

FY2017 Q&A Summary of Investors Meeting regarding Food Co.

Presentation Date and Time: December 20, 2016 (Tuesday); 13:30 to 15:00

Attendee: Koji Takayanagi, President, Food Company

Yozo Kubo, Executive Vice President, Food Company

Takeshi Takasugi, Vice President, Food Company; Chief Operating Officer, Provisions Division

Yutaka Yamamura, Chief Operating Officer, Fresh Food Division

Haruo Takagaki, Chief Operating Officer, Food Products Marketing & Distribution Division

Makoto Kyoda, Chief Financial Officer, Food Company

Kenji Tanaka, General Manager, Planning & Administration Department of Food Company

Abbreviations: FM = FamilyMart

**【Regarding medium- to long-term strategy and portfolio strategy】**

Q: What is the net profit target in the next three years?

A: We will increase net profit through increasing total assets while maintaining ROA of over 3%. We recognize business style of Food Co. as “low-risk, low-return” or “low-risk, middle-return”, which the business risk is relatively manageable, therefore we consider that increase of total assets will contribute to the increase in net profit.

Q: The upstream business of the Overseas Raw Material segment has a high level of volatility. Do you think that it is better to focus on the Domestic Manufacturer segment or the Domestic Retail segment rather than the Overseas Raw Material segment? Or, looking at your entire portfolio, do you maintain the upstream business?

A: As the times change, strong fields fluctuate between upstream and downstream. The downstream is stronger at this moment. However, from a long-term perspective, the upstream may become stronger if a crisis such as food insufficiency occurs. Therefore to maintain our value chain strategy we will not give up certain business such as the upstream business.

Q: What area do you want to reinforce?

A: Our weak point is in the raw materials/materials field, especially meat and seafood. We will focus on the seafood business selectively and strengthen the meat business through collaboration with CP Group and other means in order to secure raw materials.

Q: In your presentation, you describe the Overseas Raw Material segment as “high-risk, middle-return.” Are you satisfied with the current level of return in this segment? Or, are you expecting a higher return through the recovery in Dole business?

A: First and foremost, it is crucial for us to minimize the risk, and then we will promote improvement in return. The main businesses in the Overseas Raw Material segment are Dole and HyLife (pork business in Canada). In the past, these businesses suffered unexpected damage from climate risks and other factors, but through deepening the understanding toward climate risk, Dole improved their irrigation facilities which minimized the climate risk.

**【Regarding the Merger of Uny and FamilyMart】**

Q: From the Food Company's perspective, how do you view the management of Uny and FM, including the future shareholding percentages?

A: It has been only three months since Uny and FM integrated in September. We do not expect to largely increase our share percentage, as we expect to maintain the independence of the company itself while we maximize our influence. For the CVS business, Circle K Sunkus stores have been gradually converting to FM. As a result, the daily sales per store have increased. We would like to speed up the pace of such efforts to leverage the positive effects of this integration. Sales at FM are 1.9 trillion yen, with sales of 0.9 trillion yen at Circle K Sunkus, and 0.8 trillion yen at Uny. Accordingly, sales will nearly double after the integration. Our strategy is to increase trades and market shares, rather than taking equity shares. As the ITOCHU Group, we aim to increase our trade right in the retail, production, and wholesale fields.

Q: What are benefits for ITOCHU and the ITOCHU Group from the sales increase through integration.

A: The top priority is to strengthen the earning base of Uny and FM, not to increase ITOCHU sales. However we would like to expand our involvement in fields where we can demonstrate our strengths as the ITOCHU Group. (Chilled/processing food fields of NIPPON ACCESS, etc.)

Q: How can Circle K Sunkus stores increase sales through switching to FM?

A: The product capability of FM can provide that increase. 5,000 stores will be switching to FM in the next 2 and half years. The first step of this switch is the 3,000 stores in Tokyo, Osaka and Nagoya.

**【Regarding Dole】**

Q: What are the reasons for the improvement in the Dole business? Also, can you provide an update on synergy businesses with ITOCHU?

A: Climate risks such as typhoon and drought were materialized more frequently than we had anticipated. As a result, the production volume of pineapples and bananas decreased significantly. However, thanks to the improvements we have made, such as an investment in irrigation facilities that contributed to the recovery of pineapple production, the packaged food division has recovered. While the fresh banana business was affected by disease, production has now recovered by improving irrigation facilities and breed improvement. These are the reasons for the improvement in profitability. For our synergy businesses, ITOCHU supplies paper for boxes, tinplate for cans, fertilizers and pesticides. We also supply smoothies, which are exclusive to FM. In addition, ITOCHU is a distributor of packaged food products in Japan.

Q: Can you provide any updates on business expansion in China and Asia, which was mentioned at the time of Dole's acquisition?

A: Demand for Dole-brand bananas in China and Asia is strong. At the time of acquisition, 80% of Dole's bananas were sold to Japan. Now due to the expansion of sales in Korea, China, New Zealand, and Middle East, this became 50%.

Q: What is the strategy to expand the packaged foods business that is considered as high-profit products?

A: In addition to canned pineapple, we would like to expand sales of frozen pineapple in North America. As for our target areas, in addition to North America, we would like to expand the packaged food business in Asia and Europe.

**【Regarding CP and CITIC】**

Q: Can you comment on synergies with the CP Group?

A: There are several projects currently being discussed in the Provisions division, such as the production processing business and raw material trading. Thanks to the CP Group's strong presence in the industry, due to the fact that it owns businesses in China such as distribution, livestock, and feed production, in addition to businesses in Russia and Africa, ITOCHU can obtain beneficial information through this strategic alliance. Actually, we discussed taking on a big project together in the past. As long as we have an alliance, we would like to pursue the possibility of joint investments. As the CP Group has expressed interest in Japanese technology, such as factory automation, etc., the expectations for working with Japanese companies are high. In fact, a subsidiary of ITOCHU is discussing the possibility of a joint project.

Q: Could you give us an update on synergies with CITIC?

A: At time of signing the alliance, we expected for developing provision resources. However, current discussions are mainly geared toward the supply of raw materials in medical and health-related businesses.