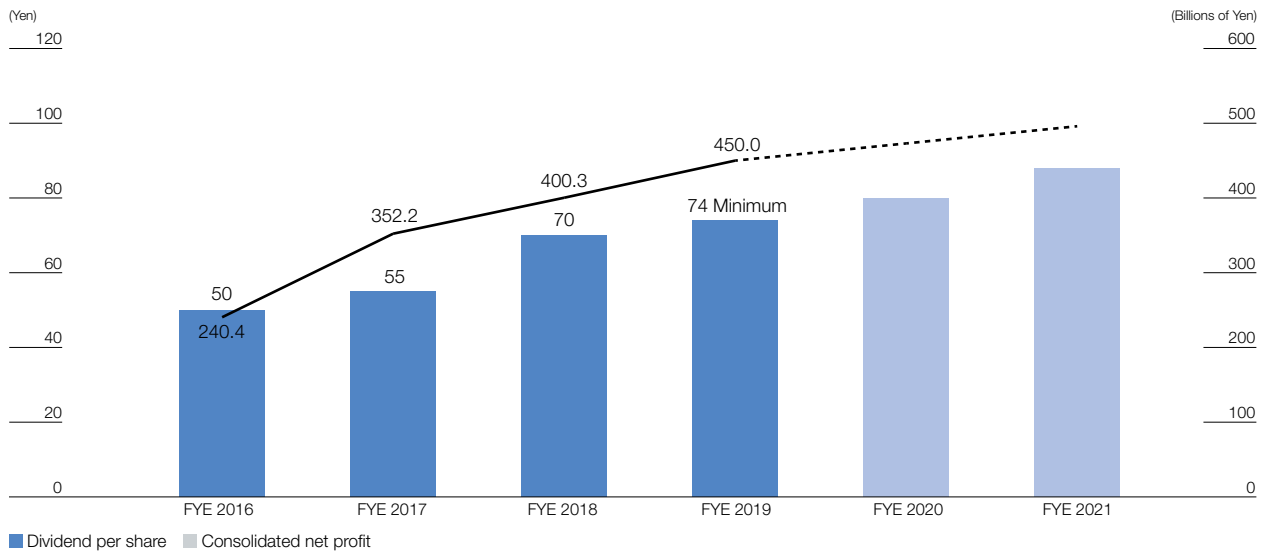
— ITOCHU : Infinite Missions : Innovation

## Shareholder Returns Policy

Continue applying the current performance-linked and progressive dividend policy\*; set minimum dividend of ¥74 per share for FYE 2019 and target record-breaking dividend levels each year as the dividend policy of "Brand-new Deal 2020" while adopting a flexible stance toward share buybacks based on factors including the Company's stock price and cash flows to enhance shareholder returns.

\* Target a dividend payout ratio of approx. 20% on consolidated net profit up to ¥200.0 billion and a dividend payout ratio of approx. 30% on the portion of consolidated net profit exceeding ¥200.0 billion

## Dividend per Share



## Assumptions for FYE 2019 Plan

	FYE 2017 Result	FYE 2018 Result	FYE 2019 Plan	(Reference) Sensitivities on consolidated net profit for FYE 2019
Exchange rate (YEN / US\$) average	108.37	111.30	105	Approx. ¥(2.3) billion (1 yen appreciation against US\$)
Exchange rate (YEN / US\$) closing	112.19	106.24	105	—
Interest JPY TIBOR 3M	0.061%	0.062%	0.10%	Approx. ¥(4.0) billion (1% increase)
Crude oil (Brent) (US\$/BBL)	49.88	57.85	55	±¥0.40 billion
Iron ore (CFR China) (US\$/ton)	66*	68*	N.A**	±¥1.27 billion
Hard coking coal (FOB Australia) (US\$/ton)	165*	204*	N.A**	±¥0.35 billion
Thermal coal (FOB Australia) (US\$/ton)	74*	94*	N.A**	

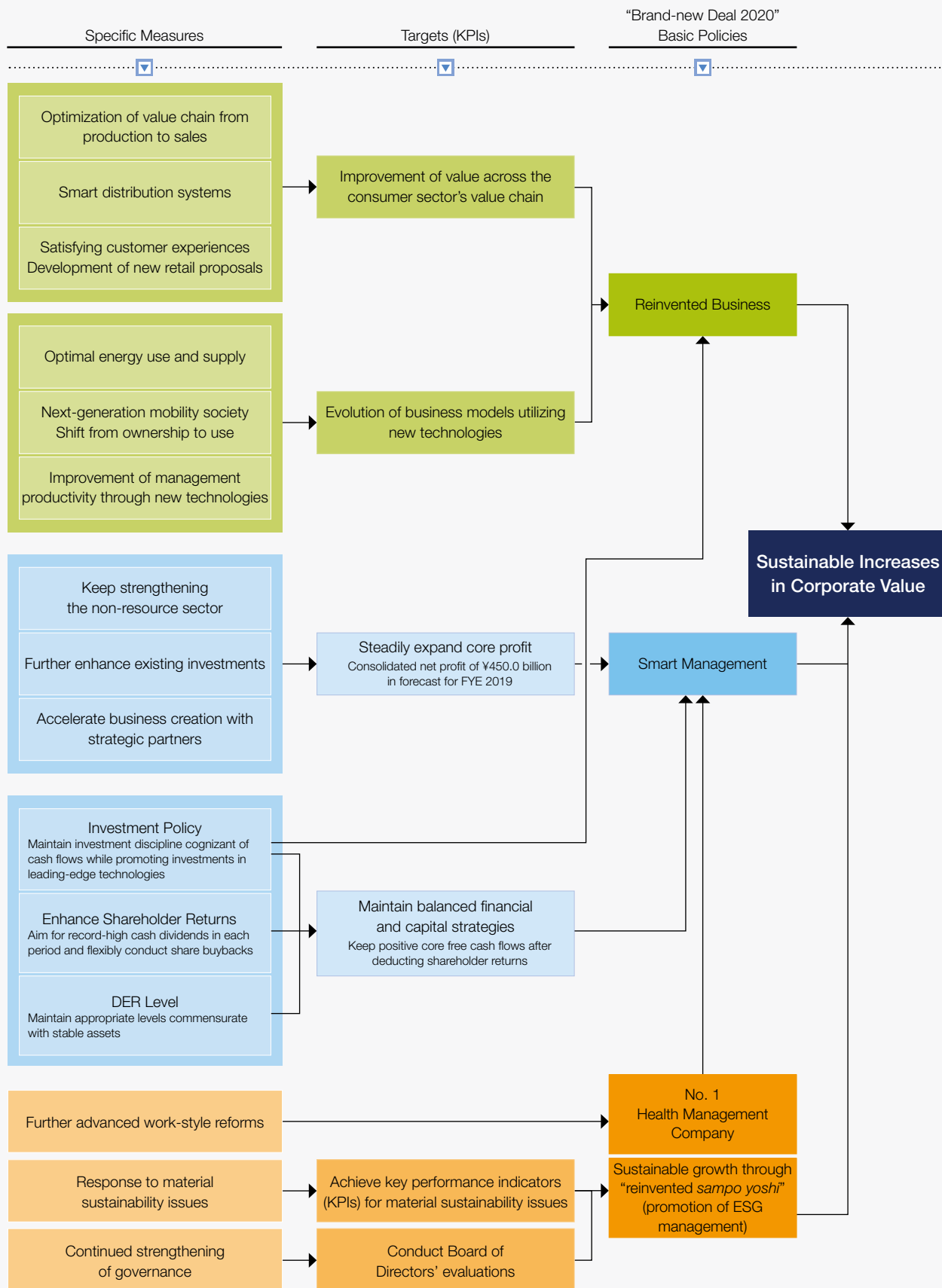
(The above effect varies according to changes in sales volume, foreign exchange rates, and production costs.)

\* FYE 2017 and FYE 2018 prices for iron ore, hard coking coal, and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

\*\* The prices for iron ore, hard coking coal, and thermal coal used in the FYE 2019 Plan are assumed in consideration for general transaction prices based on the market. The figures are not presented since the actual sales prices are decided based on negotiations with each customer, ore type and coal type.

## Roadmap toward Sustainable Increases in Corporate Value

We will achieve sustainable increases in corporate value by “Reinvented Business” and “Smart Management,” cognizant of management efficiency and labor productivity. We will also reinvent our “*sampo yoshi*” philosophy and promote ESG management.



## CFO Interview



**We will maintain our consistency no matter how business environments change and work to win our stakeholders' trust.**

Member of the Board,  
Senior Managing Executive Officer, CFO

**Tsuyoshi Hachimura**

### QUESTION 01

**Please provide a general review of the financial and capital strategies under “Brand-new Deal 2017.”**

**We have steadily produced results.**

I believe we should tenaciously promote the Company's financial and capital strategies with consistency no matter what kind of changes we face in the business environment. With this way of thinking, we steadily produced results based on our basic policies over our three-year medium-term management plan, “Brand-new Deal 2017.” In FYE 2018, the plan's final fiscal year, we were able to fulfill all of the “four commitments” we had announced in the beginning.

First, in terms of “enhancing shareholder returns,” we advanced policies of “record-high minimum guarantees for dividends each year” and “performance-linked and progressive dividends” when we first announced “Brand-new Deal 2017.” We were able to keep these promises and also increase dividends by ¥15 year on year to ¥70 per share. Furthermore, continuing from the previous fiscal year, we conducted a ¥27.9 billion share buybacks, aiming to expand shareholder returns.

Next, in terms of “core free cash flows,” results produced in FYE 2016 and FYE 2017 combined with our strong resolve to steadily implement careful selection and control of investment pushed us to target a value higher than our previous target of “¥100.0 billion.” We were able to reach our new target in FYE 2018, with core free cash flows of ¥175.0 billion. Furthermore, our cumulative core free cash flows during “Brand-new Deal 2017” reached levels near ¥900.0 billion, greatly exceeding the approximate ¥600.0 billion we invested in CITIC in FYE 2016.

In terms of “net debt-to-shareholders' equity ratio (NET DER),” we achieved a value of 0.87 times, lower than our target value of 0.9 times. Due partly to steady accumulation of record-high consolidated net profit, shareholders' equity

hit an all-time high. Additionally, we promoted improvements in investment control and asset efficiency. Thanks to these factors, net interest-bearing debt decreased compared to the end of the previous fiscal year.

Finally, in terms of ROE, we achieved a result of 15.8%, right in line with initial forecasts, and were able to maintain our position at the top level of general trading companies for the fourth period in a row.

Additionally, we acquired a credit rating of A from Moody's for the first time in about 20 years. With this rating, ITOCHU now has ratings of A or higher from all four major rating agencies. We also received “outlook positive” evaluations from S&P and three other agencies. I believe that these are also great results of our consistent financial and capital strategies.

### QUESTION 02

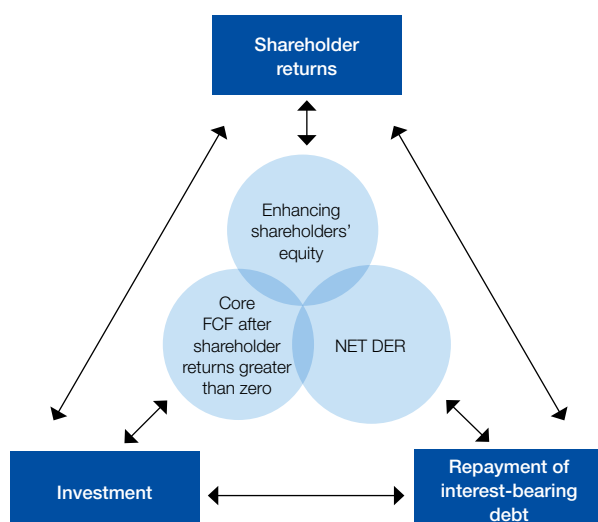
**Please inform us about financial and capital strategy points in the new medium-term management plan, “Brand-new Deal 2020.”**

**We will continue the policies of “Brand-new Deal 2017.”**

In terms of the new medium-term management plan, “Brand-new Deal 2020,” we are working out new basic policies, including our policy of “Reinvented Business.” However, our fundamental thinking regarding financial and capital strategies remains unchanged and we intend to produce results one by one while being mindful of the appropriate balance between shareholder returns, investment, and repayment of interest-bearing debt.

The low-volatility non-resource sector is at the center of the Company's exposure, so we are not considering drastically lowering NET DER beneath current levels. On the other hand, we intend to aim for continued increases in shareholders' equity. In the medium to long term, the Company will stick to its policy of maintaining high ROE at

## Achieve High ROE While Balancing Three Factors



a global level of 13% or higher, which greatly exceeds shareholders' equity cost, through the expansion of consolidated net profit. ROA is an important prerequisite factor for this goal, so we will thoroughly ensure further improvement in asset efficiency for each operating segment.

Additionally, in terms of core free cash flows for each fiscal year, we will take one step further than we did previously, with a policy of "maintaining positive results after deducting shareholder returns" as well as applying the policy to each Division Company.

During FYE 2019, the first fiscal year of "Brand-new Deal 2020," we will steadily promote the "four commitments" displayed in the chart below.

In particular, we estimate ROE of 15.9% on the

assumption that consolidated net profit reaches ¥450.0 billion. Core operating cash flows, an area of focus for the Company, are expected to exceed the previous fiscal year's value by ¥40.0 billion and reach about ¥500.0 billion. Assuming shareholder returns of about ¥120.0 billion (with a minimum dividend of ¥74 per share), a ¥120.0 billion expenditure for the acquisition, making FamilyMart UNY Holdings Co., Ltd. a consolidated subsidiary, and around ¥130.0 billion in capital expenditure for operating companies during a typical year (the rough median between ¥100.0 billion and ¥150.0 billion), cash outflows will amount to about ¥370.0 billion. Subtracting cash outflows from forecast core operating flows leaves a remainder of about ¥130.0 billion. This figure may vary somewhat due to our continued asset replacement and increasing consolidated net profit but we will basically make considerations regarding investment and additional shareholder returns within this ¥130.0 billion scope. Accordingly, we will continue our policy of making judgments regarding investments extremely carefully.

### QUESTION 03

**Please describe your thoughts regarding the market reaction immediately following the announcement of "Brand-new Deal 2020."**

**We will conscientiously explain our pursuit of "new record highs."**

When we announced both "Brand-new Deal 2017" and "Brand-new Deal 2020" medium-term management plans,

## The Four Commitments

<b>Brand-new Deal 2017</b> (FYE 2016–2018)	<b>Brand-new Deal 2020</b> (FYE 2019–2021)	<b>FYE 2022–</b>
<b>① Enhancing shareholder returns</b> <ul style="list-style-type: none"> <li>Performance-linked and progressive dividends, with a minimum guarantee of ¥64 per share</li> <li>Share buybacks remain as an option <b>FYE 2018 results:</b> Carried out dividend payments of ¥70 per share and ¥27.9 billion in share buybacks</li> </ul>	<b>① Enhancing shareholder returns</b> <ul style="list-style-type: none"> <li>Aim for record-high dividend payments each year</li> <li>Flexibly conduct share buybacks <b>FYE 2019 plan:</b> Performance-linked and progressive dividends with a minimum dividend of ¥74 per share, the highest in Company history</li> </ul>	<p>In the medium to long term, we will continue to maintain</p> <p><b>ROE of 13% or higher,</b> a global level that greatly exceeds shareholders' equity cost.</p>
<b>② Core free cash flows</b> <ul style="list-style-type: none"> <li>Over ¥100.0 billion + <math>\alpha</math> <b>FYE 2018 results:</b> Reached ¥175.0 billion (cumulative total of about ¥900.0 billion over three years)</li> </ul>	<b>② Core free cash flows</b> <ul style="list-style-type: none"> <li>Maintain positive core FCF after deducting shareholder returns <b>FYE 2019 plan:</b> A total cash outflow of about ¥370.0 billion has already been confirmed relative to ¥500.0 billion in core operating cash flows.</li> </ul>	
<b>③ NET DER</b> <ul style="list-style-type: none"> <li>Aim to achieve 0.9 times as of March 31, 2018 <b>FYE 2018 results:</b> Reached a value of 0.87 times</li> </ul>	<b>③ NET DER</b> <ul style="list-style-type: none"> <li>Continue to increase shareholders' equity <b>FYE 2019 plan:</b> 0.82 times</li> </ul>	
<b>④ ROE</b> <ul style="list-style-type: none"> <li>Target ROE of 15.8% at March 31, 2018 <b>FYE 2018 results:</b> Reached 15.8%</li> </ul>	<b>④ ROE</b> <ul style="list-style-type: none"> <li>Aim to maintain high ROE through profit growth <b>FYE 2019 plan:</b> 15.9%</li> </ul>	

## CFO Interview

we only specified quantitative targets for the first fiscal year of each plan. However, in “Brand-new Deal 2020” we did not include numerical imagery equivalent to “build solid earnings base to generate ¥400.0 billion level consolidated net profit,” which we advanced as a basic policy in “Brand-new Deal 2017,” nor did we specify a minimum dividend per share for the second and third year. I’m aware that these factors led to a difference in evaluation for the two medium-term management plans.

The record-high consolidated net profit of ¥450.0 billion and minimum dividend of ¥74 per share that we are planning for FYE 2019 are both nothing more than minimum commitments at the present time. Although we have not specified any concrete numbers, there is no change in our aim to achieve record-high consolidated net profit in FYE 2020 and FYE 2021, nor in our policy of progressive dividend increases to accompany these record-high profits. Additionally, there is no change in our policy of continuing to consider share buybacks as an option, as we plan to flexibly conduct them based on conditions such as Company stock prices and cash flows (⇨ Page 40 New Medium-Term Management Plan, Shareholder Returns Policy).

I think the probability that we will achieve quantitative targets for FYE 2019 is extremely high, considering our past performance, conservative assumptions for resource prices and exchange rates, and setting a buffer to cover unexpected losses. We plan to announce specific quantitative targets during the “Brand-new Deal 2020” at the appropriate times.

### QUESTION 04

**Please tell us about your investment policy aimed at “Reinvented Business.”**

**We do not plan to conduct large-scale investments.**

Although there are some who are concerned that we may conduct unrealistically large-scale investments in leading-edge technology because we are advancing “Reinvented Business” in “Brand-new Deal 2020,” we are not planning to do so. Our Chief Strategy Officer will be the central figure involved in discussions about investments in next-generation or leading-edge technology fields. We plan to conduct venture investments within a defined scope. Our Company has the strong points of having branched out into venture investments since the early 1990s, conducted

IT initiatives that were pioneering among general trading companies, highly developed judgement and a strong network. Accordingly, although we may not have a large amount of money available from an asset-scale perspective, we believe that we can efficiently conduct venture investment.

Additionally, since before the demise of the “commodities super cycle,” we have largely changed our course and conducted investment in the non-resource sector, which mainly revolves around the consumer-related sector. Regarding large-scale projects in particular, we have achieved results above a certain level as a result of working out various measures to improve profitability for each project. We are investing in “Reinvented Business” to further upgrade existing businesses that we have refined over time.

Furthermore, starting in FYE 2019 I am also serving in the position of chairman for the Investment Consultative Committee and plan to raise cash control effectiveness to higher levels than before. As mentioned in the preceding section, we plan to exercise extreme care when making investment decisions.

### QUESTION 05

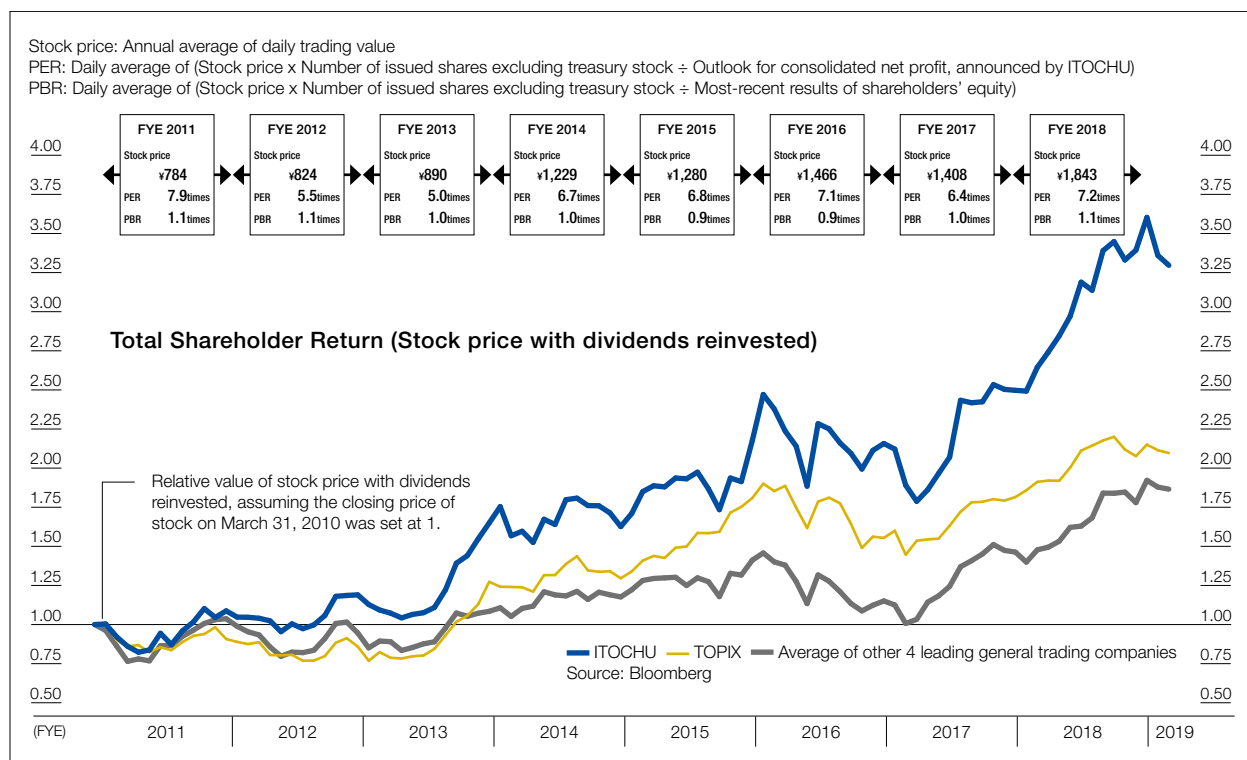
**Please tell us about your operating company’s management direction.**

**There is still much room for improvement.**

ITOCHU’s share of Group companies reporting profits in FYE 2018 was 91%. Although we are aware that this ratio is extremely high compared to other general trading companies, we want to further raise this value in FYE 2019. Out of our 300 operating companies, only a few reported profit of ¥10.0 billion or more, while about two thirds reported profit of ¥2.0 billion or less. The fact that earnings are not concentrated into specific operating companies but spread throughout them is one of the Group’s greatest strengths. We plan to continue upgrading investment management (⇨ Page 46 Business Investment), thoroughly adhere to our “earn, cut, and prevent” principles, implement meticulous hands-on management, and build an earnings base that is even stronger and more resistant to economic fluctuations. With regard to improving existing operating companies, some people say that we will reach our limit soon but I think that with the upgrades will come with “Reinvented Business” there is still a lot of room for improvement.

