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

Early 1970s
Criticism of trading companies
General trading companies attract increasing criticism as commodity prices soar following the oil shock

Early 1980s
Period of hardship for trading companies
Ongoing yen appreciation depresses operating performance

1990s
Bursting of Japan’s economic bubble
Business condition deteriorates by the weight of

ITOCHU’s Major Milestones

1858 **Founded**
Chubei Itoh, commenced linen trading operations via Osaka in Senshu, and Kishu.

1918 C. Itoh & Co., Ltd. (current ITOCHU Corporation) established.
New York branch office opened.

1949 C. Itoh & Co., Ltd., incorporated.

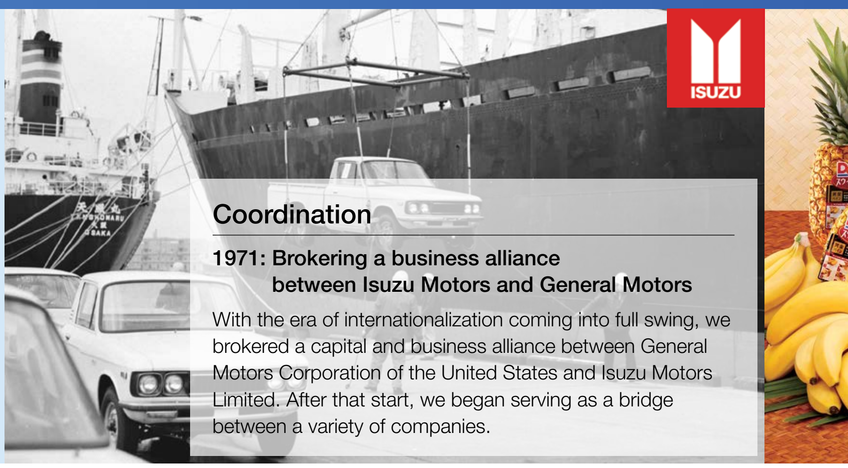
1950 Company listed on the Tokyo Stock Exchange (TSE).

1972 C. Itoh & Co., Ltd., became the first major general trading company permitted to restart the trade with China.

1977 Ataka & Co., Ltd., acquired.

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

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)

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	2000s Resource boom	From around 2007 Entering a new era for *sogo shosha*	
massive under-performing assets	Operating performance expands in line with soaring resource prices	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

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

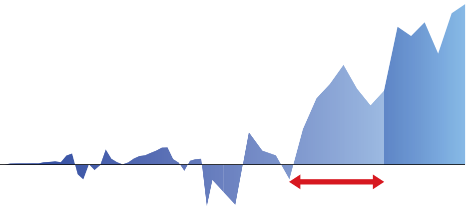
1980s: Entering the brand business

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

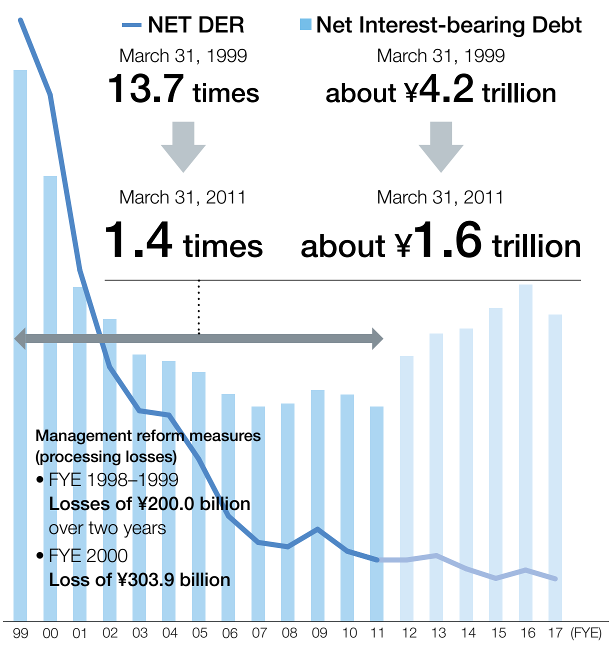
Sophisticated Management Skilled in Responding to Crisis

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

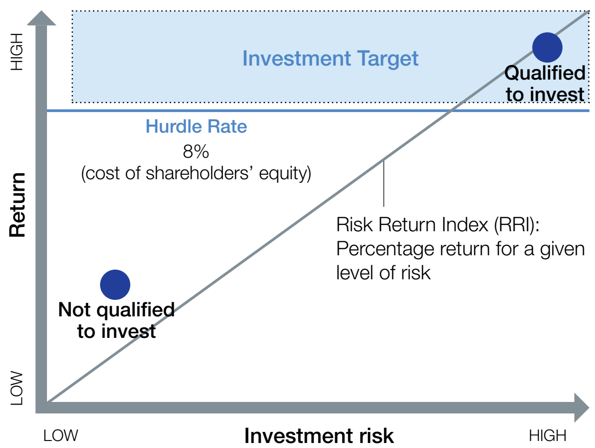


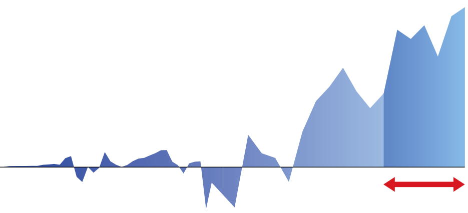
Original Form of the Risk Management Structure

