

Brand-new Deal 2017

*Infinite Missions
Transcending Growth*



Annual Report 2017

For the Year Ended March 31, 2017



ITOCHU Corporation

1858

Origin

Sampo Yoshi

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

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

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

Our Inherited Phi

Passing on the Management Baton



Chubei Itoh I



Chubei Itoh II



Takenosuke Itoh



Uichiro Kosuga

1949–1960



Masakazu Echigo

1960–1974

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

Present

I am One with Infinite Missions

The Corporate Message—I am One with Infinite Missions—comes to mind when pondering the corporate philosophy of “Committed to the Global Good.”

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

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

Philosophy

ITOCHU has maintained its merchant spirit and the “*sampo yoshi*” management philosophy for 159 years; this core belief has sustained our activities to date. Going into the future, as well, we will strive to sustainably increase our corporate value as we fulfill “infinite missions” for all manner of stakeholders.



Seiki Tozaki

1974–1983



Isao Yonekura

1983–1990



Minoru Murofushi

1990–1998



Uichiro Niwa

1998–2004



Eizo Kobayashi

2004–2010



Masahiro Okafuji

2010–

The Competitive Edge and Management Foundation Supporting Sustainable Increases in Corporate Value

OUR INHERITED COMPETITIVE EDGE

Earning Power in the Non-Resource Sector

Leading general trading company in the non-resource sector in consolidated net profit (FYE 2017)

¥313.7 billion (91% of consolidated net profit attributable to ITOCHU of ¥352.2 billion)



ITOCHU'S ORIGINS



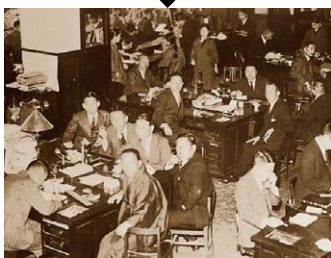
1893
Establishment of Itoh Itomise
(Thread and Yarn Store)

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





ITOCHU'S ORIGINS



1932
Sales department

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

OUR INHERITED COMPETITIVE EDGE



“Individual Capabilities”

High labor productivity

Front-line capabilities

Working-style reform

(⇨ Page 44 Management Resources Supporting Sustainable Value Creation)

OUR INHERITED COMPETITIVE EDGE

Experience and Track Record in China and Other Parts of Asia

Collaboration with the CITIC Group and the CP Group, the leading conglomerates in Asia

Obtaining business opportunities over the medium to long term



ITOCHU'S ORIGINS



1972
Then-President Echigo heads mission to China

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





A GOVERNANCE SYSTEM THAT CONTINUES TO ADVANCE

Separating Management Execution and Supervision

(⇒ Page 54 Corporate Governance)

Number of Directors and Outside Directors

FYE 2017

Of which,
Outside Directors: **3**

Directors: **14**



FYE 2018

Of which,
Outside Directors: **4**

Directors: **9**

ITOCHU is transitioning to a monitoring-oriented Board of Directors based on separation between management execution and supervision. Our reforms include increasing the number of outside directors and substantially reducing the overall number of directors. By stepping up the separation of execution and supervision, we are creating a management structure that achieves a good balance between maintaining an aggressive posture and reinforcing defense.

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

Annual Report 2017 was compiled based on this focus with consideration paid to the disclosure framework of the International Integrated Reporting Council (IIRC). Special emphasis was also placed on connectivity and conciseness. Furthermore, we used this report as an opportunity to look back on the unique philosophy and competitive edge ITOCHU has held since its founding. We also included our growth strategies and business strategies centered on non-resource fields, the financial strategies supporting its solid earnings bases, its ever-evolving corporate governance system, and other aspects of the Company geared toward achieving ongoing improvement in corporate value. The content of this annual report has been limited to information on matters that can have a substantial influence on ITOCHU's corporate value. A more comprehensive range of investor relations; environmental, social, and governance (ESG); and other information has been disclosed on ITOCHU's corporate website for easy access by various stakeholders around the world. ITOCHU utilizes its annual reports as tools for communication with stakeholders.



Explanation of Cover

The cover design symbolizes each employee of every Division Company looking to fulfil their duties to an even higher degree in order to contribute to the ongoing improvement of ITOCHU's corporate value and to move toward what lies beyond.

Detailed Financial Information

For detailed financial information for FYE 2017, please see the Financial Section.

https://www.itochu.co.jp/en/ir/doc/financial_section/

Reporting Scope and Other Items

Reporting Period: April 1, 2016 to March 31, 2017

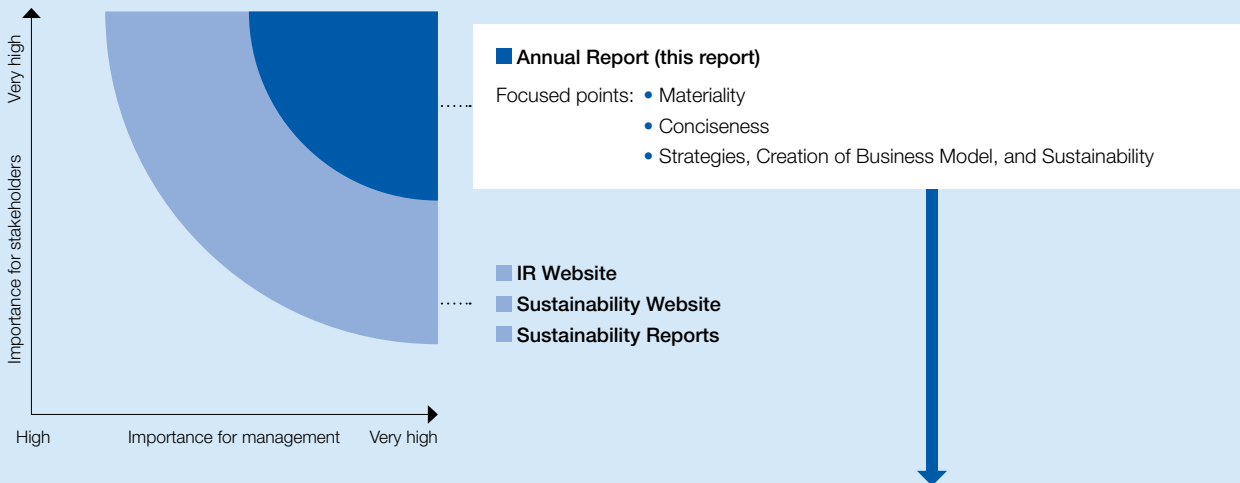
(Certain sections include activities occurring in or after April 2017.)

Reporting Scope: ITOCHU Corporation and the ITOCHU Group

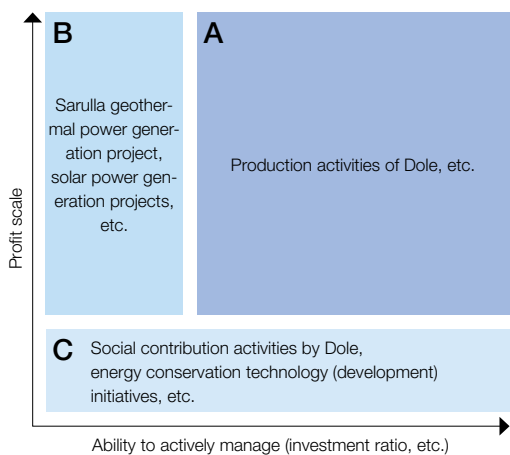
Accounting Standards: Unless otherwise noted, this report is prepared in accordance with U.S. GAAP through FYE 2014, and with IFRS from FYE 2015.

Inquiries for Annual Reports

IR Department ☎: 81 (3) 3497-7295



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



Contained in Annual Reports

A. High-profit businesses that ITOCHU can actively manage

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

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

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

Contained in Sustainability Website / Sustainability Reports

C. Businesses with low earnings capacity over the short term

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



For more information about Sustainability

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

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



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Forward-Looking Statements

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



ITOCHU is forging ahead, marshalling the forces of the Group to build an earnings base to generate ¥400.0 billion in consolidated net profit and leap forward to the future beyond.

Net profit attributable to ITOCHU (“consolidated net profit”) reached a record high in FYE 2017, marking a new point in our history. In FYE 2018, we will keep walking the talk by solidly achieving our consolidated net profit target of ¥400.0 billion. To meet this goal, we will thoroughly reapply the “earn, cut, prevent” principles that are the hallmark of our business. Beyond that vista, we intend to increase comprehensive corporate value, leading in a new era for *sogo shosha* (general trading companies).

(⇒ Page 28 Milestones to Be Passed in Increasing Corporate Value)

President & Chief Executive Officer

Masahiro Okafuji



Making Steady Progress by Virtue of Being Awkward

I recognize that I am particularly awkward. There are some people in this world who seem to be skillful at everything. I am not one of those. I struggle to speak English, and I don't golf very well. I wouldn't say I'm any good at giving speeches. Because I know I'm poor at speech-making unless I rehearse, I often start preparing as much as half a year ahead of time. During that time, I repeat my speech over and over.

However, I believe this awkwardness is my strength. Thanks to my awkwardness, I have been able to continue doggedly at tasks. I only attempt what is realistic and concentrate on one thing while thinking carefully. The reason I encourage young employees first and foremost to become professionals in their area of work is because I am convinced that continuing indefatigably in a fixed direction is the way to develop true strength. When you want to climb a mountain, you take a long-term view. You set out along the path and move steadily a step at a time toward your goal.

**I am convinced
that being awkward and
a worrier is actually my strength.**

The approach to achieving targets for the Company is similar. I carefully examine the various possibilities, and start each fiscal year with a certain degree of confidence that we will be able to reach our goals. Underlying my confidence is a sense of prudence bordering on worry. I even worry during the decision-making process. When I have an idea, I work to clear away concerns by consulting with many people. For me, decision-making is not a

sudden process. Rather, it is a gradual one in which I have to make repeated stops for reconsideration.

For these reasons, I consider myself the polar opposite of managers who are "strong" or think "out of the box." I have never done any-

thing particularly special. I just always apply the business sense I have cultivated on the front lines, and when I know without a doubt that something is right, I move steadily ahead to make it happen. I am convinced that ITOCHU is a good place for people who recognize themselves as awkward to work. As I have done, ITOCHU has put one foot in front of the other and moved ahead steadfastly to do what it knows needs to be done.

ITOCHU as a Merchant

Many corporate image surveys give ITOCHU high marks for its human resources, employee training systems, and working environment. We score top overall in “having a large pool of talented personnel.” I would like to remind employees, though, that this does not mean we are an elite group.

At one point when I was working in the Textile Company, I went to Kushiro, in Hokkaido. One ITOCHU employee there had been deep-sea fishing in the freezing cold for three months. I saw him contributing to the Company by going about this

exhausting manual labor. The strong impression of his spirit of dedication is still fresh in my mind. Today, ITOCHU has many people working in all corners of the world, some in grueling living environments. ITOCHU has traditionally

excelled in the consumer-

related sector. The characteristics of this business are altogether different from the resource sector, where you invest hundreds of billions of yen and aim for returns of tens of billions of yen. In the textile business, for example, inventories are managed by measuring cloth down to the centimeter. Costs are calculated in units of several yen, and negotiations involve repeated haggling with customers over increments of ¥10 or ¥100. This is a business where quiet dedication to mundane tasks reaps earnings. While a *sogo shosha* might at first glance appear flashy, in reality it is a matter of soldiering along humbly. As a merchant we keep the customer perspective in mind every day, such as studying needs and finding what will make customers happy. High-handed attitudes have no place in business.

Being a merchant means earning your daily bread by visiting customers on a daily basis. The textile and food-stuffs businesses, in particular, involve an extremely large number of customers. Reforms were needed in order to keep ourselves on track and keep the customer viewpoint firmly in mind in keeping with our role as merchants. These reforms included reducing the frequency and duration of important meetings and decreasing the number of pages in internal application documents. We have also introduced a morning-focused working system and the “110 movement.” (The idea here is that after-work drinking goes to only one session and needs to end by 10:00 p.m.)

We were an early proponent of the morning-focused working system, which has caused a stir as being different from the working style more common in Japanese

society. Nowadays, workstyle reforms and health and productivity management have evolved into major social trends. We are highly regarded for our efforts toward health and productivity management, and have been named a “Health & Productivity Stock,” a joint designation by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. I would like to emphasize the point that ITOCHU has positioned human resource measures as a management strategy from the very beginning. Our morning-focused working system is not simply aimed at shortening working hours. To win out in competition among the major *sogo shosha* even though

we have the fewest number of employees on a non-consolidated basis, our labor productivity must be consistently high. I want our employees to work hard, pursuing efficient working styles and improving their capabilities within their available time. At the same time, though, we take care

not to unilaterally impose the Company’s will on our people by setting rules throughout the organization. Rather, management aims to ensure an employee focus. In our morning-focused working system, for example, we pay employees a 50% overtime allowance for hours worked prior to 8:00 a.m. We take employees’ health into account by preparing breakfast for them; we provide solid incentives.

Attesting to the clear success of these ongoing reforms, even though we have fewer people on a non-consolidated basis than other major *sogo shosha*, we show strong profit as one of the leading *sogo shosha*. (⇒ Page 46 Human Resources Strategy)

I want our people to work hard while pursuing efficiency and performance.

Achieving Record-High Profits by Focusing Rigorously on Business Fundamentals

Because I see the front lines as the foundation of our business, I make frequent visits to our front lines and operating companies. One of the many companies I visited in FYE 2017 was Sanipak Company Of Japan, Ltd., which makes polyethylene trash bags, among other items. I saw that Sanipak works to cut costs in a number of ways. For example, employees take the stairs rather than using the elevators, and in summer they open all the windows and turn off the air conditioners. While making this diligent effort to curtail costs, Sanipak provided customers with quality, low-priced



Visiting operating companies

products, and in FYE 2017 Sanipak posted its highest earnings ever. In fact, Sanipak was not the only company to achieve this feat; 73 out of our 268 operating companies posted record-high profits in FYE 2017. To date, we have worked to exit from operating companies that were operating at a loss. We now rank at the top level among *sogo shosha* for our share of Group companies reporting profits, at 86.4%. During the year, both profit (loss) from operating companies and profits of Group companies reporting profits were our highest so far. We have few companies generating in excess of tens of billions of yen. Most, in fact, are at the scale of several billion yen. I think the ability to cultivate companies of this size is one of our greatest strengths.

We positioned FYE 2017, the second year of the “Brand-new Deal 2017,” as the year for “engaging all employees to lead a new era for the *sogo shosha*.” While continuing to sharpen our focus on lean management, the entire ITOCHU Group, including operating companies, made a thorough effort to apply the fundamental business principles of “earn, cut, prevent.” As a result, consolidated net profit rose to the highest level ever, growing 47% year on year, to ¥352.2 billion. Base profits, which exclude one-time factors, also reached a new high of around ¥370.0 billion. Core operating cash flows reached a historical high of approximately ¥420.0 billion, and core free cash flows were a net cash inflow of ¥300.0 billion. In line with strong cash flows, we were

Cultivating companies that generate several billion yen is one of our strengths, although we have few operating companies delivering tens of billions of yen.

able to generate record-level profits, which were clearly effective at steadily reinforcing our ability to increase base profits. NET DER, which expresses net interest-bearing debt divided by shareholders’ equity, was our lowest so far, at 0.97 times. This figure surpassed our target of recovering NET DER to 1.0 time or less. Thus of our two basic policies, during FYE 2017 we made clear progress on the first, of “strengthening our financial position.” Our target ROE was 13% or more. We achieved a level significantly higher than other major *sogo shosha*, at 15.3%.

(⇨ Page 30 CFO Interview)

In FYE 2012, we secured a position among the top three *sogo shosha* in terms of consolidated net profit by strengthening profitability in the consumer-related sector, where we are the industry leader. After cementing this

position, we set our sights on the non-resource sector, in FYE 2015 succeeding in our aim to be the No. 1 general trading company in the non-resource sector. Supported by an earnings structure that is relatively unaffected by resource prices, in FYE 2016 we became the top *sogo shosha*. I have already outlined our results for FYE 2017, when we set our sights on “engaging all employees to lead a new era for the *sogo shosha*.” I am proud of the way the entire ITOCHU Group has succeeded by concentrating on, and then meeting the targets one by one. I thank all our employees and operating companies for their diligence in achieving these objectives.

Achieving Our Target of “Building Solid Earnings Base to Generate ¥400.0 Billion in Consolidated Net Profit”

In the past two years of “Brand-new Deal 2017,” our medium-term management plan, we have cleared away concerns about the future, made management leaner, and built a steady earnings base that is not dependent on the resource sector, which fluctuates wildly. We have made sufficient preparations and worked to hone our businesses. Now that we have put these solid foundations in place, we are ready to achieve the second of our basic policies, “building solid earnings base to generate ¥400.0 billion.” Our target for FYE 2018, the final year of the medium-term management plan, is consolidated net profit of ¥400.0 billion. (⇨ Page 26 Medium-Term Management Plan)

Demonstrating that we are confident of our ability to meet this target, in addition to the share buybacks we have already made, we have raised our minimum dividend guarantee of ¥64 per share, on the assumption that we will achieve consolidated net profit of ¥400.0 billion, which represents a ¥9 year-on-year increase and our highest dividend level ever. In this manner, we aim to share our profit growth with our shareholders. (⇨ Page 32 Shareholder Value)

To meet our targets, we will rededicate ourselves to the principles of “earn, cut, prevent.” In my mind, these principles describe a triangle, with “cut” and “prevent” forming the base. Strengthening these two aspects ensures lean management. As a result, we can be more proactive, shoring up our “earn” efforts. If the “cut” principle at the base of the triangle is neglected, waste will soon accumulate. The process of “cutting” is a never-ending aspect of management that involves exiting unprofitable companies, simplifying and restructuring organizations, redeploying excess personnel, and taking a thorough approach to trimming management costs.

Looking back, some aspects of FYE 2017 warrant further reflection. Some projects accumulated several billion yen in losses only a year or two after our initial investment. In FYE 2018, we will focus specifically on the “prevent” principle to keep such unexpected losses from occurring. In the past, *sogo shosha*—ourselves included—have tended to set “investment budgets” and keep on making investments until reaching the budget’s

upper limit. Because the budget is fixed, the tendency is to focus on projects that can generate short-term profits. In the process, we tend to lose sight of our medium- to long-term strategies, negotiate insufficiently with counterparties, and buy at prices that are too high. It is no surprise that such investments often do not go well. It goes without saying that we need to continue spreading seeds about if we intend to grow, and we will move aggressively forward with investments when we are convinced of their merits. We need to do away with the investment budget, therefore, and refrain from short-sighted investments, in other words, spending money to buy profit. Rather, we

concentrate only on those projects that will enhance corporate value over the medium to long term. Finding profitable new investments is no easy task, so rather than concentrating on this aspect, we should focus on increasing our stakes in existing busi-

We have set the highest level of dividends ever, to share our profit growth with shareholders.

nesses whose management conditions we understand. “Honing” these investments by improving profitability and cost reductions should be a better bet than participating in competitive tender offers. In FYE 2018, I would like us to prioritize this style of investment.

Building Business from a Long-Term Perspective

S*ogo shosha* are different from manufacturers, which can leverage new technologies to take a market lead. Our business is more like the flow of water, adjusting to fluctuating market conditions. Even though we do not know whether the shape of the vessel holding the water will be round or square a year from now, as I always say, my principal aim is to reach the budget targets each fiscal year. In business, keeping the short- and long-term perspectives both in mind is vital. FamilyMart UNY Holdings Co., Ltd., is a good example of a business that we have continued to cultivate from a medium- to long-term perspective. We have worked to raise corporate value in an ITOCHU-specific way.

We hold more than one-third of FamilyMart UNY Holdings’ shares, but we do not intend to convert it to a subsidiary. The retail business requires small improvements on a daily basis and expertise in setting up selling areas and developing products. These are difficult tasks for us as a general trading company whose forte lies in

processes such as making management strategies and building value chains. Rather than controlling management by paying large sums of money, I consider leaving retail management up to the professionals in that area to be a more rational approach. We will keep a close eye on management directions, and at the same time, we will seek to build corporate value by generating multifaceted synergies linked to the value chain.

I think the convenience store business presents noteworthy potential for improving peripheral businesses, which currently flow out of the Group. We should be able to take advantage of our Group functions and strengthen alliances in various areas, such as the financial business, IT to reduce labor requirements, e-commerce businesses, and improving logistics efficiencies. The general merchandise store business also presents major opportunities for improvement, so we will work to brush up the business so that the business will not put a major strain on management in the future. Throughout the process, we will engage closely in dialogue, settling down and pursuing improvements together.

(⇔ Page 38 The Merchants Creating Synergies Indefinitely)

Overseas, collaborations with the CITIC Group and the CP Group are major pillars of business. CITIC has set the target of increasing the portion of profit generated by

its non-financial business from around 20% to 40%. Careful judgment of the appropriate large-scale investment will be necessary in changing a revenue structure of a company that generates more than ¥800.0 billion in consolidated net profit. Those large-scale investments need to take some time, and we plan to take a long-term perspective in cultivating this investment. I am convinced that the time will come when our stakeholders can be certain that holding CITIC's shares has been meaningful.

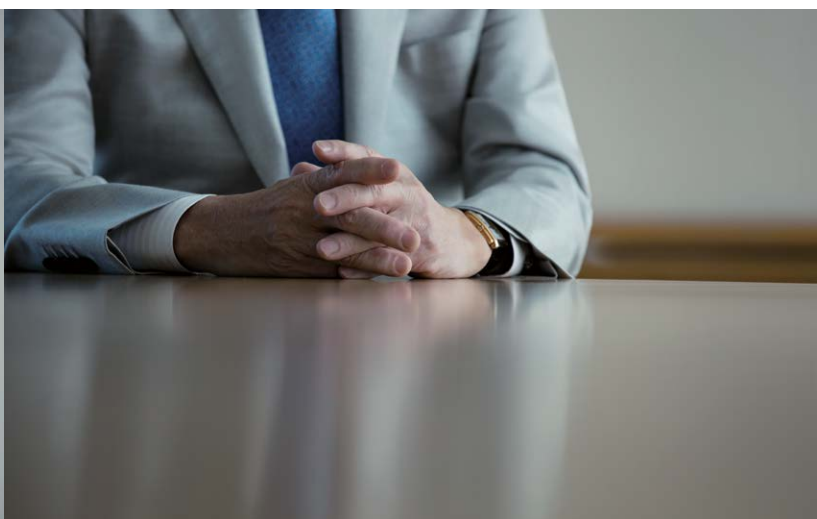
In FYE 2018, we plan to make a major leap forward in our long-term strategy by collaborating in the medical and healthcare fields, which the CITIC Group positions as

core businesses in its non-financial segment. We will contribute to adding value to hospitals through streamlined management by consolidating businesses peripheral to hospitals and introducing leading-edge Japanese medical technologies. Starting out

with one hospital in the CITIC Group, we will create a business model and roll out the business across China, with the ultimate aim of expanding throughout Asia. The Chinese government is pursuing its Healthy China 2030 Blueprint, and this business is in line with the country's national strategy. As the industry is regulated, the barriers to entry for foreign capital are extremely high. However, due to our partnership with the CITIC Group, which is a state-owned company, this collaboration was realized.

In business, I think it is important to maintain both short- and long-term perspectives.





We are also considering participation in the area of oil and gas development. The resource businesses of *sogo shosha*, involving spot transactions that require them to trade at their own risk, are becoming mainstream. However, by cooperating with the CITIC Group, we can expect to enter into long-term contacts with state-owned companies such as electric power companies, reducing our investment risk in the resource sector. We will carefully evaluate the content and timing of such assets, taking into account the possibility that our stake in production volumes could decrease.

Only thinking of our own benefit is no way to sustain business over the long term.

The Key to Sustaining Business over the Long Term

I would like to mention an approach that I believe is an important part of nurturing business over a long period of time.

When I was working in the textile business, I took the brand businesses built by the general trading companies that hail from Japan's large *zaibatsu* industrial groups as a point of reference. Before long, we began to take the lead, and eventually ITOCHU became known for its brand business. I recall the feeling that I

pursued a business model of purchasing brand rights, but at first I had nobody I could consult with on the business, as there was no precedent to the business approach. Around that time, one of my customers was

in trouble with a large accumulation of inventory. Being in the practice of buying brand rights, ITOCHU would negotiate contracts with customers each year, determining purchase volumes and royalties in advance. We therefore had no inventory

risk. Because I was concerned about the significant burden this customer was experiencing, however, I made the rounds of ITOCHU's branches, offices, and business partners throughout Japan asking them for their sales cooperation. Eventually, the customer's inventory was all sold. I think of this experience as a good example of our *sampo yoshi* management philosophy, which means dividing profits among ourselves (the seller), our customers (the buyers), and the ultimate consumers who could get quality products (society). Even without making it a specific point to do so, if you want to do business sustainably, this *sampo yoshi* approach, rather than only thinking of our own benefit, is the natural stance. I hold it as an important cornerstone of management, and brought in the subtitle of our FYE 2018 plan for the final year of "Brand-new Deal 2017."

Infinite Missions, Transcending Growth

Following Japan's period of high economic growth until the late 1990s, *sogo shosha* have engaged in fierce competition for sales amount. A rise in low-margin transactions has drawn down profitability across the board, sowing a growing sense of distrust toward *sogo shosha* management. The times have changed somewhat, but I think the competition for profits remains excessive even today, which has encouraged me to engage in some introspection. Companies are destined to work toward increased earnings. ITOCHU is moving within range of consolidated net profit of ¥400.0 billion, which is an appropriate scale for “an era of two leading general trading companies.” Looking beyond this goal, however, I believe *sogo shosha* will move toward a new phase when the focus will be on “the quality of management” and “the quality of profits,” rather than just on the scale of consolidated net profit.

As is evident with the Sustainable Development Goals (SDGs) adopted by the United Nations, we are entering an era in which companies are being called on to grow in a sustainable manner, in step with society. (⇨ Page 50 Sustainability) This thinking is exactly in line with the *sampo yoshi* philosophy that ITOCHU has embraced for years. (⇨ Page 44 Message from the CAO) While putting this philosophy into action in our corporate management, in order to clearly position sustainable growth as the Company's mission, we have set the phrase “Infinite Missions Transcending Growth” to emphasize our strong commitment to sustainable increases—not necessarily quantitatively—in overall corporate value. I am resolved for ITOCHU to take the industry lead as a company appreciated by all stakeholders—business partners, shareholders, and society alike—and that surpasses other companies in productivity per employee while our employees have job satisfaction, fulfilling lives, and work in an efficient, healthy manner.

We are currently discussing within the Company how ITOCHU should become. We are also listening to a variety of input from stakeholders. The answers to this will be reflected in our next medium-term management plan. (⇨ Page 29 Message from the CSO / CIO)

Securing a Foothold, Moving Forward

In FYE 2017, ITOCHU took further steps to separate management execution and supervision. We increased the number of outside directors to more than one-third of Board members by reducing the overall number of directors and increasing the number of outside directors. Rather than adjusting our structure to just match the trends around us, our structure is to reflect input from the front lines to put the principle of “earn” into management. (⇨ Page 54 Corporate Governance) In addition to this corporate governance reform, we are making progress on reinforcing our financial position, building a solid platform for earnings, and clarifying our medium- to long-term strategy. At present, ITOCHU has no blind spots. The only risk we must avoid is a sense of conceit among our employees. Having become the lead-

**ITOCHU has no blind spots,
but we need to avoid a sense of
conceit among our employees.**

ing general trading company must not cause us to swell with pride. Such an attitude could lose us society's trust and damage our corporate value as a result. We must bear in mind the efforts of our predecessors and the Company's long history of taking

on challenges and guard ourselves against conceit.

To walk the talk, the ITOCHU Group will continue to move forward vigorously in FYE 2018. We don't need to do anything special. As in the past, we need to simply build on the strong business foundations we have put in place, securing a foothold and moving forward one step at a time.

A History of Transformation Spanning More Than 150 Years

Over the course of its 159-year history, ITOCHU has overcome a multitude of obstacles. We have succeeded in enhancing corporate value by continually reinventing ourselves.

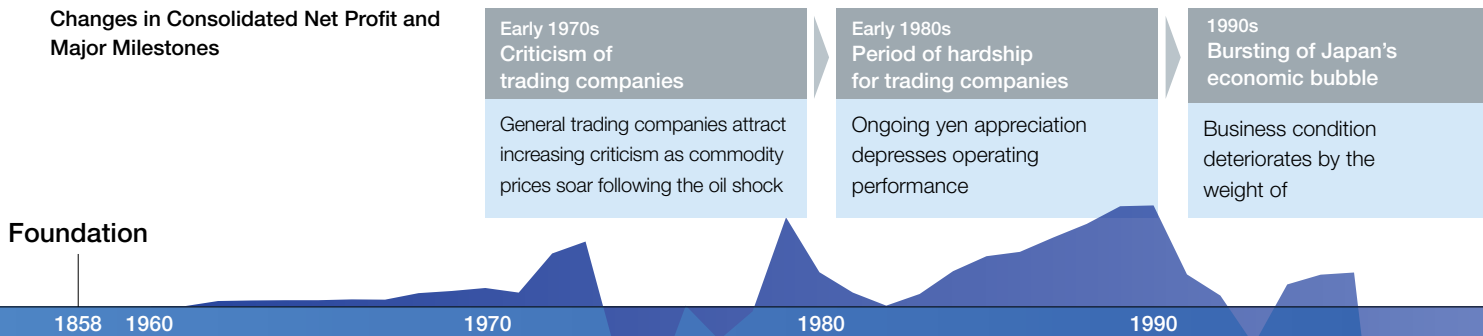
A History of Transformation

Transformation 1 ▶ Around 1950–1990s

“Internationalization and Generalization”

Keeping pace with the dynamically changing economic structure, we pursued international developments and expansion into non-textile areas at a fever pitch, building our lineup as a general trading company.

Changes in Consolidated Net Profit and Major Milestones



ITOCHU's Major Milestones

- | | |
|--|---|
| <p>1858 Founded
Chubei Itoh, commenced linen trading operations via Osaka in Senshu, and Kishu.</p> <p>1918 C. Itoh & Co., Ltd. (current ITOCHU Corporation) established.
New York branch office opened.</p> <p>1949 C. Itoh & Co., Ltd., incorporated.</p> <p>1950 Company listed on the Tokyo Stock Exchange (TSE).</p> | <p>1972 C. Itoh & Co., Ltd., became the first major general trading company permitted to restart the trade with China.</p> <p>1977 Ataka & Co., Ltd., acquired.</p> |
|--|---|

Business Model's
Original Form
**Creating
Added Value**
⇒ Page 20

We heightened our presence as a general trading company by adding new value to the traditional brokerage function.



Coordination

1971: Brokering a business alliance between Isuzu Motors and General Motors

With the era of internationalization coming into full swing, we brokered a capital and business alliance between General Motors Corporation of the United States and Isuzu Motors Limited. After that start, we began serving as a bridge between a variety of companies.

Transformation 3 → FYE 2012 Onward

“Shift to Aggressive Business, Brand-new Deal”
 (Transformation to Manifest Our Strengths) P.19

Transformation 2 → FYE 1998—2011

“Management Reform Measures:”
Far-Reaching Management Reforms
 (Eliminating Under-Performing Assets and
 Adopting More Sophisticated Risk Management) P.18

The emerging perception
 that trading companies
 are unnecessary

massive
 under-performing
 assets

2000s
 Resource boom

Operating performance expands in
 line with soaring resource prices

From around 2007
 Entering a new era for *sogo shosha*

Restructuring the earnings base
 following the global financial crisis
 and a decline in resource prices.

As a result, ITOCHU leads in the
 industry in shifting to the non-
 resource sector

FYE 2018—“Transcending Growth”

FYE 2016 The **No. 1** general trading company
 (an era of two leading general trading
 companies)

FYE 2015 The **No. 1** general trading company
 in the non-resource sector

FYE 2012 Ranked the **No. 3**
 general trading company
 (cementing our position
 as a member of the top three)

Defense

Aggressive Business

2000

2005

2010

2016

- 1997 Division Company system introduced.
- 1998 Stock in FamilyMart Co., Ltd., acquired.
- 1999 Subsidiary ITOCHU TECHNO-SCIENCE Corporation
 (current ITOCHU Techno-Solutions Corporation)
 listed on TSE.
- 2001 Marubeni-Itochu Steel Inc. established.

- 2013 ITOCHU acquired Asian fresh produce
 business and worldwide packaged foods
 business of Dole Food Company, Inc., of
 the United States
- 2015 Strategic business alliance and capital
 participation with CITIC and CP Group



Brand Management

1980s: Entering the brand business

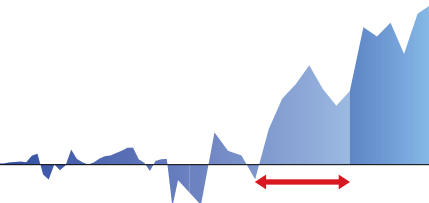
By adding the value of brands to products and services, we worked to maximize earnings by augmenting brand value.



Business Management

1998: Investing in FamilyMart

In addition to becoming a more active business investor, we accumulated expertise in building value at operating companies, such as FamilyMart UNY Holdings Co., Ltd.



