ITOCHU Corporation

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: +81 (3) 3497-2121
Website: https://www.itochu.co.jp/en/

MIX
Paper from responsible sources
FSC® C006410

TOYO INK
nonVOC

Printed in Japan

ITOCHU Corporation

Annual Report 2019

For the Year Ended March 31, 2019

"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."

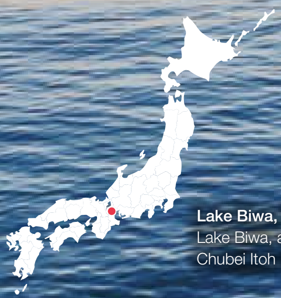
Chubei Itoh I

ITOCHU was founded in 1858 by Chubei Itoh I, a merchant involved in the linen trade. The base of Chubei Itoh I'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 I'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.

1858

1859 1860 1861 1862 1863 1864 1865 1866 1867 1868 1869 1870 1871 1872 1873 1874 1875 1876 1877 1878

ORIGIN



Lake Biwa, Shiga Prefecture
Lake Biwa, as viewed from Ohmi Province
Chubei Itoh I may have looked upon this same scene on his way to and from Ohmi Province.

2014 2015 2016 2017 2018 **2019** 2020 2021 2022 2023 2024… *Future*

PRESENT

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."

Editorial Policy

In compiling this annual report, ITOCHU focuses on three functions in particular: (1) providing an in-depth understanding of its unique business model to a wide range of readers around the world, (2) effectively explaining the processes and potential for ITOCHU to achieve sustainable growth in corporate value over the long term, and (3) by organizing our management policies and financial and non-financial capital and communicating them to internal and external stakeholders, fostering the virtuous cycle of cultivating mutual understanding through dialogue and achieving a greater level of management sophistication for the Company.

Annual Report 2019 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 as well as the sustainability and future of our strategy and business model. Time and again throughout a history spanning more than 160 years, we have faced difficulties that we have overcome by focusing on *sampo yoshi*, a philosophy that describes the sense of values. In order to respond steadily to societal issues amid a rapidly changing business environment, we will promote and expand the financial and non-financial capital we have honed and amassed to date. We also aim to build a foundation for sustainable growth and enhance our corporate value.

Environment
Social
Governance
Guidance for Collaborative Value Creation

This annual report places particular importance on these themes. Going forward, we intend to further develop our annual report as a medium for dialogue with a variety of stakeholders through reflecting their opinions.

Reporting Scope and Other Items

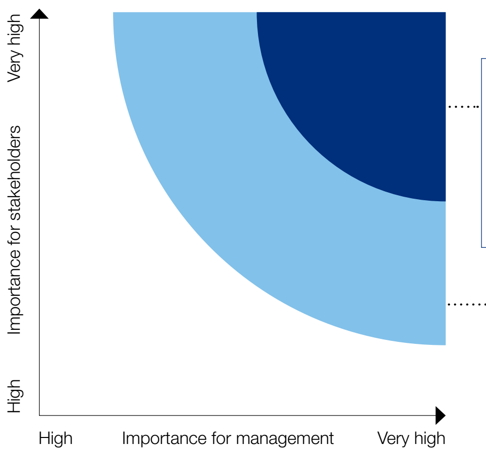
Reporting Period: April 1, 2018 to March 31, 2019 (Certain sections include activities occurring in or after April 2019.)
Reporting Scope: ITOCHU Corporation and the ITOCHU Group
Accounting Standards: Unless otherwise noted, this annual report is prepared in accordance with U.S. GAAP through FYE 2014, and with IFRS from FYE 2015.
Terminology: Throughout this report, "consolidated net profit" is used to refer to "net profit attributable to ITOCHU."

FamilyMart UNY Holdings Co., Ltd. changed its name on September 1, 2019, but throughout this report the company is referred to as FamilyMart UNY Holdings Co., Ltd.

Detailed Financial Information

For detailed financial information for FYE 2019, please see the Financial Section.
https://www.itochu.co.jp/en/ir/doc/financial_section/

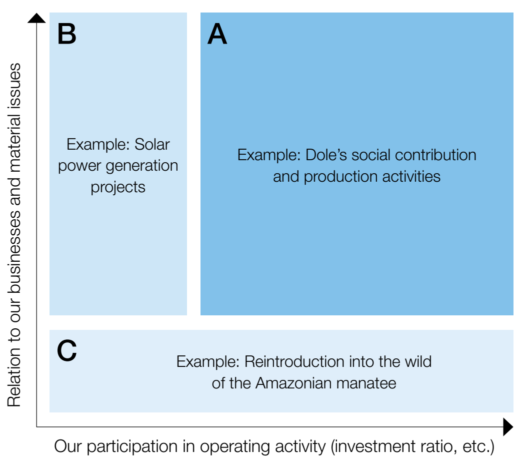
Inquiries for Annual Reports
Investor Relations Department : +81 (3) 3497-7295



Annual Report (this report)
[Focus points]
- Connectivity and conciseness
- Relationships with stakeholders
- Sustainability and future of our strategy and business model

IR Website
Sustainability Website
ESG Report
[Focus points]
Comprehensiveness and timeliness of information

As the standard for inclusion in our investor-oriented annual report, we have selected environmental, social, and governance (ESG)-related information based mainly on its relation to our businesses and material issues.



Contained in Annual Report

A. Operating activities that are highly related to ITOCHU's businesses and material issues and that ITOCHU actively participates

B. Operating activities that are highly related to ITOCHU's businesses and material issues while the participation of ITOCHU is limited

Contained in Sustainability Website / ESG Report

C. Operating activities with little relation to ITOCHU's businesses and material issues

For more information about Sustainability

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

- Top Commitment
- Sustainability at the ITOCHU Group
- ESG Report
- Social Contribution Activities
- Comparative Table with GRI Standard, etc.

CONTENTS

Explanation of the Cover

By establishing The 8th Company, we aim to reinforce our business models, which continue to evolve. The cover image expresses the creation of "a new vision of what a trading company can achieve," seeing the big waves of change as next-generation business opportunities.

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 will never be perturbed by major waves of change. Through realizing “a new vision of what a trading company can achieve,” we will confront and firmly catch the waves to transform changes into opportunities for further growth.

Amid a business environment undergoing tumultuous change, in FYE 2019 we continued working steadfastly to turn words into accomplishments. We made steady advances, substantially exceeding the initial targets of a plan to guide the Company toward record-high profits. In FYE 2020, the second year for the medium-term management plan “Brand-new Deal 2020,” we will firm up our profitability, which has now reached the ¥500.0 billion level. We will underscore this level of our true ability by thoroughly enacting our business fundamentals: to “earn, cut, prevent.” Additionally, by accelerating our efforts to realize “a new vision of what a trading company can achieve,” we will transform unprecedented changes into major business opportunities.

Masahiro Okafuji
Chairman & Chief Executive Officer

The Disappearing Home Electronics Retailer

As I was gazing out the car window one day, I noticed a change. I was passing under the elevated railroad of Tokyo’s Shimbashi district when I noted that a symbolic home electronics retailer previously located at a convenient site had disappeared; the site had been taken over by a drugstore. This scene—the sort you see every day—dredged up a memory that had lain hidden in a corner of my mind for almost half a century.

When I joined ITOCHU in 1974, I was assigned to an operating section in Osaka that was in charge of importing and selling woolen cloth for men’s suits, mainly from the United Kingdom. At that time, once almost every week I would board the first flight of the day to Tokyo’s Haneda Airport. I would visit clothing wholesalers in the Kanda district, walking around and selling woolen cloth. It was the heyday of tailored men’s suits, and the wholesalers that supplied cloth to tailors were thriving. However, the advent of ready-made suits caused the popularity of tailored suits to fall, forcing many wholesalers to shutter their businesses. By contrast, across the Kanda River in Akihabara, home electronics retailers were an emerging force and seemed to be springing up everywhere. Now, I felt like I was witnessing the law of natural selection, as the scene I saw from the car window overlapped with the scene from my memory.

I am convinced that humankind can preserve ecosystems, including species in danger of extinction, by putting forth our best effort and working together. Meanwhile, turning back the tide of natural selection in “industrial ecosystems” is no easy task. As companies must meet society’s demands in order to survive, some companies continue to thrive while others become “endangered species.” The changing tenant in one corner of a building seemed a sign of ongoing and impossible-to-resist changes in the “industrial ecosystem.” It goes without saying that general trading companies are right at the center of the changing times. This scene, unrolling before my eyes, underscored how essential it is that we keep evolving.

Having taken up the reins of management as CEO of ITOCHU, there is one point in particular I would like to emphasize: we stand firmly behind the promises we make to shareholders and investors.

No Answers to Be Found in the Meeting Room

Nowadays, when I attend meetings I ask presenters to provide attendees with a clear overview of the subject rather than just reciting materials that only focus on detailed figures and formatting. With Italian suits, for instance, sometimes the buttons might come off or the lining might show, but at a glance you identify the suits as Italian. They exude an aura of luxury altogether different from Japanese suits. By contrast, Japanese suits tend to be very well made. The individual parts may be sewn carefully, but they do not give off that same aura. The same goes for expanding our business going forward. To continue evolving amid a rapidly changing "industrial ecosystem," we need to quickly discern the signs of major overall changes rather than considering the intricate details of individual circumstances. Making the transition toward acting quickly is key.

Books and news reports cannot provide us with answers about major changes. Rather, we have to use our own five senses. Management should take the lead and spend time thinking and acting, instead of spending time in meetings. For example, every April we hold a Special Headquarters Management Committee meeting, where we set the management plan for the fiscal year. Ten years ago, the documentation for this meeting ran to around 500 pages. We have gradually whittled this number down to just a fifth, or around 100 pages. We also shortened the meeting from three days to one. We have not just reduced the content; rather, we have made the meeting more intense. We refine the agenda prior to the meeting and ensure ample exchange of opinions ahead of time so the meeting itself can serve as a venue for confirming deliberation details. In the past, discussions continued even after the meeting, and sometimes the lead-up to execution took as much as half a year. Nowadays, we start acting right after the meeting ends. Instead of simply accepting the status quo, we continue to press forward. We are also working toward "a new vision of what a trading company can achieve," undertaking the initiatives outlined in our medium-term management plan, "Brand-new Deal 2020."

Turning Words into Accomplishments

Each year, in the week after our General Meeting of Shareholders in June, I go to Otani Honbyo in Kyoto to visit the graves of Chubei Itoh I and II, where I make an annual management report. In FYE 2019, the first year of "Brand-new Deal 2020," we immediately reached the ¥500.0 billion level to report consolidated net profit of ¥500.5 billion. We set new records for our cash-generating power and key financial indicators. Our untiring efforts to boost profitability and improve our financial position paid off, as the four main credit rating agencies all upgraded our ratings during the year from 2017 to 2018. In FYE 1999, we swept away our "negative legacy," and as a result Moody's downgraded our rating to Ba, below investment grade. The agency has now brought us back to an A rating for the first time in about 20 years. (⇨ Page 34 CFO Interview) I believe management's mindset should focus on always preparing for bad scenarios, moving ahead in good times, and keeping management lean. I think our employees have taken this message to heart, which has led to our positive operating performance.

Having taken up the reins of management as CEO of ITOCHU, there is one point in particular I would like to emphasize: we stand firmly behind the promises we make to shareholders and investors. For FYE 2019, our initial plan called for consolidated net profit of ¥450.0 billion. During the year, we raised that target to ¥500.0 billion, which we met. In the nine years since I was appointed as CEO, I have seen many companies repeat the cycle of meeting their initial targets sometimes and not reaching them in other years. Meanwhile, we have met our initial targets every year, with the exception of FYE 2016, when we strategically streamlined our assets and reevaluated them conservatively to set the stage for solid future growth. Setting medium- and long-term targets is certainly important, but those objectives are pointless if they are not met. I also think not meeting targets means being irresponsible toward shareholders and investors. I believe we should commend ourselves for our attitude on upholding the principles of "earn, cut, prevent," the true value of our highly robust earnings base that withstands economic fluctuations, and our focus on "turning words into accomplishments."

ITOCHU places a high value on dialogue with shareholders and investors, and we do our best to reflect the opinions we receive into our management decisions. Last October, we announced our Medium- to Long-Term Shareholder Returns Policy in order to reflect the market's reaction to "Brand-new Deal 2020," which we had unveiled in May 2018. I believe that our stance that meeting initial targets is mandatory will build trust among shareholders and investors toward our results. As a result, this should make it possible for management to adopt a long-term perspective. Other general trading companies reported record-high share prices during the resource boom of 2007–2008 but have not reached those levels since. We have set new records some four times since the end of the resource boom. I see this as evidence of the market's trust in our management.

For FYE 2020, our plan calls for consolidated net profit of ¥500.0 billion, the same level as in FYE 2019. Rather than aiming for profit to continue increasing every year, I think it is important to intentionally create plateaus. Cases in which companies set ambitious targets when times are good but then crash into the wall of reality and fail to reach those goals are too numerous to mention. After reaching consolidated net profit of around the ¥300.0 billion level in FYE 2012, we remained at around that level until FYE 2016 as we fortified the business to entrench this level of profit. This move underpinned our ability to achieve strong growth during the three years from FYE 2017. In FYE 2020, first we will ensure that we have the wherewithal to consistently generate consolidated net profit of around ¥500.0 billion. We will then ready ourselves for the next stage of growth. (⇨ Page 46 FYE 2020 Management Plan)

From the outside, FYE 2019 might have appeared as a year of smooth sailing. However, the outlook is not sunny. I am rather feeling uneasy, as I have a sense of impending crisis.

Lessons Learned from the Fate of the Huge Battleships

In World War II, Japan failed to grasp that the days of the huge battleships they had relied on for success in the past were giving way to an era when air power conferred superiority. I see some disturbing parallels between that time and the current business environment. Take for example the case of chemicals manufacturers that produce plastic straws. If demand for plastic straws gives way to those made of paper, the manufacturers will suddenly note that times are changing when their sales decline. Similarly, if sales of electric vehicles (EVs) rise at the expense of gasoline-powered vehicles, automakers will quickly feel the impact of the changing market. On the other hand, the situation is somewhat different for ITOCHU, being a general trading company with its strength in the consumer-related business. Although sales routes may shift from department stores to the Internet, the items we handle (such as food

A product exhibition by the Textile Company

Annual Conference of ITOCHU Group Company Presidents

A visit to Group companies

products and apparel) change relatively little. For this reason, I am concerned that we may be caught unawares by major market changes. One of Japan's leading automakers is forging an alliance with a major IT company, responding to the automotive market's shift in emphasis "from ownership to use" by entering the mobility services business. We also need to recognize that the time when companies survived by holding on to their existing business model has ended. Our subsidiary, FamilyMart Co., Ltd., is no exception. With nearly 60,000 convenience stores in Japan, the industry is saturated. While stores are competing for sales territory, drugstores and new companies armed with leading-edge technologies are coming in from "above" and encroaching on their territory. In the near future, mobile convenience stores will undoubtedly begin posing a threat, as well. The moment we stop moving, we will share the fate of the huge battleships in their last days.

The ITOCHU Group is currently in the throes of what has been dubbed the Fourth Industrial Revolution. Going forward, in addition to handling products and services involving new technologies and materials, we will utilize these products and services to upgrade our existing business. Furthermore, we aim to change the game in a way that will significantly alter the traditional industrial order and structure. In other words, rather than fearing we will be swallowed up by the waves of change, we intend to ride the waves skillfully to enter fields we could never have even dreamed about in the past. There is a chance for us to take the initiative on a larger scale. (⇨ Page 67 Aiming to Reinvent Our Business)

To achieve this ambition, we aim to realize "a new vision of what a trading company can achieve." Now, I would like to talk about this vision, which I can see clearly taking shape.

Success of HOKEN NO MADOGUCHI GROUP and a Market-Oriented Perspective

In the past, it was typical for insurance salespeople to visit corporate offices and build personal relationships by chatting and leaving behind brochures and sweets. Once it became common practice to bar people from outside from entering corporate offices, sales approaches changed. Rather than visiting prospective clients to offer products they were trying to sell, salespeople began adopting the more neutral approach of introducing potential customers to products meeting their needs. The industry's frontrunner in taking this new approach to relationship-building is HOKEN NO MADOGUCHI GROUP, in which ITOCHU is the largest shareholder. This is just one example of the change. As traditional companies are changing at a rapid pace, we have started to expand businesses involving companies we had no chance to collaborate with in the past in many fields. To ride these waves of change, we must create an altogether "new vision of what a trading company can achieve." I can clearly see the direction of this evolution.

One feature that HOKEN NO MADOGUCHI GROUP and other new industry leaders share is their ability to hold onto customer contact points. To achieve this, we need to make the major shift from product-dependent sales to a more consumer-focused approach—a "market-oriented perspective," in other words. This is our first theme for realizing "the new vision of what a trading company can achieve." I think we are uniquely positioned to make this vision a reality, thanks to our strength in the consumer-related business. Our key platforms include those who have customer contacts such as FamilyMart Co., Ltd.; YANASE & CO., LTD., which sells luxury imported cars mainly to wealthy individuals; and ITOCHU ENEX CO., LTD., which engages in a comprehensive range of businesses, from the operation of some 1,800 stores throughout Japan catering to motorists' needs to the sale of petroleum products, LPG, and electricity.

A robot that relays visuals and audio to employees working from home

A Board of Directors' meeting

An investors meeting

Specifically, we can take advantage of the scale of FamilyMart's store network on several fronts, including logistics, product development, and procurement. We also expect the network to be a major source of data, which should be a valuable asset going forward. This is our second theme for realizing "a new vision of what a trading company can achieve."

A Fine Line between Winners and Losers

One day during Japan's May holidays, I bicycled from my lodging in Karuizawa with the idea of buying at another convenience chain a product I typically purchase at FamilyMart. You often hear people say things like "such-and-such convenience store sells the best rice balls and lunch boxes" or "that convenience store does the best sweets," and certainly, each of those offerings is delicious. However, some offerings are hard to distinguish from FamilyMart's, while FamilyMart's are sometimes even better. It occurred to me that if I closed my eyes while eating I might not even be able to tell the difference. Rather than the differences in taste being touted, there seemed to me there was only a fine line distinguishing the offerings. Differentiators include factors such as how to serve up salads, attractively balance colors, and package snacks and processed foods in ways that encourage shoppers to pick them up. Such details affect how many consumers select products. It seems to me that many of the items Japanese companies produce differ little in terms of function and performance, and the differences between products that sell and those that do not are tiny. To remain among the "winners," it will be extremely important for the ITOCHU Group to use data obtained through customer contacts at FamilyMart and other Group companies to determine the fine distinctions that consumers call for. Leveraging customer data will make it possible to provide products and services carefully tailored to individual trade areas. Such data also makes it possible to endlessly expand our business potential in financial services and other peripheral businesses and to optimize the entire value chain. To expand our business in this manner, we will need to address some of the issues associated with being a "general" trading company.

Breaking Down Vertical Organizations

General trading companies typically try to expand their business along product lines. ITOCHU, for example, separates business among Division Companies by product type—foods and textiles, for example. These Division Companies' operations break down further into more finely detailed organizations by product and service. Within frameworks for closely related products, these organizations are optimized to procure and sell individual products and provide individual services. At times, however, vertical organizational structures can have negative effects. For example, responding to a query about overall supermarket selling areas can be difficult when people are in charge of specific product areas, such as meats, coffee, or snacks. Under the current vertical structure, responding to comprehensive demands including various products and services is difficult. With growing frequency, even traditional companies are transforming beyond industry boundaries, and Division Companies have found it difficult to respond on their own to these demands. We also have to consider how to expand businesses with those of rapidly growing e-commerce companies. E-commerce companies can closely analyze masses of data about consumer preferences and offer products that meet specific customer requirements, thereby expanding overall trading volume rather than the sales of individual products. In this manner, in addition to our conventional product-specific expertise, various companies are calling for us to provide functions that we are uniquely able to offer and provide one-stop services. We recognize that expanding business in a multifaceted manner rather than in individual fields requires us to adopt a market-oriented perspective and provide an organization that accurately meets customer needs. To achieve this goal, we must change our vertically oriented culture and organization. This is our third theme for realizing "a new vision of what a trading company can achieve."

As the first step, on July 1, 2019, we established The 8th Company. The new Division Company brings together some 40 specialists in B-to-C business from the seven existing Division Companies, as well as related assets. By adopting a market-oriented perspective at the new Division Company, we aim to accumulate successes by leveraging our customer base. Going forward, we plan to expand this

Our founder believed in doing what was good for society. In that same spirit, we recognize that resolving social issues helps achieve sustainable increases in our corporate value. This is the final aspect of "our target vision of what a trading company can achieve."

model to the seven existing Division Companies, as well. The 8th Company will serve as the vanguard of our Companywide transformation to a market-oriented perspective. However, as trees cannot thrive if they are transplanted frequently before they properly take root, cultivating professionals in specific areas requires that they spend a certain amount of time in that area. This policy will not change. In The 8th Company, we will cultivate marketing professionals. When formulating "a new vision of what a trading company can achieve," we will also review our human resource strategy. We plan to actively move personnel throughout different organizations once they have "taken root," leading to the breakdown of the vertically oriented mindset. We will respond to an increasingly flexible labor market and rapid progress in information technologies by introducing personnel systems that motivate employees and encourage their growth, such as by promoting young and highly capable employees across organizations. (⇨ Page 60 Establishment of The 8th Company)

To date, ITOCHU's recruiting efforts have concentrated on candidates who have a strong sense of passion and superior communication skills. The coming era will require people who have business sense. To this end, I think we need to begin hiring people with an artistic bent that can be directed toward innovation or have skills in specific areas, even if their social skills may be less well developed. The female perspective is becoming an ever more important part of our business, so we need to be more proactive in hiring women. In this spirit, we have increased the number of female outside Directors from one to two. We have also increased from one to two the number of female Executive Officers, promoting a female employee who has been at ITOCHU for her entire career. (⇨ Page 74 History of the Board of Directors)

The Tokyo Disney Resort's Commitment

The Tokyo Disney Resort's commitment to cleanliness is legendary. The resort expresses its standard simply as "being clean enough for a baby to crawl around," leaving the details of how to achieve this to individual employees. Actually, ITOCHU's corporate message, "I am One with Infinite Missions," incorporates a similar idea. It expresses our determination simply, stating that our employees engage in business with a proactive sense of mission, considering for themselves what the Company can provide to society and then doing so. Through this process, I am convinced that we will continue to make ITOCHU itself more sustainable. This message originates in *sampo yoshi* (good for the seller, good for the buyer, and good for society), the management philosophy of Chubei Itoh I and the merchants of Ohmi. "Good for society" expresses the concept that if we wish to continue our business, we must continue to provide value to society. I am proud that our founder had this as one of his philosophies of business 160 years ago. That philosophy is still valued today.

Society currently faces a host of problems, including climate change and poverty, which I believe is significant as those can affect our business model. For instance, calls for limits on the use of plastic products and moves toward a carbon-free society are prompting us to handle plastic alternatives and build cellulose fiber plants. We have also announced our policy on the coal-fired power generation and thermal coal mining businesses. When we address these social issues, we also need to increase profits while taking steady steps to alleviate issues. This approach enables the Company itself to sustainably increase corporate value. Meanwhile, we need to simultaneously consider the environment and society. I believe a number of issues will be resolved as a matter of course as we expand our viewpoint from a customer-focused, market-oriented perspective to a society-wide perspective, remain keenly attuned to society's issues, and provide solutions optimized to the needs of individual countries and regions. I believe this approach is in line with the philosophy behind the Sustainable Development Goals (SDGs). In keeping with the "good for society" focus of our founder, we address social issues that will help us enhance our corporate value sustainably. This is the final aspect of "our target vision of what a trading company can achieve." (⇨ Page 50 Sustainability)

Good for Employees

ITOCHU has taken the lead among Japanese companies in a variety of workplace initiatives, such as the morning-focused working system. In FYE 2019, we earned plaudits in a variety of popular workplace rankings. In surveys conducted by seven major research organizations, three ranked us the top company overall, and six put us at No. 1 among general trading companies. I see these results as evidence that even students are aware of our approach toward consistently taking on new challenges on the working-style front. As I have repeatedly stated, such measures are part of our management strategy. For instance, our "Dress-down Days" encourages employees to think about how to coordinate their clothing each Wednesday and Friday. The policy promotes "a new vision of what a trading company can achieve" by cultivating a sense of flexibility and an eye for coordination in business, as well. In recent times, I have become increasingly aware of what is "good for employees." I am convinced that receiving high marks from society helps employees work with a sense of pride and gives their families a sense of pride in the Company, as well, fostering its sustainable development. We handle more work per employee than any other general trading company, so it is a matter of course that we treat employees like family. Our Support Measures for Balancing Cancer Care and Work reflects my perspective. We have received a great deal of support and empathy for the fundamental concept: prevent employees from contracting cancer, don't let employees lose hope if they contract cancer, and ensure that they always have a place at ITOCHU that is protected by all. In performance evaluations for employees, we have introduced a new system that sets targets for employees who have been diagnosed with cancer on balancing treatment and work. Confronting cancer as a target to be reached and bringing together the best capabilities to fight disease is clearly the best approach for employees and the Company alike. We are fostering a family-like atmosphere in which employees feel free to say, "Today I need to take some time off for treatment." I think such an atmosphere shows a company's true strength. (⇨ Page 54 Human Resources)

Looking Back on Our Merchant Origins

This year, as I stood in front of the grave of our founder, I reported that the efforts of all Group employees had made it possible for us to secure our top-class place in the industry on the financial front, as well as in profit terms. My reason to visit the grave each year is rooted in the desire to remain aware of our merchant origins, regardless how high our industry position may be. The business environment is changing at an unprecedented pace, but I am not bothered. We will remain true to our merchant principles of "earn, cut, prevent." At the same time, we will maintain a sense of humility and focus, as Chubei Itoh I did, as we work to provide what is required to the right person and in the right manner.

Chubei Itoh I shouldered his carrying pole and began peddling linen in 1858, at the age of 15. Now, 161 years later, we hark back to those merchant origins, carrying forth this DNA as we embark on new challenges. Rather than being swallowed up by the large waves in front of it, ITOCHU will catch the waves and transform changes into business opportunities.

FYE 2020 will be a year of change. We strive to cross a pass through the mountains in our quest to realize “a new vision of what a trading company can achieve.”

In FYE 2020, the second year of “Brand-new Deal 2020,” we aim to generate consolidated net profit of ¥500.0 billion for the second consecutive year. Concentrating on our “earn, cut, prevent” principles, we will prepare ourselves meticulously for macroeconomic uncertainty. As the Fourth Industrial Revolution progresses, we will accelerate realizing “a new vision of what a trading company can achieve” and our growth strategies for the next stage beyond ¥500.0 billion. Taking on challenges is in our DNA.

Yoshihisa Suzuki
President & Chief Operating Officer

First Firming Up the Foundations, Then a Year of Change

In FYE 2019, ITOCHU set a number of quantitative records, such as delivering consolidated net profit of ¥500.5 billion. These results came at the milestone marking our 160th anniversary of establishment. Under our medium-term management plan, “Brand-new Deal 2020,” we made steady progress with the “reinvention of business” as well as reinforcement of our business foundation in the non-resource sector centered on the consumer sector by converting FamilyMart UNY Holdings Co., Ltd., and POCKET CARD CO., LTD., into consolidated subsidiaries. At the same time, we made a number of strategic investments and invested in start-up companies.

The economic outlook for FYE 2020 is extremely difficult to read, being marked with such uncertainties as sharply declining resource prices and prolonged trade friction between the United States and China. Times like these make the strength of our earnings base even more apparent, as it is centered on the non-resource sector, which is relatively resistant to economic fluctuations. Management is like a marathon, where the ability is truly required during long uphill stretches. For this reason, first we will promote the “earn, cut, prevent” principles that are the hallmark of our business to put the foundations firmly in place. Specifically, we will perfect the “cut” and “prevent” principles to prepare ourselves for uncertainty. At the same time, we will apply the “earn” principle, promoting reinvention by steadily implementing measures in response to a digital revolution being likened to a Fourth Industrial Revolution and anticipate structural changes in a host of industries.

FYE 2020 will be a year of change as we set our sights beyond ¥500.0 billion. (⇨ Page 46 FYE 2020 Management Plan)

The Beginning of Evolution

“The supermarket is overflowing with food that is fresh and safe. Here and there, staff gaze at their tablets, skillfully picking products once they receive orders. Bags stuffed with fresh food—which can even be prepared if the customer prefers—are automatically transported to delivery staff in the back of the store via rails in the ceiling. Consumers use an app to place orders, which are sent out within 10 minutes and are delivered to their homes via electric bicycle within 30 minutes.” This is not a shopping experience of the future. This is the present.

In FYE 2019, which was my first year as President & COO, I, as COO, implemented the strategies that Chairman & CEO Okafuji formulated under “Brand-new Deal 2020,” engaging in dialogue with numerous customers and employees. I visited a total of approximately 30 sites in Japan and overseas, and I traveled overseas on business 10 times. Five of those trips were to China. On one of those trips, I witnessed the supermarket scene described above. I was in Shanghai, inspecting a supermarket that one of China’s largest online shopping companies had invested in. I experienced the Fourth Industrial Revolution and the digital revolution firsthand through seeing the dynamism and the speed in China, which you cannot sense by being only in Japan.

Upon becoming President & COO, I was worried that ITOCHU had become a “clumsy elephant,” but in that first year I saw employees struggling to find new opportunities and racking their brains to utilize digital technologies every day. I feel the sense of challenge endemic to ITOCHU’s DNA has been rising.

Surely there are few employees nowadays who think the organization they belong to will look the same five years from now as it does today. Each of our Group companies is also trying to change, sharing the same sense of crisis. From my position within the ITOCHU Group, I feel the beginning of evolution as we move forward to take on new challenges.

Rice and *Furikake* Seasoning

In a dialogue between Professor Ken Kusunoki at Hitotsubashi University and Shunsuke Noda, ITOCHU's Chief Digital & Information Officer (CDO & CIO), a parallel was drawn linking a company's operations with "rice" and connecting data and technology with the "*furikake* seasoning" used on top of rice. Our existing value chain and assets centered on the consumer sector are like a large serving of rice, and sprinkling a little digital *furikake* on top can drive major growth. But new internet start-up companies do not have such rice.

In FYE 2019, the consumer sector including the Textile, Food, General Products & Realty, ICT & Financial Business Companies contributed approximately ¥286.0 billion to profits. Judicious use of our digital *furikake* will be key to maintain consolidated net profit at the ¥500.0 billion level and to look beyond. In FYE 2020, we will accelerate such initiatives as working with Group companies on developing products by leveraging data, making stores more efficient, promoting digital strategies, and incorporating IT into the wholesaling and logistics functions.

In FYE 2019, the contribution to profits from the basic industry sector (machinery, chemicals, energy trading, and steel products) was approximately ¥92.0 billion, while the resource sector (mineral resources and energy development) contributed approximately ¥115.5 billion—together accounting for more than ¥200.0 billion. Unless these sectors grow steadily, we cannot expect further growth beyond ¥500.0 billion or even dynamism as a general trading company. In the basic industry sector, we will seek to generate earnings in new fields, including mobility, renewable energy, and new electric power, while aggressively replacing assets. In the resource sector, meanwhile, while monitoring changes in the global energy situation, we are currently looking further into superior resource projects following on from those in Australia, Sakhalin, and Azerbaijan.

Moving Toward Multifaceted Investments

In FYE 2020, we will make a major shift in direction toward investing in growth. We will strike a good balance between investing to evolve and transform existing businesses and investing toward growth in new domains resulting from changes in the industrial structure.

In FYE 2019, our investments for reinventing business totaled approximately ¥30.0 billion. We spent around ¥19.0 billion in the consumer value chain, centered on venture companies with new business models that will add value to the value chains we possess, including fintech, advertising and marketing, data utilization, cross-border e-commerce. We invested approximately ¥6.0 billion in next-generation mobility and electricity. As well, we invested in an electric vehicle (EV) venture in China, which is taking the lead in EVs; a ride-sharing business; and new electricity service businesses that make use of storage batteries and AI. These investments were in areas where the industry structure is likely to experience dramatic changes. In the category of the application of other new technologies, we invested approximately ¥5.0 billion in new materials and the move away from plastic, regenerative medicine, and the transition to the IoT and digitalization.

In FYE 2019, we focused on individual investments such as these. In FYE 2020, we will transition to a multifaceted strategy, either developing these investments within our existing value chain or using these investments as springboards to further develop new business flows.

For example, we have made investments in emerging EV manufacturers in China, a company renting commercial EVs, ride- and car-sharing businesses in Europe and the United States, and companies involved in storage batteries and next-generation batteries. Although these investments are promising individually, they also represent steppingstones to the future, as we are preparing ourselves for structural changes in industries. We are aiming to develop an EV business model in China, which has a large population, a high growth rate, and government support. This model involves working with local ventures and includes battery recycling. Following this as an early example, we will roll out this business in Japan and other parts of Asia. In such manner, we shift toward multifaceted developments as we stay one step ahead of changes in industrial structures. (⇨ Page 67 Aiming to Reinvent Our Business)

Market-Oriented Perspective and The 8th Company From "Selling" to "Creating"

To realize "a new vision of what a trading company can achieve," in addition to growth investments including our framework for next-generation investments, we will need to reinvent organizations and people. One way we are doing so is through The 8th Company.

With our vertical organizational structure based on the traditional product-oriented approach, it is difficult to cater to a "platformer" with a foundation of customer contact points. Even if it is not noticeable now, the function of the conventional product-centered wholesaling model is likely to gradually fade away as customers connect manufacturers directly over the Internet. Seen from a platformer's perspective, the ITOCHU Group's purchasing routes for a wide range of products might appear as an agglomeration of small shops.

For general trading companies, the ability to "create," rather than "selling," the products and services that markets and consumers require will become essential. In addition to the expertise we have cultivated over the years through our seven existing Division Companies, we have developed excellence in the functional areas of logistics,

Growth investments—Shifting from "individual" to "multifaceted" strategy

Consumer sector—Moving toward a new stage

Basic industry sector—Responding to changes in industrial structure

Resource sector and overseas business—Aiming for further growth

finance, accounting, human resources, and law. Trust and the human resources that we have developed are even more important. The addition of an ability to "create" from the consumer perspective should enable us to realize "a new vision of what a trading company can achieve," exceeding the function of a platformer.

How can we get there? Shall we create a new development organization? We must not repeat past mistakes, where development was conducted just for the purposes of development. Reorganization that involves mere rearrangement and efforts to just enhance cross-Division Company functionality will be insufficient. The people who work at trading companies are not consultants, nor are they venture company entrepreneurs. Rather, we must get our feet on the ground and engage in daily trade activities as merchants with ITOCHU-style spirit.

In other words, The 8th Company represents the creation of a new, consumer-oriented business model with a constant awareness toward "earning." This Division Company conducts business from a market-oriented perspective that serves consumer and market requirements. As such, it is not product-oriented, which is why we have given the Division Company a number as a name.

The 8th Company marks the biggest reorganization since we introduced the Division Company System in 1997. For the new Division Company, we have selected people from throughout ITOCHU who have diverse knowledge and expertise. The 8th Company is an amoeba-like structure, having no internal departments or sections and just four general managers of such categories as product development, digital strategy, and logistics. We expect The 8th Company to be the model of "the new vision of what a trading company can achieve," changing its shape increasingly in response to future developments. (⇨ Page 60 Establishment of The 8th Company)

Expanding Business in the Chinese Market

Although trade friction between the United States and China is expected to grow increasingly severe, global economic development would surely be difficult without the huge Chinese market, which represents 1.4 billion people. ITOCHU restarted business in China before the normalization of diplomatic relations between Japan and China, and we have a long history with the United States as well. Giving consideration to future international relations, we are actively promoting business development in China, including trade and investment. Regardless of international circumstances, we believe Chinese domestic demand is certain to grow and the full-fledged expansion of our business in China is essential to further expand our overseas profits.

China's EV market, already one of the largest in the world, is on course to rapid, and apparently certain, expansion. This is one promising area of our business in China. We have invested in ZHICHEAUTO Technology (Shanghai) Co., Ltd. (Singulato), a venture company that manufactures EVs based on an entirely new concept—cars that are like smartphones. As with smartphones, new applications can be added to its smart cars at any time. Similarly, last year we invested in Dishangtie Car Rental (Shenzhen) Co., Ltd. (DST), a world leader in the rental of commercial EVs that also engages in vehicle operation management and develops the EV charging infrastructure.

We are accumulating business models and expertise in areas that China is taking the lead in establishing, which we will deploy further into Japan and other parts of Asia. Additionally, we will roll out into China areas of business where Japanese companies have strengths, such as high-quality Japanese services and the convenience store business. For these reasons, we consider China a very attractive market.

CITIC and CP Group are robust partners in such developments. As a state-owned company, CITIC has a quality information network and Group companies under its umbrella, which are extremely valuable to the ITOCHU Group. These groups offer a variety of pipelines we can use to provide products and services to Chinese consumers.

In FYE 2020, we will continue doing our utmost to identify and minimize risks as we strive to further accelerate collaborative projects in China.

Overseas Development

Each Division Company is strengthening ties with our overseas bases, and our overseas development is becoming more consistent. We will continue to develop overseas business in the consumer sector, furthermore, overseas will be key for the growth in the basic industry and resource sectors, which generated the ¥200.0 billion indicated earlier. In addition to expanding local businesses overseas centered on the consumer sector, expansion of overseas operations in the basic industry and resource sectors, such as formulating infrastructure and plant projects and acquiring new resource interests, will play a major role in future profit growth.

With this understanding, in the first year after being appointed President & COO in addition to going to China and North America I visited Australia, Russia, Central and Eastern Europe, Latin America, and Africa.

Australia:
Several decades ago, the export of iron ore from Australian mines was forbidden. The lifting of this export ban in 1961 marked a new chapter in ITOCHU's history. At first, our aim was to acquire the trading business to Japan relating to the Mt. Newman mine in Western Australia. Due to the untiring efforts of then-President Echigo and members of his management team, in 1967 ITOCHU succeeded in acquiring the iron ore interests themselves. Later, we acquired additional mining interests at Yandi and Mt. Goldsworthy. With these acquisitions, our interests exceeded those of other general trading companies. We also acquired an interest in the Jimblebar mine in 2013. Through this deal, we forged an excellent relationship with BHP, which is both an excellent partner and the world's largest resource company, strengthening our iron ore mining business in Western Australia.

IMEA, a holding company that oversees the iron ore and coal interests from these four mines in Western Australia, has generated cumulative reported profit of more than ¥670.0 billion over the past 15 years, contributing greatly to ITOCHU's performance.