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

Brand-new Deal 2012

Establish a base from which to utilize "individual capabilities"

- Thoroughly apply the business principles of "earn, cut, prevent"
- Internal reforms to "strengthen our front-line capabilities"

↓ Gain a secure foothold to go back to the start

Brand-new Deal 2014

Further enhance our strengths through focused investments in **the non-resource sector**

↓ Bolster earning power in the non-resource sector

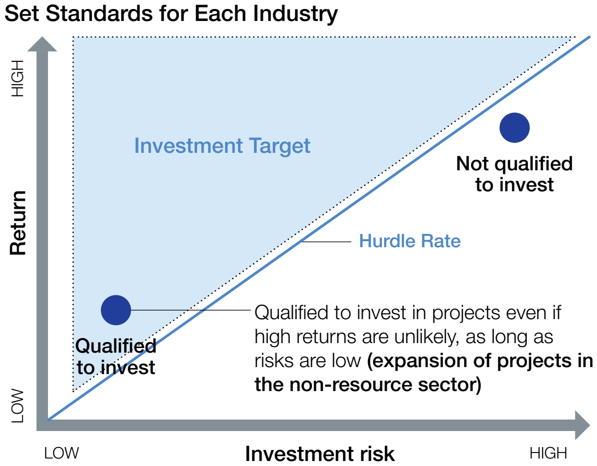
Brand-new Deal 2017

- Weight allocation toward **China and other Asian markets**
- **Further strengthen financial and asset strategies**
- **Reinforce human resources**

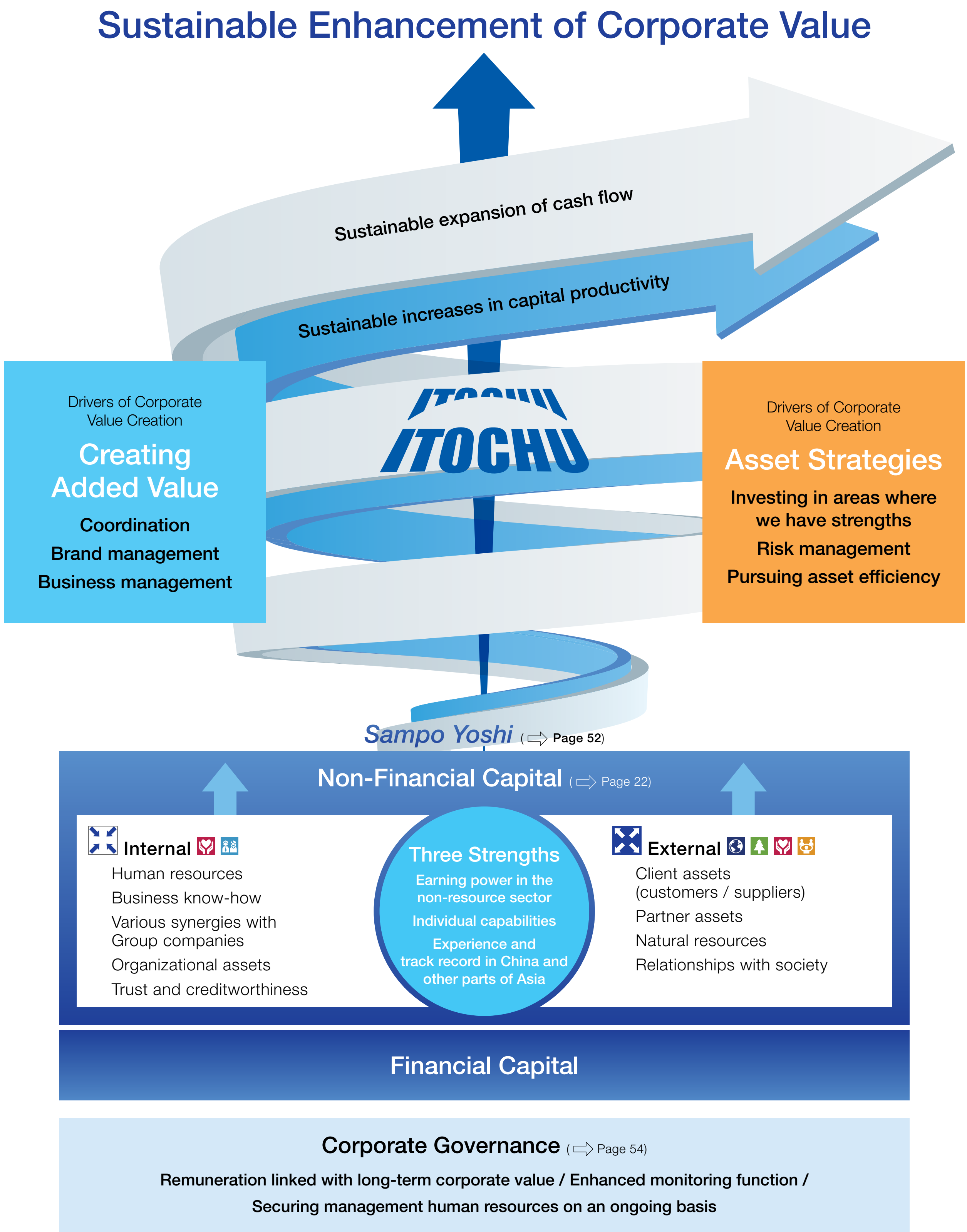
Allocating of management resource in fields of strength

