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Future

ITOCHU Corporation

ANNUAL REPORT 2020

For the Year Ended March 31, 2020

Founded in

1858

"Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society."

Chubei Itoh I

The large gate (*torii*) of Shirahige Shrine, standing dignified on Lake Biwa, Shiga Prefecture

Now part of Shiga Prefecture, the area near Lake Biwa was formerly known as the province of Ohmi. In 1858, a peddler boy aged just 15 set out in search of trade from this area, far away from commercial centers. This boy was Chubei Itoh I, ITOCHU's founder. He was a man of strong convictions and high ideals about his business, which he expressed thus: "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." These words became widely known as "*Sampo-yoshi* (meaning good for the seller, good for the buyer, and good for society)," the management philosophy of the merchants of Ohmi. This philosophy holds that to be sustainable over the long term, trade must contribute to society, as well as to the seller and the buyer.

1920
Depression following World War I

1923
Great Kanto Earthquake

1929
The Great Depression

1939
World War II

1971
Nixon shock

1973
First oil shock

1979
Second oil shock

Early 1990s
Collapse of Japan's economic bubble

1997
Asian financial crisis

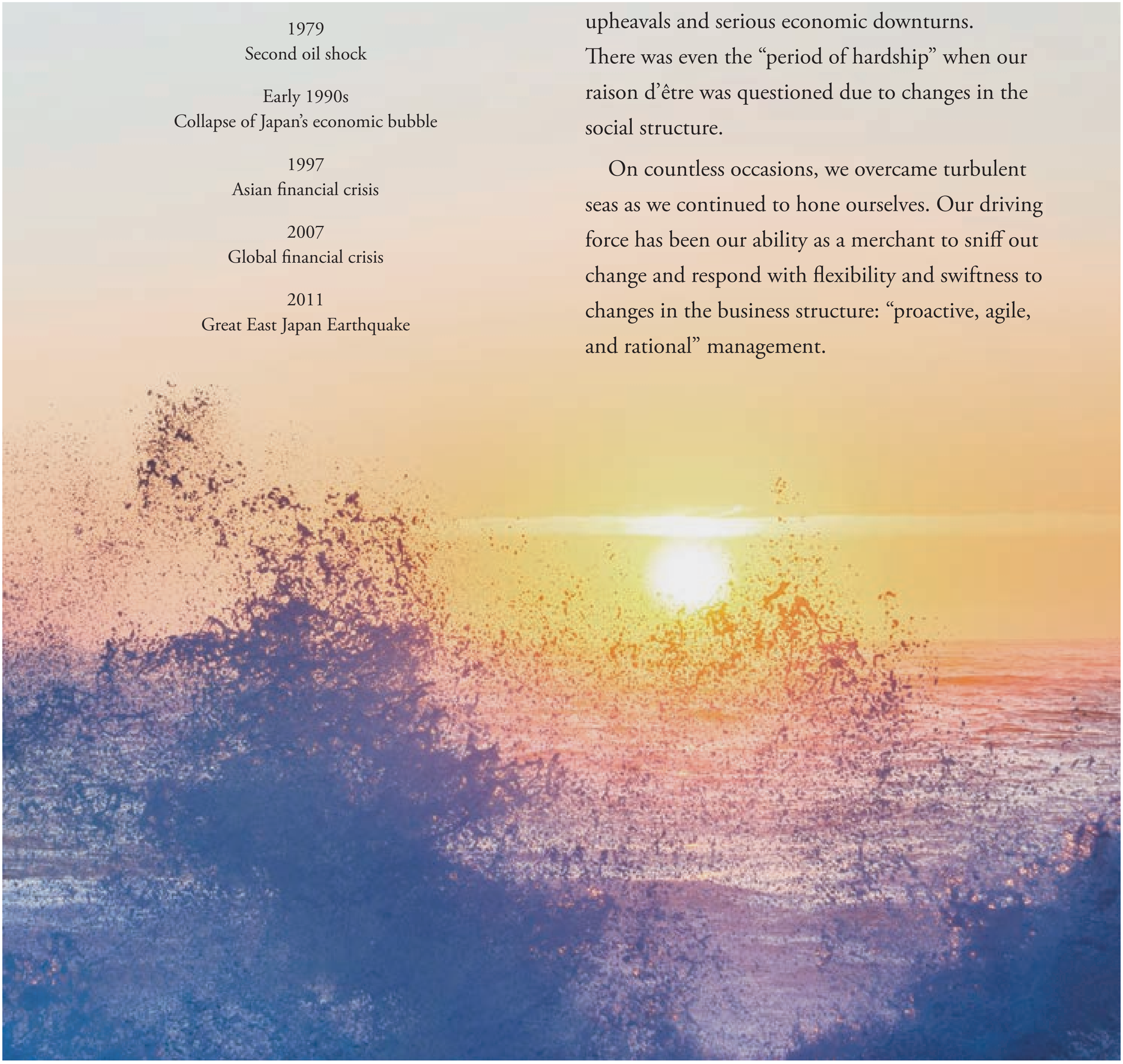
2007
Global financial crisis

2011
Great East Japan Earthquake

Overcoming Numerous Turbulent Seas as a Merchant

Over a history of more than 160 years since its founding, ITOCHU has faced various social upheavals and serious economic downturns. There was even the "period of hardship" when our raison d'être was questioned due to changes in the social structure.