We should remain mindful of the foresight our predecessors had in building a resource business that includes crude oil and LNG as well as iron ore and coal. While protecting this legacy, we will further grow in the resource sector.

Russia, Central and Eastern Europe:
Our business in this region, including the Sakhalin-1 Project, the oil and gas development business in Eastern Siberia, and the construction of an ethylene plant, are proceeding favorably. We continue to search for business opportunities centered on LNG and crude oil in Russia, a major source of natural resources. Learning from the fact that the Russian version of Uber is beginning to spread

At an international importers' expo in China


The Mt. Whaleback iron ore mine in Australia

in Moscow, we will pay attention to new local business opportunities in Russia. In Belgrade, we are undertaking an energy-from-waste (EfW) project, for which we have received plaudits from Serbia's prime minister. We are building our renewable energy business, which includes four EfW projects in the United Kingdom and an offshore wind power plant in Germany, into the core of our infrastructure business. To date, our business in Eastern Europe has centered on infrastructure and automotive projects. Going forward, we aim to expand to foodstuffs and other products in the consumer sector as well as ICT and finance.

Latin America:
For the past several years, Brazil has experienced negative economic growth and high levels of unemployment, but the country is now starting to see signs of major change. Reforms to pensions, the government, and fiscal policy are currently underway, fueled by the voices of people who have suffered from long-term inflation and the election of President Bolsonaro, and finally the economic outlook is gradually improving. Our business in Brazil mainly includes CENIBRA, through which we have taken part in the business of making pulp from eucalyptus wood since the 1970s, and an iron ore mining business that began in 2008 (formerly NAMISA, now CSN Mineração). In 2018 we invested in a mobile phone business in the country. We see business opportunities in the impending recovery of the Brazilian economy and Brazilian government reforms to the industrial structure, including the privatization of state-owned firms, so we will monitor these trends going forward.

Africa:
We expect Africa to become an increasing focus of attention, spurred by the Tokyo International Conference on African Development (TICAD) in Yokohama this summer. We plan to engage in a number of initiatives with local companies, mainly in the infrastructure and consumer sectors. Africa has a large population and is growing rapidly, but economic conditions differ greatly by country, so we plan to search for optimal partners and businesses country by country. We already deal in automobiles throughout Africa. However, given the rate of mobile phone adoption, we believe there may be potential for development in the ICT and fintech businesses. We will be following these categories.

In FYE 2020, we expect overseas profits to account for around half of consolidated net profit, which we plan at ¥500.0 billion. As Division Companies continue to develop overseas market with our feet on the ground, we aim to further expand profits from overseas business.

The Long March Forward

From the time Chubei Itoh I set off from his hometown across mountain passes peddling linen until the present day, ITOCHU has weathered shifts in the environment and the changing times, always welcoming new challenges. We have made mistakes and gained experience along the way, but such ideas as “move forward, even if by only a single step” and “failing and trying again is better than not failing” are part of our corporate culture and ITOCHU's DNA.

In FYE 2020, ITOCHU looks forward to taking on new challenges as we go over another mountain pass.

At the airport in Ipatinga, Brazil

Inspecting a nursery at CENIBRA in Brazil

OUR HISTORY

A 160-Year History of Rising above Adversity

During Japan's period of high economic growth, the country's economic structure shifted toward heavy industries. Keeping pace with this change, ITOCHU expanded its non-textile business, and realized "diversification" in the 1960s. After that point, we flexibly adapted our business structure by moving to downstream and other initiatives as the times changed.

Drivers of Corporate Value Creation
Creating Added Value

Founding–Present
Transformation to build the foundation of our business model

Creating Added Value

ITOCHU's Major Milestones

1858
Founded

Chubei Itoh I commenced linen trading operations via Osaka in Senshu and Kishu.

1950s–1960s
Internationalization and Diversification

We pursued a path of diversification, and as a result non-textile areas accounted for around 40% 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."

1970s
Move into Resource Development and Space Development

While we set 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 & Co., Ltd.

1980s
Aggressive Promotion of Telecommunications Business

As yen appreciation became a fixture of the economy, we promoted internationalization and globalization. We moved aggressively into the ICT field and entered the satellite business.

Changing Times

Japan's Period of High Economic Growth (Shift toward Heavy Industry, Era of Mass Consumption)

Period of Stable Economic Growth (Conservation of Energy and Resources)
- Oil crises (1973 and 1979)
- Normalization of diplomatic relations between Japan and China (1972)

Bubble Economy (Shift in the Industrial Structure toward Services and Software)
- Plaza Accord (1985)

An Inherited Merchant Spirit

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

Chubei Itoh I

"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."

Chubei Itoh II

"Unless you deliver what is needed, you will never grow."

Takenosuke Itoh

"Reliable, fast, simple, and clear"

Uichiro Kosuga
1949–1960

"ITOCHU's management policy is to maintain a family-like community that shares what little it has."

Masakazu Echigo
1960–1974

"Every dark cloud has a silver lining."

1990s
Set the Steppingstones for the Current Business

We introduced management reform measures to sweep away negative 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.

2000s
Disposal of Negative Legacy Assets and the Commodities Super Cycle

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.

FYE 2012–2018
Shift to Aggressive Stance and Strengthen our Financial Foundation

Ahead of other general trading companies, we pioneered a shift into the non-resource sector. We commenced a strategic business alliance and capital participation with CITIC / CP Group and acquired Dole business and METSA FIBRE. We also strengthened our financial position further and promoted cash flow management.

From FYE 2019
Reinvention of Business

In response to the Fourth Industrial Revolution and other rapid changes in the business environment, we will strive to evolve and transform our existing businesses, ensuring steady earnings. At the same time, we will proactively cultivate next-generation businesses.

Bursting of Japan's Economic Bubble, the Heisei Recession, and a Revolution in Information and Communications
- Asian financial crisis (1997)

Emerging Market Boom, Commodities Super Cycle, and a Flagging Economy
- China's participation in the World Trade Organization (2001)
- Global financial crisis (2007–2008)

End of the Commodities Super Cycle, Economic Recession Due to the Global Financial Crisis, and Ensuing Global Economic Recovery
- Abenomics (2012–)

Rapid Advancement of the Fourth Industrial Revolution, Concerns about Prolonged US–China Trade Friction, and Uncertainty about the Economic Outlook
- US–China trade friction (from 2018)

Seiki Tozaki
1974–1983
“It is because of our indomitable spirit that we are called on to do more.”

Isao Yonekura
1983–1990
“To rest on your laurels is to fail.”

Minoru Murofushi
1990–1998
“Nothing is impossible”

Uichiro Niwa
1998–2004
“Clean, honest, and beautiful”

Eizo Kobayashi
2004–2010
“Challenge, Create, Commit”

Masahiro Okafuji
2010–

President & COO
Yoshihisa Suzuki
2018–

Commentary

The Merchants of ITOCHU

More Than 160 Years as Merchants

The social structure has changed significantly amid astounding advances in leading-edge technologies. ITOCHU, too, is promoting evolution to next-generation growth models. Despite this transformation, however, there are some things we are determined to protect: our values, corporate culture, and unique strengths. We believe these have enabled us to overcome the repeated challenges we have faced over our 160-year history. Even in these times of rapid change, we will carry forward the traditions of our merchant predecessors.

A carrying pole used by the merchants of Ohmi
The merchants of Ohmi used carrying poles like this to peddle their wares throughout the country, accumulating wealth comparable to merchants based in Edo and Osaka.

The Inevitability of *Sampo Yoshi*

A Sense of Value and Pioneering Spirit Unchanged Since the Company's Founding

ITOCHU was founded in 1858 by Chubei Itoh I, a linen peddler.

The Itoh family were merchants of Ohmi Province (present-day Shiga Prefecture). In commercial centers such as Osaka and Edo, commercial practice was to operate large stores and wait for customers, but the style was different in outlying areas. The merchants of Ohmi cultivated business by walking to potential customers, bringing their wares on carrying poles. They carried samples to use in business discussions. Products that were ordered then would be delivered from far away at a later date. Trust and a spirit of altruism were the inevitable outcomes of this approach. Traditionally, ITOCHU's management has valued people who are honest and can "turn words into accomplishments," emphases that go back 160 years. Also, harmonious coexistence with customers and the community has been an important element of ITOCHU's ability to sustain business. This background led to the management philosophy upheld by the merchants of Ohmi, called *sampo yoshi* (good for the seller, good for the buyer, and good for society). The present-day concept of creating shared value (CSV) is in keeping with this philosophy, which has been expressed over time as "economic value, social value, human value," "clean, honest, and beautiful," and "I am One with Infinite Missions."

Based in the former Ohmi Province (present-day Shiga Prefecture), the merchants of Ohmi transported their wares on carrying poles, peddling items into neighboring provinces (pursuing business in all parts of Japan from the Kansai region). ITOCHU was started by Chubei Itoh I, who engaged in the linen trade.

Emphasis on Merit, the Extended Family, and Thrift

Chubei Itoh I was consistently testing new management styles. For example, in 1872 he established the "store method," which called for net profit to be evenly split three ways: to the head family, to the accumulation of stores, and to employees. A system of meetings, Western bookkeeping, the employment of university graduates, and the use of shipping insurance were all introduced to overcome old-fashioned practices. With employment, the Company's practice was to promote people based on merit, regardless of social status. While introducing a number of rationality-based systems on the one hand, on the other Chubei Itoh I maintained very much a family-oriented spirit in the Company, throwing informal *sukiyaki* parties for all employees six times a month.

Ryuzo Sejima

President Kosuga, ITOCHU's first President following World War II, recruited Ryuzo Sejima. Mr. Sejima, who served at ITOCHU as Business Division General Manager, Vice President, and Chairman, wrote in his memoirs that "Traditionally, ITOCHU valued employees who have vitality. The Company had no interest in such elements as academic cliques and factions. Even when employees had different opinions and interpretations, once the Company set down its policy, all employees would pool their efforts in that direction. It was a thing of traditional beauty." These words underscore how the corporate culture that Chubei Itoh I had created was so deeply rooted as to be clear to a person who had come to ITOCHU from outside. This culture, which has shone through working-style reforms and various other management practices, has been carried forward over more than a century to the present day.

One of the current management principles, of "cut," is consistent with ITOCHU's corporate culture of valuing thrift. For instance, each organization within the Company operates as a financially independent entity, paying the Company for the space it uses (office rent). This practice was already in place at the end of World War II. Different from companies in heavy industries, ITOCHU's operations stemmed from the textile business. In a business where prices were negotiated down to the cents and profits were based on the steady accumulation of efforts, thrift was a historical necessity.

A Free-Spirited, Equal-Opportunity Organization

The Merchants of ITOCHU

The Historical Cultivation of Three Strengths

ITOCHU's rapid expansion into non-textile fields was fueled by Japan's postwar high economic growth. High rates of economic growth centered on heavy industry continued from the 1950s into the 1960s. We pursued a path of diversification, and as a result non-textile fields accounted for 40% of sales in 1958. As ITOCHU lacked the heavy industry connections held by the general trading companies associated with the former *zaibatsu* industrial groups, we concentrated on our strength in the non-resource sector, centering on areas of expertise such as apparel, food, and housing. In 1972, we became the first of major general trading company permitted to restart trade between Japan and China. We saw this as an opportunity to secure access to what would become a massive consumer market in the future. Taking on that challenge helped us gain the experience and a track record in China and other parts of Asia that serve as one of our strengths today.

The apparel, food, and housing sectors are characterized by customer companies that are numerous and relatively small in scale. To compete with the general trading companies associated with the former *zaibatsu* industrial groups, we need to boost our labor productivity. Our "individual capabilities," which are demonstrated by the highest labor productivity among general trading companies, stem from our commercial traditions and ability to generate business independently.

Three Strengths

The Three Strengths Carried Down from Our Founders

Three Strengths

Individual Capabilities

Employees (Non-Consolidated) and Consolidated Net Profit per Employee

¥0.12 billion (FYE 2019)

A sales division in 1932
ITOCHU did not maintain large shops, but instead cultivated a spirit of commerce. This DNA and the large number of clients typical of the non-resource sector led naturally to an emphasis on individual capabilities.

Three Strengths

Earning Power in the Non-Resource Sector

Profits from the Non-Resource Sector

¥378.0 billion (FYE 2019)

ITOCHU's business originated with textiles, so we have traditionally been strong in the non-resource sector, particularly in areas close to consumers.

Three Strengths

Experience and Track Record in China and Other Parts of Asia

Expanding Business into China in

1972

In 1972, then-President Echigo headed a mission to China. He felt certain of the future of the consumer sector and an attempt to make an early start at cultivating the Chinese market.

Drivers of Corporate Value Creation

Creating Added Value

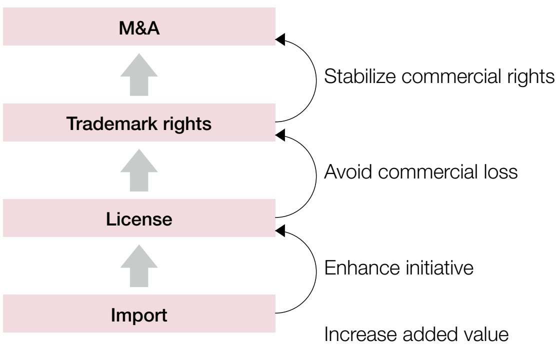
Evolving as We Continue to Demonstrate “the Functions of ITOCHU”

Creating Added Value (From Founding up to the Present)

“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 personal motto of Chubei Itoh I is said to have been developed into the idea of *sampo yoshi*.

Regardless how times change, ITOCHU is a merchant that believes in “supplying the needs of the society,” continuing to expand its commercial offerings to meet the needs of its customers. The current CEO, Masahiro Okafuji, explains that general trading companies “are like water taking the form of the vessel in which it is carried, sometimes round, and sometimes square.” As middlemen, general trading companies operate in the middle of the value chain, so our fates are shaped by trends among manufacturers and other vendors. For example, as manufacturers transitioned from the practice of commissioning sales to selling products themselves, this disintermediation prompted the notion that trading companies were unnecessary. We have faced such existential crises numerous times. As we have moved from midstream to upstream businesses, we have secured resources and materials. At the same time, we have been acquiring customer contact points downstream, as is demonstrated by our investment in FamilyMart Co., Ltd., some 20 years ago. By increasing our initiatives across the value chain, we have been able to overcome such threats. As another example, in the brand business, which we embarked on in the 1970s through the Textile Company, we “upgraded” our initiatives by acquiring not only distribution rights but also license rights and trademarks, as well as brand-owning companies. As the Fourth Industrial Revolution and other rapid changes in the business environment could make business models obsolete, we will strive to evolve and transform our existing businesses and accelerate combinations with new businesses in order to maintain our competitiveness and sustainability.

Consistently Cultivating the Brand Business



The Merchants of ITOCHU

Eliminating Underperforming Assets and Adopting More Sophisticated Risk Management (FYE 1998–2011)


Then-President Niwa, explaining the management situation

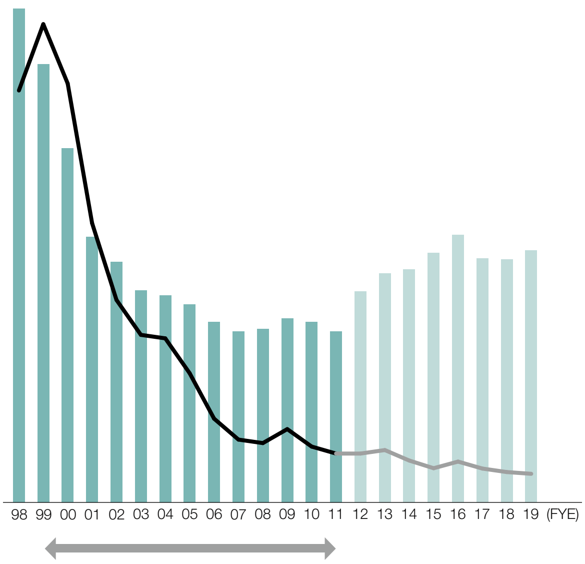
As Japan's economic bubble burst, many real estate and marketable securities investments that had been made during that era became underperforming assets, and in the late 1990s we faced a crisis that threatened our continued existence. Then-President Niwa adopted a bold stance, saying "Problems created in the 20th century should be resolved in the 20th century." Accordingly, in FYE 2000 we processed total losses of ¥400.0 billion, sweeping away low-efficiency and unprofitable assets. Simultaneously, we channeled our limited management resources into efficient investments in areas of strength, centering on apparel, food, and housing. We introduced a new management method, called Risk Capital Management*, and adopted an A&P Strategy of exiting from investments in low-efficiency and unprofitable assets, shifting those funds to high-efficiency assets, and creating a highly profitable structure. After ongoing initiatives to strengthen our financial position and bolster efficiency, net debt-to-shareholders' equity ratio (NET DER) at the end of FYE 2011 had come down to 1.4 times, a substantial improvement from 13.7 times at the end of FYE 1999. We had built the foundations for a full-fledged proactive approach.

* This management method involves controlling overall risk by quantifying risk assets and using a risk return index (RRI) to measure asset efficiency.

Drivers of Corporate Value Creation
Asset Strategies

Completing the Foundation of Our Asset Strategy

Strengthening Our Financial Position from FYE 1998 to 2011



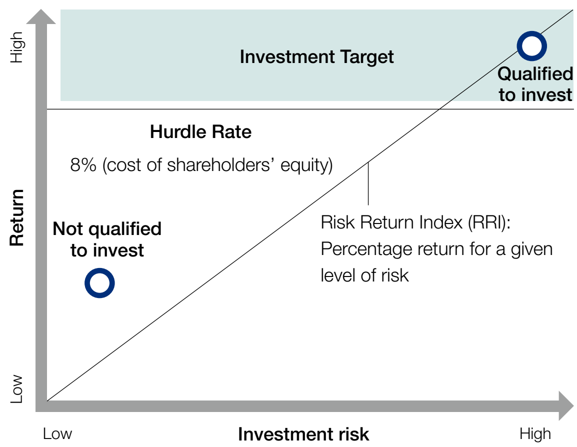
	March 31, 1999		March 31, 2011
NET DER	13.7 times	→	1.4 times
Net Interest-Bearing Debt	approx. ¥4.2 trillion	→	approx. ¥1.6 trillion

Management reform measures (processed loss amount)
- FYE 1998–1999: around ¥200.0 billion for two consecutive years
- FYE 2000: ¥303.9 billion

*** Pursuing the 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 we were powerful (P).

Introducing a Quantitative Risk Management Method



Steps to Enhancing Corporate Value

Promoting "*Brand-new Deal*" Strategies

"Shift to Aggressive Strategy, *Brand-new Deal*" (From FYE 2012)
Looking Back to Our Traditions and Undertaking Reforms That Elicit Our Strengths

Having restored our financial footing, since the FYE 2012 announcement of "Brand-new Deal 2012," a medium-term management plan, our management has made a major change, adopting a full-fledged proactive approach. We focused on our three strengths: "individual capabilities," "earning power in the non-resource sector," and "experience and track record in China and other parts of Asia."

STEP 1 *Brand-new Deal 2012* (FYE 2012–2013)

Building a Foundation That Harnesses Individual Capabilities

To implement the "earn, cut, prevent" principles expressed as management policies in this plan and central to the merchant ethos, we reduced the number of internal meetings and materials. We also launched a number of internal reforms to thoroughly strengthen front-line capabilities and unleash the potential of individual capabilities. Some of these initiatives bolstered profitability, and in FYE 2012 we achieved the first step, of becoming No. 1 in the consumer sector. In FYE 2014, we stepped up working-style reform efforts such as a morning-focused working system. Such reforms led to our success in having the industry's highest level of labor productivity. Furthermore, by thoroughly instilling the "earn, cut, prevent" principles at each of our subsidiaries and affiliates, we have achieved profitability at the vast majority of them—now more than 90%.

Results of Morning-Focused Working System

		Before introduction	One year after introduction	Six years after introduction
Leaving*1	8:00pm or after	30%	7%	5%
	(Of which, 10:00pm or after)	10%	almost 0%	almost 0%
Entering*1	8:00am or before	20%	34%	43%
Hours of overtime work*2		—	(7%)	(9%)
Cost per month (Overtime pay + cost of meals)*2		—	—	(3%)
Usage of paid holidays*2		—	—	increase of 12%

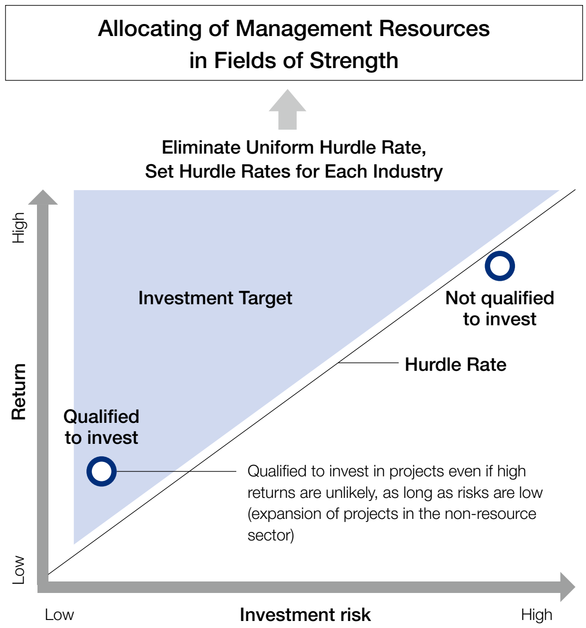
*1 % of people in the headquarters
*2 Compared with the level before we introduced the morning-focused working system

The Merchants of ITOCHU

STEP 2 ***Brand-new Deal 2014*** (FYE 2014–2015)

Further Strengthening Our Earning Power 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. Furthermore, revising investment criteria, we made nearly 80% of our investments in the non-resource sector, strengthening our presence in this area. We set our aim on becoming the “No. 1 general trading company in the non-resource sector.” Achieving this goal meant the completion of this step, set the groundwork for the stable generation of cash flows we enjoy today, and allowed us to expand our perspective to China and other parts of Asia, as well as to the future.



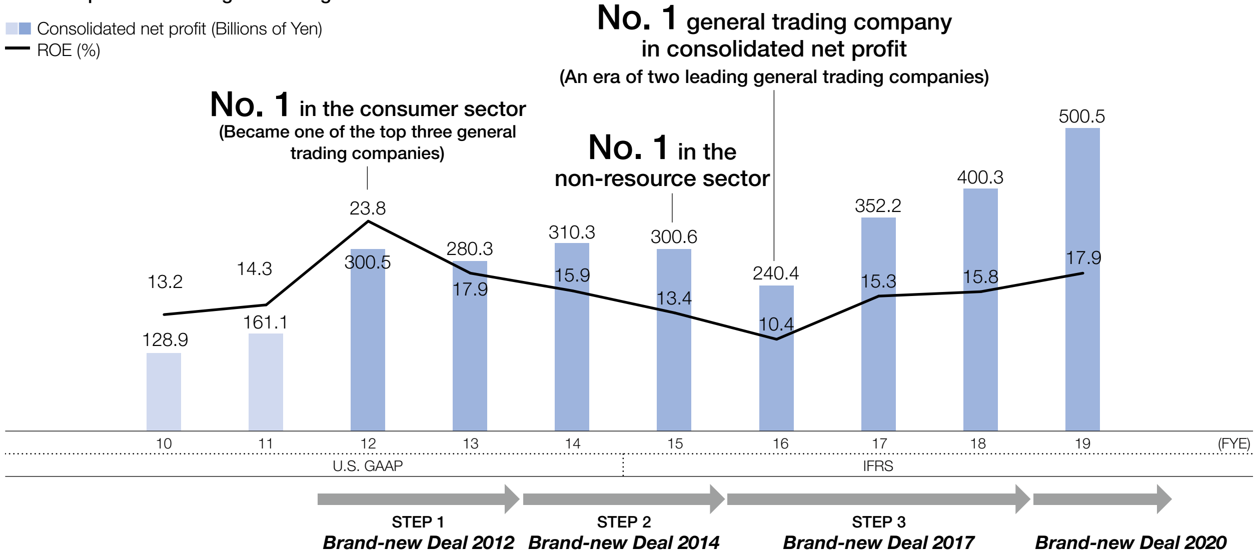
(⇨ Page 38 Business Investment)

STEP 3 ***Brand-new Deal 2017*** (FYE 2016–2018)

Set Strategic Steppingstone to the Chinese and Other Asian Markets

Our third step was to put in place the steppingstones for sustainable increases in corporate value into the future in addition to steady profit expansion each year. Following our investment in CP Group, we invested around ¥600.0 billion—the largest amount to date—in CITIC. With this move, we laid a major strategic foundation for business in the world’s largest consumer market. To enhance individual capabilities further, we formulated the ITOCHU Health Charter, provided support for employees living with cancer, introduced systems for fully harnessing women’s capabilities, and undertook other measures to create an environment in which all employees can work with enthusiasm. During the period of this plan, resource prices fell considerably. The higher-ranking general trading companies were affected significantly, but we weathered the storm successfully due to our earning power in the non-resource sector, which is resistant to economic fluctuations, stemming from earlier moves to diversify our portfolio of companies. In FYE 2016, our consolidated net profit became No. 1 among general trading companies.

Three Steps to Unleashing Our Strengths



Shift from a Product to Market-Oriented Perspective

Looking Ahead: Promoting Reinvention while Holding on to Our Traditions

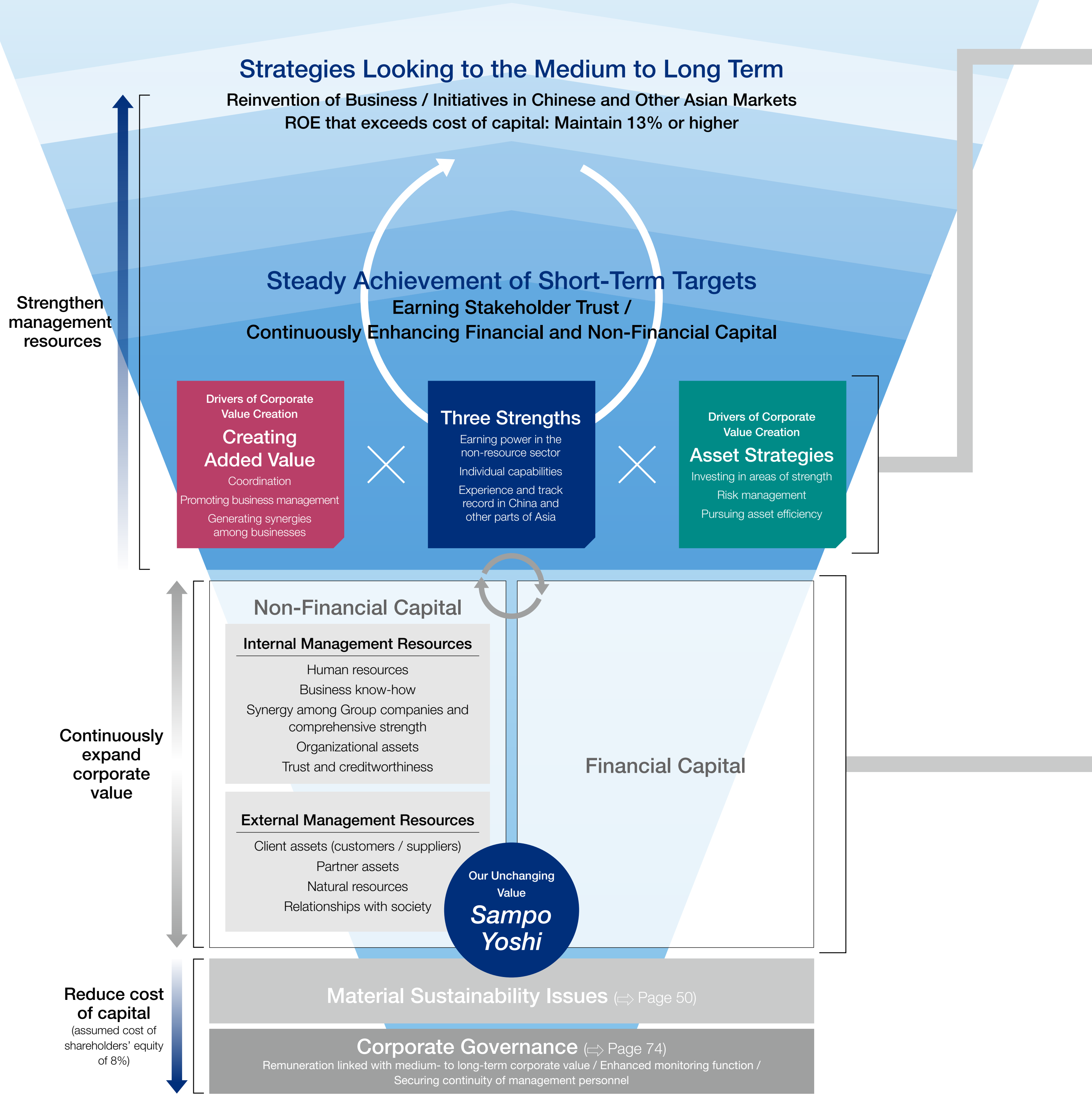
Having become the No. 1 general trading company in the consumer sector, the No. 1 general trading company in the non-resource sector, and the No. 1 general trading company in consolidated net profit, in FYE 2019 we moved onto a new stage when consolidated net profit topped ¥500.0 billion. This move shows a series of steady steps to elicit our strengths. With society now facing the major upheaval of the Fourth Industrial Revolution, we are taking the major step of evolution to next-generation growth models under "Brand-new Deal 2020," our medium-term management plan. In such areas as the consumer sector, we have a firm foundation in physical businesses we have enhanced as a general trading company over the years. As we adopt leading-edge technologies we will take on the challenge of changing our business model by shifting from a product- to a market-oriented perspective.

Chubei Itoh I crossed many mountain passes along the paths he traversed in peddling his wares. Now 160 years later, we are faced by another steep and rugged road over a mountain path. Remaining the unwavering merchant, we plant our feet on the path and begin to ascend.

OUR BUSINESS MODEL

The “Merchant” Business Model

With a management philosophy rooted in the *sampo yoshi* ideal, we strive to respond flexibly to the social needs of the changing times. By promoting and expanding the financial and non-financial capital we have honed and accumulated over time, we will build a foundation for sustainable growth and enhance corporate value.



Creating Added Value

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

Coordination

In addition to the traditional functions of a general trading company, we aim to leverage client assets and partner assets to cultivate sales routes and procurement partners as we respond to various customer needs and strive to expand trade.

Promoting Business Management

By leveraging the various functions and management know-how we have accumulated as a general trading company, we take the initiative in forming business combinations and alliances with Group companies, enhancing the competitiveness of our investees.

Generating Synergies among Businesses

By leveraging the Group's management resources, we maximize synergies between existing businesses and Group companies, increasing the Group's overall corporate value.

Asset Strategies

With the strategic importance of business investment increasing, we have developed and are steadily implementing asset strategies comprising investment in areas of strengths, risk management, and the pursuit of asset efficiency.

Investing in Areas of Strengths

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

Risk Management

In addition to managing total amount of risk by utilizing risk assets, we are also conducting risk management on a project-by-project basis through evaluation of investment efficiency using a hurdle rate based on the cost of capital. In this manner, we also work to analyze and control the various risk surrounding our businesses.

Pursuing Asset Efficiency

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

Management Resources

Financial Capital

We continue to create robust financial capital through successive efforts to build (1) a solid earnings base in the non-resource sector, which is resistant to economic fluctuations, (2) the capacity to steadily generate Core Operating Cash Flows, and (3) a high level of capital efficiency.

Non-Financial Capital

Internal Management Resources

Human Resources: Human resources are the driving force behind the functioning of our business models. In addition to conventional product professionals, we are working to develop marketing professionals who possess a keen market perspective. Through human resource strategies that support increases in labor productivity, we are striving to create a virtuous cycle that leads to increases in corporate value. (⇨ Page 54)

Business Know-How: We are developing businesses in a broad array of industries and have 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.

Synergy among Group Companies and Comprehensive Strength: Amid increase of cross-industrial integrations and in response to increasingly diverse demand from consumers, we strive to alter synergies that we generate among the Group, along with a changing management landscape. By maximizing our comprehensive strength as a "general" trading company, we are enhancing sustainable profit growth. (⇨ Page 32)

Organizational Assets: In addition to rapid decision-making systems, we also have administrative divisions that possess high levels of expertise in such fields as law, risk management, accounting, taxation, finance, and more. These organizations provide strong backup for ITOCHU's ability to earn profit from a front-line perspective.(⇨ Page 42)

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. (⇨ Page 105 Credit Ratings)

External Management Resources

Client Assets (Customers / Suppliers): Maintaining relationships with customers and suppliers is indispensable in obtaining and expanding trade opportunities. We can achieve sustainable growth in profitability precisely because of our extensive client assets. (⇨ Page 58)

Partner Assets: From the viewpoints of rapidly advancing into new business areas and increasing the probability of business success, we emphasize win–win relationships with partners. Over many years, we have built up positive relationships with numerous leading companies. (⇨ Page 58)

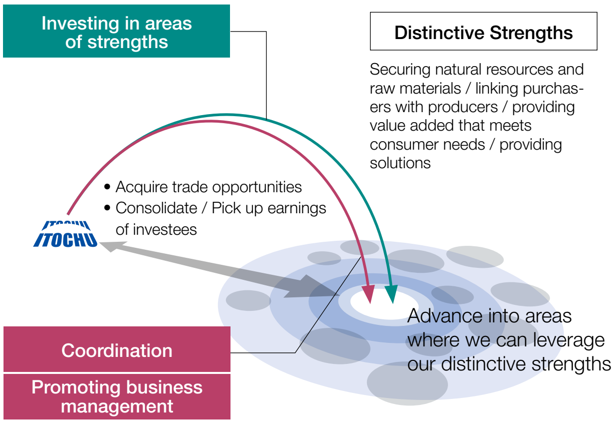
Natural Resources: Through our businesses in the non-resource and resource sectors, we respond to societal demands for the stable procurement and supply of natural resources, while linking those demands to new business opportunities in response to social issues described in the SDGs. (⇨ Page 61)

Relationships with Society: Through constructive dialogue with stakeholders, we seek to understand and meet the demands and expectations they have for us, allowing us to promote stable business activities in Japan and overseas and further enhance corporate value. (⇨ Page 64)

Our Business Model, as Seen through Business Development

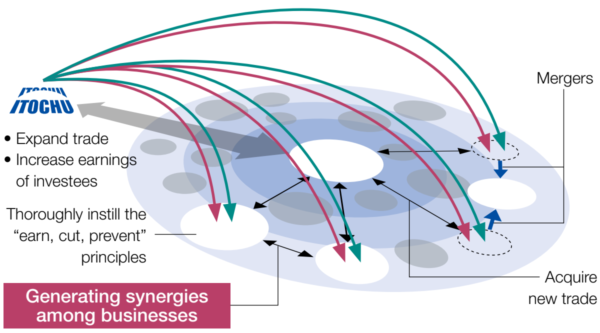
We will take advantage of our distinctive strengths and consecutively expand our areas of operation, as well as promote an expeditious exit from inefficient assets to maintain and improve asset efficiency.

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, and advance into new businesses and markets through trade and investment.

Establishing a Market Position and Creating Multifaceted, Linked Businesses



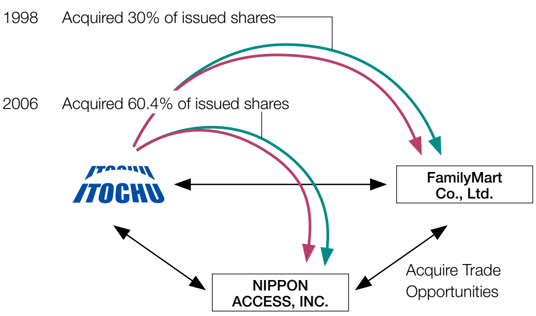
After advancing into a new area, we strive to acquire business know-how while setting our sights on the next step. At the same time, we leverage our management resources and create added value to increase investees' corporate value and establish a market position.

Thereafter, we work to thoroughly instill the "earn, cut, prevent" principles, acquire new trade, generate synergies among businesses, and reorganize business, creating businesses in a multifaceted, linked manner.

Example in the Food Business

Acquiring Customer Contact Points

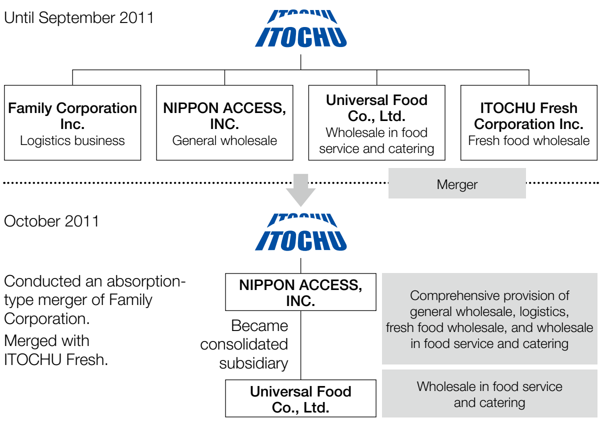
ITOCHU acquired approximately 30% of the issued shares of FamilyMart Co., Ltd., in 1998, marking our first full-fledged foray into the retail field. In 2006, we converted the general food wholesaler NIPPON ACCESS, INC., into a consolidated subsidiary. These moves accelerated reforms in our business model highlighted by the introduction of the Strategic Integrated System (SIS) strategy—building a value chain spanning the securement of foodstuffs; midstream processing, manufacturing, and intermediate distribution; and downstream retail.