Transformation 2 FYE 1998–2011

“Management Reform Measures:” Far-Reaching Management Reforms

(Eliminating Under-Performing Assets and Adopting More Sophisticated Risk Management)

Business Model's
Original Form
**Asset
Strategies**
Risk management
Pursuit of asset efficiency
⇒ Page 20

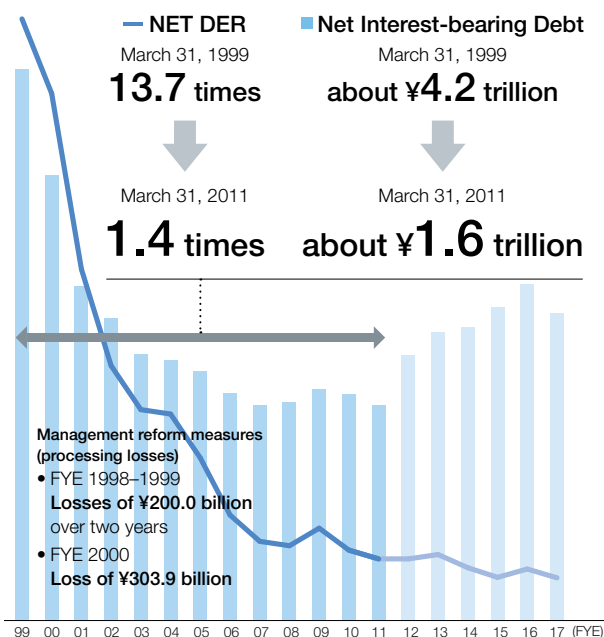
Sophisticated Management Skilled in Responding to Crisis

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

Sweeping Away a Negative Legacy and Strengthening the Financial Position

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

Strengthening Our Financial Position from FYE 1999 to 2011

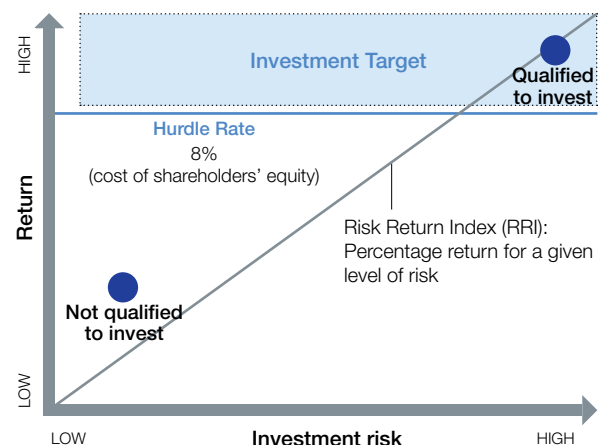


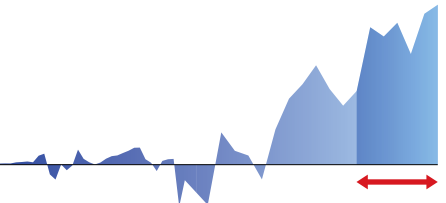
Original Form of the Risk Management Structure

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

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

Introducing a Quantitative Risk Management Method





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

(Transformation to Manifest Our Strengths)

Business Model's Original Form

Asset Strategies

Invest in areas where we have strengths

⇒ Page 20

Unleashing Our Strengths and Moving Boldly Ahead

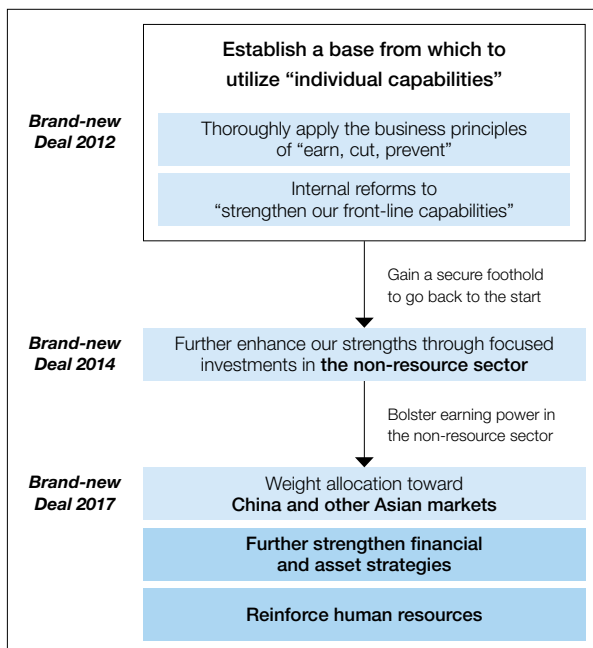
Having substantially improved our financial position, management shifted to bolder courses of action. We achieved increases in corporate value by leveraging three strengths: earning power in the non-resource sector, individual capabilities, and our experience and track record in China and other parts of Asia.

Taking Steady Steps from a Long-Term Perspective

Having improved our financial soundness considerably through 10 years of initiatives, in FYE 2011 we accelerated the disposal of inefficient assets and undertook a variety of internal reforms. We adopted a front-line focus to harness the potential of our “individual capabilities,” and revised investment criteria to enable selective expansion of projects in the non-resource sector. Unleashing the Company’s strengths was the chief point of all these reforms. After putting the framework in place, we charted a major change of course toward proactive management,

a pillar of which was to invest aggressively in the non-resource sector. In FYE 2012, we became the No. 1 general trading company in the consumer-related sector, growing to become the No. 1 general trading company in the non-resource sector in FYE 2015. In FYE 2016, we posted a level of consolidated net profit that made us the No. 1 general trading company. We invested approximately ¥600.0 billion in CITIC, making a major step to reinforce our strength further in the growing Chinese market. In these ways, ITOCHU has moved a step at a time to increase its corporate value, all the while maintaining a firm eye on long-term sustainability.

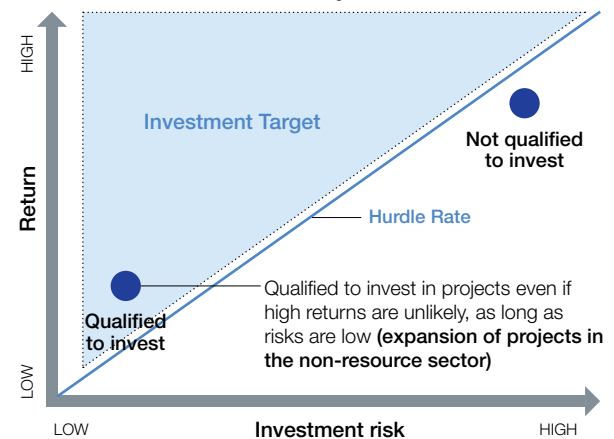
Strategic Steps from FYE 2012 Onward



Allocating of management resource in fields of strength

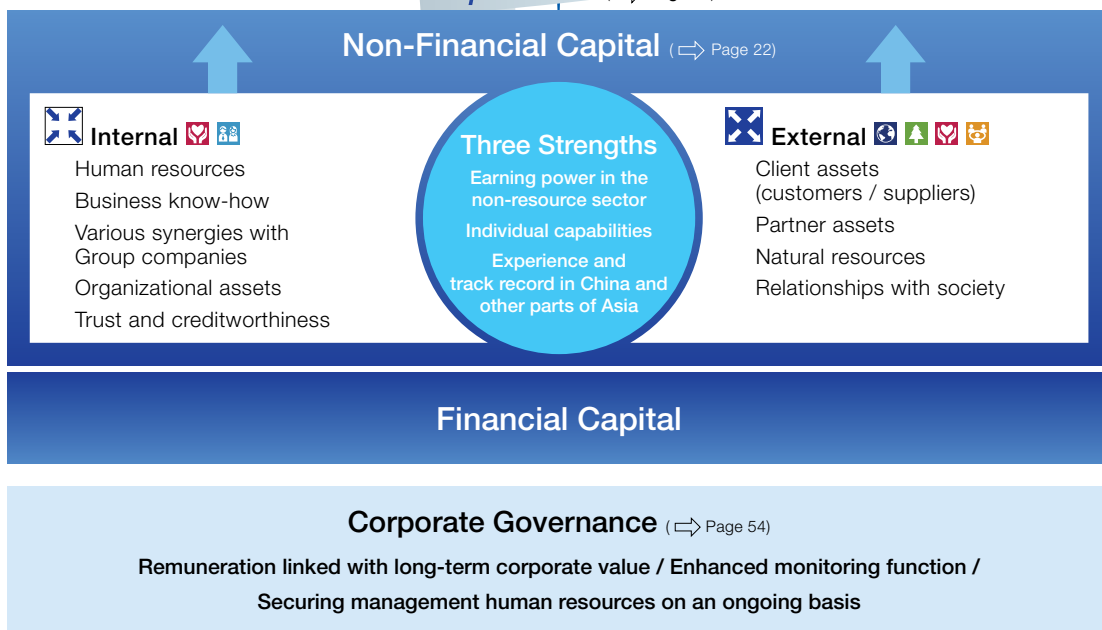
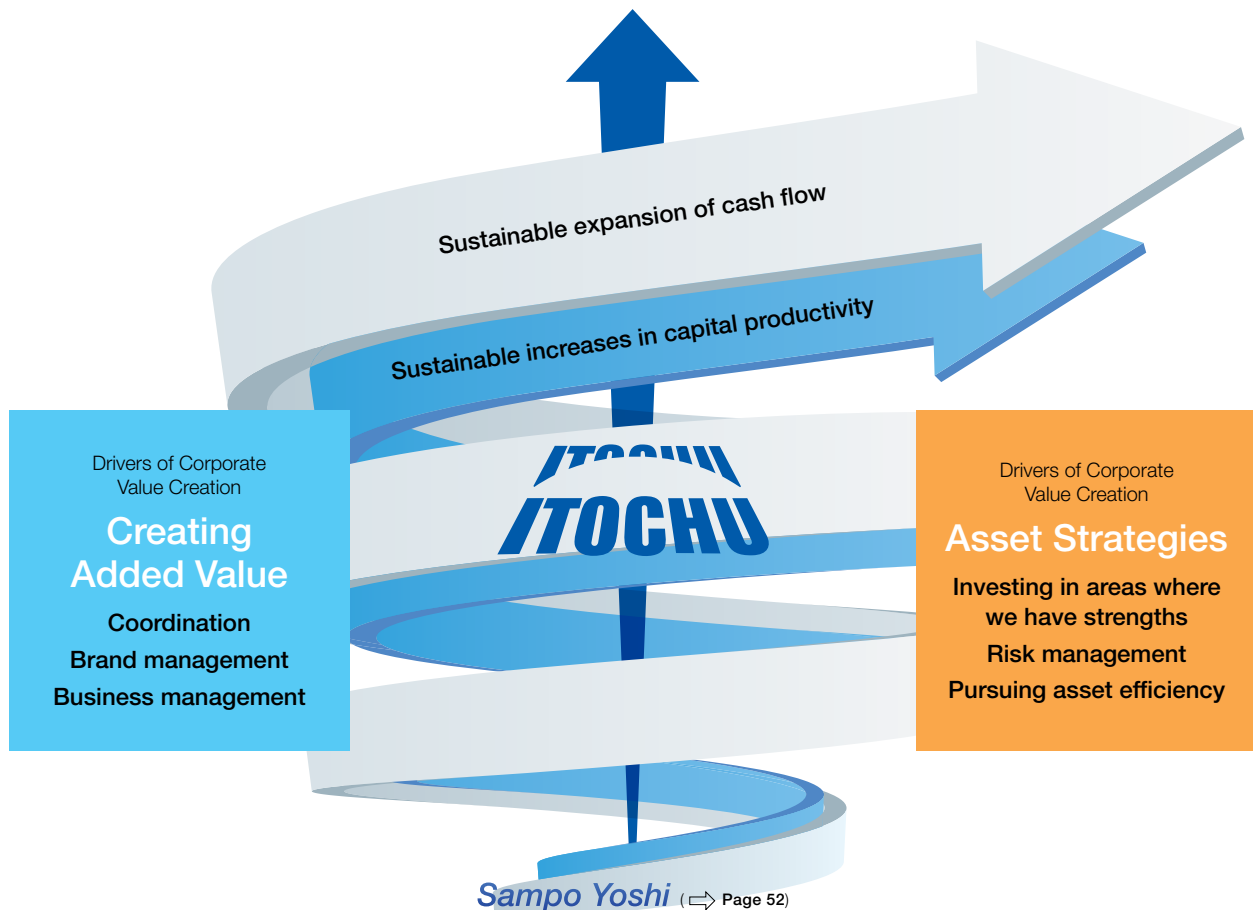
Allocating of management resources on the non-resource sector, centering on the consumer-related businesses, which are areas of strength

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



A Business Model for Achieving Sustainable Increases in Corporate Value

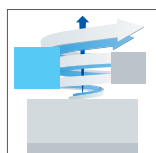
Sustainable Enhancement of Corporate Value



“Creating Added Value” and “Asset Strategies” Working in Tandem

Since the time of our founding, we have pursued “creating added value” that we alone were capable of providing. Honed through the ongoing transformations that took place in the 2000s, we developed a second driver of value creation: “asset strategies,” referring to making investments in areas of strength and pursuing asset efficiency. These two factors, working in tandem, constitute our business model.

Two Drivers of Corporate Value Creation



Creating Added Value

Coordination

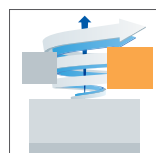
Leveraging its client assets and partnerships with leading companies, ITOCHU works to cultivate sales channels and suppliers and takes steps to foster the creation of new businesses, such as large-scale project structuring.

Brand Management

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

Business Management

By providing the various functions and management knowhow we have accumulated as a general trading company, we provide support to enhance the corporate value of operating companies.



Asset Strategies

Investing in Areas Where We Have Strengths

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

Risk Management

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

(⇨ Page 37 Risk Management)

Pursuing of Asset Efficiency

We exit from investments that are determined to be low-efficiency assets from such perspectives as scale of earnings, investment efficiency, and strategic significance. In this way, we are working to increase asset efficiency and to maximize free cash flow under strengthened cash flow management. (⇨ Page 34 Business Investment)

01

Sources of Sustainability

Cash Flow Stability (⇨ Page 30 CFO Interview)

ITOCHU's steady cash flow stems from its earning power in the stable non-resource sector, an area of strength for the Company and where volatility is controlled. Going forward, we will continue working to create cash flow in a sustainable manner—a shareholder focus.

02

Sources of Sustainability

Three Unique Strengths (“Earning Power in the Non-Resource Sector,” “Individual Capabilities,” and “Experience and Track Record in China and Other Parts of Asia”)

We have unleashed the potential of these three unique strengths over the years since FYE 2012. These strengths are difficult to imitate, and thus a source of competitive advantage, and lead to the sustainable creation of corporate value.

Strong Non-Financial Capital

ITOCHU has a deep stock of non-financial capital whose potential as corporate value has not yet been tapped. This capital includes ESG factors, helps lower the cost of capital, and ensures sustainability of the business model.

Internal Management Resources

Human Resources

It is human resources that are the driving force behind the functioning of ITOCHU's business models. We are working to develop industry professionals who have high levels of expertise in specific areas. In addition, we are working consistently to strengthen human resource productivity through working-style reforms.

(⇒ Page 46 Human Resources Strategy)

Business Know-How

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

Various Synergies with Group Companies

The ITOCHU Group comprises 207 subsidiaries and 101 affiliated companies (as of March 31, 2017). The combination of their functions with those of ITOCHU expands the potential scope for added value creation.

Organizational Assets

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

Trust and Creditworthiness

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

External Management Resources

Client Assets (Customers / Suppliers)

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

(⇒ Page 52 Client and Partner Assets)

Partner Assets

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

(⇒ Page 52 Client and Partner Assets)






Natural Resources

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

Relationships with Society

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

Relationship with Materialities (⇒ Page 50 Sustainability)

-  Consideration for the environment
-  Sustainable use of resources
-  Respect and consideration for human rights
-  Contribution to local communities
-  Improving labor conditions

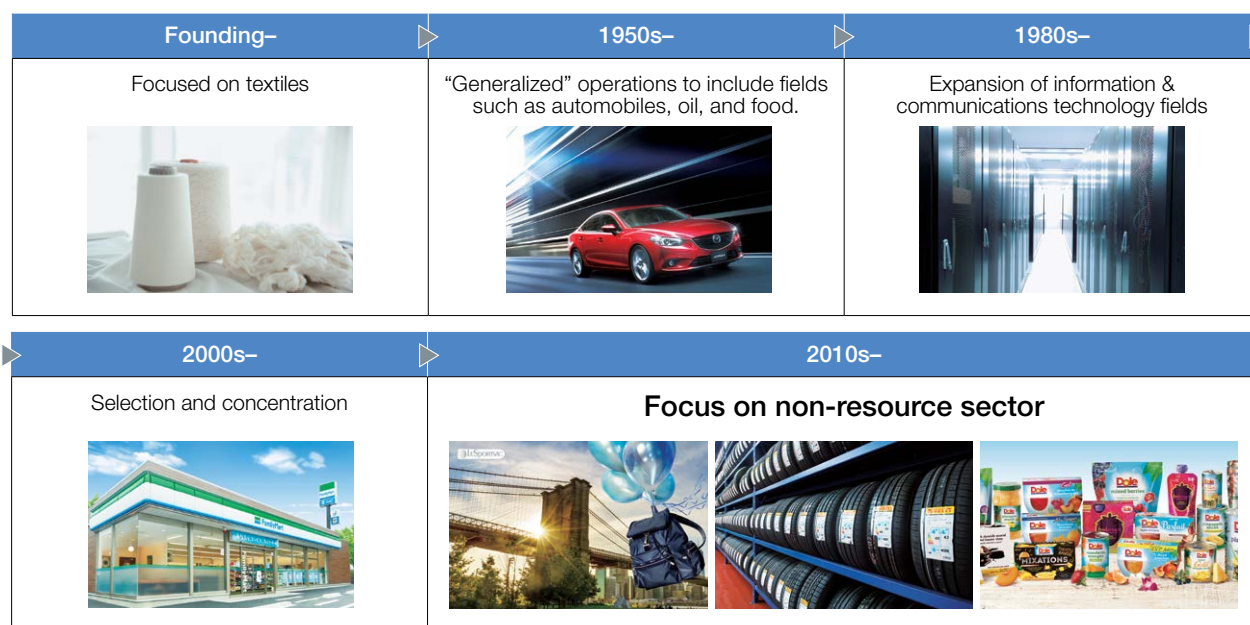
Adaptability to the Changing Times

Portfolio Distribution across Spans of Time and Industries

Transforming our business portfolio flexibly in response to changes in the industrial structure has enabled us to develop our business sustainably. By looking ahead to future economic cycles, we are allocating personnel and certain other management resources to rapidly expand growth businesses and launch new businesses.

Spreading into Multifaceted Business Domains

Reweighting in Response to the Changing Industrial Structure



Vertical Expansion

In building value chains, we aim to maximize business value by leveraging our strengths in domains where we have knowledge and collaborating with partners in other domains, thereby increasing the efficiency of invested capital and reducing risk. (⇒ Page 38 The Merchants Creating Synergies Indefinitely)

How ITOCHU Differs from a General Private Equity Fund

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

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

Generating Business in Unlimited Directions

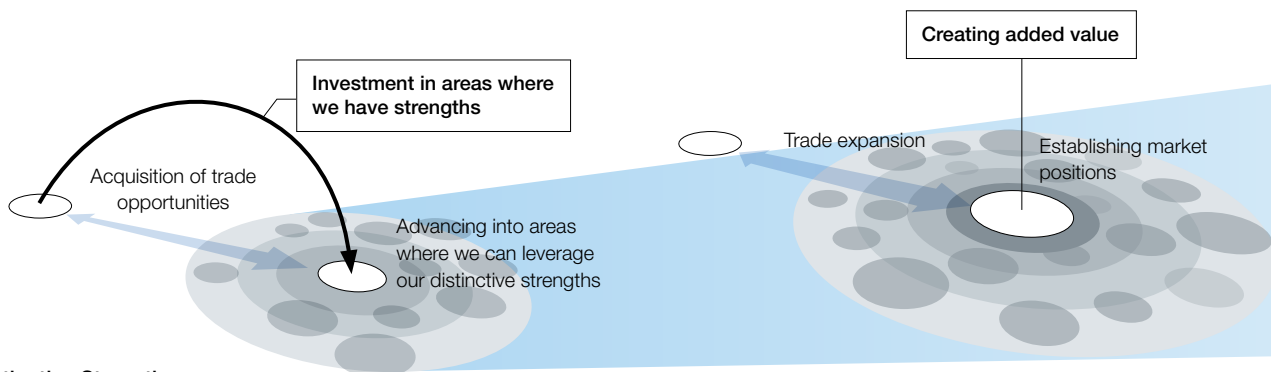
Leveraging Our Distinctive Strengths to Expand Multifaceted Initiatives in a Linked Manner

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

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

II. Establishing Market Positions

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



Distinctive Strengths

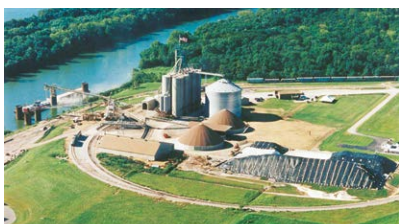
- Securing natural resources / raw materials
- Linking purchasers with producers
- Providing value added that meets consumer needs
- Providing solutions

Five Major Points of View in Multifaceted Business Development

1 Expanding and Diversifying Sources of Supply

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

Targeting a stable supply of food, ITOCHU is establishing and expanding grain handling and supply bases. (Photo: CGB grain export facility in North America)



2 Participating in Production Activities

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

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



3 Expanding the Range of Success Models

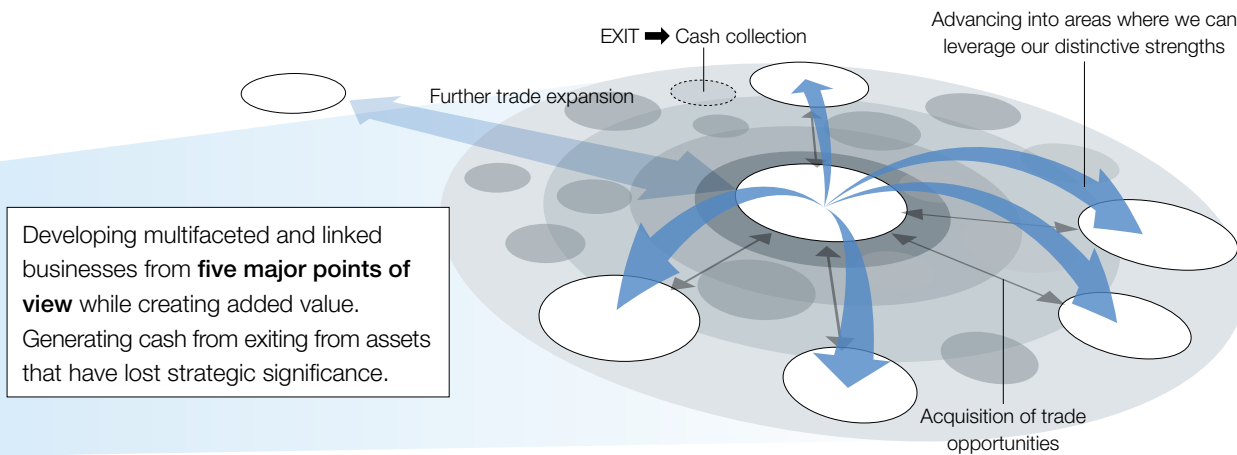
We aim to create businesses efficiently and rapidly by extending models of success with certain products and regions to other products and regions.

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



III. Multifaceted, Linked Business Development, and Flexible Exits

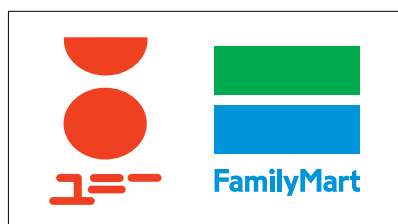
Starting from the areas in which we have established a presence, we leverage the business know-how that we have accumulated and the market positions that we have established. As we create new added value, we create new businesses in a multifaceted, linked manner with a view to further increasing earnings.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



4 Pursuing Economies of Scale

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

We increased our competitiveness through the management integration of FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd. (⇒ Page 38 The Merchants Creating Synergies Indefinitely)



5 Obtaining Contact with Consumers

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

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



Cash Collection from Exits

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

Medium-Term Management Plan (FYE 2016–2018)

Medium -Term Management Plan

Brand-new Deal 2017

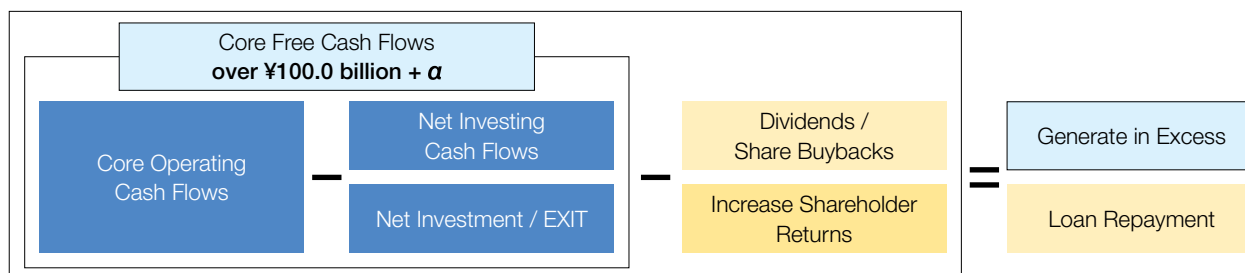
*Infinite Missions
Transcending Growth*

POINT 1 Basic Policies

Strengthen Our Financial Position	Accelerate Asset Replacement	<ul style="list-style-type: none"> → Continue asset replacement and rigorous investment selection to further improve quality and efficiency of assets
	Stringent Cash Flow Management	<ul style="list-style-type: none"> → Maintain positive free cash flow after dividend payout by strengthening cash generation capacity and adhering to stringent investment disciplines → Thoroughly implement management control to front lines with focus on cost of capital and cash flow management
Build Solid Earnings Base to Generate ¥400 Billion Level Consolidated Net Profit	Enhance Progress Cooperation with Strategic Partners	<ul style="list-style-type: none"> → Establish operating capabilities and business areas in China and the Asian region utilizing the strategic alliance with CITIC and CP Group → Further strengthen our earnings platform utilizing the superiority and competitive edge in the non-resource sector
	Further Reinforcement of the Non-Resource Sector	<ul style="list-style-type: none"> → Expand the fundamental earning power by thoroughly applying the “Earn,” “Cut,” and “Prevent” principles

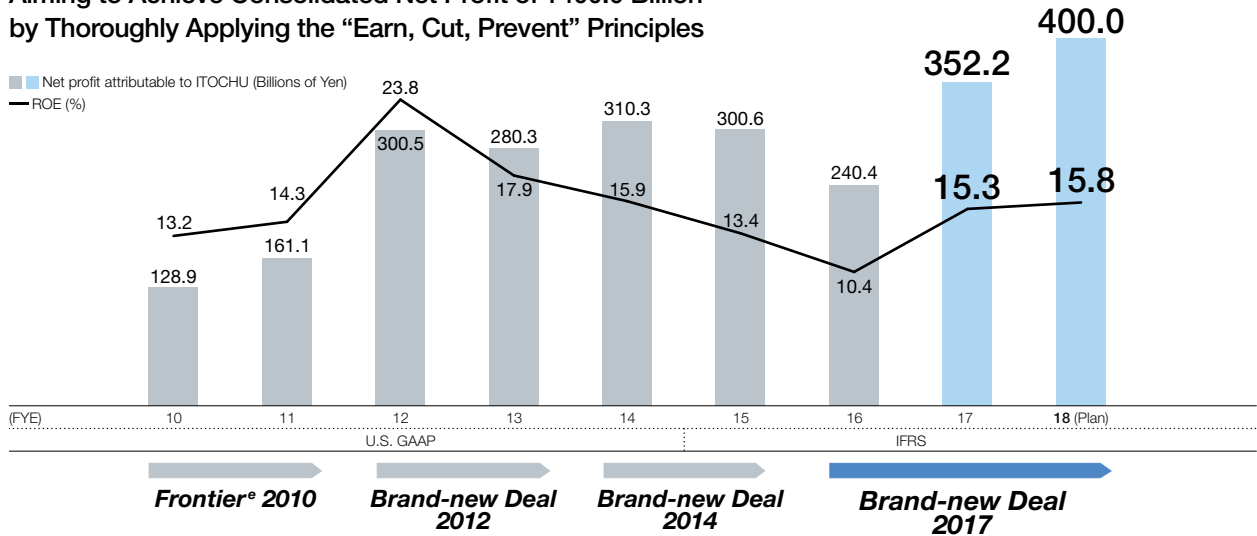
POINT 2 Strengthen Cash Flow Management and Financial Position

We will maintain core free cash flows at “over ¥100.0 billion + α ” and allocate it to shareholder returns, mainly through dividends, and to further loan repayment.



POINT 3 FYE 2017 Results / FYE 2018 Plan

Aiming to Achieve Consolidated Net Profit of ¥400.0 Billion by Thoroughly Applying the “Earn, Cut, Prevent” Principles

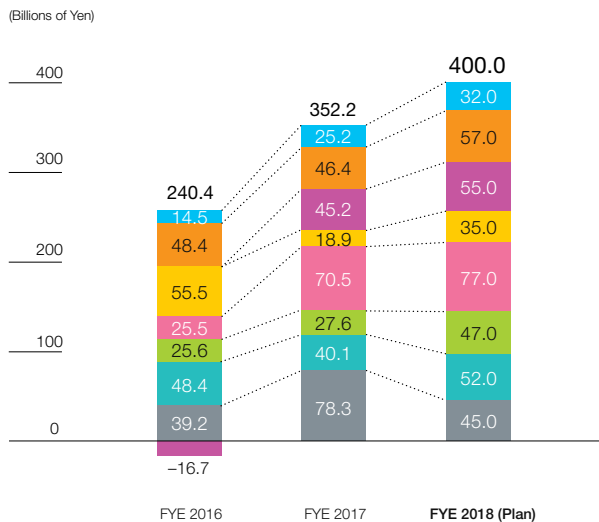


P/L Plan Billions of Yen	FYE 2017	FYE 2018 Plan	Increase / Decrease
Net profit attributable to ITOCHU	352.2	400.0	+47.8
Gross trading profit	1,093.5	1,230.0	+136.5
Selling, general and administrative expenses	(801.8)	(921.0)	(119.2)
Equity in earnings of associates and joint ventures	185.2	190.0	+4.8
Income tax expense	(125.3)	(103.0)	+22.3

B/S Plan Billions of Yen	March 31, 2017	March 31, 2018 Plan	Increase / Decrease
Total assets	8,122.0	8,600.0	+478.0
Net interest-bearing debt	2,330.7	2,350.0	+19.3
Total shareholders' equity	2,401.9	2,650.0	+248.1
Ratio of shareholders' equity to total assets	29.6%	30.8%	Increase 1.2 pt.
NET DER (times)	0.97	0.9	Improve 0.1 pt.
ROE	15.3%	15.8%	Increase 0.5 pt.

Establishing an Earnings Structure That Is Resilient to Business Fluctuation Risk and Achieving Stable Profit Growth

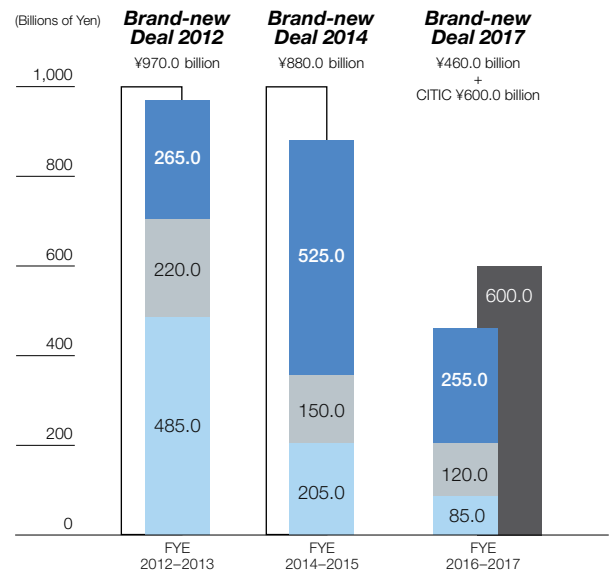
Consolidated Net Profit by Operating Segment



Non-Resource	99%	91%	88%
Textile			
Machinery			
Metals & Minerals			
Energy & Chemicals			
Food			
General Products & Realty			
ICT & Financial Business			
Others, Adjustments & Eliminations			

Shifting Our Approach to Increasing Stakes in Existing Businesses Rather than Setting Investment Plan

Investment



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

We have made large strategic investments with CITIC. We will make other new investments within the scope of core operating cash flows and cash inflows generated by exiting investments.