On countless occasions, we overcame turbulent seas as we continued to hone ourselves. Our driving force has been our ability as a merchant to sniff out change and respond with flexibility and swiftness to changes in the business structure: "proactive, agile, and rational" management.



2020

New Troubled Waters

In 2020, the growing impact of the novel coronavirus (COVID-19) is causing major disruption to societies and economies around the world. To date, ITOCHU has steadily increased corporate value based on the "Brand-new Deal" strategy, by leveraging the true value of its strengths including its earning power in the non-resource sector. Even so, we cannot escape the impact of the current economic disruptions. It is not easy to determine our management strategy amid the growing uncertainty about the future. However, with the merchant spirit we inherited from our founder, we will remain resolute despite the dark clouds ahead.

Corporate Mission

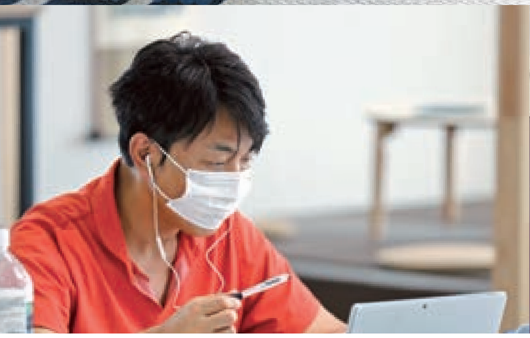
Sampo-yoshi

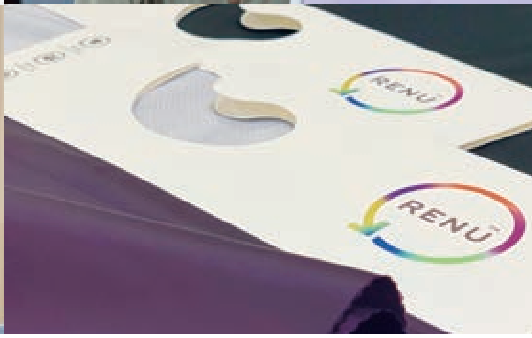
Guideline of Conduct

I am One with Infinite Missions

In April 2020, the ITOCHU Group established "*Sampo-yoshi*" as its revised corporate mission and positioned "I am One with Infinite Missions," its former corporate message, as its Guideline of Conduct.

We will stay true to our merchant spirit, as Chubei Itoh I and our predecessors did, and accumulate businesses one by one as we go over the major mountain pass that is just in front of us. Through these efforts, we aim to generate a positive cycle of resolving social issues through business, realizing sustainable growth in corporate value. Our unwavering ideal, "*Sampo-yoshi*," is key to pursuing these objectives.





"*Sampo-yoshi*" calligraphy by Shoko Kanazawa

Concept for Annual Report 2020

Sustainably Enhancing Corporate Value by Steadfastly Upholding Our Unwavering Ideal, “*Sampo-yoshi*”

Taking “inherited strengths” and the “earn, cut, prevent” principles as our driving force, we will realize our short-term targets, lay steppingstones for medium- to long-term value creation, and maintain the initiatives and systems supporting sustainable growth. Rather than choosing “a single expedient,” we will unflaggingly pursue “all the priorities” — this is the approach for sustainable increase in corporate value (total capital) as merchants upholding unwavering ideal of “*Sampo-yoshi*.”

$$\text{Corporate Value} = \frac{\text{Created Value}}{\text{Cost of Capital} - \text{Growth Rate}}$$

Corporate Value: Driving Force for Sustainable Value Creation (Total capital)

Created Value: Achievement of Short-Term Targets (Steady results)

Cost of Capital: Initiatives and Systems Supporting Sustainable Growth (Reduce cost of capital)

Growth Rate: Steppingstones to Medium- to Long-Term Value Creation (Sustainable growth)

Driving Force for Sustainable Value Creation

We continue to hone the driving force for value creation, which flows through the values and corporate culture we have upheld over more than 160 years, as we strive to sustainably enhance corporate value.

$$\boxed{\text{Corporate Value}} = \frac{\text{Created Value}}{\text{Cost of Capital} - \text{Growth Rate}}$$

POINTS

Distinctive “Inherited Strengths” as a Merchant

► Page 20

We have cultivated our distinctive strengths as a merchant over the years, including “individual capabilities,” “earning power in the non-resource sector,” “experience and track record in China and other parts of Asia,” and “comprehensive strength and ability of self-transformation.”