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



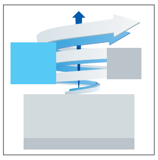
A Business Model for Achieving Sustainable Increases in Corporate Value



"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

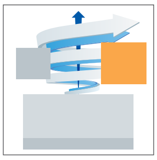
Leveraging its client assets and partnerships with leading companies, ITOCHU works to cultivate sales channels and suppliers and takes steps to foster the creation of new businesses, such as large-scale project structuring.

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.

03 Source of Sustainability

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

Founding–

Focused on textiles

1950s–

"Generalized" operations to include fields such as automobiles, oil, and food.

1980s–

Expansion of information & communications technology fields

2000s–

Selection and concentration

2010s–

Focus on non-resource sector

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

05 Source of Sustainability

Generating Business in Unlimited Directions

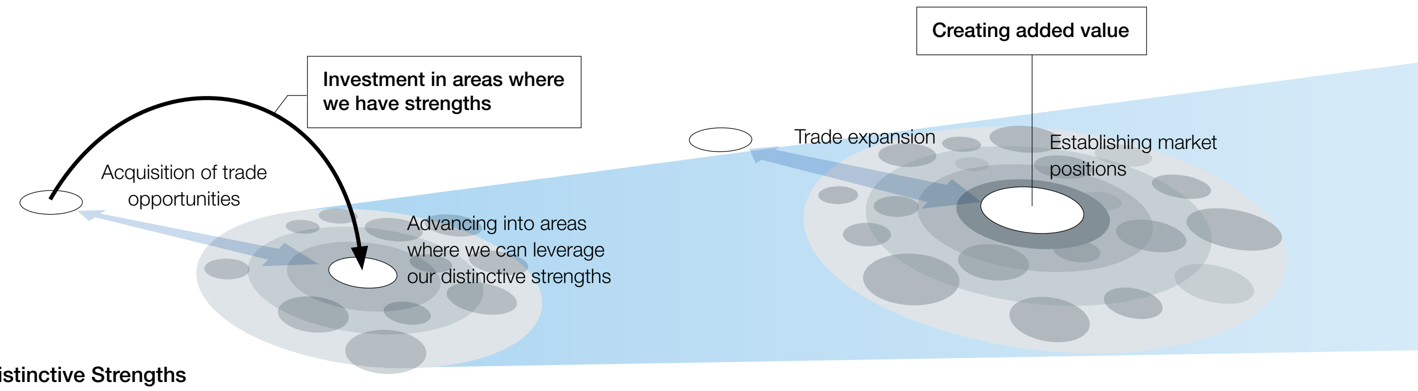
Leveraging Our Distinctive Strengths to Expand Multifaceted Initiatives in a Linked Manner

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.)