# Pursuing Sustainable Increase in Shareholder Value

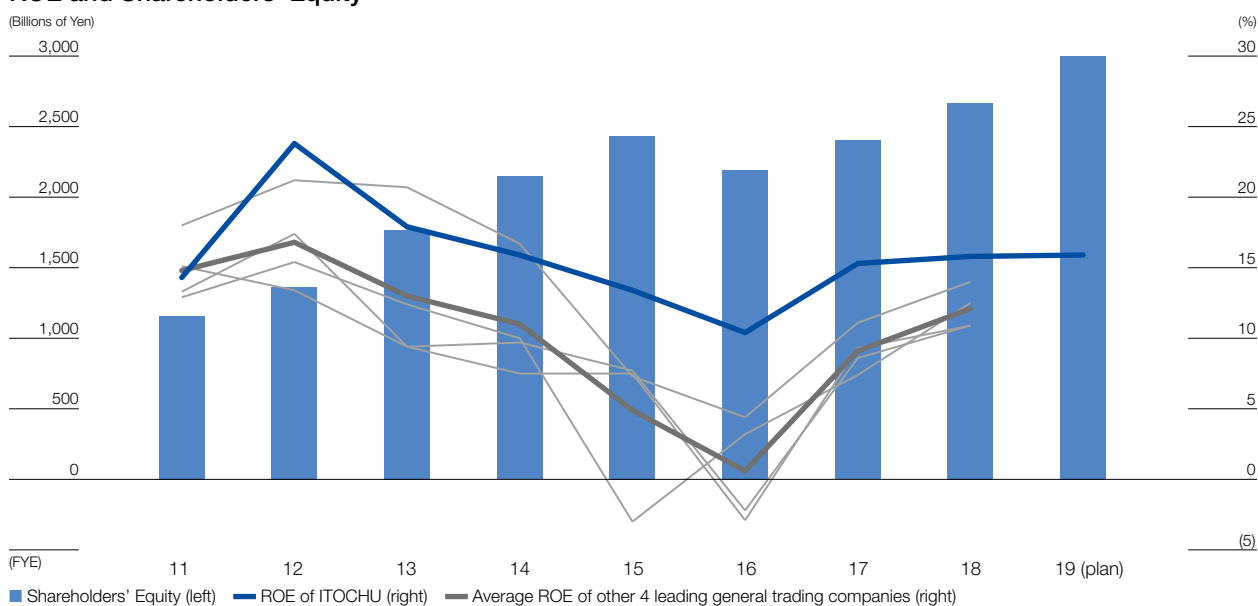
## Stock Price / PER / PBR / TSR



TSR	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years
ITOCHU	35.6%	60.6%	77.3%	97.9%	119.1%	186.1%	212.0%	239.3%
TOPIX	15.9%	33.0%	18.5%	54.9%	83.6%	127.5%	128.8%	107.7%
Average of other 4 leading general trading companies	20.6%	58.0%	34.6%	51.0%	69.3%	75.0%	70.5%	77.9%

TSR (total shareholder return): Return on investment assuming that dividends are reinvested

## ROE and Shareholders' Equity



# Business Investment

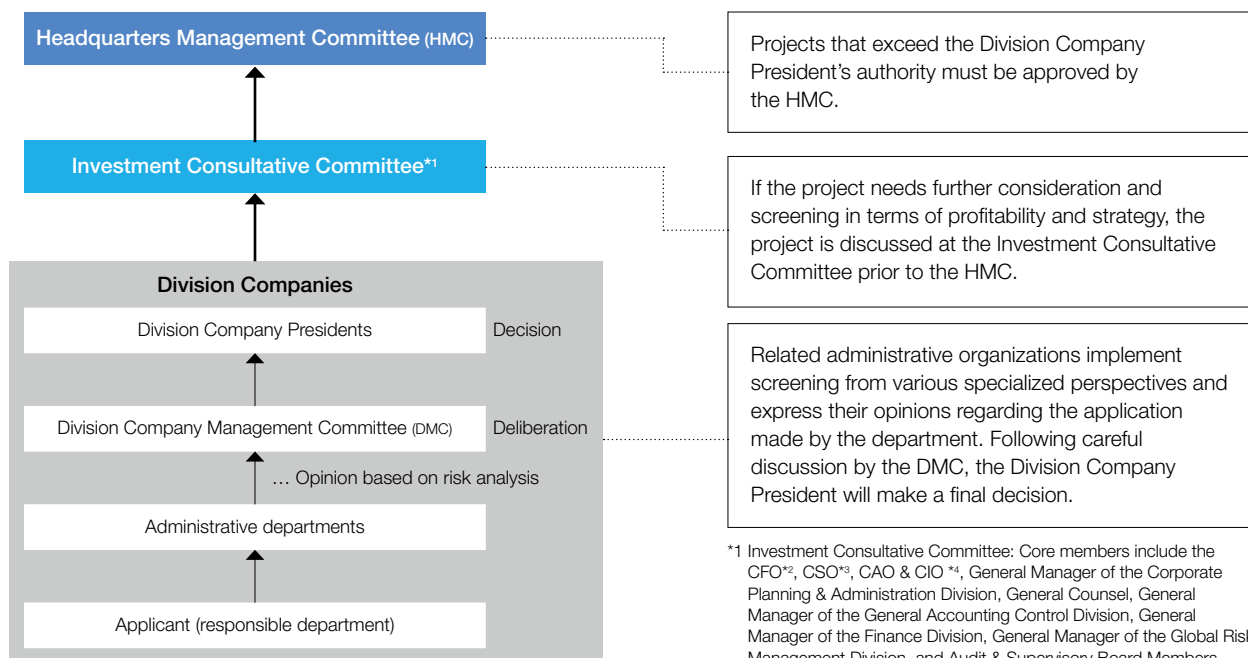
## Fundamental Approach

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, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize our corporate value and to expand trade and dividends received 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 periodic investment review.

### Decision-Making Process for New Investments

A multilayered decision-making process that achieves quick decision-making by giving a certain level of discretion to the Division Companies while striving to pursue investment return and curb investment risk.



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

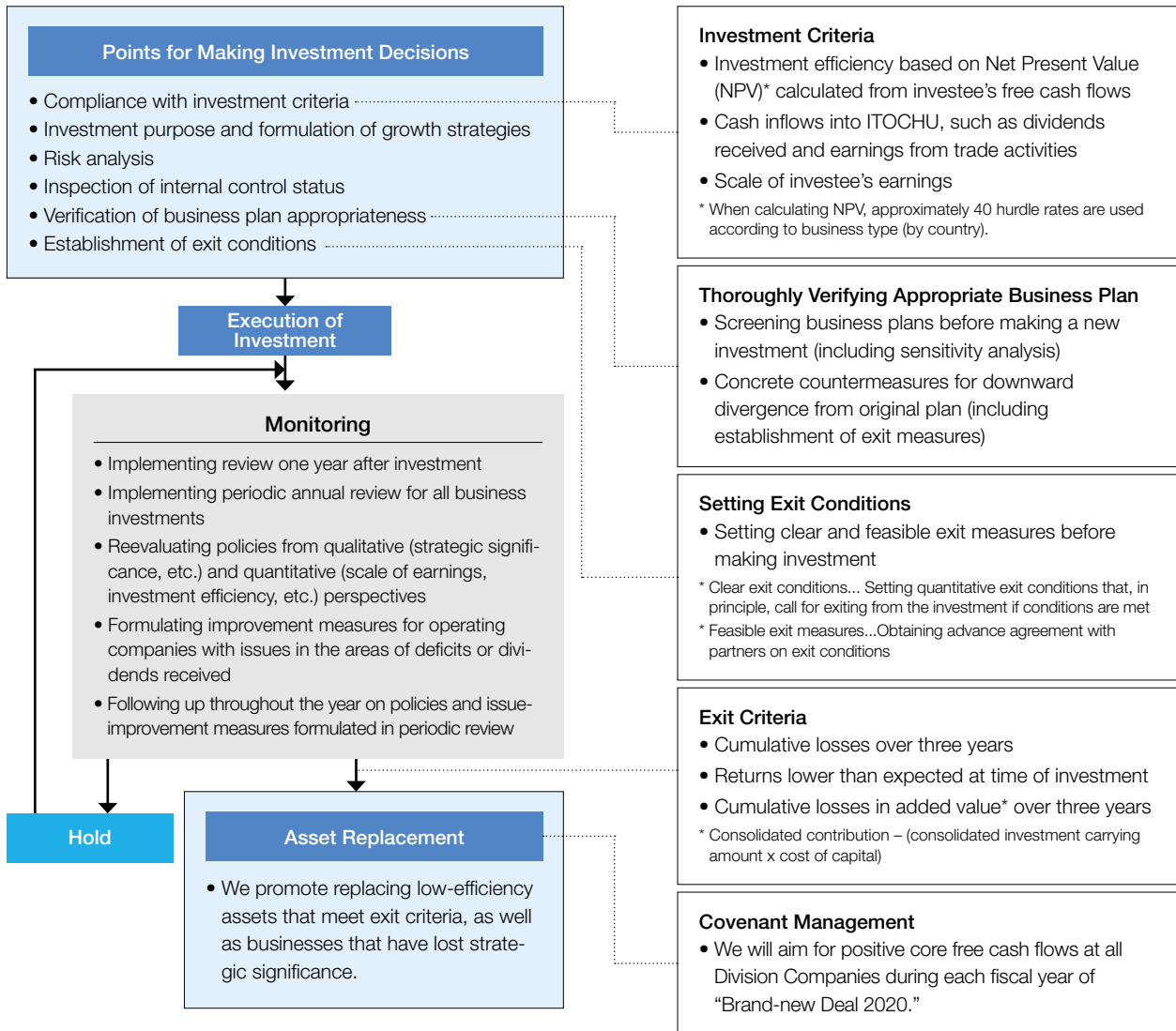




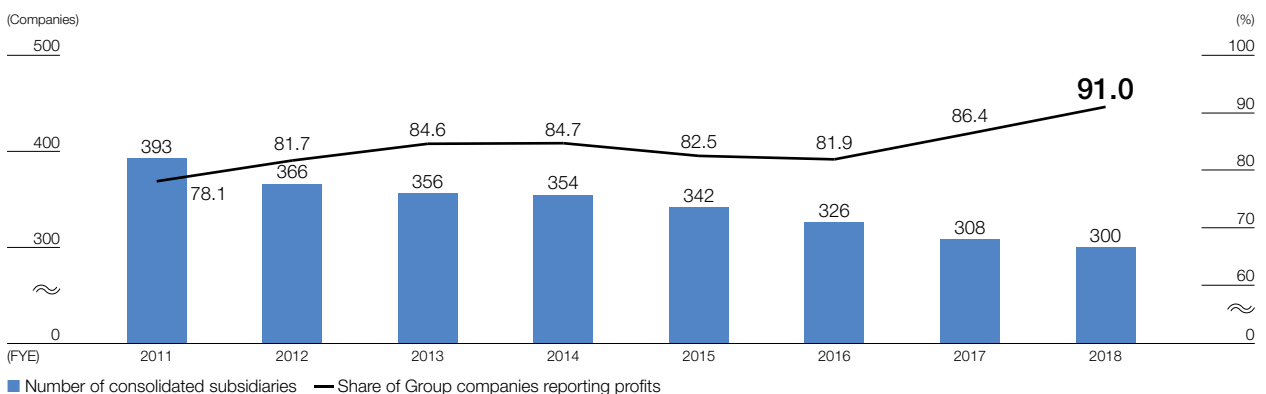
## Business Investment Process

Under “Brand-new Deal 2017,” we achieved a 90% and higher share of Group companies reporting profits for the first time through a revision of exit standards and by upgrading business investment management. Through “Brand-new Deal 2020,” we plan to build a strong earnings

base with high risk tolerance and further improve the share of Group companies reporting profits by moving forward with our existing investment process, thoroughly inspecting the appropriateness of business plans, and conducting prioritized monitoring of sub-subsidiaries.



## Raised Share of Group Companies Reporting Profits by Promoting Asset Replacement and Issue Improvement



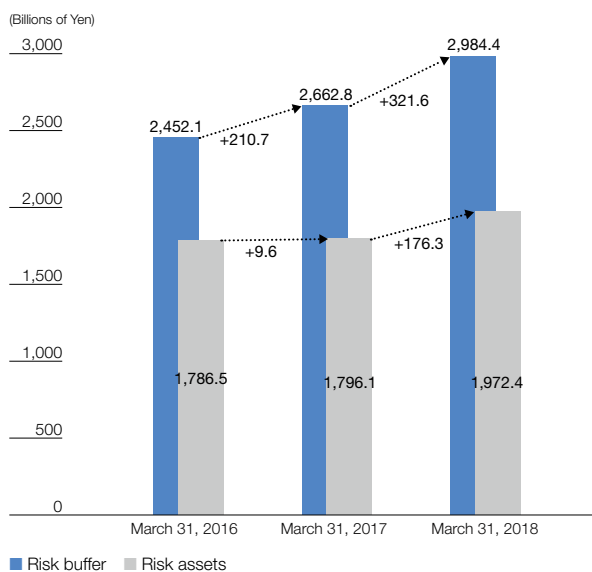
# Risk Management

## Risk Capital Management and Management of Concentrated Risks

### Risk Capital Management

We introduced Risk Capital Management in FYE 2000, when we were carrying large amounts of interest-bearing debt and inefficient assets, making far-reaching management reforms a matter of urgency. Since then, we have pressed forward with that spirit and understand risk quantitatively, and conduct control continuously and rigorously even now that our financial position has improved. Specifically, our basic operational policy involves first calculating risk assets based on the maximum amount of possible future losses from all assets on the balance sheet including investments and all off-balance-sheet transactions. Second, we manage the quantity of risk assets within the limits of our risk buffer (consolidated shareholders' equity + non-controlling interests). As we promote investment in new and next-generation technologies moving forward, we will work to maintain risk assets within the limits of our risk buffer, conduct strict risk management, and further strengthen our financial position.

### Risk Assets and Risk Buffer



## Significant Risks to Be Managed on a Consolidated Basis

The ITOCHU Group is exposed to various risks due to its wide range of business natures, such as market, credit, and investment risks. These risks include unpredictable uncertainties and may have significant effects on the Group's future financial position and business performance.

We acknowledge risk management as a key management issue. Therefore, we have established our basic risk management policy and develop necessary risk management systems and techniques. Specifically, we have defined the following 18 risks as major risks and are responding to them by building information management and monitoring systems at each department responsible for managing these risks on a consolidated basis. In addition, we periodically review the effectiveness of management systems through our internal committees.

### Individual Risk Categories (Major Risks)

1	Compliance Risks
2	Legal Risks (Excluding Compliance Risks)
3	Risks Associated with Trade Security Policy Management
4	Risks Associated with Customs
5	Country Risks (⇒Page 49)
6	Commodity Price Risks (Specific, Important Product)
7	Credit Risks
8	Investment Risks
9	Stock Price Risks
10	Foreign Exchange Rate Risks
11	Interest Rate Risks
12	Financing Risks
13	Information System Risks
14	Information Security Risks (⇒Page 49)
15	Labor Management Risks
16	Human Resources Risks
17	Risks Associated with the Appropriateness of Financial Reporting
18	Risks Associated with Internal Control

(⇒Pages 74–101 Key Financial (Ubiquitous) Risks)

## RISK 5: Examples of Response to Country Risk

### Strict Country Risk Management

The ITOCHU Group is actively expanding its business in countries and regions overseas and is therefore exposed to various country risks that arise as a result of political, economic, or societal circumstances in those countries and regions. Managing country risk is extremely important because negative factors, such as delay or inhibition of debt collection or operational implementation, can occur all at once and cause large losses.

To respond to these risks, we formulate appropriate risk countermeasures for each individual project and evaluate and analyze risk tolerance. We also establish Groupwide country risk management regulations from the standpoint of preventing excessive concentration of risk in specific countries or regions. Additionally, we work toward risk management by setting limits for each country that are based on internal country rating standards and maintain overall exposure at a level that is appropriate for the Group's financial strength.

Furthermore, we assign exposure limits to countries independent of deliberation processes concerning individual projects and conduct strict country risk management through measures such as not allowing related projects to proceed when country limits have not been assigned.

Additionally, we proactively work to reduce risk by formulating credit policies appropriate for each country according to need and stationing country risk management officials at each Division Company who collaborate with headquarters and manage risk for those Companies.



A dedicated space for ITCCERT

## RISK 14: Examples of Response to Information Security Risks

### Responses to Information Security Risks Aimed at “Not Stopping the Business Activities of ITOCHU”

In the past, our computers were infected with malware (malicious software), resulting in an external leak of client information. We have since focused on countermeasures aimed at preventing this from reoccurring. We have strengthened these preventative countermeasures by expanding security infrastructure for monitoring and defense, drastically revising the structure of our cybersecurity countermeasures team (ITCCERT: ITOCHU Computer Emergency Readiness, Response & Recovery Team), and hiring expert advanced cybersecurity analysts.

We routinely collect the latest information regarding threats through analysis of system logs and malware and conduct preventative measures. Additionally, when accidents (incidents) do occur, we respond instantly by investigating their causes, discussing possible countermeasures, and restoring services. In FYE 2018, we established an exclusive space for ITCCERT within our IT Planning Division and are working to strengthen security countermeasures across the entire Group and develop security countermeasure personnel. We also dispatch analysts to Chiba University under cross-appointment contracts (mixed-wage systems) in an effort to train and develop the cybersecurity countermeasure technicians that society needs. There are few examples of user companies in Japan that are working as actively as we are to develop systems and respond to information security risk. We plan to proceed with initiatives supporting sustained growth moving forward.

# Becoming a Next-Generation Merchant

ITOCHU has an inherent ability to adapt to its surroundings, and we have launched new reforms to take advantage of changes in our operating environment. Under “Brand-new Deal 2020,” our new medium-term management plan, we are evolving our business model to become a “next-generation merchant.” At the same time, we will continue applying our time-tested “*sampo yoshi*” approach to business as we reinvent the ITOCHU Group and strive to sustainably increase corporate value.

## Next Generation 01

### Page 51 Toward “Reinvented Business”

Amid the advances of the “Fourth Industrial Revolution,” we will reinforce and upgrade existing businesses that the ITOCHU Group has enhanced over the years, pursuing a distinctively ITOCHU-style business transformation.



## Next Generation 02

### Page 54 The ITOCHU Group’s CSV

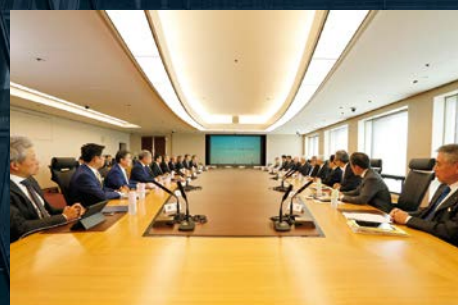
Here, we introduce the CSV of Dole Philippines, which, by sharing abundance with local communities, has raised its competitiveness and achieved sustained development for over half a century.



## Next Generation 03

### Page 56 Next-Generation Management Structure

To sustainably increase corporate value through the combination of management consistency and next-generation responsiveness, we have become the first general trading company to convert to a CEO and COO structure.



# Toward “Reinvented Business”

## Take Advantage of Real Assets and Promote “Reinvented Business”

The “Fourth Industrial Revolution” is in progress in various industries throughout the world. Digital Giant has built an enormous economic sphere and, as a new company, has changed the game in a traditional industry with business innovations that freely utilize leading-edge technologies. Large structural changes are gathering speed within the wide-ranging industrial fields in which the Group’s seven Division Companies are expanding their businesses.

In terms of brick-and-mortar business, we have improved our existing businesses over a long period of time and has built up prime assets, including intangible assets such as customer base, relationships with partners, and business expertise. By fully leveraging these distinctive assets, we will view changes in the industry as opportunities, evolving our “earn, cut, prevent” philosophy and promoting “Reinvented Business” while adopting new technologies.

## Enhancement of the Consumer Sector’s Value Chain

It is getting more important to meet customer needs in the retail industry.

Due to this change, proper understanding of consumer needs, marketing through optimal channels, and competitiveness are all keys to competitiveness. In recent years, e-commerce companies are moving more quickly toward sales at physical locations. These companies are particularly interested in acquiring customer data in brick-and-mortar stores, where over 90% of personal consumption occurs.

FamilyMart UNY Holdings Co., Ltd. is the Group’s largest consumer contact point, operating approx. 17,000 stores nationwide. These stores are visited by around 15 million customers daily, making it possible to secure vast amounts of consumer data. Additionally, NIPPON ACCESS, INC. possesses approx. 10,000 trucks, primarily at its 550 locations nationwide, and its low-temperature range distribution network boasts a high rate of competitiveness. The ITOCHU Group also holds additional assets with extremely large potential, such as one of the world’s largest companies in the fresh produce business, Dole International Holdings, Inc. We also own YANASE & CO., LTD., one of the largest sellers of imported vehicles. With this business infrastructure as a platform, we are working to improve our value chain on a Companywide basis.

Incorporate New Technologies in All Fields to Evolve ITOCHU’s “Earn, Cut, Prevent” Principles



## Reinvented Business



Enhancement of Value Chain in the Consumer Sector

Evolution of Business Model with New Technologies

(⇒ Page 52)

(⇒ Page 52)

Open Collaboration with Other Industries and Venture Companies

### Prime Assets Improved through Existing Businesses

Customer base / Sales channels / Relationships with partners / Business expertise

### Our Competitive Real Assets

NIPPON ACCESS  
**550** locations nationwide  
 Approx. **10,000** trucks  
 Low-temperature range distribution network nationwide



FamilyMart **Approx. 17,000** stores nationwide

Dole **The world’s largest** fresh produce business

YANASE **The largest** sellers of imported vehicles in Japan

### Promote Reinvention in All Division Companies




As we promote “Reinvented Business,” it is important to bear in mind that our primary concern as a *sogo shosha* is not to develop sensational new technological innovations or products but to construct new business models that are compatible with customers’ sense of value. We are already constructing strong earnings base in the non-resource sector, particularly in the consumer sector. Accordingly, we are carefully reviewing each of the businesses that compose these sectors and creating new added value by utilizing advanced technologies. At present, we are connecting the dots between independent businesses and are changing to a new business model

that will contribute to expansion across whole region, namely the “existing business version update.” The keywords when exploring the construction of new business models are our expertise and experience as a *sogo shosha*, our customer base, and our relationships with partners, while the main points are our instincts and the individual capabilities we use to implement them. We will take advantage of the “Fourth Industrial Revolution” by improving employee labor productivity and creativity through various measures that revolve around our “Reinvented Work-Styles,” and enhance sustainable corporate value.




### Primary Initiatives

#### Building Business Models Compatible with Customers’ Sense of Value (Existing Business Version Update)

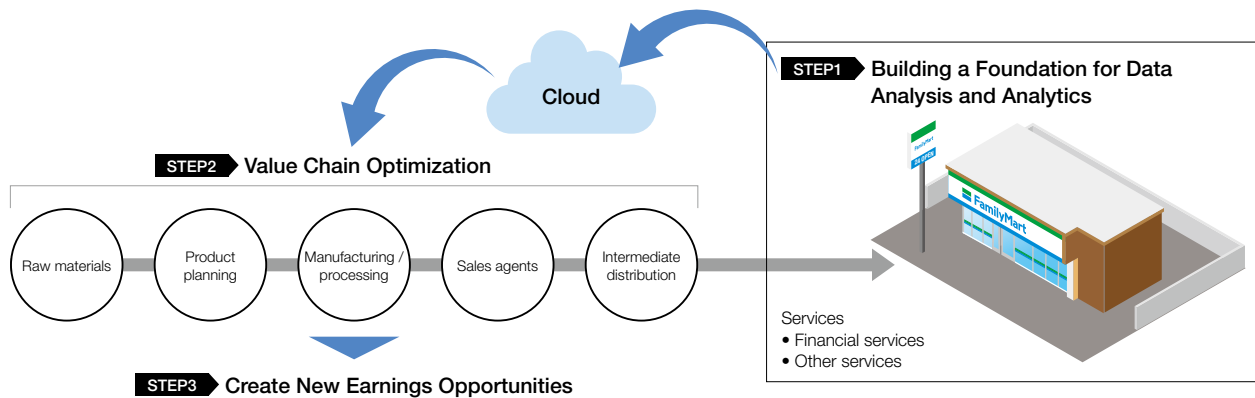
##### Enhancement of Value Chain in the Consumer Sector

Our vision	Specific examples of initiatives	Time frame		Investment amount		Expected profit	
		Short	Long	Small	Large	Small	Large
 <b>Optimization of the Value Chain from Production to Sales</b>	<ul style="list-style-type: none"> <li>Apply agritech in the agriculture and livestock industries (Dole, etc.)</li> </ul>						
 <b>Smart Distribution Systems</b>	<ul style="list-style-type: none"> <li>Upgrade demand forecasting by maximizing the usage of UFHD’s consumer contact point data</li> <li>Inventory optimization and opportunity loss reduction through NIPPON ACCESS</li> </ul>						
 <b>Satisfying Customer Experiences Development of New Retail Proposals (Evolution of CVS Business)</b>	<ul style="list-style-type: none"> <li>Build a financial services business and an EC business</li> <li>Data marketing business</li> <li>Coordination with next-generation stores that use new technologies and the Internet</li> </ul>						

##### Evolution of Business Model with New Technologies

Our vision	Specific examples of initiatives	Time frame		Investment amount		Expected profit	
		Short	Long	Small	Large	Small	Large
 <b>Optimal Energy Use and Supply</b>	<ul style="list-style-type: none"> <li>Optimization of electricity use through household batteries</li> <li>Making use of new technologies in the electricity supply chain</li> </ul>						
 <b>Next-Generation Mobility Society Shift from Ownership to Use</b>	<ul style="list-style-type: none"> <li>Shift to a new automobile business model through collaboration with EV start-ups</li> <li>Car sharing and last-mile logistics</li> </ul>						
 <b>Improvement of Management Productivity through New Technologies</b>	<ul style="list-style-type: none"> <li>Automation of routine tasks with robotic process automation (RPA)</li> <li>Introduction of more progressive office environments and IT tools</li> <li>Work-style reforms and productivity improvement through use of technology</li> </ul>						

## An Example of “Enhancement of Value Chain in the Consumer Sector”



### STEP1 Building a Foundation for Data Analysis and Analytics



We will work with FamilyMart UNY Holdings (UFHD) to put in place an IT infrastructure, converting the data on purchasing and customer trends it gleans from daily customer visits to its group stores to big data and building a next-generation ID foundation for multifaceted analysis and analytics.

As a first step, to further increase the number of customer contact points we will build a customer base by introducing specialized apps and accumulate data. In November 2017, ITOCHU and the FamilyMart group conducted a joint tender offer of POCKET CARD Co., Ltd. as one of the initiatives to strengthen consumer contact points.

UFHD is working to increase the efficiency of its business operations by leveraging AI, IoT, and other new information technologies. Meanwhile, ITOCHU and UFHD have established UFI FUTECH Co., Ltd., which will promote cashless transactions and fintech-related businesses.

### STEP2 Value Chain Optimization



We will push forward with optimizing our entire value chain by utilizing data analysis and analytics results. Understanding customer needs and behavior will help mitigate opportunity loss; curtail procurement, storage, disposal, and distribution costs; and reduce labor required for store operation. Additionally, by building a common platform that integrates transaction data from NIPPON ACCESS and other Group companies in our value chain, we will reduce inventory in intermediate distribution, manage manufacturer production volume, and conduct product development. Additionally, in terms of NIPPON ACCESS, we will raise competitiveness by reinventing our distribution systems and cultivate customers on a wide-ranging scale.

### STEP3 Create New Earnings Opportunities



For the future, we are considering various possibilities. These include one-to-one marketing, such as high-precision advertising that utilizes results obtained from common-platform data analysis and analytics. We are also considering retail financial services and loan services for smaller businesses based on transaction history.

# The ITOCHU Group's CSV

## Sustainable Development through Dole Philippines' Harmonious Coexistence with Surrounding Regions

### “Pineapples over Antigovernment Activities”

In 2013, we acquired the Asian fresh produce and worldwide packaged foods businesses of the Dole Food Company, one of the world's largest companies involved in fresh produce. Production volume had been falling in these businesses due to negative factors such as natural disasters in the Philippines, the largest production hub. However, by utilizing our financial resources and placing employees on site and in positions of management, we have turned around production volume and earning capacity. At present, we are working to increase production capacity and are aiming to become Asia's largest integrator of agricultural products.