Milestones to Be Passed in Increasing Corporate Value

Ongoing Increase of Corporate Value over the Long Term

⇒ Page 8 To Our Shareholders, Investors, and All Other Stakeholders

Next Medium-Term Management Plan (FYE 2019-)

Non-Financial Capital Principle of *Sampo Yoshi* and “Individual Capabilities”

Unique Non-Financial Capital of General Trading Companies

⇒ Page 22 Strong Non-Financial Capital ⇒ Page 50 Sustainability ⇒ Page 52 Client and Partner Assets

Human Capital

⇒ Page 46 Human Resources Strategy

- Employees with Chinese-language ability: Cultivate 1,000 by March 31, 2018
- Working-style reforms: Morning-focused working system, health management
- Non-consolidated employee number: 4,285 (lowest among major general trading companies)

Individual Capabilities

Financial Capital

FYE 2018 target:
Work Toward Achieving Consolidated Net Profit of ¥400.0 Billion

Four Commitments

- Enhancing shareholder returns (performance-linked and progressive dividends, with minimum guarantee + share buybacks)
- Core free cash flows: over ¥100.0 billion+α
- NET DER: 0.9 times
- ROE: 15.8%

⇒ Page 30 CFO Interview

- Consolidated net profit: ¥400.0 billion
 - Non-resource ratio: 88% (consolidated net profit)
 - Minimum guaranteed dividends: ¥64 per share
- Dividend displays confidence in achievement of consolidated net profit of ¥400.0 billion

*Infinite Missions
Transcending Growth*

Earning Power in the Non-Resource Sector

Financial Capital

FYE 2017 Performance:
Strengthening Financial Position Achieved a Year Ahead of Schedule

- Shareholder returns: ¥55 per share dividends **Record high** + Share buybacks
- Core operating cash flows: ¥420.0 billion **Record high**
- Core free cash flows: ¥300.0 billion
- Shareholders' equity: ¥2,401.9 billion **Approaching previous record**
- NET DER: 0.97 times **Record low**
- ROE: 15.3%

- Consolidated net profit: ¥352.2 billion **Record high**
- Non-resource ratio: 91% (consolidated net profit)
- Share of Group companies reporting profits: 86.4% **Record high**

⇒ Page 36 Enhance Investment Management

Introduction of performance-linked and share-based remuneration

Board of Directors' reforms

⇒ Page 54 Corporate Governance

Corporate Governance

“Brand-new Deal 2017” Three-Year Medium-Term Management Plan (FYE 2016-2018)

⇒ Page 26 Medium-Term Management Plan

Two Basic Policies

(1) Strengthen our financial position

- Accelerate asset replacement
- Stringent cash flow management

(2) Build solid earnings base to generate ¥400.0 billion level consolidated net profit

- Enhance progress cooperation with strategic partners (the CITIC Group and the CP Group)
- Further reinforcement of the non-resource sector

Strategic Business Alliances with the CITIC Group and the CP Group

Experience and Track Record in China and Other Parts of Asia

Message from the CSO / CIO

We will move forward according to plan to achieve sustainable increases in corporate value.

Member of the Board,
Chief Strategy & Information Officer;
General Manager, CP & CITIC Business Development Department

Hitoshi Okamoto

Bringing in an Era of Two Leading General Trading Companies

We had intended “Brand-new Deal 2017,” the medium-term management plan that commenced in FYE 2016, as a three-year plan with two basic policies: to strengthen our financial position and build an earnings base to generate ¥400.0 billion in consolidated net profit. To meet the objectives of this plan, in FYE 2016, the first year of the plan, we accelerated asset replacement after the large-scale investment in CITIC. At the same time, we decided to process losses to clear away concerns about the future. Even though this move meant that consolidated net profit was ¥240.4 billion, we still became the leading general trading company, because other general trading companies were also writing off large-scale impairment losses due to a downturn in resource prices.

In FYE 2017, the second year of the plan, consolidated net profit surged ¥111.8 billion, or 47%, to ¥352.2 billion, reaching a record high. At the same time, we streamlined assets and succeeded in achieving record levels for a number of financial indicators, including NET DER, the ratio of shareholders’ equity to total assets, and core operating cash flows. As such, we believe we have achieved the first of our basic policies, to strengthen our financial position, one year ahead of schedule.

In the final year of the plan, FYE 2018, we are firmly on course to realize our second objective, to build a solid earnings base to generate ¥400.0 billion in consolidated net profit, our highest level ever. Staying true to a management practice to achieving what we aim for, we are bringing in an era of two leading general trading companies.



Looking toward Our Next Medium-Term Management Plan

FYE 2018 is an important year, being both the final year for our current medium-term management plan and the year leading to our next medium-term management plan. As is indicated by the subtitle of our FYE 2018 plan, “Infinite Missions Transcending Growth,” we are currently considering how the Company should look in its new stage of growth.

Even while our target is to achieve consolidated net profit of ¥400.0 billion, we recognize that management needs to maintain a firm eye on the quality of our earnings.

Rather than being overly reliant on the earnings of specific operating companies, we aim to build a strong value chain throughout the Group, boosting corporate value through the constant efforts of each operating company. To this end, I believe we need to look beyond efficiency indices such as high ROE—which is one of our strengths—to factors that are not expressed in the indicators: the labor productivity and job satisfaction of our employees, and increasing intergroup synergies.

The utilization of IT—artificial intelligence (AI), the Internet of Things (IoT), fintech (tech-based financial services), and virtual reality (VR)—offer significant potential to broaden the “infinite missions” of ITOCHU, whose strengths lie in the non-resource sector, and specifically, in consumer-related businesses. We have begun working with our subsidiary, ITOCHU Techno-Solutions Corporation, on initiatives to incorporate AI technologies in other businesses.

We plan to announce our next medium-term management plan at the start of FYE 2019. In addition to our current focuses, such as expanding the peripheral businesses of FamilyMart Co., Ltd., and pursuing synergies with the CITIC Group and the CP Group, through the plan we intend to respond flexibly to the changes of a new era and achieve sustainable increases in corporate value.

CFO Interview

We will satisfy stakeholders' expectations by meeting the "four commitments" continuously and with certainty.

Member of the Board,
Managing Executive Officer, CFO

Tsuyoshi Hachimura

Q. 1

Could you provide an overview of the Company's financial and capital strategies in FYE 2017?

A. 1 We were able to achieve more than we had promised.

I would say that in FYE 2017, the second year of "Brand-new Deal 2017," our financial and capital strategies enabled us to deliver beyond the promises made in our "four commitments" at the beginning of the fiscal year.

Core operating cash flows reached a record high of ¥420.0 billion, and core free cash flows amounted to ¥300.0 billion, substantially outpacing our target of "over ¥100.0 billion." I believe we have firmly instilled the idea of cash flow management even on the front lines by thoroughly managing the net investment amount within operating cash flows earned and through awareness of raising cash efficiency. Generating nearly ¥400.0 billion in operating cash flows for four consecutive fiscal years is the result of our strong cash flow management.

We accumulated consolidated shareholders' equity of ¥2,401.9 billion, close to our record high, and our ratio of shareholders' equity to total assets was the highest ever, at 29.6%. NET DER consequently fell to the lowest level in our history, at 0.97 times, so we met our commitment of reaching "NET DER of 1.0 time." We had committed to "ROE of 13% or higher." We overshot this number substantially, with ROE of 15.3%. This ROE figure is significantly better than that of other general trading companies. We believe we have sufficiently met the implied cost of shareholders' equity. Regarding one of our basic policies, of "strengthening our financial position," we successfully brought the goal into view in the second year of our three-year plan.

We have guaranteed a minimum dividend and set a performance-linked dividend payout ratio, which was



implemented ahead of competitors. For the fiscal year under review, in addition to fulfilling our commitment to a dividend of ¥55 per share, we conducted a share buy-back to generate further shareholder returns.

(⇨ Page 32 Shareholder Value)

Q. 2

Please share your thoughts on the success in the management of operating companies.

A. 2 Operating a diversified portfolio is our greatest strength.

We strictly applied the investment exit rules such as lower returns than originally planned at the time of investment, although profitable, and profit that does not cover the capital cost. (⇨ Page 36 Enhance Investment Management) Operating companies have also adopted our "earn, cut, prevent" principles. In FYE 2017, the share of Group companies reporting profits hit 86.4%, which was a new record. Furthermore, 73 operating companies reached their highest earnings levels ever. I believe that our consistent approach has contributed to the development of a strong earnings base.

It is worthy of note that out of our 268 operating companies, only five have earnings of more than ¥10.0 billion; 200 of them, just under 75%, generated less than ¥2.0 billion. Operating companies of this nature that are relatively small in scale lend themselves to careful, hands-on management improvement. Furthermore, these companies operate across a broad range of domains, so if something happens in one specific field, any ill effects can be covered by companies in other fields. Our risk is diversified, in other words. Operating in diversified fields is our greatest strength.

Q. 3

What are the highlights of financial and capital strategies for FYE 2018?

A. 3 We will continue aiming to generate ample cash flows.

FYE 2018 is the final year for “Brand-new Deal 2017.” Focusing on reaching our target of consolidated net profit level of ¥400.0 billion, our financial and capital strategies remain firmly committed to what we promise. Our policy for FYE 2018, the final year of our medium-term management plan, is to surpass FYE 2017 levels for the four commitments outlined below.

The Four Commitments

(1) Enhancing shareholder returns

- Performance-linked and progressive dividends, with a minimum guarantee of ¥64 per share (the highest level to date and an increase of ¥9 per share from FYE 2017)
- Same as FYE 2017, share buybacks remain as an option

(2) Core free cash flow

- Over ¥100.0 billion + α

(3) NET DER

- Aim to achieve 0.9 times as of March 31, 2018, exceeding the 0.97 times reached on March 31, 2017

(4) ROE

- Target ROE of 15.8% at March 31, 2018, despite further increases in shareholders’ equity, exceeding the 15.3% achieved as of March 31, 2017

Over the medium to long term, we aim for NET DER of around 1.0 time and intend to continue delivering ROE of 13% or more—a globally competitive level.

We invested ¥600.0 billion in CITIC in 2015. In the two years since, we have generated core free cash flows totaling ¥710.0 billion, outpacing that investment amount. I think this is a good example of our thorough efforts to control investments. In the final fiscal year, we will continue with our strict selection of investments. By applying the “cut, prevent” principles, we will control cash and aim to generate ample core free cash flows. The “+ α ” describes this strong intention.

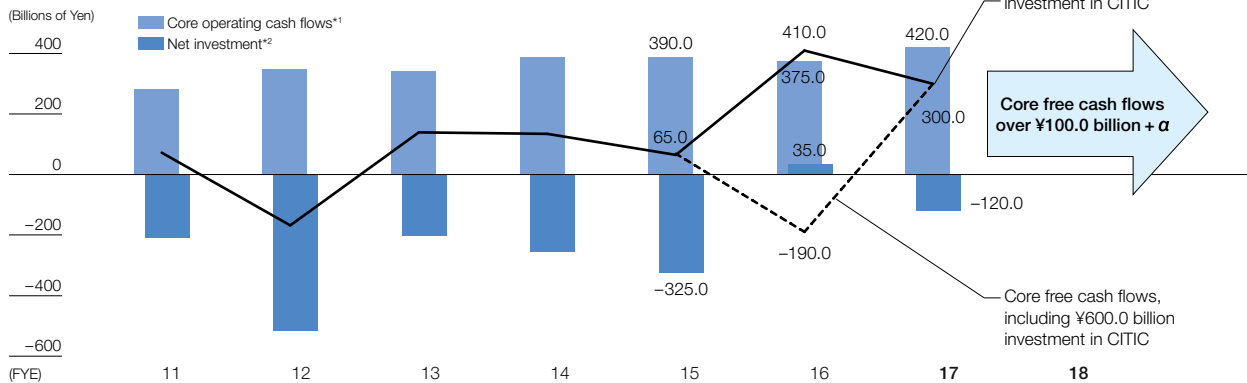
Q. 4

Would you describe your basic policy with respect to the capital policy?

A. 4 We strive to achieve an optimal balance.

Along with steady growth in consolidated net profit, I believe “continuity” is an all-important keyword for generating trust with shareholders. As in the past, we will continue aiming for an optimal balance among total returns to shareholders, NET DER and ROE levels, and the making of promising and selective investments. We recognize that there are many expectations for share buybacks. We made a clear policy shift in that direction in FYE 2017, and we will continue to consider share buybacks as an option. In these ways, we will not disappoint you; we will maintain “continuity” in our policies as we move toward the next medium-term management plan.

Trend of Core Free Cash Flows



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

² Payments and collections for substantive investment and capital expenditure.

“Investing cash flows” plus “Equity transactions with non-controlling interests” minus “increase / decrease of loan receivables,” etc. Exclude investment in CITIC

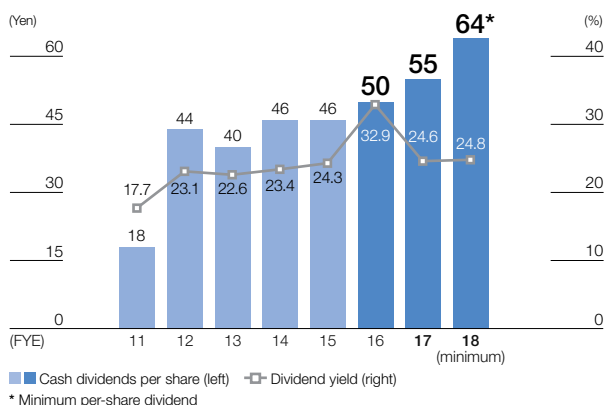
Shareholder Value

Shareholder Return Policy

Dividend Forecast for FYE 2018

With the intention of increasing shareholder returns, based on the high profitability of achievement of business plan and expected cash flows, we guarantee a minimum dividend per share of ¥64 in FYE 2018. This represents a ¥9 increase from the per-share

Cash Dividends per Share / Dividend Yield



dividend of ¥55 in FYE 2017 as well as our record high for dividend payments.

In addition, we will maintain our performance-linked and progressive dividend policy (dividend payout ratio of 20% on net profit attributable to ITOCHU up to ¥200 billion and approximately 30% on the portion of net profit attributable to ITOCHU exceeding ¥200 billion).

Treasury Stock Acquisitions

In FYE 2017, ITOCHU recommenced treasury stock acquisitions out of consideration for the steady generation of cash flows, the degree to which listed shares held for purposes other than pure investment had been reduced, and the Company's stock price.

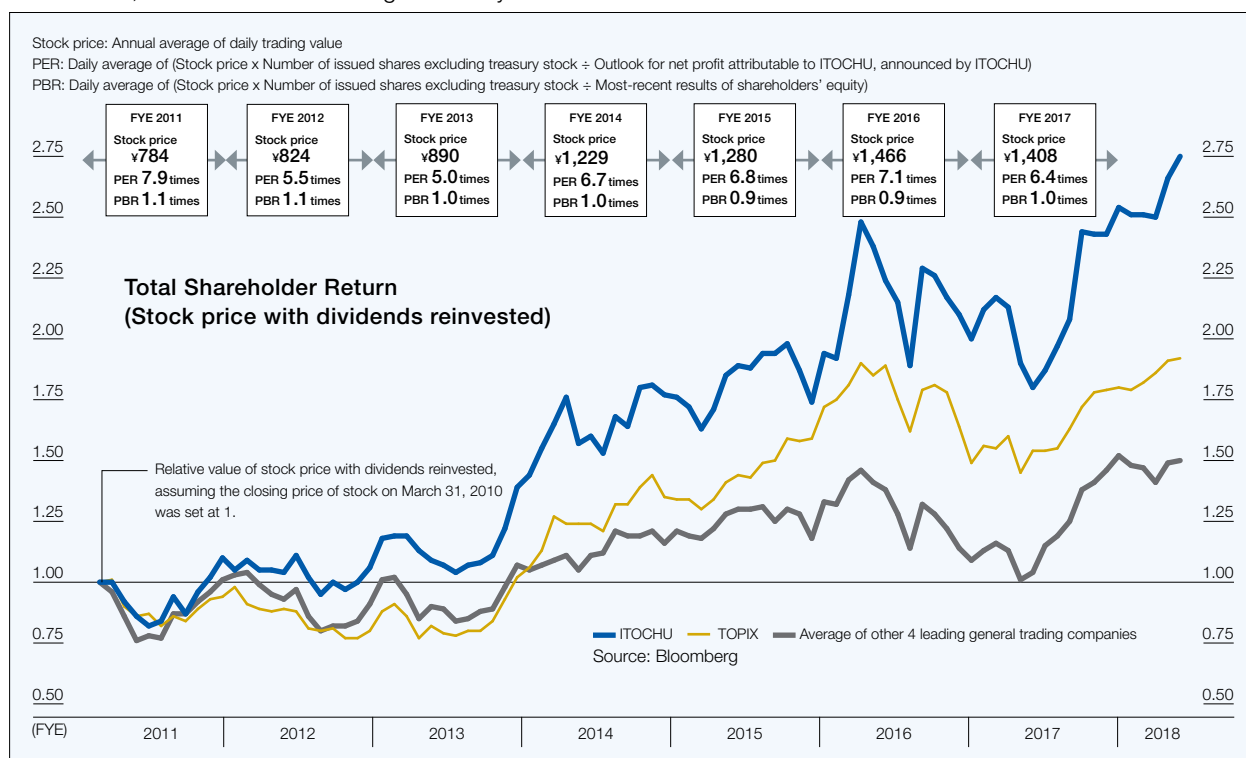
- November 2016: ¥16.2 billion (12 million shares)
- May 2017: ¥27.9 billion (17 million shares)

ITOCHU plans to continue examining the possibility of making additional returns to shareholders through flexible treasury stock acquisitions.

Stock Price / PER / PBR / TSR

In TSR, ITOCHU has significantly outperformed TOPIX and the average for the other four leading general trading companies.

In the future, we will continue working to steadily increase shareholder value.



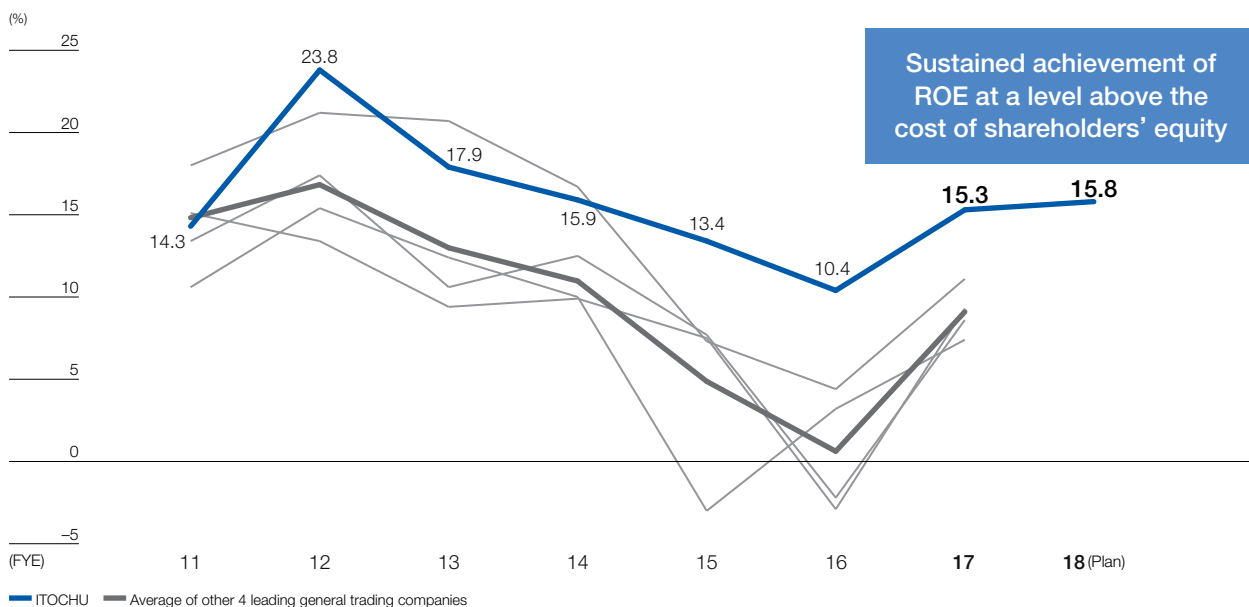
TSR (Annual Rate)	1 year	2 years	3 years	4 years	5 years	6 years	7 years
ITOCHU	18.5%	30.8%	46.0%	61.7%	111.1%	130.2%	150.3%
TOPIX	14.8%	2.3%	33.6%	58.4%	96.3%	97.4%	79.2%
Average of other 4 leading general trading companies	31.5%	10.8%	28.0%	44.7%	46.1%	38.0%	40.1%

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

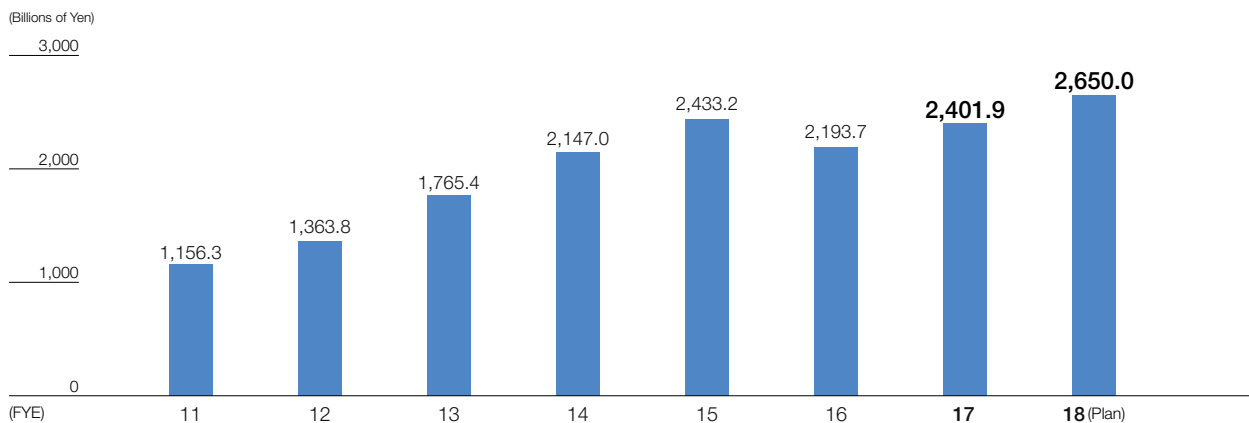
ROE and Shareholders' Equity

We currently have the highest ROE in the industry, and moving forward we aim to achieve ROE of more than 13% by recording growth in profits while enhancing shareholders' equity.

ROE of Leading General Trading Companies



Shareholders' Equity

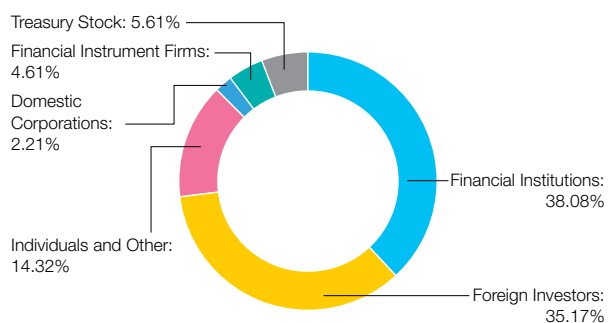


Stock and Shareholder Information (As of March 31, 2017)

Basic Information about Our Stock

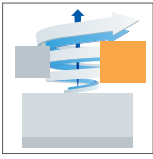
Stock listing	Tokyo
Category	Trade
Stock code	8001
Minimum number of stocks allowed per trade	100
Fiscal year	From April 1 to March 31
Shareholder fixed day for dividend payment	March 31 (Interim: September 30)
Number of common shares issued	1,662,889,504 shares
Number of shareholders	172,462

Breakdown of Shareholders



Business Investment

Fundamental Approach



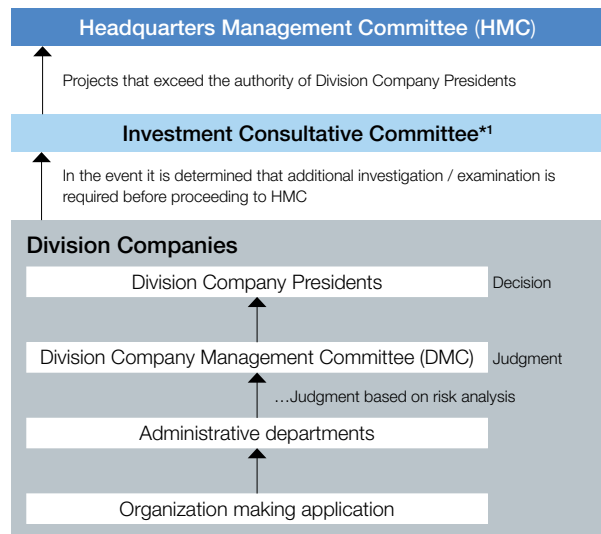
Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods and investment ratios, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&A transactions. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize our corporate value and to expand trade and dividends received through the full utilization of our Groupwide capabilities. With larger-scale investments and increases in acquisition prices in recent years, we are rigorously screening the appropriateness of the business plan and acquisition price when we invest. For existing investments, to increase investment earnings and to exit quickly from low-efficiency assets, we are further strengthening monitoring procedures, centered on instituting more rigorous exit criteria and thoroughly implementing periodic investment review.

Decision-Making Process

The department making the application first gives due consideration to such factors as the purpose of the investment, growth strategies, risk analysis, business plans, the appropriateness of the acquisition price, the state of conformance with investment criteria, the establishment of exit conditions, and the status of internal control. In addition to the analysis of quantitative risk, qualitative risk regarding labor, the environment, compliance, and CSR (based on ISO 26000) is also reviewed. Next, related administrative organizations implement screening from various specialized perspectives and express their opinions regarding the application. Following careful discussion by the Division Company Management Committee (DMC), the Division Company President will make a final decision. Projects that exceed the Division Company President's own authority must be approved by the Headquarters Management Committee (HMC). If the project needs further consideration and screening in terms of profitability and strategy, the project is discussed at the Investment Consultative Committee*¹ prior to the HMC. This approach gives a certain level of discretion to the Division Companies and enables quick decision-making, while providing appropriate screening processes in terms of investment return and risk control.

*1 Investment Consultative Committee: Core members include the CSO/CIO*², CFO*³, CAO*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 CSO/CIO: Chief Strategy & Information Officer
 *3 CFO: Chief Financial Officer
 *4 CAO: Chief Administrative Officer

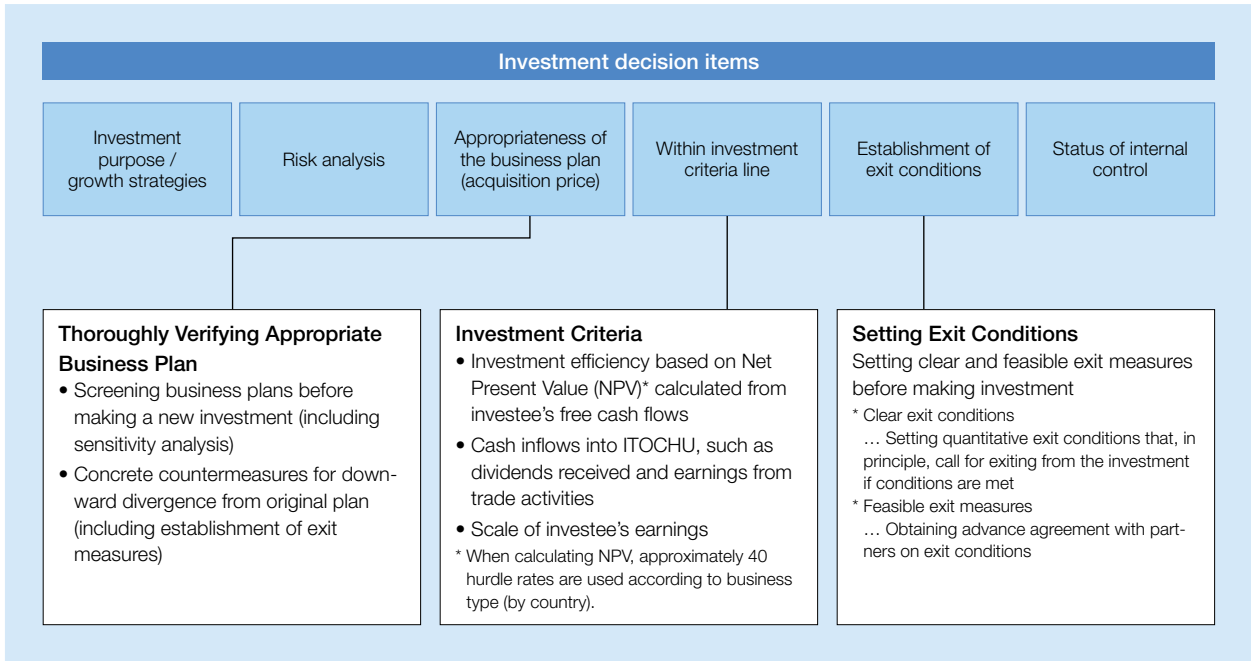
Decision-Making Process for New Investments



Investment Process

1 Investment Decisions

Quantitative and qualitative evaluations in accordance with the following investment criteria



Investment

Monitoring

2 Monitoring

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

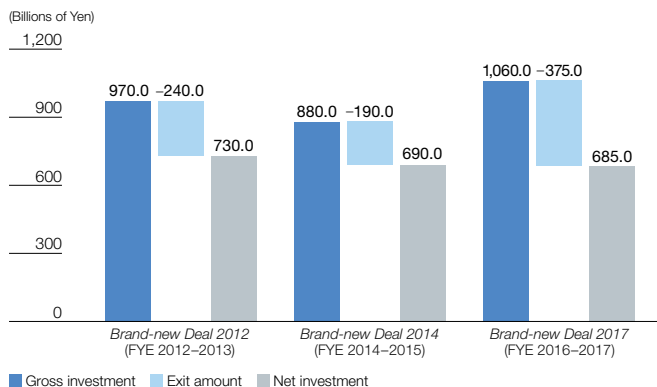
⇒ Page 36

Hold

Assets that Meet Exit Criteria

EXIT

Continuous Asset Replacement



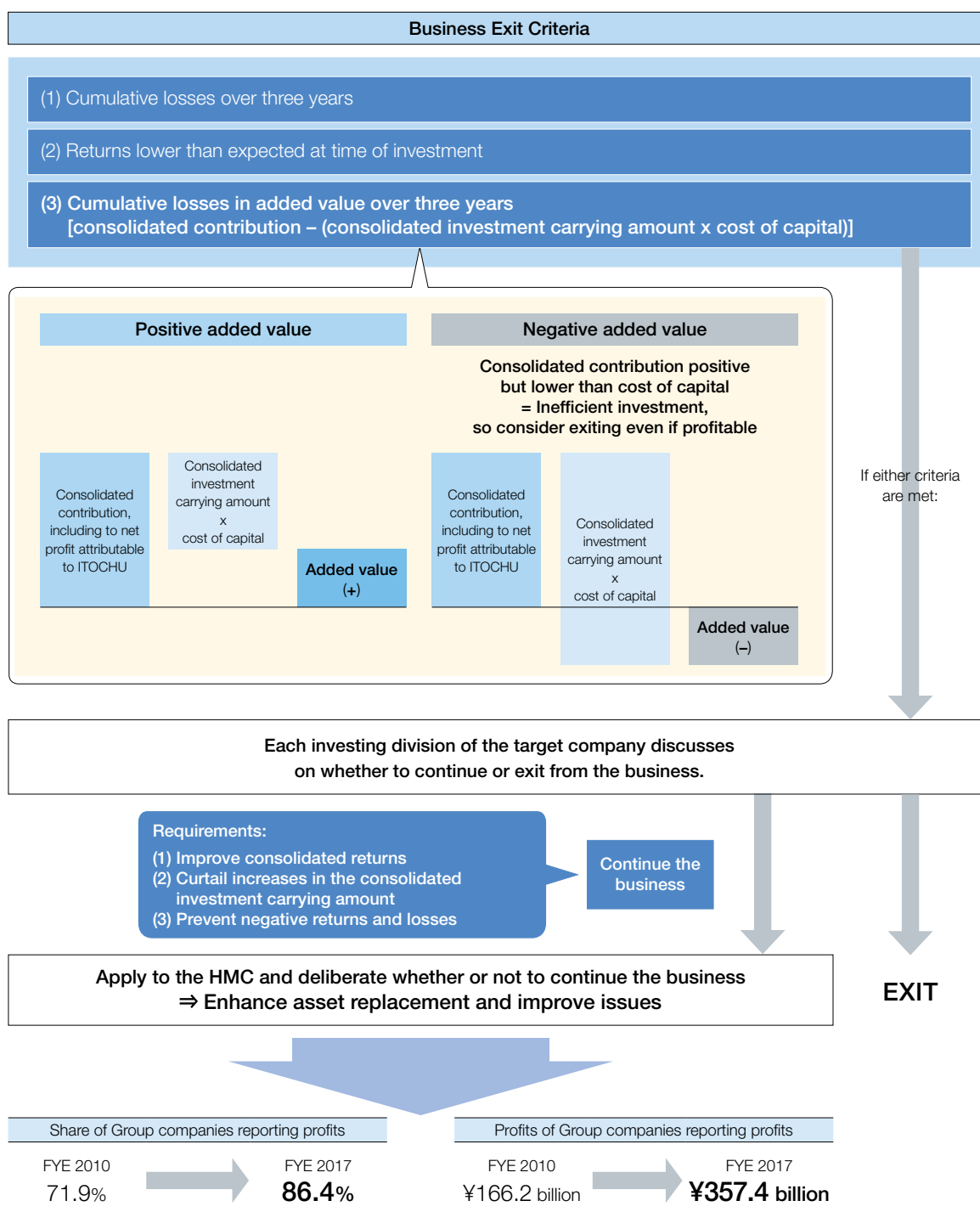
3 Asset Replacement

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

For More Details

Enhance Investment Management Exit from Loss-Making Businesses

We are enhancing asset replacement and improving issues of operating companies 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.