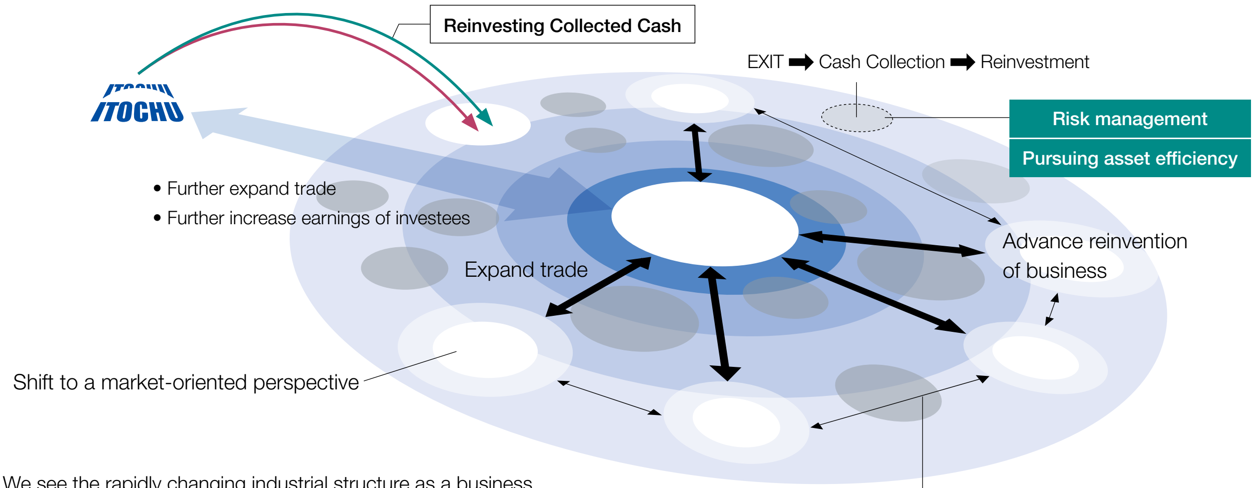
* As of March 31, 2019, we own 50.2% of FamilyMart UNY Holdings Co., Ltd., and 100% of NIPPON ACCESS, INC.

Strengthening the Intermediate Food Distribution Business through Reorganization

In October 2011, ITOCHU integrated its intermediate food distribution business, centering it on NIPPON ACCESS, INC. In this way, we built a system that can offer integrated handling of not only processed foods in all temperature ranges—ambient, frozen, and chilled—but also the three main groups of fresh food products. This move also facilitated the provision of integrated distribution services. Now possessing top-class scale and functionality in the field of food distribution, we have created a structure providing our business partners with low-cost, high-quality logistics.



Reinforcing Earning Power and Promoting Asset Replacement by Advancing Reinvention of Business and Strengthening Cross-Divisional Functionality

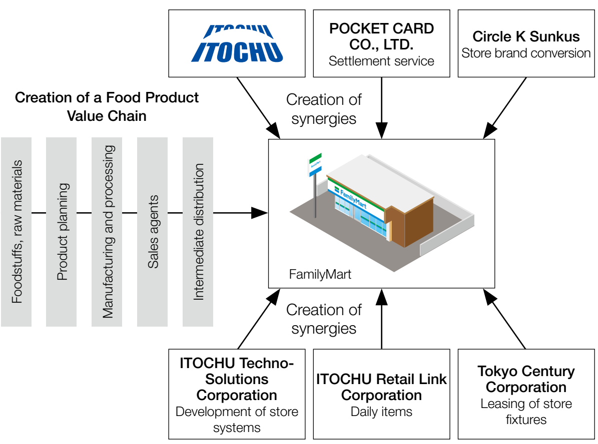


We see the rapidly changing industrial structure as a business opportunity. We bring in “reinvention of business” and a “market-oriented perspective” to our multifaceted, linked business model, and accelerate cross-industrial integration and cross-Division Company initiatives, which leads to an establishment of even more robust earnings base and a sustainable increase in our corporate value.

In addition, from the viewpoint of risk management and asset efficiency, we exit and recover funds from assets that have lost strategic significance. We use the cash generated from exits to reinvest in new strategic fields.

Creating a Value Chain in the Convenience Store Business

Centering on FamilyMart, we are creating and enhancing a value chain spanning upstream to downstream operations. At the same time, we are working to maximize Group synergies through the provision of business infrastructure involving such areas as non-food products, financial and insurance services, electricity supply, and system configuration. We are also collaborating with FamilyMart UNY Holdings Co., Ltd. to utilize the data FamilyMart Co., Ltd. holds to develop new businesses and moving ahead with reinventing the value chain.



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 similar aspects, 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.

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

Examples in the Convenience Store Business (FamilyMart)

Creating Synergies Infinitely —Vertically and Horizontally

The ITOCHU Group is building and enhancing a value chain spanning upstream to downstream operations in the aim of maximizing earnings from the convenience store business. In addition to fortifying the food value chain, we are generating synergies among businesses by going beyond Division Companies' boundaries in such areas as daily necessities, financial services, system development, and construction materials. In August 2018, we accelerated this trend by converting FamilyMart UNY Holdings Co., Ltd., to a subsidiary, whose corporate umbrella includes FamilyMart Co., Ltd.

Food Product and Peripheral Business Initiative Examples

ITOCHU coordinates 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 planning, manufacturing, processing, and procurement of containers and packaging materials.

Packages for ready-to-eat products, etc.	Rice ball wrapping films	■ ITOCHU PLASTICS
	Boxed lunch containers, etc.	

Raw materials → Product planning → Manufacturing / Processing → Sales agents

	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
Eggs	■ I-hiyoko (ITOCHU FEED MILLS Group)	■ ITS Farm (ITOCHU FEED MILLS Group)
Bananas	■ Dole	▲ Agri Products Department

Non-Food Product Initiative Examples

The ITOCHU Group is working together to provide daily items that support lifestyles and 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

■ Subsidiary ● Affiliated company ▲ ITOCHU ◆ Business partner

Operational Support Initiative Examples

The ITOCHU Group cooperates to provide multifaceted support for the efficient operation of FamilyMart's nationwide network of approximately 16,500 stores that goes beyond product sales, services, and routine store operations.

System development	■ ITOCHU Techno-Solutions Support operational efficiency through development of operational systems
Electricity supply	■ ITOCHU Plantech By supporting efficient procurement and offering a high-voltage receiving service, help stores reduce their electricity costs
Construction materials	■ ITOCHU KENZAI
3Rs+W service* * Reduce, reuse, recycle, and waste management	■ ITOCHU Metals Develop a nationwide network of partners to provide store fixture maintenance, reuse, recycle, and waste management services
Contact centers	● BELLSYSTEM24 Holdings
Leasing of store fixtures	● Tokyo Century

Future Fields of Focus

- Promotion of initiatives that address labor shortages, reduce food losses, and decrease the use of plastic
- Increasingly efficient store operations, optimization of production, inventories, and logistics
- Data-driven one-to-one marketing
- Fintech-leveraging and other service businesses (e-money, settlement, etc.)
- New financial services that utilize POCKET CARD's credit and settlement functions
- Acceleration of developments in China and other parts of Asia

Intermediate Distribution Example

The ITOCHU Group is collaborating to handle logistics to individual shops.

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

NIPPON ACCESS, supporting an industry-leading store network

The Famima T Card, issued by POCKET CARD CO., LTD.

Service Initiative Examples

The ITOCHU Group is working in coordination to provide customers with a broad range of services closely related to their daily lives.

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

CFO Interview

My mission is to consistently and strictly strike a balance between "three factors" regardless of the business environment.

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

Q1 Please provide a general review of the financial and capital strategies in FYE 2019.

A1 We were able to achieve greater results than we had promised the market.

In FYE 2019, the first year of our "Brand-new Deal 2020" medium-term management plan, consolidated net profit reached the ¥500.0-billion level, and we were able to deliver beyond the promises made in our "four commitments," which I described in this section last year.

First, in terms of "enhancing shareholder returns," we increased dividends by ¥13 year on year, ¥9 higher than the initial plan, to a record ¥83 per share. Furthermore, based on the Medium- to Long-Term Shareholder Returns Policy announced in October 2018, we conducted share buybacks totaling ¥68.0 billion, and our total shareholder return ratio was around 40% in FYE 2019. In this way, we were able to enhance shareholder returns. In addition, as a result of a shareholder proposal at the FYE 2018 General Meeting of Shareholders concerning the cancellation of treasury stock eventually being voted down despite receiving a certain degree of support, we cancelled 78 million shares.

Next, in terms of "Core Operating Cash Flows," we posted ¥515.0 billion, a year-on-year increase of ¥55.0 billion. This was a record high for the third consecutive year and exceeded our initial plan of ¥500.0 billion. I believe that this achievement was the result of our continued asset replacement and the steady expansion of core profit accompanying cash flow mainly in the non-resource sector.

In terms of "net debt-to-shareholders' equity ratio (NET DER)," we improved upon the value of 0.87 times at the end of the previous fiscal year to 0.82 times, right in line with our initial plan. In addition to shareholders' equity increasing to almost ¥3 trillion due mainly to the accumulation of consolidated net profit, we believe that this improvement was the result of carefully promoting efforts to improve asset efficiency in individual transactions, and practicing appropriate control of interest-bearing debt by accurately examining the impact of the large-scale and numerous conversions into consolidated subsidiaries.

Finally, in terms of ROE, we achieved a result of 17.9%, improving upon the figure of 15.8% at the end of the previous fiscal year, and significantly exceeding our initial target of 15.9%. We were therefore able to maintain the highest ROE among general trading companies for the fifth period in a row, and we believe that we have continued to meet the market's expectations on the cost of capital.

The results of these consistent financial and capital strategies can be seen in the form of upgrades from credit rating agencies. Beginning with the acquisition of an A credit rating from Moody's Investors Service in November 2017 for the first time in about 20 years, we subsequently improved our credit ratings from S&P Global Ratings, Rating & Investment Information (R&I), and Japan Credit Rating Agency (JCR) in quick succession by August 2018, thereby successfully acquiring A ratings from all four major credit rating agencies within a year. As a result of this achievement, I believe that, on the ratings front, we have gained domestic and international third-party recognition for our status as a leading general trading company.

Q2 Please inform us about the key points of the Medium- to Long-Term Shareholder Returns Policy announced in October 2018.

A2 The most important points are sustainable EPS growth and enhancement of corporate value.

In my preceding answer, when I explained that we were able to achieve more than we had promised, I was taking into consideration the announcement of the Medium- to Long-Term Shareholder Returns Policy and the demonstration of our approach to shareholders.

In addition to clarifying the two aspects of our approach to shareholder returns in the medium to long term (a period of three to four years from the policy's announcement) concerning shareholder dividends and share buybacks, we also set forth a policy that focuses on earnings per share (EPS). We will strive to not only reduce the denominator in the EPS calculation formula through share buybacks but also achieve profit growth, the numerator in the formula. By doing so, we aim to further increase EPS and improve corporate value on a sustainable basis. Furthermore, with regard to dividends during the period of "Brand-new Deal 2020," we have promised a minimum dividend of ¥85 per share for FYE 2020. We have also promised to continue with our progressive dividend policy in FYE 2021.

Accordingly, we will always consider the possibility of increasing dividends while giving consideration to such factors as increases in consolidated net profit, progress of growth investments, and cash flow availability. In addition to the dividend payout ratio, we will focus on the total shareholder return ratio going forward.

Guided by this policy, we have also executed share buybacks ahead of schedule in FYE 2020, having taken into consideration factors including the forecast of cash generation amount and our share price level. It is extremely unfortunate that the valuation of the shares of general trading companies remains low. However, we hope that our stance of swiftly acting on our commitments will be recognized.

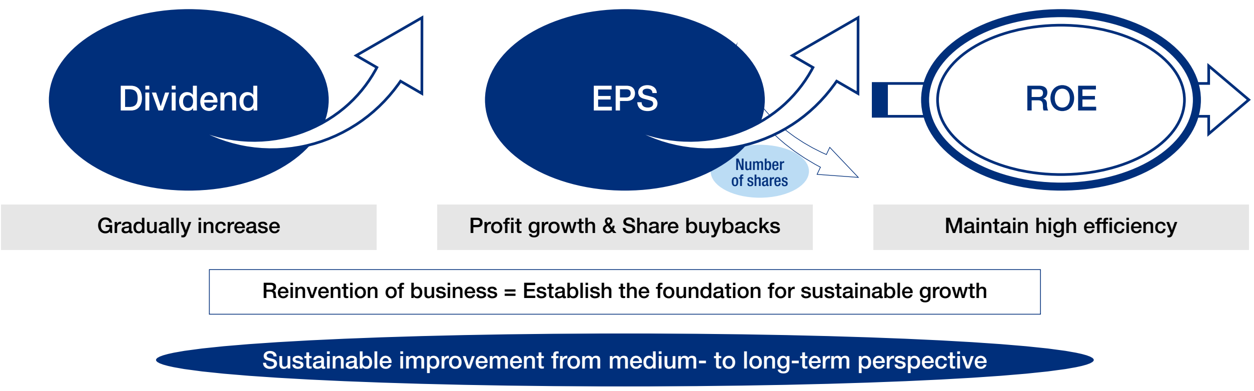
Q3 Consolidated net profit reached the ¥500.0 billion level in the first year of "Brand-new Deal 2020." Are there any changes to the Company's financial and capital strategies?

A3 There is basically no change.

We will continue to be conscious of striking a balance between three factors (growth investments, shareholder returns, and control of interest-bearing debt) while realizing a high ROE. Furthermore, as a general principle, our policy of maintaining positive Core Free Cash Flows after deducting shareholder returns remains unchanged. However, the following points warrant attention for FYE 2020.

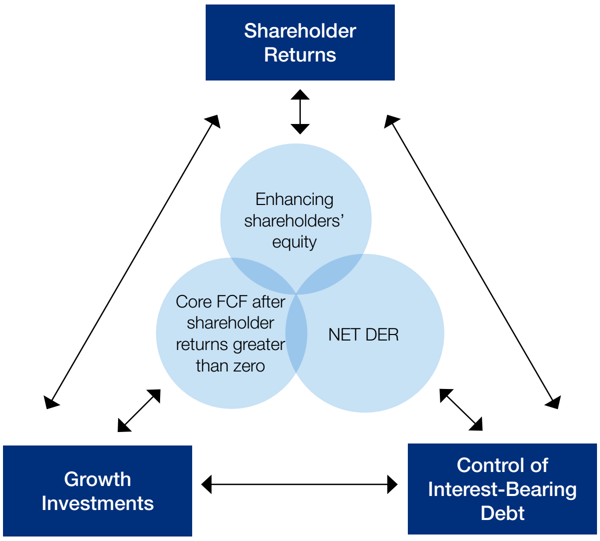
Looking back on our previous medium-term management plan, "Brand-new Deal 2017," we adopted the policy of building a solid earnings base to generate a ¥400.0 billion level consolidated net profit. In other words, we aimed to raise consolidated net profit from ¥300.0 billion to ¥400.0 billion, and we were able to successfully achieve that goal. Under "Brand-new Deal 2020," we immediately reached the ¥500.0-billion mark for consolidated net profit in FYE 2019, the first year of the medium-term management plan. However, since core profit was ¥472.0 billion, falling short of the ¥500.0 billion level, we must first build a solid earnings base from which we can generate ¥500.0

Approach to Enhancing Corporate Value Over the Medium- to Long-Term



Medium- to Long-Term Shareholder Returns Policy	• Gradually increase dividend payout ratio Gradually increase to achieve a future dividend payout ratio of approximately 30% • More actively execute share buybacks Continuously conduct share buybacks while taking cash availability into consideration, targeting a total of approximately 100 million shares

Achieve High ROE While Balancing Three Factors



billion on a stable basis, and then strive to achieve further growth. Looking at general trading companies as a whole, ¥500.0 billion is a very high profit level and, having reached this mark once, it is important that we maintain it.

To date, we have continued to further strengthen our financial position by drawing upon our strengths principally in the non-resource sector, which is resistant to economic fluctuations, and by enhancing our earning power and cash-generating power. Amid those activities, the management team reflects that since having invested in CITIC, the level of investments conducted has been low from the perspective of realizing further growth. Looking back on the last few years, due to the world economy being generally stable, the number of outstanding investment projects that would be suitable candidates for an M&A has been limited, and acquisition prices remained high. However, going forward, these projects are likely to increase in line with the anticipated fluctuation in market sentiment, which is expected to show signs of both strength and weakness.

Taking into account the projected further increase of Core Operating Cash Flows in FYE 2020 and our backstop of ¥300.0 billion of Core Free Cash Flows after deducting shareholder returns in FYE 2019, in FYE 2020 we intend to conduct growth investments when the time is right, while the Investment Consultative Committee, on which I serve as chairman, will conduct thorough screening, paying close attention to such matters as staying away from investments at their peak in order to refrain from unnecessary accumulation of goodwill. In other words, we maintain our policy to strike a good balance between shareholder returns and growth investments as previously mentioned. Furthermore, since we have made good progress toward strengthening our financial position as demonstrated by our improved credit ratings, we intend to control our interest-bearing debt keeping in mind our current leverage going forward.

Q4 Please tell us your approach to cost of capital when considering growth investments.

A4 I believe that it is an important indicator leading to the enhancement of both capital efficiency and sustainable corporate value.

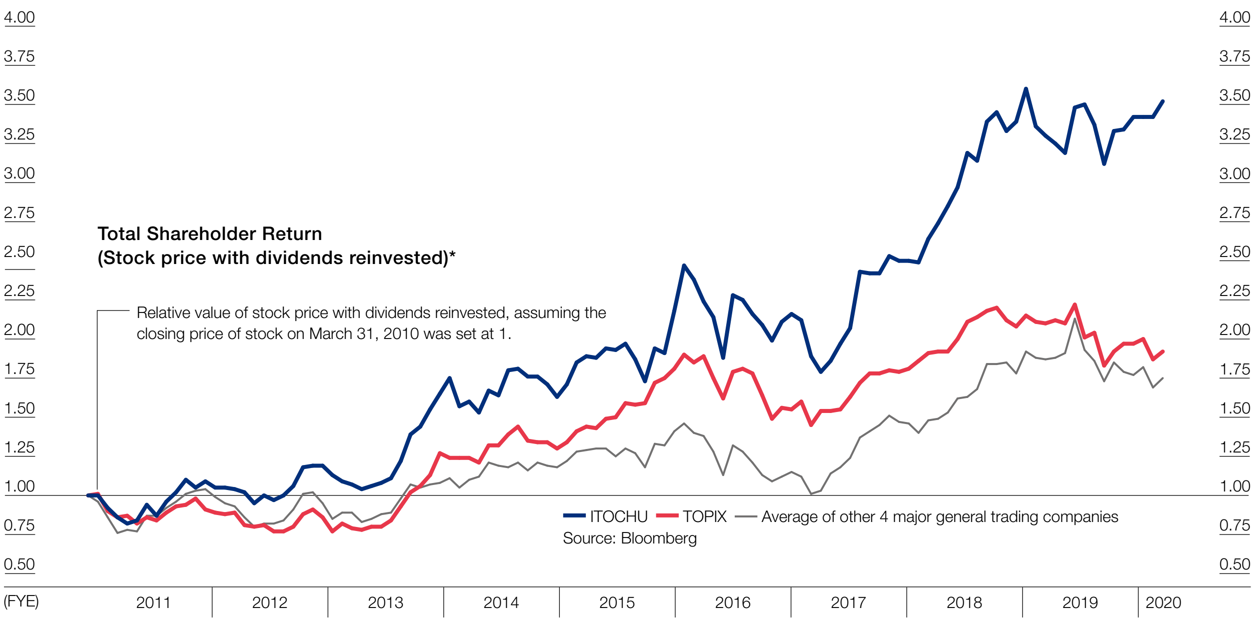
I mentioned the reason why I am committed to striking a balance between the three factors and realizing a high ROE in my answer to question three, and I believe that it is important that ROE exceeds the cost of capital. In other words, it is important to not only improve capital efficiency but also reduce the cost of capital from the perspective of enhancing sustainable corporate value. Since before the demise of the "commodities super cycle," we have largely changed our course toward the more stable non-resource sector and made efforts to enhance our earning power and cash-generating power, as well as promoting asset replacement of low-efficiency or peaked-out assets. This is proof that we are incorporating cost of capital into our management decisions. Looking back, we introduced Risk Capital Management in FYE 2000, when management improvements became a matter of urgency, and set the cost of shareholders' equity at 8%. Since then, the hurdle rates that must be cleared when conducting investments have evolved, and we have now established approximately 40 hurdle rates according to business type (by country) to manage investments meticulously. Furthermore, I believe that it is necessary to thoroughly bear in the mind the impact of non-financial capital on the cost of capital. In particular, the further strengthening of governance, as well as improvements to social and environmental factors regarding ESG, are important debates that will lead to the reduction of obstacles for future growth and of cost of capital. I believe that the initiatives we have taken to promote the diversity of the Board of Directors, such as raising the ratio of outside Directors to more than one-third at all times and transitioning to a monitoring-focused Board of Directors' structure, as well as increasing the number of female outside Directors from one to two, will contribute to the reduction of the cost of capital and the sustainable enhancement of corporate value.

Pursuing Sustainable Increase in Shareholder Value

Stock Price / PER / PBR / TSR

Stock price: Annual average of daily trading value
PER: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Outlook for consolidated net profit, announced by ITOCHU)
PBR: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Most-recent results of shareholders' equity)

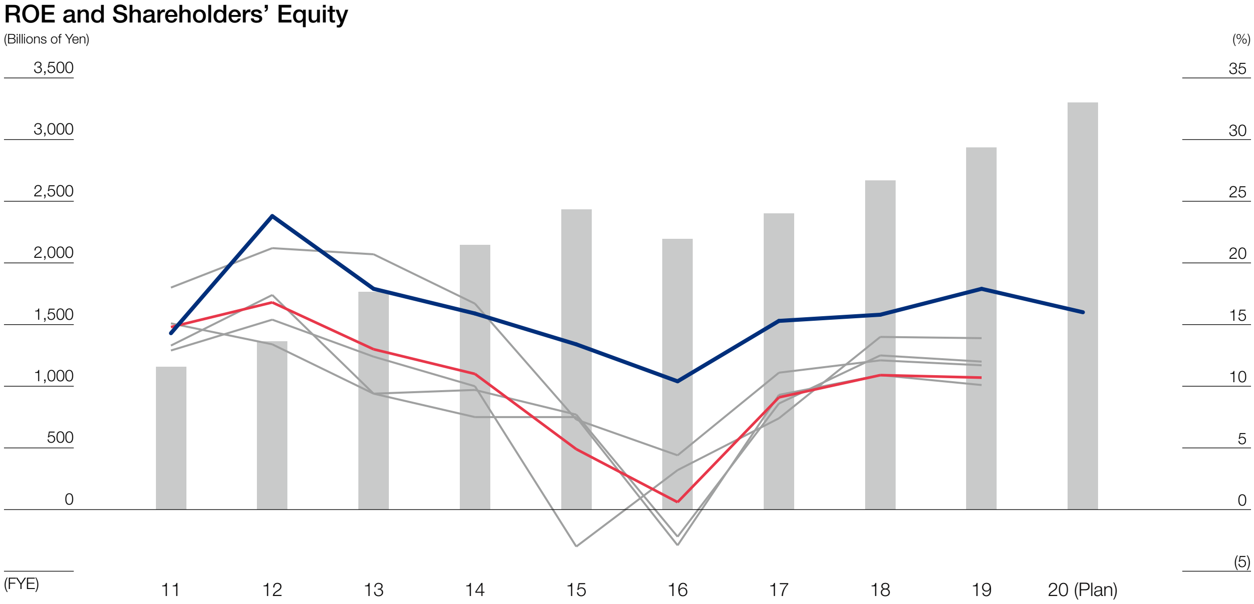
	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Stock price	¥784	¥824	¥890	¥1,229	¥1,280	¥1,466	¥1,408	¥1,843	¥2,029
PER	7.9 times	5.5 times	5.0 times	6.7 times	6.8 times	7.1 times	6.4 times	7.2 times	6.7 times
PBR	1.1 times	1.1 times	1.0 times	1.0 times	0.9 times	0.9 times	1.0 times	1.1 times	1.1 times



TSR*	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years
ITOCHU	0.8%	36.7%	61.9%	78.8%	99.6%	121.0%	188.6%	214.7%	242.2%
TOPIX	(5.1%)	10.0%	26.2%	12.5%	47.0%	74.3%	115.9%	117.2%	97.1%
Average of other 4 major general trading companies	0.6%	21.3%	58.6%	34.6%	52.0%	70.3%	75.8%	70.4%	77.0%

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

ROE and Shareholders' Equity



■ Shareholders' equity (left) ━ ROE of ITOCHU (right) ━ Average ROE of other 4 major general trading companies (right)

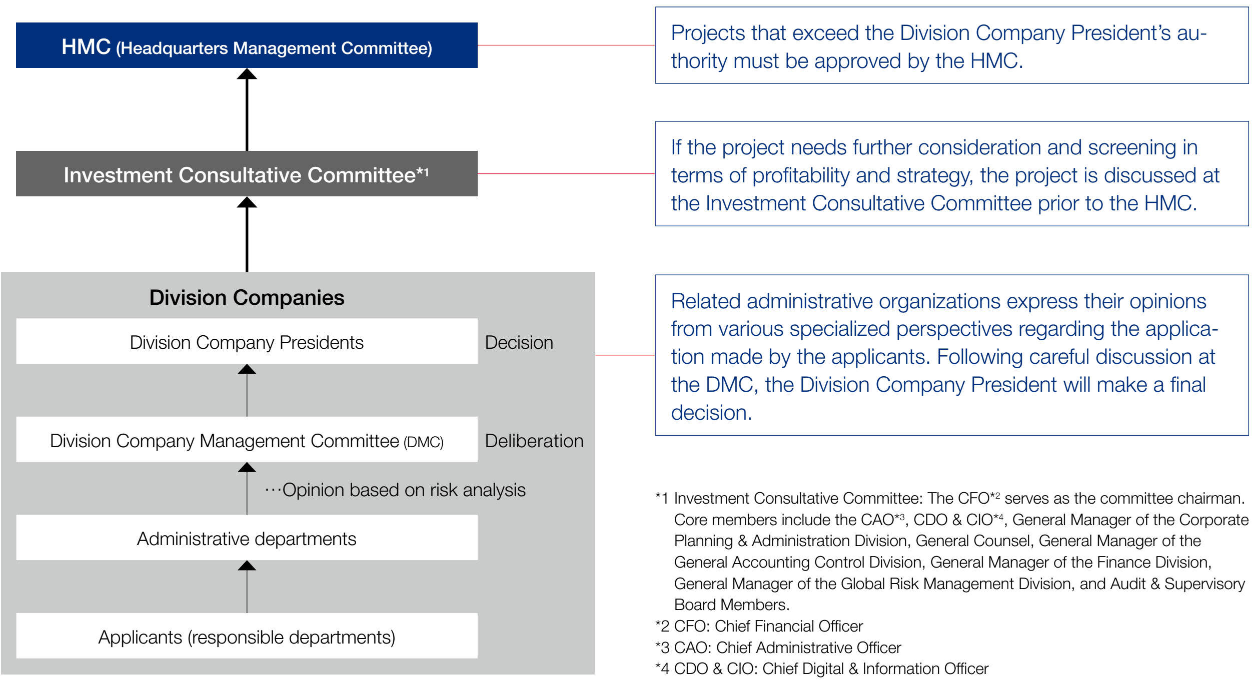
Business Investment

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 wide range of methods, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As or converting to a consolidated subsidiary. In principle, we hold investments continuously. After making each investment, we work to maximize the investee's 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

We have established 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: The CFO*2 serves as the committee chairman. Core members include the CAO*3, CDO & 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 CAO: Chief Administrative Officer

*4 CDO & CIO: Chief Digital & 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 criteria 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 verifying the appropriateness of business plans, and conducting prioritized monitoring of sub-subsidiaries.

Points for Making Investment Decisions

- Compliance with investment criteria
- Investment purpose and formulation of growth strategies
- Risk analysis
- Verification of internal control status
- Verification of business plan appropriateness
- Establishment of exit conditions
- ESG risk evaluation

Execution of Investment

Monitoring

- Implementing review one year after investment
- Implementing periodic review for all business investments annually
- Reevaluating policies from qualitative (strategic significance, etc.) and quantitative (scale of earnings, investment efficiency, etc.) perspectives
- Formulating improvement measures for subsidiaries and affiliates with issues in the areas of deficits or dividends received
- Following up throughout the year on policies and issue-improvement measures formulated in periodic review

Hold

Asset Replacement

- We promote replacing low-efficiency assets that meet exit criteria, as well as businesses that have lost strategic significance.

Investment Criteria

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

* When calculating NPV, approximately 40 hurdle rates are used according to business type (by country).

Thoroughly Verifying Appropriateness of Business Plan

- Scrutinizing business plans before making a new investment (including sensitivity analysis)
- Concrete countermeasures for downward divergence from original plan (including establishment of exit measures)

Setting Exit Conditions

- Setting clear and feasible exit measures before making investment

* Clear exit conditions... Setting quantitative exit conditions that, in principle, call for exiting from the investment if conditions are met

* Feasible exit measures... Obtaining advance agreement with partners on exit conditions, etc.

ESG Risk Evaluation

- Evaluate in advance the impact on the environment, society, and other areas as well as the corporate governance status of the investment target using an ESG checklist composed of 33 categories

* In the event of a concern, we will only proceed with the investment after due diligence carried out by an expert has confirmed that there is no problem.

Exit Criteria

See page 40 for more information

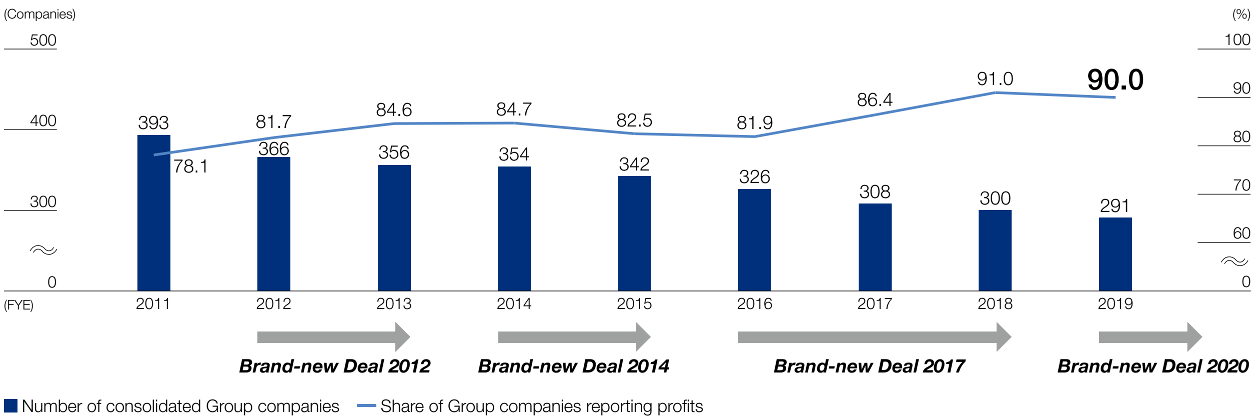
Covenant Management

- In principle, we will continue to aim for positive Core Free Cash Flows after shareholder returns during the period of "Brand-new Deal 2020."

Investments in Next-Generation

To promote the reinvention of business, entrust investment decisions to the CDO & CIO and do not apply the existing investment criteria with respect to investments in start-up companies. Set an investment budget of ¥30.0 billion and limit risk. Conduct a review one year after investment execution.

Number of Consolidated Group Companies and Share of Group Companies Reporting Profits



"Prevent"—Upgrading Business Investment Management

We are enhancing asset replacement and improving issues of subsidiaries and affiliates by monitoring returns against expectations at the time of investment. Moreover, even profitable investments should potentially be exited if returns are lower than our cost of capital.

Exit Criteria for Consolidated Investment

(1) Cumulative losses over three years

(2) Returns lower than expected at time of investment

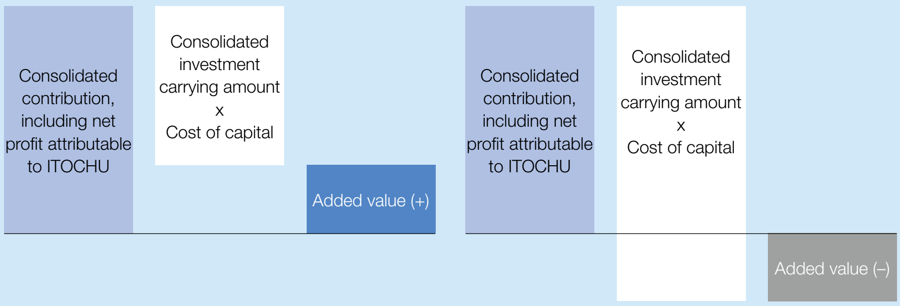
(3) Cumulative losses in added value over three years
[Consolidated contribution* – (Consolidated investment carrying amount x Cost of capital)]

* Consolidated contribution is the total of net profit and trade merit.

Positive added value

Negative added value

Consolidated contribution positive but lower than cost of capital
= Low-efficiency investment,
so consider exiting even if profitable



If either criteria is met:

Each investing division of the target company discusses on whether to continue or exit from the business.

Continue the business

Matters to be overcome:
(1) Improve consolidated returns
(2) Curtail increases in the consolidated investment carrying amount
(3) Prevent negative returns and losses

EXIT

Apply to the HMC and deliberate whether or not to continue the business
⇒ Enhance asset replacement and improve issues

Implement monitoring from an ESG perspective based on the conditions of the business

Share of Group companies reporting profits	
FYE 2011	FYE 2019
78.1%	**90.0%**

Profits of Group companies reporting profits	
FYE 2011	FYE 2019
¥226.7 billion	**¥545.3 billion**

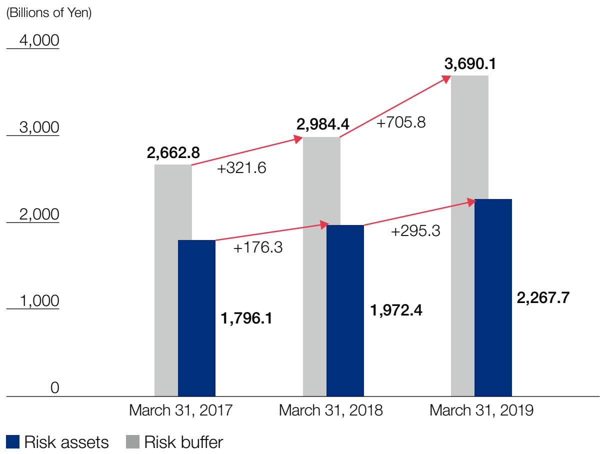
Risk Management

Risk Capital Management and Management of Concentrated Risks

Strict Management of Risk Assets

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 (Total shareholders' equity + Non-controlling interests). As we promote investments that will lead to the reinvention of business 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 multiple risks in markets, credit risks, 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 methods. 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)

		Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business
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		■		■			
6	Commodity Price Risks (Specific Important Commodities)			■	■		■	
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							■
15	Labor Management Risks							
16	Human Resource Risks	■						■
17	Risks Associated with the Appropriateness of Financial Reporting							
18	Risks Associated with Internal Control							

* The above information was compiled based on the Division Companies and products handled as of March 31, 2019

Organizational Assets

The Workings of Administrative Divisions in the Business Investment Process

ITOCHU is pursuing a business model that balances trade and business investment. We have honed sophisticated levels of specialization and accumulated know-how in administrative divisions, including law, risk management, tax and accounting, and finance. Rather than acting simply as "back office" entities that serve as checks on business divisions, our administrative divisions support business divisions' "earn, cut, prevent" efforts. Here, we show some examples of how administrative divisions support each business investment process (⇨ Page 39), which is key in developing our business.

Investment Decisions

Division Company

Division Company CFO

Makoto Kyoda

We are dispatched from headquarters, take overall charge of accounting, affiliate administration, and risk management of each Division Company. We vet the investment application, validate the potential investee's business plan, and conduct a risk analysis by comparing with internal investment criteria, etc. We check and provide support for the applicants through providing suitable advices.

Administrative Division: Headquarters

Corporate Planning & Administration Division

Yoriko Ota

We are in charge of planning and proposing Companywide management policy and plans, as well as running important meetings such as Board of Directors. On business investment projects, we conduct advance screening and consider consistency with management policy. We help the management team make appropriate decisions smoothly, by highlighting salient points and providing explanations, etc.

Finance Division

Shino Tadashima

From searching for potential business investment projects to making investments, we leverage our network of financial institutions to support M&A execution. We work alongside the applicants to create an optimal acquisition scheme, verify valuations from a market perspective, work to lower financing costs, and support the steady execution of growth investments.

Legal Division

Grace Gentilli

Participating from the initial stage of business investment projects, we provide advice and may join in handling negotiations, helping to secure more favorable terms in negotiations with the legal representatives of the counterparty. In addition to checking the laws of the country of investee, non-compete obligations, antimonopoly legislation, and compliance, we provide a wide range of support for the applicants.

General Accounting Control Division

Shunta Watanabe

Communicating with related departments, we make proposals to ensure the best investments scheme for the Group, by considering accounting treatment based on discussions with the external auditor, as well as optimal tax planning based on Japanese and overseas tax systems. Following investment execution, we introduce consolidated accounting procedures and respond to statutory disclosure requirements.

Sustainability Management Department

Keiko Mayuzumi

As an organization reporting directly to the CAO, we promote a full range of environment- and society-related sustainability measures. All new business investment projects must pass advance validation from an ESG perspective. We conduct such verification and highlight follow-up points and opinions arising from discussion. We ensure that investment decisions reflect an ESG perspective, as well as the business plan.

Global Risk Management Division

We take responsibility for the planning and operation of investment-related policies and systems, handling the formulation and operation of investment criteria. Based on investment applications from Division Companies, we take a Companywide perspective and decide hurdle rates that take into account cost of capital in around 40 business types (by country). For large projects, we screen projects from the perspective of Companywide risk management and Group management control.

Execution of Investment → Monitoring

Division Company

Corporate Communications Division

Daisuke Yoshida

We facilitate the timely and accurate disclosure of information to such stakeholders as newspapers, magazines, television, and other mass media via press conferences, websites, and other means. By fielding interview requests, we foster two-way communications with the mass media that help deepen their understanding of business investment projects and promote increases in corporate value.

Global Risk Management Division

Toshio Wakamatsu

We control a comprehensive review of all investment projects once each fiscal year. During this review, we check that exit criteria are being strictly applied, encourage monitoring that reflects current management issues, and work to improve management through extensive discussions with Division Companies. Such efforts help to maintain and enhance a high percentage of Group companies reporting profits.

Investor Relations Department

Aiko Ano

We are in charge of disseminating information to stakeholders through timely disclosures and annual reports. When an investment is executed, we disclose such information in a timely and easy-to-understand manner to help deepen stakeholder understanding about the objectives and strategies. We also provide feedback from the market to the management team, helping to achieve further increases in corporate value.

Division Company CFO

As partners of applicants, CFOs of Division Companies provide support and checks at all phases: when investments are executed, during post-investment management control, and when exiting from investments. In addition to everyday monitoring through our role as part-time Audit & Supervisory Board Members, at annual reviews we work under the supervision of the Global Risk Management Division and discuss future policies and improvement plans with applicants, taking any conflicts with exit criteria into account and coordinating Division Company policy.