Pursuing “All the Priorities,” not just “a Single Expedient”

► Page 30

Centering on the unwavering ideal “*Sampo-yoshi*,” rather than seeking to achieve either short-term targets or the medium- to long-term vision, or either economic or social value, we aim to pursue “all the priorities.”

Realizing Management Being Cautious of Trust and Creditworthiness

► Page 38

Through ongoing management that remains cautious of trust and creditworthiness based on “*Sampo-yoshi*,” we will enhance interaction between internal and external capital and strive to enhance sustainable corporate value.

Achievement of Short-Term Targets

Through “commitment-based management,” we remain intent on steadily achieving our targets for each fiscal year. We believe this is important for gaining the support of stakeholders regarding the feasibility of our medium- to long-term management strategy.

$$\text{Corporate Value} = \frac{\boxed{\text{Created Value}}}{\text{Cost of Capital} - \text{Growth Rate}}$$

POINTS

Trajectory for Enhancing Corporate Value

► Page 50

Based on our “Brand-new Deal” strategy, which commenced with “Brand-new Deal 2012,” we have elicited our strengths and taken steady steps to enhance corporate value.

Business Results for FYE 2020

► Page 52

We exceeded the level of consolidated net profit we had committed to in our plan at the start of the fiscal year, surpassing ¥500.0 billion for the second consecutive year and achieving a new record high. Core Operating Cash Flows and NET DER also marked new records.

FYE 2021 Management Plan

► Page 54

Although the future business environment is difficult to forecast accurately, we will consolidate our foothold by thoroughly instilling the “earn, cut, prevent” principles, simultaneously putting in place the foundations for the post-COVID-19 world.

Steppingstones to Medium- to Long-Term Value Creation

While achieving our short-term targets, we reinforce measures in fields of strength, make advances in environmental businesses, and evolve businesses based on a market-oriented perspective. In such ways, we lay steppingstones for a solid growth trajectory over the medium to long term.

$$\text{Corporate Value} = \frac{\text{Created Value}}{\text{Cost of Capital} - \boxed{\text{Growth Rate}}}$$

POINTS

Building on Our Existing Strengths

► Page 58

By acquiring further business opportunities and maximizing synergies in fields and regions where we have strengths, we will take a medium- to long-term perspective as we enhance corporate value.

Viewing Environmental Issues as Business Opportunities

► Page 59

We intend to resolve social issues in a manner that contributes to the enhancement of our corporate value. By taking full advantage of our strengths as a general trading company, we will expand and actively promote environmental businesses.

Realizing Our "*Sampo-yoshi*" Philosophy through the Multifaceted Business Development

► Page 60

In the storage battery business, we aim to harness a market-oriented perspective and an ecosystem that shares value among all stakeholders as the driving force. We leverage our strengths as a general trading company to achieve sustainable increase in value.

Initiatives and Systems Supporting Sustainable Growth

To increase the sustainability of value creation through lowering the cost of capital, we will continue to step up sustainability initiatives, pursue a human resource strategy directly linked with the enhancement of corporate value, and make advances in our corporate governance system.

$$\text{Corporate Value} = \frac{\text{Created Value}}{\boxed{\text{Cost of Capital}} - \text{Growth Rate}}$$

POINTS

Addressing Climate Change

► Page 66

We will lay appropriate forward-looking foundations by conducting scenario analyses to determine impact on individual businesses. And we will continue to shore up our robust earnings base, centered on consumer-related businesses.

Human Resource Strategy Directly Linked with the Enhancement of Corporate Value

► Page 70

By clearly identifying our human resource strategy as our management strategy, we will take advantage of our strength in "individual capabilities" to achieve increases in labor productivity, generating sustainable increases in corporate value in a positive cycle.

Transition of the Corporate Governance System

► Page 72

We will continue advancing toward an effective and transparent governance system as a foundation for sustainable increases in economic and social value.

Editorial Policy

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

Annual Report 2020 was compiled based on this focus with consideration paid to the disclosure framework of the International Integrated Reporting Council (IIRC). Special emphasis was also placed on connectivity as well as the sustainability and future of our strategy and business model.

ITOCHU aims to steadily address social issues and rapid changes in the business environment, including its response to the COVID-19 pandemic, while being guided by its Group corporate mission, "*Sampo-yoshi*," an ideals and driving force that has allowed ITOCHU to overcome numerous hardships in its more than 160-year history. Furthermore, ITOCHU intends to build a foundation for sustainable growth and enhance corporate value, by targeting growth and further progress in both financial and non-financial capital that it has refined and accumulated to date, while moving to pursue both economic and social value.