The history of Dole Philippines' pineapple division (Dolefil) dates back to 1963, when the Dole Food Company settled on the island of Mindanao in the Philippines. Dolefil was conducting a labor-intensive pineapple production in a region where the business infrastructure was underdeveloped. For this reason, Dolefil consistently focused on harmonious coexistence with the region and has achieved sustained business development for more than half a century. For example, pineapple cultivation requires a fixed period of financial commitment (one cycle for every three years). To lower barriers to entry and support the stability of the cultivation business, we make offers to farmers, including loans for initial expenses, sharing of expertise regarding improving production efficiency, and purchase of harvested pineapples. We also run a program to build homes for employees who earned high scores based on such factors as their years of service and work attitude. This program is one example of how we link lifestyle infrastructure support with productivity.

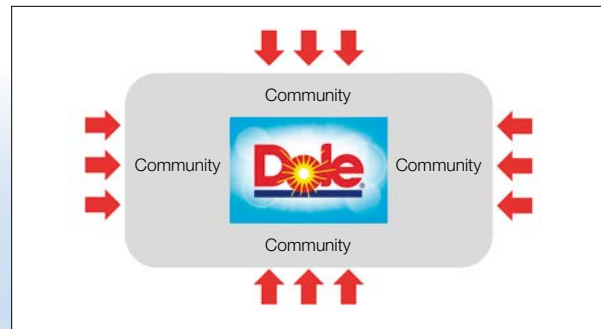


We offer loans for initial expenses, cultivation expertise, and purchase of harvested pineapples.

Dolefil is conducting farm management in a region in which the public order is destabilized by armed antigovernment forces. Regardless, no Company assets have been damaged by these forces, which is the strongest evidence of the mutual trust Dolefil has built with the region.



We offer a program that builds homes for employees as a reward for good attitudes and years of loyal service.



“Social Fence,” through which the region protects the business





## Strong Industry Clusters

Dolefil's "Social Fence" is both an initiative that integrates social contribution and growth strategies and a concept whereby a region protects its businesses. Dolefil is forming strong industry clusters\* in the region with wide-ranging initiatives conducted in collaboration with regional governments and Mahintana Foundation, Inc. (below, MFI), an NGO spun out by Dolefil's CSR department. These initiatives include industry and employment creation, environmental protection and forest restoration, education, livelihood support, employee benefits, and health and safety.

For example, we are conducting ongoing donations to regional schools. We accomplish this by deducting five pesos per month from employee salaries and, with supplementation from Dolefil and the labor union, securing monetary figures that are five times the deducted amounts. These figures serve as a source of funds for our school donations. Additionally, using the money from donations to order pupils' chairs from local carpenters creates employment. We also offer used pallets as lumber for the chairs, contributing to raw material recycling. In exchange for these donations, Dolefil is, among other initiatives, expanding participation in regional contribution by calling for children to take part in afforestation efforts. By ordering saplings for reforestation from local vendors, Dolefil creates a cycle of employment creation.



-  **Donation to school as a source of funds**
-  **Creating employment**  
Ordering pupils' chairs from local carpenters
-  **Recycling**  
Providing used wooden pallets to be used in making chairs
-  **Community contribution**  
Contributing to the community through pupils' participation in tree-planting activities

We are also creating a cycle of initiatives targeting environmental conservation. Dolefil and MFI are spearheading the Ridge to Reef Project, which aims to protect marine resources by safeguarding rivers and controlling sediment runoff. This large project also involves regional governments, local businesses, and clients. A portion of the donations for this project are used to support local nursery suppliers in seedling cultivation and procurement. This

approach helps fulfill seedling demand for Dolefil's afforestation efforts and also contributes to creating employment for regional citizens.

\* Industry cluster: A condition created when the main constituents of a specific industry accumulate geographically. Professor Michael E. Porter, a US business scholar, proposes "creating industry clusters that support the regions in which companies place their bases" as one of three CSV approaches.

## Dolefil CSV Compatible with "Sampo Yoshi"

In 2018, MFI was praised for its operational social contributions and commended as the number-one NGO in the Philippines. Additionally, the Department of Labor and Employment has named MFI the top-performing company in a separate contest twice in a row, in 2015 and 2017. The department holds this contest every two years and commends companies that possess superior relationships with their employees.

Dolefil's synergy with the local municipality in the city of Polomolok, where it places its headquarters, has made the city the sixth most competitive municipality in the Philippines, as well as the most competitive on the island of Mindanao. The mayor of Polomolok released a statement saying, "Dole is Polomolok, Polomolok is Dole." As this statement shows, Dolefil has been acknowledged as a company deeply rooted in the region.

Dolefil's policies for creating shared values (CSV) expand the scope of the Social Fence by creating local employment and improving the livelihoods of local citizens. In this way, they are compatible with ITOCHU's "sampo yoshi" philosophy, which supports business sustainability and raises productivity and quality. We are increasing Dole's sustainable corporate value by supporting these approaches through the provision of various functions.



# Next-Generation Management Structure

## First Tandem CEO and COO Structure in the Industry

At the Board of Directors' meeting held on January 18, 2018, the Company decided to shift to a management structure on April 1, 2018 in which the chairman will serve concurrently as Chief Executive Officer (CEO) and the Company President will serve concurrently as Chief Operating Officer (COO). The Board also resolved to make former president Masahiro Okafuji Chairman & CEO and former ICT & Financial Business Company President Yoshihisa Suzuki President & COO.

Chairman Okafuji will continue to formulate management strategies and plans for the entire Group, including its major Group companies, and take charge of maintaining relationships with important customers as CEO. Additionally, President & COO Suzuki will oversee overall execution based on those management strategies and plans. In particular, he will utilize his extensive expertise and wide-ranging experience in the information and communications technology fields to focus on promoting reinvented business by creating new business models. This is the first change in president for ITOCHU in eight years and also the first attempt by a *sogo shosha* at a tandem CEO and COO structure. We have conducted an extensive review regarding these decisions that includes discussion in the Governance and Remuneration Committee, an advisory committee to the Board of Directors that took place before the Board's meeting on January 18, 2018. In addition to this discussion, the Nomination Committee convened five times for deliberation.

## Compatibility between Management Continuity and Response to Change

We have been consecutively recording record-high profits and also recorded our highest-ever stock prices. We also



received a credit rating of A from Moody's for the first time in approximately 20 years and have a rating of A or higher from all four major credit rating agencies. Furthermore, our work-style reform initiatives are receiving high praise from the corporate world and in political and business circles. On the other hand, we need to consider issues such as synergy creation with CITIC and think about integrated management of the Group, including FamilyMart UNY Holdings Co., Ltd. One of the reasons we approached the management change as we did was out of concern that a sudden shift in CEO would have a negative impact on our share price, given that former president Masahiro Okafuji's management skills are highly regarded in the stock market. For this reason, a number of members in the Nomination Committee called for Mr. Okafuji to remain in the office, saying that we should "focus on management continuity" and that a structural change at the current stage was unnecessary. However, Mr. Okafuji realized that changes were occurring on a completely different scale and at

completely different speeds due to new next-generation technologies such as AI and IoT. He felt a strong sense of crisis due to these changes, thinking that *sogo shosha* business models might soon reach their limits and therefore, also strongly felt that ITOCHU must convert to a new management structure in order to respond to a radically changing world by evolving and creating business models. After extensive discussion, we decided to adopt a structure that simultaneously achieves management sustainability and responds to rapid changes in the world. This conclusion led to the recent executive appointments and change in president.

In recent years, rapid technological innovation has been causing large changes in the market to occur in a short period of time. With this in mind, we will promote the new medium-term management plan, "Brand-new Deal 2020," under our new structure and aim for sustainable growth while building new general trading company business models.

### Comments from the Incoming and Outgoing Chairmen of the Governance and Nomination Committee

We endeavored to make the deliberation process for our recent executive appointments highly objective and transparent, based on the fact that the selection of management executives is an extremely important strategic decision for the Company. We have been discussing succession planning in the Nomination Committee. The committee has deliberated about what the ideal president should be like many times and has also deliberated about the pros and cons of a change in president without the former president present. Additionally, outside directors conducted interviews with management executives to hear their thoughts regarding current issues and future goals. We are confident that our new structure is the best structure that we can use to achieve our ideal form under the new medium-term management plan and that we can fully satisfy stakeholders' expectations with it.

As a Nomination Committee member, I have high praise for the plans that Chairman Kawakita formulated to increase objectivity and transparency in the deliberation process. I think that they greatly evolved our succession planning. It has been decided that I will serve as the new chairman of the Nomination Committee after the General Meeting of Shareholders. We will aim for sustainable growth that extends into the future, well beyond the length of our new medium-term management plan, to reliably achieve the plans' goals, which are aimed at establishing new business models. As chairman, I plan to conduct proper supervision of succession planning and operate the Nomination Committee through a fair and highly transparent process.



**Chikara Kawakita**  
FYE 2018 Nomination Committee Chairman



**Harufumi Mochizuki**  
FYE 2018 Nomination Committee Member  
FYE 2019 Nomination Committee Chairman

## CAO & CIO Message



### The philosophies of “*sampo yoshi*” and “individual capabilities” have marked our 160-year history.

**We will aim for the top labor productivity in the industry through a human resources strategy that is integrated with our management policy.**

ITOCHU has been clearing the way for new businesses while maintaining its spirit of “*sampo yoshi*” since Chubei Itoh, a first-generation “merchant of Ohmi,” founded the Company 160 years ago. Based on our streamlined workforce, a human resources strategy of allowing employees to demonstrate their maximum individual capabilities has become increasingly important each year. The idea behind this human resources strategy is contained within our Corporate Message, “I am One with Infinite Missions.”

Our trailblazing work-style reforms, which revolve around our “morning-focused working system” (⇔ Page 62) and are aimed at increasing labor productivity, have had a large impact on Japanese society, including government institutions. We are formulating comprehensive and strategic policies that save time that can be used to benefit customers by curtailing waste, raise employee motivation and develop their skills, and support the active participation and good health of all human resources (⇔ Page 61). For example, we will display maximum individual and organizational capabilities with our “Support Measures for Balancing Cancer Care and Work” (⇔ Page 63), which we introduced in FYE 2018 in accordance with the ITOCHU Health Charter. These measures aim to establish environments in which all employees feel motivation and job satisfaction and can continue to work to their heart’s content while feeling at ease. We received sympathetic input about these measures from a variety of sources, which provided an opportunity for employees to sense our corporate philosophy of “Committed to the Global Good.” Additionally, we introduced our “dress-down days” in FYE 2018 (⇔ Page 62), which aim to reform work styles through employees’ clothing. On “dress-down days,” which are each Wednesday and Friday, we recommend that

**We will achieve sustainable growth as a next-generation merchant by further evolving the philosophies of “*sampo yoshi*” and “individual capabilities” that we have inherited for 160 years.**

Member of the Board,  
Senior Managing Executive Director, CAO & CIO

**Fumihiko Kobayashi**

employees wear casual work clothes. This initiative aims to foster flexible and creative power in employees and to create environments that facilitate communication and the sharing of ideas.

Under the new medium-term management plan, “Brand-new Deal 2020,” we will pursue the highest level of productivity in the industry by implementing various measures that only we can implement and promoting “Reinvented Work-Styles” based on the plan’s basic policies of “Smart Management” and “No. 1 Health Management Company.”

### Reinvented Sustainability

**We will contribute to solving social issues through our core business, which is based on our philosophy of “*sampo yoshi*.”**

*Mochikudari* is a business unique to the merchants of Ohmi that involves heading to regions far away from Ohmi, negotiating sales using only linen samples and delivering products at a later date. We cultivated our spirit of “*sampo yoshi*” while building trust and confidence between buyer and seller and also with the regions in which we conducted business. This spirit does not only benefit the Company but is also reflected in the management philosophy that we live by, which respects our varied stakeholders, chiefly our clients, employees and shareholders. In April 2018, we formulated a “Basic Policy on Promotion of Sustainability” to provide direction for initiatives based on our views regarding ESG and our “*sampo yoshi*” spirit. We identified material sustainability issues (materiality) and conduct initiatives aimed at improving labor productivity in a satisfying job environment, returns for our shareholders, and contributions to achieving the Sustainable Development Goals (SDGs). These initiatives will lead to “sustainable growth through a reinvented *sampo yoshi* approach,” which is our aim under “Brand-new Deal 2020.”

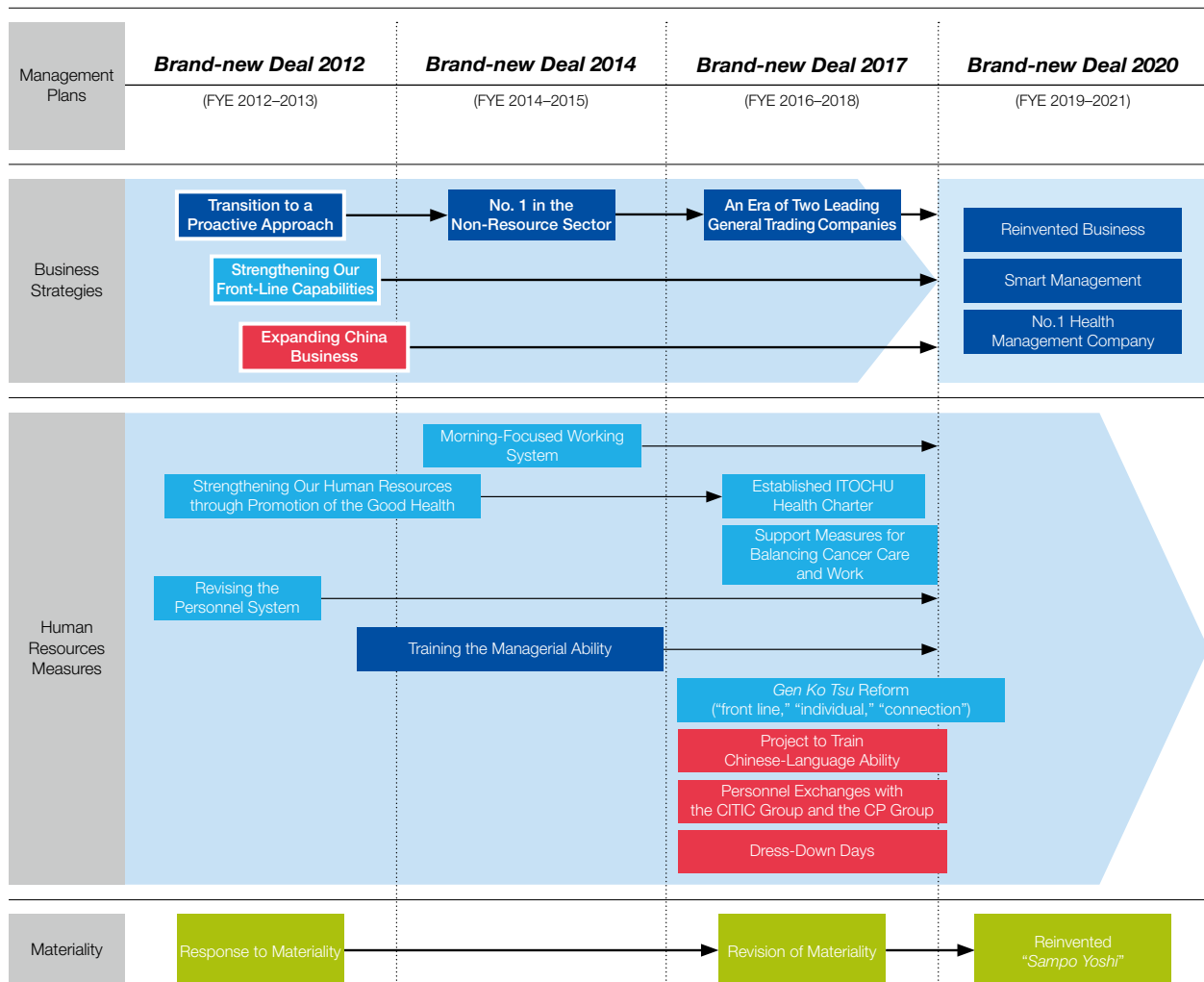
# Sustainable Enhancement of Corporate Value Thanks to the “Reinvented Sampo Yoshi”

## Integration with Our Management Strategy

ITOCHU regards all varieties of its human resources measures as a growth strategy and has gradually worked out measures that link each strategic stage in its “Brand-new Deal” in order to further improve its strengths. In “Brand-new Deal 2020,” we have clearly incorporated human

resources strategy into our growth strategy and has begun operations integrated with the strategies outlined in our “Basic Policy on Promotion of Sustainability,” which it formulated based on its spirit of “*sampo yoshi*.” With these measures, we are aiming to reinvent ourselves and achieve sustainable growth through “*sampo yoshi*.”

## Human Resources Strategy Linked to Management Plan



## Points of “Brand-new Deal 2020” Human Resources Strategy

Reinvented Business	<ul style="list-style-type: none"> <li>• Effective allocation of our streamlined workforce to primary fields of focus</li> <li>• Flexible recruitment, training of human resources, and promotion of diversity to reinvent business</li> </ul>
Smart Management	<ul style="list-style-type: none"> <li>• Maximization of individual capabilities through improvements in labor productivity</li> <li>• Further advancement of work-style reforms through utilization of IT</li> </ul>
No. 1 Health Management Company	<ul style="list-style-type: none"> <li>• Create environments in which employees can feel secure about their health and actively contribute to their heart's content</li> <li>• Promote measures to make employee and company more attractive that have an impact on society</li> </ul>

# Human Resources Strategy

## Develop Human Resources That Will Lead the Next Generation

We are actively promoting the development of our most important management resource, our human resources, in order to achieve more results than other general trading companies with the lowest number of employees on a non-consolidated basis. We promote programs that optimize individual capabilities, enabling high performance in global environments and, in terms of training costs, conducts the largest-scale investments in human resources development in the industry (approximately ¥1.6 billion per year). Due to the rising importance of consolidated management, in 2013 we introduced a training system that cultivates human resources who will take charge of

managerial control over our operating companies in the future, and with which we are aiming to improve management capabilities.

In other areas, we are actively expanding training and support for both human resources at domestic Group companies and locally-hired employees at overseas offices. Every year, more than 10,000 Group employees in total participate in this training.

Moving forward, we wish to further optimize our human resources development of next-generation merchants and improve abilities such as digital literacy.

## Priority Allocation in the Non-Resource Sector and Focus Region, Increasing the Number of Chinese-Speaking Employees

We aim for further optimization in the non-resource sector, one of our strengths, and are promoting priority allocation of human resources there. On the other hand, we are also stationing a certain number of employees in the resource sector to reduce risk associated with changes in the long-term economic structure. In the same way as other assets, we are maintaining a human resources portfolio that considers the entirety of our business.

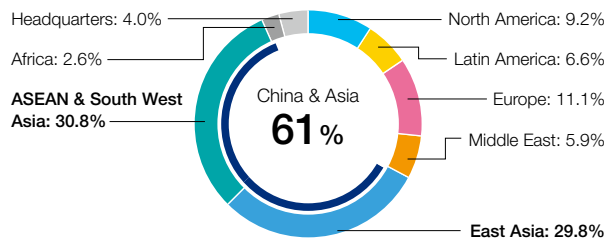
Additionally, we station 61% of our overseas personnel in China and other parts of Asia to promote the expansion of our business foundation there. Under these conditions, we launched a project in FYE 2016 originating from our initiatives with the CITIC Group and the CP Group to develop 1,000 employees with Chinese-language abilities. This figure, which we reached in FYE 2018, is equal to about one-third of our total number of career-track employees. In FYE 2016, we exchanged memorandums concerning human resources development with the CITIC Group and CP Group and are promoting interaction regarding and cultivation of human resources.



Party to celebrate reaching our goal of 1,000 Chinese-speaking employees in April 2018

## Number of Overseas Employees by Region, FYE 2018

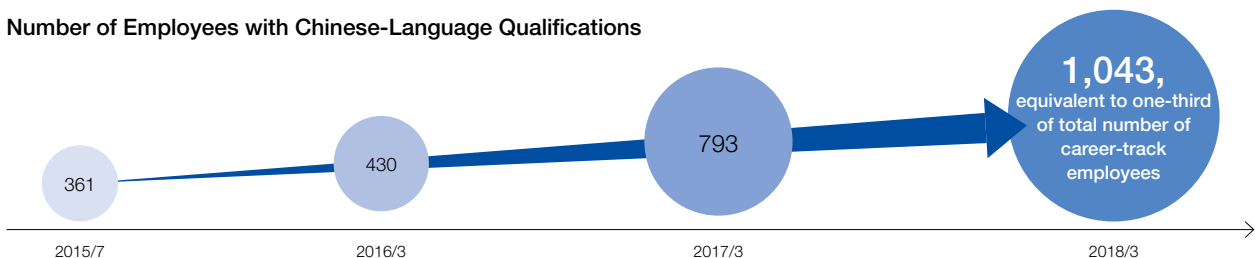
\* excluding subsidiaries and associated companies



### Primary Measures

- 1,000 employees with Chinese-language abilities
- Three-way joint training and personnel exchanges with CITIC and CP
- Overseas training in the Chinese language and other special foreign languages

## Number of Employees with Chinese-Language Qualifications



**Enhance Corporate Value (Raise Labor Productivity and Promote Diversity)  
by Becoming a Company that Provides Job Satisfaction**

We regard raising corporate value through promoting diversity and improving the labor productivity of our streamlined workforce as part of our management strategy. We introduced the “morning-focused working system” In FYE 2014, enacted the ITOCHU Health Charter in FYE 2017, and in FYE 2018, worked out “Support Measures for Balancing Cancer Care and Work,” the “dress-down days” program, and measures aimed at establishing a new dormitory in Hiyoshi. As an example of a forward-thinking company, these initiatives led to several measures by both government institutions and many private-sector businesses.

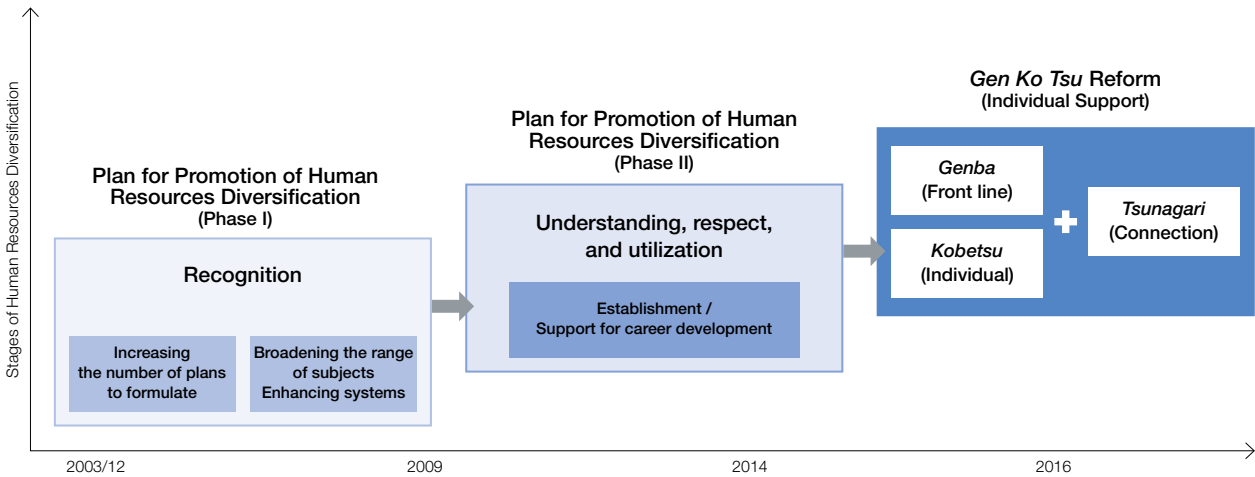
Starting in the middle of 2000s, we launched our Plan for Promotion of Human Resources Diversification.

Through this plan, we expanded employee diversity and established support measures for diversity normalization and coexistence. At present, we are providing individual support tailored to employee life stages and careers through our *Gen Ko Tsu* (“front line,” individual, “connection”) initiative.

**Primary Measures**

- Morning-focused working system
- Health management (ITOCHU Health Charter, “Support Measures for Balancing Cancer Care and Work”)
- Dress-Down Days
- Hiyoshi dormitory

**Human Resources Diversity Initiatives, Centered on Diversification**



In terms of support for the career development of female employees, we are providing career training aimed at developing our management for the next generation. We dispatch employees to training regarding their careers, individual career plans, and external management. Elsewhere, we also allow employees stationed overseas to bring their children with them and offer a re-employment system and organizational leadership training. Through these and other types of support, we are working to establish environments that provide job satisfaction to female employees. Additionally, our various other measures, such as our morning-focused working system, also constitute initiatives that contribute to

support for active female participation. (We are aiming to reach a ratio of female employees that exceeds 10% and a ratio of female employees in positions of leadership that also exceeds 10% by March 31, 2021.)

Moving forward, we will aim to achieve high labor productivity through the active promotion of next-generation work styles and maintaining a streamlined workforce. At the same time, we will strive to become a “company that provides job satisfaction” and allows all employees to demonstrate their maximum capabilities while offering motivation and job satisfaction.

**Hiyoshi Dormitory**

We believe that fostering the development of, and a strong sense of unity among, young employees is indispensable for the Company’s future growth. With this in mind, we integrated four dormitories for single male employees that had been scattered around the Tokyo metropolitan area and established a new dormitory in Hiyoshi in March 2018. The new dormitory in Hiyoshi is not simply a welfare facility; built with the concept of everything being “under one roof,” it is fully equipped with a wide array of common utilities, including a dining room with shared kitchen, a large bathing area with a sauna, and communication spaces on each floor. Under the dormitory leader, who is a corporate alumnus, we will promote the transmission of an open and natural corporate culture and the construction of strong organizational capability and personal networks that transcend employee ages and departments through life in the dormitory. At the same time, we will establish environments in which young employees can actively participate.