Macroenvironmental PEST Analysis

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

P (Political / Legal)

Risks		Opportunities
	Political Trends	
Global economic stagnation; decrease in trade volume; stricter export and investment regulations	U.S.-China Conflict (Trade disputes, forced technology transfer)	Supply chain revisions
Disorder in the United Kingdom and destabilization of financial market	Brexit and Anti-EU Movements	Increase in investment in the European continent Supply chain revisions
Coercive political management	Elections (U.S. presidential and Lower House elections)	Economic stimulus
Economic stagnation due to terrorism Disorder in financial markets	Geopolitical Risks	Upward pressure on crude oil prices due to instability in the Middle East
	Regulatory Changes	
Decrease in trade volume	Trade Talks and Trade Agreements (Japan–U.S., U.S.–EU, USMCA, etc.)	Supply chain revisions
Existing energy market shrinkage (coal and crude oil)	Greenhouse Gas Containment Regulations (Paris Agreement, etc.)	Expansion of new energy market (wind power, solar power, etc.)
Business contraction in conventional vehicle fields	Conversion to New-Energy Vehicles in China and Europe	Business expansion in related industries
Rising costs, such as those for establishing data governance Damage and decline of reputation	Tightening Regulations on Handling of Personal Data	End of data monopolies held by existing platformers Expansion of open data availability
	Tax System Revisions	
Decrease in existing business transactions	International Tax Trends (Lowering of corporate taxes, tax avoidance countermeasures)	Improvement in corporate performance Optimized taxation
Economic stagnation after tax increase	Japanese Consumption Tax Hike	Last-minute demand before tax increase

Develop businesses amid circumstances that directly impede or raise the uncertainty of sustainable growth in the global economy

E (Economical)

Risks		Opportunities
Decrease in business opportunities and trade volume	**Economic Deceleration in Developed Countries**	Lower interest rates due to monetary easing Improved environment for fund raising
Worsening earnings environment due to yen appreciation	**Depreciation of the U.S. Dollar**	Stabilization of emerging market currencies Lower overseas investment costs
Inflation and economic downturns due to overheating	**Recovery and Accelerated Growth in Emerging Economies**	Increase in demand for consumer goods connected with improved living standards; expansion of 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	**Asset Price Increases (Stocks, real estate)**	Higher fund-raising capacity due to increased value of own portfolio assets
Decline in expected returns due to slowing growth and increasing uncertainty	**Change in Investment Environment**	Leveling of previously soaring project costs

Ascertain balance between expected returns and investment costs amid the wane of economic overheating due to deceleration in the economies of developed countries and stabilizing growth in the economies of emerging countries.

S (Social / Cultural)

Risks		Opportunities
Decrease in fossil fuel demand Business damage due to increasingly abnormal weather	**Addressing Climate Change (Contribute to realization of low-carbon society)**	Increase in business opportunities in renewable energy, etc. Customer retention and acquisition due to strengthened supply systems
Labor shortages and outflow of personnel; harassment and long working hours; increases in health-related costs	**Motivating Workplace Environment**	Improvement in labor productivity; improvement in health and motivation; securement of superior human resources
Project delay and continuity risks due to human rights issues Compliance violations and data leaks	**Respect for Human Rights and Ensure Compliance**	Business stabilization and recruitment through harmonious coexistence with local communities; construction of a safe and secure product supply system
Decrease in creditworthiness when safety and health issues occur; destabilization of markets and the social security system	**Contribution to Healthier and More Enriched Lifestyles**	Increase in demand for food safety, security, and 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	**Stable Procurement and Supply**	Increase in demand for resources in emerging nations Stable supply of environment-friendly resources and raw materials
Lowering of corporate value assessment by investors; withdrawal of invested funds; exclusion from investment target; decline in stock prices	**Adherence to a Sound and Highly Transparent Corporate Governance System**	Rising of corporate value assessment by investors; inflow of investment funds; addition to investment targets; increase in stock prices

Transmit the *sampo yoshi* philosophy for the future and restructure business in light of the growing necessity to not only address conventional social issues but also carry out a response with an awareness of ESG matters

T (Technological)

Risks		Opportunities
Obsolescence and extinction of existing business models Leaks of internal data and other threats due to malware (malicious software)	**Progress in IT, Leading-Edge Technologies and Infrastructure Development**	
	Evolution to Next-Generation Growth Models	Consumer-related Business (Non-resource Sector) • Speed up in investment in next-generation retail models, strengthening of capabilities of physical stores • Improvement in consumer value chain; transformation and streamlining of retail, wholesale, and logistics functions • Development of new fintech / Advertising / Marketing fields, utilizing customer contact points • Full-fledged entry into Chinese retail business Basic industry-related Business (Non-resource Sector) • Evolution of existing business foundation by strengthening customer contact points • Strengthening of water, environment, and renewable energy fields with an awareness of ESG • Multifaceted development of next-generation mobility fields • Reinforcement of next-generation electricity fields, centered on storage batteries • Development of healthcare-related treatment businesses in China and Asia Resource Sector • Acquisition of high-quality assets in resource fields that show promise

Create and evolve in businesses through the incorporation of new technologies and services in accordance with the current era as rapid technological innovations occur and values and living environments change

Macroenvironmental PEST Analysis

Focus efforts on establishing an earnings base to secure a stable consolidated net profit of ¥500.0 billion and creating "a new vision of what a trading company can achieve," under an uncertain business environment

FYE 2020 Management Plan

Brand-new Deal 2020

FYE 2020 Management Plan

Evolution to Next-Generation Growth Models

ITOCHU

I am One with Infinite Missions

Fundamental Policy for FYE 2020 Plan

Development of Foundations for Sustainable Growth

Actively Promote Growth Investments, and Maintain High Efficiency (⇨ Page 67)

Actively promote investments to Next-Generation Growth Models and replace from the business in peak-out stage or low-returns

Realizing "a New Vision of What a Trading Company Can Achieve" (⇨ Page 60)

(Market-oriented perspective and Escape from vertically-oriented mindset)

Establishment of The 8th Company
Measures for invigorating human resources

Balanced Cash Allocation (⇨ Page 34)

Growth investments, Shareholder returns,
Control of interest-bearing debt,
Balancing three factors

Steady Advancement of Sustainability Initiatives (⇨ Page 50)

Smart and Health Management,
Governance, Address climate change

FYE 2019 Review and FYE 2020 Plan

Quantitative Targets

FYE 2019 Review

- Upward revision to initial forecast, third consecutive year of record-breaking consolidated net profit with figure of ¥500.5 billion
- Fourth consecutive year of record-breaking core profit with figure of approx. ¥472.0 billion thanks to growth centered on the non-resource sector
- Profit achieved over 90% of Group companies, a record-high level maintained due to thorough application of the "earn, cut, prevent" principles
- Record-breaking Core Operating Cash Flows exceeding ¥500.0 billion, massively positive Core Free Cash Flows after deducting shareholder returns achieved due to exits from large-scale investments
- Achieved upgrade by all four major credit rating agencies in a one-year period, historic best NET DER of 0.82 times, strong financial position maintained

FYE 2020 Plan

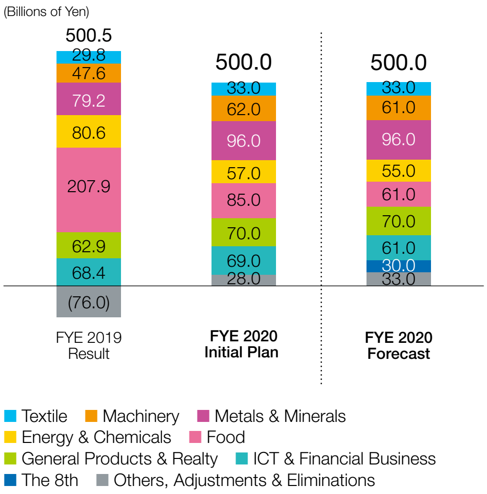
- Profit Plan: Consolidated net profit of ¥500.0 billion (More growth in the non-resource sector which is more resistant to economic fluctuations.)
- Cash Flows Plan: Balanced Cash Allocation (Growth investments, Shareholder returns, Control of interest-bearing debt)
- Ratio & B/S Plan: Maintain high efficiency and control B/S for maintaining A ratings

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Consolidated net profit	500.5	500.0
Gross trading profit	1,563.8	1,864.0
Total of selling, general and administrative expenses	(1,193.3)	(1,416.0)
Equity in earnings of associates and joint ventures	98.1	229.0
Income tax expense	(149.7)	(137.0)

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Net interest-bearing debt	2,406.8	Approx. 2,400.0+α *
Total shareholders' equity	2,936.9	Increase total shareholders' equity and improve ratio of shareholders' equity to total assets Approx. 3,300.0 *
NET DER (times)	0.82	Gradually decrease
ROE	17.9%	Approx. 16%
ROA	5.3%	Approx. 5% *

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Core Operating Cash Flows	515.0	Over ¥580.0 as target
Net Investment Cash Flows	(20.0)	Actively promote growth investments and asset replacements
Core Free Cash Flows	495.0	Maintain positive
Dividends	(127.5)	Steady implementation of the medium- to long-term shareholder returns policy (Full-year minimum dividend of ¥85 per share)
Share buybacks	(68.0)	
Core Free Cash Flows after deducting shareholder returns	Approx. 300.0	Maintain positive Utilize Core Free Cash Flows of FYE 2019 (approx. 300.0) for growth investments and shareholder returns

Consolidated Net Profit by Segment



	FYE 2019 Result	FYE 2020 Plan
Non-Resource	378.0	420.0
Resource	115.5	110.0
Others	7.1	(30.0)

* Excluding the impact of IFRS 16 (Leases)

Assumptions for FYE 2019 Result and FYE 2020 Plan

	FYE 2019 Result	FYE 2020 Plan	(Reference) Sensitivities on consolidated net profit
Exchange rate (Yen/US$) average	110.56	110.00	Approx. ¥(2.5) billion (1 yen appreciation against US$)
Exchange rate (Yen/US$) closing	110.99	110.00	—
Interest (%) US$ LIBOR 3M	2.50%	3.20%	Approx. ¥(3.0) billion (1% increase)
Crude oil (Brent) (US$/BBL)	70.86	65	±0.58 billion
Iron ore (CFR China) (US$/ton)	71*	N.A.**	±1.33 billion
Hard coking coal (FOB Australia) (US$/ton)	202*	N.A.**	±0.22 billion
Thermal coal (FOB Australia) (US$/ton)	106*	N.A.**	

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

* FYE 2019 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 2020 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.

Investments

FYE 2019 Review

- Reinforcement of strategic business foundations in the consumer sector through conversion of FamilyMart UNY Holdings Co., Ltd., into a subsidiary
- Massive cash inflows realized through aggressive exits (from GMS business, China-related operations, large-scale resource interests, etc.)
- Recognition of the impairment loss on the investment in CITIC Limited despite stable results, considering the share price and dispelling concerns in the future

FYE 2019 Major New Investments and Exits

	Major New Investments		Major Exits	
Non-resource sector	Acquisition of FamilyMart UNY Holdings Co., Ltd. Investment in Taipei Financial Center Corporation Additional investment in DESCENTE LTD., etc.	Approx. ¥465.0 billion	Sale of entire stake in UNY Co., Ltd. Sale of entire stake in TING HSIN (CAYMAN ISLANDS) HOLDING CORPORATION Sale of entire stake in CIECO Exploration and Production (UK) Limited, etc.	Approx. ¥480.0 billion
Resource sector	Capital expenditure of existing investments, etc.	Approx. ¥35.0 billion		

FYE 2020 Plan

Development of Foundations for Sustainable Growth

In areas of strength, actively promote evolution and transformation of existing businesses and investments in new growth

Evolution and Transformation of Existing Businesses

- Capital expenditures for reinventing existing businesses
- Reinforcement of existing businesses

- Proactive replacement of assets in inefficient and peaked out businesses

Investments in New Growth

- New and next-generation growth investments based on sector-specific growth strategies
- Investments for steadily realizing profits and for forming foundations for business model evolution

Balanced investments in new and existing business

Optimally timed investments and exits

Ratio of growth investments 5 : 5

Next-generation growth investments: Approx. ¥70.0 billion
(Ongoing upfront foundation construction and acceleration of strategic business development and business model integration)

“Investments in next-generation”: Approx. ¥30.0 billion

Smart and Health Management

FYE 2019 Review

- Improvement of work efficiency through introduction of the Companywide integrated data infrastructure, RPAs and Companywide deployment of highly secure mobile PCs, transition from awareness-based work-style reforms to process-based reforms
- Execution of unique healthcare initiatives including expansion of Support Measures for Balancing Cancer Care and Work, provision of compensation for brain examinations, etc.

FYE 2020 Plan

- Improvement of productivity by thoroughly establishing efficient and healthy work styles
  - Evolution of work-style reforms supporting smart management
  - Evolution of industry-leading health management

Sustainability

FYE 2019 Review

- Establishment of coal business policies stating that no new coal-fired power generation business or thermal coal mine interests will be developed to move toward a carbon-free society
- Decision to keep the ratio of outside Directors more than one-third at all times in consideration for Board of Directors' diversity

FYE 2020 Plan

- Steady advancement of sustainability initiatives and acceleration of initiatives for resolving social issues and creating social value to achieve targeted sustainable growth
- Focus on enhancing measures for addressing climate change (environment), cultivating workplace environments (society), and maintaining rigorous governance structures (governance) in FYE 2020

Shareholder Returns

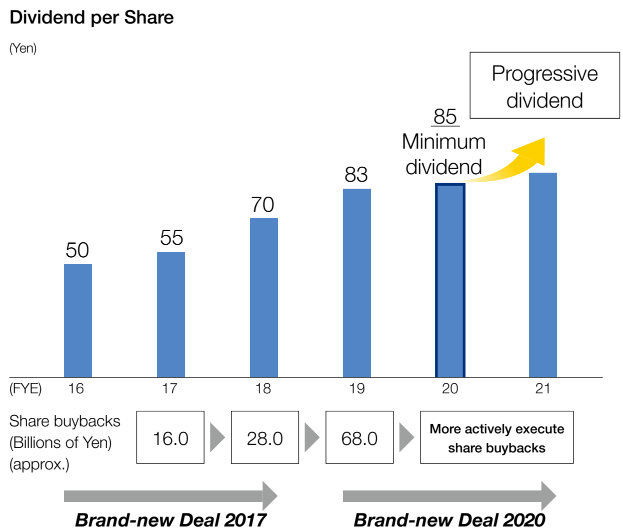
FYE 2019 Review

- FYE 2019 dividends increased from initial plan of ¥74 per share to record high of ¥83 per share
- Medium- to Long-Term Shareholder Returns Policy announced along with commitment to acquire 100 million shares of treasury stock, proactive acquisition of treasury stock commenced ahead of schedule in FYE 2019 together with treasury stock cancellations (78 million shares)
- Framework for enhancing corporate value disclosed (gradual increase of dividends, sustainable increase of EPS, and maintain high ROE).

FYE 2020 Plan

Shareholder Returns Policy	Medium- to Long-Term Policy (Announced in October 2018)	• Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30% • More actively execute share buybacks Continuously execute share buybacks of approx. 100 million shares in total, while considering cash flow availability*
	Dividend	• Pay a minimum dividend of ¥85 per share for FYE 2020, our highest dividend level ever • Continue progressive dividend, targeting further increase in dividend amount and dividend payout ratio (Existing dividend formula abolished)
	Share Buybacks	• Actively and continuously execute in accordance with the policy*

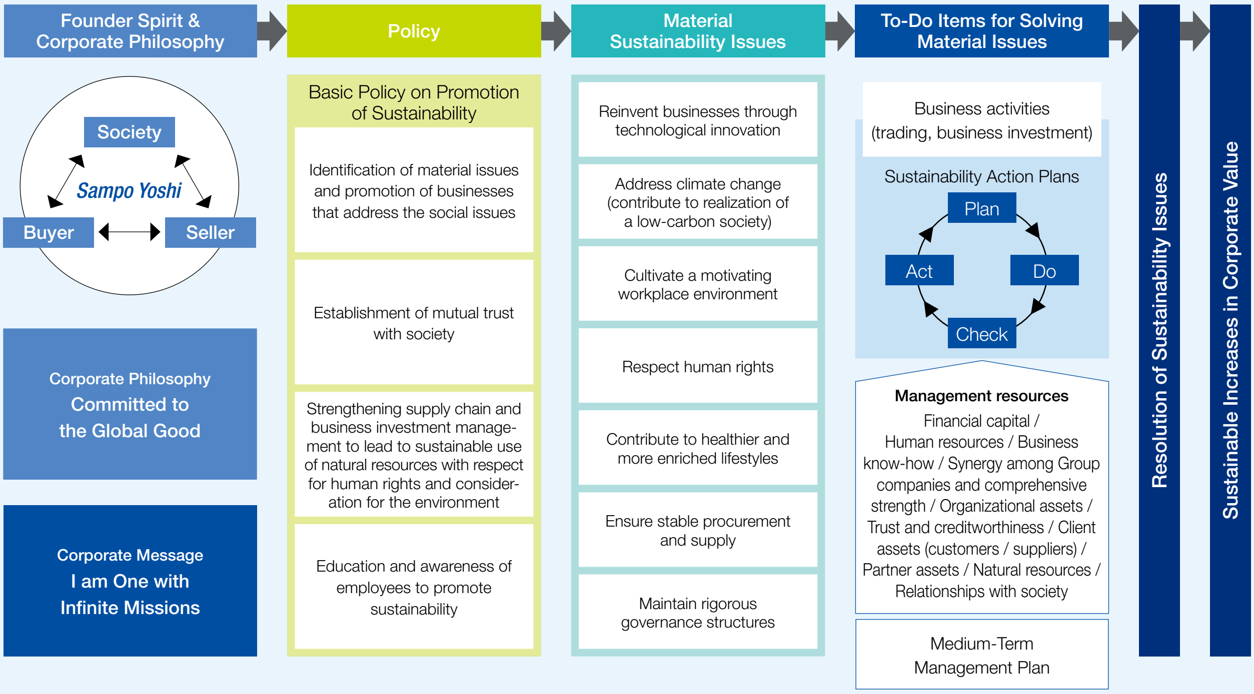
* Execute share repurchases of up to 40 million shares, ¥70.0 billion, in the period until June 11, 2020.
Besides, based on the Medium- to Long-Term Shareholder Returns Policy, share buybacks of 65 million shares, ¥130.0 billion were executed by June 2019. Of these, 34 million shares, (¥68.0 billion) were repurchased in FYE 2019.



Sustainability

Sustainability Promotion Flow

In line with our *sampo yoshi* spirit, we have formulated our Basic Policy on Promotion of Sustainability, taking into consideration our corporate philosophy and changes to the external environment, and we are promoting sustainability in an organized and systematic manner. We have incorporated important issues for priority resolution (material issues) into our Sustainability Action Plan. At the same time, through the Group's business activities we aim to simultaneously achieve sustainable increases in corporate value and resolve social issues.



Material Sustainability Issues	Examples of Performance Indicators for Sustainability Action Plan
Reinvent businesses through technological innovation (⇨ Pages 67–69) We 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.	• Promote the reinvention of business through the application of AI, IoT, fintech, and other new technologies and services • Through the use of AI and the popularization and expansion of RFID tags in the textile business, realize higher levels of supply chain productivity and operating efficiency, better traceability, and enhanced selling capabilities
Address climate change (contribute to realization of a low-carbon society) (⇨ Pages 61–63) We strive to adapt to the impact of climate change on business. At the same time, we work to promote business activities aimed at contributing to realization of a low-carbon society and reduce greenhouse gas emissions.	• Build an optimal asset portfolio that takes society's issues fully into consideration, including the transition to a low-carbon society • Promote initiatives aimed at increasing the renewable energy ratio of our power generation business above 20% (based on equity ownership) by FYE 2031
Cultivate a motivating workplace environment (⇨ Pages 54–57) We create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity	• By FYE 2021, reduce average annual overtime hours by 10% or more compared to before the introduction of the morning-focused working system • Reduce turnover due to cancer and long-term illnesses to zero by FYE 2021
Respect human rights (⇨ Pages 64–65) We 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.	• Comply with societal and environmental maintenance and management standards throughout the entire Group's supply chain • Consider setting a target for sustainable palm oil procurement that takes into account business partners' conditions and industry trends and liaison with industry groups
Contribute to healthier and more enriched lifestyles (⇨ Pages 54–57) We contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.	• Promote proper assignment of food safety inspectors in each sales department • By FYE 2021, aim to manage the health data of 1,000,000 people obtained from medical checkups
Ensure stable procurement and supply (⇨ Pages 61–63) We 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.	• Promote early commercialization of the recycled fiber business and increase our handling of sustainable materials • By FYE 2026, make 100% of the wood we handle in the lumber business either certified wood or wood that for which traceability is ensured
Maintain rigorous governance structures (⇨ Pages 70–83) The Board of Directors implements highly effective supervision of management from an independent and objective standpoint and ensures appropriate and efficient execution of operations by improving the transparency of decision-making.	• Continuously conduct measures aimed at strengthening the supervisory function of the Board of Directors through Board of Directors' evaluations • Monitor various compliance-related measures and continue on-site training, etc.

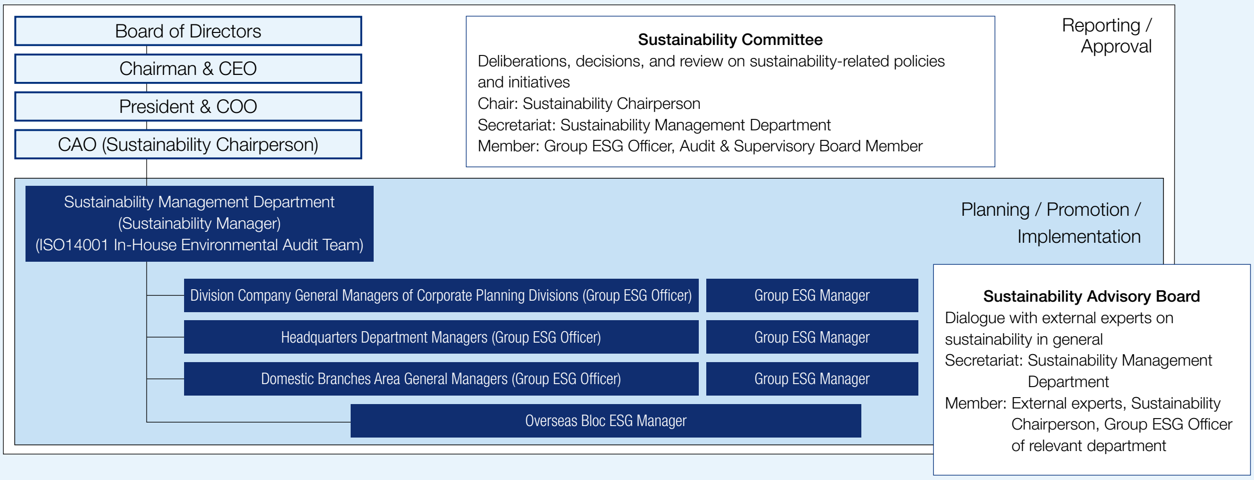
Please see the "Sustainability Action Plans" page of ITOCHU's website. **https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/**

Sustainability Promotion System

The Sustainability Committee is a key internal committee that deliberates and decides on policies and important projects related to promoting Companywide sustainability.

The Sustainability Management Department plans and drafts specific measures that, following approval by the Sustainability Committee Chairperson and CAO, are executed by Group ESG Officers and Managers in each unit. The CAO attends meetings of the Board of Directors, HMC, and Investment Consultative Committee, taking part in deliberations from the standpoint of sustainability, facilitating decision-making that takes impact on the environment and society into account.

In addition, through constructive dialogue that takes place regularly with the Advisory Board and other bodies, we ascertain society's expectations and requirements, which we strive to incorporate into our sustainability promotion.

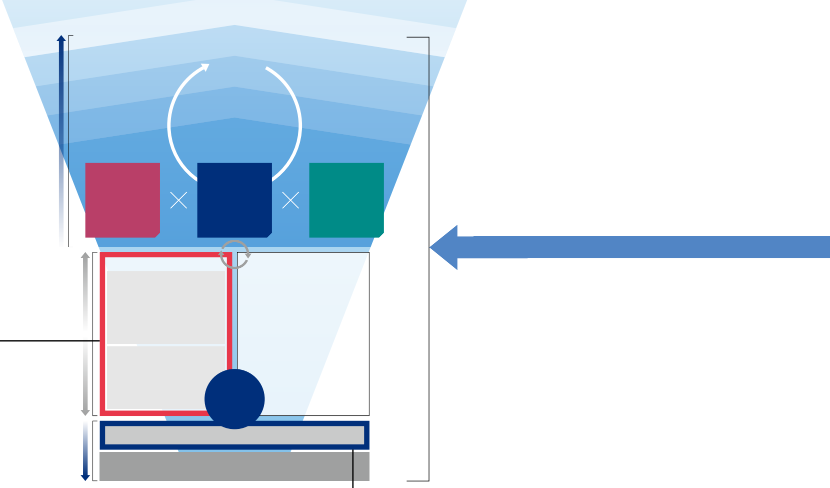


	State of Progress in FYE 2019	SDGs
	• Made strategic investments, mainly in the consumer value chain and in next-generation mobility and electricity and commenced cross-industrial integration • Sales of RFID tags: 87 million tags (up 24% year on year) Began collaborating with a leading Hong Kong manufacturer in the aim of further popularization in the domestic market	9
	• In addition to publicizing our policy on coal-related business initiatives, began a scenario analysis and business impact assessment based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) • In addition to existing projects, commenced commercial operations in the geothermal power business and of solar power plants, thereby promoting our renewable energy initiatives	7, 13
	• Average annual overtime hours: Reduced by 9% compared to before the introduction of the morning-focused working system • Support for balancing cancer care and work: Maintained zero turnover due to cancer and long-term illnesses	5, 8, 10
	• Sustainability surveys of suppliers: 343 companies • To ensure traceability, we aim to increase the ratio of palm oil we handle that is certified by the RSPO or a similar body to 100% by FYE 2026, and are promoting the handling of third-party-certified products	6, 8, 11
	• Strengthened screening in supplier selection by increasing the number of people holding Food Safety Management System (FSMS) audit certifications (added three in FYE 2019) • The number of people targeted for health data management: Approx. 700,000 Contributed to human health improvements through efforts to make vital data visible and increase health awareness	3, 9, 12
	• Commenced pilot production of cellulose fiber, an environmentally friendly material • Increased our handling of products by wood suppliers having wood traceability certification from third-party institutions	6, 12, 14, 15
	• Maintain the ratio of outside Directors at more than one-third at all times (See page 77 for our Board of Directors' effectiveness evaluation) • Achieved 20% of the ratio of female Directors at the Board of Directors in FYE 2020 (In addition, two female Executive Officers (not-Director)) • Status of on-site training: Attended by 13,178 people, conducted 237 times at 92 companies, including ITOCHU	16

Relationship between Non-Financial Capital, Material Issues, and a Logic Tree

Relationship between Maintaining and Upgrading Non-Financial Capital and Material Issues

In line with the *sampo yoshi* spirit at the heart of our business, we have formulated the Basic Policy on Promotion of Sustainability and specified material sustainability issues. Through initiatives based on material issues, we sustainably increase corporate value by maintaining and strengthening non-financial capital. (⇨ Page 50 Sustainability)



The "Merchant" Business Model
(⇨ Page 28)

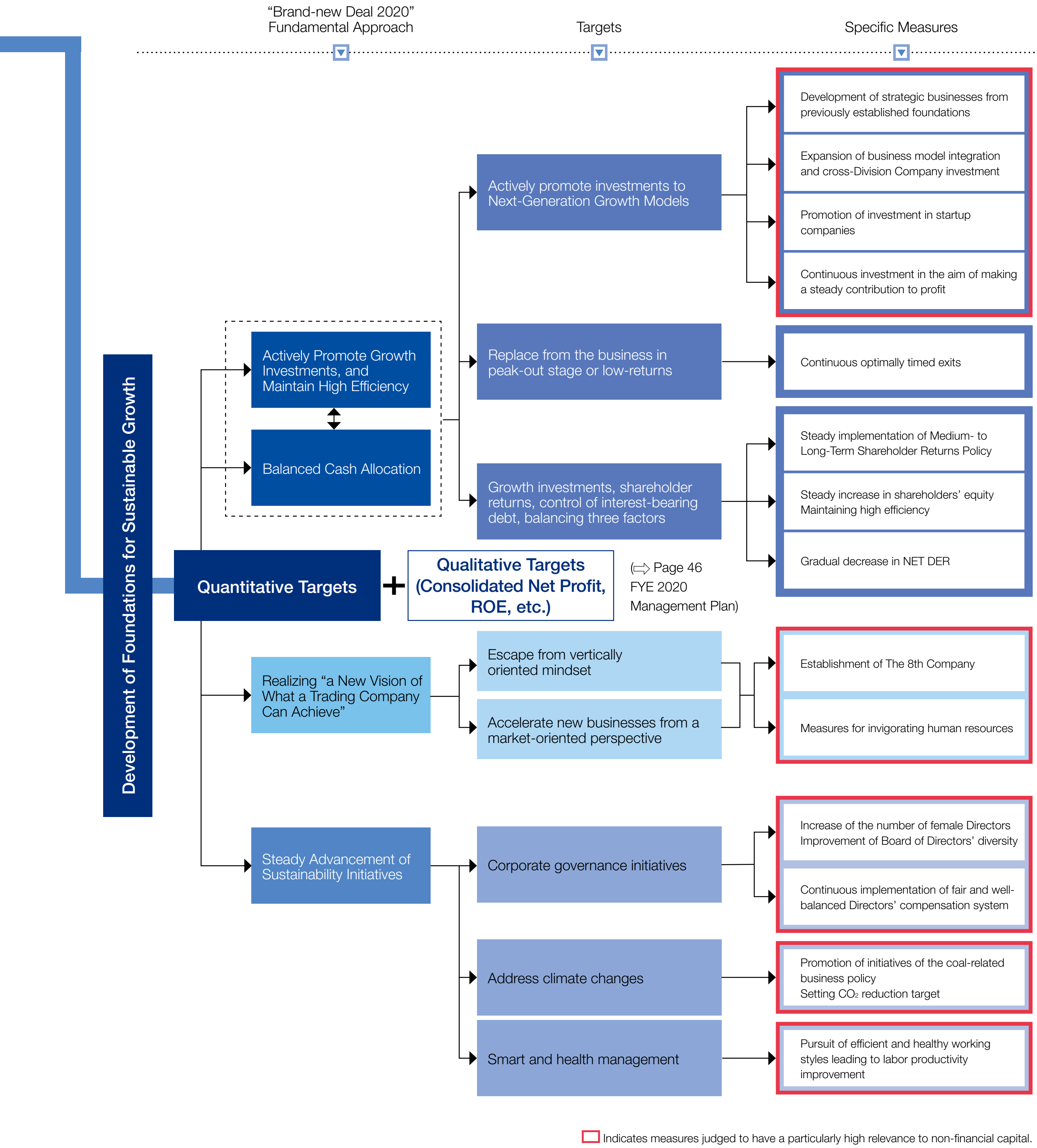
Relevance of Non-Financial Capital, Material Issues, and the SDGs

Non-Financial Capital \ Material Issues	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
Human Resources	■		■				■
Business Know-How	■	■	■		■		
Synergy among Group Companies and Comprehensive Strength	■				■		
Organizational Assets			■				■
Trust and Creditworthiness				■		■	■
Client Assets (Customers / Suppliers)	■			■	■	■	
Partner Assets	■	■					
Natural Resources		■		■		■	
Relationships with Society		■		■	■		■
Related SDGs	9 Industry, Innovation and Infrastructure	7 Affordable and Clean Energy; 13 Climate Action	5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities	6 Clean Water and Sanitation; 8 Decent Work and Economic Growth; 11 Sustainable Cities and Communities	3 Good Health and Well-Being; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production	6 Clean Water and Sanitation; 12 Responsible Consumption and Production; 14 Life Below Water; 15 Life on Land	16 Peace, Justice and Strong Institutions

■ Indicates material issues judged to have a particularly high relevance to non-financial capital

“Brand-new Deal 2020” Logic Tree to Develop the Foundations for Sustainable Growth

To develop the foundations for sustainable growth, we are working to evolve and transform to realize “a new vision of what a trading company can achieve.” We are steadily making growth investments while maintaining an awareness of cash allocation, enhancing customer contact points as we turn toward a market-oriented perspective, and steadily promoting sustainability measures. Through such efforts, we aim to create a new business model.



Human Resources

Human resources are the driving force behind the functioning of ITOCHU's business models. In addition to conventional product professionals, we are working to develop marketing professionals who possess a market-oriented perspective. Through human resource strategies that support increases in labor productivity, we are striving to create a virtuous cycle that leads to increases in corporate value.

Human Resources

Value for Stakeholders (Main Stakeholders)

Provide value to clients (customers / suppliers) and society

- Create added value and advance into new areas based on a market-oriented perspective
- Increase the amount of time that we use of for customers
- Ensure diversity-conscious human resource utilization and job creation

Provide value to employees

- Create a rewarding workplace environment
- Enhance motivation by prohibiting late-night overtime and enhancing health
- Acquire high levels of specialization through ongoing efforts to develop capabilities

Sampo Yoshi

Value for ITOCHU

- Increase labor productivity (consolidated net profit per employee of ITOCHU on a non-consolidated basis)
- Increase management efficiency by promoting ITOCHU's "smart and health management"

Risks

- Decrease in labor productivity
- Loss of business opportunities
- Labor shortages, outflows of personnel
- Harassment, long working hours (compliance infringements)
- Increase in health-related costs
- Impact of destabilization of market and social security system due to policy changes, etc.

Opportunities

- Increase in labor productivity through the practice of human resource strategies
- Securement of superior human resources
- Improvement in health and motivation
- Strengthening of ability to respond to changes and business opportunities

Specific Initiatives

- Morning-focused working system
- Health management (ITOCHU Health Charter, Support Measures for Balancing Cancer Care and Work)
- Dress-down Days
- Three-way joint training and personnel exchanges with CITIC and CP Group
- Overseas training in the Chinese language and other special foreign languages
- 1,000 employees with Chinese-language abilities
- Various trainings for employees of Group companies

KPIs

- Labor productivity
- Engagement Survey
- Time and money spent on employee skill development
- Number of employees with Chinese-language qualifications
- Hours of overtime work
- Paid leave acquisition rate
- Evaluation by students looking for work

Influential Capital (IIRC Framework)

- Human capital
- Intellectual capital
- Social and relationship capital

SDGs to which ITOCHU Will Contribute

Human Resource Strategies for Eliciting Mercantile Potential

Using the Engagement Survey to Measure the Effectiveness of Human Resource Measures

ITOCHU believes that employee motivation and a sense that work is worthwhile, their satisfaction and consent, and employee engagement (employees having a strong desire to contribute to the Company and are likely to act autonomously) are all important elements for sustainable increases in corporate value. Hence, we endeavor to continue increasing such factors.

In a survey (Engagement Survey) we conducted in FYE 2019, the percentage of affirmative responses to "ITOCHU considers employees important and takes them into consideration" was substantially higher than in our previous survey (FYE 2015). It was also 17% above the global average (an average of 6.7 million people at 330 companies).

Keeping in mind our corporate culture, which places importance on customers, our employees are striving to increase labor productivity with a sense of pride and a strong motivation to contribute. Our measures to incorporate human resource strategies into management strategies are steadily bearing fruit.

FYE 2019 Engagement Survey Results

	Affirmative Response Rate	Compare with Global Average
ITOCHU considers employees important and takes them into consideration.	80%	+17%
ITOCHU places importance on customers.	80%	+5%
ITOCHU calls for the achievement of high levels of success.	91%	+5%
I concur with ITOCHU's corporate philosophy ("Committed to the Global Good") and corporate message ("I am One with Infinite Missions").	89%	—

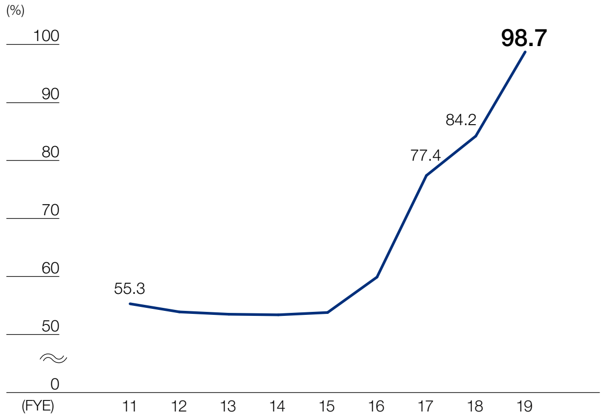
Shareholder-Conscious Stock Compensation Scheme

To achieve sustainable increases in corporate value, we believe it is important for employees, as well as the management team, to take part in management.

We have encouraged participation in our employee shareholding association, and the participation level reached almost 100% in FYE 2019. Going further, in FYE 2020 we use this association to introduce a stock compensation scheme. Under this scheme, we pay special incentives when the Company's performance reaches at a certain level, granting shares as consideration.

Through measures such as these, we boost employees' motivation to contribute to the Company and foster a shareholder orientation, encouraging Companywide efforts to further enhance corporate value.

Percentage Membership in the Employee Shareholding Association



Support for the Career Development of Female Employees

To support the career development of female employees, we provide career training aimed at developing next-generation managers and prepare individual career plans. We also send employees to external training sessions, allow employees stationed overseas to bring children with them but without spouse, offer a re-employment system, and promote awareness through organizational leadership training. Through these measures, we are working to establish environments that provide job satisfaction to female employees. Additionally, our various other measures, such as the morning-focused working system, also constitute initiatives that contribute to support for active female participation.

Data on the Career Development of Female Employees

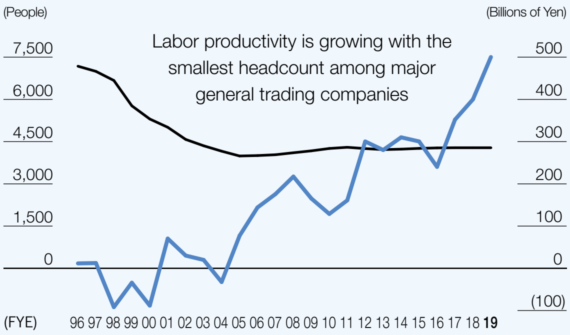
	FYE 2018	FYE 2019	FYE 2021 Goal
Percentage of female managers	6.8%	7.6%	Over 10.0%
Female managers / All managers	173 / 2,558	195 / 2,555	
Percentage of female career-track employees	9.0%	9.4%	Over 10.0%
Female career-track employees / All career-track employees	313 / 3,461	327 / 3,463	

Human Resource Strategies That Create a Virtuous Cycle between People and Corporate Value

Through our human resource strategies, we have striven to steadily increase labor productivity per employee at ITOCHU on a non-consolidated basis, which has the smallest headcount among major general trading companies. Going forward, by creating a virtuous cycle between the recruitment of superior human resources and the increase in corporate value, we aim to address the impending “2030 problem,” the labor shortages and more frequent job changes, in order to achieve sustainable increases in corporate value.