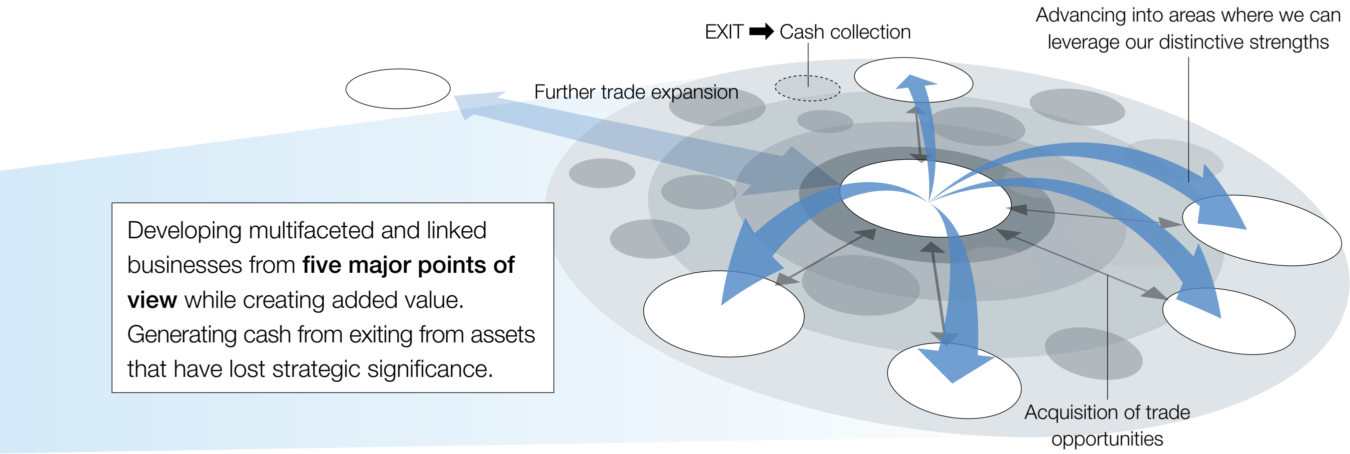
3 Expanding the Range of Success Models

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

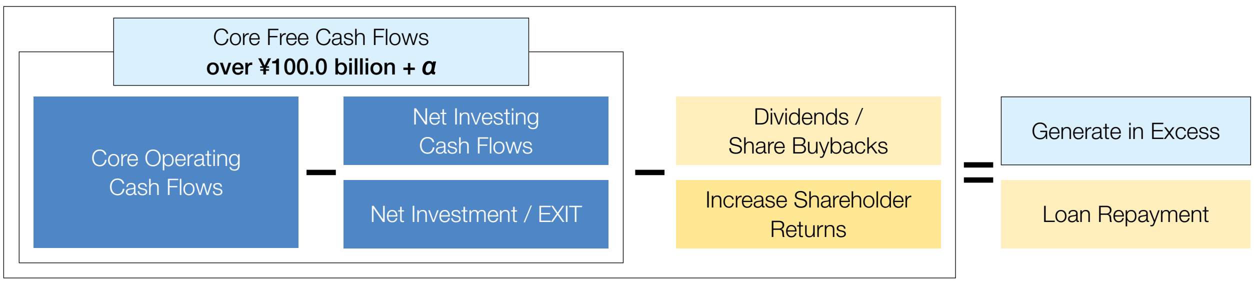
Infinite Missions
Transcending Growth

POINT 1 Basic Policies

Strengthen Our Financial Position	Accelerate Asset Replacement Stringent Cash Flow Management	➡ Continue asset replacement and rigorous investment selection to further improve quality and efficiency of assets ➡ 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 Further Reinforcement of the Non-Resource Sector	➡ 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 ➡ Expand the fundamental earning power by thoroughly applying the “Earn,” “Cut,” and “Prevent” principles

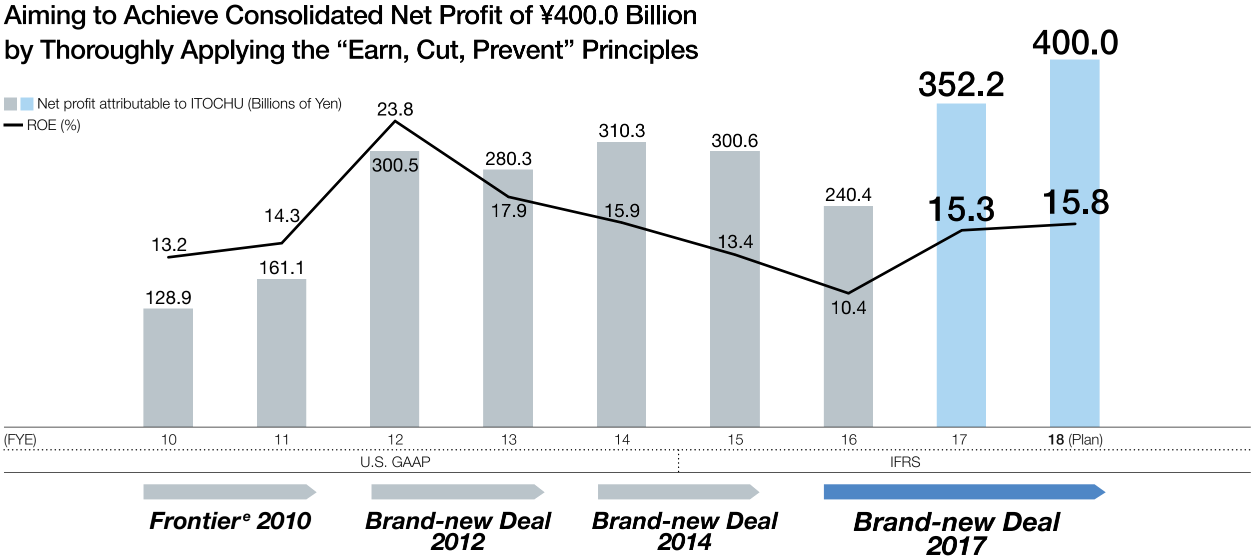
POINT 2 Strengthen Cash Flow Management and Financial Position