## Human Resources Strategy

### Morning-Focused Working System

After the Great East Japan Earthquake on March 11, 2011, ITOCHU's Board members were all preoccupied with responses to the disaster from that very morning, attempting to discover ways that they could provide assistance to customers. On the other hand, despite those circumstances, employees could be seen coming in for work at 10:00 AM. At that time, the entire company had adopted a flex-time system. The Company values its philosophies of "sampo yoshi" and "front-line focus" and, upon seeing employees who work for a merchant that should prioritize customer service before all else coming to work at 10:00 AM despite the emergency situation, felt a strong sense of management crisis. This sense of crisis led to a revision of the flex-time system and in October 2013, the Company introduced the "morning-focused working system."

The morning-focused working system prohibits work between 8:00 PM and 10:00 PM in principle and prohibits late-night work after 10:00 PM except in extremely exceptional circumstances. If work remains to be done during these times, it is shifted to the next morning between the hours of 5:00 AM and 8:00 AM. This system has many aims, including escaping from the tendency to work many hours of late-night overtime, improving employee health, and raising operational efficiency, which allows us to provide support for child and nursing care and employee physical and mental health by creating a surplus of time. However, at the root of the system are the aims to reform employee awareness and to thoroughly enforce complete preparation before our customers begin work in the morning. We provide incentives for employees that begin work before 8:00 AM, including extra pay of 150% for employees subject to time management and 25% for employees not subject to time management. From a health management point of view, we also offer free light meals that include Dole products. The Company is providing a full spectrum of support for early-morning work. This initiative has involved requesting cooperation from the Japanese

government's Japan Revitalization Strategy, the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, and the Japan Federation of Economic Organizations and is also having an impact in political and business circles. The course of events involving the morning-focused working system has caused a sensation regarding work styles in Japanese society.

Five years have passed since the system's introduction and further large progress has been made regarding its application during morning hours, raising operational efficiency and reforming employee awareness. In order to prevent this system from losing its substance, we reflect the implementation status of morning work through an evaluation system, work to enrich our menu of light meals, and also enhance our morning training options by offering ITOCHU morning seminars and a morning Chinese-language café, among others. Moving forward, we will work toward further improvement in productivity by ensuring thorough application of the morning-focused working system.

#### Results of Morning-Focused Working System

		Before introduction	One year after introduction	Five years after introduction
Leaving*	8:00 PM or after	30%	7%	5%
	(Of which, 10:00 PM or after)	10%	almost 0%	almost 0%
Entering*	8:00 AM or before	20%	34%	44%
Hours of overtime work (compared to before introduction)		—	(7%)	(11%)
Cost per month (Overtime pay + cost of meals)		—	—	(8%)
Electric power usage (compared to before introduction)		—	—	(7%)
Usage of paid holidays (compared to before introduction)		—	—	increase 11%

\* % of people in the headquarters

#### "Dress-Down Days"

ITOCHU is endorsing new work styles befitting of the Company. In July 2017, we designated each Friday as a "dress-down day" to create environments in which each individual employee can engage in work with a flexible way of thinking.

Through our "dress-down days" system, we allow more casual clothing than we did during our previous casual Friday system. Employees will be creative in choosing their clothes instead of exclusively wearing suits upon considering their relationships with customers and distinguishing between time, place, and occasion. We believe that this system will lead to the creation of environments in which new ideas are easily born and in which employees can actively hold wide-ranging and varied interests.

Since May 2018, we have been accelerating this initiative by implementing "dress-down+," which extends the system to include two days per week, both Wednesday and Friday. Additionally, to enlighten employees about this system and to ensure its permeation, we have set up the "D+ Lounge" concept space within our Tokyo headquarters. Here, we hold events through which employees can draw inspiration, such as stylist lectures and sales events.





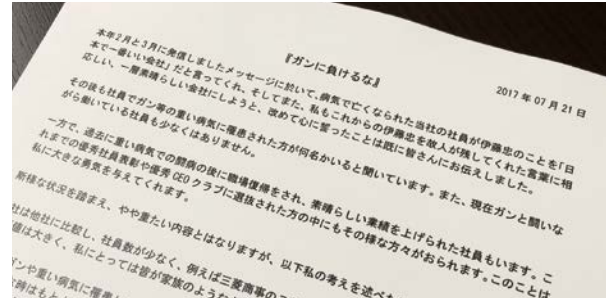
## “Support Measures for Balancing Cancer Care and Work”

At present, it is said that one out of every two people in Japan will contract cancer during his or her lifetime. ITOCHU also has a significant number of employees who work while fighting cancer or who ultimately succumb to cancer. We have revised our previous policy regarding cancer and are promoting a new policy based on three points of view: “Prevent employees from contracting cancer,” “Don’t let employees lose hope or quit if they contract cancer,” and “Support from everyone.” The new policy revolves around the following support measures for coping with cancer.

1. Strengthen systems that support the prevention and early detection and treatment of cancer
2. Establish environments in which employees can securely discuss and share information regarding their cancer
3. Establish corporate structures and systems that enable employees to continue to work and participate actively while receiving treatment

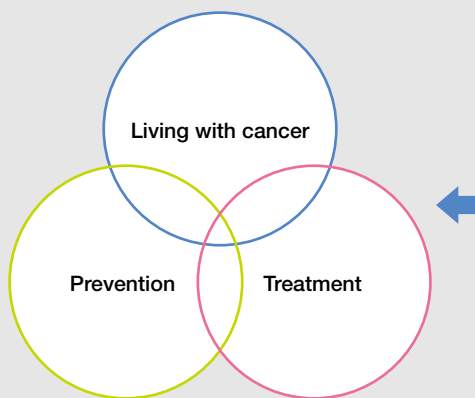
These initiatives are not limited to merely increasing productivity. We think it is extremely important to pursue

various work-style reform measures and build environments that allow all employees, regardless of whether or not they are sick, to continue to work to their heart's content with motivation, job satisfaction and peace of mind. ITOCHU aims to be a “Strict but rewarding company” and the “Strongest and best company in Japan” by providing intimate support for employees struggling with cancer.



A message to all employees from Mr. Okafuji, who was President at the time. The message explains that a message from an employee fighting cancer provided the impetus for the introduction of our “Support Measures for Balancing Cancer Care and Work”

### Points of “Support Measures for Balancing Cancer Care and Work”



#### Living with cancer

**Construct systems that provides support for coping with cancer**  
Station internal coping support coordinators who will take charge of consultation services (strengthen collaboration with workplace members, attending physicians, and internal public health nurses and industrial physicians)

#### Reduce concerns regarding the future

Expand educational expense subsidies for children of employees who succumb to cancer to include graduate school  
Provide job assistance to children and spouses

#### Prevention

**Conducted first private company partnership with the National Cancer Center Research Institute**

Special cancer examinations conducted by a medical specialist in cancer detection

#### Treatment

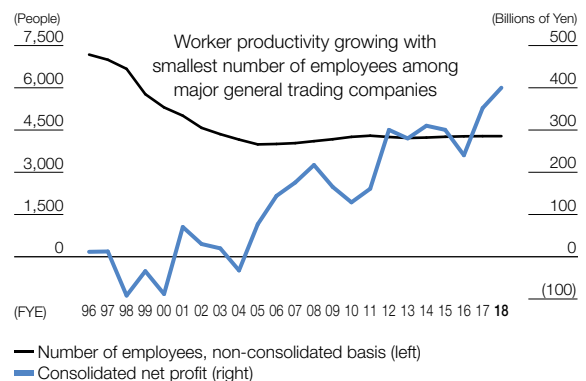
**Medical specialists provide immediate cooperation and highly advanced medical treatment as a part of our partnership with the National Cancer Center Research Institute**  
Company provision of expenses for advanced cancer treatment

### Results of Efforts to Enhance Employee Productivity

#### Awards Received for Health Management and Work-Style Reforms

FYE 2017	Health & Productivity Stock 2017 (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)
	Awards for Enterprises and Workplaces with Pleasant Working Environments and High Productivity (Ministry of Health, Labour and Welfare)
	2017 Competitive IT Strategy Company Stock (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)
FYE 2018	Best Practice Company (Tokyo Labor Bureau)
	Award for Excellence from the Minister of Health, Labour and Welfare, “Family-friendly Companies” category for “Excellent Equal Opportunity/Work and Family-Life Balance Companies”
	Minister of Health, Labour and Welfare Prize in the Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control
	Tokyo Metropolitan Government Award Commending Companies That Implement Excellent Initiatives to Help Cancer Patients Balance Cancer Treatment and Work

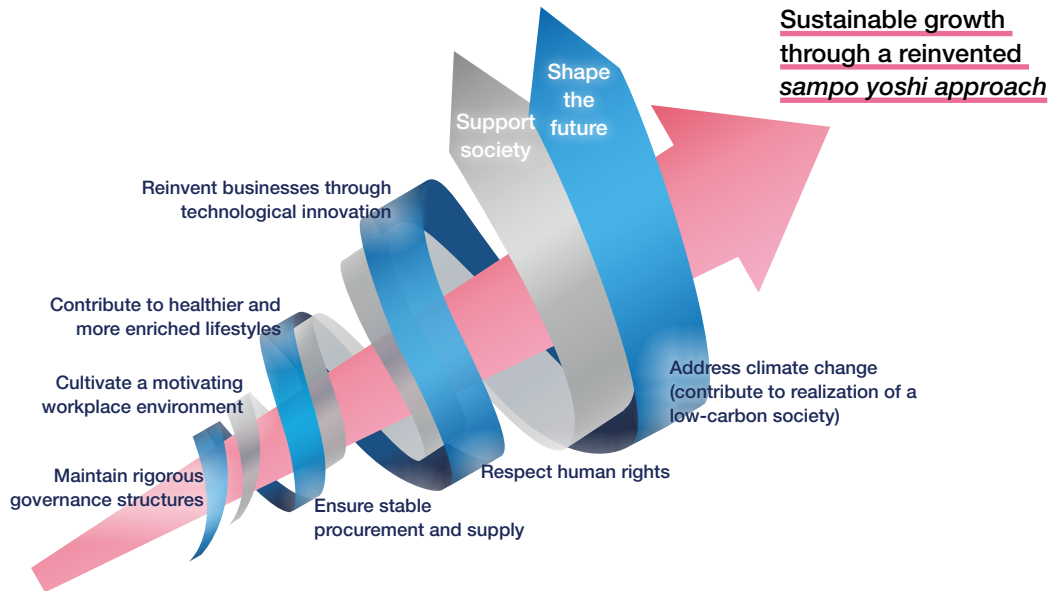
#### Number of ITOCHU Employees and Consolidated Net Profit



# Sustainability

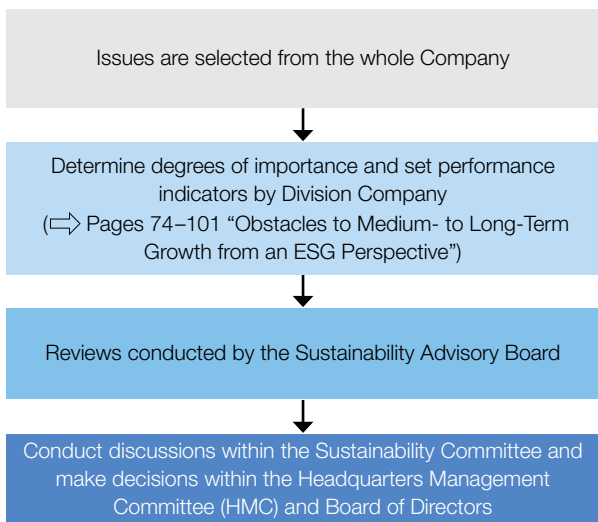
## Material Sustainability Issues (Materiality)

In April 2018, ITOCHU put forth materiality that incorporates an ESG perspective. Addressing these issues through its main business will help ITOCHU accomplish the goal of “Brand-new Deal 2020” of achieving ongoing growth through a “reinvented *sampo yoshi*” approach.



## Specification and Review of Materiality

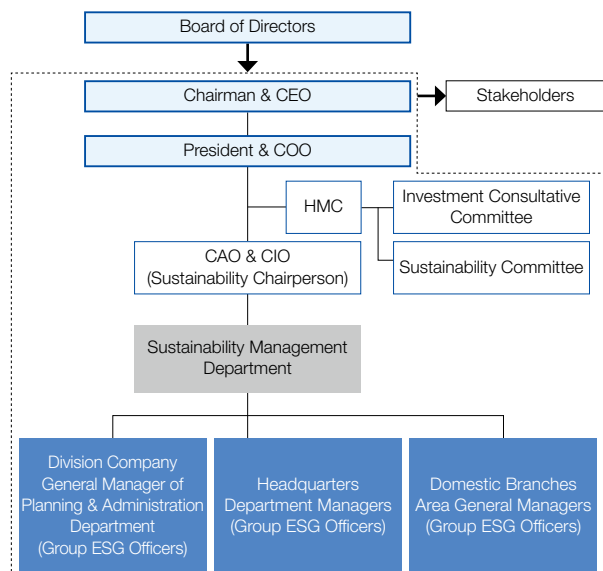
ITOCHU has been conducting regular reviews based on factors such as trends in international society and stakeholder expectations since it first specified materiality as a sustainability issue in 2013. Based on business changes and social circumstances such as the recent adoption of SDGs and the Paris Agreement coming into effect, we specified seven new key issues for sustainability in our new medium-term management plan, which started in FYE 2019.



Please see our sustainability report for more information  
<https://www.itochu.co.jp/en/csr/report/>

## Sustainability Promotion System

We discussed and made decisions concerning important matters regarding sustainability within the Sustainability Committee. The Board of Directors also makes decisions based on environmental and societal impact. Directors obtain information regarding these impacts through channels such as activity status reports from the Sustainability Committee Chairperson, who is also a member of the Investment Consultative Committee. In order to further execute these decisions, we have established an ESG supervisor and are strengthening and maintaining promotion systems.



## Materiality and Examples of Performance Indicators

Materiality	Examples of Performance Indicators	SDGs
<p><b>Reinvent businesses through technological innovation</b> (⇒ Pages 89, 93, 101) We will create new value by working on new technologies proactively and trying to respond to changes in the industrial structure beyond the framework of existing businesses.</p>	<ul style="list-style-type: none"> <li>Reinvented Business through IoT, AI, and Fintech</li> <li>In FYE 2019, begin trial operations using RPA and AI in the food retail business</li> </ul>	
<p><b>Address climate change (contribute to realization of a low-carbon society)</b> (⇒ Pages 81, 85, 97) We will strive to adapt to the impact of climate change on business. At the same time, we will work to promote business activities aimed at contributing to realization of low-carbon society and reduce greenhouse gas emissions.</p>	<ul style="list-style-type: none"> <li>In FYE 2021, cultivate a new production area to follow the Philippines in the fresh produce business</li> <li>Aim for a renewable energy ratio of more than 20% (based on equity ownership) by FYE 2031 and reflect this goal in future initiatives</li> </ul>	 
<p><b>Cultivate a motivating workplace environment</b> (⇒ Pages 60–63) We will create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity.</p>	<ul style="list-style-type: none"> <li>By FYE 2021, reduce average annual overtime hours by 10% or more compared to before the introduction of the morning-focused working system</li> <li>Reduce turnover due to cancer and long-term illnesses to zero by FYE 2021</li> </ul>	  
<p><b>Respect human rights</b> (⇒ Page 54) We will take initiatives for the respect and consideration for human rights through our business activities to stabilize our businesses and contribute to the development of local communities.</p>	<ul style="list-style-type: none"> <li>Compliance with societal and environmental maintenance and management standards throughout the entire Group's supply chain</li> <li>Contribute to regional medical care and education in the mining business and work to maintain regional infrastructure</li> </ul>	  
<p><b>Contribute to healthier and more enriched lifestyles</b> (⇒ Pages 62, 63) We will contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.</p>	<ul style="list-style-type: none"> <li>Promote proper assignment of food safety inspectors in each sales department</li> <li>By FYE 2021, aim to receive data regarding medical checkups from one million health data management subjects</li> </ul>	  
<p><b>Ensure stable procurement and supply</b> (⇒ Pages 77, 84, 88) We will work to ensure the effective utilization and stable procurement and supply of resources in accordance with demand in each country, in consideration of biodiversity and other environmental issues, aiming to achieve a recycling-oriented society.</p>	<ul style="list-style-type: none"> <li>Maintain the entire Group's supply chain and make the chain more visible in the textile business by FYE 2024</li> <li>By FYE 2026, make 100% of the wood we handle in the lumber business either certified wood or wood that was well-managed and can be verified as such</li> </ul>	   
<p><b>Maintain rigorous governance structures</b> (⇒ Pages 56, 66) The Board of Directors will implement highly effective supervision of management from an independent, objective standpoint and enhance the transparency of decision-making, and we will ensure appropriate, efficient execution of operations.</p>	<ul style="list-style-type: none"> <li>Continuously conduct measures aimed at strengthening the supervisory function of the Board of Directors through each year's Board of Directors' evaluation</li> <li>Monitor various compliance-related measures and continue on-site training, etc.</li> </ul>	

Please see the "Sustainability Action Plan" page of ITOCHU's website. <https://www.itochu.co.jp/en/csr/activities/actionplan/>

### Working Toward the Sustainable Development Goals

ITOCHU's initiatives to achieve sustainability through its business activities contribute toward the achievement of the Sustainable Development Goals (SDGs)\* adopted by the United Nations in 2015.

\* SDGs: In September 2015, UN member nations adopted 17 Sustainable Development Goals to be achieved by 2030. They include eliminating poverty and hunger, supplying clean energy, ensuring decent work and economic growth, creating safe and sustainable cities, and responding to climate change.

### SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



# Corporate Governance


## Steps Taken to Strengthen Corporate Governance

	Actions Taken	Purpose
1999	<ul style="list-style-type: none"> <li>Introduction of a system of executive officers</li> </ul>	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> <li>Appointment of outside directors (two)</li> </ul>	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> <li>Response to Japan's Corporate Governance Code</li> <li>Establishment of a Nomination Committee and a Governance and Remuneration Committee</li> <li>Revision of the Board of Directors' Regulations</li> </ul>	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> <li>Increase in the number of outside directors (from two to three)</li> <li>Reorganization of the Nomination Committee and the Governance and Remuneration Committee (appointing outside directors as chairmen, outside executives account for half or more of members)</li> <li>Implemented Board of Directors' effectiveness evaluation</li> </ul>	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> <li>Transition to a Board of Directors with a monitoring-focused structure</li> <li>Increasing the ratio of outside directors to at least one-third</li> <li>No directors except one Division Company President appointed to concurrent positions</li> </ul>	Thorough separation of management execution and supervision
2018	<ul style="list-style-type: none"> <li>Transition to a Management Structure with a Chairman &amp; CEO and a President &amp; COO</li> <li>Improve diversity of outside directors</li> <li>Maintain an outside directors' ratio of at least one-third.</li> <li>Discontinue consultant and advisor system</li> </ul>	Maintenance of the Board of Directors' system in response to internal and external changes


### Transition to a Structure with a Chairman & CEO and a President & COO (⇔ Page 56)

Before
Structure in FYE 2018

We transitioned to a monitoring-focused Board of Directors by drastically reducing the number of executive directors and maintaining an outside directors' ratio of at least one-third.



5 Executive directors




4 Outside directors

P: Division Company President


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After
Structure in FYE 2019

We have transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and enable us to respond to changes in the world.



5 Executive directors



3 Outside directors

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In the Future
Future Issues

Based on the results of a Board of Directors' evaluation in FYE 2018, we acknowledge the following as issues:

- Operation of the Board of Directors based on the transition to a monitoring-focused structure
- Enhance reporting of advisory committee deliberation contents to the Board of Directors

### Outside Director Changes

At the 94th Ordinary General Meeting of Shareholders, outside directors Ichiro Fujisaki and Chikara Kawakita retired and Masatoshi Kawana was newly appointed as an outside director.

This change was made because of a need to further diversify opinions in order to increase corporate value and accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. Additionally, Mr. Fujisaki and Mr. Kawakita had both assumed their positions in 2013, already five years ago, and it was time to make a change in outside directors.

In terms of outside directors, the Company has a policy of preferentially appointing people who fulfill independence

requirements established in its "Independence Criteria for Outside Directors and Outside Audit and Supervisory Board Members" and can be expected to contribute to its management with deep insight cultivated through experience in various categories. In addition to experience and insight, we also regard character as important and in FYE 2019 only one additional person was selected for appointment as an outside director. There has been no change to our policy of maintaining at least a one-third ratio of outside directors and we are discussing increasing their numbers should appropriate candidates be available.



Outside Director

**Atsuko Muraki**

Ms. Muraki was appointed as a director of ITOCHU in June 2016, following positions including the Vice Minister of Health, Labour and Welfare. She is a chairman of the Governance and Remuneration Committee. In addition to work-style reforms, she proactively offers advice on compliance issues and sustainability issues in management plans.

**Toward a More Energetic Board of Directors**

I assumed my role of outside director two years ago and have participated closely in the Company's governance system as a member of the Governance and Remuneration Committee. In FYE 2018, we dramatically reconfigured the Board of Directors to separate the execution and supervision of management. We are transitioning to a structure with a Chairman & CEO and a President & COO in FYE 2019 to achieve management continuity and to respond to rapid changes in the world. This structure is the result of careful consideration of what our Company's ideal form should be based on the business environments we found ourselves in during each of these two fiscal years. I believe this consideration provides the foundation for us to accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. The subtitle of "Brand-new Deal 2020" is "ITOCHU : Infinite Missions : Innovation." This subtitle communicates the strong will of "merchants," the symbol of our Company's strength, to free themselves from the status quo and achieve major transformation in order to respond to new eras. It was decided that I would begin serving as chairman of the Governance and Remuneration Committee after the end of the general meeting of shareholders in FYE 2019; I plan to help the Company evolve and transform itself in my new roles.

**Aiming to Become the No. 1 Health Management Company**

Our human resources are a precious management resource and to further strengthen "individual capabilities, which are one of the Company's strengths under the new medium-term management plan, "Brand-new Deal 2020," we are advancing our goal of becoming the "No. 1 Health Management Company" as a basic policy. In addition to progressive measures the Company is already taking, such as its "Support Measures for Balancing Cancer Care and Work," it is important to develop environments in which employees can actively work to their heart's content while simultaneously feeling secure about their health and a sense of job satisfaction. We will adopt a variety of measures to this end in order to become a Company that not employees but also their families can call the "best company in Japan." I would like to greatly contribute to our progressive health management initiatives, which utilize the experience I have accumulated while participating in the medical field for many years and also adopt a medical point of view. Additionally, at my current post as associate director at Tokyo Women's Medical University Hospital, I have participated in all aspects of hospital management and, from a manager's point of view, have actively worked to adapt a variety of measures and improve profit structure. Based on this experience, I want to help out with the medical care business, which the Company is planning to expand in the future, and, while maintaining full awareness that my primary duty as an outside director is to function as the "public eye," work to further increase sustainable corporate value.



Outside Director

**Masatoshi Kawana**

Mr. Kawana has worked as a physician for Tokyo Women's Medical University Hospital for many years and has also holds the position of associate director. He assumed a position as a member of the Board of Directors at ITOCHU Corporation in June 2018. He is also a member of the Company's Governance and Remuneration Committee.

# Corporate Governance

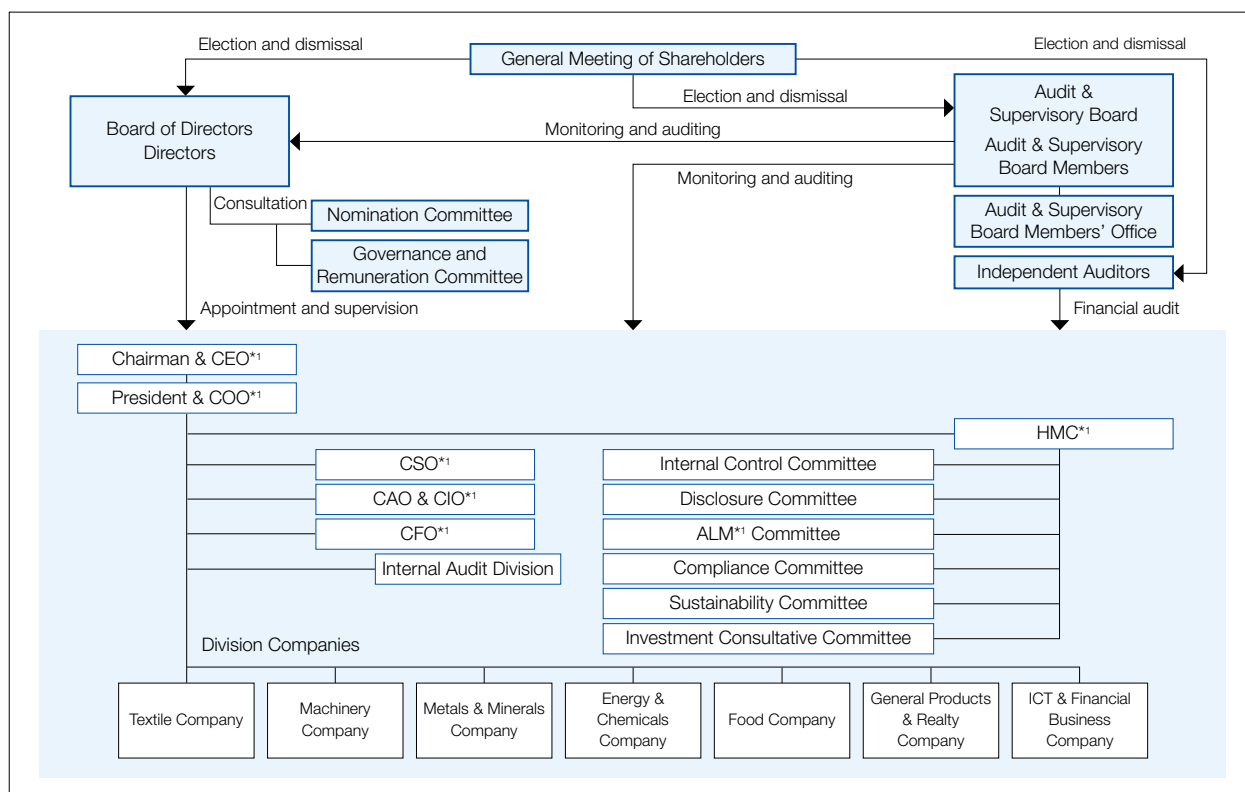
## Overview of the Corporate Governance System

### Corporate Governance System

Type of system	Company with the Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board)
Number of directors (Of which, number of outside directors)	8 (3)
Number of Audit & Supervisory Board Members (Of which, number of outside Audit & Supervisory Board Members)	5 (3)
Term of office for directors	1 year (the same for outside directors)
Adoption of an Executive Officer System	Yes
Organization to support COO decision-making	HMC*1 deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee

### Overview of ITOCHU's Corporate Governance and Internal Control System

(As of June 22, 2018)



\*1 CEO: Chief Executive Officer, COO: Chief Operating Officer, CSO: Chief Strategy Officer, CAO & CIO: Chief Administrative & Information Officer, CFO: Chief Financial Officer, HMC: Headquarters Management Committee, ALM: Asset Liability Management  
 \*2 CAO & CIO 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.