OUTCOME

Number of ITOCHU Employees and Consolidated Net Profit



— Number of employees, non-consolidated basis (left)
— Consolidated net profit (right)

Company ranking among job-seekers: 1*

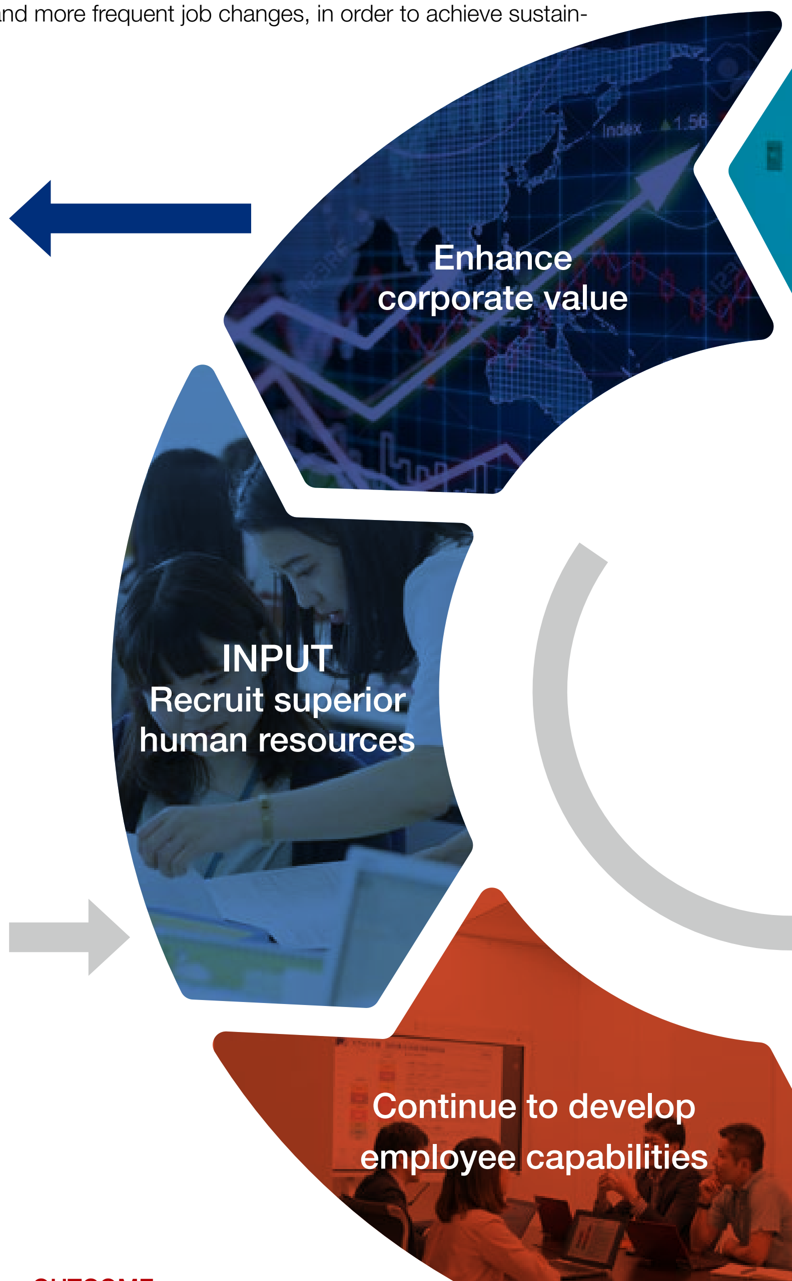
* Sources: “Company Ranking among Job-Seekers Graduating in 2020,” by GAKUJO Co., Ltd.; “Ranking of Companies Job-Hunters Are Attracted To: General Edition,” by Career+ Shukatsu; “Survey of Companies Where Job-Hunters Wish to Work,” by WORKSJAPAN Co., Ltd.

Our Understanding of the Environment

2030 problem ⇒ Labor shortage, more frequent job changes

In 2030, a labor shortage of 6.44 million people*

* Source: “Labor Market Outlook 2030,” by PERSOL RESEARCH AND CONSULTING Co., Ltd., and Chuo University



Increasing the Number of Chinese-Speaking Employees (from FYE 2016)

- Increase the number of Chinese-speaking employees to 1,000, or around one-third of career-track employees
- Provide overseas training in the Chinese language

OUTCOME

- Expand our foundations in China and other parts of Asia, which are our areas of strength
- In FYE 2018, met the target of having 1,000 employees with Chinese-language qualifications
- Implementing programs to maintain or increase Chinese-language proficiency

Hiyoshi Dormitory (from FYE 2019)

- Foster the development of, and a sense of unity among, young employees

OUTCOME

- Create personal networks that surpass the boundaries of age and departmental affiliation, and build a robust organization
- Encourage the passing on of a free-spirited corporate culture

Ensuring Robust Operation of the Virtuous Cycle

ITOCHU introduced a morning-focused working system in FYE 2014. Labor productivity rose significantly as a result. Thereafter, we introduced a number of health management measures, formulating the ITOCHU Health Charter and Support Measures for Balancing Cancer Care and Work. We also encourage human resource diversity through the Gen Ko Tsu Reform ("on-site," "individual," "connect"), which supports individual lifestyles according to different life stages and careers. Furthermore, we have increased the number of Chinese-speaking employees, enhancing our ability to develop business in China. We have introduced "Dress-down Days" as a way to foster the flexible thinking necessary for reinvention of business, and we are promoting other human resource measures that align with our growth strategies. Through such initiatives, we have created a virtuous cycle in which we enhance corporate value, which then fosters the recruitment of superior human resources. We are implementing measures to ensure this virtuous cycle becomes even more robust.

Morning-Focused Working System (from FYE 2014)

- Shift from the tendency to work late-night to morning-focused working style
- In principle, prohibit work after 8:00 pm, and encourage to work in early morning (from 5:00 am to 8:00 am)
- Offer free breakfast
- Provide a higher wage rate for people who start work before 8:00 am
- Extend morning training options, such as Morning Activity Seminars

OUTCOME

- Improve operating efficiency and use time more effectively (self-improvement, etc.)
- Reduce overtime work, correcting the issue of long working hours
- By reducing overtime pay and taxi fares, lower overall costs even though providing free breakfast

Dress-down Days (from FYE 2018)

- Create an environment that encourages flexible thinking
- Allow employees to work in casual clothing on Wednesdays and Fridays (every day in summer)

OUTCOME

- By encouraging employees to think more about their clothing, promote employees to have interests in various things actively and foster an atmosphere conducive to new ideas

Support Measures for Balancing Cancer Care and Work (from FYE 2018)

- Hold regular checkups through a cooperation with the National Cancer Center Research Institute
- Reflect the balance between treatment and work tasks in individual performance reviews
- Provide full Company assistance for expenses for advanced cancer treatment
- Provide schooling and work support for bereaved family members

OUTCOME

- Maintain and increase employee motivation and sense that work is worthwhile
- Create an environment where employees can feel secure and devote their full attention to work
- Reduce uncertainty about the future

Client Assets and Partner Assets

Maintaining relationships with customers and suppliers is indispensable in obtaining and expanding trade opportunities. Over many years, ITOCHU has built up positive relationships with numerous leading companies. We can achieve sustainable growth in profitability precisely because of extensive client and partner assets.

Client Assets and Partner Assets

Value for Stakeholders (Main Stakeholders)

Provide value to clients (customers / suppliers)
- Leverage our functions as a "general" trading company
- Foster win–win relationships
- Move quickly into new domains
- Increase the rate of business success

Provide value to society
- Stably procure and provide the products and services we handle
- Build local infrastructure and create sustainable employment opportunities
- Contribute to healthcare and education

Sampo Yoshi

Value for ITOCHU

- Create a strong and stable earnings base
- Cultivate business know-how and create new business
- Boost our business success rate and reduce risk

Risks

- Losses of good clients and partners
- Shifts to direct sales by clients (hollowing out)
- Obsolescence of existing business models due to the emergence of new technologies and services

Opportunities

- Reinvention of business model in line with the emergence of new technologies and services
- Creation of synergies with good clients and partners
- Expansion of networks and build new businesses with clients and partners

Specific Initiatives

- Select and secure good partners
- Introduce initiatives involving cross-Division Company collaboration
- Leverage leading-edge technologies and services and transform business models
- Take EHS (environment, health, and occupational safety) into consideration
- Build safe and secure supply chains

KPIs

- Profits from initiatives with good partners
- Number of clients and partners
- Lower costs and allowance for bad debts

Influential Capital (IIRC Framework)

- Human capital
- Social and relationship capital
- Manufactured capital

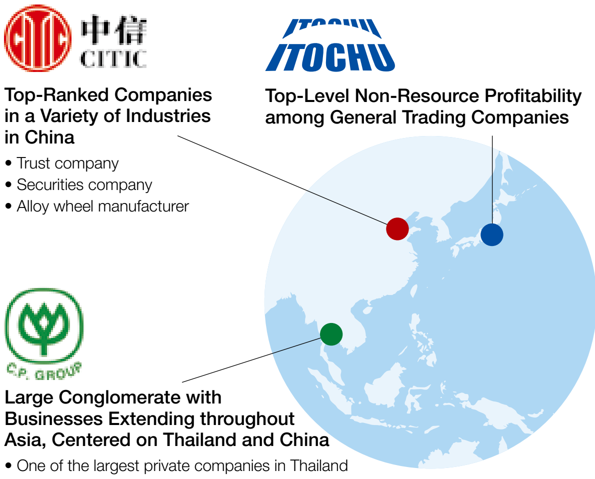
SDGs to which ITOCHU Will Contribute

Collaborating with CITIC and CP Group

ITOCHU has strategic business alliances and capital participation agreements in place with CITIC, one of China's largest conglomerates, and CP Group, one of the largest and most prominent conglomerates in Asia. CP Group, which was the first foreign firm to enter China, has built an extensive framework of businesses in local markets throughout China. This partnership with CP Group and CITIC, which is effectively majority-owned by the Chinese government, was achieved precisely because we took the lead among major general trading companies in contributing to business development in China.

With our strengths in the non-resource sector, particularly the consumer-related businesses, we are taking a medium- to long-term view in our collaboration with CITIC, formulating major initiatives that will impact earnings structure of CITIC as it expands non-financial business. In FYE 2019, we have announced projects regarding education, real estate development, and the healthcare business. In addition, each Division Company is considering multiple projects, including the formation of a data center investment fund. Top management of the three companies is considering collaborative policies while at the senior executive and employee levels, we are conducting personnel exchanges and engaging in enthusiastic discussions and deliberations. These moves to promote mutual understanding are aimed at accelerating our collaboration with CITIC and CP Group and creating full-fledged synergies.

Taking a forward-looking approach, three companies will work together to increase corporate value mutually and contribute to abundance for the people of China and other parts of Asia.



Top-Ranked Companies in a Variety of Industries in China
- Trust company
- Securities company
- Alloy wheel manufacturer

Top-Level Non-Resource Profitability among General Trading Companies

Large Conglomerate with Businesses Extending throughout Asia, Centered on Thailand and China
- One of the largest private companies in Thailand
- Operating businesses in 21 countries, exporting products to more than 150 countries
- First foreign-funded enterprise recognized by the Chinese government (1979)
- One of the largest foreign corporate groups in China, with established business foundation throughout the country

Developing Cross-Division Company Collaboration with Excellent Partners

ITOCHU is leveraging the Group's comprehensive strength to provide solutions through cross-Division Company collaboration, building win–win relationships with excellent clients and partners.

Establishment of a Joint Venture Plant with the Metsa Group to Produce Environmentally Friendly Cellulose Fiber

ITOCHU's Textile Company is working to increase the volume of environmentally friendly materials it handles. As part of these efforts, we have reached an agreement with the Metsa Group to set up a joint venture plant to produce an innovative cellulose fiber using a proprietary production method based on the success of METSA FIBRE OY's basic R&D. This agreement evolved as a result of the positive relationship the General Products & Realty Company has cultivated over the years with METSA FIBRE OY, one of the world's leading softwood pulp producers.

Cross-Division Company Initiative with euglena

In 2008, ITOCHU entered a capital participation agreement with euglena Co., Ltd. (euglena), which is undertaking R&D and the large-scale culturing of Euglena, a type of microalgae. The Food Company is promoting the sale of Euglena-containing products and working with FamilyMart to develop and sell such products. In addition, ITOCHU ENEX CO., LTD., is working with euglena, assisting with resource procurement toward the commercialization of aircraft biofuel and biodiesel fuel. Furthermore, the Metals & Minerals Company has concluded a memorandum with euglena to start an overseas demonstration project to culture Euglena using CO_2 and waste heat from coal- and natural gas-fired thermal power plants.

Establishment of The 8th Company

The vigorous digital transformation that is occurring as part of the Fourth Industrial Revolution is prompting the emergence of services and business models that ITOCHU will no longer be able to handle via its conventional vertical, product-based organization.

We are addressing the situation through the establishment of The 8th Company, which adopts a market-oriented perspective and will aim to cultivate new businesses and clients through a keen awareness of market changes.

To promote a sense of speed, rather than involving a large-scale reorganization, The 8th Company will begin operations with around 40 people selected from the seven existing Division Companies. These people have been selected for their extensive expertise and experience in consumer businesses. To invigorate our organization, we will need to further hone the “individual capabilities” that are our strength. The 8th Company will spearhead the Companywide introduction of a personnel system that encourages young employees to take on challenges even more than before, as well as a productivity- and efficiency-focused office system such as a “free address office,” where employees are free to change desks. In these ways, we plan to invigorate our organization and human resources even more.

The new Division Company will collaborate with the seven existing Division Companies to fully leverage various business platforms, particularly in the consumer sector, which is an area of our strength. By accelerating cross-industrial integrations and cross-Division Company initiatives, the new Division Company will foster new “general” trading company functions and aim to achieve sustainable increase in corporate value.

Kensuke Hosomi
President, The 8th Company

I am keenly aware that leading the new “challenge” of ITOCHU is a heavy responsibility. At the same time, I am grateful to have this opportunity to cultivate the seeds of “transformation.” I intend to take advantage of my knowledge of the brand business and my experience with the convenience store business which holds a huge logistics network.

I will move resolutely forward and take on challenges which the new Division Company can uniquely tackle, convinced that The 8th Company is the starting point of ITOCHU’s transition to a next-generation business model.

Natural Resources

Through its business in the resource and non-resource sectors, ITOCHU responds to societal demands for the stable procurement and supply of natural resources, while linking those demands to new business opportunities in response to the social issues described in the SDGs.

Natural Resources

Value for Stakeholders (Main Stakeholders)

Provide value to clients (customers / suppliers)
- Stable supply of natural resources and materials
- Develop, supply, and sell environmentally friendly products and services
- Expand recycling businesses

Provide value to society
- Usefully leverage limited natural resources
- Consider and reduce of the impact on the environment

Sampo Yoshi

Value for ITOCHU

- Maintain and enhance business through reduction of environmental risks
- Enhance sociality and creditworthiness through execution of responsibility for appropriate supply

Risks

- Decrease in stability of procurement
- Existing energy market shrinkage (coal and crude oil)
- Decrease in fossil fuel demand
- Business damage due to increasingly abnormal weather
- Occurrence of environmental issues and protest campaigns
- Claims for damages from environmental degradation resulting from development and deteriorating relations with local communities

Opportunities

- Increase in demand for environmentally friendly products and services
- Expansion of new energy market (wind power, solar power, etc.)
- Customer retention and acquisition due to strengthened supply systems
- Increase in demand due to population growth and rising standards of living in emerging countries

Specific Initiatives

- Implementation of ITOCHU's coal-related business policy
- Prevention of environmental pollution and strict adherence to laws and regulations
- Promotion of environmental conservation activities
- Strengthening of supply chain and business investment management from a sustainability perspective
- Education and awareness raising of employees to help promote sustainability

KPIs

- Ratio of renewable energy
- Level of energy consumption
- Level of waste emissions
- Amount of paper consumption
- Amount of water usage and emissions
- Groupwide, including supply chain, CO_2 reduction target (to be established in FYE 2020)

Influential Capital (IIRC Framework)

- Natural capital
- Social and relationship capital
- Human capital
- Intellectual capital

SDGs to which ITOCHU Will Contribute

6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND

METSA FIBRE and CENIBRA's Use of Sustainable Forest Resources

METSA FIBRE

The two pulp manufacturers in which ITOCHU invests produce pulp using environmentally certified plantation trees. These companies use plantation resources efficiently, such as by burning a black liquor alternative energy that occurs during the pulp production process and using it for power generation. Moreover, in order to maintain sustainable forest resources, they conduct various initiatives, including plantation management.

ITOCHU has a 25.0% stake in METSA FIBRE OY (METSA FIBRE) of Finland, the world's largest producer of softwood pulp. Approximately 80% of the pulp produced by METSA FIBRE has acquired forest certification by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification Schemes (PEFC), while the pulp is 100% traceable. In Finland, the number of logs grown exceeds the number consumed, making possible the long-term stable supply of logs. METSA FIBRE produces pulp by procuring raw materials from Metsäliitto, a company comprising about 100,000 forest owners and the majority shareholder of METSA FIBRE, covering an area of approximately 5 million ha (equivalent to approximately 17% of Finland's total land area). Moreover, of the power generated at its own plants, METSA FIBRE supplies the surplus amount not required in-house to surrounding areas, thereby contributing to a reduction in fossil fuel consumption in its region.

ITOCHU also has a 33.3% stake, in tandem with Japan's major paper manufacturers, in Celulose Nipo-Brasileira S.A. (CENIBRA) of Brazil, the world's 8th largest manufacturer of commercial hardwood pulp. Of the approximately 250,000 ha of land held by CENIBRA, the company plants trees on approximately 130,000 ha while striving to maintain the ecosystem by treating most of the remaining land as a protected forest. Furthermore, CENIBRA has received the FSC's forest certification and Chain of Custody (CoC) certification (certification on management of the processing and distribution of forest products). CENIBRA enables sustainable forest management by using 100% plantation trees and comprehensively conducts all stages from tree planting to pulp production. Additionally, with the goal of regenerating forests in areas where there have been soil disruptions, landslides, or withering of vegetation, CENIBRA plants tens of thousands of seedlings of the same variety as natural forests over several hundred ha annually. CENIBRA also entrusts the planting and cultivation of eucalyptus trees, which are the raw material, to local farmers, and purchases grown logs. In addition to the environmental effect of greening barren areas, these efforts lead to the stable supply of raw material and the creation of regional employment, thereby helping to establish a win–win relationship with local residents and local entities.

Going forward, the ITOCHU Group will enhance the sustainability of business while promoting the use of sustainable forest resources.

Policy on Coal-Related Business Based on the Taskforce on Climate-related Financial Disclosures

Recommendations by the Taskforce on Climate-related Financial Disclosures (TCFD) encourage companies to effectively disclose climate-related financial information with consistency, comparability, reliability, and clarity to promote appropriate investment decisions by investors and financial institutions. These recommendations come from the observation that climate change-related risks and opportunities will increase in the future. In response to these recommendations, the Ministry of the Environment (MOEJ) is promoting a support program for analyzing climate risks and opportunities in line with the TCFD recommendations in order to facilitate analysis by companies in line with TCFD recommendations. In FYE 2019, ITOCHU was selected as one of six model companies for this program, and conducted scenario analysis and business impacts evaluation on our power generation-related business*.

We also conducted similar scenario analysis and business impacts evaluation on our coal-related business, which has a particularly significant impact on our business and stakeholders, and is recognized as an issue requiring prompt attention.

Based on those analyses and evaluations, we committed ourselves to a policy of neither developing any new coal-fired power generation business nor acquiring any new thermal coal mining interest. In February 2019, we sold our interest in the Rolleston thermal coal mine held through our wholly-owned subsidiary in Australia, ITOCHU Minerals & Energy Australia Pty Ltd. We will continue to conduct reviews of our existing thermal coal mining business, while responding to the social demand from customers in Japan and overseas for a stable supply of energy, as well as continuing to participate in technological research that contributes to reducing greenhouse gas emissions. Moreover, we will aim for a renewable energy ratio of over 20% (equity interest basis) in our power generation business by FYE 2031.

ITOCHU has identified “addressing climate change (contributing to the realization of a low-carbon society)” as material sustainability issues (materiality) from an ESG perspective. In addition to adapting to the business impacts of climate change, we are promoting business activities that help toward a low-carbon society and striving to reduce greenhouse gas emissions. Moreover, in addition to our endorsement of the TCFD recommendations, we are also participating in the TCFD Consortium of Japan, a discussion platform for companies who support the TCFD, established by the Ministry of Economy, Trade, and Industry, the MOEJ, and the Financial Services Agency. Going forward, we will analyze the impact of climate change on our entire business in line with the TCFD recommendations and seek to disclose related information in a timely and appropriate manner.

* Please see the website below for details on scenario analysis and business impact evaluation.
MOEJ “Practical guide for Scenario Analysis in line with TCFD recommendations”: http://www.env.go.jp/en/headline/2396.html

Sarulla Geothermal Power Plant, Indonesia

Butendiek Offshore Wind Power Plant, Germany

Saga-Ouchi Solar Power Station, Japan

Relationships with Society

Trough constructive dialogue with stakeholders, ITOCHU seeks to understand and meet the demands and expectations they have for us, allowing us to promote stable business activities in Japan and overseas and further enhance corporate value.

Relationships with Society

Value for Stakeholders (Main Stakeholders)

Provide value to clients (customers / suppliers) and shareholders
- Stably procure and supply products and services
- Reduce supply chain risks
- Enhance shareholder returns policy
- Promote understandings of ITOCHU's management and businesses through engagement

Provide value to society
- Establish a sustainable society
- Develop local infrastructure and create sustainable employment
- Contribute to medical care and education

Sampo Yoshi

Value for ITOCHU

- Establish mutually beneficial relationships with local communities
- Enhance ITOCHU's trust and creditworthiness
- Strengthen ITOCHU's management through engagement
- Maintain sound and transparent governance structures
- Establish a stable and strong earnings base

Risks

- Project delay and continuity risks accompanying the occurrence of environmental and human rights issues
- Decrease in creditworthiness when consumer safety or health issues occur
- Impact of destabilization of the market and social security system due to policy changes, etc.
- Obsolescence and extinction of existing business models that accompanies structural changes in facing industries

Opportunities

- Expansion of business domains by addressing the social issues described in the SDGs
- Business stabilization and recruitment through harmonious coexistence with local communities
- Increase in demand due to population growth and rising standards of living in emerging countries
- Occurrence of new business opportunities that accompanies structural changes in facing industries

Specific Initiatives

- Engagement with stakeholders
- Strengthening of supply chain and business investment management from a sustainability perspective
- Education and awareness raising of employees to help promote sustainability
- Activities through governments, business circles, and industry organizations
- Social contribution activities and volunteer activities

KPIs

- Number of engagements with stakeholders
- Number of companies participating in sustainability surveys
- Number of ESG- and compliance-related internal training sessions and number of participants
- External evaluation of initiatives and additions to indexes
- Shareholder returns (dividend payout ratio and share buybacks) and EPS

Influential Capital (IIRC Framework)

- Social and relationship capital
- Natural capital
- Human capital
- Intellectual capital

SDGs to which ITOCHU Will Contribute

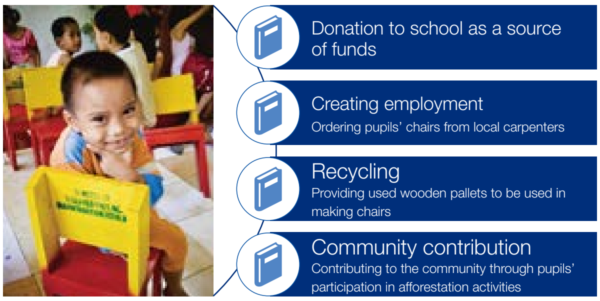
Dole Philippines—Harmonious Coexistence with Local Communities

The pineapple division of Dole Philippines Inc. (Dolefil), a subsidiary of Dole International Holdings, Inc., continues to promote an initiative that integrates social contribution and growth strategies guided by a “Social Fence” concept, whereby a region protects its businesses. Despite conducting farm management in a region that suffers from social instability and underdeveloped business infrastructure, Dolefil has achieved sustained business development for more than half-a-century through management with a thorough focus on harmonious coexistence with local communities.

For pineapple cultivation, which requires a fixed period of financial commitment (one cycle for every three years), Dolefil provides loans to farmers who are new to pineapple cultivation to cover initial investment and shares expertise regarding the improvement of production efficiency while purchasing harvested pineapples. At the same time, Dolefil supports the stability of the cultivation business. Dolefil also runs a program to build homes for employees who earned high scores based on such factors as their years of service and work attitude, thereby linking lifestyle infrastructure support with productivity enhancement.

In addition, Dolefil is conducting initiatives in collaboration with regional governments and Mahintana Foundation, Inc. (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, Dolefil is conducting ongoing donations to regional schools. It accomplishes 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. Additionally, using the money from donations to order pupils’ chairs from local carpenters creates employment. Dolefil also offers 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.

A school built thanks to support from Dolefil and its employees



Dolefil’s policies for creating shared values (CSV) expand the scope of the Social Fence by improving the livelihoods of local citizens through creating local employment. In this way, they are compatible with ITOCHU’s *sampo yoshi* philosophy, which supports business sustainability and raises productivity and quality. Dolefil is recognized as a company with deep roots in the local community.

SPECIAL FEATURE

A Merchant That Evolves to Enhance Sustainable Corporate Value

This special feature section explains how ITOCHU, while preserving its identity as a merchant, is reinventing its business, adopting even more sophisticated smart and health management, reinforcing ESG-related initiatives, and undertaking other measures to transform itself and enhance sustainable corporate value.

SPECIAL FEATURE 01

Aiming to Reinvent Our Business

To help readers more accurately understand our true aims behind "reinvention of business," here we respond to some of the questions we frequently receive from shareholders and investors.

Q1 What does "reinvention of business" mean?

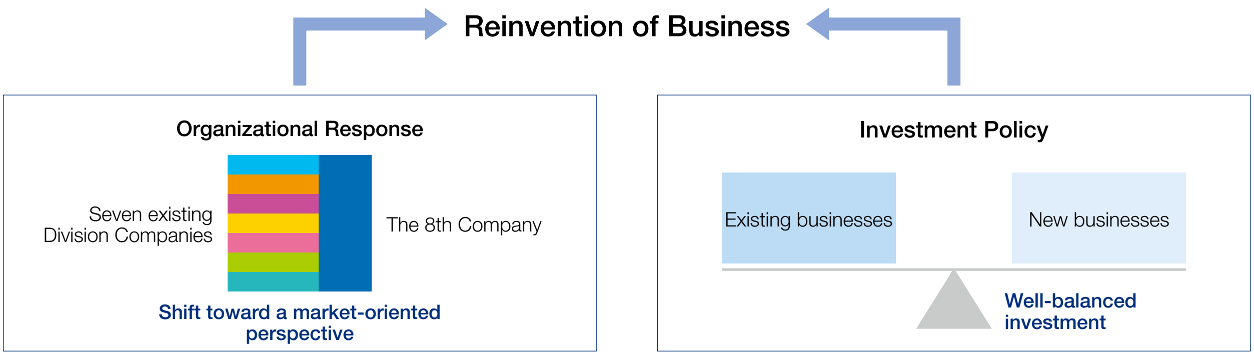
ANSWER

The world is undergoing major changes that are being described as the Fourth Industrial Revolution and the digital revolution. Amid these changes, the ITOCHU Group needs to transform its business model in response to an evolving industrial structure. While we are working to prevent our existing business model from becoming obsolete, we recognize the importance of steadily introducing new initiatives that will be game-changers in the new industry landscape. We refer to this as "reinvention of business."

Q2 What are your investment policies for reinvention of business?

ANSWER

Around the world, cutting-edge technologies and new-material products and services are grabbing the limelight, but reinvention of business does not necessarily mean focusing all our business on these areas. As before, we will invest in evolving and transforming our existing businesses, centered on the non-resource sector, which is an area of our strength. We will balance this with new business investments that include cutting-edge technologies and new-material products and services.



Q3 As you pursue reinvention of business, what are some of the concerns you face, and how will you respond to them?

ANSWER

At present, huge platformers whose business foundations stem from e-commerce and other customer contact points are expanding their presence. Given this situation, we think further business development using a conventionally vertical, product-oriented organization will near its limits. To address this situation, we established The 8th Company. This new Division Company approaches business from a novel perspective, facilitating the one-stop provision of products and services from a market-oriented perspective. We believe it is important to hone the sensitivities of all employees toward global trends, promoting and further expanding the ITOCHU Group's businesses in the seven existing Division Companies and The 8th Company.

Q4 What was the reason for establishing the new Chief Digital Officer (CDO) position?

ANSWER

We put in place the CDO position to facilitate cross-industrial integration, accelerate cross-Division Company initiatives, and reinforce cross-divisional functionalities. The CDO & CIO's functions include the management of conventional information strategies and information security measures, as well as the promotion of further business reinvention.

Process Automation and Increased Efficiency through RPA

Robotic process automation (RPA) is a term to describe the use of software robots to increase efficiency and automate routine manual tasks. Automating PC operation rather than using people helps to reduce working hours and improve accuracy. At the same time, it allows the limited number of human work hours to be allocated to high-value-added work, raising labor productivity. Our IT Planning Division, which has expertise in this area, is providing full-scale support and promoting the configuration and application of RPA to be more effective. Eventually, we aim to deploy RPA beyond the Company and throughout the ITOCHU Group. By building our IT backbone, the IT Planning Division, overseen by the CDO & CIO, supports the management strategy of raising operation efficiency Companywide.

Q5 What are the strengths of ITOCHU with respect to reinvention of business?

ANSWER

Our history of venture investments dates back to the dawning of the Internet in the early 1990s. Since then, we have forged networks with influential funds and other parties in America's Silicon Valley, and accumulated expertise in venture investments. In addition, we have a track record of expanding businesses to the areas adjoining business fields where we have already established market positions or the areas where we can make the most of our strength. By developing individual businesses in a multifaceted manner, we have increased the profits of existing businesses. In reinventing business, we will adopt this same approach to take advantage of our venture investment networks and know-how. In addition, ITOCHU has numerous strategically important Group companies and partners with which to pursue synergies and business reinvention. This is also one of ITOCHU's strengths.

Q6 What were some of your investment successes related to next-generation business in FYE 2019?

ANSWER

In FYE 2019, we invested a total of around ¥30.0 billion in three fields as steppingstones toward business reinvention: the consumer value chain, next-generation mobility and electricity, and the application of other new technologies. Going forward, we will strategically turn these investments from steppingstones into our business in the aim of realizing profits at an early stage. (⇨ Page 69)

Q7 Does next-generation business incorporate sustainability-related investments?

ANSWER

Certainly, these investments are included. We have already invested in new technologies, such as recycling-based biomass feed and environmentally friendly materials that support a move away from plastic. We are steadily developing business directed toward resolving the issues society faces.

CASE STUDY

In FYE 2019, we put in place the steppingstones to business reinvention by investing a total of around ¥30.0 billion in three fields: the consumer value chain, next-generation mobility and electricity, and the application of other new technologies.

Mobility

The Chinese market is leading the world in making the transition to electric vehicles through passenger cars, trucks used in logistics, and as means of public transport. In this market, we have entered into capital alliances with Dishangtie Car Rental (Shenzhen) Co., Ltd. (DST), which has a nationwide logistics network of electric commercial vehicles, and ZHICHEAUTO Technology (Shanghai) Co., Ltd. (Singulato), a new EV manufacturer.

We became a capital participant in Via Transportation, Inc. (Via), a leading-edge North American technology company that provides ride-sharing services. By supplying Via's system in Japan to taxi and bus companies and other public transport operators, as well as to local governments and companies, we are making a proactive effort to resolve domestic transport issues.

Electricity (Storage Batteries)

Through a capital alliance with Moixa Energy Holdings Ltd., of the United Kingdom, we are providing electric power optimization services that utilize AI technologies. We have also entered into capital alliances with U.S. companies Sunnova Energy Corporation and 24M Technologies, Inc., involving the development of storage batteries for overseas households run on solar power as well as the development of next-generation lithium-ion batteries, for which demand is growing. Through these initiatives, we are expanding our storage battery business in Japan and overseas.

Retail

The digital marketing and fintech businesses have a high degree of affinity with the retail business. The largest player in this area in the ITOCHU Group, with the largest number of customer contact points, is FamilyMart. Through capital alliances with FreakOut Holdings, Inc., and Paidy Inc., we aim to accelerate the creation of new profit opportunities.

FYE 2019 Investment in Reinvention of Business

Consumer Value Chain	Next-Generation Mobility and Electricity	Application of Other New Technologies
Scale of investment: ¥19.0 billion ■ Fintech (Paidy) ■ Advertising / marketing (FreakOut) ■ Data utilization (WingArc 1st) ■ Cross-border e-commerce (Inagora)	**Scale of investment: ¥6.0 billion** ■ Logistics using electric trucks (DST) ■ Passenger EVs (Singulato) ■ Ride sharing, car sharing (Via / Hiyacar) ■ AI for storage battery optimization (Moixa) ■ Next-generation batteries (24M)	**Scale of investment: ¥5.0 billion** ■ New materials / move away from plastic (TBM) ■ Regenerative medicine (Organ / Promethera) ■ On-site IoT and digitalization (traceability of natural rubber)
■ Promotion of FamilyMart's digital strategy ■ Strategic investments in the fintech and advertising / marketing fields, and others	■ EV-related investments in China ■ Capital participation in a North American ride-sharing company ■ Further strengthening the field of storage batteries, and others	■ Investment related to the SDGs / ESG and steppingstones in the on-site IoT field

SPECIAL FEATURE 02

Three-Way Dialogue
The Human Resources and Corporate Value of ITOCHU

We asked CAO Fumihiko Kobayashi and outside Directors Atsuko Muraki and Masatoshi Kawana about key issues facing ITOCHU in its pursuit of sustainable growth, particularly in terms of human resource strategy.

Kobayashi: First, allow me to thank you both sincerely for the wide-ranging insight and guidance you provide as members of the Board of Directors. Also, thank you once again for sharing your candid views regarding ITOCHU today.

Muraki: Discussions in the Board of Directors are lively, and ideas shared by outside Directors are also being actively incorporated into managerial decisions. When we held discussions concerning uniform supply issues, I was glad that we were able to find common ground after the outside Directors came together and commented on issues that were difficult to notice internally.

Kawana: Input from outside Directors were also what led to revisions in the executive remuneration system. Outside Directors have the duty of pointing out issues that are difficult to mention or change for those working within the Company.

Kobayashi: I am thankful to have received your enlightened insight as outside Directors, even when it was stern, because I think it led to stronger governance.

Muraki: I remember a case in which outside Directors expressed their opinions persistently. Mr. Okafuji encouraged us to express ourselves, saying, “I just want you to speak freely.” This was a good idea because it led us to share a variety of opinions, which enabled us to know the different opinions that we all held. Furthermore, the Board actively incorporated outside Directors’ opinions when establishing The 8th Company. ITOCHU also gives outside Directors like us the opportunity to interact with young employees. We found that these young employees indicated awareness of internal issues and often spoke of the “problem with vertical organizations.” Based on their input, we made proposals urging more effective use of human resources. In response, the Company adopted the policy of promoting measures to invigorate human resources when establishing The 8th Company. I was surprised at the overwhelming speed at which the Company implemented this decision.

Kobayashi: Perhaps this quick transition from decision-making to implementation is a characteristic of ITOCHU. It is meaningless just to increase the number of outside Directors if they aren’t effective. To ensure the effectiveness of our outside Directors, we provide them with opportunities to exchange their views with employees and

"With a little ingenuity, I think we can encourage further participation from female employees in a way that is natural."

Atsuko Muraki
Outside Director

Assumed a position as member of the Board of Directors at ITOCHU in June 2016, after serving as Vice Minister of Health, Labour and Welfare. Served as Chairman of the Governance and Remuneration Committee in FYE 2019, leading discussions regarding proper response toward revisions to the Corporate Governance Code. Ms. Muraki has also contributed many helpful proposals and suggestions concerning internal control, compliance, work-style reforms, and sustainability.

executives, inspect business sites in Japan and overseas and meet face to face with the chairpersons and presidents of major Group companies to increase their understanding of our businesses and the issues that we face. Through these measures, our outside Directors independently participate in the management of the Nomination and Governance and Remuneration Committees.

Kawana: We may not be full-time Directors, but we still visit ITOCHU with considerable regularity. As we meet with executives and employees more and more, many things become clear. When I was in North America for an overseas business inspection the other day, I had the privilege of seeing employees genuinely enjoying their work. Thanks to this sight, I gained firsthand understanding of the effectiveness of ITOCHU's wide-ranging human resource policies.

Kobayashi: On the topic of human resource policies, we must increase labor productivity to compete with other general trading companies while maintaining a small but highly skilled labor force. For this reason, we have long considered human resource strategies to be corporate growth strategies and have pioneered a series of work-style reforms, including our morning-focused working system. To raise labor productivity, all of our employees must have opportunities to demonstrate their advanced abilities and be healthy, motivated, and satisfied with their jobs. All members of ITOCHU are currently working together to become the "best company in Japan." This goal was established because an ITOCHU employee who passed away from cancer two years ago said, "To me, ITOCHU is the best company in Japan," before passing. At this employee's funeral, Mr. Okafuji vowed, in tears, that he would make ITOCHU the best company in Japan, no matter what. This vow from top management materialized into our Support Measures for Balancing Cancer Care and Work, which we adopted in August 2017. At the heart of these measures is an awareness that we must be a good company for our employees to achieve sustainable growth moving forward. (⇨ Page 54 Human Resources)

Kawana: As a doctor, I brought an unusual perspective with me when I assumed my role as an outside Director in 2018. When approached about the position, I wondered how my experience could contribute to corporate management. However, I realized that the goal of becoming the No. 1 Health Management Company is one of the basic policies in the current medium-term management plan and, after hearing ITOCHU's ideas regarding improving employee health and developing environments in which they can fully demonstrate their abilities, I became convinced that I could contribute in terms of health management and healthcare. ITOCHU did not stop with its adoption of its Support Measures for Balancing Cancer Care and Work; it has adopted a system of individual evaluation that considers personal achievements to balance medical treatment and work. The Company's efforts in this regard extend beyond its employees; ITOCHU is broadly expanding its perspective to include society as it contributes to the treatment of cancer through actions such as its decision to form an academic and industrial alliance with Nagoya University with the goal of furthering cancer treatment research.