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



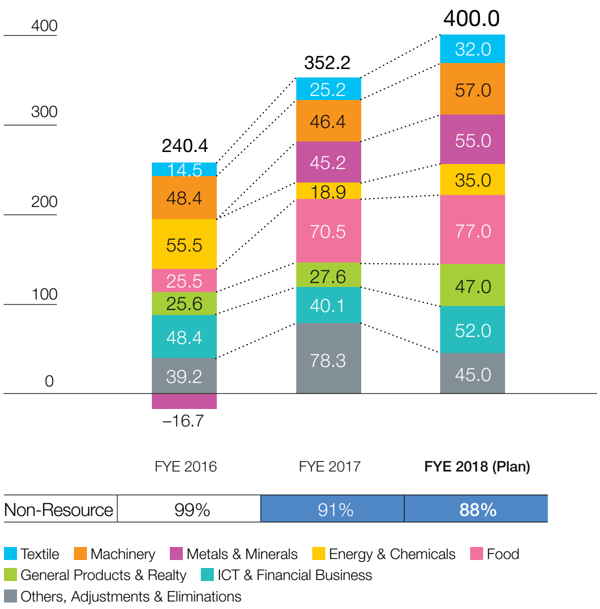
P/L Plan Billions of Yen	FYE 2017	FYE 2018 Plan	Increase / Decrease
Net profit attributable to ITOCHU	352.2	400.0	+47.8
Gross trading profit	1,093.5	1,230.0	+136.5
Selling, general and administrative expenses	(801.8)	(921.0)	(119.2)
Equity in earnings of associates and joint ventures	185.2	190.0	+4.8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

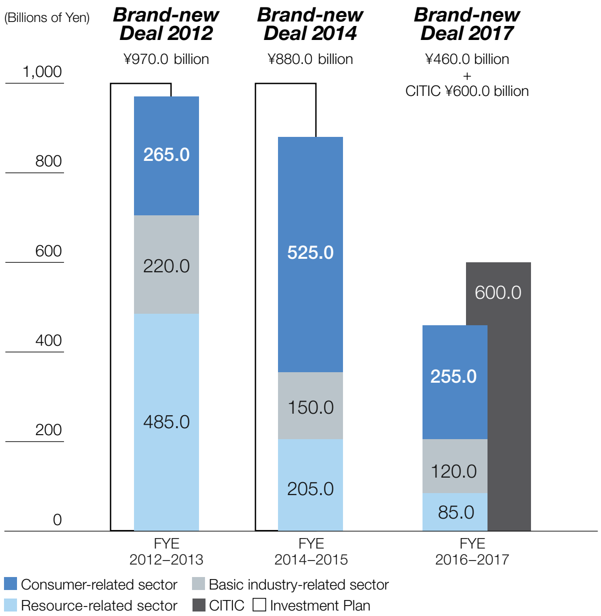
Consolidated Net Profit by Operating Segment

(Billions of Yen)



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.

Aiming for Sustainable Growth in Corporate Value

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 buyback 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.

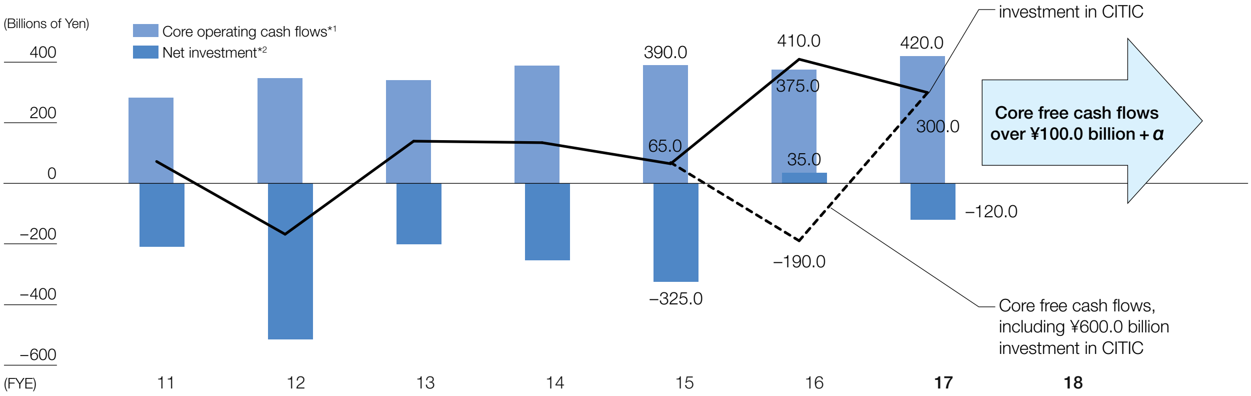
Q. 4

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 dissapoint 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

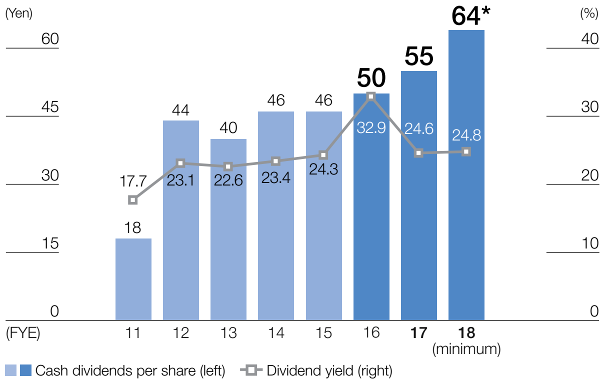
Shareholder Return Policy

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 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).