### Composition of the Nomination Committee and the Governance and Remuneration Committee

(As of June 22, 2018)

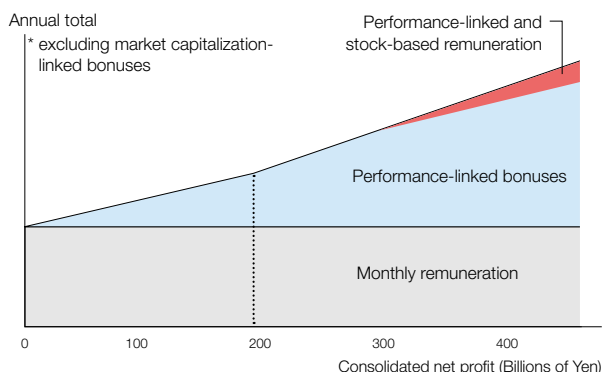
Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director	○	
Atsuko Muraki	Outside Director	○	◎ (Chair)
Harufumi Mochizuki	Outside Director	◎ (Chair)	
Masatoshi Kawana	Outside Director		○
Kiyoshi Yamaguchi	Audit & Supervisory Board Member	○	
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member		○
Shingo Majima	Outside Audit & Supervisory Board Member	○	○
Kentaro Uryu	Outside Audit & Supervisory Board Member	○	
Kotaro Ohno	Outside Audit & Supervisory Board Member		○

(8 members)

(7 members)

## A Highly Transparent Remuneration System Linked to Increases in Corporate Value

### Remuneration of Directors (Excluding Outside Directors)



The total amount of (1) monthly remuneration is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (2) performance-linked bonuses and (4) performance-linked and stock-based remuneration is determined based on consolidated net profit. (3) Market capitalization-linked bonuses were introduced in FYE 2019 as an incentive aimed at increasing corporate value. Furthermore, (4) performance-linked and stock-based remuneration was introduced in FYE 2017 with the aim of heightening awareness toward making contributions to increasing corporate value over the medium and long term.

	Type of Remuneration	Content	Remuneration Limit	Resolution of General Meeting of Shareholders
Directors	(1) Monthly remuneration	Monthly remuneration 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 remuneration (including ¥50 million per year as a portion to the outside directors)	June 24, 2011
	(2) Performance-linked bonuses	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.	¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors)	
	(3) Market capitalization-linked bonuses	Total amount paid is decided based on the amount the Company's market capitalization increased in comparison to the previous fiscal year Refer to the formula (*2) below.		
	(4) Performance-linked and stock-based remuneration	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.	The following is the limit for a two-year period for directors and executive officers (excluding outside directors) 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)	
Audit & Supervisory Board Members	Only monthly remuneration		¥13 million per month	June 29, 2005

#### \*1 Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked and Stock-Based Remuneration

Total Amount Paid to All Directors

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

A = (Of consolidated net profit for FYE 2019, the portion up to ¥200.0 billion) × 0.35%

B = (Of consolidated net profit for FYE 2019, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) × 0.525%

C = (Of consolidated net profit for FYE 2019, the portion exceeding ¥300.0 billion) × 0.525% (of which, 0.175% as stock-based remuneration)

\* Remuneration limits exist on bonuses and stock-based remuneration.

Amount Paid to an Individual Director

**Amount paid to an individual director =  $\frac{\text{Total amount paid to all directors} \times \text{Assigned position points}^*}{\text{Sum of position points for all the eligible directors}}$**

Of the amount paid to an individual director, the portion corresponding to A and B in the total amount paid to all directors is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock-based remuneration and the balance is paid in cash. Furthermore, the value of 70% of the portion paid in cash will increase or decrease depending on the rate by which the responsible organization meets its projected targets.

In regard to stock-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock-based remuneration is paid from the trust in correspondence with accumulated points.

\* Points assigned by position

Chairman	President	Executive Vice President	Senior Managing Executive Officers	Managing Executive Officers
10	7.5	5	4	3

#### \*2 Calculation Formula for (3) Market Capitalization-Linked Bonuses

Amount Paid to an Individual Director

Amount paid to an individual director = (Average amount of daily stock market capitalization in FYE 2019 – Average amount of daily stock market capitalization in FYE 2018) × 0.1% × number of position points ÷ 108.8

Position points for Board of Directors' members are the same points that are used to calculate performance-linked bonuses.

# Members of the Board, Audit & Supervisory Board Members, and Executive Officers

As of July 1, 2018

## Members of the Board



**Chairman & Chief Executive Officer**

**Masahiro Okafuji**

1974 Joined ITOCHU Corporation  
2018 Chairman & Chief Executive Officer

Number of shares held: 171,295



**President & Chief Operating Officer**

**Yoshihisa Suzuki**

1979 Joined ITOCHU Corporation  
2018 President & Chief Operating Officer

Number of shares held: 50,584



**Member of the Board**

**Tomofumi Yoshida**

President, General Products & Realty Company  
1979 Joined ITOCHU Corporation  
2018 Senior Managing Executive Officer

Number of shares held: 63,250



**Member of the Board**

**Fumihiko Kobayashi**

Chief Administrative & Information Officer  
1980 Joined ITOCHU Corporation  
2017 Senior Managing Executive Officer

Number of shares held: 76,180



**Member of the Board**

**Tsuyoshi Hachimura**

Chief Financial Officer  
1991 Joined ITOCHU Corporation  
2018 Senior Managing Executive Officer

Number of shares held: 63,300



**Member of the Board\***

**Atsuko Muraki**

2016 Outside Director, ITOCHU Corporation

Number of shares held: 1,100



**Member of the Board\***

**Harufumi Mochizuki**

2014 Audit & Supervisory Board Member,  
ITOCHU Corporation  
2017 Outside Director, ITOCHU Corporation

Number of shares held: 1,000



**Member of the Board\***

**Masatoshi Kawana**

2018 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 Audit & Supervisory Board Member 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.

For executives' career histories, please see the website:

<https://www.itochu.co.jp/en/about/officer/>



## Audit & Supervisory Board Members



### Audit & Supervisory Board Member

#### Kiyoshi Yamaguchi

1980 Joined ITOCHU Corporation  
2011 Executive Officer  
2016 Audit & Supervisory Board Member  
Number of shares held: 11,500



### Audit & Supervisory Board Member

#### Shuzaburo Tsuchihashi

1985 Joined ITOCHU Corporation  
2018 Audit & Supervisory Board Member  
Number of shares held: 12,200



### Audit & Supervisory Board Member\*2

#### Shingo Majima

2013 Audit & Supervisory Board Member,  
ITOCHU Corporation  
Number of shares held: 0



### Audit & Supervisory Board Member\*2

#### Kentaro Uryu

2015 Audit & Supervisory Board Member,  
ITOCHU Corporation  
Number of shares held: 4,000



### Audit & Supervisory Board Member\*2

#### Kotaro Ohno

2017 Audit & Supervisory Board Member,  
ITOCHU Corporation  
Number of shares held: 0

## Executive Officers

### Chairman & Chief Executive Officer

#### Masahiro Okafuji

### President & Chief Operating Officer

#### Yoshihisa Suzuki

### Senior Managing Executive Officers

#### Tomofumi Yoshida

President,  
General Products & Realty Company

#### 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

#### Shuichi Koseki

President, Textile Company;  
Executive Advisory Officer for  
Osaka Headquarters  
Number of shares held: 57,000

#### Masahiro Imai

President, Machinery Company  
Number of shares held: 42,600

#### Fumihiko Kobayashi

Chief Administrative & Information Officer

#### Tsuyoshi Hachimura

Chief Financial Officer

### Managing Executive Officers

#### Yozo Kubo

President, Food Company  
Number of shares held: 38,095

#### Akihiro Ueda

CEO for East Asia Bloc;  
Chairman,  
ITOCHU (CHINA) HOLDING CO., LTD.;  
Chairman, ITOCHU SHANGHAI LTD.;  
Chairman, BIC  
Number of shares held: 44,400

#### Hiroyuki Tsubai

Chief Executive for European Operation;  
CEO, ITOCHU Europe PLC;  
Executive Advisory Officer for Africa  
Number of shares held: 24,955

#### Keita Ishii

President, Energy & Chemicals Company  
Number of shares held: 25,703

#### Masahiro Morofuji

Executive Vice President, Textile Company;  
Chief Operating Officer,  
Brand Marketing Division 1  
Number of shares held: 32,982

#### Mitsuru Chino\*3

President & CEO, ITOCHU International Inc.  
Number of shares held: 26,204

#### Hiroshi Sato

Chief Operating Officer,  
Plant Project, Marine & Aerospace Division  
Number of shares held: 14,100

#### Shigetoshi Imai

President, Metals & Minerals Company  
Number of shares held: 35,832

### Executive Officers

#### Yoichi Ikezoe

Chairman, ITOCHU HONG KONG LTD.;  
Senior Officer for Asia & Oceania Bloc;  
CP & CITIC (Overseas Operation)  
Number of shares held: 6,700

#### Mamoru Seki

General Manager,  
General Accounting Control Division  
Number of shares held: 40,206

#### Tomoyuki Takada

General Manager,  
Corporate Communications Division  
Number of shares held: 35,500

#### Hiroyuki Kaizuka

Chief Operating Officer, Provisions Division  
Number of shares held: 32,197

#### Hiroshi Oka

General Manager, Secretariat  
Number of shares held: 26,216

#### Motonari Shimizu

Chief Operating Officer, Apparel Division  
Number of shares held: 30,596

#### Masato Osugi

Chief Operating Officer, Automobile,  
Construction Machinery & Industrial  
Machinery Division  
Number of shares held: 16,366

#### Akira Tsuchihashi

General Manager, Internal Audit Division  
Number of shares held: 23,055

#### Yoshihiro Fukushima

Chief Operating Officer,  
Brand Marketing Division 2  
Number of shares held: 24,923

#### Kensuke Hosomi

Chief Operating Officer, Food Products  
Marketing & Distribution Division  
Number of shares held: 27,473

#### Hisato Okubo

Chief Operating Officer, Energy Division  
Number of shares held: 16,250

#### Shunsuke Noda

Chief Strategy Officer;  
General Manager, CP & CITIC Business  
Development Department  
Number of shares held: 23,288

#### Tatsushi Shingu

President, ICT & Financial Business Company  
Number of shares held: 20,600

#### Hidefumi Mizutani

Vice President,  
ITOCHU East Asia Bloc (East China);  
Managing Director, ITOCHU SHANGHAI LTD.;  
General Manager, Nanjing Branch,  
ITOCHU SHANGHAI LTD.  
Number of shares held: 23,720

#### Shinjiro Tanaka

SVP & General Manager, General Products &  
Realty Division, ITOCHU International Inc.  
Number of shares held: 7,249

#### Shoji Miura

General Manager, Planning & Administration  
Department, Textile Company  
Number of shares held: 10,102

#### Takanori Morita

Deputy Chief Operating Officer,  
Automobile, Construction Machinery &  
Industrial Machinery Division  
Number of shares held: 26,455

#### Toshikazu Otani

Chief Executive for Africa;  
General Manager, ITOCHU Corporation;  
Johannesburg Branch;  
Managing Director, ITOCHU Nigeria Ltd.  
Number of shares held: 29,449

#### Masaya Tanaka

Chief Operating Officer, Chemicals Division  
Number of shares held: 15,600

#### Kenji Seto

Chief Operating Officer, Metal & Mineral  
Resources Division  
Number of shares held: 12,350

# Business Portfolio and Financial Summary

## Segment Overview

Percentage of the Total for ITOCHU (3-year average)			
Core profit	Total assets	Core operating cash flows	Number of employees (Consolidated)

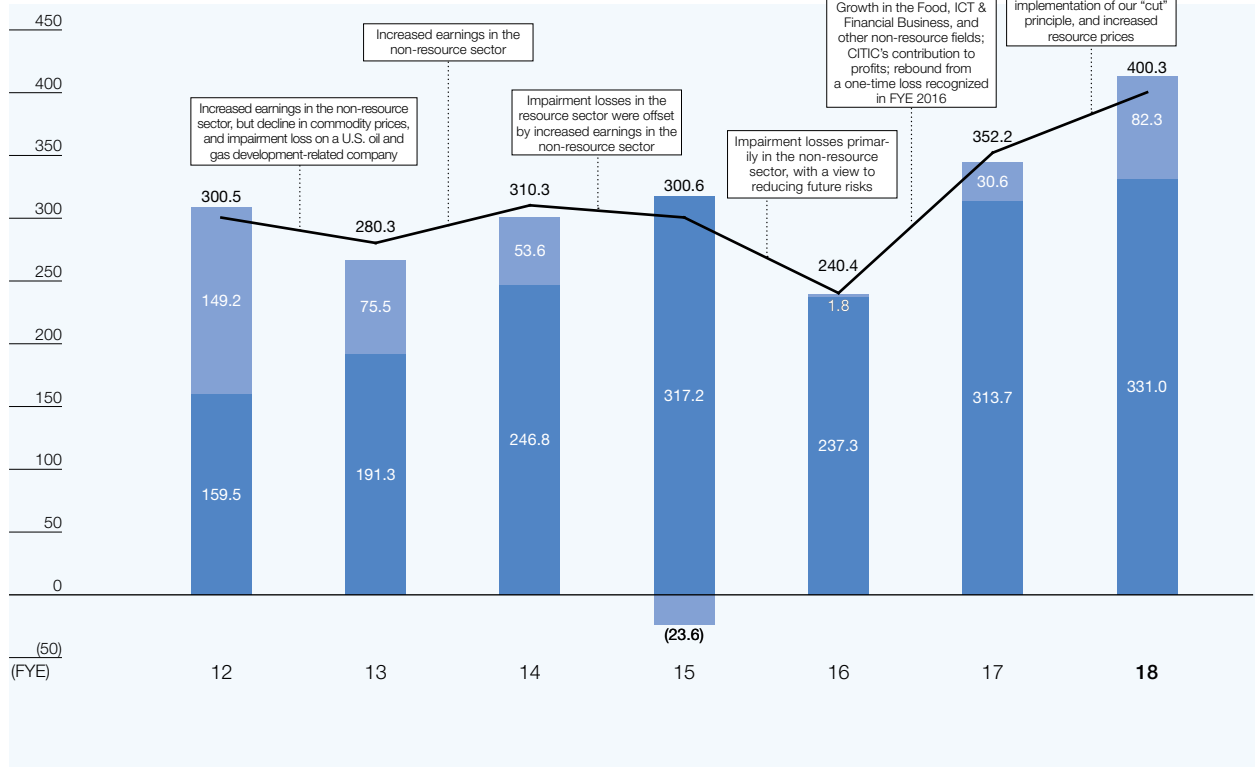


Non-resource	85.8%	88.4%	72.4%	93.3%
Resource	14.2%	11.6%	27.6%	6.7%

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

### Consolidated Net Profit (Non-Resource / Resource)

(Billions of Yen)

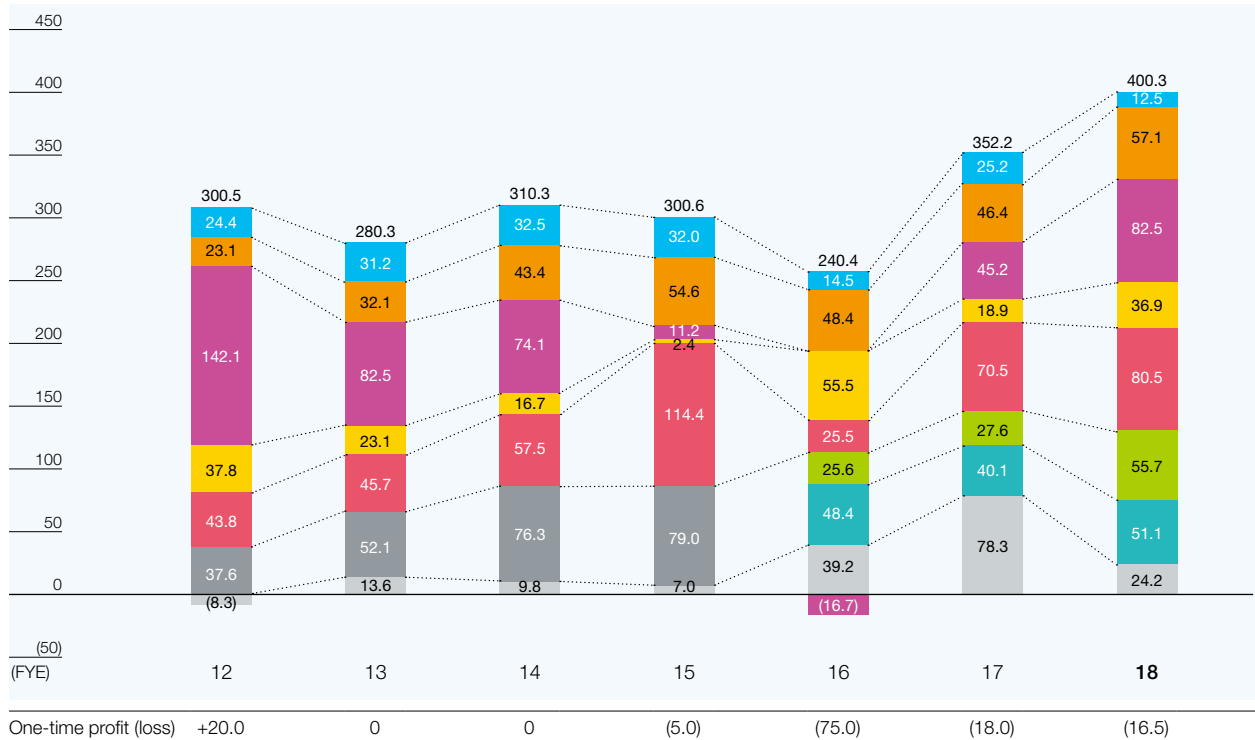


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

\* Others, Adjustments & Eliminations is not included in earnings from the non-resource / resource sectors.

### Consolidated Net Profit by Operating Segment

(Billions of Yen)



One-time profit (loss) +20.0 0 0 (5.0) (75.0) (18.0) (16.5)

■ Textile ■ Machinery ■ Metals & Minerals ■ Energy & Chemicals ■ Food ■ ICT, General Products & Realty (FYE 2012–2015)  
 ■ General Products & Realty (from FYE 2016) ■ ICT & Financial Business (from FYE 2016) ■ Others, Adjustments & Eliminations

\* In April 2016, the ICT, General Products & Realty Company was reorganized into the General Products & Realty Company and the ICT & Financial Business Company.

## Textile Company

We will target further earnings growth by enhancing existing business, accumulating superior assets, and reinventing business.

### Business Fields

- Brand business
- Raw materials, Garment materials, and Apparel
- Industrial materials



President, Textile Company

**Shuichi Koseki**

### Company Strengths

- Strong position as the unmistakable leader among general trading companies in the textile industry
- Full-spectrum value chain that includes everything from upstream to downstream operations in the textile industry
- Highly efficient business foundation and a balanced asset portfolio



From left:

**Motonari Shimizu,**  
Chief Operating Officer, Apparel Division

**Masahiro Morofuji,**  
Executive Vice President, Textile Company;  
Chief Operating Officer, Brand Marketing Division 1

**Yoshihiro Fukushima,**  
Chief Operating Officer, Brand Marketing Division 2

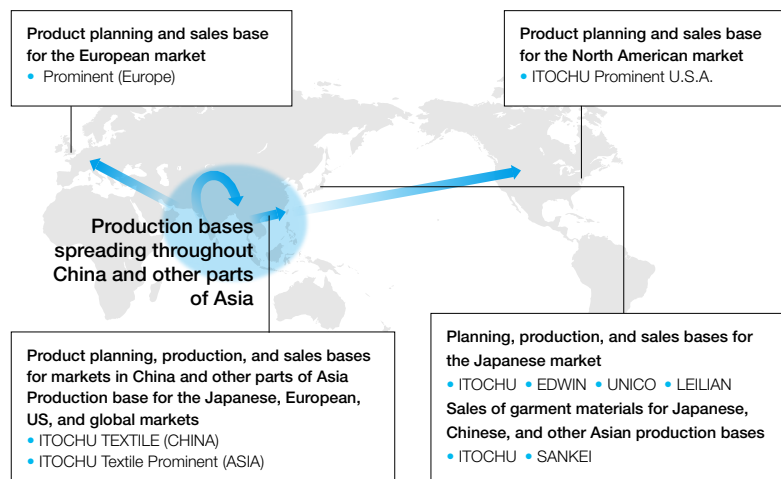
**Tatsuya Izumi,**  
Chief Financial Officer

**Shoji Miura,**  
General Manager, Planning & Administration Department

## Business Development

### Raw materials, Garment materials, Apparel

Products: Textile materials, textiles, garment materials, textile products, etc.



### Industrial materials

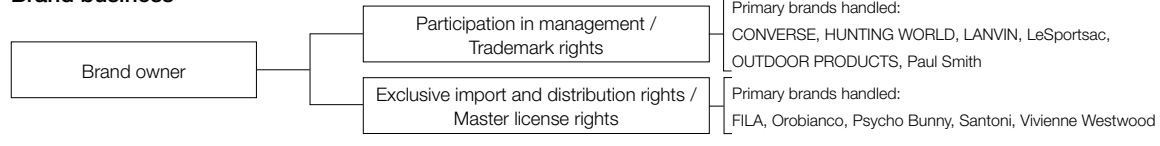
Products: Fiber materials used for hygiene, automobile interior materials, electronics materials, building materials, etc.

Establishment of local supply chains that match customer needs and locations (Focus region: China and other parts of Asia)



Spread the business model established in Japan, China, and other parts of Asia throughout the world

### Brand business



## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section and the marginal notes.

		Trading (raw materials) / Manufacturing (products)	Wholesale / Trading (finished products)	Retail	E-commerce
Brand business	Participation in management / Trademark rights	ITOCHU / IPU* <sup>1</sup> / EUPAL* <sup>2</sup>			ITOCHU / IPU* <sup>1</sup> / EUPAL* <sup>2</sup>
		CONVERSE JAPAN / CONVERSE FOOTWEAR / HUNTING WORLD JAPAN			
Raw materials, garment materials, and apparel (including own brands)	Exclusive import and distribution rights / Master license rights	ITOCHU / <b>3</b> IPA / <b>4</b> ITS / IPU* <sup>1</sup> / EUPAL* <sup>2</sup>			ITOCHU / MAGASeek*
		EDWIN / CORONET / <b>1</b> JOI'X CORPORATION / SCABAL JAPAN / LEILIAN / DESCENTE* / Bosideng**			
Industrial materials		ITOCHU / <b>3</b> IPA / <b>4</b> ITS			
		TERAOKA SEISAKUSHO*			
		WATAKYU SEIMO A*			

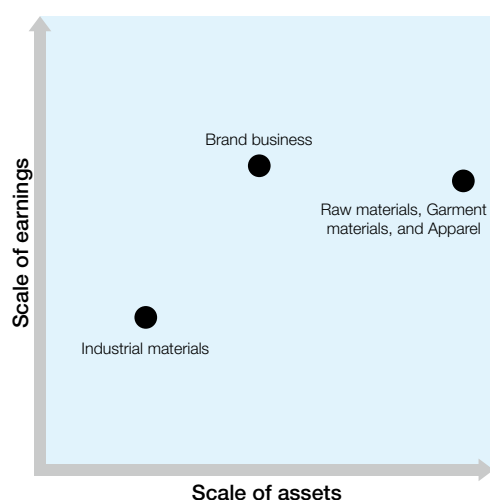
\*1 IPU: ITOCHU Prominent U.S.A. LLC

\*2 EUPAL: Prominent (Europe) Limited

\*Equity-method associated companies

\*\*Non-affiliated companies

## Asset Portfolio and Efficiency



Note: We are aiming to reinvent business in all fields.