Muraki: I was also confused when approached about the position in 2016 because I had been working at the Ministry of Health, Labour and Welfare for a long time and was unfamiliar with corporate management. At the time, ITOCHU was discussing its goal of becoming a company that allows its diverse human resources, including women or employees with time limitations caused by nursing care obligations, to fully demonstrate their abilities. I immediately realized that my role under these conditions was to utilize my connections related to labor management, and promote human resource advancement and revitalizing organizations. Organizations under the previous general trading company model made decisions under a pyramid system, which seemed to take an enormous amount of time. I proposed that, moving forward under an amoeba-like management system, we must redistribute authority and improve communication, changing organizations in a way that allows young employees to further demonstrate their capabilities. This idea continues to inspire steady change and has been reflected in initiatives related to The 8th Company. However, diversity continues to be a major issue. The Division Companies have strong authority in terms of personnel administration, and I get the impression that they are still holding on to some old ideas. Perhaps headquarters and the Human Resources and General

"I became convinced that I could contribute in terms of health management and healthcare."

Masatoshi Kawana
Outside Director

Served as Vice President of Tokyo Women's Medical University Hospital, in addition to other positions. He assumed a position as member of the Board of Directors at ITOCHU in June 2018. Contributed to the further development of governance at ITOCHU as a member of the Governance and Remuneration Committee in FYE 2019. Mr. Kawana used his expertise to provide many useful proposals and suggestions in the fields of health management and healthcare-related business.

Affairs Division should take the initiative and promote further diversity. With a little ingenuity, I think we can encourage further participation from female employees in a way that is natural.

Kobayashi: We recently increased our number of outside Directors, bringing the total to four out of 10 Directors overall. Furthermore, we have two female Directors now that Ms. Nakamori has joined us as an outside Director. (⇨ Page 74 History of the Board of Directors) Additionally, we promoted to the position of Executive Officer a female employee who has been with ITOCHU since she was hired as a new graduate, bringing the total number of female Executive Officers to two. However, only about 10% of our employees in career-track positions are female, and we cannot say that our ratio of females in management positions is high. It can be said that we have relatively little experience hiring females for career-track positions, but I believe we should respond to this point seriously.

Kawana: I believe that, when viewing diversity from the perspective of the varied experiences it brings, it is undeniable that we need to do away with vertical organizations that have long overstayed their welcome and implement cross-Division Company and division transfer. On the other hand, my talks with on-site employees, who are very proud of their statuses as professionals in their respective fields, have led me to the realization that we should not rashly move employees without first giving them the opportunity to work in the same division for a few years and accumulate expertise on specific products. We should take these feelings from our young employees to heart and steadily supply them with a good balance of opportunities for both input and output.

Muraki: It is said that when human resources combine new outside experiences with their previous experiences, it produces a "multiplier effect" that causes large increases in ability. However, if the previous experience is not sufficiently specialized, no multiplier effect will be produced and any resulting increase in ability will only be equivalent to the sum of the experience combined. As Mr. Kawana said, honing specialized expertise is important. When nurturing employees, I believe it is important to be aware the balance between pursuing specialties and seeking outside challenges that will provide this multiplier effect.

Kobayashi: Societal demand for us to contribute to the resolution of social issues through our core business is rising in response to a variety of developments, including the UN's adoption of its SDGs, the enactment of the 2016 Paris Agreement, and expansion in ESG investment. In April 2018, we formulated our Basic Policy on promoting Sustainability, incorporating ESG perspectives into our material issues. (⇨ Page 50 Sustainability) In September 2018, we were selected for inclusion in the World Index of the Dow Jones Sustainability Indices, an international ESG index, for the sixth consecutive year. Additionally, we received the Gold Class award in the 2019 SAM Sustainability Awards, which are conducted by RobecoSAM AG and commend excellent companies from each industrial sector that are implementing initiatives related to sustainability. The Gold Class award, which we won for the fourth consecutive year in 2019, is bestowed upon top companies in each sector. This is an extremely high honor, given that out of 66 companies worldwide to have received this honor, only five have been Japanese.

Muraki: From the standpoint of ESG, I believe that we are implementing excellent initiatives. I recently visited Via Transportation, Inc., and METSA FIBRE OY and felt that their initiatives have a lot of potential. This potential is not limited to ESG in the narrow sense; I believe that we can expect these investments focused on raising value for all of society while creating systems that allow other businesses to develop by absorbing expertise gained through these investments. ITOCHU possesses an abundance of excellent management resources, so I believe that if it works on strengthening Group companies while maintaining an awareness concerning ESG, the level of ESG for the entire ITOCHU Group will also rise.

Kawana: The Support Measures for Balancing Cancer and Work that were mentioned earlier, simultaneously create social value and economic value for ITOCHU. This creation of value ultimately allows ITOCHU to contribute to the achievement of the SDGs. In terms of environmental (the "E" in "ESG") considerations, we are promoting initiatives in relation to the Task Force on Climate-related Financial Disclosure. We announced a fundamental policy of not operating new businesses related to thermal coal or conducting new development of coal-fired power generation. In addition, we participated in the TCFD Consortium, which was jointly established by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency and provides a forum for TCFD-supporting companies to conduct discussions. Furthermore, we are implementing a variety of advanced initiatives, including coal business analyses using a number of scenarios based on the recommendations of TCFD.

Kobayashi: As we steadily respond to social issues, I believe that human resources in the "S" (in "ESG") will play a central role in continuously expanding ITOCHU's corporate value. ITOCHU maintains that its creation of company environments that are strict but rewarding to work in leads to labor productivity befitting the No. 1 general trading company. We also aim to become a good company for society as a whole by returning the results that this labor productivity produces to our employees and shareholders. We aim to create cycle in which students searching for work upon graduation will look at us more favorably, enabling us to continuously hire more superior graduates. I want to keep this cycle turning steadily as we move forward. ITOCHU was selected as the top company in all industries or as the No. 1 general trading company in a variety of employment rankings. I believe that this is evidence of our status as a sustainable company that students have called "worth betting your life on." Furthermore, from an ESG perspective, I think that sustainability is precisely what makes a "good company."

Kawana: Currently, many traditional companies are facing pressure to implement major reforms in the face up unprecedented technological innovation. In the past, students may have felt secure if they could enter a large company, but I think that students are now selecting companies based on a stricter point of view that considers whether or not they can adapt to a variety of changes moving forward. The perception of ITOCHU as a company with a clear vision that is capable of change under these conditions is likely what leads to these kinds of assessments.

Muraki: In terms of change, I would have to say that the evolution of our corporate governance is most striking. ITOCHU's approach of listening to people's opinions, including those of its outsider Directors, has become particularly strong over the last few years. Systems that allow change, including changes to nominations and compensation, to be triggered from outside the Company are firmly built in. I believe that outside Directors like us need to play a major role during times like the present, when a company is being led by strong leadership. I will continue to exert pressure when necessary to ensure that those working within the Company do not become "yes men."

Kawana: I agree. Moving forward, I want to continue to act as a liaison that enables senior management to properly absorb the opinions of its employees.

Kobayashi: You have shared opinions for our sustainable development, focusing primarily on people. Our corporate message, "I am One with Infinite Missions," is a modernization of *sampo yoshi* (good for the seller, good for the buyer and good for society), the management philosophy of Ohmi merchants. Believe it or not, the term *sampo yoshi*, which is the cornerstone of sustainable growth at ITOCHU, is said to have been created when later scholars rephrased the business philosophy of Chubei Itoh I, ITOCHU's founder. We can confidently say that it is our original philosophy that describes the spirit upon which we were founded. (⇨ Page 20 Commentary: The Merchants of ITOCHU) ITOCHU already makes determinations regarding material issues based on this philosophy of *sampo yoshi* and uses these determinations to establish concrete goals. Moving forward, I would like to aim for sustainability by instilling this spirit, which has been continuously passed down since our founding for more than 160 years, in each of our employees and ensuring that they share it with each other and apply it in their work. Thank you for taking the time out of your busy schedules to participate today.

"We can confidently say that *sampo yoshi* is our original philosophy that describes the spirit upon which we were founded."

Fumihiko Kobayashi
Member of the Board
Senior Managing Executive Officer, CAO

Corporate Governance

History of the Board of Directors

FYE 2017

Executive Directors	Outside Directors	Ratio of Female Directors	Ratio of Outside Directors	Distinctive Feature
11 CEO, CSO CIO, CAO, CFO P, P, P, P, P, P, P	3	7% (1 female Director)	21%	In addition to the CEO and three Officers from headquarters, the Board of Directors included seven Directors who were also Division Company Presidents handling the management of individual segments.

P: Division Company President

FYE 2018

Executive Directors	Outside Directors	Ratio of Female Directors	Ratio of Outside Directors	Distinctive Feature
5 CEO, CSO CIO, CAO, CFO P	4	11% (1 female Director)	44%	Transitioned to a monitoring-focused Board of Directors by drastically reducing the number of Executive Directors.

FYE 2019

Executive Directors	Outside Directors	Ratio of Female Directors	Ratio of Outside Directors	Distinctive Feature
5 CEO, COO, CAO CIO, CFO P	3	13% (1 female Director)	38%	Transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and to respond to rapid changes in the world.

FYE 2020

Executive Directors	Outside Directors	Ratio of Female Directors	Ratio of Outside Directors	Distinctive Feature
6 CEO, COO, CAO, CFO P, Over-seas	4	20% (2 female Directors)	40%	Maintain the ratio of outside Directors at more than one-third at all times. Paying attention to the diversity of the Board of Directors, we increased the number of female Directors (outside Directors) from one to two, thereby bringing the ratio of women on the Board of Directors to 20%.

Overseas: CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations

Messages from Outside Directors

Harufumi Mochizuki

Outside Director

Mr. Mochizuki was appointed as an Audit & Supervisory Board Member of ITOCHU in June 2014 and a Director in June 2017, following a position as the Vice Minister of Economy, Trade and Industry. In FYE 2019, he served as the Chairman of the Nomination Committee, and lead deliberations on the appointment and dismissal of key management members and succession plans. He provides many beneficial and broad-minded suggestions on topics including internal control, compliance, and next-generation of business.

Aiming for Further Enhancement of the Effectiveness of the Board of Directors

I have a strong sense that the effectiveness of the Board of Directors has improved demonstrably in the two years since I was appointed as an outside Director. At meetings of the Board of Directors, we outside Directors are provided with sufficient information on proposals, while Inside Directors, including the Chairman of the Board of Directors, display a willingness to take into account outside perspectives when making management decisions. I believe that such a stance leads to more open and lively debate and is therefore very effective. Depending on the proposal, it is necessary for outside Directors to exercise their supervisory functions on subjects such as internal control and compliance. To enable outside Directors to do that, we must fully understand internal conditions such as the true state of the Company's business and the circumstances surrounding proposals, otherwise deliberations will not be effective. At ITOCHU, outside Directors are able to deepen their understanding of the Company's business through a variety of opportunities, including site visits to Group companies in Japan and overseas, and business explanations at Division Companies.

Moreover, it was decided in FYE 2019 that the Nomination Committee where I serve as Chairman would periodically deliberate on succession plans. I intend to continue to contribute to the sustainable development of the Company through conducting more effective and substantive discussions on this important issue for the Company.

Makiko Nakamori

Outside Director

Ms. Nakamori possesses a high level of expertise on finance and accounting as a certified public accountant and a wealth of experience as a corporate manager. She was appointed as a Director of ITOCHU in June 2019 and a member of the Governance and Remuneration Committee.

Realizing "a New Vision of What a Trading Company Can Achieve"

In order to establish sustainable growth foundations, ITOCHU is pursuing evolution to next-generation growth models by leveraging new technologies through proactive growth investments, asset replacements, and other strategies. I am looking forward to being able to witness at first hand, and play a part in realizing "a new vision of what a trading company can achieve," the major turning point in ITOCHU's long history spanning more than 160 years.

In addition to acquiring expertise as a certified public accountant engaged in the auditing of numerous companies, I have also been involved in management as an outside Director or an outside auditor at several venture companies. I hope to contribute to ITOCHU's "reinvention of business" going forward based on my experiences at a wide range of companies.

I am the second female Director to be appointed as a member of the current Board of Directors. I believe that one of the effects of the proactive promotion of diversity at the Board of Directors is that opinions based on diverse viewpoints can be exchanged at meetings of the Board of Directors. By participating in discussions with a focus on diverse values, including as a woman, I hope to improve the content of the meetings of the Board of Directors and contribute to the further enhancement of the Company's corporate governance.

Principal Areas of Experience of Outside Directors and Outside Audit & Supervisory Board Members

ITOCHU transitioned to a monitoring-focused Board of Directors in FYE 2018 with the goal of encouraging separation between management execution and supervision. As a Board of Directors that is able to conduct appropriate supervision of management, we appoint Officers who are in charge of headquarters administrative divisions and several outside Directors in order to maintain the ratio of outside Directors at more than one-third.

We appoint as Internal Directors persons who possess extensive work experience and expertise in all aspects of the management of general trading companies. As for outside Directors, we further heighten the functions of the Board of Directors by appointing diverse individuals or those with more specialized perspectives. As for outside Audit & Supervisory Board Members, we appoint persons possessing knowledge of finance, accounting, and legal affairs, thereby enabling monitoring and supervision of the Board of Directors from a neutral and objective perspective.

The roles and principal areas of experience of outside Directors and outside Audit & Supervisory Board Members we appoint are as follows.

Outside Directors

Name Role	Gender	Length of services *1	Principal specialized area of experience					Main career history and qualifications, etc,
			All aspects of management	Global (overseas assignment country)	Finance and accounting	Human resources and labor	Internal control and legal affairs / compliance	
Atsuko Muraki Outside Director Chairman of the Governance and Remuneration Committee	Female	3 years				●	●	Vice Minister of Health, Labour and Welfare
Harufumi Mochizuki Outside Director Chairman of the Nomination Committee	Male	2 years (*2)	●	● (North America / Europe)		●	●	Vice Minister of Economy, Trade and Industry
Masatoshi Kawana Outside Director	Male	1 year	●	● (North America)		●	●	Vice President of Tokyo Women's Medical University Hospital, Doctor of Medicine
Makiko Nakamori Outside Director	Female	Newly appointed			●		●	ITOCHU Techno-Solutions Corporation, among others served as outside director and auditor at several companies, Certified Public Accountant

Outside Audit & Supervisory Board Members

Name Role	Gender	Length of services *1	Principal specialized area of experience					Main career history and qualifications, etc,
			All aspects of management	Global (overseas assignment country)	Finance and accounting	Human resources and labor	Internal control and legal affairs / compliance	
Shingo Majima Outside Audit & Supervisory Board Member	Male	6 years	●	● (North America)	●			Executive Director of Chuo University, Senior partner at KPMG LLP, CPA and USCPA (New York)
Kentaro Uryu Outside Audit & Supervisory Board Member	Male	4 years					●	Managing Partner of URYU & ITOGA, Attorney-At-Law
Kotaro Ohno Outside Audit & Supervisory Board Member	Male	2 years				●	●	Prosecutor General, Vice Minister of Justice, Attorney-At-Law

*1 Number of full years of service as of June 30, 2019
*2 Harufumi Mochizuki served for three years as an Audit & Supervisory Board Member before being appointed as an outside Director

Overview of Board of Directors' Effectiveness Evaluation

ITOCHU implements effectiveness evaluations of the Board of Directors with the goal of maintaining and enhancing the effectiveness of the Board of Directors.

Procedure for the Evaluation in FYE 2019

Respondents	All of eight (8) Members of the Board and five (5) Audit & Supervisory Board Members in FYE 2019
Method of Implementation	Conduct anonymous questionnaires and individual interviews with each of the respondents using external consultants
Questions	Matters relating to the following five major items • Structure of the Board of Directors • Structure of advisory committees to the Board of Directors • Roles and duties of the Board of Directors • Operation status of the Board of Directors • Information provision and training for Members of the Board and Audit & Supervisory Board Members
Evaluation Process	Step 1 Conduct questionnaires and individual interviews of all Directors and Audit & Supervisory Board Members by external consultants Step 2 Conduct independent evaluation of respondents' answers by external consultants Step 3 With consideration for the results of the evaluation by external consultants, hold deliberations by the Governance and Remuneration Committee Step 4 Conduct analysis and evaluation by the Board of Directors

Overview of the Evaluation Results for FYE 2019

In terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision, and training, the Board of Directors of ITOCHU confirmed that the effectiveness of the Board of Directors was secured.

The evaluation by the external consultants concluded that, (1) the scores for most questions in the questionnaires have improved, (2) the Chairman of the Board of Directors as well as the secretariat have cooperated with outside Directors to improve the governance and realize more efficient and higher density operation of the Board of Directors, and (3) the objectivity, independence, and transparency of the advisory committees to the Board of Directors have been improved due to the efforts of both Inside Directors and outside Directors.

Progress on Issues Highlighted in Effectiveness Evaluation and Issues Going Forward

	Issue 1	Issue 2
Issues highlighted in Effectiveness Evaluation for FYE 2018	Operation of the Board of Directors based on the transition to a monitoring-focused structure	Enhancement of reporting of advisory committees deliberation contents to the Board of Directors
Status of improvements in Effectiveness Evaluation for FYE 2019	Conducted a review of results following the announcement of the medium-term management plan, increased the number of reviews of internal control systems (twice a year: a review of the first half of the fiscal year and of the whole fiscal year), and conducted credit-rating reporting; deliberations of the Board of Directors were enhanced in addition to matters previously deliberated, such as shareholder returns, executive remuneration, and corporate governance	Deliberations on succession plans by the Nomination Committee and how to conduct reporting were organized at the Board of Directors
Issues for FYE 2020 Onward	Continued operation of the Board of Directors based on the transition to a monitoring-focused structure There was an opinion that the Board of Directors should deliberate more deeply on the vision and strategy for specific business areas in a timely manner. We will consider matters for deliberation at the Board of Directors based on the opinion of outside Directors.	Enhancement of reporting of advisory committee deliberation contents to the Board of Directors We will implement operation of discussion on succession plans and how the discussion thereof should be reported, based on the conclusions made by the Board of Directors.

Overview of the Corporate Governance System

Steps Taken to Strengthen Corporate Governance

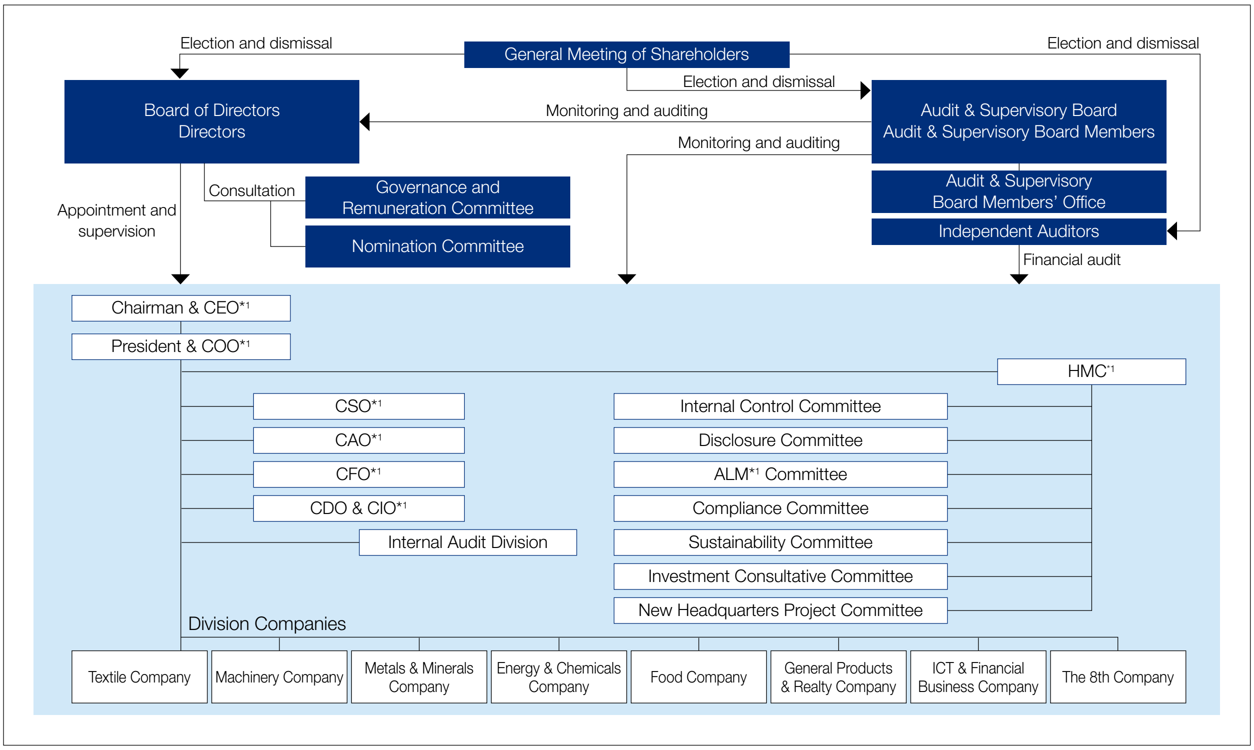
	Actions Taken	Purpose
1999	• Introduction of a system of Executive Officers	To strengthen decision-making and supervisory functions of the Board of Directors
2011	• Appointment of outside Directors (two)	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	• Response to Japan's Corporate Governance Code • Establishment of a Nomination Committee and a Governance and Remuneration Committee	To strengthen the Board of Directors' supervision function and increase transparency
2016	• Increase in the number of outside Directors (from two to three) • 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)	To strengthen the Board of Directors' supervision function
2017	• Transition to a Board of Directors with a monitoring-focused structure • Increasing the ratio of outside Directors to at least one-third • No Directors except one Division Company President appointed to concurrent positions	To thoroughly separate management execution and supervision
2018	• Transition to a management structure with a Chairman & CEO and a President & COO • Improving diversity of outside Directors • Maintaining an outside Directors' ratio of at least one-third • Discontinued consultant and advisor system	To maintain the Board of Directors' system in response to internal and external changes
2019	• Maintaining the ratio of outside Directors at more than one-third at all times • Further improving the diversity of outside Directors • Achieving 20% of the ratio of female Directors on the Board of Directors (in addition, two female Executive Officers (non-Directors))	To further improve the effectiveness of the Board of Directors

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)	10 (4)
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	Governance and Remuneration Committee, Nomination Committee

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of July 1, 2019)



*1 HMC=Headquarters Management Committee CEO=Chief Executive Officer COO=Chief Operating Officer CSO=Chief Strategy Officer CAO=Chief Administrative Officer CFO=Chief Financial Officer CDO & CIO=Chief Digital & Information Officer ALM=Asset Liability Management

*2 CAO is the chief officer for compliance. Also, each Division Company has a Division Company President.

*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

Advisory Committees to the Board of Directors

Committee Name	Role
Governance and Remuneration Committee	Deliberates and advices on proposals related to remuneration system for Directors and Executive Officers and other matters of corporate governance
Nomination Committee	Deliberates and advices on proposals related to nomination and dismissal of Executive Officers, nomination of candidates for Directors and Audit & Supervisory Board Members, and appointment and dismissal of responsible Directors and Executive Officers

Composition of the Governance and Remuneration Committee and the Nomination Committee

(As of July 1, 2019)

Name	Title	Governance and Remuneration Committee	Nomination 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	○	
Makiko Nakamori	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	○	
		(7 members)	(8 members)

Principal Internal Committees

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

Committee Name	Committee Chairman	Purpose
Compliance Committee	CAO	Deliberates on issues related to compliance
Sustainability Committee	CAO	Deliberates on issues related to sustainability and ESGs (excluding governance)
Investment Consultative Committee	CFO	Deliberates on issues related to investment and financing
New Headquarters Project Committee	CAO	Deliberates on issues related to the new Tokyo headquarters project

FYE 2019 in Review

Results of key initiatives based on our corporate governance system in FYE 2019 were as follows.

Meetings of Major Organizations

Meetings of the Board of Directors	17 times
Outside Directors' attendance at meetings of the Board of Directors	100%
Outside Audit & Supervisory Board Members' attendance at meetings of the Board of Directors	99%
Meetings of the Audit & Supervisory Board	13 times
Outside Audit & Supervisory Board Members' attendance at meetings of the Audit & Supervisory Board	100%

Major Matters Considered by the Board of Directors in FYE 2019

(1) Medium-term management plan (including post-announcement review of the Plan)

(2) Shareholder returns

(3) Conversion of FamilyMart UNY Holdings Co., Ltd., into a consolidated subsidiary

(4) Response to the cease and desist order issued to the Company in FYE 2019

(5) Corporate officer remuneration

(6) Responding to revision of the Corporate Governance Code

Corporate Governance

Corporate Officer Remuneration

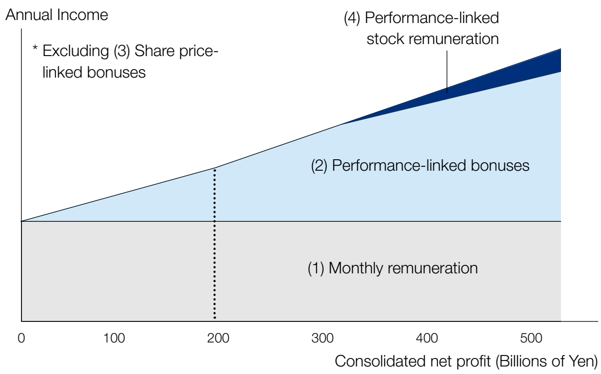
A Highly Transparent Remuneration Plan Linked to Corporate Values

Overview of the Remuneration Plan for Directors

ITOCHU's remuneration plan for Directors has been designed to provide incentives toward improving operating performance. The ratio of performance-linked bonuses to total remuneration is high, and the plan is its high level of transparency since we have been previously disclosed details including calculation formulas. In order to heighten awareness toward making contributions to improving our performance over the medium and long term and increasing corporate value, we have included stock remuneration as part of remuneration plan.

The FYE 2020 remuneration plan for Directors (excluding outside Directors) comprises (1) monthly remuneration, (2) performance-linked bonuses, (3) share price-linked bonuses, and (4) performance-linked stock remuneration (trust type). Of these, (3) share price-linked bonuses is a revision of the market capitalization-linked bonuses, which were introduced in FYE 2019, and the share price-linked bonuses are not designed on the single-year base used when the market capitalization-linked bonuses were introduced. Instead, the bonus amount is calculated based on the evaluation of the relative growth rate of ITOCHU's share price during the period of each medium-term management plan versus the growth rate of the Tokyo Stock Price Index (TOPIX). Moreover, we position (2) performance-linked bonuses as remuneration linked to short-term (single-year) performance, while (3) share price-linked bonuses and (4) performance-linked stock remuneration are designed to strengthen awareness toward increasing corporate value over the medium to long term.

Remuneration Image of Directors (Excluding Outside Directors)



Decision-Making Process for Remuneration Plan for Directors

ITOCHU's remuneration plan is resolved each fiscal year by the Board of Directors following deliberations at the Governance and Remuneration Committee, an advisory committee to the Board of Directors, based on the management plan for that fiscal year.

Linked Indicators

Consolidated net profit is of high interest to the stock market because it is an easy-to-understand indicator of capital to growth-oriented investments and to returns to shareholders and we have an unshakable belief in its importance as an indicator going forward. In addition, since bonuses for employees are linked to consolidated net profit, we have consolidated net profit as the linked indicator for (2) performance-linked bonuses and (4) performance-linked stock remuneration. As for (3) share price-linked bonuses, we have the growth rate of ITOCHU's share price during the period of each medium-term management plan as the linked indicator.

Type of remuneration	Details	Fixed / Variable	Remuneration Limit	Resolution at General Meeting of Shareholders
(1) Monthly remuneration	Determined according to factors that include degree of contribution to ITOCHU, based on a standard amount for each position	Fixed	¥0.8 billion per year as total amount of monthly remuneration (of that amount, ¥0.1 billion per year for outside Directors)	June 21, 2019
(2) Performance-linked bonuses	Total amount of payment is determined based on consolidated net profit, and the each individual payment amount is determined in relation to the position points for the Director	Variable (Single year)	¥2.0 billion per year as total amount of bonus * Not paid to outside Directors	
(3) Share price-linked bonuses	Calculated based on an evaluation of the relative growth rate of ITOCHU's share price during the period of the medium-term management plan versus the growth rate of TOPIX *1	Variable (Medium- to long-term)		
(4) Performance-linked stock remuneration	Total payment amount is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonus *2		The amounts below are limits for two fiscal years, for Directors and Executive Officers • Limit on contribution to trust by ITOCHU: ¥1.5 billion • Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share) * Not paid to outside Directors	June 24, 2016

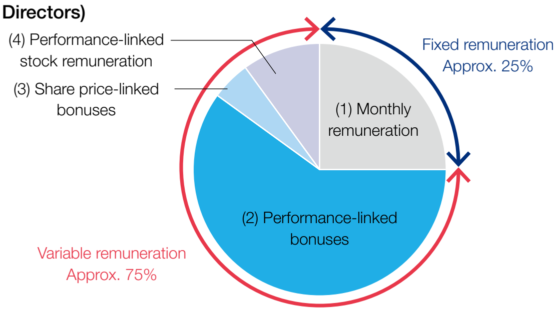
*1 The bonus amount for each fiscal year is calculated based on the growth rate of ITOCHU's share price and the growth rate of TOPIX in each fiscal year, and then the share price-linked bonuses are calculated at the end of the medium-term management plan by totaling the bonus amount for each fiscal year during the period of the management plan. The share price-linked bonuses are paid after each officer retires.

*2 Regarding stock remuneration, officers are granted points each year during their terms of office, and when the officers retire, stock remuneration corresponding to the accumulated number of points is paid at one time from a trust.

Ratio of Performance-Linked Remuneration to Total Remuneration of Directors

Under the current remuneration plan for Directors, the ratio of performance-linked bonuses is not fixed at a set level. Rather, it is designed so that the ratio of performance-linked bonuses to total remuneration of Directors rises in accordance with expansion of operating performance.

Composition of Remuneration for Directors (Excluding Outside Directors)



* In the event of a consolidated net loss, neither performance-linked bonuses nor performance-linked stock remuneration will be paid.

Details of the Remuneration Paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2019

Type		Number of people	Total amount of remuneration (millions of yen)	Details (millions of yen)			
				Monthly remuneration	Bonuses	Special bonuses	Stock remuneration
Directors	Inside	5	1,731	445	1,000	113	173
	Outside	5	48	48	—	—	—
	Total	10	1,779	493	1,000	113	173
Audit & Supervisory Board Members	Inside	3	72	72	—	—	—
	Outside	3	43	43	—	—	—
	Total	6	115	115	—	—	—

Calculation Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked Stock Remuneration

Total Amount Paid to All Directors

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

A = (Of consolidated net profit for FYE 2020, the portion up to ¥200.0 billion) x 0.35%

B = (Of consolidated net profit for FYE 2020, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of consolidated net profit for FYE 2020, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock remuneration)

The total amount paid shall be the sum of A, B, and C, which shall be adjusted with due regard to the increase / decrease in the number of eligible Directors, the change in position, and other factors. (Remuneration limits exist on bonuses and stock remuneration.)

Amount Paid to an Individual Director

Amount paid to an individual Director = Total amount paid to all Directors x Position points ÷ Sum of position points for all the eligible Directors

Amount paid to individual Director is determined by dividing total amount paid to all Directors based on points assigned by position shown below;

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

Of the amount paid to an individual director, the portion corresponding to A and B is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock 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. (The plan achievement rate shall be 100% for the eligible Directors for whom no plan achievement rate is measurable.)

In regard to stock remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock remuneration is paid from the trust in correspondence with accumulated points. Since we plan to procure all the trust stock from the stock market, no dilution will occur.

Calculation Formula for (3) Share-Price Linked Bonuses

Amount paid to an individual Director in X Fiscal year*1 of the medium-term management plan

= (Simple average of daily stock closing price of ITOCHU in the X fiscal year of the medium-term management plan) – (Simple average of daily stock closing price in the previous year of the first fiscal year of the medium-term management plan) x (1,300,000) x (Sum of position points*2 assigned to each Director from the first fiscal year to the X fiscal year of the medium-term management plan) ÷ (108.8 points x X(years)) x (Relative stock price growth rate*3) – (Total amount of share-price linked bonuses from the first fiscal year to the X-1 fiscal year of the medium-term management plan)*4

*1 Based on the three years—initial year (first year), second year, and final year (third year)—of the medium-term management plan.

*2 The position points assigned to each Director are the same as those applied for calculating (2) performance-linked bonuses.

*3 Relative stock price growth rate = (Simple average of daily closing price in the X fiscal year of the medium-term management plan ÷ Simple average of daily closing price of the previous year of the first fiscal year of the medium-term management plan) ÷ (Simple average of daily TOPIX in the X fiscal year of the medium-term management plan ÷ Simple average of daily TOPIX in the previous year of the first fiscal year of the medium-term management plan)

*4 With respect to the total amount of share-price linked bonuses from the first fiscal year to the X-1 fiscal year of the medium-term management plan, the amount for the first year of the medium-term management plan is set at zero.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers (As of July 1, 2019)

Members of the Board

Chairman & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2018 Chairman & Chief Executive Officer
Number of shares held: 171,395

President & Chief Operating Officer

Yoshihisa Suzuki

1979 Joined ITOCHU Corporation
2018 President & Chief Operating Officer
Number of shares held: 65,384

Member of the Board

Tomofumi Yoshida

President, General Products & Realty Company
1979 Joined ITOCHU Corporation
2019 Executive Vice President
Number of shares held: 65,450

Member of the Board

Yuji Fukuda

CEO for East Asia Bloc;
CEO for Asia & Oceania Bloc;
Executive Advisory Officer for CP & CITIC Operations
1979 Joined ITOCHU Corporation
2019 Executive Vice President
Number of shares held: 44,200

Member of the Board

Fumihiko Kobayashi

Chief Administrative Officer
1980 Joined ITOCHU Corporation
2017 Senior Managing Executive Officer
Number of shares held: 81,180

Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer
1991 Joined ITOCHU Corporation
2018 Senior Managing Executive Officer
Number of shares held: 72,300

Member of the Board*1

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation
Number of shares held: 1,700

Member of the Board*1

Harufumi Mochizuki

2014 Audit & Supervisory Board Member*2, ITOCHU Corporation
2017 Outside Director, ITOCHU Corporation
Number of shares held: 2,000

Member of the Board*1

Masatoshi Kawana

2018 Outside Director, ITOCHU Corporation
Number of shares held: 300

Member of the Board*1

Makiko Nakamori

2019 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: 12,100

Audit & Supervisory Board Member

Shuzaburo Tsuchihashi

1985 Joined ITOCHU Corporation
2018 Audit & Supervisory Board Member

Number of shares held: 13,150

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: 5,200

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

Executive Vice Presidents

Tomofumi Yoshida

President,
General Products & Realty Company

Yuji Fukuda

CEO for East Asia Bloc;
CEO for Asia & Oceania Bloc;
Executive Advisory Officer for CP & CITIC Operations

Senior Managing Executive Officers

Fumihiko Kobayashi

Chief Administrative Officer

Tsuyoshi Hachimura

Chief Financial Officer

Managing Executive Officers

Hiroyuki Tsubai

President, Machinery Company

Number of shares held: 30,355

Keita Ishii

President, Energy & Chemicals Company

Number of shares held: 26,003

Masahiro Morofuji

President, Textile Company;
Executive Advisory Officer for Osaka Headquarters

Number of shares held: 33,582

Mitsuru Chino*3

President & CEO,
ITOCHU International Inc.

Number of shares held: 26,204

Hiroshi Sato

Chief Executive for European Operation;
CEO, ITOCHU Europe PLC;
Executive Advisory Officer for Africa

Number of shares held: 28,100

Shigetoshi Imai

General Manager for Chubu Area

Number of shares held: 51,432

Hiroyuki Kaizuka

President, Food Company

Number of shares held: 33,197

Motonari Shimizu

Executive Vice President, Textile Company;
Chief Operating Officer, Apparel Division

Number of shares held: 35,896

Shunsuke Noda

Chief Digital & Information Officer

Number of shares held: 30,888

Executive Officers

Yoichi Ikezoe

Deputy CEO for East Asia Bloc;
Chairman, ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)

Number of shares held: 8,500

Tomoyuki Takada

General Manager,
Corporate Communications Division

Number of shares held: 42,900

Hiroshi Oka

General Manager, Secretariat

Number of shares held: 26,416

Yoshihiro Fukushima

Chief Operating Officer,
Brand Marketing Division 2

Number of shares held: 26,723

Kensuke Hosomi

President, The 8th Company

Number of shares held: 32,273

Hisato Okubo

Executive Vice President,
Energy & Chemicals Company;
Chief Operating Officer, Energy Division

Number of shares held: 22,650

Tatsushi Shingu

President, ICT & Financial Business Company

Number of shares held: 21,200

Hidefumi Mizutani

Vice President,
ITOCHU East Asia Bloc (East China);
Managing Director, ITOCHU SHANGHAI LTD.

Number of shares held: 23,720

Shinjiro Tanaka

CEO, European Tyre Enterprise Limited

Number of shares held: 7,249

Shoji Miura

Chief Operating Officer,
Brand Marketing Division 1

Number of shares held: 10,602

Takanori Morita

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

Number of shares held: 26,655

Toshikazu Otani

Chief Executive for Africa;
General Manager, ITOCHU Corporation, Johannesburg Branch;
Managing Director, ITOCHU Nigeria Ltd.

Number of shares held: 27,849

Masaya Tanaka

Chief Operating Officer, Chemicals Division

Number of shares held: 23,800

Kenji Seto

President, Metals & Minerals Company;
Chief Operating Officer,
Metal & Mineral Resources Division

Number of shares held: 21,350

Shinichi Aburaya

Chief Operating Officer,
Plant Project, Marine & Aerospace Division

Number of shares held: 11,286

Yoshiko Matoba

General Manager,
Research & Public Relations Division

Number of shares held: 42,045

Hiroyuki Naka

General Manager, Corporate Planning & Administration Division;
General Manager, CP & CITIC Business Development Department

Number of shares held: 14,229

Tatsuya Izumi

General Manager,
General Accounting Control Division

Number of shares held: 19,052

Kenji Tanaka

Deputy CEO for Asia & Oceania Bloc (Indo-China Area);
Chief Officer for Indo-China Area;
President, ITOCHU (Thailand) Ltd.;
President, ITOCHU Enterprise (Thailand) Ltd.