In compiling this annual report, in addition to these points, we focused on giving explanation especially for the relationship between "corporate value based on the perspective for investment decisions," as it relates to the Company's shares, and "the pursuit of capital efficiency," one of the Company's management strategies.

Going forward, we intend to further improve our annual report as a medium for dialogue with a variety of stakeholders through reflecting their opinions.

Environment
Social
Governance
Guidance for Collaborative Value Creation

Reporting Scope and Other Items

Reporting Period: April 1, 2019 to March 31, 2020 (Certain sections include activities occurring in or after April 2020.)

Reporting Scope: ITOCHU Corporation and the ITOCHU Group

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

Terminology: Throughout this report, "consolidated net profit" is used to refer to "net profit attributable to ITOCHU." Unless otherwise indicated, FamilyMart refers to both FamilyMart Co., Ltd. and FamilyMart convenience stores, and CITIC refers to CITIC Limited.

Detailed Financial Information

For detailed financial information for FYE 2020, please see the Financial Section.

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

Inquiries for Annual Reports

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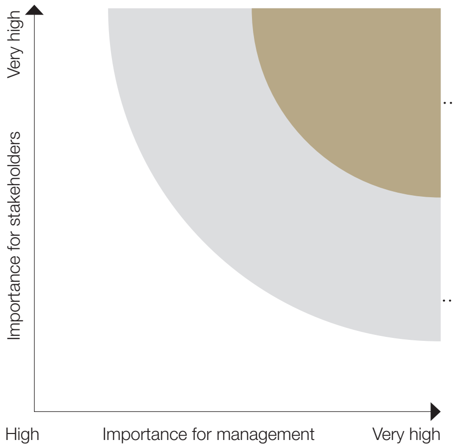


Annual Report (this report)

[Focus points]

- Connectivity and reliability
- Relationships with stakeholders
- Sustainability and future of our strategy and business model

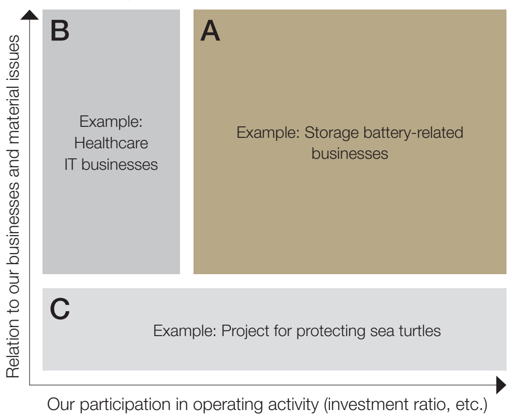
IR Website

Sustainability Website

ESG Report

[Focus points]
Comprehensiveness and timeliness of information

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



Contained in Annual Report

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

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

Contained in Sustainability Website / ESG Report

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

For more information about Sustainability

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

- Top commitment
- Sustainability at the ITOCHU Group
- ESG Report (Environment, Society, Governance)
- Social contribution activities
- GRI standard reference table, etc.

CONTENTS

Explanation of the Cover
The cover photograph represents ITOCHU's management posture and endeavors to return to our founding spirit of "*Sampo-yoshi*," without forgetting to always be thankful and bright-hearted, like a blooming cherry tree, amid these uncertain times.
(→ Page 10 CEO Message)

Forward-Looking Statements
Data and projections contained in this report are based on the information available at the time of publication, and various factors may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not practice undue reliance on forward- looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

CEO Message

Steadfastly following the Way of the Merchant, ITOCHU will continue to brave turbulent seas by staying true to the "*Sampo-yoshi*" philosophy.

FYE 2020 was the most fruitful year of ITOCHU's more than 160-year history. We successfully carried out forward-looking measures and achieved record-high profits for the fourth consecutive year. We fully lived up to our commitment of "turning words into accomplishments." In FYE 2021, we will resolutely temper overconfidence. We will return to our fundamental "earn, cut, prevent" principles and establish a firm footing for the future.

Masahiro Okafuji
Chairman & Chief Executive Officer

I would like to first offer my sincere condolences to those who have tragically lost friends and family from the COVID-19 pandemic raging across the globe. My heart also goes out to those who are currently battling the disease. Finally, to all the healthcare workers, government officials, and citizens out on the front lines, my words cannot begin to fully express my deep gratitude.

The Thought behind the Cherry Blossoms

On April 1, 2020, a pastel sea of pink blossoms brightened the ground-floor lobby of the Tokyo Headquarters, where 100 branches from cherry trees were decoratively arranged. The specific type of tree is called *keio-zakura* in Japanese, and it is beloved for announcing the arrival of spring. With precious blossoms bursting forth, the boughs welcomed the young people who just joined ITOCHU in FYE 2021.