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan)* <sup>2</sup>
<b>Consolidated Net Profit (Loss)*<sup>1</sup></b>	32.0	14.5	25.2	<b>12.5</b>	32.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> JOI'X CORPORATION	1.3	1.1	1.4	<b>1.5</b>	1.3
<b>2</b> SANKEI CO., LTD.	2.6	1.0	2.0	<b>0.1</b>	1.8
<b>3</b> ITOCHU Textile Prominent (ASIA) Ltd.	1.4	0.9	0.8	<b>0.2</b>	1.1
<b>4</b> ITOCHU TEXTILE (CHINA) CO., LTD.	1.2	0.9	0.9	<b>1.0</b>	1.0
<b>Total Assets</b>	555.8	524.5	495.9	<b>474.9</b>	—
<b>ROA (%)</b>	6.2	2.7	4.9	<b>2.6</b>	—
<b>Core Profit</b>	—	28.0	28.2	<b>26.0</b>	—

\*1 Share of trade earnings from ITOCHU (non-consolidated) is 30%

\*2 "2019 (Plan)" indicates figures announced on May 2, 2018.



## Review of “Brand-new Deal 2017”

Throughout the period of “Brand-new Deal 2017,” we have enhanced initiatives with leading companies in promising countries and regions such as China and other parts of Asia.

We expanded and improved our synergy with existing capital and business alliance partners Shanshan Group Co., Ltd., and Shandong Ruyi Science & Technology Group Co., Ltd. Additionally, through initiatives to accumulate superior assets and expand our value chain in China and other parts of Asia, we formed capital and business alliance agreements with the Hong Kong Bosideng Group and Honma Golf Limited; established DESCENTE China with the DESCENTE Group and the Anta Group; and acquired additional shares in the

Vietnam National Textile and Garment Group (VINATEX), becoming the largest shareholder of private-sector companies.

On the other hand, apparel sales for physical retail stores continued to face extremely unfavorable conditions while jump in sales through Internet and rapid change in consumer market.

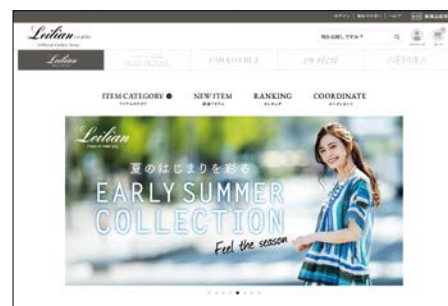
In this environment, we have built a business structure that can withstand the increasingly intense environmental changes that will occur moving forward, by enhancing existing business, creating synergy within the Group, and developing new business in the e-commerce and IT-related fields, while promoting management efficiency at operating companies and conducting asset replacements.

## Important Steps under “Brand-new Deal 2017”

### “Reinvented Business” through Technological Innovation

In April 2017, we composed a task force to promote and find investment opportunities in e-commerce and IT-related business. While unearthing new investment opportunities, we developed an AI prediction engine to strengthen our planning and proposal capability in the apparel business and conducted system development geared toward creating omnichannels of LEILIAN CO., LTD., and JOI’X CORPORATION.

Going forward, we will keep move toward to shift our business model which we can demonstrate our initiative by solidifying our brand business marketing, raising our rate of transition to e-commerce, developing environment-friendly materials in our apparel business, and creating new businesses in the wearable field.



## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Secure new demand by creating new businesses that adapt to changes in market environment via the supply chain	➔	Take the initiative in promoting trade by utilizing new technologies, developing sustainable materials, etc.
Respond to changing consumer trends and diversifying sales channels in the domestic market	➔	Improve brand value and strengthen in-house e-commerce through solidifying our brand and retail-related business marketing
Growth of consumer markets in China and other parts of Asia due to rising standards of living	➔	Grow overseas revenues and earnings through cultivating initiatives with leading companies in China and other parts of Asia and increasing superior assets
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Risk related to securing superior human resources in the textile industry, which has labor-intensive facets	➔	Add value and promote sustainable industrialization by creating production IT infrastructures
Increasing share of e-commerce in the apparel industry	➔	Improve production and marketing efficiency with AI, expand the use of RFID tags in the apparel industry
Respond to environmental and human rights risks at production bases that arise from decreasing product prices	➔	Promote establishment of a safe and reliable product supply system

(⇔ Page 64 Sustainability)

## Initiatives for Reducing ESG Risks

### Strengthen Branding of Natural and Environment-Friendly Materials

We have differentiated ourselves from competitors in our original raw materials business by branding, commercializing, and proposing natural materials like Peruvian Pima, Hamilton Lambs Wool, and One Cotton.

As the transitional momentum toward sustainable materials in the global apparel market increases, we will strive to upgrade and expand our original materials and develop environment-friendly materials in the near future.

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/textile/>



Our own raw material brands: One Cotton and Hamilton Lambs Wool

We cooperated fully with the Japan Fair Trade Commission on its series of investigations into sales of corporate uniforms before FYE 2017. However, the commission issued the Company a cease-and-desist order citing infringement of Japan's Antimonopoly Act on certain projects.

We take the situation quite seriously and will consistently apply the preventive measures\* we formulated based on internal investigation results and external advisors' opinions to secure and solidify compliance with all laws and ordinances, including the Antimonopoly Act.

\* These measures include: (1) Adjusting our internal rules related to compliance with the Antimonopoly Act, (2) Promoting voluntary reporting of violations, and (3) Strengthening and enhancing education on compliance with the Antimonopoly Act

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
4	Risks Associated with Customs	13	Information System Risks
5	Country Risks	14	Information Security Risks
6	Commodity Price Risks (Specific, Important Product)	15	Labor Management Risks
7	Credit Risks	16	Human Resources Risks
8	Investment Risks	17	Risks Associated with the Appropriateness of Financial Reporting
9	Stock Price Risks	18	Risks Associated with Internal Control

## Machinery Company

We will enhance our business and deliver the best value to our stakeholders with a focus on strategic investment, continuous improvement, and innovation in the existing business value chain.

### Business Fields

- Plant and Power projects (water and environmental, infrastructure, renewable energy, petrochemical, and IPP)
- Marine and Aerospace (new vessels, secondhand vessels, ship ownership, commercial aircraft, and aircraft leasing)
- Automobile (sales of passenger cars and commercial vehicles in the domestic and international markets, and business investments)
- Construction machinery, Industrial machinery, and Medical devices (sales and business investments in domestic and international markets)



President, Machinery Company

**Masahiro Imai**

### Company Strengths

- Solid business relationships with excellent partners in each field of operations
- Wide-ranging business development leveraging expertise in investment and trading business
- Diverse businesses in advanced countries and business developments in emerging countries with minimal country risk



From left:

**Hiroshi Sato,**

Chief Operating Officer, Plant Project, Marine & Aerospace Division

**Masato Osugi,**

Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division

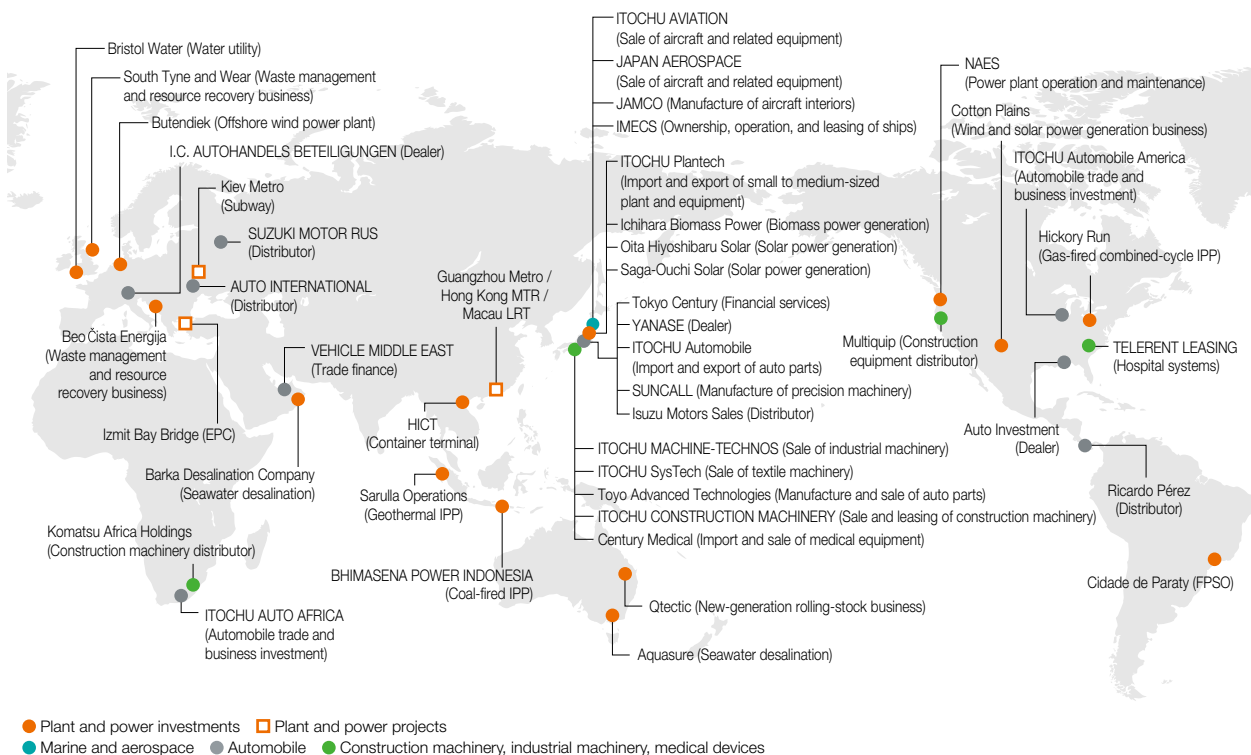
**Satoshi Watanabe,**

Chief Financial Officer

**Hiroshi Ushijima,**

General Manager, Planning & Administration Department

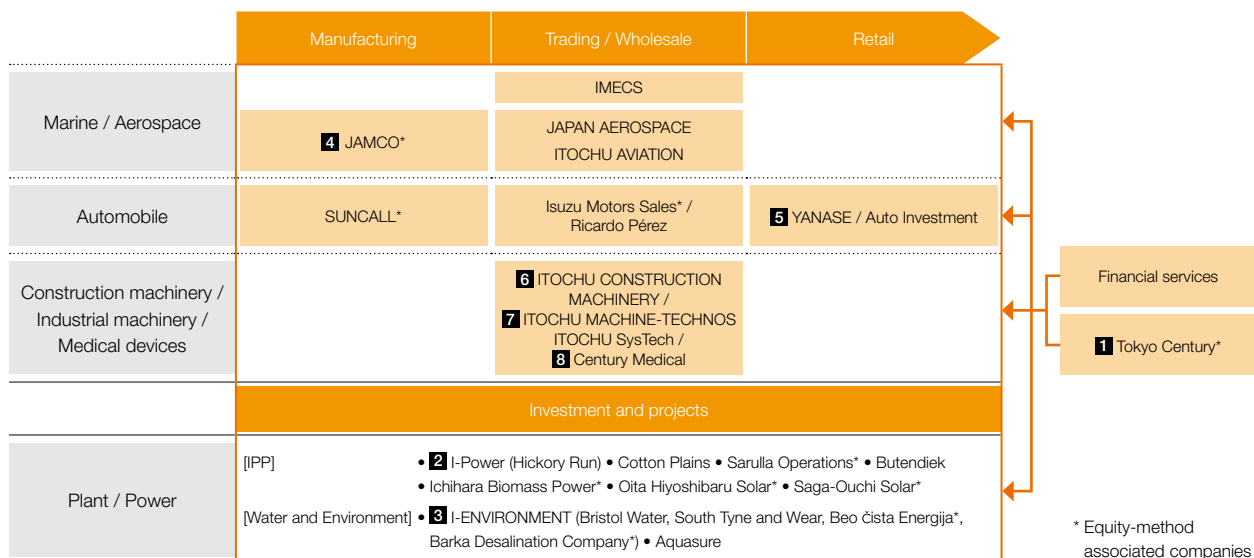
## Business Development



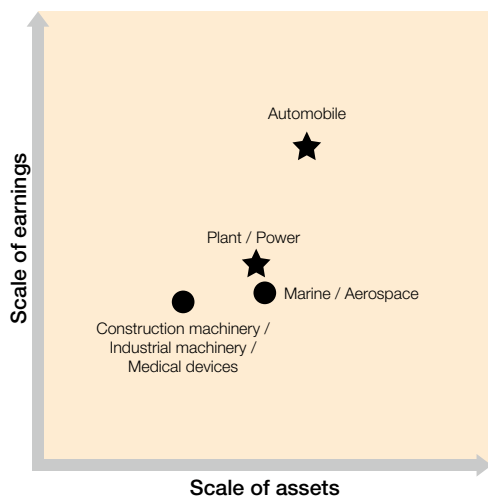


## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.



## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



Credit: Boeing

## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan)*1
<b>Consolidated Net Profit (Loss)</b>	54.6	48.4	46.4	<b>57.1</b>	63.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> Tokyo Century Corporation*	9.1	9.6	10.2	<b>12.5</b>	13.0
<b>2</b> I-Power Investment Inc.	2.1	2.1	1.0	<b>5.3</b>	1.9
<b>3</b> I-ENVIRONMENT INVESTMENTS LIMITED	0.9	1.1	0.8	<b>1.9</b>	0.9
<b>4</b> JAMCO Corporation*	1.7	1.5	0.4	<b>0.6</b>	0.6
<b>5</b> YANASE & CO., LTD.	4.8	1.8	2.7	<b>3.7</b>	4.7
<b>6</b> ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.9	0.8	0.7	<b>0.6</b>	0.6
<b>7</b> ITOCHU MACHINE-TECHNOS CORPORATION	0.5	0.7	1.1	<b>0.8</b>	1.1
<b>8</b> Century Medical, Inc.	1.0	0.3	0.5	<b>0.5</b>	0.6

<b>Total Assets</b>	1,083.6	978.1	989.7	<b>1,218.6</b>	—
<b>ROA (%)</b>	5.4	4.7	4.7	<b>5.2</b>	—
<b>Core Profit</b>	—	55.4	48.9	<b>52.1</b>	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*2 Asterisks indicate equity-method associated companies



## Review of “Brand-new Deal 2017”

In the IPP field, we increased assets in developed countries, including investment in a wind and solar development project in Texas, US. We also promoted development projects in emerging countries such as Indonesia, where the Sarulla Geothermal IPP project began commercial operations.

In the water and environment fields, we proceeded with ESG investments, participating in the largest seawater desalination project in Oman and taking part in a waste management and resource recovery project in the Republic of Serbia, the nation’s first major public–private partnership (PPP).

Aiming to expand advantageous trade and strengthen our value chain business in the automobile field, we acquired additional shares in YANASE & CO., LTD. to convert it into a

consolidated subsidiary and also participated in Toyota and Lexus distribution and dealership in Panama.

We also reached an agreement with CITIC Pacific, a wholly owned subsidiary of CITIC Limited, as a strategic business partner to facilitate the renewable energy business. Including the acquisition of equity interest in Germany’s Butendiek offshore wind power plant, we conducted joint investments and expanded trade business in collaboration with the CITIC Group and the CP Group.

In FYE 2018, the final fiscal year of “Brand-new Deal 2017,” we achieved record-high profit as a result of investment returns and trading earnings growth in domestic and overseas trading.

## Important Steps under “Brand-new Deal 2017”

### Participation in Sales of Toyota and Lexus in Panama

We acquired 70% of the shares and effective control of Ricardo Pérez, S.A., an exclusive distributor for Toyota and Lexus in Panama. Established in 1956, Ricardo Pérez has maintained the top position for many years in the Panamanian market for new cars. We will leverage our experience in automobile dealer management in countries around the world to further expand Ricardo Pérez’s share and raise its corporate value in Panama.

As the automobile industry enters a period of enormous structural shift, we aim to support both development of the country and the evolution of its automobile industry not only managing and expanding the activities of existing distributors but also creating new business models focused on the next-generation mobility business domain, as well as contributing to society and the environment.



Lexus showroom (outside)



Lexus showroom (inside)

**RICARDO PEREZ, S.A.**

## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Growing demand for global infrastructure driven by population increase and economic growth in emerging countries	➔	Enhancement and replacement of existing assets and new investments mainly in the water and environment, IPP, and automobile fields
Innovations, changes in people's values and living environments	➔	Transformation of existing value chains with a focus on the automobile industry and evolve toward a next-generation mobility business model
Increase in global economic interdependence and growing complexity of business models	➔	Pursuit of synergies and cooperation with strategic partners
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Stricter regulation and decrease in demand for coal-fired power generation business due to greenhouse gas emissions	➔	Pursue investment opportunities in renewable energy generation, taking into account the energy situations in individual countries and regions
Tighter regulations regarding the sale of automobiles with internal combustion engines due to CO <sub>2</sub> and NO <sub>x</sub> emissions	➔	Increase electric vehicles (EVs), hybrid vehicles (HVs), and environment-friendly vehicles businesses
Poor crop yields caused by water shortage, spread of disease, and harmful effects on ecosystem and human health due to declining water quality and inappropriate waste disposal	➔	Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and reduce the environmental impact

(⇒ Page 64 Sustainability)

## Initiatives for Reducing ESG Risks

### Signed a Waste Management Contract with the City of Belgrade

Together with France-based SUEZ, we signed the public-private partnership (PPP) contract with the city of Belgrade, the Republic of Serbia, for a 25-year waste management and resource recovery project. The project involves building and operating an energy-from-waste facility to treat 340,000 tons of municipal waste annually, equivalent to around 70% of the total municipal waste generated in Belgrade, and generate renewable heat and electricity. The project scope also includes the closure and remediation of the existing landfill, as well as construction and operation of a new leachate-controlled landfill site.

We will contribute to Serbia's environmental conservation by reducing waste volume landfilled and greenhouse gas emissions with the introduction of a proper waste treatment facility.

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/machinery/>



Rendering of Energy-from-Waste facility

## Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
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5	Country Risks	14	Information Security Risks
6	Commodity Price Risks (Specific, Important Product)	15	Labor Management Risks
7	Credit Risks	16	Human Resources Risks
8	Investment Risks	17	Risks Associated with the Appropriateness of Financial Reporting
9	Stock Price Risks	18	Risks Associated with Internal Control

## Metals & Minerals Company

We will engage in innovation initiatives, both in investment and trade, to contribute to new generation industries within a value chain covering a broad range of activities from the development of metal and mineral resources to the trading of steel and non-ferrous products.

### Business Fields

- Development of metal & mineral resources (iron ore, coal, alumina, etc.)
- Trade in materials, fuel, and products (iron ore, coal, aluminum, uranium, non-ferrous products), recycling businesses (steel scrap, etc.)
- Steel business (process and trade of steel products, and investment in related industries)



President, Metals & Minerals Company  
**Shigetoshi Imai**

### Company Strengths

- Strong relationships with excellent business partners in each business area
- Ownership of superior natural resource assets, centering on iron ore and coal
- Broad-ranging trade flows that run from upstream (metal and mineral resources) to downstream (steel and non-ferrous products)



From left:

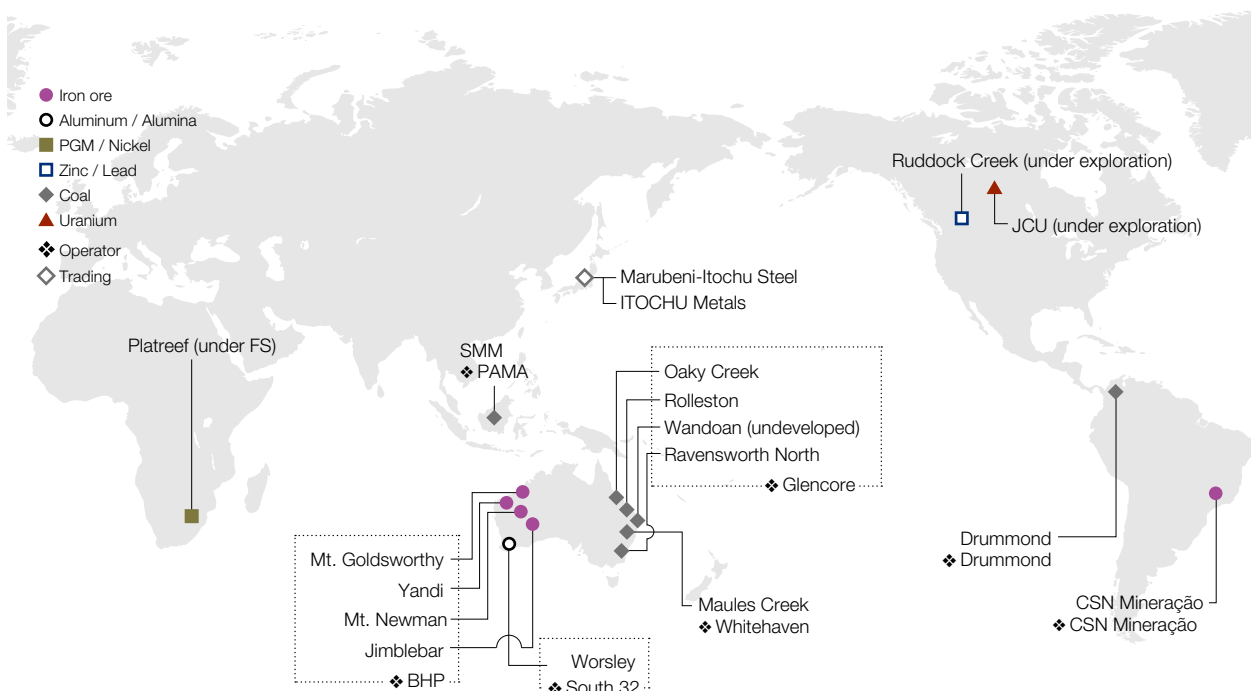
**Kenji Seto**,  
Chief Operating Officer, Metal & Mineral Resources Division

**Ikuya Hirano**,  
Chief Financial Officer

**Yoshihiko Ogura**,  
General Manager, Planning & Administration Department

**Takashi Nakano**,  
General Manager, Steel Business Coordination Department

## Business Development



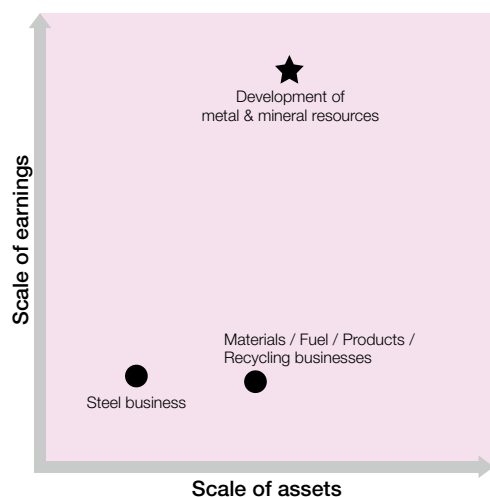
## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.

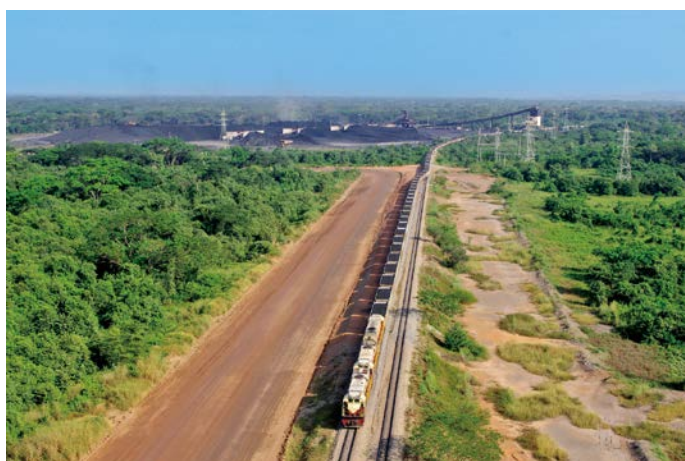
	Exploration / Development / Production	Processing	Trading / Sales (finished products)
Metal & mineral resources	<b>1</b> IMEA (iron ore, coal, etc.) / <b>3</b> ICA (coal) / <b>2</b> CSN Mineração (iron ore)		ITOCHU
Steel business		<b>4</b> Marubeni-Itochu Steel*	
Materials / Fuel / Products / Recycling businesses			ITOCHU / <b>5</b> ITOCHU Metals

\* Equity-method associated companies

## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan)*1
<b>Consolidated Net Profit (Loss)</b>	11.2	(16.7)	45.2	<b>82.5</b>	60.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	42.3	(22.6)	42.8	<b>62.3</b>	42.7
<b>2</b> Brazil Japan Iron Ore Corporation (CSN Mineração**)	(44.8)	(0.9)	(2.9)	<b>3.3</b>	—
<b>3</b> ITOCHU Coal Americas Inc. (ICA) (Drummond**)	0.1	(2.3)	(2.6)	<b>2.9</b>	—
<b>4</b> Marubeni-Itochu Steel Inc.*	12.8	6.6	7.6	<b>9.2</b>	—
<b>5</b> ITOCHU Metals Corporation	0.2	2.0	1.1	<b>1.6</b>	1.3
<b>Total Assets</b>	1,261.8	876.4	854.9	<b>850.3</b>	—
<b>ROA (%)</b>	0.9	(1.6)	5.2	<b>9.7</b>	—
<b>Core Profit</b>	—	21.3	53.2	<b>80.5</b>	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*2 Single asterisks indicate equity-method associated companies, and double asterisks indicate investees of non-affiliated investments.



Photo courtesy of BHP



Copyright© Emirates Global Aluminium

## Review of “Brand-new Deal 2017”

Through a selection and integration process during the period of “Brand-new Deal 2017,” we have executed asset restructuring by selling coal mine interests, as well as consolidating and recovering capital from the Brazilian iron ore business. At the same time, we have enhanced our business model to achieve a balance between investment and trade to maintain growth that is not dependent on resource prices.