Cash Dividends per Share / Dividend Yield



* Minimum per-share dividend

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.

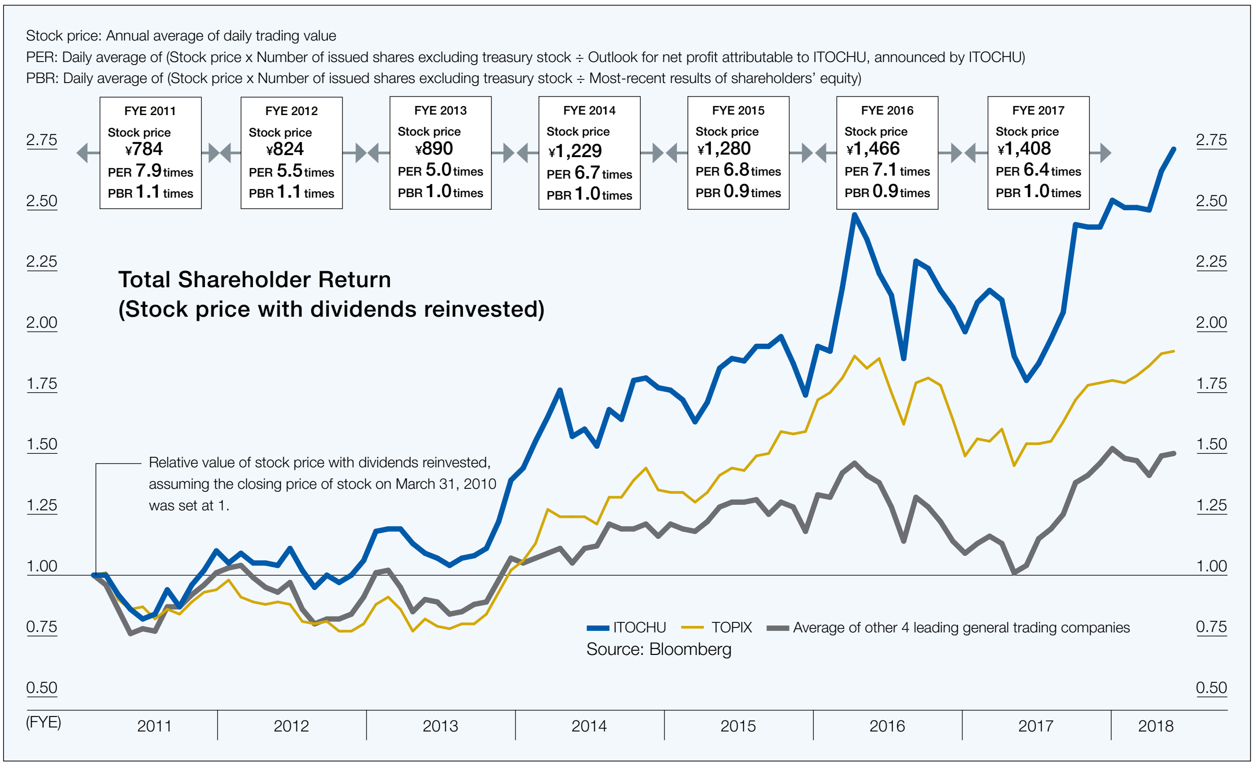
- November 2016: ¥16.2 billion (12 million shares)
- May 2017: ¥27.9 billion (17 million shares)

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.