Due to COVID-19, which is still ravaging the world, ITOCHU had to forgo traditional welcome ceremonies this year, as did many other companies. Across Japan, cherry blossom viewing parties were tightly restrained if held at all. Graduation ceremonies, which should be a memorable event of life, were canceled one after another. For our new hires, however, the first day is a once in a lifetime rite of passage, as they had prevailed in a fiercely competitive job market. We were determined to ensure an unforgettable first step for them as new members of ITOCHU. Surrounded by cherry trees in full bloom, President & COO Yoshihisa Suzuki and I stepped forward to welcome each of the new hires in person.

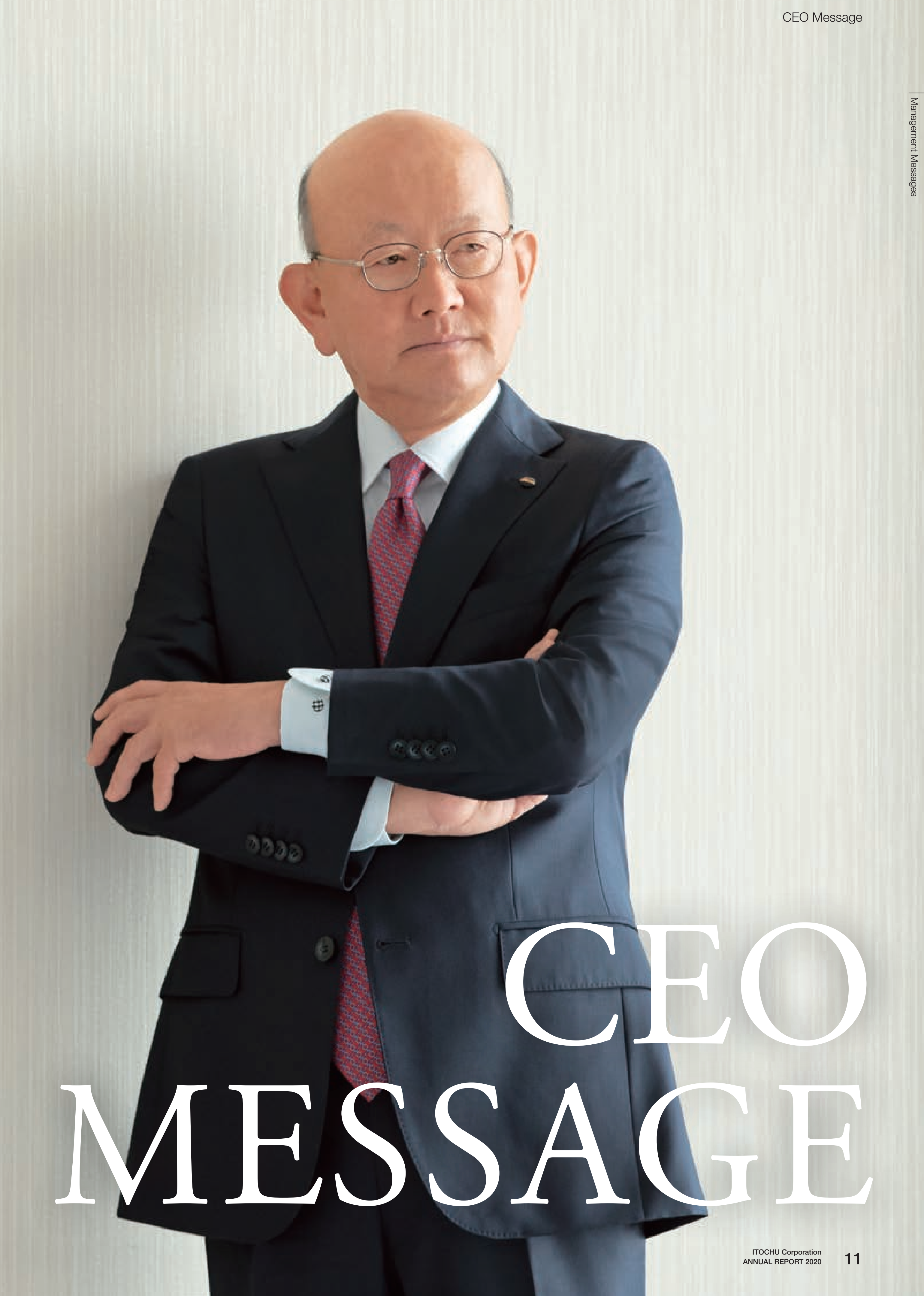
Working from home began in response to the COVID-19 pandemic, and ITOCHU made teleworking the standard from the beginning of April when a nationwide state of emergency was declared. Some people speculated this would become the new normal after the pandemic ended, and that workstyles might never go back to how they were before. Nevertheless, when the state of emergency was lifted, ITOCHU asked all employees to return to their workplace as a general rule, except those with health concerns or extenuating family circumstances. Of course, we are taking every precaution to prevent the spread of the disease.