Number of shares held: 5,752

Shuichi Kato

Chief Operating Officer,
Financial & Insurance Business Division

Number of shares held: 9,355

Masatoshi Maki

Chief Operating Officer,
Construction & Real Estate Division

Number of shares held: 14,723

Financial Summary

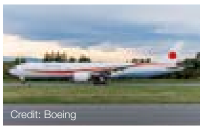
Segment Overview

Textile Company

Page 90

ROA
5.9%

Machinery Company



Page 92

ROA
4.0%

Metals & Minerals Company

Page 94

ROA
9.4%

Energy & Chemicals Company

Page 96

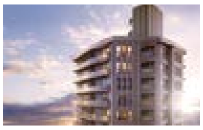
ROA
6.1%

Food Company

Page 98

ROA
8.0%

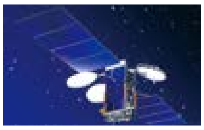
General Products & Realty Company

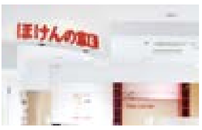


Page 100

ROA
6.4%

ICT & Financial Business Company





Page 102

ROA
7.4%

Others, Adjustments & Eliminations

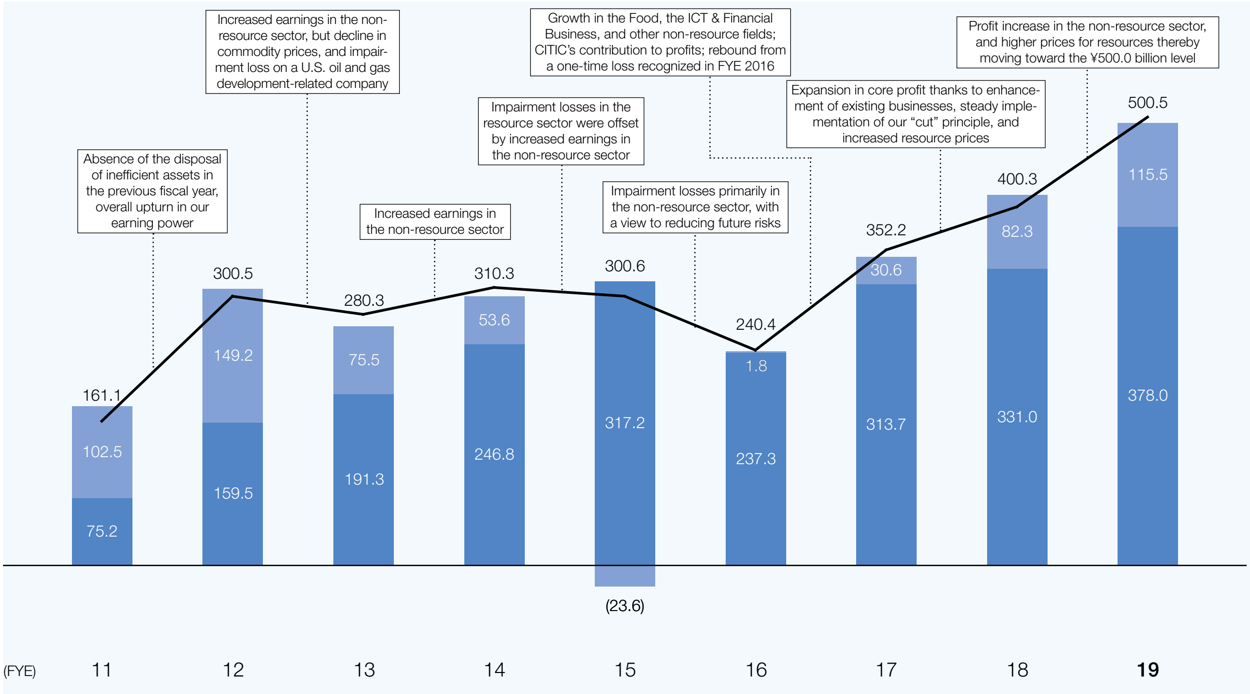
Percentage of the Total for ITOCHU (3-year average)

	Core profit	Total assets	Core Operating Cash Flows	Number of employees (Consolidated)
Textile Company	6.6%	5.6%	6.1%	9.7%
Machinery Company	12.3	12.6	11.8	11.7
Metals & Minerals Company	16.6	9.5	20.8	0.5
Energy & Chemicals Company	10.2	14.2	18.4	11.7
Food Company	15.6	25.9	20.2	33.3
General Products & Realty Company	11.8	10.4	10.6	15.8
ICT & Financial Business Company	11.9	9.6	13.8	14.8
Others, Adjustments & Eliminations	15.1	12.2	(1.8)	2.6

	Core profit	Total assets	Core Operating Cash Flows	Number of employees (Consolidated)
Non-Resource	82.1%	89.3%	72.8%	93.7%
Resource	17.9%	10.7%	27.2%	6.3%

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

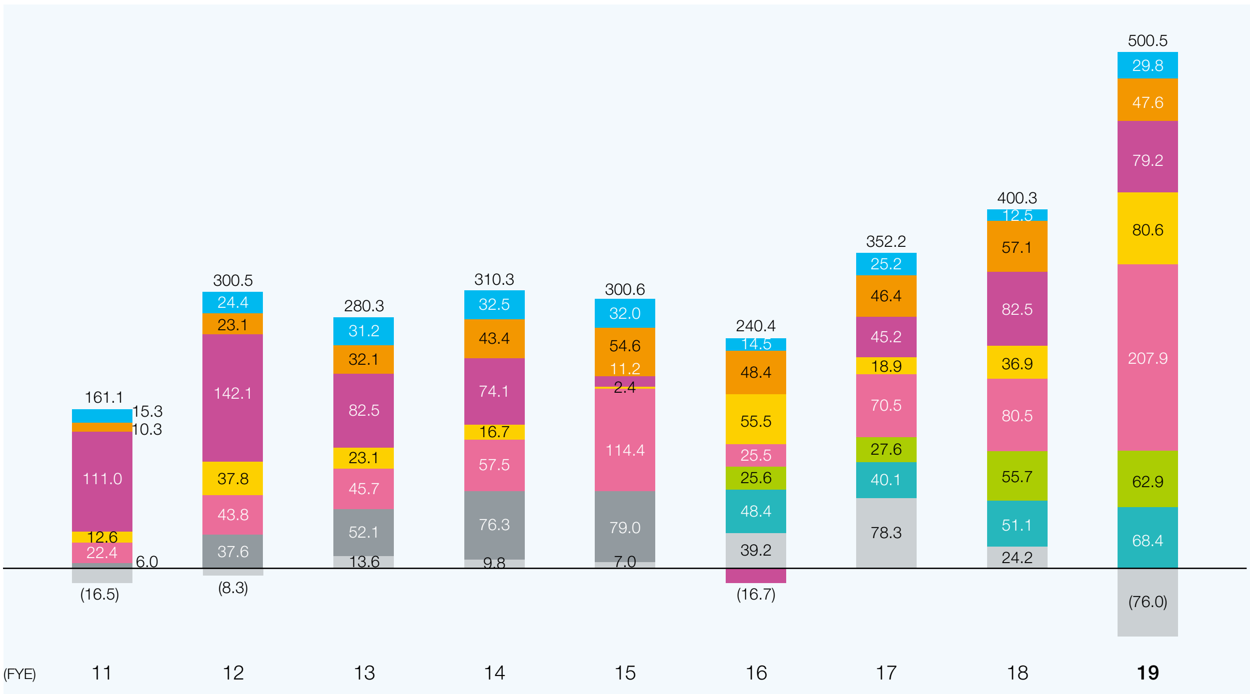
Consolidated Net Profit (Loss) (Non-Resource / Resource) (Billions of Yen)



— 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 (Loss) by Operating Segment (Billions of Yen)



	11	12	13	14	15	16	17	18	19
Extraordinary Gains and Losses	(57.5)	20.0	0	0	(5.0)	(75.0)	(18.0)	(16.5)	28.5
Core Profit	218.6	280.5	280.3	310.3	305.6	315.4	370.2	416.8	472.0

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

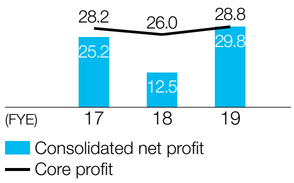
* In April 2016, the ICT, General Products & Realty Company was reorganized into the General Products & Realty Company and the ICT & Financial Business Company.

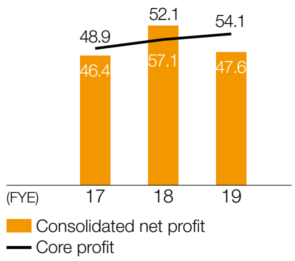
Business Portfolio

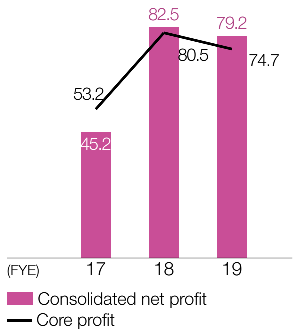
Performance Trends by Segment

	Textile Company	Machinery Company	Metals & Minerals Company

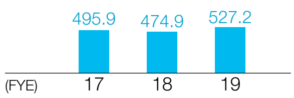
Consolidated Net Profit Core Profit
(Billions of Yen)

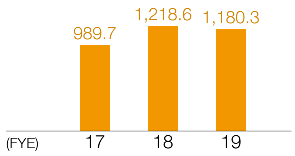


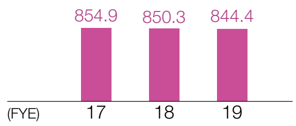




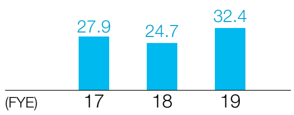
Total Assets
(Billions of Yen)

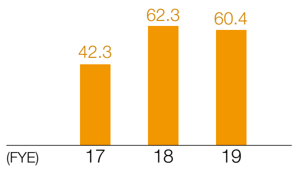


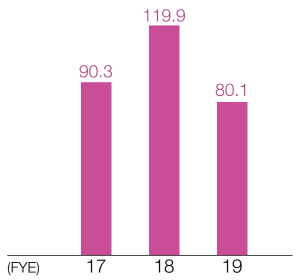




Core Operating Cash Flows*
(Billions of Yen)

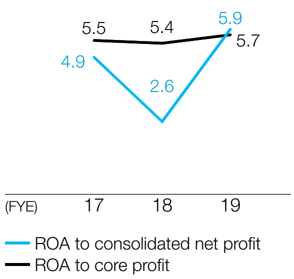


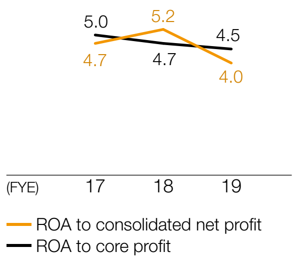


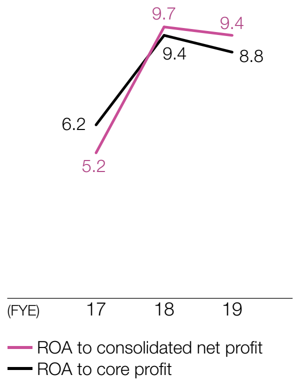


* "Operating cash flows" minus "changes of working capital"

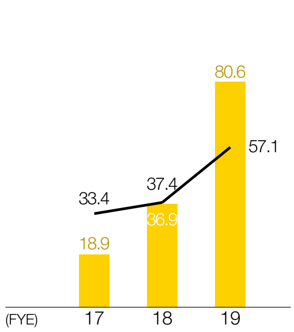
ROA
(%)



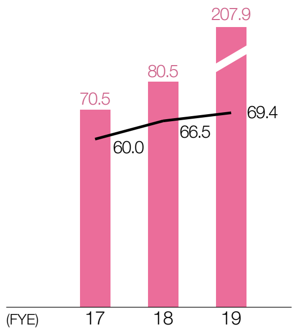




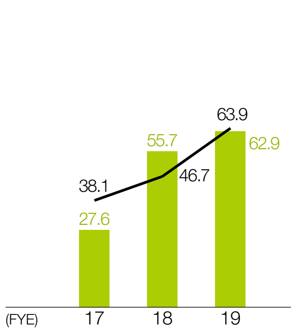
Energy & Chemicals Company	Food Company	General Products & Realty Company	ICT & Financial Business Company



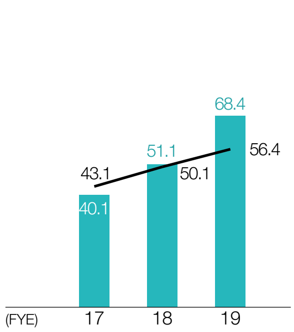
Consolidated net profit
Core profit



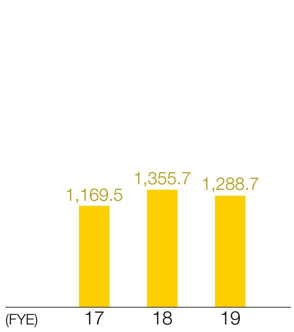
Consolidated net profit
Core profit

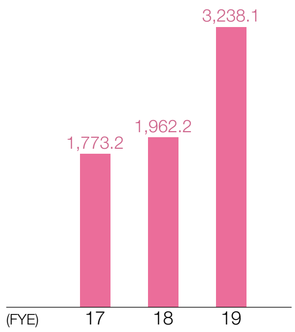


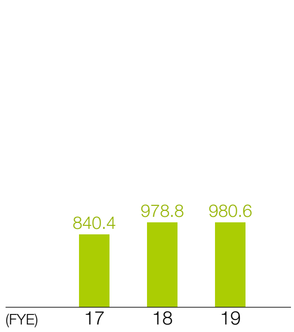
Consolidated net profit
Core profit

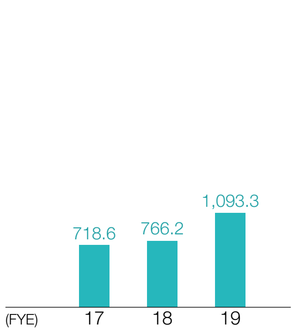


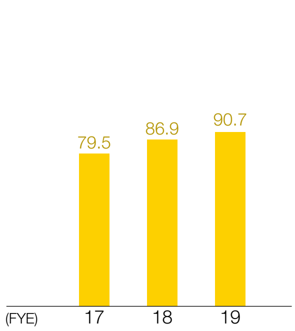
Consolidated net profit
Core profit

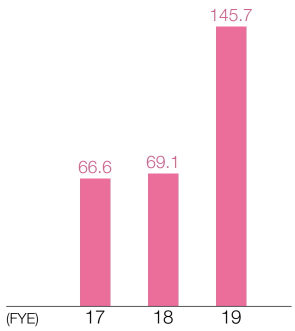


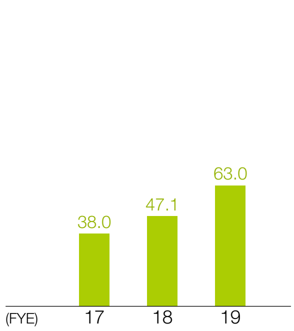


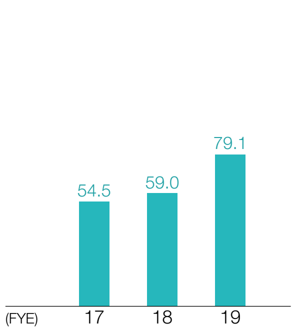


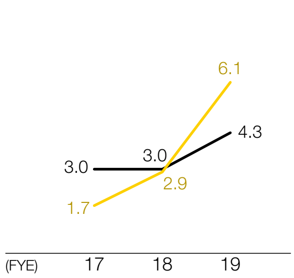




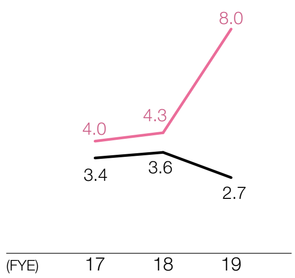




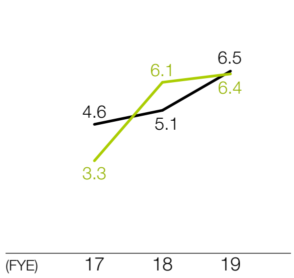




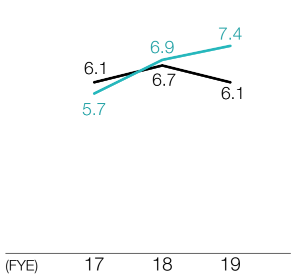
ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit

Net Profit (Loss) by Major Group Companies

Textile Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		25.2	12.5	**29.8**	33.0
Breakdown of Net Profit (Loss) by Major Group Companies					
JOI'X CORPORATION	100.0%	1.4	1.5	**1.2**	1.4
DESCENTE LTD.	40.0%	1.5	1.4	**1.2**	2.1
Sankei Co., Ltd.	100.0%	2.0	0.1	**1.9**	2.1
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	0.8	0.2	**1.1**	1.3
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	0.9	1.0	**1.1**	1.1

Machinery Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		46.4	57.1	**47.6**	61.0
Breakdown of Net Profit (Loss) by Major Group Companies					
Tokyo Century Corporation	25.2%	10.2	12.5	**12.6**	13.6
I-Power Investment Inc.	100.0%	1.0	5.3	**(5.8)**	2.1
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	0.8	1.9	**1.0**	1.0
JAMCO Corporation	33.4%	0.4	0.6	**0.6**	0.9
YANASE & CO., LTD.	66.0%	2.7	3.7	**1.1**	5.6
ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.*	100.0%	0.7	0.6	**0.6**	0.6
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	1.1	0.8	**1.4**	1.3
Century Medical, Inc.	100.0%	0.5	0.5	**0.7**	0.8

* On July 1, 2019, ITOCHU CONSTRUCTION MACHINERY CO., LTD., changed its name to ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.

Metals & Minerals Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		45.2	82.5	**79.2**	96.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	100.0%	42.8	62.3	**60.1**	70.7
Brazil Japan Iron Ore Corporation (CSN Mineração)	75.7%	(2.9)	3.3	**1.7**	—
ITOCHU Coal Americas Inc. (Drummond)	100.0%	(2.6)	2.9	**2.0**	—
Marubeni-Itochu Steel Inc.	50.0%	7.6	9.2	**12.1**	—
ITOCHU Metals Corporation	100.0%	1.1	1.6	**1.6**	1.3*3

Energy & Chemicals Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		18.9	36.9	**80.6**	55.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Oil Exploration (Azerbaijan) Inc. (ACG Project)	100.0%	0.7	2.3	**3.3**	5.1
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	1.8	(1.8)	**0.5**	0.9
ITOCHU ENEX CO., LTD.	54.0%	5.5	6.0	**6.5**	6.4
Japan South Sakha Oil Co., Ltd. (Eastern Siberia Project)	25.2%	1.1	4.0	**9.1**	—
Dividend from LNG Projects (PAT)	—	3.2	4.4	**6.2**	5.2
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	3.1	3.7	**5.2**	4.5
ITOCHU PLASTICS INC.	100.0%	4.2	4.0	**3.8**	2.4*3
C.I. TAKIRON Corporation*	51.2%	5.4	3.0	**2.9**	6.9

* 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 for FYE 2017 is represented as the sum of consolidated contributions for the two companies.

Food Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		70.5	80.5	**207.9**	61.0
Breakdown of Net Profit (Loss) by Major Group Companies					
FamilyMart UNY Holdings Co., Ltd.	50.2%	7.4	11.8	**17.3**	0.0*3
Dole International Holdings, Inc.	100.0%	8.3	3.2	**7.8**	10.0
NIPPON ACCESS, INC.	100.0%	12.2	9.8	**11.6**	8.1*3
FUJI OIL HOLDINGS INC.	34.0%	2.7	4.2	**3.0**	5.2
Prima Meat Packers, Ltd.	39.8%	3.7	4.1	**3.2**	3.7
ITOCHU-SHOKUHIN Co., Ltd.	52.2%	1.7	2.2	**1.7**	2.1
HYLIFE GROUP HOLDINGS LTD.	49.9%	2.7	3.7	**2.7**	—

General Products & Realty Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		27.6	55.7	**62.9**	70.0
Breakdown of Net Profit (Loss) by Major Group Companies					
European Tyre Enterprise Limited (Kwik-Fit)	100.0%	(5.2)	5.8	**4.2**	5.1
ITOCHU FIBRE LIMITED (METSA FIBRE)	100.0%	4.3	9.9	**16.1**	—
Japan Brazil Paper and Pulp Resources Development Co., Ltd. (CENIBRA)	33.3%	2.9	4.2	**7.3**	—
ITOCHU KENZAI Corp.	100.0%	2.6	2.7	**2.9**	2.9
DAIKEN CORPORATION	35.0%	1.8	1.6	**1.3**	2.1
ITOCHU Property Development, Ltd.	100.0%	2.6	2.4	**2.9**	2.7
ITOCHU LOGISTICS CORP.	100.0%	2.4	2.7	**3.1**	2.8*3

ICT & Financial Business Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		40.1	51.1	**68.4**	61.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Techno-Solutions Corporation	58.2%	12.6	13.6	**14.2**	15.7
BELLSYSTEM24 Holdings, Inc.	40.8%	1.4	1.2	**1.2**	2.8
CONEXIO Corporation	60.3%	3.9	4.1	**4.0**	—
ITOCHU Fuji Partners, Inc. (SKY Perfect JSAT Holdings)	63.0%	2.2	(0.2)	**1.4**	1.6
POCKET CARD CO., LTD.	63.1%	0.6	1.3	**3.9**	2.1*3
Orient Corporation	16.5%	5.0	4.2	**4.2**	—

The 8th Company

(Billions of Yen)

	Shares*2	FYE 2017	FYE 2018	FYE 2019	FYE 2020 (Forecast)*1
Consolidated Net Profit (Loss)		—	—	**—**	30.0
Breakdown of Net Profit (Loss) by Major Group Companies					
FamilyMart UNY Holdings Co., Ltd.	50.2%*3	—	—	**—**	25.1
NIPPON ACCESS, INC.	40.0%*3	—	—	**—**	5.4
ITOCHU PLASTICS INC.	40.0%*3	—	—	**—**	1.6
POCKET CARD CO., LTD.	30.9%*3	—	—	**—**	2.0*
ITOCHU Metals Corporation	30.0%*3	—	—	**—**	0.5
ITOCHU LOGISTICS CORP.	5.0%*3	—	—	**—**	0.2

* Includes net profit from FamilyMart UNY Holdings Co., Ltd.

*1 The "FYE 2020 (Forecast)" was revised on August 2, 2019 to reflect the establishment of The 8th Company.
*2 Share percentages indicated are as of March 31, 2019.
*3 A portion of net profit was transferred to The 8th Company in tandem with that company's establishment. See the share percentage indicated for The 8th Company for details on the percentage transferred.

Textile Company

Business Fields

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

Masahiro Morofuji

President, Textile Company

From left:

Motonari Shimizu,
Executive Vice President, Textile Company; Chief Operating Officer, Apparel Division

Shoji Miura,
Chief Operating Officer, Brand Marketing Division 1

Yoshihiro Fukushima,
Chief Operating Officer, Brand Marketing Division 2

Masato Sakuragi,
Chief Financial Officer

Noriya Hashimoto,
General Manager, Planning & Administration Department

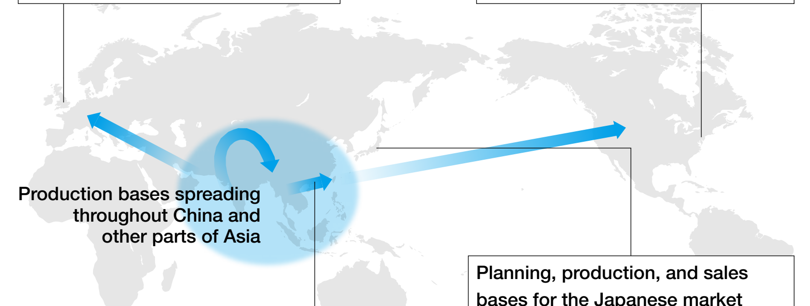
Business Development

Raw materials, Garment materials, and Apparel

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

Product planning and sales base for the European market
- Prominent (Europe)

Product planning and sales base for the North American market
- ITOCHU Prominent U.S.A.



Product planning, production, and sales bases for markets in China and other parts of Asia production base for the Japanese, European, U.S., and global markets
- ITOCHU TEXTILE (CHINA)
- ITOCHU Textile Prominent (ASIA)

Planning, production, and sales bases for the Japanese market
- ITOCHU • EDWIN
- UNICO • LEILIAN

Sales of garment materials for Japanese, Chinese, and other Asian production bases
- ITOCHU • SANKEI

Industrial materials

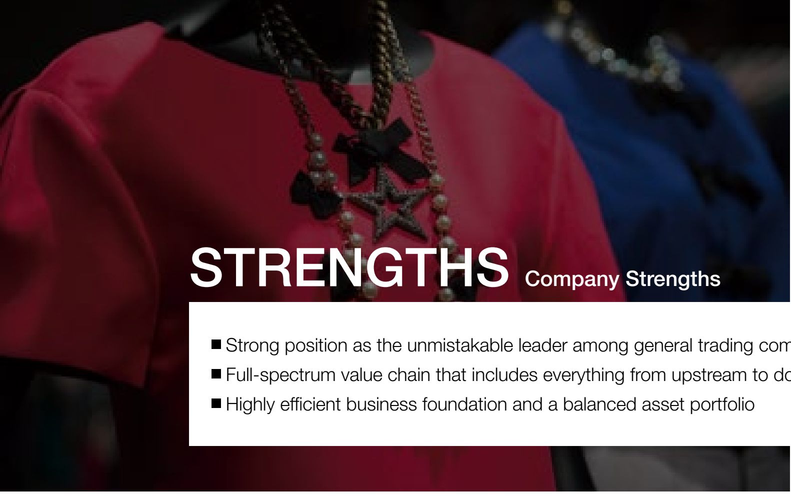
Products: Fiber materials used for hygiene, automobile interior materials, electronics materials, building materials, etc.

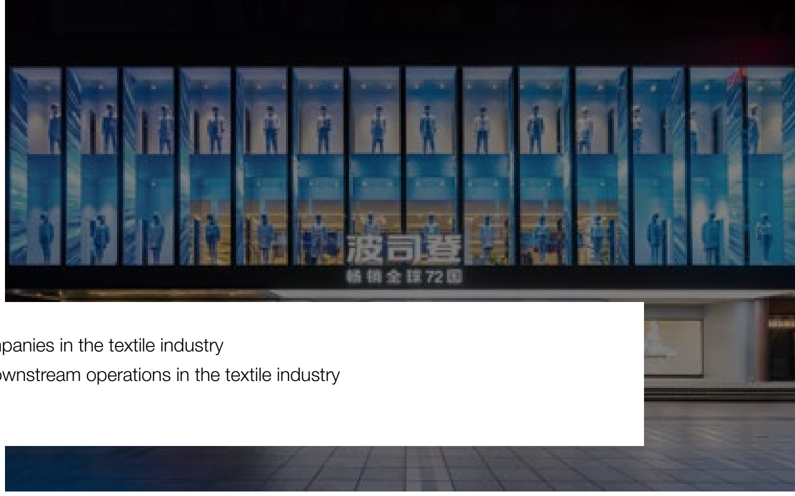
Establishment of local supply chains that match customer needs and locations (Focus region: China and other parts of Asia)

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

Brand business

Brand owner	Participation in management / Trademark rights	Primary brands handled: CONVERSE, HUNTING WORLD, LANVIN, LeSportsac, OUTDOOR PRODUCTS, Paul Smith
	Exclusive import and distribution rights / Master license rights	Primary brands handled: FILA, HEAD, Psycho Bunny, Santoni, Vivienne Westwood





STRENGTHS 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

OPPORTUNITIES Growth Opportunities

Growth Opportunities	Strategies (Specific Measures)
Secure new demand by creating new businesses that adapt to changes in market environment via the supply chain	Promote trade in which we take the initiative by utilizing new technologies, developing environmentally friendly materials, etc.
Respond to changing consumer trends and diversifying sales channels in the domestic market	Strengthen e-commerce and grow new sales channels in our brand and retail-related businesses
Growth of consumer markets in China and other parts of Asia due to rising standards of living	Grow overseas revenues and earnings by cultivating initiatives with leading companies in China and other parts of Asia as well as increasing superior assets

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

Obstacles to Medium- to Long-Term Growth from an ESG Perspective	Responses
Risks related to securing superior human resources in the textile industry, which has labor-intensive facets	Add value and promote sustainable industrialization by creating IT infrastructures for production
Penetration of the distribution revolution in the apparel industry, which makes existing businesses obsolete	Improve production and marketing efficiency by utilizing AI, expand the use of RFID tags in the apparel industry
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 50 Sustainability)

Taking Advantage of Opportunities for Growth

Building a Value Chain Starting with Raw Materials in which We Take the Initiative

As part of our "reinvention of business" policy, we are working to build a value chain with raw materials as the starting point, centering on environmentally friendly materials. In FYE 2019, we invested in JEPLAN, INC., a company possessing manufacturing technology for recycling polyester, and undertook joint investment with Shandong Ruyi Science and Technology Group in The LYCRA Company, a leading materials manufacturer. Additionally, we announced the establishment of a joint venture plant for environmentally friendly cellulose fibers with Metsa Group. Going forward, we will expand our own raw materials brand, develop original materials, and leverage our manufacturing foundation in China and other parts of Asia. Through these efforts, we will be able to provide the world's leading retailers with a one-stop service spanning raw materials to product manufacturing. By providing this service, we aim to expand trade in which we can take the initiative in the Textile Business.


The LYCRA Company's collection of materials

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/textile/

The Japan Fair Trade Commission issued the Company a cease-and-desist order and a surcharge payment order to be complied with by October 2018. The commission cited infringement of Japan's Antimonopoly Act on certain projects related to the supply of corporate uniforms up to FYE 2017. We take the situation quite seriously and will consistently apply the preventive measures* we formulated based on 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

Machinery Company

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)

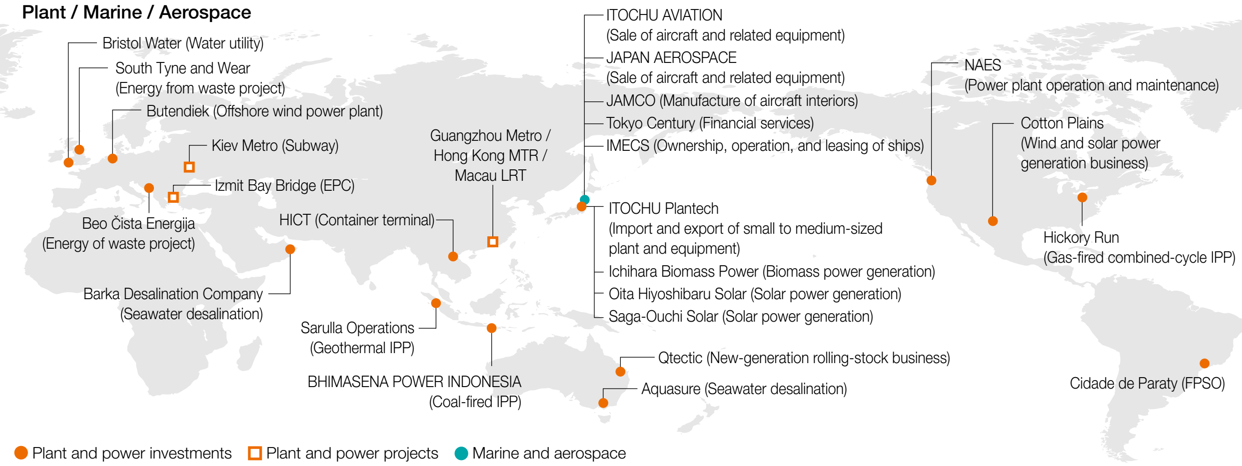
Hiroyuki Tsubai

President, Machinery Company

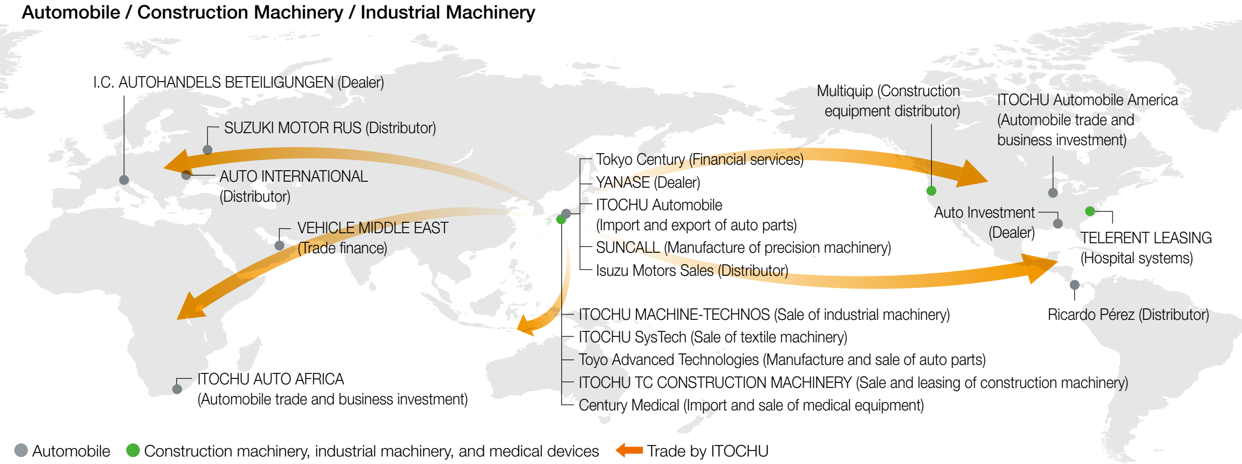
From left:
Shinichi Aburaya,
Chief Operating Officer, Plant Project, Marine & Aerospace Division
Takanori Morita,
Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division
Shuichiro Yamaura,
Chief Financial Officer
Tatsuya Hirano,
General Manager, Planning & Administration Department

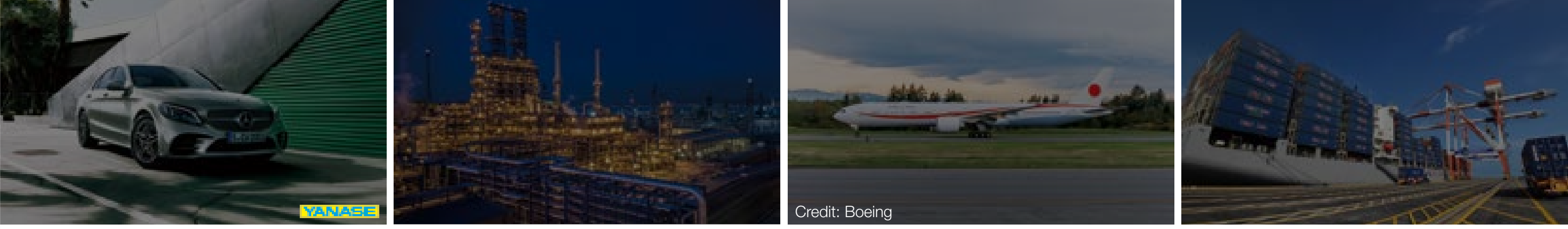
Business Development

Plant / Marine / Aerospace



Automobile / Construction Machinery / Industrial Machinery





STRENGTHS Company Strengths

- ■Solid business relationships with excellent partners in each business area
- ■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

OPPORTUNITIES 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 water and environment, IPP, and automobile fields
Technological innovations, changes in people's values and living environments	Transformation of existing value chains with a focus on the automobile industry and evolution 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

RISKS 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_2 and NOx 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 to reduce the environmental impact

(⇨ Page 50 Sustainability)

Taking Advantage of Opportunities for Growth

Barka Seawater Desalination Project in Oman

Barka Desalination Company, of which ITOCHU is the top shareholder, put into commercial operation the Barka Seawater Desalination Plant in June 2018, targeting a stable supply of water. This project is a public-private collaborative project being promoted by the Omani government, and water produced at the plant is supplied via the Oman Power and Water Procurement Company for the next 20 years as water for household use in the capital city, Muscat. It is Oman's largest seawater desalination project. In the Gulf region, including Oman, shortage of water for household use is becoming an issue amid mounting demand due to population growth and urbanization. Going forward, we will continue to make effective use of water resources throughout the world and promote ESG initiatives through our core businesses.