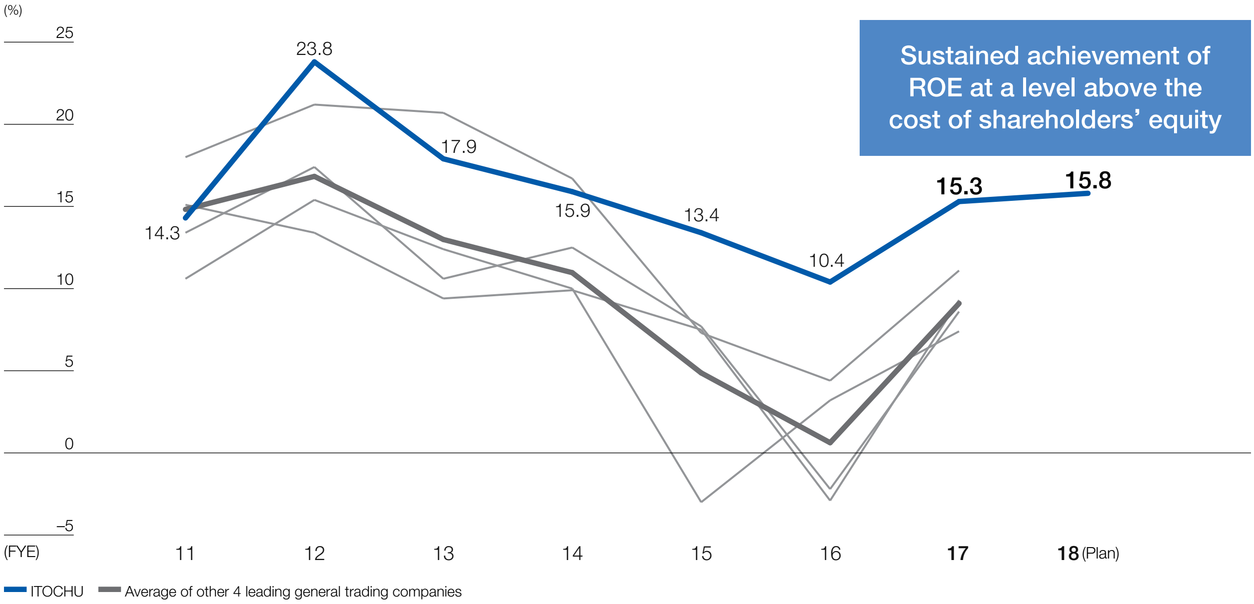
TSR (Annual Rate)	1 year	2 years	3 years	4 years	5 years	6 years	7 years
ITOCHU	18.5%	30.8%	46.0%	61.7%	111.1%	130.2%	150.3%
TOPIX	14.8%	2.3%	33.6%	58.4%	96.3%	97.4%	79.2%
Average of other 4 leading general trading companies	31.5%	10.8%	28.0%	44.7%	46.1%	38.0%	40.1%

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

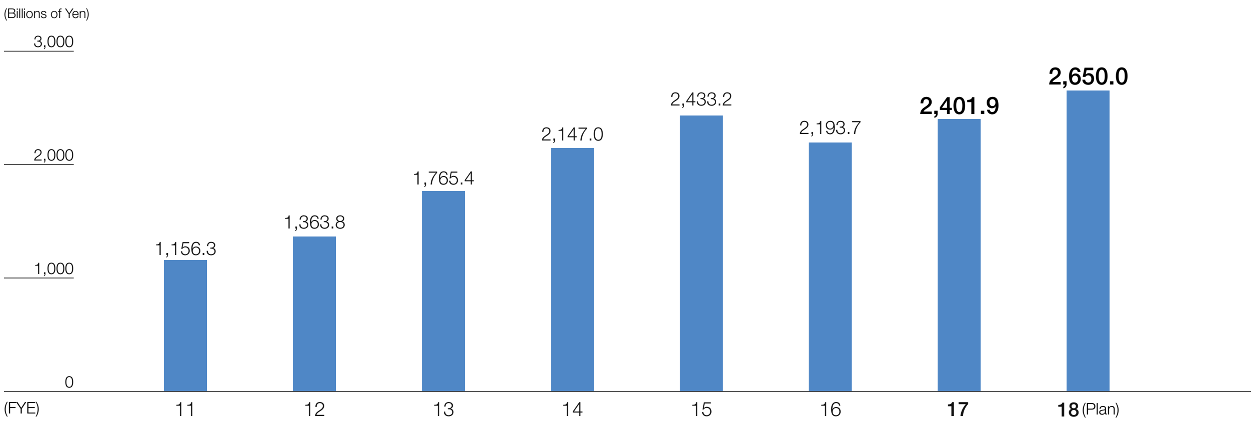
ROE and Shareholders' Equity

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

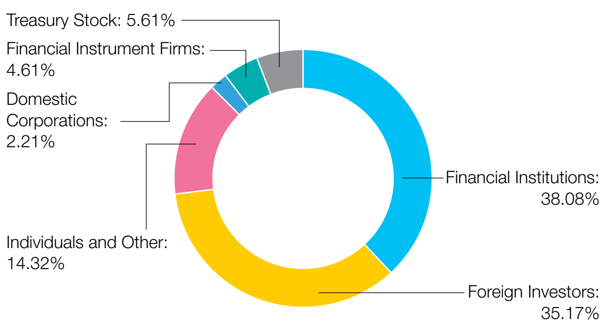


Stock and Shareholder Information (As of March 31, 2017)

Basic Information about Our Stock

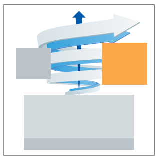
Stock listing	Tokyo
Category	Trade
Stock code	8001
Minimum number of stocks allowed per trade	100
Fiscal year	From April 1 to March 31
Shareholder fixed day for dividend payment	March 31 (Interim: September 30)
Number of common shares issued	1,662,889,504 shares
Number of shareholders	172,462