I am sure everyone has their own opinion, but this decision was based on my steadfast belief that "ITOCHU is a merchant."

Our "Vision" as a Merchant

On June 1, the ground-floor lobby was made brilliant with a dazzling assortment of flowers. These flowers were fittingly symbolic of the economy beginning to reopen, following the complete lifting of the state of emergency. Bathed in sunlight, the merchants of ITOCHU came to work early that morning before business began and customers arrived, and the flowers welcomed them.

After the Great East Japan Earthquake in March 2011, in the ensuing disruption when it seemed like our customers might be in trouble, I witnessed our employees using the flextime system to come into the office at the rather late hour of 10 a.m. This provided the impetus for the "Morning-Focused Working System." The ITOCHU Group has strengths in the non-resource sector, which centers on consumer-related businesses. In this field, we must



CEO MESSAGE

tirelessly focus on business from the "customer's perspective."

The pandemic presents a similar obligation. People across Japan are striving to avoid risks, and yet we have customers navigating hazards to fulfill their duty to deliver daily essentials to people. Many of our partners in the ITOCHU Group are working hard on the front lines in retail and other areas. I have even heard stories of partners who have practiced smiling while wearing a mask in front of the mirror to ensure that customers will be able to tell they are smiling. We compete by providing finely tuned services. I did not feel that we could live up to our "vision" as a merchant if only ITOCHU employees were working from home. To be clear, the "workstyle reforms" we are carrying out are not simply for the "pursuit of efficiency."

We do, however, fully reward our employees' best efforts. The aforementioned flower display provides an example. The thought behind this was that flowers can instantly brighten people's day, providing inspiration without any words. We also prepared various provisions and provided every employee with special benefits so they could get a quick start when the state of emergency was lifted. Temporary staff, dispatched personnel, and employees of subsidiaries that complement functions of ITOCHU received the benefits as well. We also provided a modest bonus with a message to security guards and cleaners.

Supported by many people, ITOCHU is, I believe, a merchant with the ability to perceive various viewpoints and create shared value for all sides. This was precisely the business ideal our founder pursued more than 160 years ago.

Our Unwavering Ideal—"*Sampo-yoshi*"

I was approached by a person rather advanced in years at a meeting I attended last year. He thanked me because the ITOCHU shares he purchased have increased in value eightfold while dividends have risen significantly. As a manager, this was music to my ears and, simultaneously, a moment that heightened my awareness of the importance of fulfilling my fiduciary responsibilities related to share price and shareholder returns.

A red carpet and cherry blossoms in full bloom welcome new hires.

Amid recent concerns of rapid economic deterioration, some people are saying companies should prioritize financial soundness, employment, and social contribution while scaling down shareholder returns. However, I intend to continue focusing on steadily raising dividends every year regardless of the situation.

We have numerous priorities to pursue. We could focus on specific stakeholders, economic or social value, or short-term results or steppingstones for medium- to long-term growth. The words of our founder, Chubei Itoh I, provide insight. The modern interpretation of "*Sampo-yoshi*" (good for the seller, good for the buyer, and good for society) is not to choose "a single expedient" based on the situation, but rather to unflaggingly pursue "all the priorities." (➡ Page 26 Dialogue: "*Sampo-yoshi*" and ITOCHU)

Since ITOCHU's founding in 1858, the spirit of "*Sampo-yoshi*" has steadily underpinned the Company. On the other hand, each time the head of the Company changed, the overarching goal that encompasses "*Sampo-yoshi*" has been expressed using different words, making it gradually harder to precisely understand what we are aiming for and how to achieve it. Therefore, in April 2020, we went back to basics, making the Group corporate mission the simplest and clearest expression: "*Sampo-yoshi*." At the same time, we reestablished "I am One with Infinite Missions" as our corporate Guideline of Conduct to realize "*Sampo-yoshi*."

We give to society "what is required to the right person and in the right manner." We do this by, for example, delivering safe and secure products from Japan to consumers in China, or by helping improve the lives of Indonesia's citizens through geothermal power. "Enriching lives" through business in this way is how we provide social value based on "*Sampo-yoshi*." In doing so, we earn profit in proportion to the value we add. This mindset aligns with the Sustainable Development Goals (SDGs) and the concept of Creating Shared Value (CSV). I hope you can see how properly executing a profitable plan which leverages our strengths, like the storage battery business we are currently engaging in, is one of our "Infinite Missions." (➡ Page 62 Initiatives and Systems Supporting Sustainable Growth)

Merchants Are Diligent

I am a bit of a "worrier." I have talked before about how cautious I am. I inevitably imagine the worst-case scenario, act to avoid it, and take one step forward only after reflecting on the history and actions leading up to that point and again ruminating on the situation. I am now reflecting on the history of ITOCHU.