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

Requirements:

- (1) Improve consolidated returns
- (2) Curtail increases in the consolidated investment carrying amount
- (3) Prevent negative returns and losses

→

Continue the business

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

EXIT

Share of Group companies reporting profits

FYE 2010 → FYE 2017

71.9% → **86.4%**

Profits of Group companies reporting profits

FYE 2010 → FYE 2017

¥166.2 billion → **¥357.4 billion**

Risk Management

Significant Risks to Be Managed on a Consolidated Basis

ITOCHU is exposed to various risks due to the nature of a wide range of its businesses. These risks include unpredictable uncertainties and may have significant effects on its future business and financial performance. We recognize the following 18 items as major risks and have enhanced our risk management policy and risk management methodology to monitor and manage these risks.

Individual Risk Categories (Major Risks)

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

Risk Capital Management and Management of Concentrated Risks

Risk Capital Management

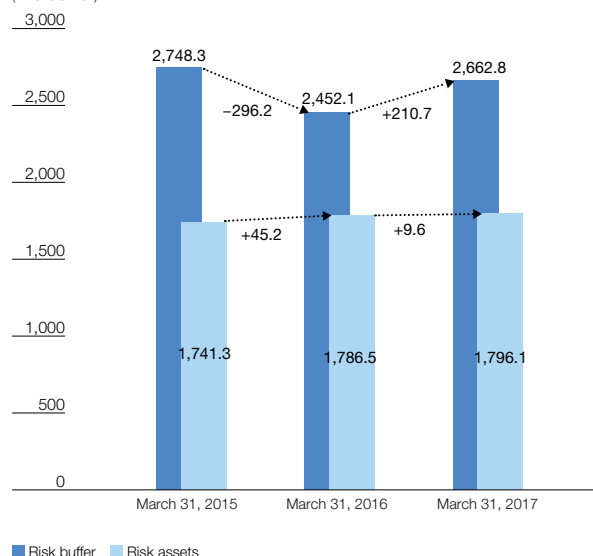
We have introduced, and are utilizing, a Risk Capital Management (RCM) strategy. Under this strategy, we first calculate “risk assets” based on the maximum amount of the possible future losses from all assets on the balance sheet including investments, and all off-balance-sheet transactions. Second,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

Managing Concentrated Risks

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

Risk Assets

(Billions of Yen)



The Merchants Creating Synergies Indefinitely

Measures for Increasing Corporate Value of Investees Seen through Coordination with the Convenience Store Business of FamilyMart UNY Holdings

ITOCHU has positioned FamilyMart UNY Holdings Co., Ltd., as an important business supporting long-term increases in corporate value and is advancing cross-Group initiatives. In this special feature, we will explain our unique approach toward increasing the corporate value of operating companies with our expertise in the consumer-related sector.





Business Model Reform Centered on FamilyMart

On September 1, 2016, FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., merged to form FamilyMart UNY Holdings. This integration led to the creation of a massive retail group, ranking No. 3 in Japan with gross operating revenues in excess of ¥1.2 trillion. At the same time, this merger represented a large step forward in strengthening the consumer-related sector operations of ITOCHU, the largest shareholder of FamilyMart UNY Holdings.

ITOCHU acquired roughly 30% of the issued shares of FamilyMart in 1998. Our first foray in the retail field, this acquisition necessitated a reform to the Food Company's business model. Branching out from its traditional model focused on wholesale and logistics businesses, the Food Company adopted a model based on the Strategic Integrated System (SIS) strategy, which entailed constructing a value chain encompassing procurement of raw materials in upstream areas; processing, manufacturing, and intermediate distribution in midstream areas; and retail in downstream areas. With this new model, we have supported increases in the competitiveness of FamilyMart by providing the functions we possess as a general trading company. Today, we are utilizing the information gained through points of contact with consumers to create a strong, bottom-up value chain that stretches from downstream areas (retail) to upstream areas (raw material). These efforts are creating a wider range of growth opportunities for the Food Company as well as for various other ITOCHU Group businesses.

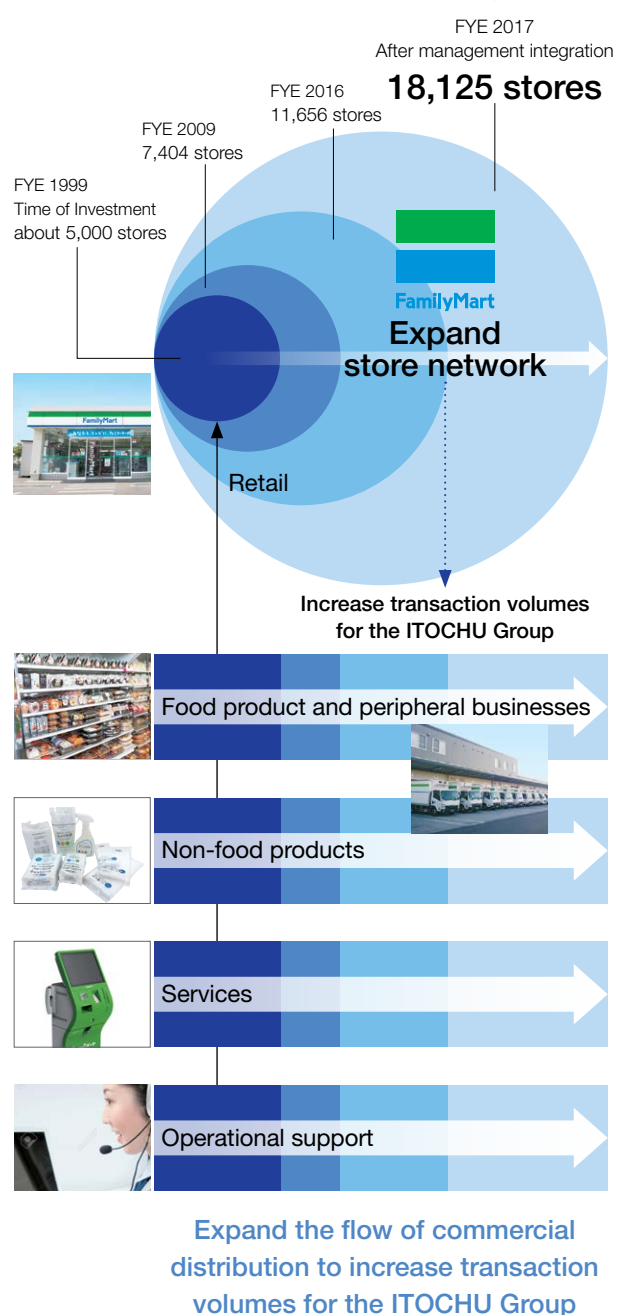
A Stronger Value Chain

Under the control of FamilyMart UNY Holdings, FamilyMart merged with Circle K Sunkus Co., Ltd., thereby forming a network of approximately 18,000 stores in Japan and growing to a scale that rivals the industry leader. Taking advantage of the resulting stronger value chain, the ITOCHU Group is exercising its collective strength to generate massive synergies with FamilyMart. On the following pages, we will explain our strategic directives based on several keywords.

Utilize functions to expand the flow of commercial distribution in order to synergistically grow trading income, investment returns, and dividends

(Number of domestic stores)	
Seven-Eleven Japan	19,422
New FamilyMart	18,125
LAWSON	13,111
FamilyMart	12,995
Circle K Sunkus	5,130

(As of February 28, 2017)



Special Feature

VALUE CHAIN



KEYWORD1

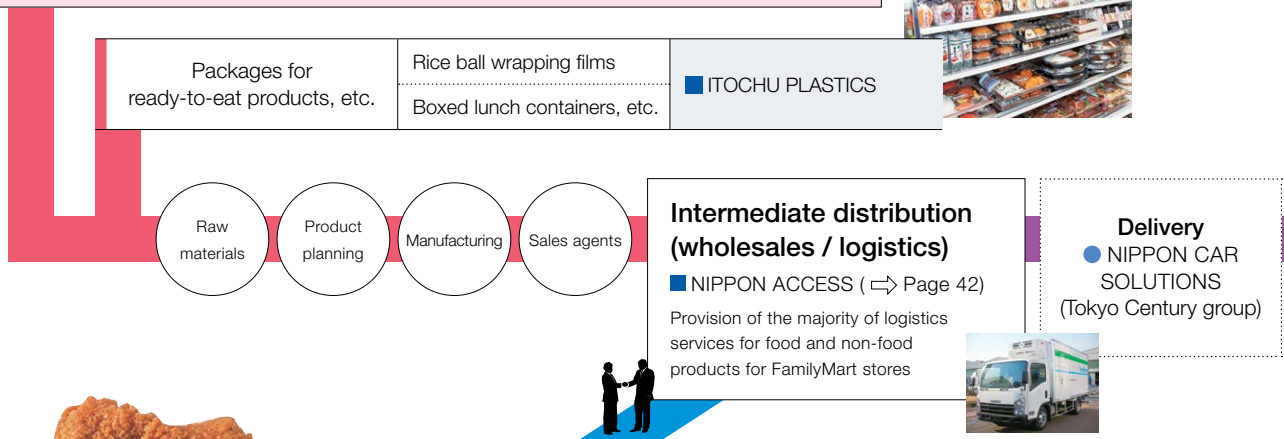
Peripheral Business Initiatives

FamilyMart has evolved as a provider of lifestyle infrastructure by expanding its functions; branching out from supplying food products and other items necessary to daily lives, the company now provides financial services as well as a wide array of other services. This robust lineup of offerings allows ITOCHU to generate synergies with regard to not only food, but also daily items, supplies, and various service fields. Future initiatives will include stepping up coordination with peripheral businesses from a long-term perspective. Specific areas we are eyeing include raw material supply, product development support, logistics efficiency improvement, IT-powered labor saving, e-commerce businesses, and financial businesses.

Food Product and Peripheral Business Initiative Examples

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

- Subsidiaries
- Associated companies
- ▲ ITOCHU



Non-Food Product Initiative Examples

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

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





Service Initiative Examples

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

Financial services	Famima T Cards	● POCKET CARD
	Ticket sales	● famima.com
Other services	Haco BOONmini	▲ ICT & Financial Business Company ● famima.com ■ ITOCHU INTERACTIVE
	POSA cards	■ CONEXIO



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



はこBOONmini

Affordable and highly convenient inter-convenience store delivery service that utilizes FamilyMart's existing distribution network

Services

Food product and peripheral businesses, non-food products

Operational support

Operational Support Initiative Examples

Providing multifaceted support for the efficient operation of FamilyMart's nationwide network of approximately 18,000 stores, going beyond product sales, services, and store operation to assist in background areas.

System development	■ ITOCHU Techno-Solutions Support of operational efficiency through development of operational management systems
Electricity supply	■ ITOCHU Plantech High-voltage electricity supply service that reduces store electricity costs
Construction materials	■ ITOCHU Kenzai
3Rs+W services* * Reduce, reuse, recycle, and waste management	■ ITOCHU Metals Development of a nationwide network of partners to provide store fixture maintenance, reuse, recycle, and waste disposal services
Contact centers	● BELLSYSTEM24

Major Targets for Strengthening Peripheral Businesses

- Logistics efficiency improvement
- IT-powered labor saving
- E-commerce businesses
- Financial businesses, etc.

OUR VALUE

Support for Lifestyle and Social Infrastructure



KEYWORD2

Reinforcement of Food Value Chain

In addition to the increase in transaction volumes attributable to the merger of FamilyMart and Circle K Sunkus, the ITOCHU Group also seeks to generate substantial and even more wide-ranging synergies by strengthening product development capabilities, improving the efficiency of distribution activities, and consolidating production bases to reduce costs.

Overview of Value Chain Scheme

■ Subsidiaries ● Associated companies ▲ ITOCHU ● Business partners

	Ready-to-eat products (rice balls, boxed lunches)	Fried chicken (FAMICHIKI)	Fried chicken (Spicy Chicken, Chicken Steak)	Counter coffee (FAMIMA CAFÉ)	RIZAP collaboration products	Eggs
Raw materials	■ Japan Food Supply ■ ITOCHU Food Sales and Marketing ■ ITOCHU FEED MILLS, etc.	● Chicken suppliers	● CP Group	■ UNEX (GUATEMALA), S.A., etc.	■ Japan Food Supply ■ ITOCHU Food Sales and Marketing, etc.	■ I-hiyoko (ITOCHU FEED MILLS group)
Product planning / Manufacturing / Sales agents	● Ready-to-eat producers	▲ Meat Products Department	▲ Meat Products Department	▲ Sugar, Confectionary Materials, Coffee & Dairy Products Department ▲ Food Products Marketing & Distribution Department	▲ Food Products Marketing & Retail Department	■ ITS Farm (ITOCHU FEED MILLS group)
Wholesales / Logistics	■ NIPPON ACCESS					
Retail	FamilyMart					



NIPPON ACCESS Is Supporting One of the Industry-Leading Store Networks

NIPPON ACCESS, INC., is a food distribution company boasting one of the widest operation scopes in Japan. Its unique infrastructure is compatible with all temperature ranges, from dry to chilled and frozen, and has been deployed at 449 locations nationwide. NIPPON ACCESS is providing background support for FamilyMart, which is undertaking the brand conversion of Circle K Sunkus stores to FamilyMart stores.



FAMIMA CAFÉ

ITOCHU coordinates with FamilyMart with regard to coffee bean procurement schemes, product development, and equipment selection and procurement and also arranges processes including collection and refinement of coffee beans.



RIZAP Collaboration Products

Through the business alliance between RIZAP GROUP, Inc., FamilyMart, and ITOCHU, we are planning a lineup of jointly developed products as a centerpiece of our initiatives to address health-care needs.



KEYWORD3

Delegation of Retail Operation to Industry Professionals

Retail operations require precise management to maintain a full and appropriate product lineup, effectively select products based on local consumer preferences, and realize ideal store layouts. ITOCHU is a general trading company that has traditionally focused on intermediate distribution and upstream raw materials procurement. However, this perspective is not one that should be introduced into retail operations. Based on this belief, management of operating companies in FamilyMart UNY Holdings' convenience store and general merchandise store businesses has been delegated to industry professionals with extensive retail experience. ITOCHU, meanwhile, will contribute to increasing earnings capacity at FamilyMart UNY Holdings by building upon collaborative relationships to develop peripheral businesses.



Representative Director and President,
FamilyMart Co., Ltd.
Takashi Sawada



Representative Director and President,
UNY CO., LTD.
Norio Sako

Special Feature

KEYWORD4

Focus on Effective Governance and Organic Coordination

ITOCHU has been dispatching management personnel to FamilyMart UNY Holdings. These individuals help implement effective governance while setting management directives. At the same time, professionals from various fields are assigned to generate synergies by promoting organic coordination that blurs the boundaries between our business divisions.

Full Utilization of the ITOCHU Group's Strengths



Representative Director and President
FamilyMart UNY Holdings Co., Ltd.
Koji Takayanagi

Currently, top-priority measures at FamilyMart UNY Holdings include moving ahead with two important integrations: the integration of convenience store brands and the maximization of intra-group synergies through the integration of the strengths of operating companies centered around FamilyMart and UNY. With regard to the policies set in our medium-term management plan, coordination with the ITOCHU Group will be key to “strengthening store features and services.” Specifically, the ITOCHU Group’s resources will be a great asset with regard to financial, e-commerce, and other functions. ITOCHU is FamilyMart UNY Holdings’ largest shareholder. However, we will be fully utilizing the strengths of the ITOCHU Group in order to improve our own corporate value.

Message from the CAO



Carrying forward our founding spirit of *sampo yoshi*, we will pursue sustainable new corporate value and enhance management quality.

Member of the Board,
Chief Administrative Officer
Fumihiko Kobayashi

DNA Inherited from the Merchants of Ohmi

Our Founding Spirit of *Sampo Yoshi* Still Relevant Today

Our management philosophy of *sampo yoshi* (good for the seller, good for the buyer, and good for society) harks back to the merchant roots of our founder, Chubei Itoh. This spirit has been passed on since our founding 159 years ago, and lives on in our DNA today.

At the time of its founding, as the merchants of the Ohmi region (in present-day Shiga Prefecture) our founders peddled their wares by traveling long distances rather than by building large stores where customers would gather. This business style involved negotiating with customers on the basis of samples the merchants carried with them; the resulting product would be shipped later. Given these practices, trust, creditworthiness, and information were extremely important. To gain permission to go about their business, I heard that contributing to the regional economy was also important. The philosophy of *sampo yoshi* thus evolved as a natural consequence of business among the merchants of the Ohmi region. Still relevant today, this “ITOCHU style” concept of sustainability with its commerce origins has spurred our growth over 159 years and pulses throughout the Company today. This spirit forms our corporate philosophy of “Committed to the Global Good” and the corporate message announced in 2014: “I am One with Infinite Missions.”

Aiming for New, “ITOCHU Style,” Concept of Sustainability

Returning Profits to Stakeholders through Initiatives that “Make Employees Happy”

Now that ITOCHU is able to generate profits suitable to an era of two leading general trading companies, to inspire its employees, the Company needs to deliver a different sort of value that goes beyond a competition for profits. One such example is the materiality theme we have set, of “improving labor conditions.” The working-style reforms we have been pursuing since 2013 have created major waves in society—even influencing policy-making by the Japanese government. We can be confident and proud of our efforts to set this theme. In 2016, we adopted the “ITOCHU Health Charter,” and we have stepped up our efforts to be the “leading general trading company for health.” One of our strengths is having a culture in which, even though we are few in number, our people continue to take on challenges without fear of failure. I want ITOCHU to protect this aspect of our culture. I believe that pursuing initiatives designed to give workers fulfillment and make them happy will help raise labor productivity, as well as returning value to stakeholders. With respect to international requests, such as the Sustainable Development Goals (SDGs) adopted by the United Nations, these initiatives will help employees meet their responsibilities as they go about their “infinite missions” on the front lines and contribute to sustainable growth in tandem with society.

At the same time, our own responsibilities increase as the value chains of suppliers and investees grow wider and more complex. In addition to compliance, we will conduct thorough training for employees on consideration for human rights and the environment. We will also redouble our sustainability management efforts, such as through site visits to key business partners.

ITOCHU's supply chain management:
https://www.itochu.co.jp/en/csr/supply_chain/

Pursuing a New Corporate Image

Augmenting Management Quality and Working to Sustainably Increase Corporate Value

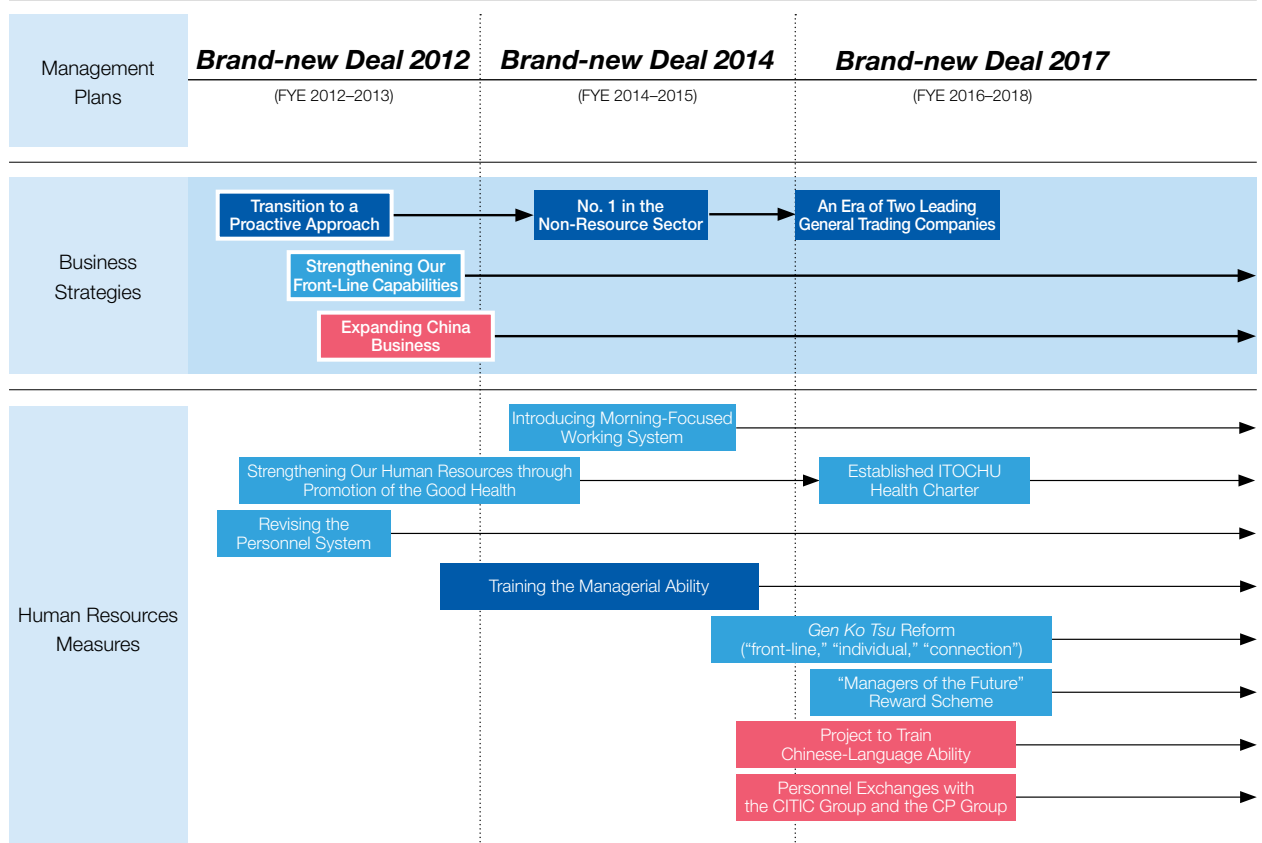
Management quality is an essential yardstick for measuring increases in corporate value over the medium to long term. In recent years, society's focus on ESG has been growing. In addition to responding conscientiously to external requests, I consider it is important to share throughout the Company an awareness of what needs to be done to achieve sustainable increases in corporate value.

To communicate the president's wish to "encourage people who are working in difficult environments," over the past three and a half years, since 2013, I have been visiting employees working in remote regions on the president's behalf. Going forward, management needs to visit the front lines and engage in dialogue with employees. This approach will build a corporate culture and environment that motivates individual employees and lead to sustainable increases in corporate value.



Visiting employees posted to work on the construction site of one of the world's largest geothermal power plants, in Sumatra, Indonesia

Human Resources Strategy Linked to Management Plan



Human Resources Strategy

A Human Resources Strategy That Fully Leverages Our Strengths

Optimal Allocation to Further Enhance Our Strength in the Non-Resource Sector

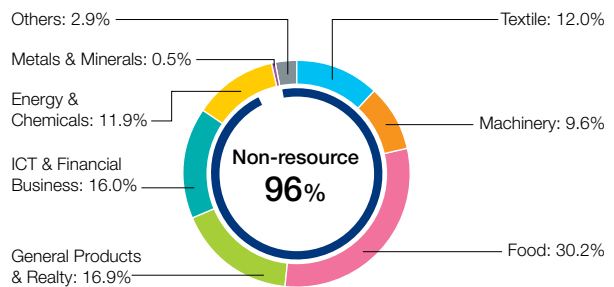
Shifting Our Focus to the Non-Resource Sector

To strengthen the non-resource sector, we are increasing the allocation of employees to this sector, in newly consolidated subsidiaries and in priority areas on a non-consolidated basis. At the same time, to lower risks in line with long-term changes in the economic structure, we are allocating a certain number of employees to the resource sector even though market conditions are unfavorable. In these ways, we are structuring our human resource portfolio in line with our assets and taking the overall business into consideration.

As we are working to reinforce operations in the non-resource sector, consolidated business management is growing more important. For this reason, in FYE 2014 we introduced a system to develop human resources who will manage operating companies in the future. Thus we are working to increase the management capabilities of employees, and each year we are expanding the number

of employees participating in the program. We are proactively expanding the training and support provided to the personnel of domestic operating companies, as well as the locally hired employees of operating companies overseas.

Number of Employees by Division Company (FYE 2017, Consolidated Basis)*



* Number of employees at ITOCHU and subsidiaries

A Human Resources Strategy That Fully Leverages Our Strengths

Expanding Our Business Foundation in China and Other Parts of Asia

Priority Allocation and Increasing the Number of Chinese-Speaking Personnel

In keeping with the strategy of expanding our business foundation in China and other parts of Asia, we have allocated 61% of personnel to these regions.

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

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

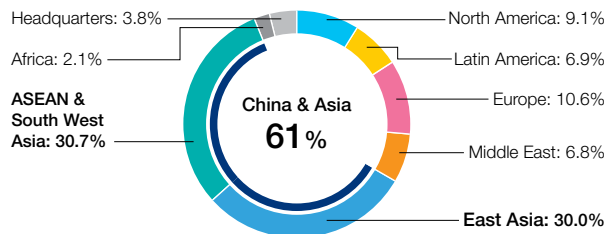
strategic alliance, the three companies are moving forward with mutual exchanges and development of capable personnel.



Joint training with CITIC and CP

Number of Overseas Employees by Region, FYE 2017

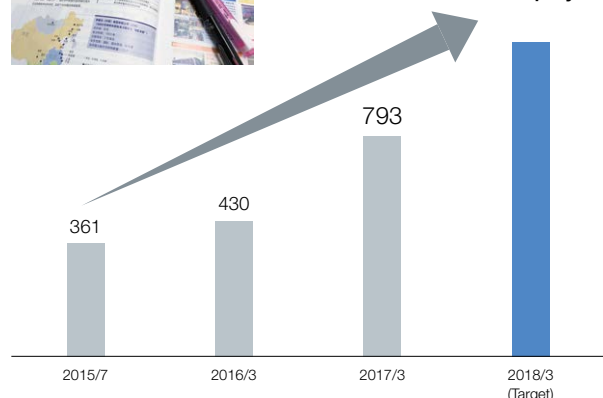
* excluding subsidiaries and associated companies



Number of People with Chinese-language Qualifications



Toward 1,000, equivalent to one-third of total number of career-track employees



Recruiting and Cultivating Human Resources Who Support “Infinite Missions”

ITOCHU works to hone individual capabilities, in which each employee creates business through his or her own efforts. ITOCHU currently has fewer employees than other general trading companies, attesting to its ongoing tradition of maintaining a small cadre of highly capable people. We strive to employ people who are good matches for our corporate culture, which has been compared to that of a merchant band. On that basis, we hire people regardless of gender, nationality, or age.

Internal Reforms Aimed at Strengthening Front-Line Capabilities

To enhance our traditional strengths—individual capabilities and front-line capabilities—it is extremely important to maintain close communications with customers and to understand their needs. In April 2010, we launched an effort to increase the time spent to visit customers, conversely reducing the number of internal meetings and volume of meeting materials, and making meetings more efficient. By FYE 2016, we had reduced the number of important internal meetings (such as Board meetings) by around 41% compared with FYE 2010. We also lowered the total time required for such meetings by around 50% and lowered the volume of meeting materials by some 48%.

Important internal meetings



FYE 2010 → FYE 2016

Number held
Reduced around **41%**

Total time required
Reduced around **50%**

Meeting materials



FYE 2010 → FYE 2016

Reduced around **48%**

Revising Personnel Compensation Systems

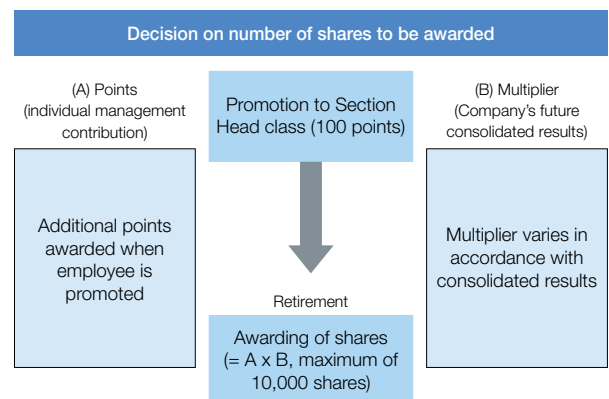
We discontinued our organizational results evaluation system to address the issue of placing excessive emphasis on organizational performance in individual fiscal years. In FYE 2012, we reformed our personnel compensation system to place greater weight on individual performance and minimize the impact of external factors, such as resource prices. Based on a compensation system that is fair and fluctuates in line with performance, we aim to ensure high levels of motivation among all employees and maximize their individual capabilities.

Increasing Employees’ Awareness of Participation in Management

To increase corporate value, it is essential to enhance employees’ awareness of participation in management. In FYE 2016, we introduced the “Managers of the Future” reward scheme, under which employees at the rank of Section Head or above—the key people responsible for the future growth of ITOCHU—receive shares of the Company when they retire, based on the Company’s performance during their tenure.

On the other hand, for the stock ownership plan that can be joined by all employees, from FYE 2016 the incentive award rate has been doubled, and the participation rate has increased substantially, from approximately 55% in FYE 2015 to some 80% in FYE 2017. In these ways, employees’ interest in management is being increased through ownership of the Company’s stock.

“Managers of the Future” Reward Scheme



Human Resources Strategy

A Human Resources Strategy That Fully Leverages Our Strengths

Working-Style Reforms That Stay One Step Ahead

Further Promoting the Morning-Focused Working System

Early recognition on improving work productivity was the key to competitiveness. In 2002 we began career counseling through a specialist organization, which was the first center for a private-sector company. We were an early proponent of health management, offering health guidance through a borderless medical concierge service that has been implemented for more than 30 years by a specialist health management organization. In FYE 2014, we introduced a morning-focused working system as one aspect of our working-style reform. This system has good results, both in the timing of when employees come and leave the office and in the hours of overtime they work. Three years have passed since the program's introduction, and it continues to make steady progress. This initiative has had a major influence on national and government institutions, as well as within the industrial sector, and it has changed attitudes in Japan with regard to working styles.

Results of Morning-focused Working System

		Before introduction	Six months after introduction	Three years after introduction
Leaving*	8:00 p.m. or after	30%	7%	5%
	(Of which, 10:00 p.m. or after)	10%	almost 0%	almost 0%
Entering*	8:00 a.m. or before	20%	34%	45%
	Hours of overtime work (compared to before introduction)	—	(10%)	(15%)
Cost per month (Overtime pay + cost of meals)		—	—	(6%)
Two years after introduction				
Electric power usage		—	—	(6%)
Greenhouse gases emissions		—	—	(7%)

* % of people in the headquarters

Aiming to Be the “Leading General Trading Company for Health”

In June 2016, we formulated the ITOCHU Health Charter, which incorporates our thinking about health management. We have positioned enhancing the health of our employees and becoming the “leading general trading company for health” as priority management strategies. We are transitioning to a new stage in health management centered on reinforcing our system that supports proper diet and exercise and building up our workplace environment. As a result, we aim to surpass our competitors in employee productivity, increasing corporate value.

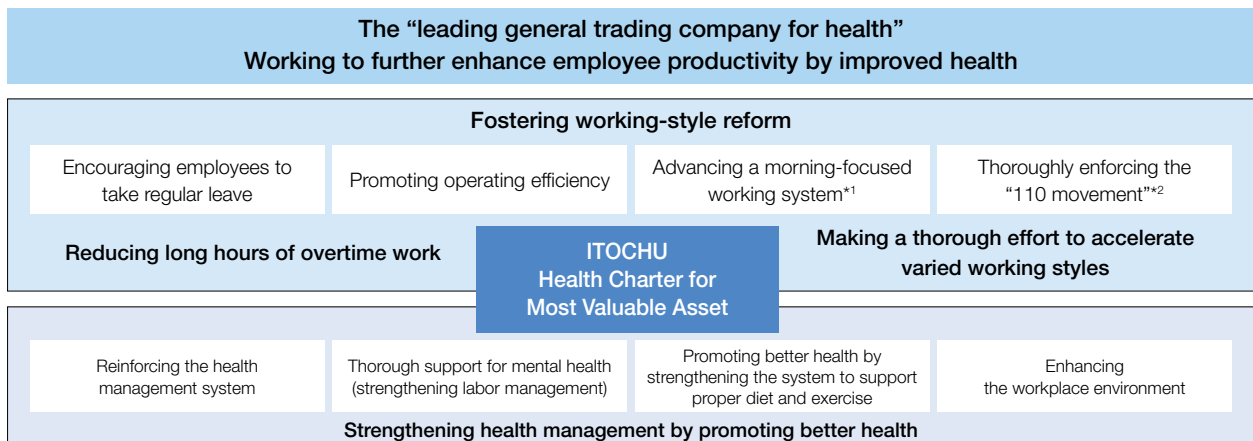


In collaboration with other companies, we are planning and developing a health management support service that makes use of wearable devices, in an effort to help each employee make steady improvements to his or her life-style habits.