In investments, we enhanced cost competitiveness on projects in which we hold interests and pursued exploration projects and other initiatives for the next generation. In trade, we established new business projects with excellent

partners, which enabled us to add further value to value chains extending from raw materials to finished products. As a result, from FYE 2017 to FYE 2018 we were able to take advantage of the global recovery in demand for metal & mineral resources and metal materials, resulting in a steady growth in earnings.

Amid rising global concern and toward the realization of a low-carbon society, we focused our future investment and trade policy on the social responsibility and the mission of ensuring a stable supply of high-quality resources and fuels that reduce environmental impact.

## Important Steps under “Brand-new Deal 2017”

### Providing a Stable Supply of Resources and Contributing to Local Communities through Long-Term, Ongoing Investment in Superior Assets

The Mt. Whaleback iron ore mine, which is the core project for the Western Australia iron ore business of ITOCHU, celebrated its first 50 years of operation in 2017. In September, we invited major customers from Japan, China, South Korea, and other countries to a commemoration ceremony.

Since the start of production in 1969, the mine has met iron ore demand in Japan, China, and elsewhere in Asia as the world’s largest open-pit iron ore mine. Enabling the extraction of high-quality ore over a long period of time, this mine has contributed to the stable supply of raw materials to the Asian steel industry, as well as economic development in Western Australia, and the local community.

Going forward we will continue to invest in superior assets that connect producers, local communities, and customers.



Mt. Whaleback (Photo courtesy of BHP)

## Strategic Direction

### Growth Opportunities

Changes in society's demands with respect to metal & mineral resources and metal materials	➔
Expansion of trade in metal & mineral resources, steel and non-ferrous products, as well as the recycling business in line with robust global economic development	➔

### Strategies (Specific Measures)

Creation of optimal resource portfolios that contribute to next-generation industries by replacing and acquiring superior assets
Formation of new, high-value-added trading structures by leveraging strong relationships with excellent partners

### Obstacles to Medium- to Long-Term Growth from an ESG Perspective

Uncertainty in demand for fossil fuels due to regulations on greenhouse gas emissions, and changes in industrial materials with a view toward realizing a low-carbon society	➔
Lower production and sales volumes due to resource depletion and mine closures	➔
Consideration for the environment, health, labor safety (EHS) and harmony with people in local communities	➔

### Responses

Ongoing contribution to the development of technologies that will help reduce greenhouse gas emissions, and enhanced initiatives in businesses (such as aluminum) that will facilitate lighter-weight vehicles and a shift toward EVs
Expansion of superior equity investments that provide the foundation for stable supplies of resources and fuel
Operation of EHS guidelines; thorough employee education; healthcare, education, and donations to local communities; contributions to community infrastructure development, etc.

(⇔ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Promoting ESG Initiatives That Will Contribute to the Stable Supply of Future-Generation Resources

Ensuring a stable supply of industrial resources and materials for the future generations is the Metals & Minerals Company's social mission and responsibility, and we are engaging in ESG-related initiatives to this end.

We are promoting the material business such as aluminum and other metals that will be necessary for lightweight automobiles and EVs. We are also supporting the development of technologies to reduce greenhouse gas emissions. Through such efforts, we are making a proactive effort to realize a low-carbon society. We are also thoroughly implementing our own EHS guidelines, contributing to local communities on an ongoing basis, and ensuring sustainable resource development.

ITOCHU Metals Corporation handles various types of recyclable materials. The company is expanding its recycling business by undertaking the appropriate processing of industrial waste on a contract basis and recovering chlorofluorocarbon gases, thereby helping to create a resource circulation society.

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/metal/>



Support activities for an elementary school in the area near our Colombian coal operations

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
4	Risks Associated with Customs	13	Information System Risks
5	Country Risks	14	Information Security Risks
6	Commodity Price Risks (Specific, Important Product)	15	Labor Management Risks
7	Credit Risks	16	Human Resources Risks
8	Investment Risks	17	Risks Associated with the Appropriateness of Financial Reporting
9	Stock Price Risks	18	Risks Associated with Internal Control

## Energy & Chemicals Company

By accumulating superior assets and further enhancing existing businesses, we aim to create an efficient and robust management foundation. We will also leverage new technologies and AI to promote next-generation businesses.

### Business Fields

- Energy projects and trading (crude oil, petroleum products, LPG, LNG, natural gas, electricity, etc.)
- Chemical projects and trading (general range of basic petrochemical products, sulfur, fertilizer, pharmaceuticals, synthetic resin, household goods, fine chemicals, electronic materials, etc.)



President, Energy & Chemicals Company  
**Keita Ishii**

### Company Strengths

- Business portfolio in the energy field ranging from upstream to downstream
- Worldwide sales network of chemicals trading
- The ability to develop businesses across a broad range, spanning raw materials to end products in the chemicals field



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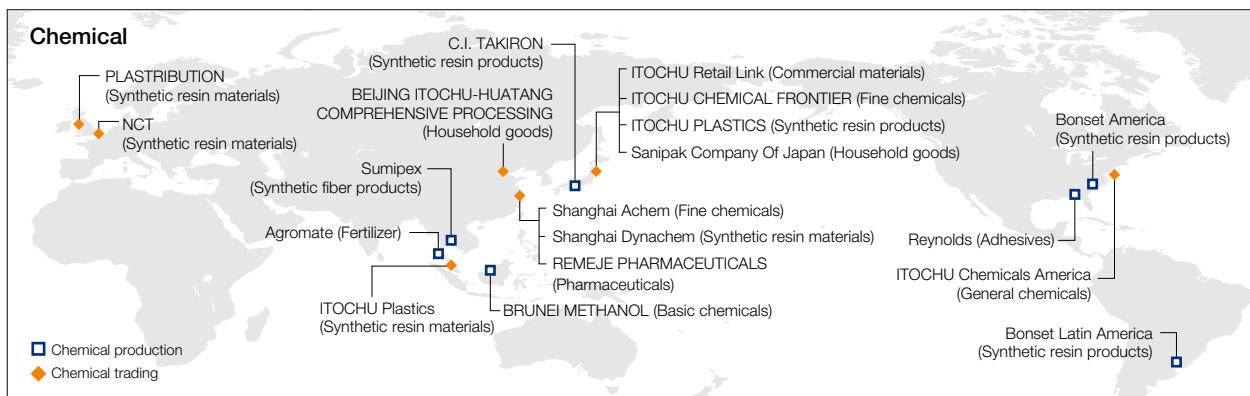
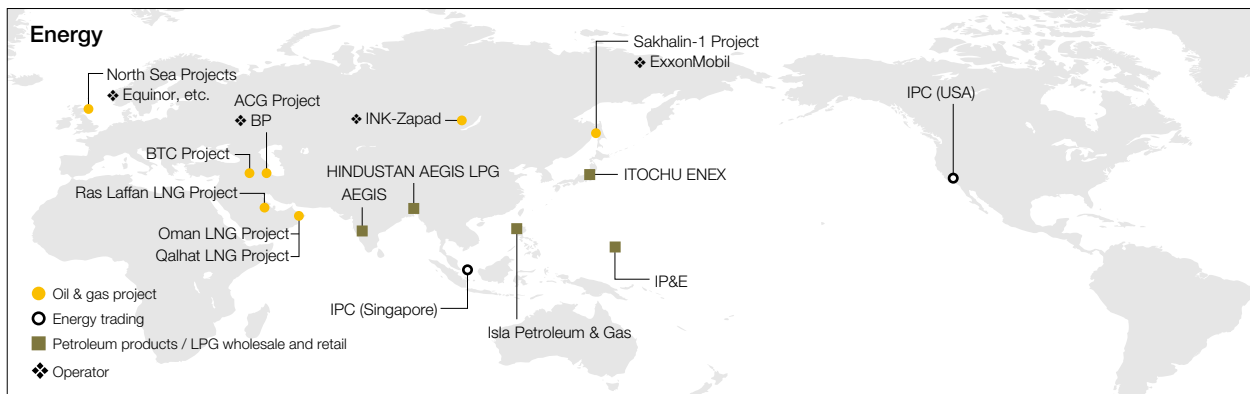
**Hisato Okubo**,  
Chief Operating Officer, Energy Division

**Masaya Tanaka**,  
Chief Operating Officer, Chemicals Division

**Satoshi Nakajima**,  
Chief Financial Officer

**Isao Nakao**,  
General Manager, Planning & Administration Department

## Business Development





## Major Business Developments in the Value Chain

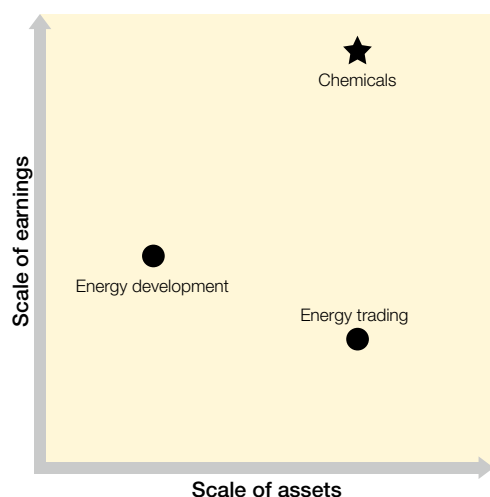
Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.

	Exploration & Production	Trading	Retail
Energy	<b>1</b> ACG Project (Oil and gas development) / Sakhalin-1** (Oil and gas development) / <b>4</b> Ras Laffan**, Oman**, Qalhat** (LNG development)	ITOCHU / <b>2</b> IPC (Singapore) / IPC (USA)	<b>3</b> ITOCHU ENEX
Chemical	BRUNEI METHANOL* / Argomate*	ITOCHU <b>5</b> ITOCHU CHEMICAL FRONTIER / <b>6</b> ITOCHU PLASTICS	<b>7</b> C.I. TAKIRON / Sanipak Company Of Japan / ITOCHU Retail Link

\*Equity-method associated companies

\*\*Non-affiliated companies

## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan) **
<b>Consolidated Net Profit (Loss)</b>	2.4	55.5	18.9	<b>36.9</b>	54.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> ITOCHU Oil Exploration (Azerbaijan) Inc. (ACG Project)	6.9	5.0	0.7	<b>2.3</b>	1.9
<b>2</b> ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	1.0	2.3	1.8	<b>(1.8)</b>	0.6
<b>3</b> ITOCHU ENEX CO., LTD.	2.8	4.1	5.5	<b>6.0</b>	6.1
<b>4</b> Dividend from LNG Projects (PAT)	8.3	4.8	3.2	<b>4.4</b>	4.3
<b>5</b> ITOCHU CHEMICAL FRONTIER Corporation	3.1	3.1	3.1	<b>3.7</b>	3.6
<b>6</b> ITOCHU PLASTICS INC.	3.5	3.5	4.2	<b>4.0</b>	4.0
<b>7</b> C.I. TAKIRON Corporation**	1.8	2.1	5.4	<b>3.0</b>	3.1

<b>Total Assets</b>	1,329.5	1,077.1	1,169.5	<b>1,355.7</b>	—
<b>ROA (%)</b>	0.2	4.6	1.7	<b>2.9</b>	—
<b>Core Profit</b>	—	37.5	33.4	<b>37.4</b>	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*\* On April 1, 2017, TAKIRON Co., Ltd. and C.I. Kasei Co., Ltd. merged to form C.I. TAKIRON Corporation. Accordingly, C.I. TAKIRON's consolidated contribution from FYE 2015 to 2017 is represented as the sum of consolidated contributions for the two companies.



## Review of “Brand-new Deal 2017”

Throughout the period of “Brand-new Deal 2017,” we enhanced existing businesses to increase core profit and entered into new businesses and new fields on a worldwide basis.

In the energy field, we reached an agreement with the State Oil Company of the Azerbaijan Republic to extend the production sharing agreement in the ACG field in Azerbaijan from 2024 to 2049. In Eastern Siberia, part of a project in which we are participating alongside Japan Oil, Gas and Metals National Corporation and INPEX CORPORATION has moved to the production stage, and crude oil production has commenced at a project we are pursuing in the U.K. North Sea. In energy trading, we have joined an LPG distribution

and LPG receiving terminal business in India, where consumption is slated to increase, focusing on strengthening and expanding our ability to sell and distribute LPG.

In the chemical business, in addition to expanding existing businesses we are pursuing management efficiency through Group companies including C.I. TAKIRON Corporation, which was formed through a merger. By steadily reinforcing our earnings base, we have achieved record-high profits for three consecutive fiscal years. Meanwhile, we are cultivating synergies within the Group. For example, ITOCHU PLASTICS INC. and ITOCHU Retail Link Corporation are providing packaging materials, supplies, and other items to FamilyMart Co., Ltd.

## Important Steps under “Brand-new Deal 2017”

### Access to Superior Resource Projects

In the energy field, we obtained an equity interest in Iraq’s West Qurna 1 oil field, thereby accessing one of the world’s largest reserves, of more than 20 billion barrels. The project scheme calls for ITOCHU, ExxonMobil, and other companies to operate and develop the field on behalf of the Iraqi government, for which they are entitled to receive recovery for the cost spent as well as a certain remuneration fee based on the production levels. We expect this project, which should be relatively unaffected by fluctuations in the oil price, to contribute to stable earnings over the medium to long term.

To counter our exposure to the risk of investing in this project, we have obtained approval of the Japan Oil, Gas and Metals National Corporation for 40% equity financing.

### Expanding Our Portfolio by Taking on the Life Science Business

In the chemical field, we entered a sales alliance with Sumitomo Chemical Company, Limited involving the sale of methionine, a feed additive. Used widely to increase meat and egg productivity in chickens, methionine is expected to continue experiencing steady demand growth worldwide.

Meanwhile, in the pharmaceutical and healthcare business we are collaborating with ITOCHU CHEMICAL FRONTIER Corporation to promote capital and business alliances with superior partners in Japan and overseas. We are also creating a pharmaceutical business value chain by developing the biopharmaceutical and new drug sublicensing business.



## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Long-term growth in demand for energy resources	➔	Collaborate with superior partners to maintain a stable, long-term supply of energy resources by increasing efficiency and expanding existing projects; and consider new projects as alternatives to existing interests
Growing demand toward a low-carbon society	➔	Further strengthen the LNG value chain, including consideration of new project acquisitions
Rising demand for food in tandem with global population increases	➔	Evolve existing businesses related to conventional fertilizer, agrochemicals, and agricultural materials; and contribute to the stable supply of food through proposing to transition to smart agriculture and expanding feed additives (methionine) worldwide
Demand for environment-friendly energy and products	➔	Expand initiatives leveraging breadth of the business domain, ranging from energy solutions and renewable energy initiatives to the provision of environment-friendly materials and electricity storage services
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Stricter regulation of greenhouse gas emissions and falling needs for fossil fuels	➔	Continuing efforts to minimize greenhouse gas emissions and the pursuit of renewable energy and businesses that have lower environmental impact, such as LNG
Rising prevalence of lifestyle diseases as society ages, and growing uncertainty of medical security systems	➔	Helping to reduce physical and economic burdens on patients by supporting new pharmaceutical development and growing sales of generic pharmaceuticals
Stricter regulations on development, claims for damages resulting from environmental degradation, and deteriorating relations with local communities	➔	Promotion of businesses that exceed the environmental management standards of governments in which we undertake projects, as well as of international administrative bodies

(⇔ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Using AI Technologies in Services to Optimize Electricity Storage

We signed a business and capital tie-up with Moixa Energy Holdings Ltd., a UK company developing a platform business that applies AI technologies to storage batteries and acquired exclusive marketing rights in Japan for its Gridshare Client platform technology software. Gridshare Client is used with storage batteries to perform optimal control of energy for various categories of customers, including general consumers, power producers, power transmission, and distribution utilities.

Going forward, we will include this service as standard in our own Smart Star storage battery system. We aim to acquire a leading share of the Japanese market for storage battery systems as a “reinvented business” and contribute toward the realization of a society that utilizes dispersed energy sources.

Please also see the sustainability pages of ITOCHU's website.

🌐 <https://www.itochu.co.jp/en/csr/activities/chemical/>



Overview of Moixa

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
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9	Stock Price Risks	18	Risks Associated with Internal Control

## Food Company

Commerce is not just about selling products. Rather, it requires constant vigilance about why products are sold. By giving thoughtful consideration to downstream operations, we are further strengthening our value chain spanning upstream to downstream activities as we work to augment corporate value throughout the ITOCHU Group.

### Business Fields

- Resources / Material
- Product processing (flesh food, provisions)
- Midstream distribution (food wholesaling)
- Retail (CVS, GHS)



President, Food Company

**Yozo Kubo**

### Company Strengths

- An industry-leading midstream distribution and retail network
- Possession of a worldwide production, distribution, and sales value chain for fresh foods (marine, meat, and agricultural products)
- Ownership of a global supply chain for food resources



From left:

**Hiroyuki Kaizuka,**  
Chief Operating Officer, Provisions Division

**Yutaka Yamamura,**  
Vice President, Food Company;  
Chief Operating Officer, Fresh Food Division

**Kensuke Hosomi,**  
Chief Operating Officer, Food Products Marketing & Distribution Division

**Makoto Kyoda,**  
Chief Financial Officer

**Takeshi Inoue,**  
General Manager, Planning & Administration Department

## A Distinctive Group of Companies

### Size

FamilyMart UNY Holdings Co., Ltd.



**Second-highest**  
number of convenience  
stores in Japan

17,232 stores in Japan  
(as of February 28, 2018)  
15 million store visits per day  
(as of February 28, 2018)

NIPPON ACCESS, INC.



**Second-largest**  
food wholesaler in Japan

Sales of ¥2.1 trillion  
(FYE 2018)  
550 distribution locations  
(FYE 2018)

### Size + Brand

Dole International Holdings, Inc.



Global leader in fresh produce  
**Largest share** of canned pineapple  
and pineapple juice in the United States

### Niche and Differentiation

FUJI OIL HOLDINGS INC.



In fats and oils for chocolate,  
**50% share** of the Japanese market  
**30% share** of the global market

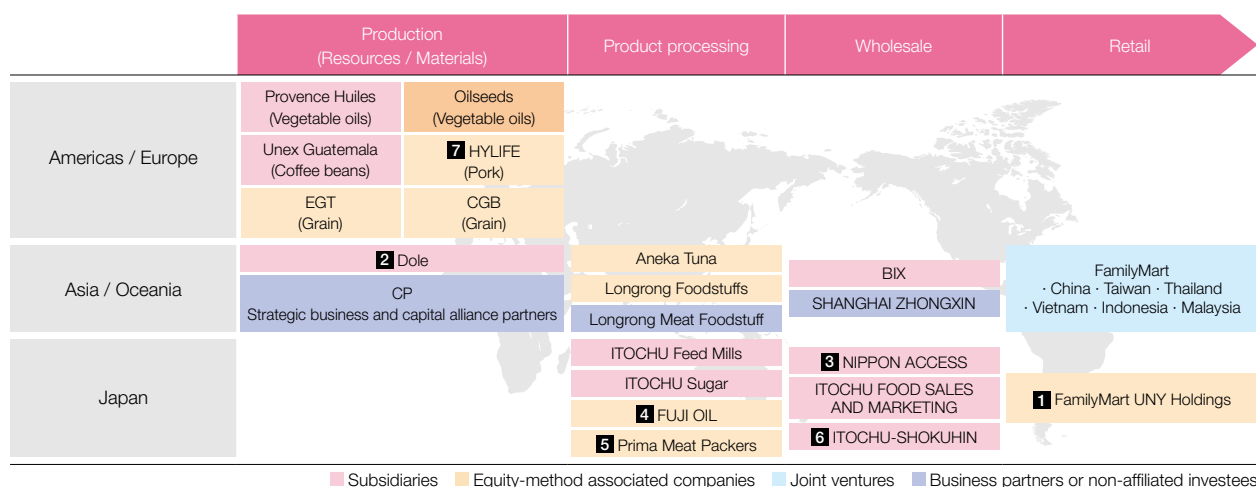
HYLIFE GROUP HOLDINGS LTD.



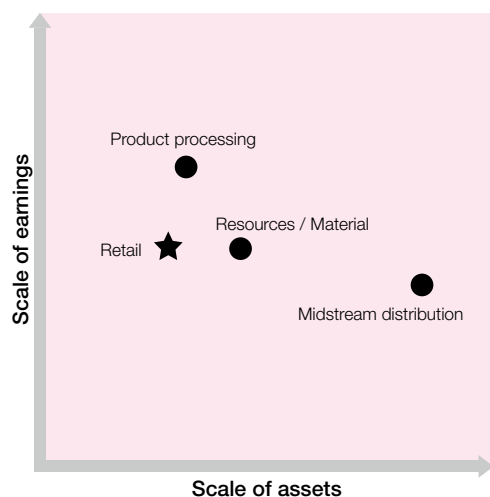
Differentiation through  
**integrated pork production**

## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.



## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan) *2
Consolidated Net Profit (Loss)*1	114.4	25.5	70.5	80.5	80.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> FamilyMart UNY Holdings Co., Ltd.*	8.1	6.1	7.4	11.8	16.4
<b>2</b> Dole International Holdings, Inc.	4.8	(16.9)	8.3	3.2	10.5
<b>3</b> NIPPON ACCESS, INC.	8.6	8.9	12.2	9.8	12.9
<b>4</b> FUJI OIL HOLDINGS INC.*	2.4	2.4	2.7	4.2	4.8
<b>5</b> Prima Meat Packers, Ltd.*	2.7	2.6	3.7	4.1	4.4
<b>6</b> ITOCHU-SHOKUHIN Co., Ltd.	1.3	1.5	1.7	2.2	1.9
<b>7</b> HYLIFE GROUP HOLDINGS LTD.*	2.1	2.6	2.7	3.7	—
<b>Total Assets</b>	1,772.2	1,723.1	1,773.2	1,962.2	—
<b>ROA (%)</b>	6.9	1.5	4.0	4.3	—
<b>Core Profit</b>	—	45.0	60.0	66.5	—

\*1 Share of trade earnings from ITOCHU (non-consolidated) is 15%.

\*2 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*3 Asterisks indicate equity-method associated companies.



## Review of “Brand-new Deal 2017”

To further enhance the Food Company’s superiority and business strength, we increased core profit by the expansion of existing businesses, the accumulation of superior assets, and engaging proactively in asset replacement.

We hold a 49.9% stake in HYLIFE GROUP HOLDINGS LTD., a leading Canadian hog farmer and producer of pork products. HYLIFE expanded its production facilities and increased production capacity. In the Dole business, we acquired an additional stake in Master Fruits D.O.O. Beograd, which is based in the Republic of Serbia, to increase the transaction volume of individual quick-frozen products (frozen fruit) destined for Europe and drive further

expansion and developments of the Dole packaged foods business.

We also enhanced our relationships with major Group companies FamilyMart UNY Holdings Co., Ltd. and FUJI OIL HOLDINGS INC. by acquiring additional shares. In this way, we further strengthened the value chain, spanning upstream to downstream operations.

In addition, to further enhance management efficiency we are pursuing asset replacement, such as assets that have already achieved strategic purpose, to consistently maintain an optimal asset portfolio.

## Important Steps under “Brand-new Deal 2017”

### Emergence of a Giant Retail Group to Support the Value Chain

Formed through the merger of FamilyMart Co., Ltd. and UNY Group Holdings Co., Ltd., FamilyMart UNY Holdings Co., Ltd. (UFHD) was launched in September. The new company represents a giant retail group, with total sales of nearly ¥4 trillion and one of the most important Group companies, which supports the ITOCHU Group value chain from downstream.

Following the launch of UFHD, in August 2017, we welcomed another good partner, Don Quijote Holdings Co., Ltd., through a business and capital alliance. Driven by management collaboration between these two companies, MEGA DON QUIJOTE UNY stores have been delivering favorable performance and demonstrating the steady successes of this alliance.

In April 2018, we announced plans for a tender offer to convert UFHD to a subsidiary. Going forward, to further enhance the ITOCHU Group value, UFHD will be the cornerstone of “reinvented business.”



MEGA DON QUIJOTE UNY store opened in February 2018

## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Revolution in distribution which makes existing business model obsolete	➔	Promotion of a retail business that combines the Group's wide range of product groups, functions, expertise, and new technologies
More diverse and sophisticated diets around the world	➔	Expansion of overseas raw materials business base and domestic trade by augmenting the foundation of business centering on value-added products
Rising consumer awareness of food safety and security	➔	Ensure safe and secure food supplies and build stable supply chain networks
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Problems with business continuity due to labor shortage caused by a shrinking population	➔	Maintaining convenience to society through the introduction and use of new technologies in the retail and surrounding fields, where labor shortages are growing particularly acute
Supply risk stemming from damage to agricultural production and food production plants due to droughts, flooding, typhoons, hurricanes, and other extreme weather events	➔	Ensure stable supply of agricultural products through diversification of production regions
Distribution of products containing substances that pose health hazards	➔	Increase number of employees holding Food Safety Systems (FSMS) international certificate

(⇨ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Establishing a Stable Production System by Integration

HYLIFE's vertically integrated system enables management of the entire supply chain independently. The supply chain includes compound feed production, hog raising, and pork processing.

As a result, the integrated strategy ensures a stable supply of safe, secure, and high-quality products with a business model resilient to market price fluctuations. Aiming to further leverage these strengths over the medium to long term, the company has expanded its facilities, introducing technologies to partially automate pork processing to increase production system efficiency and stability.



Processing line

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/food/>

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
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## General Products & Realty Company

We will strengthen our earnings base in core businesses, aggressively replace assets, and take on the challenge of seizing further growth opportunities.

### Business Fields

- Wood products and materials (production, wholesaling)
- Paper, pulp, and hygiene (production, wholesaling)
- Natural rubber and tire (processing, wholesaling, and retail)
- Development and operation of housing, logistics facilities, and other projects
- Logistics (3PL, international transport, etc.)