After World War II, ITOCHU dove headfirst into expanding into non-textile businesses with the aim of diversifying

Seasonal flowers welcome guests to the ground-floor lobby (June 1–26)

Motivational messages to employees from the Chairman & CEO on display alongside flowers on the first basement level. (March 12–June 12, as teleworking expands)

A small sampling of the messages

"It is in times like these we need to remember to smile."
"Spring is just around the corner."
"Thanks for all the important work you do."
"Starting today, it's full speed ahead."

its businesses. A huge gap stood between our abilities and the general trading companies associated with the former *zaibatsu* industrial groups. To overcome this, we took a big gamble; we acquired shares of TOA Oil Co., Ltd., invested in state-of-the-art refineries, and concluded long-term charter contracts with oil tankers. These actions were based on the observation that oil was almost 100% imported and the hypothesis that since reserves were predicted to be in gradual decline, quickly acquiring crude oil would present a major business opportunity. However, the 1970s were visited by two oil shocks. The hypothesis was ruthlessly shattered when we fixed our buying price high and the selling price plummeted, leading to huge losses.

At the time, our judgment of resources was not as acute as those of other general trading companies associated with the former *zaibatsu* industrial groups. We relied only on a hypothesis, and only secured "products" without securing stable buyers in heavy industry. It was an idea solely based on a "product-oriented perspective." It was similar to real estate investments during Japan's economic bubble where people rode the bandwagon based on the hypothesis that prices could "only go up." With the collapse of the bubble, losses cascaded. Even now, I can clearly recall that time. ITOCHU was pushed to the edge by the disposal of out of favor resources.

I believe it is extremely dangerous to make large investments relying on the hypothetical alone. This applies to the "Fourth Industrial Revolution" also, where Artificial Intelligence (AI) and other digital technologies are developing rapidly. A revolution does not guarantee that every related business will steadily grow. We must avoid investing recklessly.

We have to conduct business with the realization that we are merchants. To achieve the same level as general trading companies associated with the former *zaibatsu* industrial groups, which have prime assets in the resource sector, we naturally decided to compete in fields where we have an advantage, namely the non-resource sector, which is centered on consumer-related businesses. We do not have a "large chunk" of resource businesses that can generate hundreds of billions of yen in profit, but if we practice "spear-like" management and hit key points with precision, we can compete sufficiently even if each business transaction is small. We diligently and routinely conduct business that pleases our customers, paying close attention to any subtle changes in order to fine-tune our policies. The FYE 2020 results proved the true value of this profit-making mindset, an approach unique to ITOCHU.
(➡ Page 52 Business Results for FYE 2020)

Keeping Our Promises

In the 11 years after the global financial crisis, the global economy had continued to expand. This left me worried that blowback could not be too far off. During the summer break in August last year, I decided to advance the semi-annual business strategy meeting which is usually held in early October by one month, holding it in early September. At that meeting, we enacted countermeasures for worst-case scenarios, focusing on the "prevent" and "cut" principles, which went into effect as of that day. Six months after, the threat materialized as the totally unforeseen COVID-19 pandemic. Still, ITOCHU was unshaken.

In FYE 2020, consolidated net profit exceeded ¥500.0 billion for the second consecutive year, and we achieved record-high profits for the fourth year in a row. Although it is unfortunate we did not seize back the top spot, we were the No. 1 general trading company in terms of core profit, which proves our earning power. ROE was an industry-leading 17.0%, and our net debt-to-shareholders' equity ratio (NET DER) decreased to its best level ever. The price of ITOCHU's shares set 22 record highs during the year.
(➡ Page 40 CFO Interview)

Amid this harsh environment, other general trading companies had revised their forecasts downward and recorded lower profit. ITOCHU stood alone in achieving our initial plan like any other year by leveraging our robust earnings base that is strategically positioned across different fields to steadily build up profits, enabling us to pay the record-high dividends we promised in the beginning of the year. This reassures me as a leader. To each and every Group employee, I would like to extend my sincerest thanks for their unparalleled effort.