Proposing New Working Styles

In June 2017, we designated Fridays as “dress-down days,” introducing an ITOCHU-style initiative to recommend a new working style to employees. Clothing is an important tool that individuals use to express their attitudes toward work. We believe that by fostering an awareness of how customers and the people around us react to our clothing choices, we can encourage employees to always be proactive and maintain a spirit of fresh and flexible creativity, further enhancing the power of the individual.

Overview of Health Management



*1 This refers to a shift from evening overtime to a morning schedule. Overtime after 8:00pm is “prohibited, in principle,” while overtime after 10:00pm is “prohibited.” The same level of extra pay for overtime hours and free meal is provided when working between 5:00am and 8:00am as for overtime in the evenings.

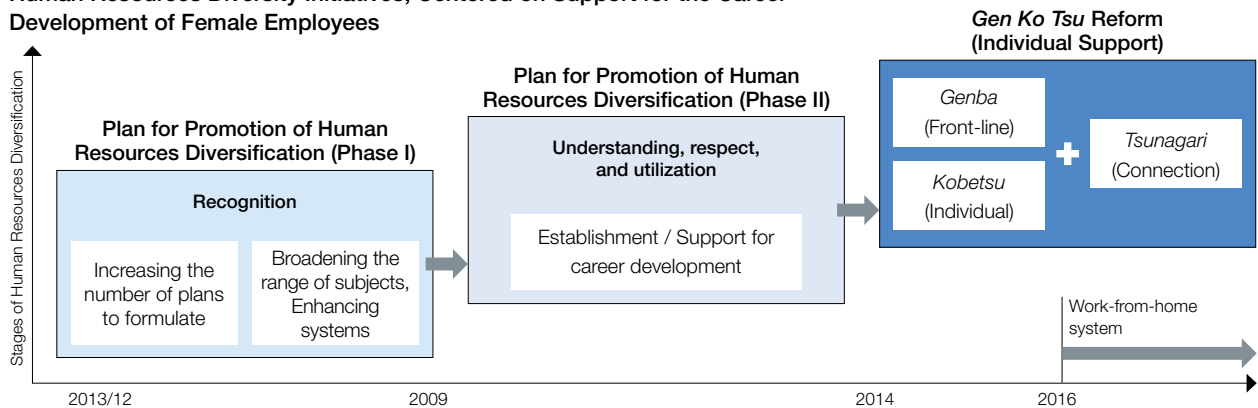
*2 The name of this system derives from the Japanese custom of drinking with work colleagues late into the evening. The idea here is that after-work drinking goes to only 1 session and needs to end by 10:00 pm.

Launching Reforms to Maximize the Individual Capabilities of Women

We formulated the Plan for Promotion of Human Resource Diversification in 2003 to support the career development of female employees. We have taken the lead over other general trading companies in expanding the number of women on career-track positions and have established systems that exceed legal requirements.

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

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



Aiming to Be a Company Society Truly Needs: Special Subsidiary ITOCHU Uneedus Co., Ltd.

In 1987, ITOCHU established ITOCHU Uneedus Co., Ltd., a special subsidiary that provides a workplace for people with disabilities to contribute to society through their work. As of April 2017, the subsidiary employed 86 people, including 44 people with disabilities (of which, 22 with severe disabilities), who engage in cleaning work, provide photography services, handle printing and perform other tasks. ITOCHU Uneedus receives support from ITOCHU, but has a management policy that aims for autonomy and independence. Accordingly, the company is aggressive in its sales activities, and has boosted sales outside the ITOCHU Group to 70%. All employees maintain a sense of professionalism and, in line with the company’s name (You (U) need us), strive to make ITOCHU Uneedus a company that is truly needed by society.



Results of Efforts to Enhance Employee Productivity

Awards Received for Health Management and Working-Style Reforms

FYE 2016	2016 Health & Productivity Stock (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange)
	2016 Nadeshiko Brand (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange)
	New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry)
FYE 2017	Health & Productivity Stock 2017 (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)
	Awards for Enterprises and Workplaces with Pleasant Working Environments and High Productivity (Ministry of Health, Labour and Welfare)
	2017 Competitive IT Strategy Company Stock (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)



Number of ITOCHU Employees and Consolidated Net Profit

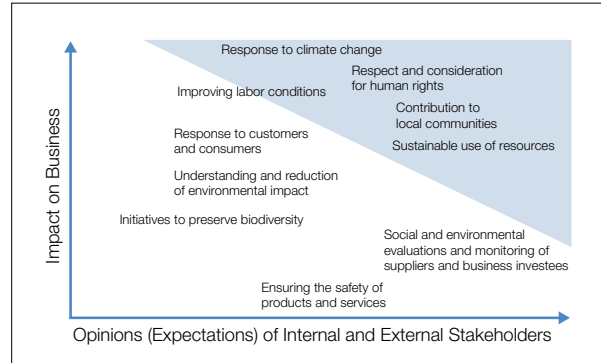


Sustainability

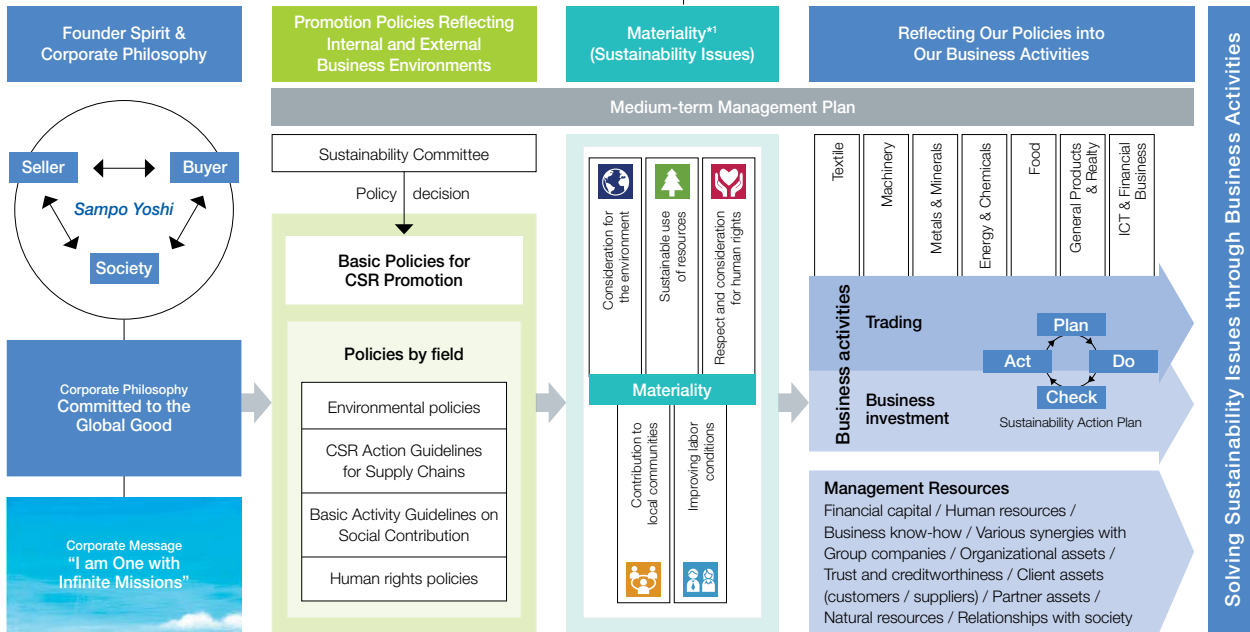
Materiality (Sustainability Issues)

To achieve sustainable growth in tandem with society, ITOCHU has selected and prioritized materiality (sustainability issues), taking into consideration such factors as the Company's operating strategy, international trends, internal and external opinions, and impacts on society. We have incorporated specific measures to address materiality into our Sustainability Action Plan, taking into account risks and opportunities in each field of business, and are promoting these measures through a PDCA cycle.

Materiality Matrix



Promoting Sustainability



*1 Materiality: Important issues in sustaining our corporate activities

Working Toward the Sustainable Development Goals

ITOCHU's initiatives to achieve sustainability through its business activities contribute toward the achievement of the Sustainable Development Goals (SDGs)*2 adopted by the United Nations in 2015.

*2 SDGs:

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

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Please see the sustainability pages of ITOCHU's website. Basic Policy on Sustainability and Promotion System <https://www.itochu.co.jp/en/csr/itochu/policy/>
Sustainability Action Plan <https://www.itochu.co.jp/en/csr/activities/actionplan/>

Overview of Materiality and Relation to SDGs

Consideration for the Environment ⇨ Pages 68, 80, 84



Climate change has a greater risk of natural disaster, including unseasonable weather events. In response, we are introducing measures to alleviate risk, such as diversifying production bases in our fresh produce business. Meanwhile, we are helping to address global warming by reducing the amount of greenhouse gases emitted through our business activities and promoting renewable energy and other solutions. Furthermore, through our businesses and social contribution activities we work to preserve biodiversity and address environmental issues in other ways.



Reducing the risk of climate change in our fresh produce business

Sustainable Use of Resources ⇨ Pages 72, 88



Our businesses are supported by diverse resources from the natural world (e.g., water, air, forests, food, minerals, and fossil fuels). For instance, sustainable forest resources are essential to our softwood pulp business. With concerns about resource depletion, we are enacting measures to decrease risk. At the same time, viewing the situation as an opportunity, we are engaging in the renewable energy business and supplying a steady supply of foodstuffs.



Using sustainable forestry resources in our softwood pulp business

Respect and Consideration for Human Rights ⇨ Page 45



Given our responsibilities as a company involved in diverse businesses in regions throughout the world, as well as our systems for providing a stable supply of products, we think of all our business activities as a value chain. We believe in the importance of respect and consideration for human rights throughout this value chain. We ask our business investees and business partners to understand and implement our thinking on sustainability, as we work to build a sustainable value chain.



Respect and consideration for human rights throughout the value chain

Contribution to Local Communities ⇨ Pages 53, 92



We address the issues and needs of local communities through both our business operations and our social contribution activities, thereby contributing to the advancement of local communities. For example we provide Web-based customer services that make use of artificial intelligence (AI) technologies. These services respond to the accelerating increase in the amount of information and help improve corporate operating efficiency and productivity. At the same time, they help resolve a problem that is becoming particularly pronounced in Japan: a shrinking workforce.



Improving business efficiency and enhancing productivity through the use of AI and the Internet of Things (IoT)

Improving Labor Conditions ⇨ Pages 46–49



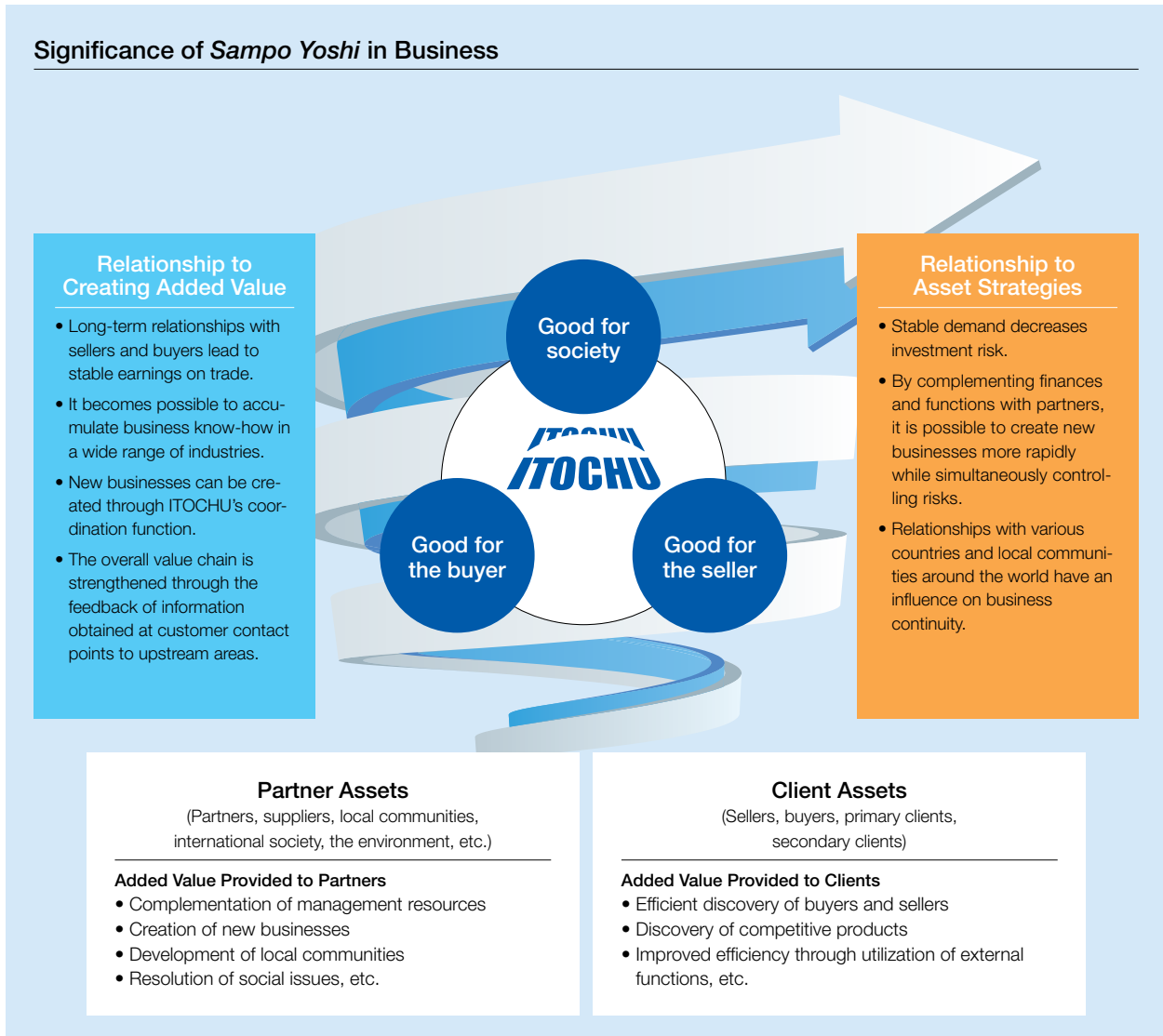
Human resources are the most important management resource supporting our diverse business developments around the world. To build our management foundation, we are cultivating and reinforcing our human resources, and improving labor conditions is one way to maximize their capabilities. Our working-style reforms center on a morning-focused working system and health and productivity management, while various training programs and efforts to promote diversity are aimed at strengthening the individual capabilities and front-line capabilities, lending high levels of corporate competitiveness to our business activities.



Strengthening the individual capabilities and our front-line capabilities through diverse training programs

Client and Partner Assets

ITOCHU practices the principle of *sampo yoshi* in its business. By supplying a diverse range of functions, we strive to provide our various stakeholders with added value and to thereby ensure the continuity of our business.



Sampo Yoshi in China and Other Parts of Asia



In developing operations in China and other parts of Asia, ITOCHU seeks to generate substantial synergies by blending its management resources, including its market presence,

human relations networks, management know-how, and business partners, with those of the CITIC Group and the CP Group. Success in this partnership can only be achieved by prioritizing the improvement of standards of living and other contributions to the development of local communities.

Benefits for ITOCHU

- Access to medium- to long-term business opportunities in the Chinese and Asian markets
- Ability to acquire timely, high-value information
- Opportunities to utilize refined management resources

Added Value Provided to Partners

- Expansion of new businesses through access to Japanese companies and utilization of know-how related and consumer-related businesses (the CITIC Group and the CP Group)
- Access to demand in the Chinese and Asian markets (Japanese companies)
- Development of local communities through enhancement of social infrastructure and expansion of employment opportunities (local communities)

Added Value Provided to Clients

- Safe and reliable products and services (consumers and companies in China and other parts of Asia)

Sampo Yoshi in Pulp Trade

Through its operating companies (Celulose Nipo-Brasileira S.A. and METSA FIBRE Oy), ITOCHU possesses one of the world's foremost pulp trade portfolios featuring a balanced assortment of softwood and hardwood assets. As a sales agent for pulp from these assets, we have developed a position as a leading global pulp trader. In addition to providing papermakers with a stable supply of high-quality



pulp, we are also contributing to environment preservation through the use of highly sustainable forestry resources.

Benefits for ITOCHU

- Reinforcement of sales network through procurement from Celulose Nipo-Brasileira and METSA FIBRE
- Opportunities to exercise competitive edge with regard to strategies and information

Added Value Provided to Partners

- Wider range of sales opportunities through the use of ITOCHU's sales network (Celulose Nipo-Brasileira and METSA FIBRE)
- Prevention of global warming through the use of highly sustainable forestry resources (global environment)

Added Value Provided to Clients

- Stable supply of high-quality pulp (papermakers)

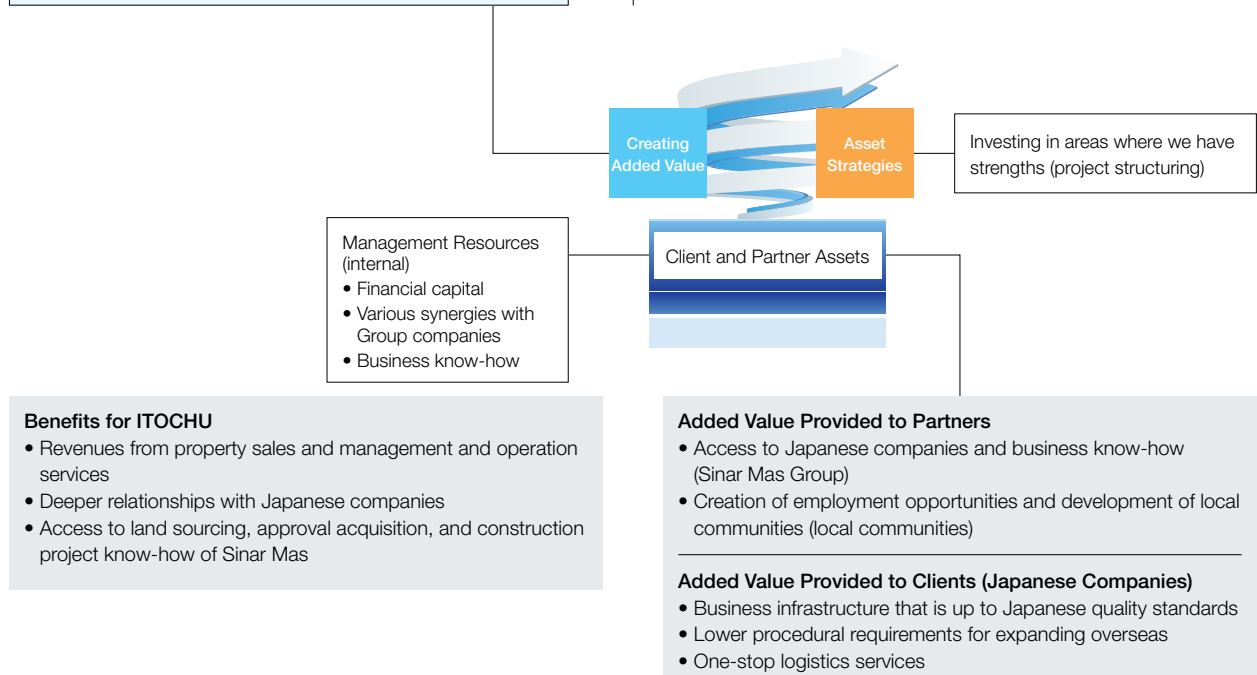
Sampo Yoshi in Infrastructure Businesses



Karawang International Industrial City was started as a 50:50 investment between ITOCHU and Sinar Mas, a large Indonesian conglomerate. Sinar Mas and ITOCHU have been



able to maintain a mutually complementary relationship by utilizing not just their funds but also their unique specialties to operate this industrial park. This undertaking has also allowed us to contribute to the development of the Indonesian economy through the creation of employment opportunities and partnerships with local companies.



Board of Directors' Reforms: Our Structure from FYE 2018

Content of Reforms

Before → System up to FYE 2017

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.

11
Executive directors

3
Outside directors

P: Division Company Presidents

After → System from FYE 2018

In addition to the CEO and three officers from headquarters, only one principal Division Company President also serves as director. At the same time, the number of outside directors has been increased.

5
Executive directors

4
Outside directors

Decision-Making Process

March–May 2016

Results of the Board of Directors' Evaluation in FYE 2016

The Board of Directors confirmed that it needs to continue discussing whether the Board should review the Board of Directors' structure and matters to be submitted to the Board and shift to a governance model where it focuses more on monitoring (supervision) of business execution in the future.

Based on these evaluation results, the Governance and Remuneration Committee decided to continue deliberating specific measures.

October–November 2016

The Governance and Remuneration Committee (chaired by Ichiro Fujisaki, outside director) deliberated several times. These deliberations were separated into discussions on a proposal to maintain the existing Board of Directors' structure and ones on a proposal to transition toward a monitoring-focused structure from FYE 2018.

Participating in Deliberations on Board of Directors' Reforms



Atsuko Muraki

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

To enhance governance, ITOCHU also considered increasing the percentage of outside directors on the Board of Directors and the need to strengthen the function of monitoring execution.

Considering the appropriate size of the Board of Directors in order to facilitate effective discussion, the point at issue was whether removing Division Company Presidents as directors and creating a Board of Directors centered on officers from headquarters would strengthen the monitoring function.

There were two concerns. First, removing Division Company Presidents could mean that Board of Directors' discussions would become estranged from issues on the front lines, making these discussions lopsided. Also, removing Division Company Presidents, who play the important role of execution, could cause them to lose opportunities to oversee decision-making from a higher perspective.

To address this concern, we decided to have Division Company Presidents in Board of Directors' meetings, providing them a platform to communicate information and opinions from the front lines. We also decided to increase the number of opportunities for outside directors to get in touch with front-line operations through internal opinion exchanges and site visits.

Reviewing the composition of the Board of Directors itself was not difficult. However, getting the monitoring to operate in the intended fashion could be difficult. For this reason, we consider this fiscal year as the "year for Board of Directors' reforms," and we aim to make it a year for enhancing effectiveness.

Highlights of the Reforms

- The total number of directors has been reduced and the ratio of outside directors has been set to at least one-third, creating a structure in which the Board of Directors more effectively serves a monitoring function.
- In principle, Division Company Presidents serve as executive officers, focused on Division Company management. However, one principal Division Company President also serves concurrently as director in the interest of facilitating judgments on Division Company management on the Board of Directors.
- To prevent the Board of Directors from becoming estranged from the front line, we have strengthened the system of reporting on business execution from Division Companies to the Board of Directors.

In the Future ▶ Future Issues

- Continue to make operational improvements to reinforce the effectiveness of the Board of Directors' monitoring function.
- Deliberate measures for enhancing corporate value, including ESG in the next medium-term management plan.
- Reinforce supervision of nomination and remuneration with a view to sustainable growth.

(Principal Opinions)

- Some views favor separating execution and supervision, but the perspective of clarifying the decision-making process is also important.
- Although I believe we should transition toward a monitoring-focused structure, we also need to consider reporting on business execution by Division Company Presidents who are not directors.
- A sudden change would cause outside directors to become disconnected from investment projects and other operations. The lack of information could turn the Board of Directors into a mere façade.

As a result of these deliberations, the Governance and Remuneration Committee submitted a report suggesting the transition of the Board of Directors toward a monitoring-focused structure beginning in FYE 2018. Following further deliberations with the Nomination Committee (chaired by Chikara Kawakita, director), the Board of Directors reached the decision to simultaneously undergo changes to its membership and revise the Board of Directors' regulations (January 2017).

Promoting Further Advances on the Board of Directors



Harufumi Mochizuki

Following positions including the Vice-Minister of Economy, Trade and Industry, Mr. Mochizuki was appointed as an Audit & Supervisory Board Member of ITOCHU in June 2014 and director of the Company in June 2017. He is a member of the Nomination Committee. Based on this background and his concurrent management experience, Mr. Mochizuki proactively voices opinions on such topics as the Company's corporate governance, compliance, and internal control.

During my three years as Audit & Supervisory Board Member of ITOCHU, I have taken part in governance reforms on a variety of fronts. During this period, calls for Board of Directors' reforms have become more pronounced throughout Japan. As ITOCHU is a key company in Japan, I have worked to ensure appropriate reforms were carried out here.

In my current position as an outside director, I aim to contribute to management from a new perspective. I was involved in industrial policy during my career as a government official, and thereafter gained experience and expertise through direct involvement in corporate management. I aim to make use of this experience at ITOCHU, particularly by effectively exercising the monitoring function of the Board of Directors. In this manner, I hope to contribute to sustainable increases in ITOCHU's corporate value.

Along with strengthening governance, the Company needs to have in place a framework that enables it to remain vigilant and preempt any internal control or compliance infractions, as the manifestation of such risks can threaten a company's very survival. At the same time, it is important to cultivate a free-spirited corporate culture that contributes to increases in corporate value.

By fulfilling my own mission as an outside director, I intend to promote further advances on ITOCHU's Board of Directors.

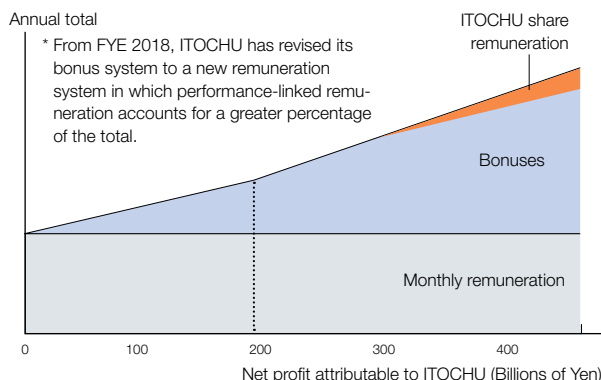
Characteristics of Corporate Governance at ITOCHU

Executive Remuneration

A Highly Transparent Remuneration System Linked to Increases in Corporate Value

Remuneration for directors (excluding outside directors) comprises (1) monthly remuneration, (2) performance-linked bonuses, and (3) performance-linked and share-based remuneration (trust type). The total amount of (1) monthly remuneration is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (2) performance-based bonuses and (3) performance-linked and share-based remuneration is determined based on net profit attributable to ITOCHU. The performance-linked and share-based remuneration was introduced in FYE 2017 with the aim of heightening awareness toward making contributions to improving our performance over the medium and long term and to increasing corporate value.

Remuneration of Directors (Excluding Outside Directors)



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

Formulas for Performance-Linked Bonuses and Share-Based 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 net profit attributable to ITOCHU for FYE 2018, the portion up to ¥200.0 billion) x 0.35%

B = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as share-based 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 and the change in position and other factors. (Remuneration limits exist on bonuses and share-based remuneration.)

Amount Paid to an Individual Director

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

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

Of the amount paid to an individual director, the portion corresponding to A and B in the total amount paid to all directors is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as share-based remuneration and the balance is paid in cash. In regard to share-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement share-based remuneration is paid from the trust in correspondence with accumulated points. Plans call for all of the shares paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

Evaluation of the Compensation System



Ichiro Fujisaki

Mr. Fujisaki was appointed as a director of ITOCHU in June 2013, following such positions as ambassador to the United States. Since June 2016, he has served as chairman of the Company's Governance and Remuneration Committee. Based on his many years of experience as a diplomatic official, he proactively offers advices on such matters as the Company's overseas policies and large-scale projects. In addition, since his appointment as chairman of the Governance and Remuneration Committee, Mr. Fujisaki has worked to enhance that committee's deliberations.

ITOCHU has revised its remuneration system and is moving to performance-linked bonuses for directors beginning in FYE 2018. Along with the stock remuneration plan, this revision increases the performance-linked percentage. The Governance and Remuneration Committee considers this approach to be appropriate, as the system targets further increases in corporate value and the concept is based on the payment of compensation to the management team commensurate with their achievement of high management targets.

The current medium-term management plan, which concludes in FYE 2018, targets two consecutive years of record high earnings and the achievement of consolidated net profit of ¥400.0 billion. The new, monitoring-focused Board of Directors will exercise an even greater supervisory function going forward.

Nomination

Nomination Committee Supervising Succession Planning

ITOCHU's Nomination Committee was established in FYE 2016 as an advisory committee to the Board of Directors. In FYE 2017, an outside director was appointed as the committee's chairman, and the committee transitioned to a structure in which outside executives comprise half or more of the total members. Under this system, the president is granted the right to propose candidates for appointments as executive officers, directors, and Audit & Supervisory Board Members. However, prior to such proposals, the Nomination Committee deliberates candidates and reports the results of such deliberations to the Board of Directors. Under this arrangement, the Nomination Committee's primary function is to appropriately supervise the proposal-making process. By posing questions to the president, the Nomination Committee also takes part in the president's succession planning and supervises its state of progress.

Status of Activity on the Nomination Committee

In keeping with the Corporate Message "I am One with Infinite Missions," I would like to see all ITOCHU's employees fulfill their individual missions and for ITOCHU to contribute even more to society as one of Japan's leading companies. To these ends, it is important to create a management structure that enables each employee to take full advantage of his or her ambitions and capabilities.

ITOCHU's Nomination Committee has been in place for two years. Taking advantage of the insight and experience of outside executives has led to a more proactive expression of opinions, and deliberations are vigorous on a variety of fronts, including succession planning. We aim to go about our work so that shareholders can feel peace of mind and a sense of major anticipation when approving proposals each year at the General Meeting of Shareholders.



Chikara Kawakita

Following such positions as commissioner of the National Tax Agency, Mr. Kawakita was appointed as director of ITOCHU in June 2013. Since June 2016, he has served as chairman of the Nomination Committee. He proactively offers advices on ITOCHU's capital policies and investment projects. Furthermore, since being appointed as chairman of the Nomination Committee, he has encouraged consideration of an ideal supervisory process for the Company.

Overview of the Corporate Governance System

Steps Taken to Strengthen Corporate Governance

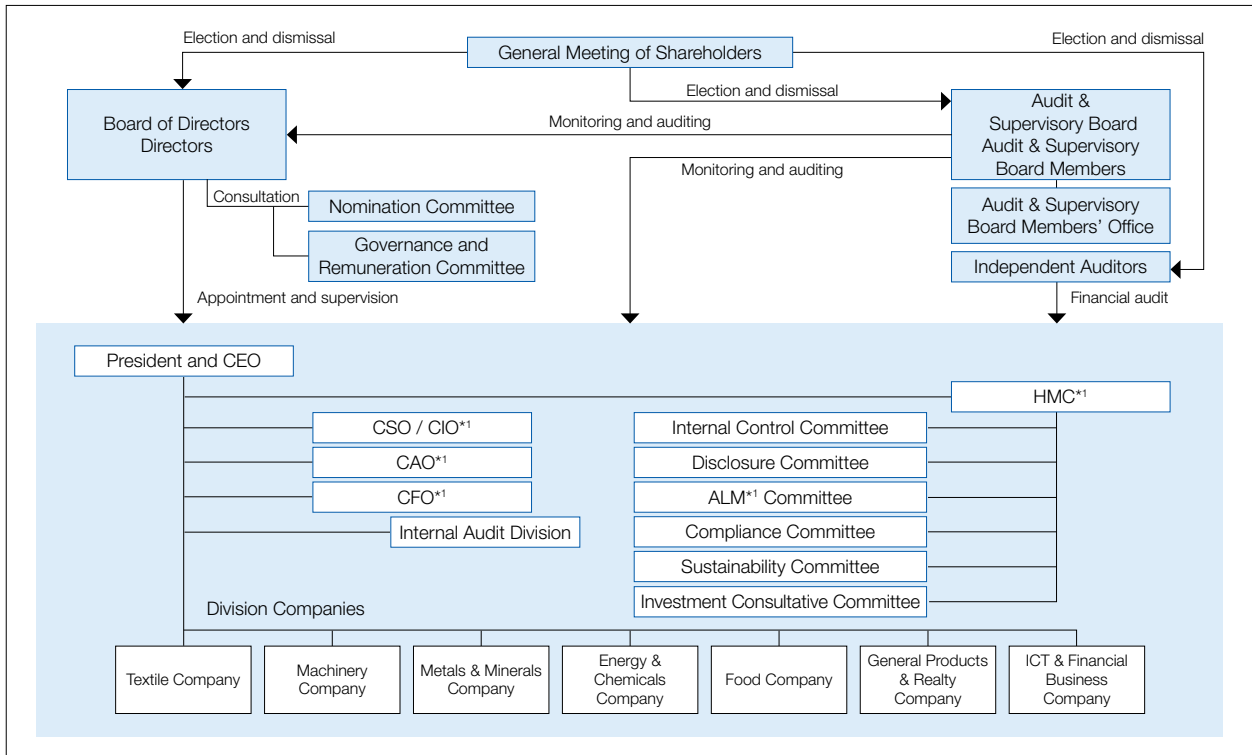
1999	<ul style="list-style-type: none"> Introduction of a system of executive officers 	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> Appointment of outside directors (two) 	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> Response to Japan's Corporate Governance Code Establishment of a Nomination Committee and a Governance and Remuneration Committee Revision of the Board of Directors' Regulations 	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> 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) Implemented Board of Directors' effectiveness evaluation 	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> 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 	Thorough separation of management execution and supervision

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)	9 (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 CEO decision-making	HMC*1 deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of April 1, 2017)



*1 HMC: Headquarters Management Committee CSO / CIO: Chief Strategy & Information Officer CAO: Chief Administrative Officer CFO: Chief Financial Officer
ALM: Asset Liability Management

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

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

Advisory Committees to the Board of Directors

Name	Functions
Nomination Committee	Deliberates on proposed appointments of executive officers, directors, and Audit & Supervisory Board Members
Governance and Remuneration Committee	Deliberates on proposals related to the compensation system for executive officers and directors and to other governance-related matters

Composition of the Nomination Committee and the Governance and Remuneration Committee

Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	President & Chief Executive Officer	○	○
Hitoshi Okamoto	Director		○
Fumihiko Kobayashi	Director	○	
Ichiro Fujisaki	Outside Director		◎ (Chair)
Chikara Kawakita	Outside Director	◎ (Chair)	
Atsuko Muraki	Outside Director		○
Harufumi Mochizuki	Outside Director	○	
Yoshio Akamatsu	Audit & Supervisory Board Member	○	
Kiyoshi Yamaguchi	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		○

(6 members) (7 members)

Principal Internal Committees

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

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

FYE 2017 in Review

Results of key initiatives based on our corporate governance system in FYE 2017 were as follows.