Breakdown of Shareholders



Business Investment

Fundamental Approach



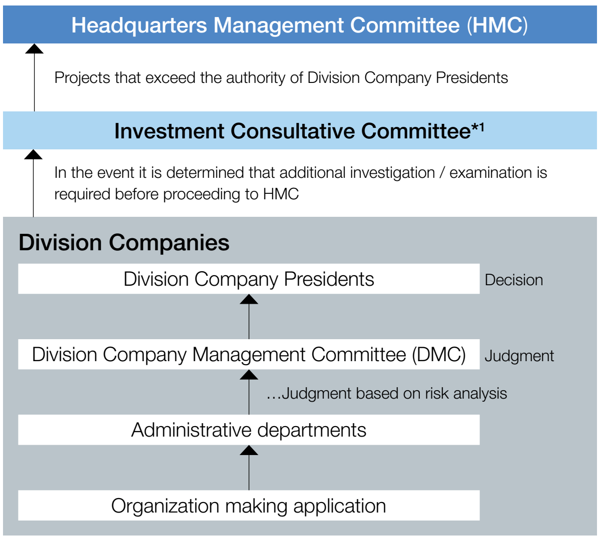
Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods and investment ratios, such as establishing a wholly owned subsidiary, implementing joint investment with partners, 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.

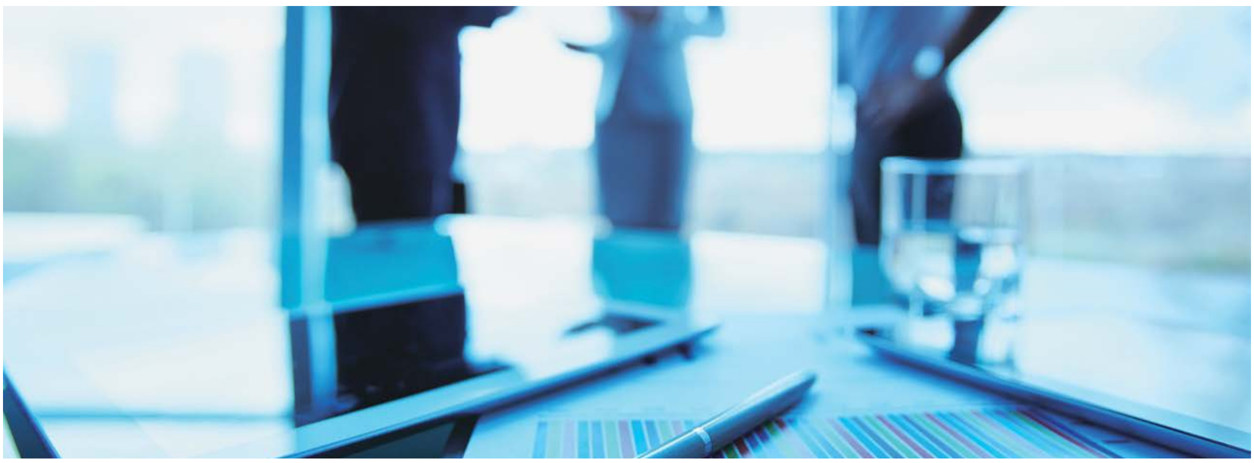
Decision-Making Process

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 decision items

- Investment purpose / growth strategies
- Risk analysis
- Appropriateness of the business plan (acquisition price)
- Within investment criteria line
- Establishment of exit conditions
- Status of internal control

Thoroughly Verifying Appropriate Business Plan

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

Investment Criteria

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

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

Setting Exit Conditions

Setting clear and feasible exit measures before making investment

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

* Feasible exit measures
… Obtaining advance agreement with partners on exit conditions

Investment

Monitoring

2 Monitoring

⇨ Page 36

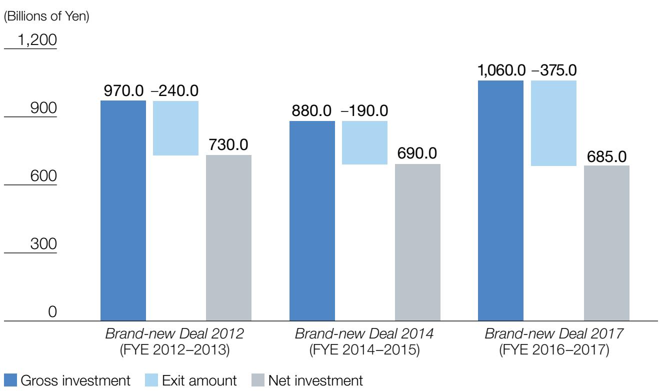
- Implementing review one year after investment
- Implementing periodic annual review for all business investments
- Reevaluating policies from qualitative (strategic significance, etc.) and quantitative (scale of earnings, investment efficiency, etc.) perspectives
- Formulating improvement measures 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

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 exited if returns are lower than our cost of capital.

Business Exit Criteria

(1) Cumulative losses over three years

(2) Returns lower than expected at time of investment

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

Positive added value

Consolidated contribution, including to net profit attributable to ITOCHU

Consolidated investment carrying amount x cost of capital

Added value (+)

Negative added value

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

Consolidated contribution, including to net profit attributable to ITOCHU

Consolidated investment carrying amount x cost of capital

Added value (–)

If either criteria are met:

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