President, General Products & Realty Company  
**Tomofumi Yoshida**

### Company Strengths

- Well-established 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



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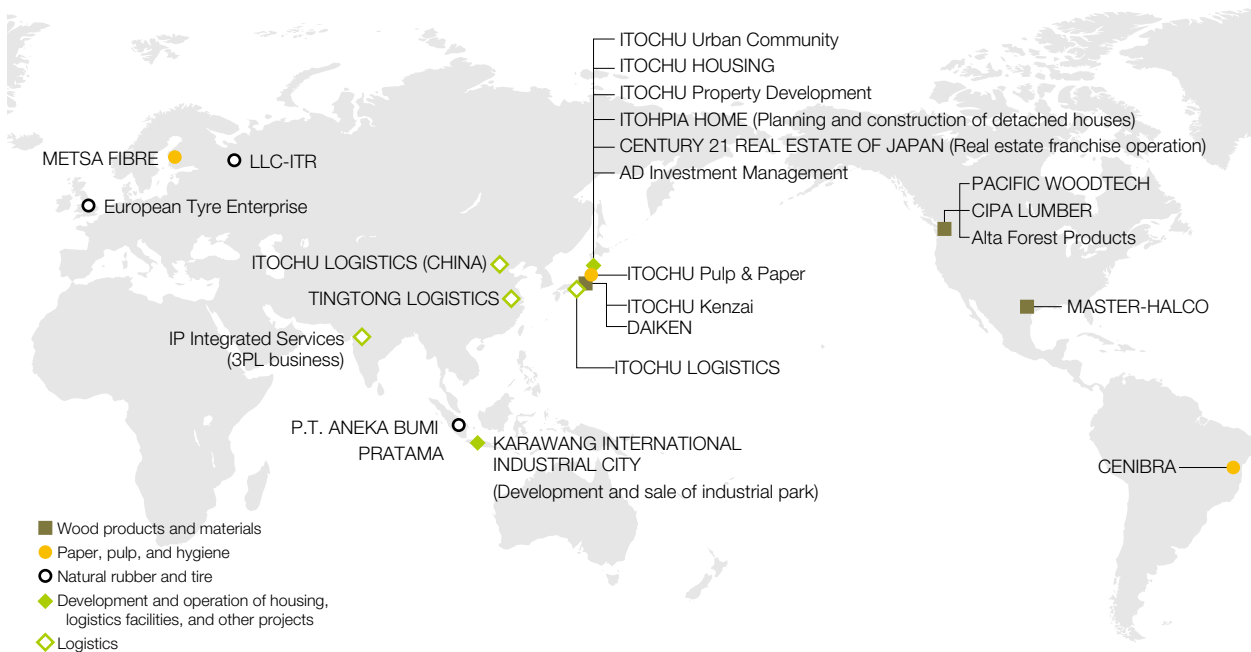
**Kenji Murai**,  
Chief Operating Officer, Forest Products & General Merchandise Division

**Masatoshi Maki**,  
Chief Operating Officer, Construction, Realty & Logistics Division

**Kazuaki Yamaguchi**,  
Chief Financial Officer

**Tsutomu Yamauchi**,  
General Manager, Planning & Administration Department

## Business Development





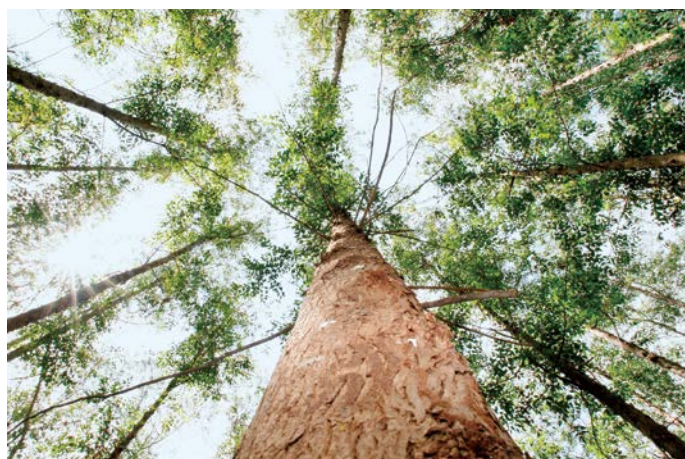
## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.

	Manufacturing / Processing	Distribution	Retail
Paper / Pulp / Hygiene	<b>2</b> ITOCHU FIBRE / <b>3</b> Japan Brazil Paper and Pulp Resources Development	ITOCHU Pulp & Paper	
Natural rubber / Tire	P.T. ANEKA BUMI PRATAMA	LLC-ITR	<b>1</b> European Tyre Enterprise
Wood products / Materials	PACIFIC WOODTECH / CIPA LUMBER / Alta Forest Products / DAIKEN*	<b>4</b> ITOCHU Kenzai / MASTER-HALCO	
	Development	Administration / Sales	REITs / Funds
Realty	<b>5</b> ITOCHU Property Development	ITOCHU Urban Community / ITOCHU HOUSING	AD Investment Management
Logistics	<b>6</b> ITOCHU LOGISTICS / ITOCHU LOGISTICS (CHINA) / TINGTONG LOGISTICS*		

\*Equity-method associated companies

## Asset Portfolio and Efficiency



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan) *1
<b>Consolidated Net Profit (Loss)</b>	35.9	25.6	27.6	<b>55.7</b>	70.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> European Tyre Enterprise Limited (Kwik-Fit)	4.7	(29.9)	(5.2)	<b>5.8</b>	6.2
<b>2</b> ITOCHU FIBRE LIMITED (METSÄ FIBRE*)	5.9	6.9	4.3	<b>9.9</b>	—
<b>3</b> Japan Brazil Paper and Pulp Resources Development Co., Ltd.* (CENIBRA)	1.4	3.7	2.9	<b>4.2</b>	—
<b>4</b> ITOCHU Kenzai Corp.	2.8	1.7	2.6	<b>2.7</b>	2.6
<b>5</b> ITOCHU Property Development, Ltd.	2.4	2.8	2.6	<b>2.4</b>	2.3
<b>6</b> ITOCHU LOGISTICS CORP.	1.9	2.1	2.4	<b>2.7</b>	2.6
<b>Total Assets</b>	954.0	810.8	840.4	<b>978.8</b>	—
<b>ROA (%)</b>	3.8	2.9	3.3	<b>6.1</b>	—
<b>Core Profit</b>	—	43.1	38.1	<b>46.7</b>	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*2 Asterisks indicate equity-method associated companies.



## Review of “Brand-new Deal 2017”

European Tyre Enterprise Limited (ETEL), which retails and wholesales tires in Europe, succeeded in various initiatives to bolster sales and profits. Also, ETEL is steadily augmenting its earning power by enhancing services which earned high marks from customers and third parties.

In the pulp business, METSA FIBRE Oy a Finnish softwood pulp manufacturer, increased production thanks to the completion of construction at a new plant in August 2017. As a result, METSA FIBRE became the world’s largest manufacturer of commercial softwood pulp for making paper. We are selling the majority of the increased 800,000 tons of

production in China and other parts of Asia. This rise in trading volume, plus favorable pulp prices have contributed to record-high net profits. Going forward, we will further solidify our position as a global pulp trader.

In the Chinese logistics business, we are building the largest logistics network for Japanese logistics companies operating in China mainly via ITOCHU LOGISTICS (CHINA) CO., LTD., positioning itself as the leader in terms of handling volume. We aim to further expand earnings in the Chinese logistics business through get involved in fast-growing e-commerce-related businesses.

## Important Steps under “Brand-new Deal 2017”

### Strengthening Our Earnings Base in the North America Fencing Business

ITOCHU Group company MASTER-HALCO, INC., which manufactures and sells fences in North America, has established a position as the largest wholesaler of fences in the United States through operations spanning five chainlink fence factories and 53 sales locations across North America. To further expand our North American fencing business, in January 2018 we acquired Alta Forest Products, LLC. (Alta), North America’s largest manufacturer of wooden fences.

Alta has four sawmills in the northwestern United States, where it produces an annual 360 million board-feet (approximately 850,000 m<sup>3</sup>) of wooden fencing material. Alta holds a 75% share of the market for fencing made out of western red cedar, which is a scarce and precious wood. Highly resistant to deterioration and aromatic, this attractive and high-end fencing material is particularly sought after in North America.

We plan to leverage sales network synergies between the newly acquired Alta and Master-Halco as well as further strengthen the North American fencing business through the two companies.



Alta fence

## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Adapt business models in line with rapid technological change	➔	Further enhance the tire, construction materials, real estate, and logistics businesses by employing new technologies
Create earning opportunities in the Japanese and overseas construction materials business	➔	Strengthen earning power in the North American construction materials business and promote asset replacement
Market expansion due to growing demand for specialized and sophisticated logistics infrastructure services, as well as rise in living standards in China and the ASEAN region	➔	Augment the asset turnover model by building a value chain for logistics facilities, and expand the logistics business in China by reinforcing corporate foundations
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Opposition from local communities and consumers due to the handling of forestry resources without adequate consideration to biodiversity and local communities	➔	Continue asking uncertified suppliers to obtain certification and conduct sustainability surveys and visits to suppliers
Continuation of the cement business, which generates substantial greenhouse gas emissions during production	➔	Create a sustainable and stable flow of business between suppliers such as steel mills and users of slag and other byproducts as cement alternatives
Unbuilt social infrastructure and opposition from local communities in developing or emerging countries	➔	Building of infrastructure that takes environmental safety security and environment into consideration, such as the construction of electricity supply facilities, building of industrial water or wastewater plant facilities, and the establishment of security systems

(⇔ Page 64 Sustainability)

## Initiatives for Reducing ESG Risks

### Becoming the World's No. 1 Trader in Blast Furnace Slag, a Cement Alternative

Blast furnace slag, a byproduct of the steelmaking process, can be mixed into and used as a cement alternative. The use of slag helps to conserve limestone, a natural resource used in cement, and provides the environmental benefit of lowering CO<sub>2</sub> emissions by around 40%\* compared with concrete made entirely from cement.

Blast furnace slag is also highly resistant to seawater and, being resistant to long-term corrosion, is widely used in large civil engineering structures at ports.

Beginning some 20 years ago, we now sell blast furnace slag produced in Japan and overseas in around 10 countries, making us the world's leading trader in slag, by handling volume. Going forward, we will build a sustainable and stable flow of operations in the slag business and are considering further investment and participation.

\* Calculated at a 55 : 45 ratio for cement : blast furnace slag

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/general/>



Structure employing blast furnace slag

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
4	Risks Associated with Customs	13	Information System Risks
5	Country Risks	14	Information Security Risks
6	Commodity Price Risks (Specific, Important Product)	15	Labor Management Risks
7	Credit Risks	16	Human Resources Risks
8	Investment Risks	17	Risks Associated with the Appropriateness of Financial Reporting
9	Stock Price Risks	18	Risks Associated with Internal Control

## 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 the keys, as we take up the challenge of creating new businesses.

### Business Fields

- Information technology (ICT, BPO, and healthcare)
- Communications (mobile, media, and communication & satellite businesses)
- Finance (retail, corporate)
- Insurance (brokerage, underwriting)



President, ICT & Financial Business Company

**Tatsushi Shingu**

### Company Strengths

- Solid position of strong Group companies in the ICT field and the generation of synergies through alliances between businesses
- Business development in the retail financial services and insurance fields in Japan and overseas
- Network including start-ups and other leading-edge companies in Japan and overseas



From left:

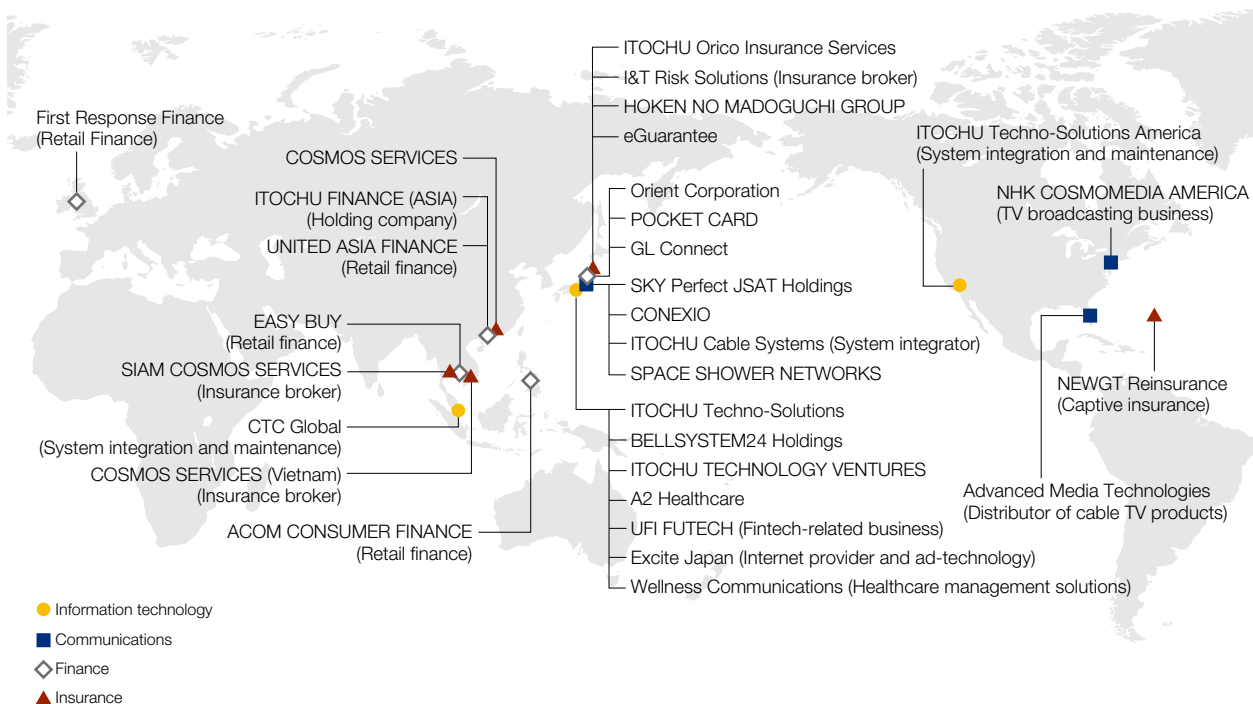
**Kiyoshi Imagawa,**  
Chief Operating Officer, ICT Division

**Shuichi Kato,**  
Chief Operating Officer, Financial & Insurance Business Division

**Kenichi Kijima,**  
Chief Financial Officer

**Tadayoshi Yamaguchi,**  
General Manager, Planning & Administration Department

## Business Development



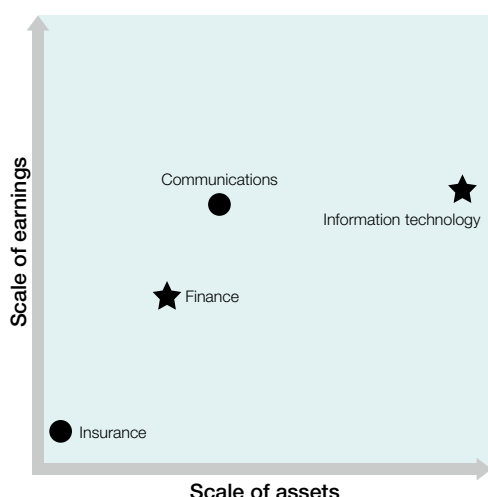
## Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.

	Corporate services	Retail services
Information technology	<b>1</b> ITOCHU Techno-Solutions / <b>2</b> BELLSYSTEM24 Holdings (BPO)* / ITOCHU TECHNOLOGY VENTURES / A2 Healthcare	
Communications	<b>3</b> CONEXIO (mobile) / <b>4</b> SKY Perfect JSAT Holdings* (media, satellite businesses) / SPACE SHOWER NETWORKS* (media)	
Finance	GL Connect*	<b>5</b> POKET CARD* / <b>6</b> Orient Corporation* / Overseas retail finance
Insurance	ITOCHU Orico Insurance Services / COSMOS SERVICES	
	eGuarantee*	HOKEN NO MADOGUCHI GROUP*

\*Equity-method associated companies

## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



## Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan) *1
Consolidated Net Profit (Loss)	43.1	48.4	40.1	51.1	65.0

### Breakdown of Net Profit (Loss) by Major Group Companies

<b>1</b> ITOCHU Techno-Solutions Corporation	10.2	10.4	12.6	13.6	14.0
<b>2</b> BELLSYSTEM24 Holdings, Inc.*	1.7	3.4	1.4	1.2	2.5
<b>3</b> CONEXIO Corporation	2.9	3.7	3.9	4.1	4.1
<b>4</b> ITOCHU Fuji Partners, Inc.* (SKY Perfect JSAT Holdings*)	0.4	2.3	2.2	(0.2)	1.9
<b>5</b> POKET CARD CO., LTD.*2, *	0.6	0.6	0.6	1.3	2.6
<b>6</b> Orient Corporation*	3.0	2.6	5.0	4.2	—
<b>Total Assets</b>	668.3	684.8	718.6	766.2	—
<b>ROA (%)</b>	6.9	7.2	5.7	6.9	—
<b>Core Profit</b>	—	36.4	43.1	50.1	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*2 The company was delisted on February 1, 2018.

\*3 Asterisks indicate equity-method associated companies.



## Review of “Brand-new Deal 2017”

In addition to achieving an increase in core profit driven by the growth of Group companies, we are steadily building a foundation to create new businesses through start-up and business investments.

In the ICT field, we achieved robust expansion in our earnings base through core companies ITOCHU Techno-Solutions Corporation and CONEXIO Corporation. We also promoted alliances with BELLSYSTEM24 Holdings, Inc. by leveraging the ITOCHU Group capabilities. We also took on challenges in new fields such as a full-fledged entry into the cross-border e-commerce business targeting China through investment in Inagora, Inc.

In the finance and insurance fields, we are achieving steady growth in existing retail finance in Japan and overseas. In addition, we are working to reinforce our foundations in the retail finance business in Southeast Asia, such as participation in the launch of a new retail finance business in the Philippines. Further promoting our alliance with FamilyMart UNY Holdings, we jointly established UFI FUTECH Co., Ltd. and raised our stake in POCKET CARD CO., LTD. to increase our share. Collaborating with UFI FUTECH we are putting in place the steppingstones to strengthen financial businesses peripheral to FamilyMart’s operations, centering on card settlement and fintech-related businesses.

## Important Steps under “Brand-new Deal 2017”

### Strengthening and Expanding Initiatives with FamilyMart UNY Holdings

In September 2017, ITOCHU and FamilyMart UNY Holdings Co., Ltd. (UFHD) jointly established UFI FUTECH Co., Ltd.

In addition, in November 2017 ITOCHU and FamilyMart Co., Ltd. made a tender offer, increasing their stakes in POCKET CARD CO., LTD., which handles the Famima T Card.

Ongoing growth for the market scale of credit card business is expected by expanding the scope of settlement and growth in e-commerce. However, companies in other industries with expertise in the fintech and ICT fields are rapidly moving into these areas.

While further enhancing the existing credit card business, we will engage in new data-driven service business such as the finance business and digital marketing using the original customer base of UFHD.



## Strategic Direction

### Growth Opportunities

Improvement of business efficiency and enhancement of productivity through the use of AI and IoT



### Strategies (Specific Measures)

Discover, form alliances with, and promote business developments with start-up companies

Expansion of the infrastructure services business in response to increasingly specialized and sophisticated business processes



Develop new solutions, applying new cutting-edge technologies

Cultivation and support for business expansion of excellent companies located in rural regions of Japan



Promote regional development by applying corporate finance and cross-border e-commerce

### Obstacles to Medium- to Long-Term Growth from an ESG Perspective

Concerns about major security breaches that lead to privacy violations in healthcare businesses that utilize ICT



Appropriate storage of health data obtained via medical checkups, wearable devices, and body composition monitors

System failure due to cyberattacks and other factors that have a major impact on overall society



Provision of high-value-added ICT solutions by demonstrating sourcing (cultivation and procurement) functionality for new products and services

Shrinking retail finance market due to changes in global financial markets and the introduction of regulations in various countries



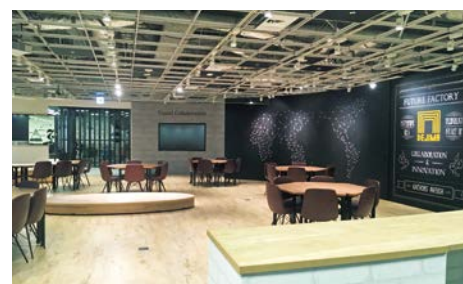
The creation of new retail finance markets through new technologies, as well as increases in the number of customers and expanded scale of assets in existing businesses

(⇒ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Start-Up Investments to Develop New Technologies and Service Models

The rapid adoption of AI, IoT, and other new technologies is presenting to rebuild conventional business models and respond to digitalization as an important management issue for companies. By investing in start-up companies, the ITOCHU Group is endeavoring to promote the rapid utilization of new technologies and services at investees. Furthermore, by promoting open innovation and creating next-generation business models, we are supporting digitalization efforts at client companies. We are fostering stronger ties between start-up investees and ITOCHU Group companies by increasing share and dispatching employees. As a result, we aim to internalize some of the growth potential of those start-up companies into the ITOCHU Group and cultivate new ITOCHU Group companies.



ITOCHU Techno-Solutions' innovation space, "DEJIMA"

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/ict/>

### Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
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# IR Activities

ITOCHU engages in communication with analysts, institutional investors, individual investors, and all other stakeholders. We explain our thinking, and the valuable opinions received through the communications are reported to management in order to facilitate the increases in corporate value.

## Major IR Activities

(Times)

Activity	FYE 2016 Results	FYE 2017 Results	FYE 2018 Results
Separate meetings for institutional investors	408*	329	334
Presentations for analysts and institutional investors	4	4	4
Segment-specific briefings for analysts and institutional investors	1	1	1
Site tours for analysts and institutional investors	1	1	1
Overseas IR roadshow	8	7	8
Conferences sponsored by securities companies (Japan)	7	7	5
Presentations for individual investors	33	14	16

\* Stopped preview meetings from December 2015

	FYE 2016 Results	FYE 2017 Results	FYE 2018 Results
Number of individual shareholders (as of the end of March)	168,637	172,462	183,643
Number of attendees at General Meeting of Shareholders	2,202	2,631	2,549



## External Evaluations of Our IR Activities

### Annual Report

The 5th WICI Japan Integrated Reporting Disclosure Award  
**Grand Award**

Nikkei Annual Report Awards 2017  
**Second Prize**

Government Pension Investment Fund (GPIF)  
**Outstanding Integrated Report Gaining a Particularly Good Reputation from a Lot of Investment Managers**



### IR Website



2017 Internet IR Award  
by Daiwa Investor Relations Co., Ltd.  
**Grand Prize**

2017 All Japanese Listed Companies' Website Quality Ranking by Nikko Investor Relations Co., Ltd.  
**1st Place**

Gomez IR Site Ranking 2017 by Morningstar Japan K.K.  
**Silver Prize**



## Credit Ratings (As of July 2018)

Credit Rating Agency	Long-term / Outlook	Short-term
Japan Credit Rating Agency (JCR)	AA- / Positive	J-1+
Rating & Investment Information (R&I)	A+ / Positive	a-1
Moody's Investors Service	A3 / Stable	P-2
S&P Global Ratings	A / Stable	A-1

## Status of Inclusion in Indexes (As of July 2018)

- 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
- Nikkei 225 High Dividend Yield Stock 50 Index
- MSCI Japan Index
- MSCI Japan High Dividend Yield Index
- S&P TOPIX 150
- Dow Jones Sustainability Indices (World/Asia Pacific Index)
- Morningstar Socially Responsible Investment Index (MS-SRI)
- RobecoSAM Sustainability Award 2018 Gold Class

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

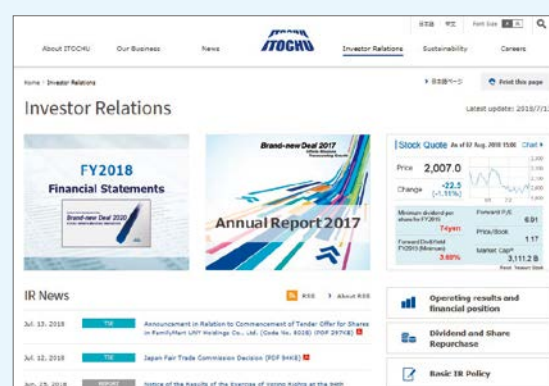
**ROBECOSAM**  
Sustainability Award  
Gold Class 2018

**MS-SRI**

For more information about IR, visit our Investor Relations website

<https://www.itochu.co.jp/en/ir/>

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



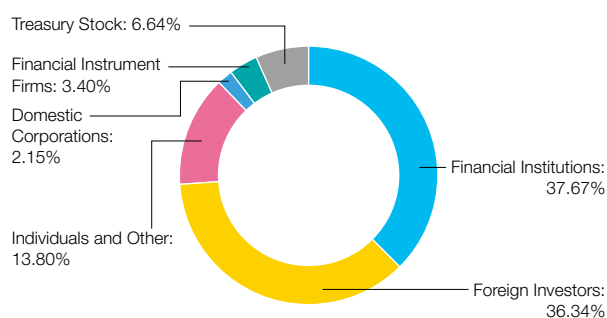
IR Department members (July 2018)

## Stock and Shareholder Information (As of March 31, 2018)

### Basic Information about Our Stock

Stock listing	Tokyo
Category	Wholesale, 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
Number of shareholders	183,643

### Breakdown of Shareholders



# ITOCHU Corporation

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Website: <https://www.itochu.co.jp/en/>