Meetings of Major Organizations

Board of Directors' meetings	16 times
Outside directors' attendance at Board of Directors' meetings	98%
Outside Audit & Supervisory Board Members' attendance at Board of Directors' meetings	94%
Audit & Supervisory Board's meetings	12 times
Outside Audit & Supervisory Board Members' attendance at Audit & Supervisory Board's meetings	94%

Key Decisions Made by the Board of Directors in FYE 2017

- (1) Evaluation of the Board of Directors in FYE 2016
- (2) Introduction of a performance-linked and share-based remuneration plan
- (3) Purchase of treasury stock
- (4) Merger of Takiron Co., Ltd., and C.I. Kasei Co., Ltd.
- (5) Reforms of criteria for the selection of director candidates and the bonus system



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

As of July 1, 2017

Members of the Board



President & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2010 President & Chief Executive Officer

Number of shares held: 171,095



Member of the Board

Hitoshi Okamoto

Chief Strategy & Information Officer;
General Manager,
CP & CITIC Business Development Department

1980 Joined ITOCHU Corporation
2014 Senior Managing Executive Officer

Number of shares held: 63,265



Member of the Board

Yoshihisa Suzuki

President, ICT & Financial Business Company

1979 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer

Number of shares held: 45,184



Member of the Board

Fumihiko Kobayashi

Chief Administrative Officer

1980 Joined ITOCHU Corporation
2017 Senior Managing Executive Officer

Number of shares held: 72,780



Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer

1991 Joined ITOCHU Corporation
2015 Managing Executive Officer

Number of shares held: 56,700



Member of the Board*¹

Ichiro Fujisaki

2013 Outside Director, ITOCHU Corporation

Number of shares held: 3,100



Member of the Board*¹

Chikara Kawakita

2013 Outside Director, ITOCHU Corporation

Number of shares held: 0



Member of the Board*¹

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation

Number of shares held: 400



Member of the Board*¹

Harufumi Mochizuki

2014 Audit & Supervisory Board Member,
ITOCHU Corporation

2017 Outside Director, ITOCHU Corporation

Number of shares held: 1,000

*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

Yoshio Akamatsu

1974 Joined ITOCHU Corporation
2010 Director, Senior Managing Executive Officer
2012 Audit & Supervisory Board Member
Number of shares held: 44,040



Audit & Supervisory Board Member

Kiyoshi Yamaguchi

1980 Joined ITOCHU Corporation
2011 Executive Officer
2016 Audit & Supervisory Board Member
Number of shares held: 10,800



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: 2,700



Audit & Supervisory Board Member*2

Kotaro Ohno

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

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Senior Managing Executive Officers

Tomofumi Yoshida

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

Hitoshi Okamoto

Chief Strategy & Information Officer;
General Manager, CP & CITIC Business Development Department

Yuji Fukuda

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

Yoshihisa Suzuki

President, ICT & Financial
Business Company

Shuichi Koseki

President, Textile Company
Number of shares held: 55,000

Eiichi Yonekura

President, Metals & Minerals Company
Number of shares held: 66,605

Masahiro Imai

President, Energy & Chemicals Company
Number of shares held: 41,600

Fumihiko Kobayashi

Chief Administrative Officer

Managing Executive Officers

Kazutaka Yoshida

President, Machinery Company
Number of shares held: 49,900

Yoza Kubo

President, Food Company
Number of shares held: 37,495

Tsuyoshi Hachimura

Chief Financial Officer

Akihiro Ueda

CEO for East Asia Bloc; Chairman,
ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, BIC
Number of shares held: 39,100

Yasuyuki Harada

President,
General Products & Realty Company
Number of shares held: 73,100

Hiroyuki Tsubai

Chief Executive for European Operation;
CEO, ITOCHU Europe PLC
Number of shares held: 18,955

Hiroyuki Fukano

Executive Advisory Officer for
Kansai District Operation;
Executive Advisory Officer for
Osaka Headquarters
Number of shares held: 11,200

Akihiko Okada

Chief Operating Officer,
Steel, Non-Ferrous & Solar Division
Number of shares held: 25,400

Keita Ishii

Executive Vice President,
Energy & Chemicals Company;
Chief Operating Officer, Chemicals Division
Number of shares held: 25,403

Masahiro Morofuji

Executive Vice President,
Textile Company;
Chief Operating Officer,
Brand Marketing Division 1;
Number of shares held: 32,282

Executive Officers

Mitsuru Chino*3

EVP, ITOCHU International Inc.;
CAO, ITOCHU International Inc.;
President & CEO, ITOCHU Canada Ltd.
Number of shares held: 26,204

Yoichi Ikezoe

Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)
Number of shares held: 4,700

Shiro Hayashi

Chief Operating Officer, Apparel Division 1
Number of shares held: 27,306

Hiroshi Sato

Chief Operating Officer, Plant Project,
Marine & Aerospace Division
Number of shares held: 12,400

Mamoru Seki

General Manager,
General Accounting Control Division
Number of shares held: 31,506

Tomoyuki Takada

General Manager,
Corporate Communications Division
Number of shares held: 31,900

Hiroyuki Kaizuka

Chief Operating Officer,
Provisions Division
Number of shares held: 31,597

Hiroshi Oka

General Manager, Secretariat
Number of shares held: 26,016

Shigetoshi Imai

CEO for Latin America;
President & CEO, ITOCHU Brasil S.A.
Number of shares held: 20,132

Motonari Shimizu

Chief Operating Officer, Apparel Division 2
Number of shares held: 25,296

Masato Osugi

Chief Operating Officer,
Automobile Division
Number of shares held: 13,656

Akira Tsuchihashi

General Manager, Internal Audit Division
Number of shares held: 20,355

Yoshihiro Fukushima

Chief Operating Officer,
Brand Marketing Division 2
Number of shares held: 23,323

Kensuke Hosomi

Chief Operating Officer, Food Products
Marketing & Distribution Division
Number of shares held: 25,873

Hisato Okubo

Chief Operating Officer, Energy Division
Number of shares held: 10,150

Shunsuke Noda

General Manager, Corporate Planning &
Administration Division
Number of shares held: 22,788

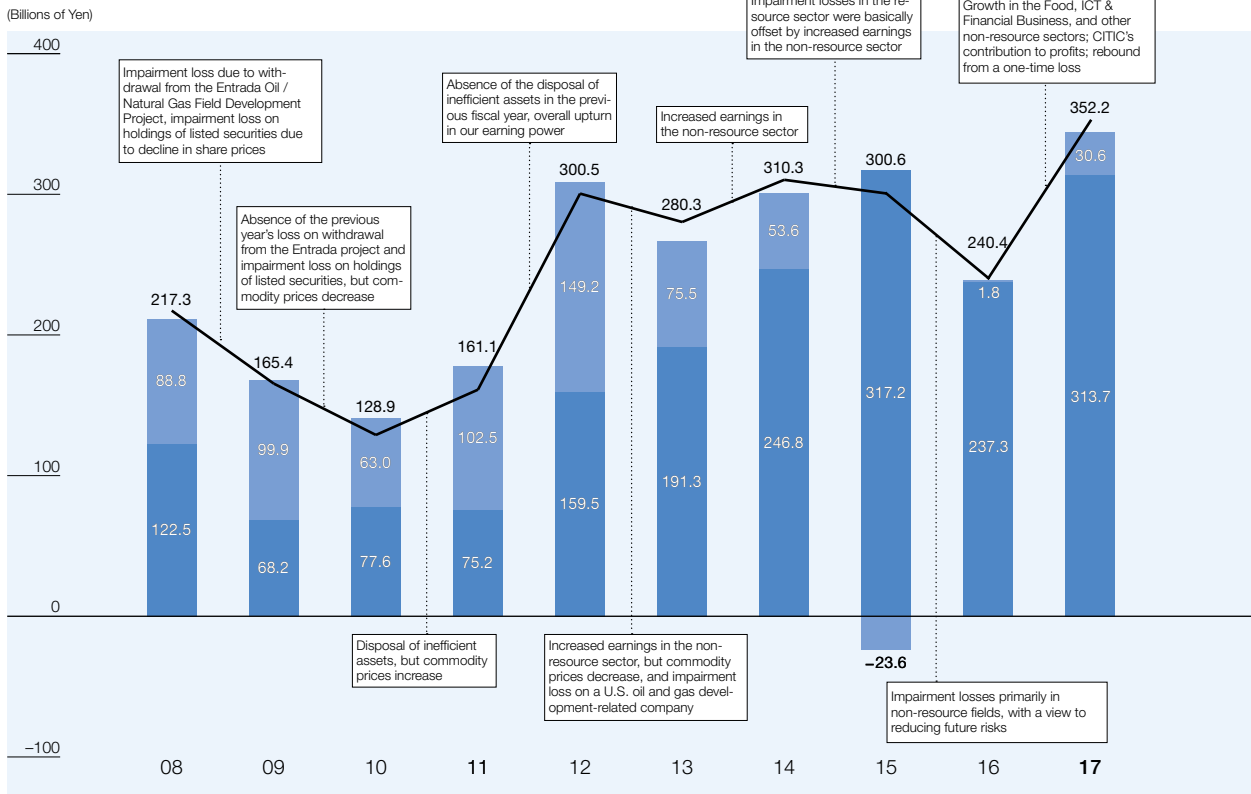
Tatsushi Shingu

Chief Operating Officer, ICT Division
Number of shares held: 11,100

Ten-Year Financial Summary Years ended March 31

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

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



— Net profit attributable to ITOCHU ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector
 * Others, Adjustments & Eliminations is not included in earnings from the non-resource / resource sectors.

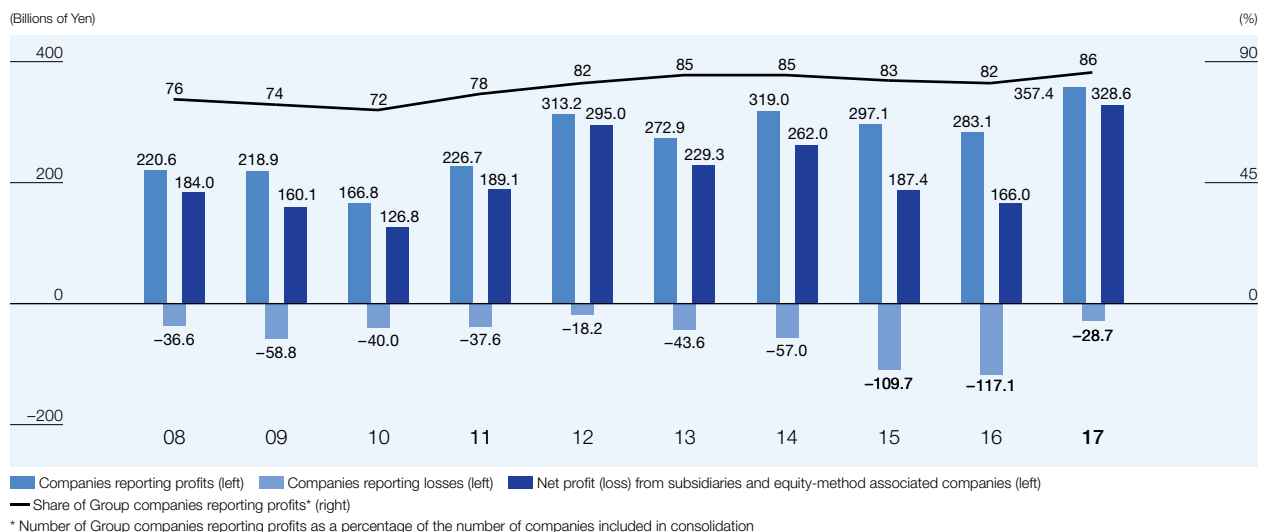
Net Profit Attributable to ITOCHU by Operating Segment (Six Years)



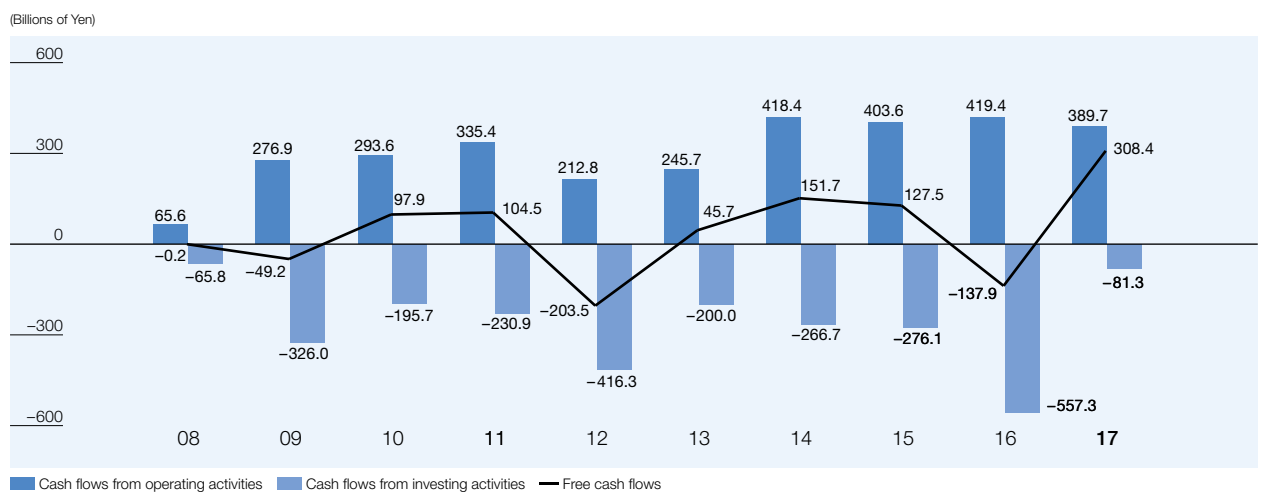
Year	One-time profit (loss)
12	+20.0
13	0.0
14	0.0
15	-5.0
16	-75.0
17	-18.0

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

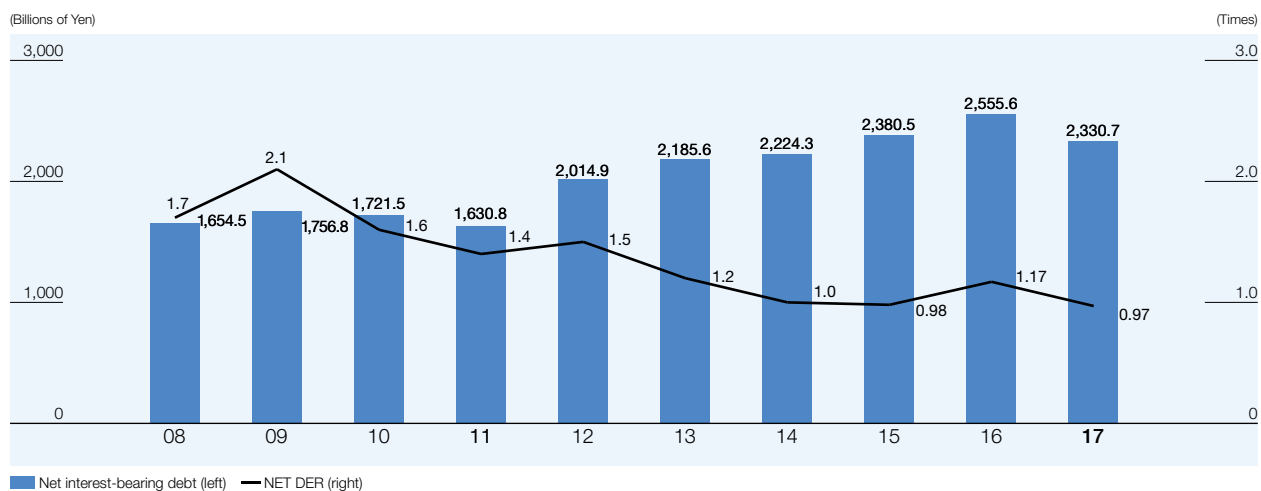
Net Profit (Loss) from Subsidiaries and Equity-method Associated Companies



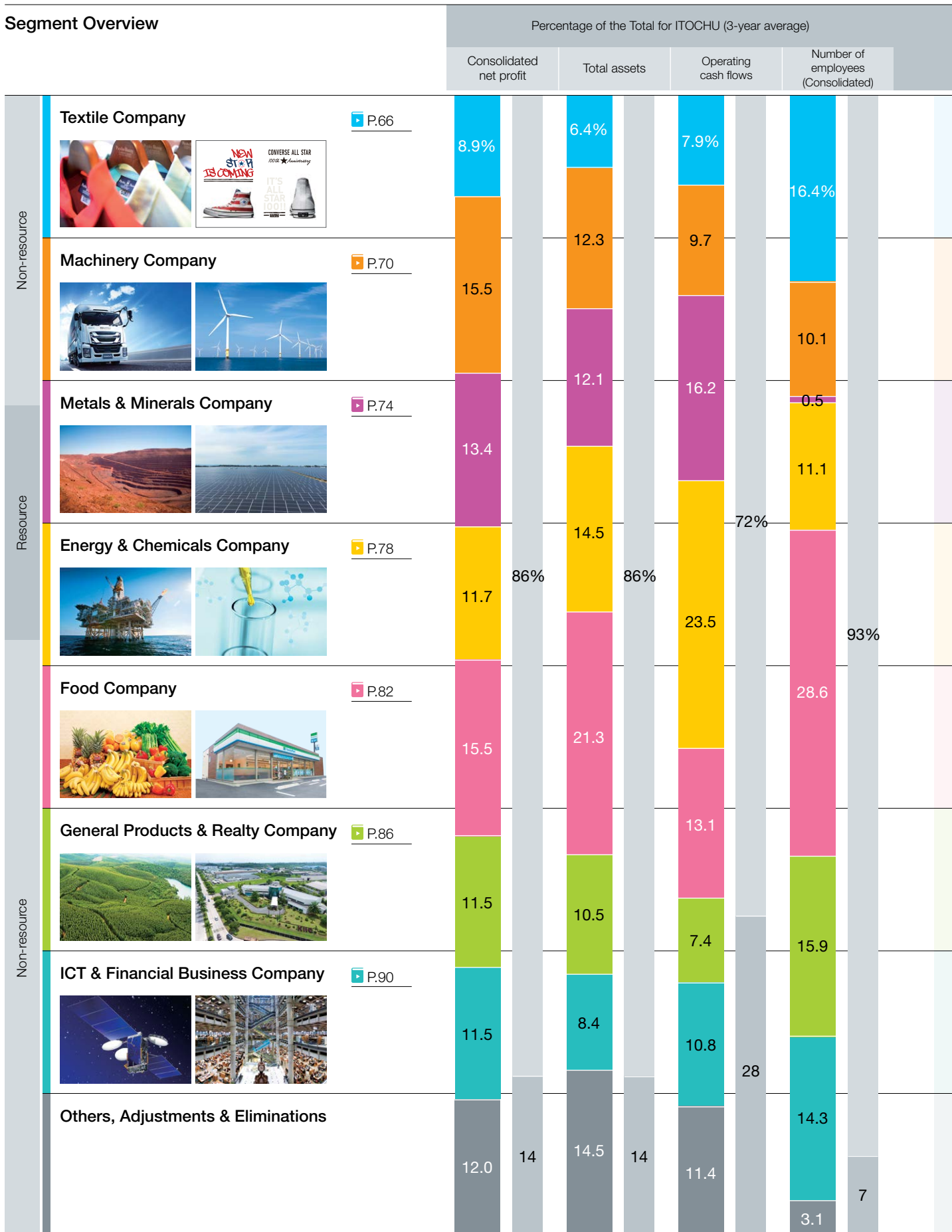
Cash Flows



Net Interest-bearing Debt and NET DER



Segment Overview



* Figures for consolidated net profit are based on an average for the past three years, excluding one-time profit/loss.

Business Fields	FYE 2017 Highlights
<ul style="list-style-type: none"> ■ Brand business ■ Raw materials, garment materials, apparel ■ Industrial materials 	<ul style="list-style-type: none"> ■ JOI'X CORPORATION debuted their first apparel collection for Psycho Bunny in spring/summer 2017 and will continue to focus on the line as one of their core brands alongside Paul Smith. In the first fiscal year, the company plans to open around 20 stores, including free standing stores. ■ To celebrate the 100th anniversary of its ALL STAR brand, Converse has launched the ALL STAR 100 series, which features enhanced performance. The company also began working with a prominent French designer on the development of the high-end AVANT CONVERSE line, which will further contribute to the brand's evolution.
<ul style="list-style-type: none"> ■ Plant and Power projects (petrochemical, water and environmental, infrastructure, IPP) ■ Marine and Aerospace (new vessels, secondhand vessels, ship ownership, civil aircraft, 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 investment in domestic and international markets) 	<ul style="list-style-type: none"> ■ Acquired 22.5% equity interest in the Butendiek Offshore Wind Power Plant jointly with CITIC Pacific Ltd. ■ Commencement of commercial operation of the first unit of the Sarulla Geothermal IPP Project in Indonesia ■ Telerent, which has the leading share of TV system sales to hospitals in the Americas, acquired DNG, which engages in the business of designing and constructing audiovisual equipment
<ul style="list-style-type: none"> ■ Development of metals and mineral resources (iron ore, coal, alumina, etc.) ■ Trade in products, resources, and fuel (iron ore, coal, aluminum, uranium, etc.) ■ Steel-related businesses (import and export, sales, and processing of steel products) ■ Environment-related businesses (mega-solar projects, biomass fuel trading, etc.) 	<ul style="list-style-type: none"> ■ Start of commercial operation at Shin-Okayama Solar Power Plant ■ Annual production at the Jimblebar Iron Ore Mine in Australia reached 50 million tons per year
<ul style="list-style-type: none"> ■ Energy development (LNG projects, oil and gas projects, etc.) ■ Energy trading (crude oil, petroleum products, LPG, LNG, natural gas, electricity, etc.) ■ Chemical projects and trading 	<ul style="list-style-type: none"> ■ Signing of memorandum of understanding with CITIC Resources Holdings Limited for collaboration in oil and gas business ■ Signing of basic agreement with Sumitomo Chemical to collaborate on distribution of methionine ■ Successful entry into production phase at an oil field in Eastern Siberia, Russian Federation
<ul style="list-style-type: none"> ■ Resources/Material ■ Product processing (fresh food, provisions) ■ Midstream distribution (food wholesaling) ■ Retail (CVS, GMS) 	<ul style="list-style-type: none"> ■ Merger of FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., creating FamilyMart UNY Holdings Co., Ltd. ■ Conclusion of alliance with the RIZAP Group and FamilyMart in the areas of healthcare and lifestyle
<ul style="list-style-type: none"> ■ Wood products and materials (production, wholesaling) ■ Paper, pulp, and hygiene (production, wholesaling) ■ Natural rubber and tire (processing, wholesaling, retail) ■ Development and operation of housing, logistics facilities, and other projects ■ Logistics (3PL, international transport, etc.) 	<ul style="list-style-type: none"> ■ Acquired a site of approximately 200 hectares in the Karawang International Industrial City in Indonesia, and a plant expansion is under way ■ Distribution center development and expansion of outsourced center operations for Internet sales in China, centered on wholly owned ITOCHU Group subsidiary ITOCHU LOGISTICS (CHINA) CO., LTD.
<ul style="list-style-type: none"> ■ Information technology (ICT, BPO, healthcare) ■ Communications (mobile, media, satellite businesses) ■ Finance (retail, corporate) ■ Insurance (brokerage, underwriting) ■ Fintech, AI, IoT 	<ul style="list-style-type: none"> ■ Entrance of new business domain that uses AI and fintech to go beyond the boundaries of telecommunications and finance (capital tie-up with ABEJA/Grid) ■ Reorganization of BPO services for ITOCHU Group and pharmaceutical companies ■ Enhanced ties with HOKEN NO MADOGUCHI GROUP
	<ul style="list-style-type: none"> ■ Signing of letter of intent for establishment of joint venture in medical and health-related businesses with CITIC Medical & Health Group Co., Ltd. ■ Start of operations of cross-border e-commerce site targeting affluent Chinese segment in collaboration with CITIC Holdings Co., Ltd.

Textile Company

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

President, Textile Company
Shuichi Koseki



NEW
STAR
IS COMING



CONVERSE ALL STAR
100th Anniversary

IT'S
ALL
STAR
100!!



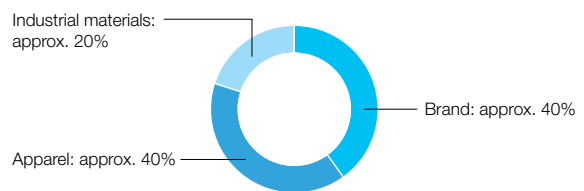
Organization



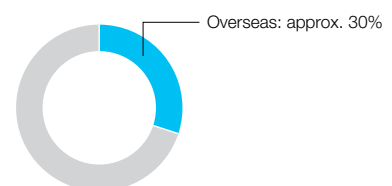
From left:
Shiro Hayashi,
Chief Operating Officer, Apparel Division 1
Motonari Shimizu,
Chief Operating Officer, Apparel Division 2
Masahiro Morofuji,
Executive Vice President, Textile Company;
Chief Operating Officer, Brand Marketing Division 1
Yoshihiro Fukushima,
Chief Operating Officer, Brand Marketing Division 2
Tatsuya Izumi, Chief Financial Officer
Shoji Miura,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status

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

Earnings Opportunities

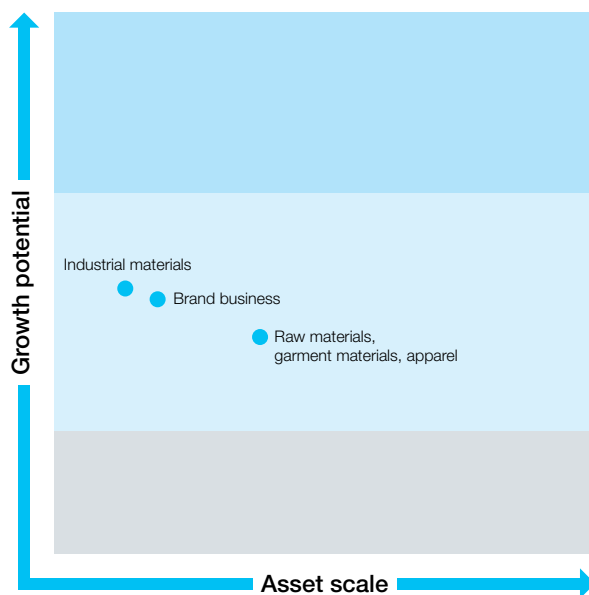
- Changing consumer trends in the Japanese market such as increasing inbound tourism
- Growth of consumer markets in China and other parts of Asia due to rising standards of living
- Trade agreements that can lead to new commercial opportunities
-  ■ Creating a stable structure for manufacturing by developing a supply chain that values human rights and achieves improvements in the working environment
-  ■ Meet new consumer demand for sustainable and ethical practices by creating environmentally friendly businesses, such as those using recycled textiles

Challenges to Address

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

Materialities
 Consideration for the environment
  Sustainable use of resources
  Respect and consideration for human rights
  Contribution to local communities
  Improving labor conditions

Asset Portfolio



EXIT from "stable earnings" in FYE 2016: Shanshan Group

 Value driver
  Stable earnings
  Reinforce

Growth Strategies

Creating Added Value

- Increase earnings by enhancing existing businesses through cultivation and improvement
- Expand new trade and initiatives in growth fields, such as e-commerce, sports, etc.
- Increase fundamental earnings by enhancing existing businesses through measures, such as promoting a lean and streamlined management

Asset Strategies

- Further promote the expansion and replacement of superior assets while maintaining a mid- to long-term perspective
- Strengthen capital initiatives by partnering with strong local companies in Japan, China, and other parts of Asia

Initiatives to Enhance Corporate Value

Creating Added Value

Enhancing Value by Strengthening Existing Businesses (Cultivation and Improvement)

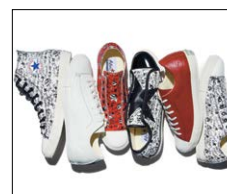
In addition to new initiatives and projects, the Textile Company aims to achieve stable and sustainable growth in the mid to long term by further strengthening its existing businesses.

ITOCHU holds the trademark rights for the Converse brand in Japan. We obtained the rights for use in apparel and accessories in 1999, followed by shoes in 2001. In 2002, we established Converse Japan Co., Ltd., as a wholly owned subsidiary. Since then, the Textile Company has made a unified effort to strengthen and grow the brand, further enhancing its value in the Japanese market. To increase sales channels and continue to build on the core wholesale business of Converse shoes, in 2015 we opened the brands' first directly operated store. The business continues to evolve steadily as we look to further expansion through new initiatives such as high-end collaborations with prominent designers to promote the brand's development. Furthermore, the brand's apparel initiatives were previously focused on the sale of mid-range products to mass retailers, but recently we have started a new partnership with MELROSE CO., LTD., which is a strong player in the apparel industry that develops and operates brands in Japan. This partnership has resulted in the launch of a high-end apparel line and has significantly boosted the brand image in non-shoe categories.

The success and growth of the Converse brand is a prime example of how we will continue to pursue new initiatives to strengthen and grow our existing businesses.



White Atelier BY CONVERSE, the directly operated store in Tokyo that opened in 2015



AVANT CONVERSE, a high-end collaboration line created with a prominent designer

Creating Added Value



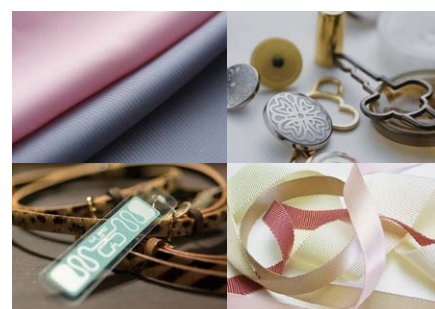
ESG

Initiatives with SANKEI

SANKEI CO., LTD. is an ITOCHU subsidiary that specializes in garment materials and notions, such as linings, buttons, and fasteners. SANKEI is known as a total supplier, providing comprehensive services that include production, sales, and distribution in both Japan and international markets. SANKEI's Mikuni factory in Fukui Prefecture specializes in the dyeing of lining materials and is the largest of its kind in Japan. Through this and several other factories, SANKEI holds a 70% share of the domestic market. In recent years, the company has also focused on development in cutting-edge fields, including the manufacture and sale of contactless IC tags (RFID). Through its proactive engagement in these fields, SANKEI is working to foster the early adoption of this technology in both Japan and overseas.

Since SANKEI became a subsidiary in 2008, ITOCHU has worked to support the business by dispatching management resources to SANKEI in an effort to bring about structural reforms and the growth of its apparel functions. As a result, the company has achieved a solid position as the industry leader in garment materials and notions. We also proactively promote synergies within the Group, including SANKEI's provision of garment materials to EDWIN, which is one of the largest denim manufacturers and distributors in Japan.

From an ESG perspective, SANKEI is working to achieve cost reductions and implement environmental measures, such as installing solar power panels on some of their unused land and building a biomass boiler fueled by waste wood chips. Through these initiatives, the company is striving to establish a sustainable manufacturing foundation and shrink its environmental footprint by reducing CO₂ emissions and converting to natural energy.



SANKEI's primary products:
Linings, buttons, RFID tags, etc.