Barka Seawater Desalination Plant in Oman

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/machinery/

Metals & Minerals Company

Business Fields

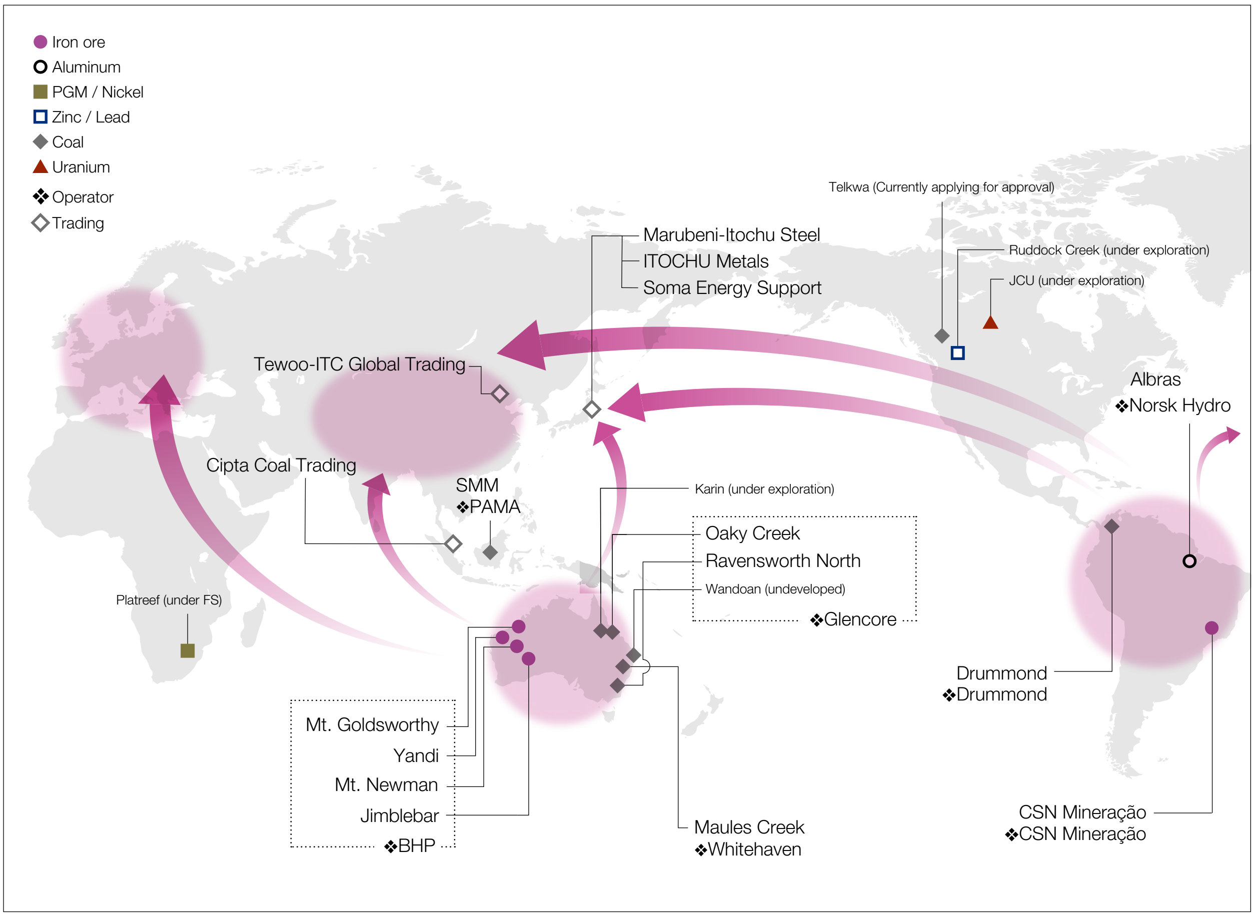
- Development of metal & mineral resources (iron ore, coal, non-ferrous metals, etc.)
- Trade in materials, fuel, and products (iron ore, coal, aluminum, uranium, non-ferrous products, etc.), and recycling businesses (steel scrap, etc.)
- Steel business (process and trade of steel products, and investment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

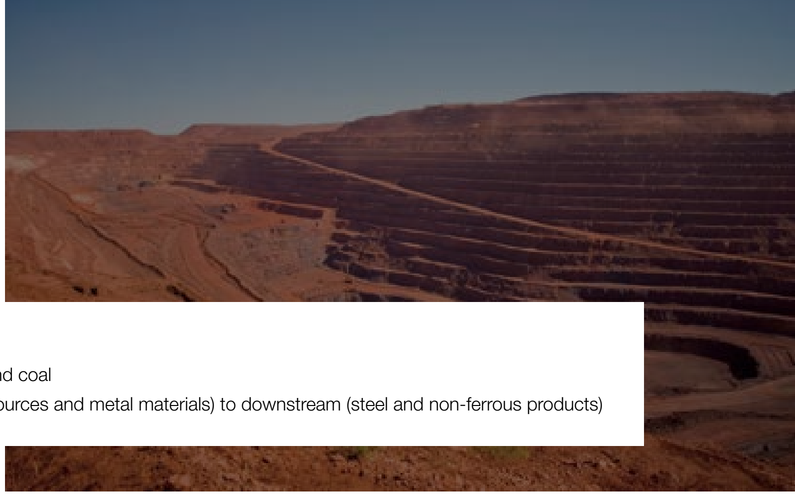
Kenji Seto

President, Metals & Minerals Company;
Chief Operating Officer, Metal & Mineral Resources Division

From left:
Ikuya Hirano,
Chief Financial Officer
Yoshihiko Ogura,
General Manager, Planning & Administration Department
Yasuhisa Tashiro,
General Manager, Steel Business Coordination Department

Business Development





STRENGTHS Company Strengths

- Strong relationships with excellent 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 & mineral resources and metal materials) to downstream (steel and non-ferrous products)

Photo courtesy of Emirates Global Aluminium

Photo courtesy of BHP

OPPORTUNITIES Growth Opportunities

Growth Opportunities	Strategies (Specific Measures)
Changes in society's demand with respect to metal & mineral resources and metal materials	Creation of optimal resource portfolios that contribute to next-generation industries by replacing and acquiring superior assets
Expansion of trade in metal & mineral resources, steel and non-ferrous products, as well as recycling business in line with global economic development	Formation of new, high-value-added trading structures by leveraging strong relationships with excellent partners
"Reinvention of business" through building a value chain	Conduct investments and provide financing in industry from upstream to downstream, and enhance business models through the introduction of new technologies

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

Obstacles	Responses
Trends in demand for fossil fuels associated with regulations on greenhouse gas emissions, and changes in industrial materials with a view toward realizing a low-carbon society	Adherence to our coal-related business policy; ongoing contribution to the development of technologies that will help reduce greenhouse gas emissions; enhanced initiatives in businesses (such as aluminum) that will facilitate lighter-weight vehicles and a shift toward EVs
Lower production and sales volumes due to resource depletion and mine closures	Expansion of superior equity investments that provide the foundation for stable supplies of resources and fuels
Consideration for EHS (Environmental, Health, and Occupational safety) and harmony with people in local communities	Operation of EHS Guidelines and thorough employee education; healthcare, education through donations to local communities; contributions to community infrastructure development, etc.

(⇨ Page 50 Sustainability)

Taking Advantage of Opportunities for Growth

ITOCHU to Make Capital Investment to Develop South Flank Project

ITOCHU has approved capital expenditure to develop the South Flank project of its Western Australia Iron Ore Operations ("WAIO"). WAIO is run as a joint venture with leading mining company, BHP. The South Flank project will replace production from the Yandi iron ore mine which is reaching the end of its economic life. Production from the South Flank mine is expected to continue for more than 25 years. First shipment is targeted in the 2021 calendar year. We will further strengthen the partnership with excellent partners, and will continue to seek investments in superior assets with a high level of competitiveness. At the same time, through this business we will continue to develop sustainable projects with careful consideration for EHS, and harmony with people in local communities.

WAIO's Ore Processing Plant (Photo courtesy of BHP)

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/metal/

Energy & Chemicals Company

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, storage batteries, electronic materials, etc.)

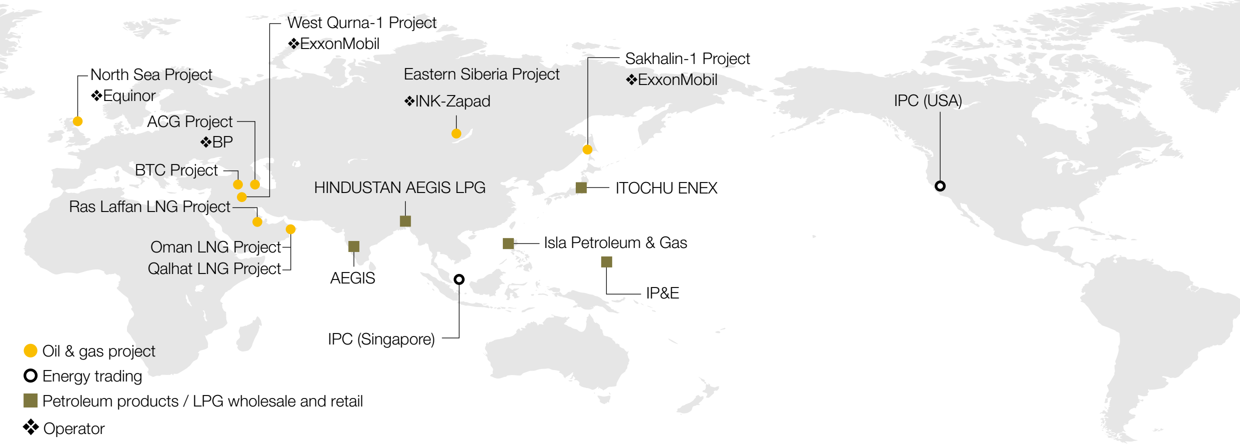
Keita Ishii

President, Energy & Chemicals Company

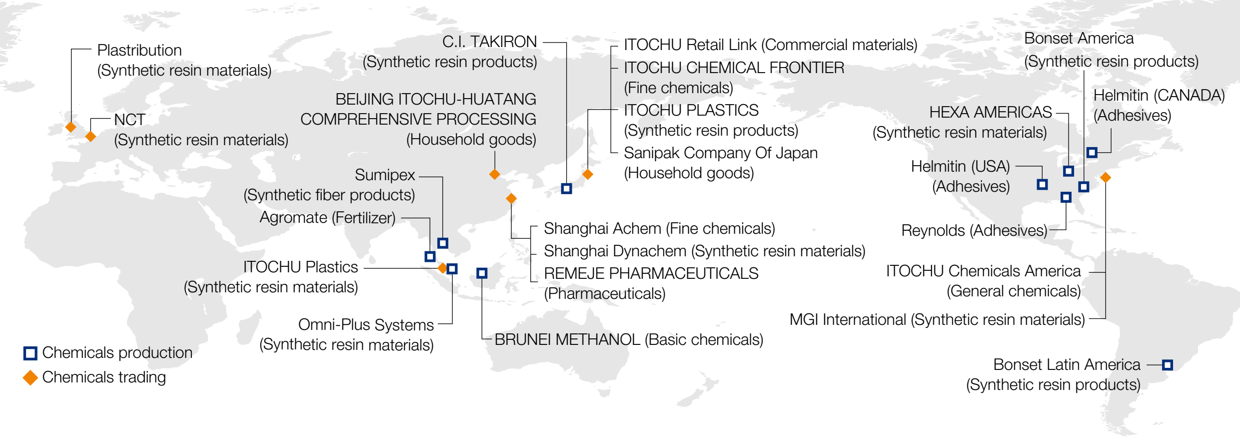
From left:
Hisato Okubo,
Executive Vice President, Energy & Chemicals Company; Chief Operating Officer, Energy Division
Masaya Tanaka,
Chief Operating Officer, Chemicals Division
Kenji Takai,
Chief Financial Officer
Isao Nakao,
General Manager, Planning & Administration Department

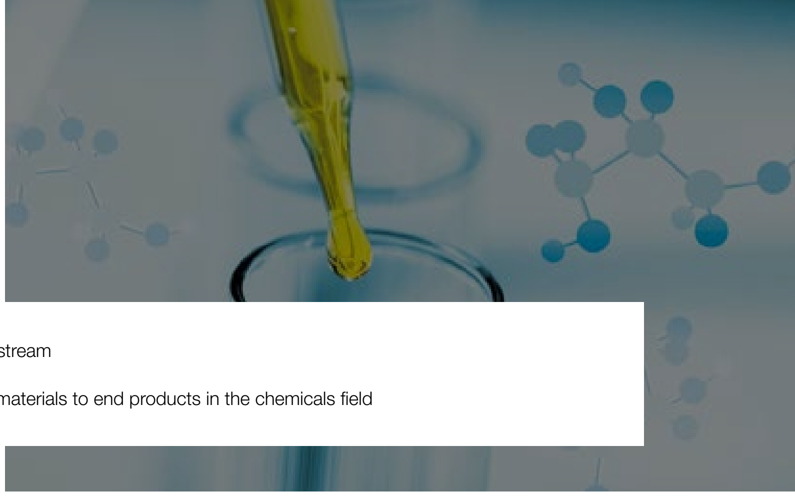
Business Development

Energy



Chemicals



STRENGTHS Company Strengths

- Business portfolio in the energy sector 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

OPPORTUNITIES Growth Opportunities

	Strategies (Specific Measures)
Growing awareness for a low-carbon society	Further strengthen the LNG value chain, including consideration of new project acquisitions
Long-term growth in demand for energy resources	Collaborate with reputable partners to maintain a stable, long-term supply of energy resources by increasing efficiency and expanding existing projects; consider new projects as alternatives to existing interests
Demand for environmentally friendly energy, products, and services	Expand initiatives leveraging breadth of the business domain, ranging from energy solutions and renewable energy to optimal charging and discharging services utilizing the energy storage system

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

	Responses
Stricter regulation of greenhouse gas emissions and less reliance on fossil fuels	Continuing efforts to minimize greenhouse gas emissions during operation and the pursuit of businesses with lower environmental impact, such as renewable energy and LNG
Transformation of patient needs and growing uncertainty of medical security systems as the population ages	Expansion of portfolio in the healthcare business through promoting leading-edge medical treatments
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
Reduction in demand for synthetic resin materials in line with moving away from plastic and the problem of plastic waste	Handle new environmentally friendly materials such as alternative materials to plastic and promote recycling businesses

(⇨ Page 50 Sustainability)

Taking Advantage of Opportunities for Growth

Initiatives Contributing to Medium- to Long-Term Energy Security

ITOCHU is in the market exploring for opportunities to take part in the new natural gas and LNG projects, cleaner energy sources, the demands of which are growing ever more worldwide. As part of our upstream oil and gas strategy, we have acquired new project interest in Iraqi West Qurna-1, while divesting a subsidiary's holding project interests in the U.K. North Sea. With its unique contract scheme*, the West Qurna-1 project secured more stable revenue stream, enabling us to build a robust asset base that would withstand today's volatile oil market. Through these and other strategic measures taken, we, as the Energy & Chemicals Company, have achieved record-high earnings in FYE 2019. Our aim is to sustain this momentum by maximizing our revenue bases from existing projects, such as the Azerbaijani ACG project, at the same time continuing on with our journey to optimize our asset portfolio, through further acquisitions and divestments where feasible.

LNG tanker NIZWA

* A scheme in which ITOCHU and other companies operate and develop the field on behalf of the Iraqi government, for which they are entitled to receive a certain remuneration fee.

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/chemical/

Food Company

Business Fields

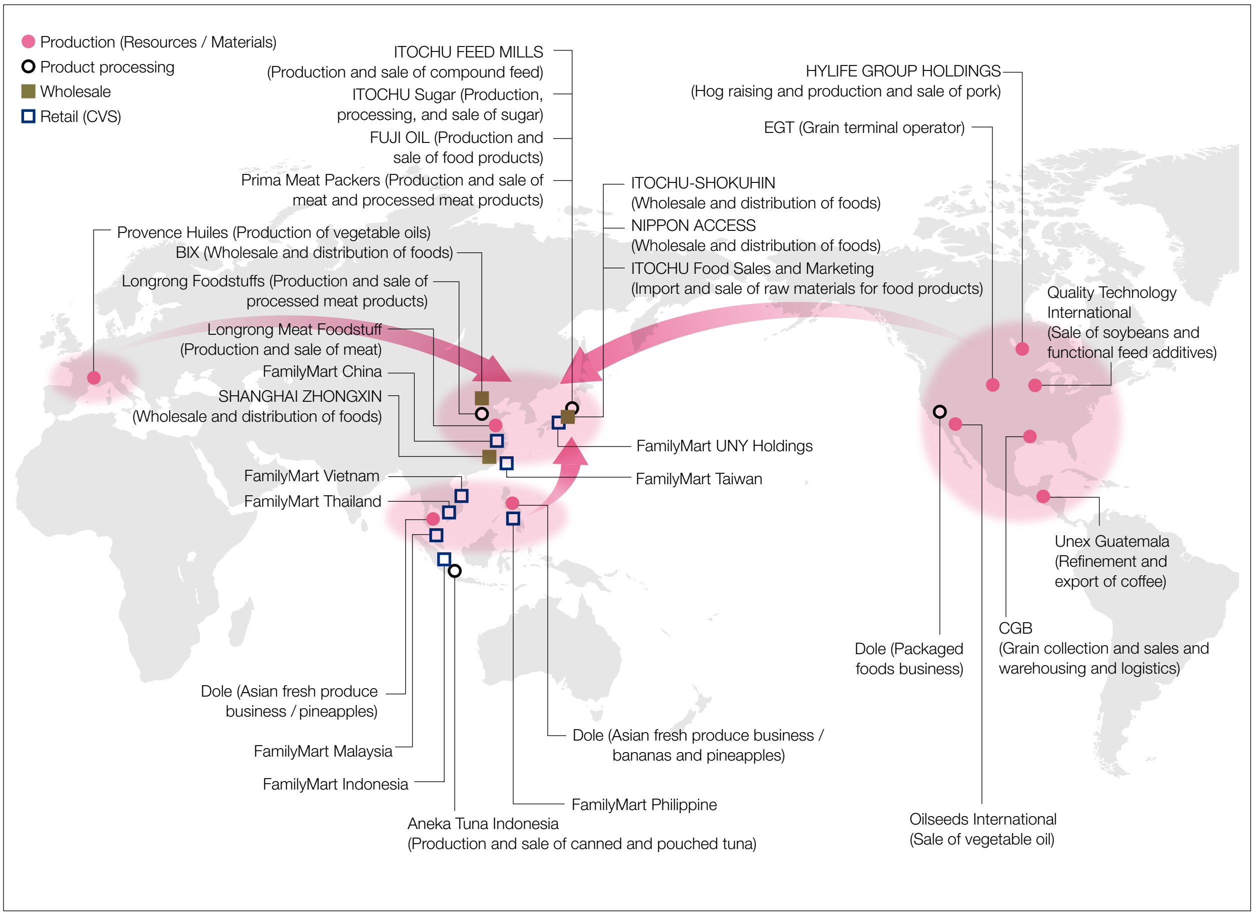
- Resources / Materials
- Product processing (fresh food, provisions)
- Midstream distribution (food wholesaling)
- Retail (CVS)

Hiroyuki Kaizuka

President, Food Company

From left:
Shuichi Miyamoto,
Chief Operating Officer, Provisions Division
Kenichi Tai,
Chief Operating Officer, Fresh Food Division
Takeshi Hagiwara,
Chief Operating Officer, Food Products Marketing & Distribution Division
Makoto Kyoda,
Chief Financial Officer
Kuniaki Abe,
General Manager, Planning & Administration Department

Business Development



STRENGTHS 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

OPPORTUNITIES Growth Opportunities

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 products, functions, expertise, and new technologies
More diverse and sophisticated diets around the world	Expansion of business foundations of overseas raw materials operating base and increase of domestic trade, centering on value-added products
Rising consumer awareness of food safety and security	Assurance of safe and secure food supplies and establishment of stable supply chain networks

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

Obstacles to Medium- to Long-Term Growth from an ESG Perspective	Responses
Problems with business continuity due to labor shortages caused by a shrinking population	Enhancement of 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	Securement of stable supply of agricultural products through diversification of production regions
Distribution of products containing substances that pose health hazards	Increase in number of employees holding Food Safety Management Systems (FSMS) international certificate

(⇨ Page 50 Sustainability)

Initiatives for Reducing ESG Risks

Biogas Power Generation Using Pineapple Residue

Dole Philippines Inc. (Dolefil) concluded a long-term energy sale and purchase contract with Surallah Biogas Ventures Corp. (SBVC), an affiliate of Metro Pacific Investments Corp. Under this contract, Dolefil will supply pineapple residue generated during the manufacturing process of Dole products to SBVC as a biogas ingredient, and will purchase the generated biogas as electricity from SBVC.

On the island of Mindanao in the Philippines, where Dolefil's pineapple plantation is located, soaring electricity costs pose an issue for management. However, Dolefil will reduce its electricity costs by receiving gas and electricity at a fixed price following the construction of a biogas generation facility that will start operations in 2020. By leveraging renewable energy, we will reduce our environmental impact and help create a recycling society.

Groundbreaking ceremony for the biomass power generation facility

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/food/

General Products & Realty Company

Business Fields

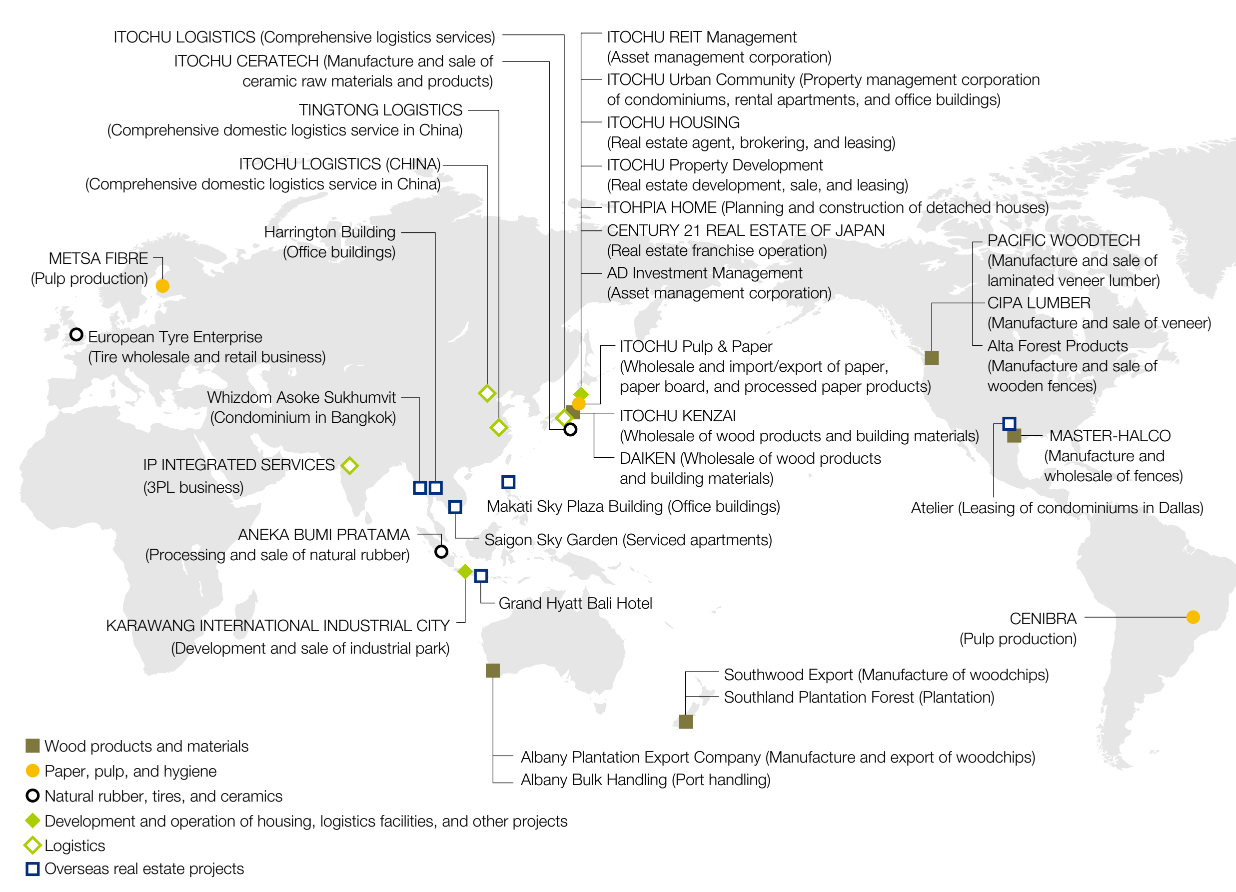
- Paper, pulp, and hygiene (production, wholesaling)
- Natural rubber and tire (processing, wholesaling, and retail)
- Wood products and materials (production, wholesaling)
- Development and operation of real estate (housing, logistics facilities, and other projects)
- Logistics (3PL, international transport,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

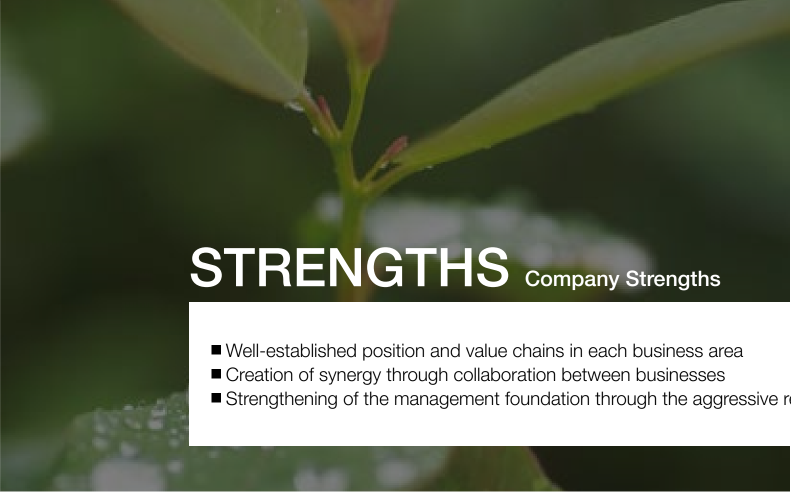
Tomofumi Yoshida

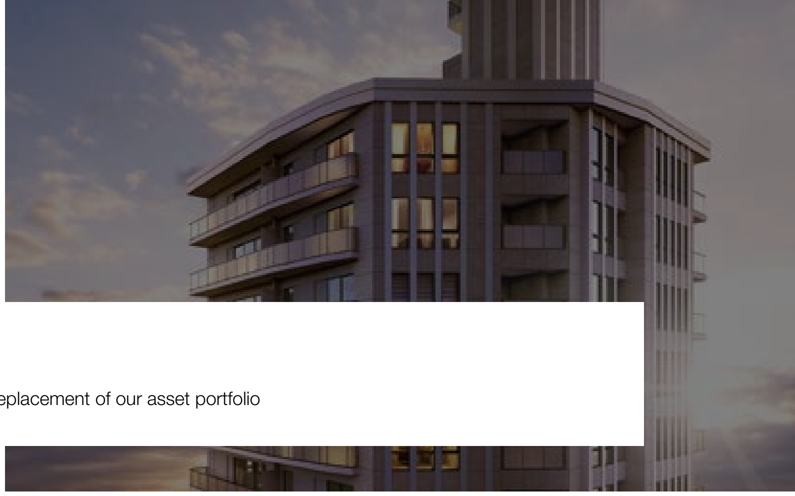
President, General Products & Realty Company

From left:
Kenji Murai,
Chief Operating Officer, Forest Products, General Merchandise & Logistics Division
Masatoshi Maki,
Chief Operating Officer, Construction & Real Estate Division
Kazuaki Yamaguchi,
Chief Financial Officer
Tsutomu Yamauchi,
General Manager, Planning & Administration Department

Business Development







STRENGTHS 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

OPPORTUNITIES Growth Opportunities

Growth Opportunities	Strategies (Specific Measures)
Adapt business models in line with rapid progress of next-generation technologies	Further enhance tire, construction materials, real estate, and logistics businesses by employing next-generation technologies
Handle renewable forestry resources	Expand the handling of environment-friendly products that use sustainable forestry resources
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

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

Risks	Responses
Stable procurement and supply of resources and raw materials	Promote sustainable afforestation with joint venture partners in Brazil, and strengthen the pulp business in Finland where the stable long-term supply of pulpwood is possible
	Create a sustainable and stable business including potential investment of byproduct (slag) which is sustainable and used as a cement alternative
	Promotion of sustainable natural rubber that is supplied through a traceability system

(⇨ Page 50 Sustainability)

Initiatives for Reducing ESG Risks

Commencement of Proof of Concept (PoC) for Traceability of Natural Rubber

Natural rubber is an indispensable natural resource in our daily lives. The more awareness of creating a sustainable society, the greater transparency is required in procurement activities. To date, it has been extremely difficult to ascertain the actual conditions of natural rubber producers due to the vastness of the afforestation area and the complexity of distribution channels. Using the supply chain of P.T. ANEKA BUMI PRATAMA, our subsidiary in Indonesia, we have commenced a PoC project that is the world's first application of blockchain technology in the natural rubber industry, and are promoting the realization of traceability. Furthermore, we are aiming to spread sustainable natural rubber through a capital alliance with HeveaConnect Pte Ltd, which operates a marketplace for trading sustainable natural rubber and was established by Halcyon Agri Corporation Limited (headquartered in Singapore and one of the world's top natural rubber companies).

Harvesting sap for natural rubber

Please also see the sustainability pages of ITOCHU's website.
https://www.itochu.co.jp/en/csr/activities/general/

ICT & Financial Business Company

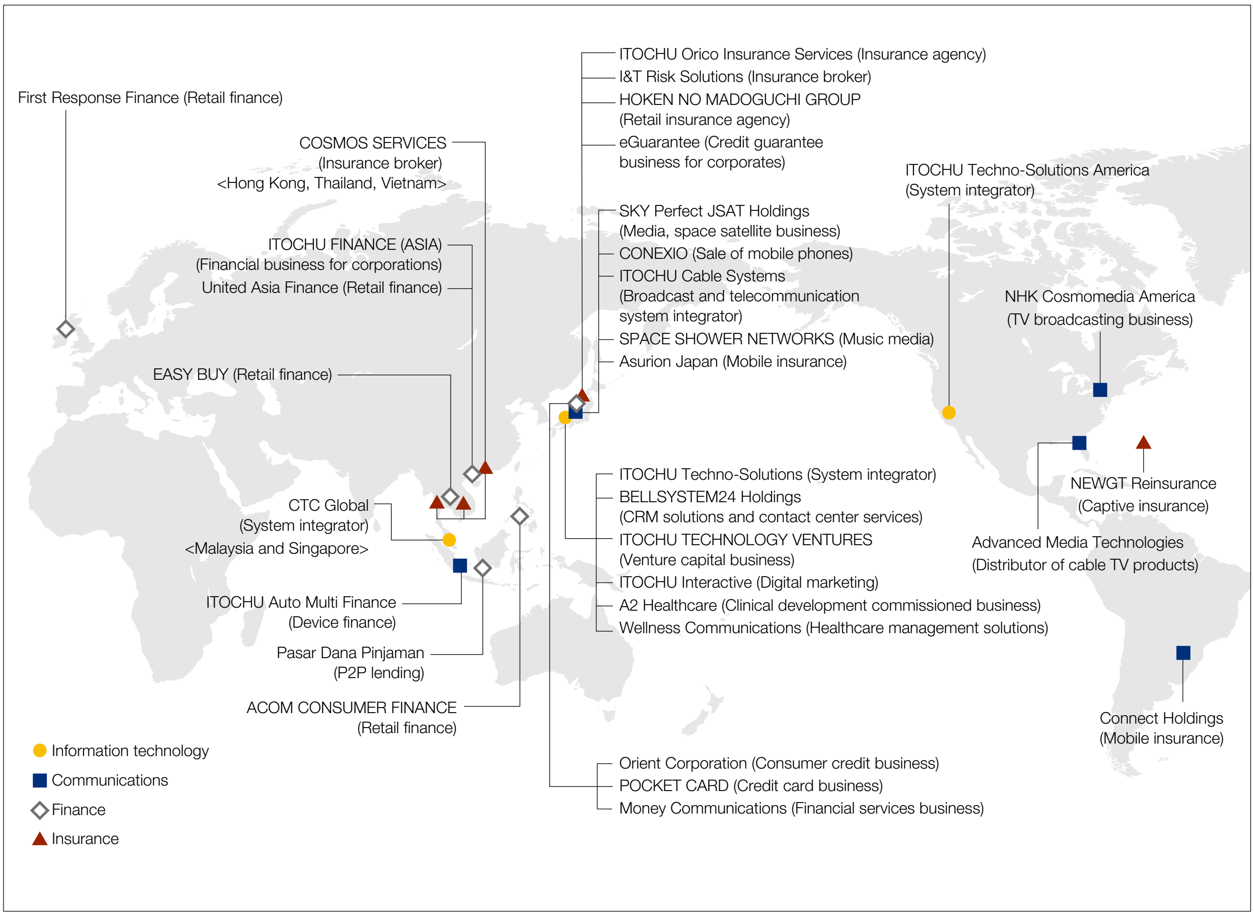
Business Fields

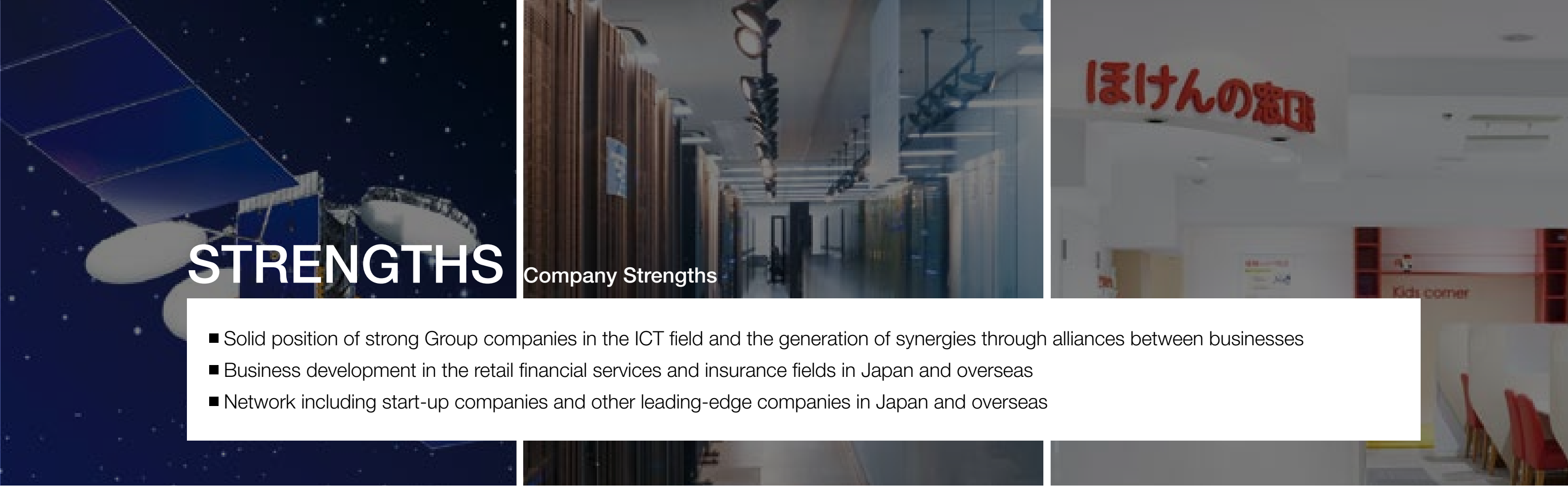
- Information technology (ICT, BPO, and healthcare)
- Communications (mobile, media, and communication & satellite)
- Finance (retail, corporate)
- Insurance (brokerage, underwriting)

Tatsushi Shingu
President, ICT & Financial Business Company

From left:
Kiyoshi Imagawa,
Chief Operating Officer, ICT Division
Shuichi Kato,
Chief Operating Officer, Financial & Insurance Business Division
Fumitaka Horiuchi,
Chief Financial Officer
Tadayoshi Yamaguchi,
General Manager, Planning & Administration Department

Business Development





STRENGTHS 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-up companies and other leading-edge companies in Japan and overseas

OPPORTUNITIES Growth Opportunities

Growth Opportunities	Strategies (Specific Measures)
Evolve business models to adapt to rapid changes in the business environment	Expand overseas business foundation through cross-border e-commerce and new retail finance
Expansion of the infrastructure service business in response to increasingly specialized and sophisticated business processes	Develop new solutions by applying new cutting-edge technologies
Strengthen earning base through restructuring and optimization of existing businesses with partners in Japan and overseas	Discover, form alliances with, and promote business developments with start-up companies

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

Obstacles to Medium- to Long-Term Growth from an ESG Perspective	Responses
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 the increase in the number of customers and the expansion of asset scale in existing businesses

(⇨ Page 50 Sustainability)

Taking Advantage of Opportunities for Growth

Strategic Investment in Paidy Inc.

The ITOCHU Group has leveraged its growth through investing in and providing hands-on support to start-up companies with high growth potential. The support includes dispatching its employees and fostering ties among the Group. One of the achievements of these measures in FYE 2019 was the strategic investment alongside our subsidiary, POCKET CARD CO., LTD, in Paidy Inc. (Paidy), an online post-pay settlement service operator with the intention of making Paidy into an equity-method affiliate.

In addition to promoting the expansion of Paidy's member store network both within and outside the group, we will develop advanced user-friendly next-generation financial services, leveraging Paidy's new technology as typified by its proprietary credit scoring model, as well as POCKET CARD's expertise in the settlement field accumulated over many years. Through these efforts we will aim to further enhance the corporate value of both companies.

(⇨ Page 67 Aiming to Reinvent Our Business)

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

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

IR Activities

ITOCHU engages in communication with analysts, institutional investors, individual investors, and all other stakeholders. While explaining our thinking to those stakeholders, we proactively report the valuable opinions received through the communications to the management team in order to facilitate increases in corporate value.

Major IR Activities

Activity	FYE 2017 Results	FYE 2018 Results	FYE 2019 Results
Individual meetings with institutional investors	329	334	328
Investors meetings for analysts and institutional investors	4	4	5
Investors meetings for operating segments / projects for analysts and institutional investors	1	1	0*
Site tours for analysts and institutional investors	1	1	0
Overseas IR roadshows	7	8	8
Conferences sponsored by securities companies (in Japan)	7	5	5
Meetings for individual investors	14	16	13

* Held a meeting regarding “reinvention of business” in June 2019

	FYE 2017 Results	FYE 2018 Results	FYE 2019 Results
Number of individual shareholders (as of the end of March)	172,462	183,643	187,392
Number of attendees at General Meeting of Shareholders	2,631	2,549	2,717

External Evaluations of Our IR Activities

Overall IR Activities

The Japan Investor Relations Association 25th Anniversary Commemorative Award
- **Companies with Greatest Improvement in IR**
- **Companies with Best Continual Efforts in IR**

Annual Report

Government Pension Investment Fund (GPIF)
- **Outstanding Integrated Report***
- **Highly-Improved Integrated Report**

* Regarding “Outstanding Integrated Report,” we received high evaluations from the most investment managers among all the selected companies.

Nikkei Annual Report Awards 2018
Award for Outstanding Performance

IR Website

2018 Internet IR Award
by Daiwa Investor Relations Co., Ltd.
Grand Prize (1st Place)

2018 All Japanese Listed Companies’ Website Quality Ranking by Nikko Investor Relations Co., Ltd.
Grand Prize (2nd Place)

Gomez IR Site Ranking 2018
by Morningstar Japan K.K.
Gold Prize

Credit Ratings (As of July 2019)

Credit Rating Agency	Long-Term / Outlook	Short-Term
Japan Credit Rating Agency (JCR)	AA / Stable	J-1+
Rating & Investment Information (R&I)	AA– / Stable	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 2019)

- 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
- Dow Jones Sustainability Indices (World / Asia Pacific Index)
- SAM Sustainability Award 2019 Gold Class
- SNAM Sustainability Index
- S&P / JPX Carbon Efficient Index

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

SAM | Sustainability Award Gold Class 2019

S&P/JPX Carbon Efficient Index

Member of SNAM Sustainability Index 2019

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.

Investor Relations Department members (July 2019)

Stock and Shareholder Information (As of March 31, 2019)

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	1,584,889,504 shares
Number of shareholders	187,392

Breakdown of Shareholders