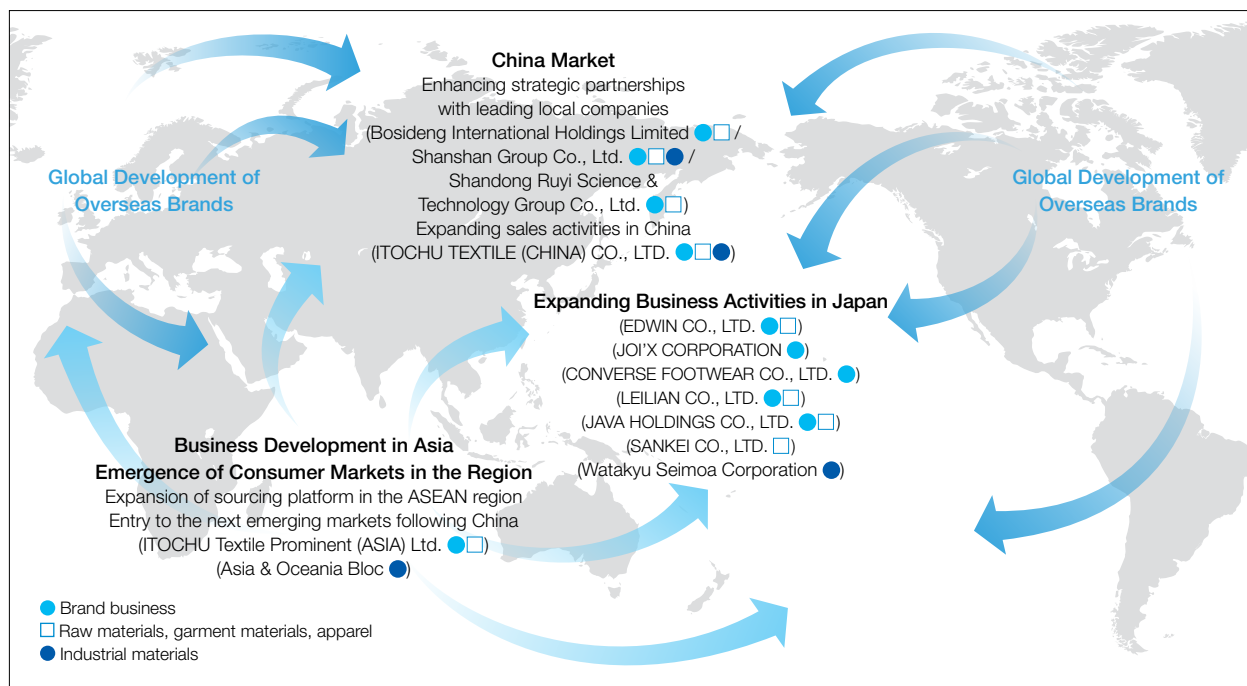


Solar panels installed on unused land
at the Mikuni factory

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

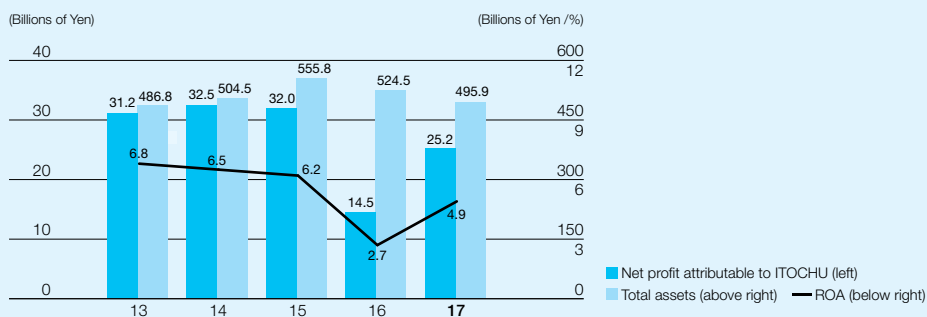
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
Billions of Yen					
Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies					
JOI'X CORPORATION	1.3	1.3	1.3	1.1	1.4
SANKEI CO., LTD.	1.6	1.5	2.6	1.0	2.0
ITOCHU Textile Prominent (ASIA) Ltd.	1.1	2.0	1.4	0.9	0.8
ITOCHU TEXTILE (CHINA) CO., LTD.	1.3	1.2	1.2	0.9	0.9
Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image)	approx. 30%				
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)	Japan		18% (24)	18% (23)	17% (21)
	Overseas		7% (14)	6% (11)	6% (11)

Machinery Company

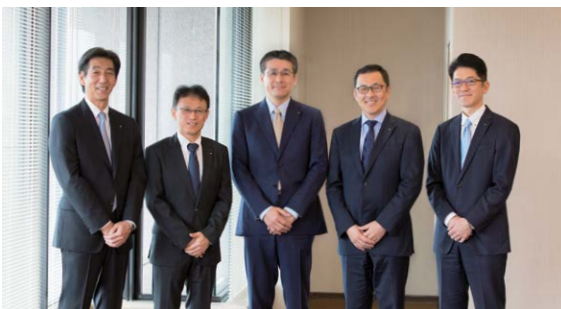
We aim to make a further leap forward by accumulating superior assets and reconfiguring and reinforcing the value chain business.

President, Machinery Company

Kazutaka Yoshida



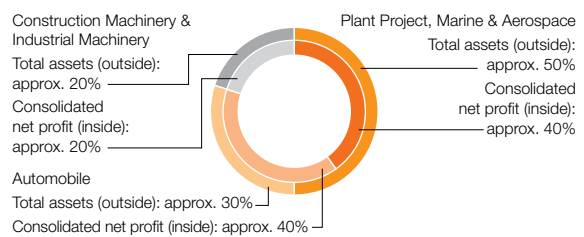
Organization



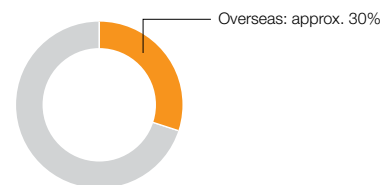
From left:
 Hiroshi Sato,
 Chief Operating Officer, Plant Project, Marine & Aerospace Division
 Masato Osugi,
 Chief Operating Officer, Automobile Division
 Toshihiko Fujioka,
 Chief Operating Officer,
 Construction Machinery & Industrial Machinery Division
 Ikuya Hirano, Chief Financial Officer
 Hiroshi Ushijima,
 General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status

Strengths

- Solid business relationships with excellent partners in each field of operations
- Broad-based business development on a global scale in the automobile sector
- Diverse businesses in advanced countries and business developments in emerging countries that minimize country risk

Earnings Opportunities

- Numerous investment opportunities to meet growing demand for global infrastructure (electric power, water, environmental, transport, and energy)
- Market expansion due to rising automobile demand in emerging countries
-  ■ Growing needs for leading-edge medical devices in advanced countries as their societies age
-  ■ Participation in renewable energy projects, including geothermal and wind power generation
-  ■ Initiatives in water-related businesses in response to increasing demand for water

Challenges to Address

- Trade and business development that takes into consideration the pace of growth and country risk in emerging countries
-  ■ In infrastructure-related businesses, consideration for environmental protection, local communities, and human rights in development regions
-  ■ In medical businesses, response to the rapid aging of society
-  ■ Response to a low-carbon society by utilization of renewable energy

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

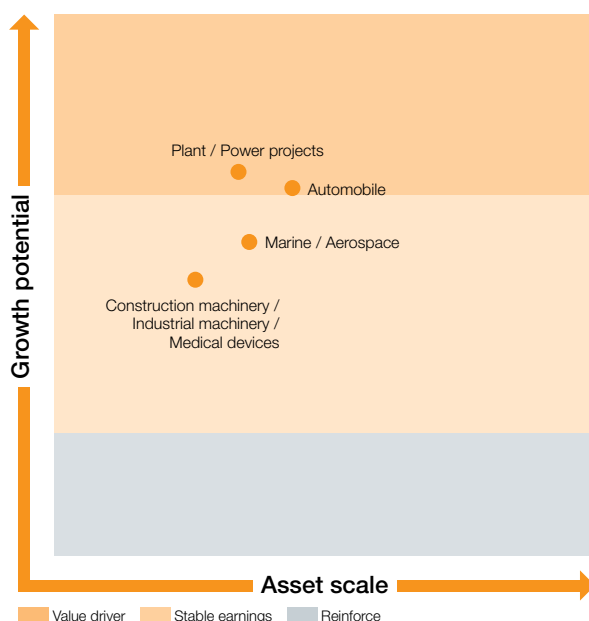


Contribution to local communities



Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Augment ability to generate fundamental earnings through measures to enhance existing businesses
- Boost trade and reorganize and strengthen the value chain business, expanding into peripheral fields
- Promote cooperation with excellent partners (such as the CITIC Group and the CP Group)
- Promote the construction of a medical device value chain

Asset Strategies

- Replace assets and accumulate superior assets
- Invest in projects while paying due consideration to environmental protection and local communities

Initiatives to Enhance Corporate Value

Creating Added Value

YANASE Converted to Consolidated Subsidiary

YANASE & CO., LTD., is the largest imported car dealership group in Japan, with a network of approximately 190 locations around Japan and some 4,700 employees. The company marked its 100th anniversary of establishment in 2015. YANASE currently handles seven automobile brands centered on Mercedes-Benz, with sales of approximately 43,000 units per year, which is 15% share of the imported car market in Japan.

ITOCHU became a capital participant in YANASE in 2003. Since then, we have gradually increased our capital contribution ratio, and in the second quarter of FYE 2018 we converted the company to a consolidated subsidiary. ITOCHU is following the investment policy that prioritizes investment in carefully selected projects, centering on additional investments of existing businesses with a proven track record to further enhance the quality and efficiency of its assets. YANASE is an example of these efforts.

Going forward, ITOCHU will strengthen its alliance with YANASE, and strive to enhance existing businesses in Japan, including new and used car sales and after-sales services. At the same time, we aim to improve YANASE's corporate value further by realizing synergies with ITOCHU's expertise, human and financial resources.



Headquarters building, renovated in 2012



Mercedes-Benz showroom

Asset Strategies



ESG

The Sarulla Geothermal IPP Project

In Indonesia's Sarulla region in North Sumatra, one of the world's largest geothermal power projects (net capacity of 320.8 MW by three units) is under way by Sarulla Operations Ltd. (SOL), which was jointly established by ITOCHU Corporation, Kyushu Electric Power Co., Inc., INPEX Corporation, PT. Medco Power Indonesia, and Ormat Technologies, Inc. (USA).

In 2013, SOL signed a 30-year long-term power purchase agreement with Indonesia's state-owned electricity company, and began the construction of a power plant and steam field drilling, of which commercial operation of the first unit commenced on March 18, 2017. With ongoing construction, the second unit is set to achieve commercial operation in 2017, followed by the third in 2018.

Indonesia stands out as the home of one of the world's largest geothermal reserves and the Indonesian government is aggressively promoting its development as a strategic source of electricity. Amid growing infrastructure demand around the world, ITOCHU continues to promote investments in business opportunities which make contributions to the economic development of emerging countries with due consideration paid to environmental protection and local communities.

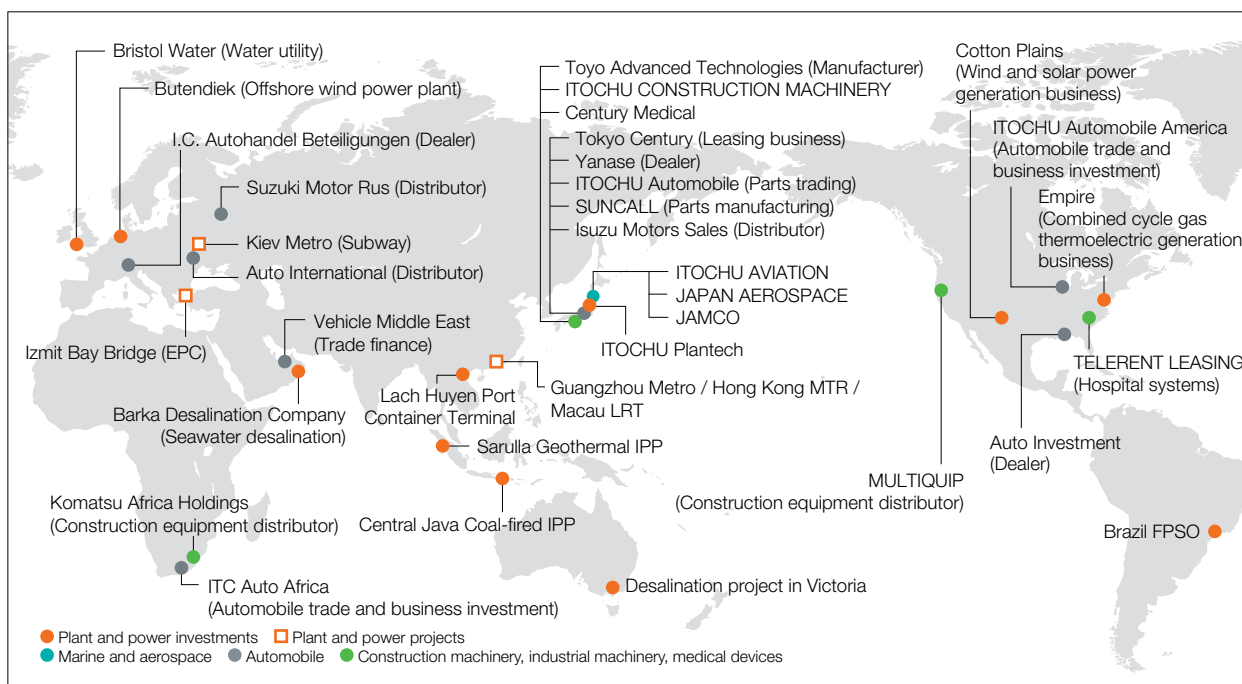


The first unit of the Sarulla Geothermal IPP Project

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

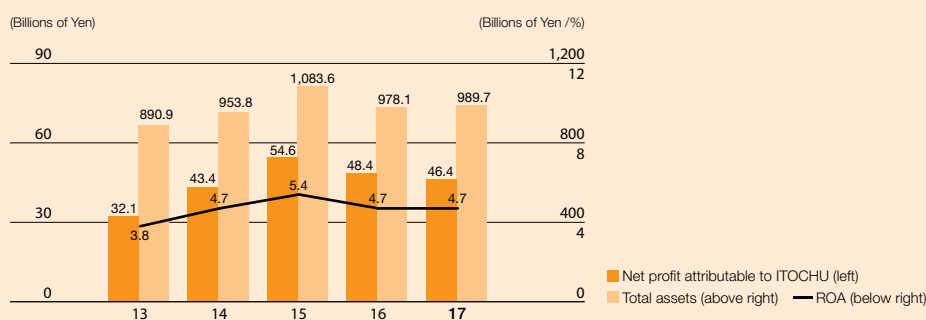
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies					
Tokyo Century Corporation*	6.2	8.4	9.1	9.6	10.2
JAMCO Corporation	0.6	0.9	1.7	1.5	0.4
JAPAN AEROSPACE CORPORATION	0.7	1.0	0.9	1.0	1.1
SUNCALL CORPORATION	0.6	0.7	0.6	0.4	0.3
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.9	1.3	0.9	0.8	0.7
ITOCHU MACHINE-TECHNOS CORPORATION	0.7	0.6	0.5	0.7	1.1
Century Medical, Inc.	1.0	1.1	1.0	0.3	0.5
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)	Japan		16% (21)	13% (17)	12% (15)
	Overseas		21% (44)	23% (46)	23% (41)

* Tokyo Century Corporation changed its name from Century Tokyo Leasing Corporation in October 2016.

Metals & Minerals Company

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

President, Metals & Minerals Company

Eiichi Yonekura



Organization



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

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status



Strengths

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

Earnings Opportunities

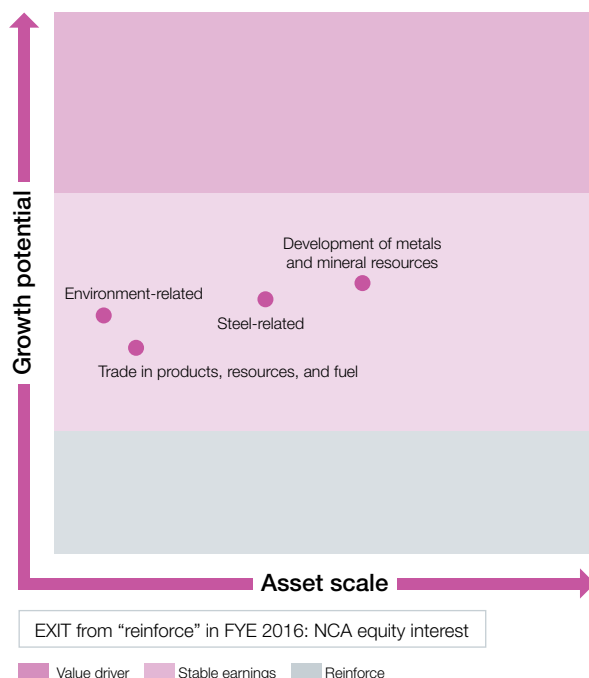
- Long-term demand growth for metals, mineral resources, and energy
- Expansion of trade and creation of supply chain based on equity interests
- Improvement of ongoing business and new business development with excellent partners
-  ■ Proliferation and gain in momentum of solar and other types of renewable energy
-  ■ Progress in the biomass power generation business and expansion of the market for biomass fuels

Challenges to Address

- Establishment of a well-balanced and stable earnings platform resilient to business environment changes
- Improvement in production efficiency at each project to be more resistant to fluctuations in resource prices
- Acquisition of superior interests to secure stable supply of metals and mineral resources
-  ■ Sustainable resource development with consideration for local communities, working environments, and the environment
-  ■ Thorough enactment and ongoing monitoring of supply chain management

Materialities  Consideration for the environment  Sustainable use of resources  Respect and consideration for human rights  Contribution to local communities  Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Expand business through collaboration with excellent partners and by reinforcing the sales and trading functions
- Proactively develop the environmental business (mega-solar projects, trading in biomass fuels, etc.)

Asset Strategies

- Expand the asset portfolio through collaboration with excellent partners and by acquiring superior new projects
- Promote the replacement of low-efficiency assets

Initiatives to Enhance Corporate Value

Asset Strategies

Promoting Sustainable Resource Businesses

The Metals & Minerals Company holds resource interests in regions throughout the world, centering on iron ore and coal. Principal interest groups include iron ore in Western Australia, coal in Eastern Australia, iron ore in Brazil, and coal in Colombia.

Working with leading resource companies and other excellent partners, we pursue our mission of providing a stable supply of high-quality resources to customers by honing the competitiveness of our equity interests while giving due consideration and contributing to environmental protection and community development, and at the same time leveraging our trading function. Notably, in Western Australia we have been working with leading resource company BHP Billiton since the 1960s on the development and operation of iron ore projects that are some of the world's most competitive. In Eastern Australia, we are engaged in a broad range of coal projects, ranging from high-quality thermal coal to coking coal, mainly with Glencore.

Going forward, while continuing to maintain a certain level of assets in the resource field we will configure a portfolio that is well-balanced across the Company. Aiming for further development, we aim to work with excellent partners around the world to obtain high-quality assets and expand our trading function.



Coal terminal in eastern Australia

Creating Added Value

+

ESG

Initiatives in the Renewable Energy Field

Preventing global warming, and realizing a low-carbon society to this end, are among the world's most important priorities. In Japan and overseas, efforts are under way to introduce and promote the spread of solar power, biomass, and other types of renewable energy, and renewable energy markets are expected to steadily expand as a result.

ITOCHU's roles in the renewable energy business include developing and operating projects, procuring materials, and supplying fuels.

In addition to the Saijo Komatsu Solar Power Plant (Ehime Prefecture, output of 26,200 kW) and the Oita Hiyoshibaru Mega-Solar Power Plant (output of 44,800 kW), January 2017 marked the start of commercial operations at the Shin-Okayama Solar Power Plant. This plant has an output of 37,000 kW, which is sufficient to meet the annual consumption of approximately 7,600 households and is expected to reduce CO₂ emissions corresponding to some 26,000 tons per year. Construction is also under way at a plant in Saga Prefecture. We plan to continue with our proactive efforts to develop renewable energy generation and related trading businesses in Japan and overseas.



Oita Hiyoshibaru Mega-Solar Power Plant
(commenced commercial operation in March 2016)

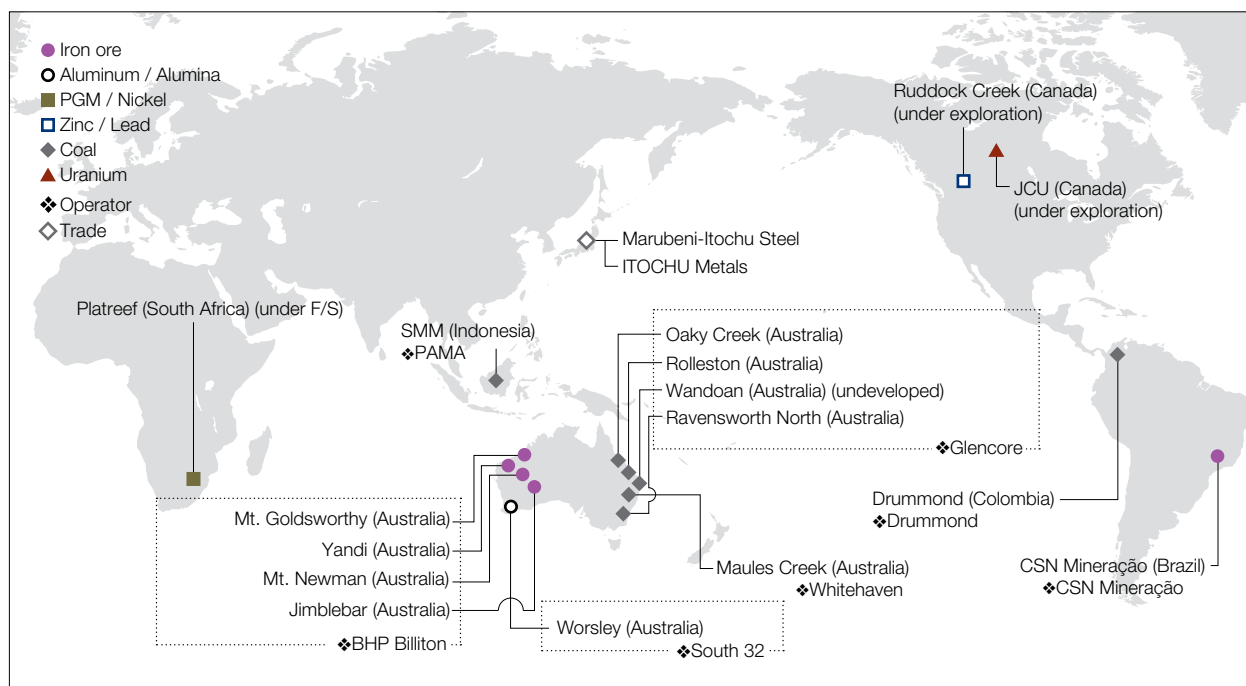


Shin-Okayama Solar Power Plant
(commenced commercial operation in January 2017)

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

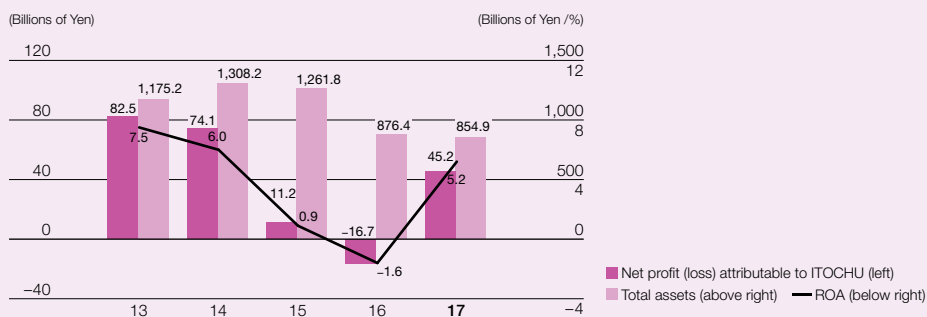
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

Net Profit (Loss) attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
Billions of Yen					
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Minerals & Energy of Australia Pty Ltd	50.3	58.4	42.3	(22.6)	42.8
Brazil Japan Iron Ore Corporation	10.4	3.8	(44.8)	(0.9)	(2.9)
ITOCHU Coal Americas Inc.	3.5	0.5	0.1	(2.3)	(2.6)
Marubeni-Itochu Steel Inc.	12.8	13.0	12.8	6.6	7.6
ITOCHU Metals Corporation	1.3	1.4	0.2	2.0	1.1
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan			4% (5)	5% (6)	5% (6)
Overseas			4% (8)	4% (8)	5% (9)

Energy & Chemicals Company

We aim to maintain and expand our ability to generate earnings base by enhancing existing businesses in Japan. At the same time, we will take strategic actions in new business fields worldwide to strengthen our business foundation over the medium to long term.

President, Energy & Chemicals Company

Masahiro Imai



Organization



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

Ratios

Composition by Segment (image)

Chemicals:		Energy:
Total assets (outside):		Total assets (outside):
approx. 40%		approx. 60%
Consolidated net profit (inside):		Consolidated net profit (inside):
approx. 50%		approx. 50%

Percentage of Earnings from Overseas Businesses (image)

	Overseas: approx. 40%
--	-----------------------





Analysis of Current Status



Strengths

- Business portfolio in the energy sector ranging from upstream to downstream
- Worldwide sales network of chemicals trading
- Robust portfolio of chemicals projects ranging from upstream to downstream

Earnings Opportunities

- Long-term growth in energy demand
- Robust expansion in chemicals demand in China, ASEAN, and North / Central / South America
- 
 ■ Rising food demand in line with a growing world population (methionine, fertilizers, etc.)
- 
 ■ Needs for environment-friendly energy and products

Challenges to Address

- Establishment of a well-balanced and stable earnings platform resilient to business environment changes
- Promotion of cost-competitive energy development projects with prime partners
- 
 ■ Strengthening the compliance system for changing chemical-related legislations
- 
 ■ Energy development with consideration for local communities, working environments, and the environment

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

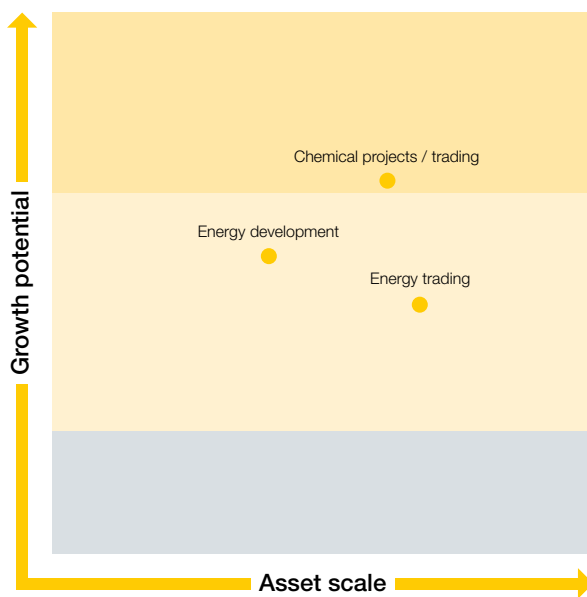


Contribution to local communities



Improving labor conditions

Asset Portfolio



EXIT from "reinforce" in FYE 2016: Samson

Value driver Stable earnings Reinforce

Growth Strategies

Creating Added Value

- Bolster earnings base in existing businesses and expand business foundations in new fields
- Realize synergy and integration effects of C.I. TAKIRON, which has become a leading Japanese plastics processing company
- Promote collaboration with prime partners, including the CITIC Group and the CP Group and oil majors

Asset Strategies

- Build up additional superior assets of oil and gas development and LNG projects
- Expand the chemicals trade network and ensure lean management and low-cost operations

Initiatives to Enhance Corporate Value

Creating
Added Value

+

ESG

Methionine Business with Sumitomo Chemical

In December 2016, ITOCHU signed a basic agreement with Sumitomo Chemical Co., Ltd., to collaborate in the sales of the feed additive methionine to be produced on a new production line of Sumitomo Chemical's Ehime Works (100,000 tons per year). After a formal agreement was concluded in March 2017, we began pre-marketing in April 2017 with a view to commence full-fledged sales collaboration once the new production line is complete.

Methionine, an amino acid, is widely used to boost chicken meat and egg productivity. Adding methionine also helps to adjust the amino acid balance in feed, promoting the efficient use of amino acids within an animal's body, which reduces the amount of nitrogen oxide in excrement—a positive environmental result.

Global demand growth for methionine is forecast to be stable. ITOCHU has built up a strong relationship with the Charoen Pokphand Group, a leading consumer of methionine, and has a global sales network.

Through this basic agreement, ITOCHU and Sumitomo Chemical will seek to integrate the strengths both companies have cultivated over the years in China and other Asian markets. By working together to further enhance our business in global markets, we aim to contribute to a stable supply of food throughout the world.



Methionine plant at Sumitomo Chemical's Ehime Works



Sumitomo Chemical Animal Nutrition
Technical Center (Malaysia)

Asset
Strategies

Oil Exploration, Development, and Production Activities in Eastern Siberia, Russian Federation

Together with Japan Oil, Gas and Metals National Corporation and INPEX CORPORATION, ITOCHU is participating in oil exploration, development, and production activities in Irkutsk Oblast, Eastern Siberia, Russian Federation. These activities are being conducted through Japan South Sakha Oil Co., Ltd. (JASSOC). The operator for this project is INK-Zapad, a joint venture between Irkutsk Oil Company (INK) and JASSOC. INK-Zapad has moved forward with exploration and appraisal operations. Crude oil reserves sufficient for commercial production were confirmed at the Ichyodinskoye (ICH) oil field, and the field was moved to the production phase in December 2016.

The crude oil produced at this field will not only be supplied to the domestic market in Russia but also exported to the Asian market, including Japan. Further discoveries of large-scale oil and gas fields are anticipated in Eastern Siberia. In addition to the ICH field, other oil and gas accumulations have also been confirmed in the blocks. Going forward, the project will continue to focus on business expansion. Resource projects are depleting assets, and there is a continuing need for asset augmentation. Accordingly, ITOCHU will continue working to acquire superior projects that contribute to the establishment of a stable earnings base.



Drilling site at the Ichyodinskoye oil field

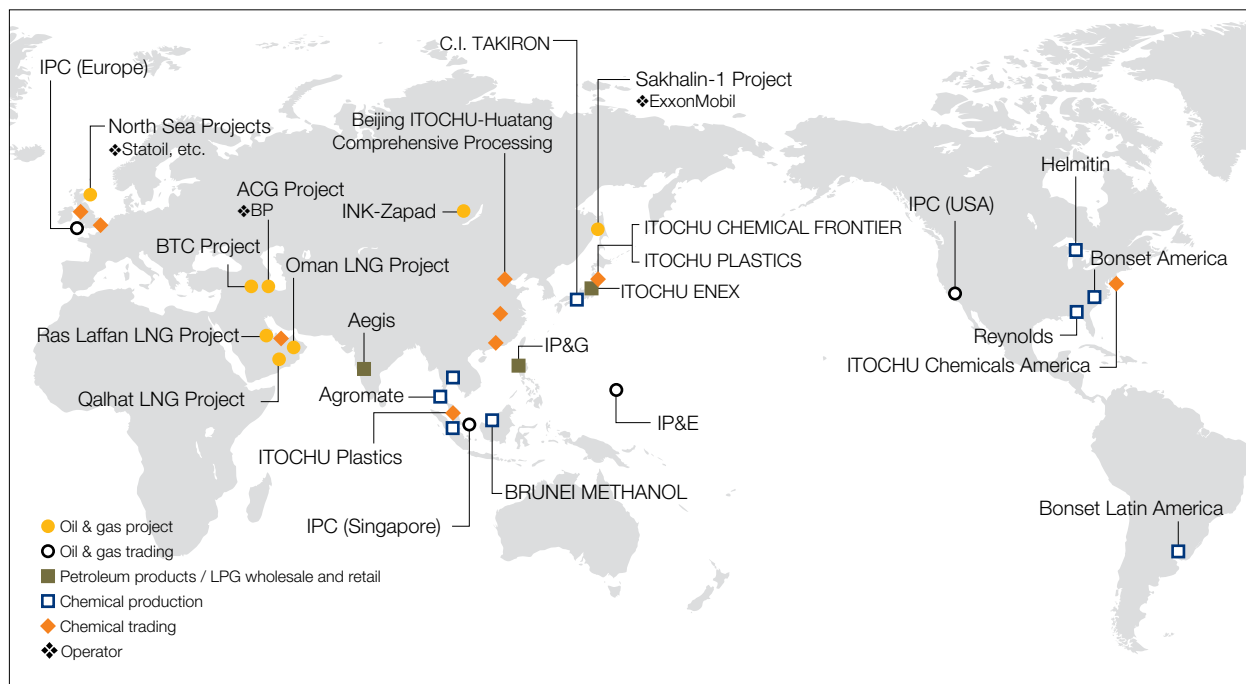


Construction site of a crude oil
processing facility

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

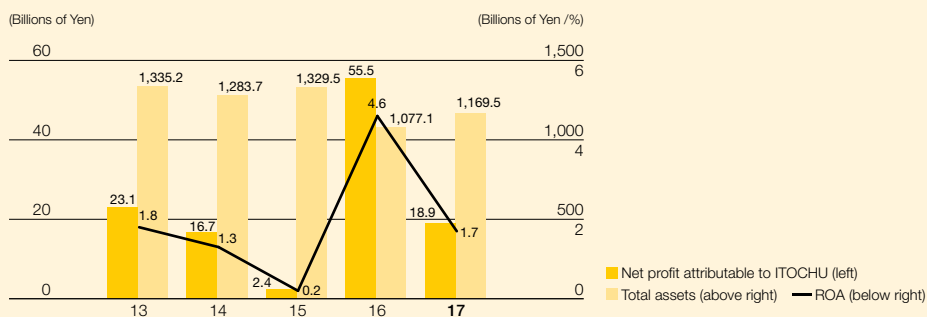
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
Billions of Yen					
Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies					
ITOCHU Oil Exploration (Azerbaijan) Inc.	13.1	15.7	6.9	5.0	0.7
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	0.8	4.3	1.0	2.3	1.8
ITOCHU ENEX CO., LTD.	3.2	3.9	2.8	4.1	5.5
Dividend from LNG Projects (PAT)	7.7	7.8	8.3	4.8	3.2
ITOCHU CHEMICAL FRONTIER Corporation	3.0	3.2	3.1	3.1	3.1
ITOCHU PLASTICS INC.	2.2	3.0	3.5	3.5	4.2
C.I. Kasei Co., Ltd.*	1.1	1.2	1.1	1.3	4.1
TAKIRON Co., Ltd.*	1.0	1.3	0.7	0.9	1.3
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan			16% (21)	13% (16)	14% (17)
Overseas			14% (29)	14% (27)	13% (24)

* In April 2017, Takiron Co., Ltd., and C.I. Kasei Co., Ltd., merged to form C.I. TAKIRON Corporation.

Food Company

Commerce is not just about selling products. Rather, it requires constant vigilance toward product sales. By giving thoughtful consideration to downstream operations, we are further strengthening our value chain spanning upstream to downstream activities as we work to augment corporate value, including our Group companies.

President, Food Company
Yozo Kubo



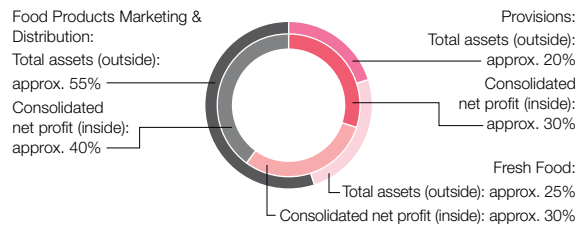
Organization



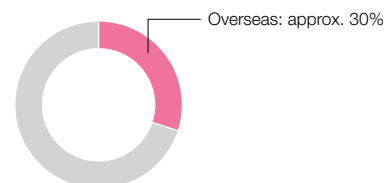
From left:
Hiroyuki Kaizuka,
Chief Operating Officer, Provisions Division
Yutaka Yamamura,
Vice President, Food Company;
Chief Operating Officer, Fresh Food Division
Kensuke Hosomi,
Chief Operating Officer, Food Products Marketing & Distribution Division
Makoto Kyoda, Chief Financial Officer
Takeshi Inoue,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status



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

Earnings Opportunities

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

Challenges to Address

- Responding to the shrinking market in Japan caused by a decreasing population, falling birthrate, and aging population
- Ensuring a stable supply of foodstuffs
- Configuring robust supply chains overseas
- 
 ■ Responding to the risk of climate change
- 
 ■ Responding to supply chain management (human rights, labor practices, and the environment)

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

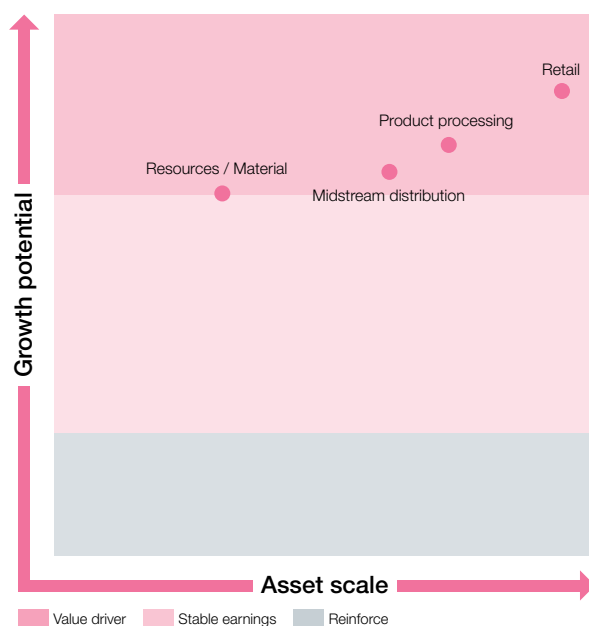


Contribution to local communities



Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Expand peripheral businesses with FamilyMart UNY Holdings in areas including finance, IT, distribution, and services
- Increase scale of the Dole business
- Reinforce the ITOCHU Group's value chain
- Promote collaboration with excellent partners (such as the CITIC Group and the CP Group)

Asset Strategies

- Strengthen relations with existing businesses
- Spearhead industry reorganization
- Accelerate efficiency in management

Initiatives to Enhance Corporate Value

Creating
Added Value

+

ESG

Turning Around the Dole Business

In April 2013, we acquired the Asian fresh produce business and the worldwide packaged food business from Dole Food Company, Inc. Following the acquisition, the Philippines—the largest production hub for the business' mainstay products—was affected by typhoons, droughts, and pest damage, causing banana production to fall by around 40% from the time of purchase. We are working to recover and expand production levels by leveraging our funding capabilities, including the Group finance system, and dispatching managers and onsite workers. Specific measures include the introduction of irrigation equipment, consolidation and expansion of farms, measures to combat pests for bananas, and capital investment in plantations and the revision of cultivation methods for pineapples. Furthermore, we promoted the diversification of producing areas to minimize climate risk. We have also improved management, including the selection and concentration of businesses and products and the liquidation of unprofitable businesses.

In FYE 2017, favorable selling prices and the success of various cost-reduction measures led to a recovery in earnings. By FYE 2021, we plan to increase production in the Philippines to 800,000 tons of bananas, up from 400,000 tons in FYE 2016, and 1 million tons of pineapples, up from 750,000 tons, becoming Asia's largest integrator of agricultural products.



Pineapple plantation in Mindanao Island, the Philippines



Banana plantation in Mindanao Island, the Philippines

Creating
Added Value

Synergies with Prima Meat Packers

Prima Meat Packers, Ltd., which is an associated company of ITOCHU, processes and sells ham, sausage, and other meats.

To reinforce production capabilities in its mainstay ham and sausage business, in 2016 Prima Meat Packers completed construction and began operations at a new sausage plant within its Ibaraki Plant. In the meat business, Prima Meat Packers has jointly developed a pork brand with HyLife Group Holdings, which is also an associated company of ITOCHU. HyLife is Canada's leading pork producer and accounts for the highest sales volume of Canadian chilled pork imported to Japan. By offering HyLife's unique product varieties and mixing its own feed, Prima Meat Packers is working to expand its pork sales on the strength of its reputation for safety and quality. In addition to HyLife, we plan to further reinforce the value chain throughout the ITOCHU Group.

Through human resource exchanges, such as seconding personnel to sales and staffing departments, ITOCHU is seeking to strengthen mutual understanding between the companies. In this manner, we are working actively to generate synergies that will contribute to Prima Meat Packers' medium- to long-term growth and further increasing their corporate value.



New sausage plant at the Ibaraki Plant

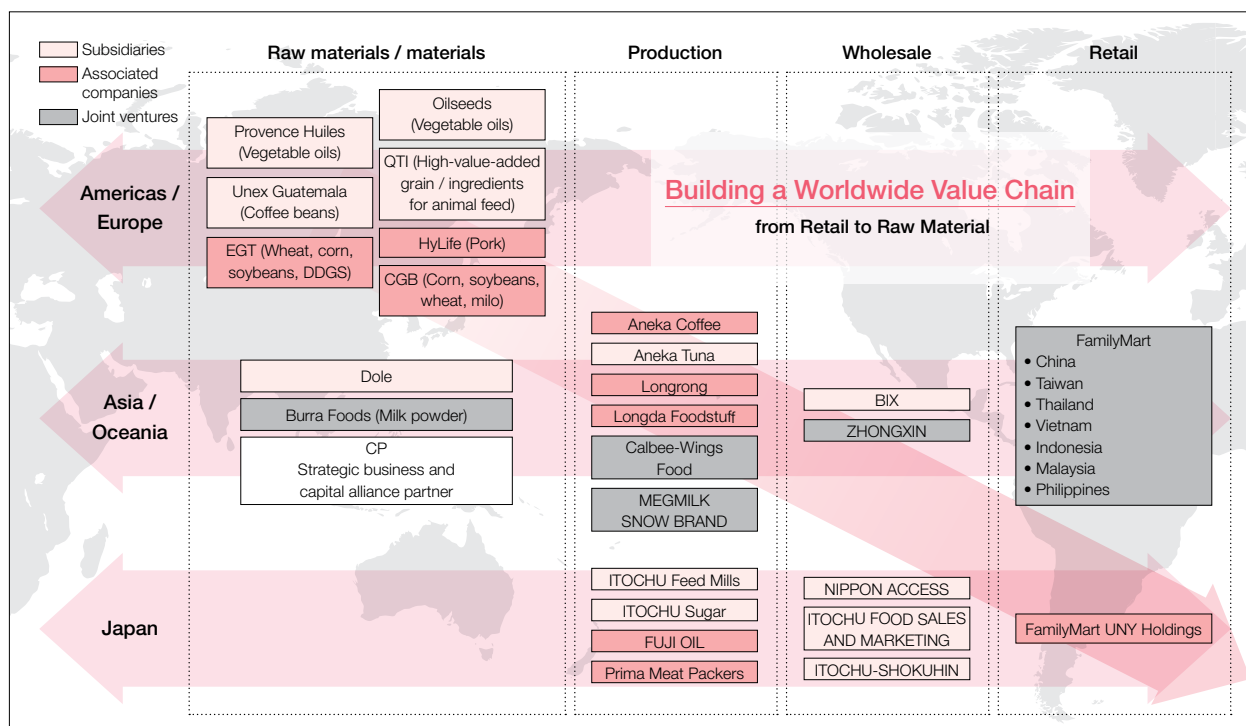


Major brands

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

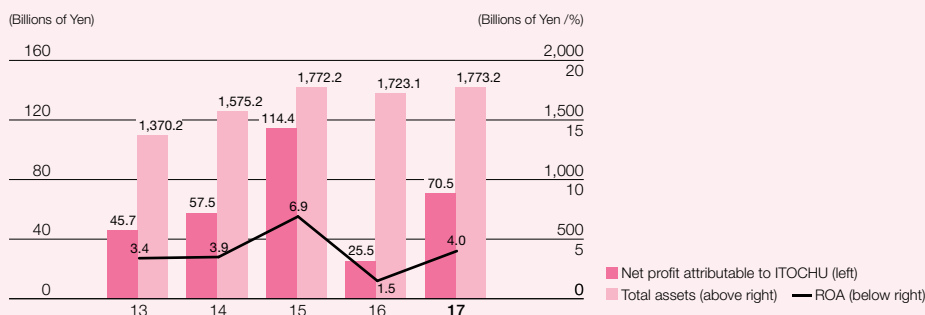
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
<small>Billions of Yen</small>					
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
FamilyMart UNY Holdings Co., Ltd.*	9.1	7.3	8.1	6.1	7.4
Dole International Holdings, Inc.	0.0	7.1	4.8	(16.9)	8.3
NIPPON ACCESS, INC.	10.8	11.6	8.6	8.9	12.2
FUJI OIL HOLDINGS INC.	2.3	2.1	2.4	2.4	2.7
Prima Meat Packers, Ltd.	2.4	2.0	2.7	2.6	3.7
ITOCHU-SHOKUJIN Co., Ltd.	1.9	1.0	1.3	1.5	1.7
HyLife Group Holdings Ltd.	0.1	0.0	2.1	2.6	2.7
Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image)			approx. 15%		
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan			13% (17)	14% (18)	14% (18)
Overseas			11% (22)	10% (20)	9% (17)

* In September 2016, FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., merged to form FamilyMart UNY Holdings Co., Ltd.

General Products & Realty Company

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

President, General Products & Realty Company

Yasuyuki Harada



Organization



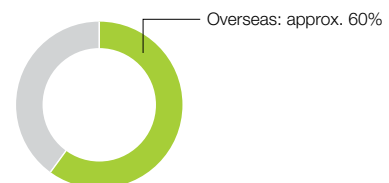
From left:
Nobuya Urashima,
Chief Operating Officer, Forest Products & General Merchandise Division
Masatoshi Maki,
Chief Operating Officer, Construction, Realty & Logistics Business Division
Noboru Fukushima, Chief Financial Officer
Minoru Araki,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status



Strengths

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

Earnings Opportunities

- Market expansion due to rising living standards of people in China and the ASEAN region
- Rise in demand for specialized and sophisticated logistics infrastructure services
- Create earnings opportunities in the building materials business in Japan and overseas
-  Demand for environmentally conscious products and construction materials
-  Need for certified forestry products

Challenges to Address

- Hedging of market price fluctuation risk on commodity products (pulp, natural rubber, etc.) and housing
- Response to changing market needs and regulation in various fields
-  Sustainable use of resources
-  Harmony with local communities

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

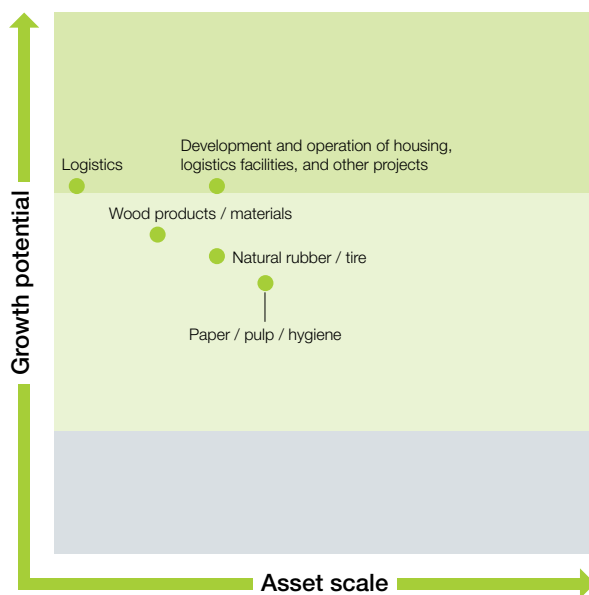


Contribution to local communities



Improving labor conditions

Asset Portfolio



EXIT from "stable earnings" in FYE 2016: PrimeSource

Value driver Stable earnings Reinforce

Growth Strategies

Creating Added Value

- Increase profitability in the European tire business
- Expand the earnings platform in the domestic and overseas building materials business
- Augment the logistics facility development business
- Reinforce the operating platform for international logistics, centered on China

Asset Strategies

- Accumulate superior assets, focusing on existing businesses
- Continue promoting the asset turnover model in the real estate field

Initiatives to Enhance Corporate Value

Creating
Added Value

Strengthening and Expanding Logistics Services for Internet Sales in China

ITOCHU LOGISTICS CORP. is the core logistics company for the ITOCHU Group, spearheading its overseas logistics operations. ITOCHU LOGISTICS (CHINA) CO., LTD., is building logistics networks in China. Early on, the company commenced initiatives targeting the market for Internet sales in China, which is expected to continue growing at a stable rate of 10% or more each year, and has developed distribution services covering all sales channels integrated with online and actual stores. ITOCHU LOGISTICS offers a fulfillment service that covers all functions related to Internet sales, including call center operations and marketing.

With a warehouse network currently spanning more than 100 locations throughout China, ITOCHU LOGISTICS (CHINA) operates large-scale logistics centers dedicated to Internet sales in major Chinese cities and is building some of the largest-scale logistics networks for Japanese companies operating in the country, shipping 20 million orders per year to meet demand in China's rapidly growing market for Internet sales.

Leveraging our expertise as a general trading company, we plan to reinforce our unique functions, including the integrated development of the omnichannel, online-to-offline (O2O), and commercial product businesses, contributing to customers' Internet sales business and working to expand our overseas logistics business.



Logistics operation



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

Creating
Added Value

+

ESG

Initiatives at METSA FIBRE

Amid rising global demand for paper, METSA FIBRE Oy, an ITOCHU affiliate and one of Finland's largest producers of softwood pulp, is taking advantage of the country's sustainable forestry resources to provide a stable supply of raw materials in a highly cost-competitive manner.

In the 1970s, ITOCHU and METSA FIBRE began working together to import products to Japan. We entered a formal sales alliance in 2004 and currently market the company's softwood pulp in the Asian market as an exclusive agent. As METSA FIBRE has decided to ramp up annual production by a substantial 800,000 tons, annual pulp production is expected to reach 3.1 million tons in 2018. This increase is slated to make METSA FIBRE the world's leading producer of softwood pulp for paper.

From an ESG perspective, METSA FIBRE generates electricity during the pulp production process, using some of the energy itself and providing the surplus to the surrounding community, which helps to reduce fossil fuel consumption in the area. By working with this excellent partner, ITOCHU believes it is both promoting the sustainable use of forestry resources and engaging in important measures to foster harmony with local communities.



METSA FIBRE's Joutseno mill

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

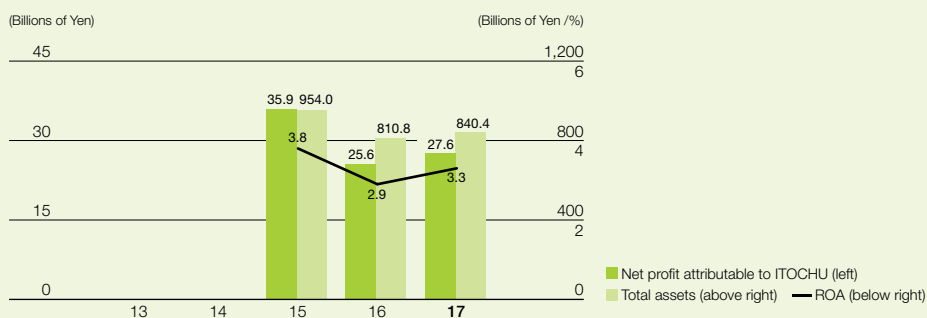
Business Development



Business Results Years ended March 31

Notes: 1. Based on U.S. GAAP for FYE 2013 and 2014
2. Revised to the current organization in FYE 2016. Indicated figures begin in FYE 2015.

Net Profit attributable to ITOCHU / Total Assets / ROA



					Billions of Yen
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					2017
European Tyre Enterprise Limited	2.2	5.1	4.7	(29.9)	(5.2)
ITOCHU FIBER LIMITED	2.4	6.5	5.9	6.9	4.3
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	2.0	4.0	1.4	3.7	2.9
ITOCHU Kenzai Corp.	1.5	3.0	2.8	1.7	2.6
ITOCHU Property Development, Ltd.	1.8	2.2	2.4	2.8	2.6
ITOCHU LOGISTICS CORP.	1.2	1.4	1.9	2.1	2.4
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)	Japan		16% (22)	14% (18)	14% (17)
	Overseas		15% (31)	14% (28)	14% (26)

ICT & Financial Business Company

We intend to take the lead in the ICT and financial business, an area characterized by rapid change and where intelligence and speed are the keys, as we take up the challenge of creating new businesses.

President, ICT & Financial Business Company

Yoshihisa Suzuki



Organization



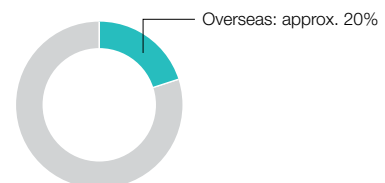
From left:
Tatsushi Shingu,
Chief Operating Officer, ICT Division
Shuichi Kato,
Chief Operating Officer, Financial & Insurance Business Division
Kenichi Kijima, Chief Financial Officer
Tadayoshi Yamaguchi,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)








Analysis of Current Status

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 startups and other leading-edge companies in Japan and overseas






Earnings Opportunities

- Creation and expansion of finance-related business opportunities connecting Japan and the rest of the world
- Initiatives in fintech and other new markets combining ICT and finance
-  Expansion of the infrastructure services business in response to increasingly specialized and sophisticated business processes
-  Improved business efficiency and higher productivity through the use of AI and IoT
-  Cultivation and business development support for excellent companies in regional Japanese locations

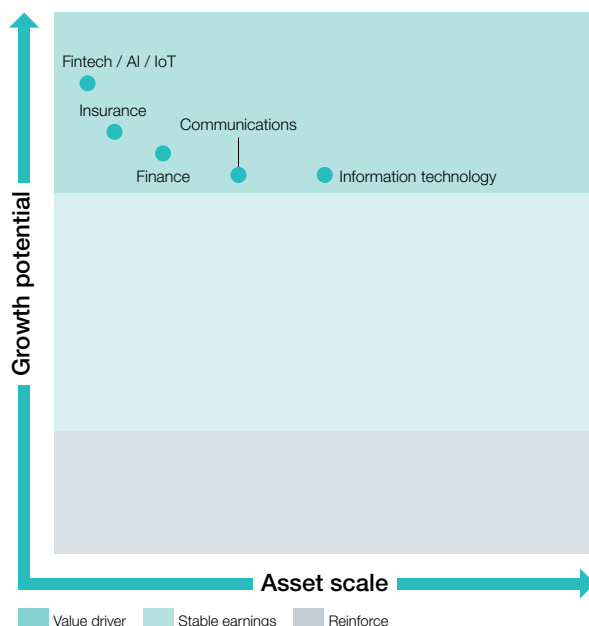
Challenges to Address

- Further advances in customer-response quality and efficiency in consumer business
- Provision of business solutions to address increasingly complex and sophisticated changes in the ICT business environment
- Responding to the fast-changing business environment and regulations in various sectors
- Thorough information management in the ICT, healthcare, and financial businesses

Materialities

-  Consideration for the environment
-  Sustainable use of resources
-  Respect and consideration for human rights
-  Contribution to local communities
-  Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Bolster fundamental earnings capacity by executing growth strategies at key Group companies, such as CTC and CONEXIO
- Through venture investments, cultivate businesses that will generate new earnings in the fintech, AI, and IoT fields
- Strengthen and expand initiatives with FamilyMart UNY Holdings in the ICT and finance fields

Asset Strategies

- Diversify our portfolio by accumulating prime assets
- Maintain relatively high levels of ROA through efficient asset deployment
- Make proactive venture investments and replace assets

Initiatives to Enhance Corporate Value

Creating
Added Value

+

ESG

Sustainable Growth Model in First Response Finance

Through an overseas subsidiary, ITOCHU is a 100% shareholder in First Response Finance Ltd. (FRF), which operates a second-hand car loan business. We support FRF in such ways as dispatching a management team and providing funding. With a corporate philosophy of “people, service, and profit,” FRF considers its human resource strategy is the key to sustainable growth. In line with this philosophy, the company is fully committed to recruiting and cultivating human resources from a long-term perspective, as well as to fostering a corporate culture of sincerity and openness to achieve a favorable working environment.

Thanks to the resulting increase in employee motivation and the provision of high-quality services, FRF has established a sustainable growth model that has generated record earnings over nine consecutive years. In recognition of FRF’s achievements, The Sunday Times, a major UK newspaper, has selected FRF for its “100 Best Companies to Work For Awards” for seven consecutive years.

In addition to FRF, ITOCHU also contributes to the development of local communities by building financial businesses that meet customers’ financial needs in Asia, where the middle income group is growing.



Overview of FRF



FRF President Don Brough (right)

Creating
Added Value

Taking On New Business Domains by Leveraging AI and Fintech

ITOCHU continues to take on challenges in new business domains through its fusion of ICT, which excels in deploying new technologies and business models, and the financial services and insurance business, whose forte lies in the retail business. We are focusing in particular on the fields of fintech (finance + technology) and artificial intelligence (AI), as we proactively promote venture investments in Japan and overseas.

In FYE 2017, ITOCHU entered a capital alliance with MYDC, which operates and administers individual-type defined contribution pension plans (iDeCo). We also formed a capital alliance with Exchange Corporation, which uses AI to provide an asset investment proposal service and offers the Paidy online settlement service, entering a personal finance and cardless settlement business based on credit scoring. In the business process outsourcing (BPO) field, ITOCHU, BELLSYSTEM24 Holdings, and NTT DATA entered a capital alliance with SOLAIRO, which uses AI technology to provide a Web-based customer interaction service.

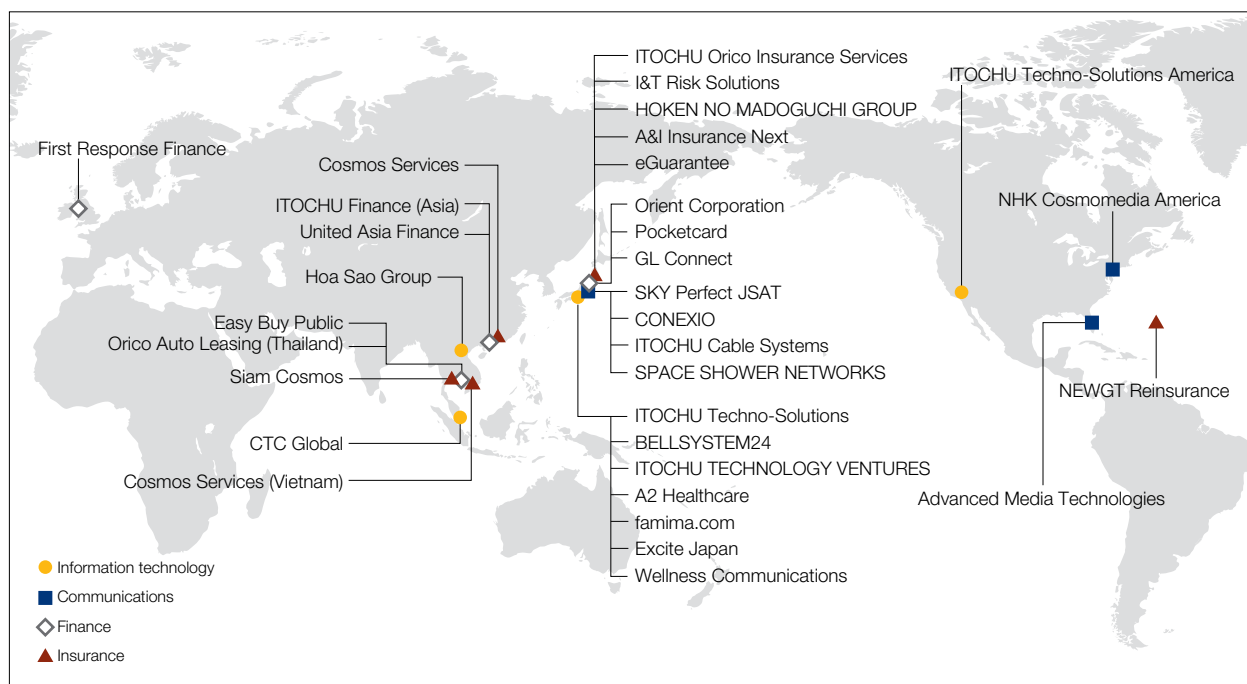
In 2017, we established the new Fintech Development Section within the ICT & Financial Business Company. This office will take the lead in the creation of advanced financial services that leverage technology and entry into new markets by combining the ICT Division’s business development functions with the customer network and expertise of the Financial & Insurance Business Division.



Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.

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

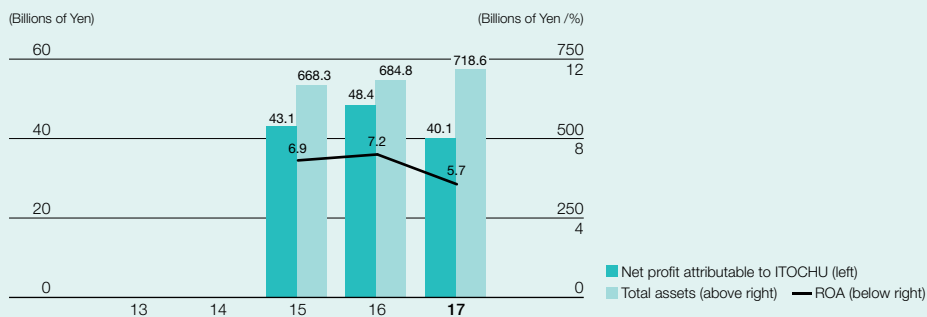
Business Development



Business Results Years ended March 31

Notes: 1. Based on U.S. GAAP for FYE 2013 and 2014
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Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
<small>Billions of Yen</small>					
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Techno-Solutions Corporation	8.9	8.1	10.2	10.4	12.6
CONEXIO Corporation	4.2	5.4	2.9	3.7	3.9
BELLSYSTEM24 Holdings, Inc.	-	-	1.7	3.4	1.4
Orient Corporation	(1.2)	2.7	3.0	2.6	5.0
ITOCHU Fuji Partners, Inc.	-	-	0.4	2.3	2.2
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan			16% (21)	20% (26)	21% (26)
Overseas			5% (10)	4% (8)	4% (7)

ITOCHU engages in communication with analysts and institutional investors in Japan and overseas, and individual investors. We explain our thinking, and the valuable opinions received through the communications are reported to management in order to facilitate the improvement of corporate value.

Major IR Activities

(Times)

Activity	FYE 2015 Results	FYE 2016 Results	FYE 2017 Results
Separate meetings for institutional investors	457	408*	329
Presentations for analysts and institutional investors	4	4	4
Briefings on large-scale projects for analysts and institutional investors	2	—	—
Segment-specific briefings for analysts and institutional investors	—	1	1
Site tours for analysts and institutional investors	2	1	1
Overseas IR roadshow	8	8	7
Conferences sponsored by securities companies (Japan)	7	7	7
Presentations for individual investors	14	33	14

* Stopped preview meetings from December 2015

	FYE 2015 Results	FYE 2016 Results	FYE 2017 Results
Number of individual shareholders (as of the end of March)	162,624	168,637	172,462
Number of attendees at General Meeting of Shareholders	1,859	2,202	2,631



External Evaluations of Our IR Activities

Annual Report	Nikkei Annual Report Awards 2016 Award for Outstanding Performance
	The 4th WICI Japan Integrated Reporting Disclosure Award Outstanding Company
IR Website	2016 Internet IR Award by Daiwa Investor Relations Co., Ltd. Grand Prize
	2016 All Japanese Listed Companies' Website Quality Ranking by Nikko Investor Relations Co.,Ltd. 4th Place
	Gomez IR Site Ranking 2016 by Morningstar Japan K.K. Silver Prize
IR Materials	The 4th IR Good Visual Award (Steering Committee: organised by Japan Investor Relations Association, Value Create, Inc.) IR Good Visual Award



Credit Ratings (As of July 2017)

Credit Rating Agency	Long-term / Outlook	Short-term
Japan Credit Rating Agency (JCR)	AA- / Stable	J-1+
Rating & Investment Information (R&I)	A+ / Stable	a-1
Moody's Investors Service	Baa1 / Positive	P-2
S&P Global Ratings	A- / Positive	A-2

I am One with Infinite Missions

Status of Inclusion in Indexes (As of July 2017)

- JPX Nikkei Index 400
- TOPIX Large70 / TOPIX 100 / TOPIX 500 / TOPIX 1000
- Tokyo Stock Exchange Dividend Focus 100 Index
- Nikkei Stock Average (Nikkei 225)
- Nikkei Stock Index 300 / Nikkei 500 Stock Average / Nikkei JAPAN 1000
- Nikkei China Related Stock 50
- Nikkei 225 High Dividend Yield Stock 50 Index
- MSCI Japan Index
- MSCI Japan High Dividend Yield Index
- S&P TOPIX 150
- Dow Jones Sustainability Index (World/Asia Index)
- Morningstar Socially Responsible Investment Index (MS-SRI)
- RobecoSAM Sustainability Award 2017 Gold Class, Industry Mover

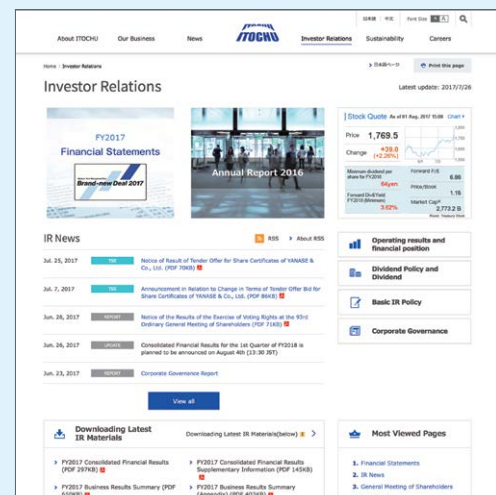
MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM



For more information about IR, visit our Investor Relations website

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

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



IR Department members (July 2017)

ITOCHU Corporation

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Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121
Website: <https://www.itochu.co.jp/en/>