I strongly believe that "we should always stand firmly

I want everyone to witness the unsurpassed reliability that our "commitment-based management" consistently achieves when we fully leverage the "true business power" of ITOCHU and the "combined power" of all Group employees working together.

behind the promises we make to our shareholders and investors." This is also the mercantile belief that has been steadily passed down from Chubei Itoh I. I have heard some people assert that "achieving our targets requires workers on the front lines to overextend themselves." I would answer, however, "that wouldn't necessarily be bad for a single year, but such exertion would be unsustainable over a decade or so." Overexerting ourselves is definitely not the way we make it possible to continuously keep our promises. Of course, a medium- to long-term vision and quantitative targets are important, but these are all meaningless unless we take responsibility for achieving them in the future. Similarly, targets that lack focus, which are set just to please everybody, are worthless. I hope that shareholders and investors will develop their own processes to assess the achievements businesses are making, as well as the progress companies are making toward the medium- to long-term vision and quantitative targets over the course of several years.

FYE 2020 was the brightest year in ITOCHU's more than 160-year history. From FYE 2021 onward, however, we will have to endure headwinds unlike any experienced before.

A Year that Will Test Our "True Business Power"

During good times, anybody can handle management. But that is not the case when headwinds begin to blow. Going forward, our "true business power" will be tested. I realize that I will need to remain vigilant to avoid overconfidence.

Due to the extraordinary progress and results of FYE 2019 and 2020, we achieved the medium-term management plan "Brand-new Deal 2020" ahead of schedule. We therefore positioned FYE 2021 as a year to prepare for the future and achieve a solid footing through a single-year management plan. Amid a business environment where COVID-19 clouds the future, many companies have not formulated their initial plans for FYE 2021. ITOCHU, however, believes its "responsibility to stakeholders" includes disclosing one-year targets, and we announced a consolidated net profit plan of ¥400.0 billion after carefully considering the known risks we can analyze.

Unlike the global financial crisis where the corrective course of action was clear, this time we have to wait for the development of treatments and vaccines. It will take considerable time until consumer confidence and investment appetite recover. We need to prepare ourselves for the risks of sudden, repeated plunges in market prices, exchange rates, share prices, and other indices. During these times, it is clear what we need to do: Go back to the "basics of business."

Returning to Our "Earn, Cut, Prevent" Principles

Back in my days at the Textile Company, I was competing with other companies for the exclusive sales rights to Armani. I appealed to my negotiating partner's sympathies by, for example, compiling the data they wanted on Japanese taxes in a thick Italian-language proposal. Ultimately, ITOCHU was able to beat out rivals who had offered larger sums of money. In a business situation similar to this, the game is won by being able to figure out precisely what the partner wants and delivering those "fine distinctions." Academic theories and treatises do not do much good in these situations.

Similarly, in management, merely compiling data and logic would not lead to deeper understanding. Grasping the bigger picture and thinking about "what should be done" is what constitutes management. Looking more closely, I think management means deciding what to emphasize among the three "earn, cut, prevent" principles in response to the business environment over time.

With the global economy on the brink of recession and sales channels facing bottlenecks, we need to focus on the "prevent" and "cut" principles more than the "earn" principle. Fundamentals will prove invaluable. For example, we will need to closely assess the contract terms of every business transaction to carefully manage credit and inventories, take proactive and exhaustive measures to collect debt, and perform thorough cost / benefit analyses of business expenses and adjust accordingly. Now, with the outlook unclear, I intend to engage in methodical management more diligently than ever before.

In addition to comprehensively practicing lean management, we also need to prepare for business model transformation designed with the post-COVID-19 world in mind. For example, in the automotive industry, a major shift in consumer needs has been underway, "from ownership to usership." But with people preoccupied with preventing the spread of COVID-19, consumers are now reevaluating "ownership" as their needs continue to evolve. In business, it is becoming indispensable to switch from a "product-oriented perspective" to a "market-oriented perspective," seize customer contact points downstream, and provide the added value that consumers demand. ITOCHU has empowered The 8th Company with a budget and consumer-related businesses, and now it is striving to create new businesses as a trailblazer for market-oriented perspective.

I have recently been hearing a lot about how "general trading companies' growth strategies are rarely released." Under the extenuating environment of COVID-19, some companies are downgrading their market assessments because they cannot tap their full potential. Put another way, in various industries, it is likely that companies will be clearly divided into winners and losers, and not strictly based on potential. In FYE 2021, our policy is to actively search for investment opportunities in companies with low valuations despite "room for growth," leveraging our "comprehensive strength" as a general trading company as we continue to "upgrade our existing business."

As in-person customer interaction is restricted to prevent the spread of COVID-19, many of our employees are coming into work wearing jeans, which aligns with our long-standing initiative of "Dress-down Days." In tandem with our "Morning-Focused Working System," we will actively create proposals that will lead to future profit by enabling a work environment where ideas are freely generated. (➡ Page 70 Human Resource Strategy)

"The Giants, *Taiho*, and *Tamagoyaki*"

This is a bit of an old story, but in the 1960s in Japan the phrase "the Giants, *Taiho*, and *Tamagoyaki*" became quite trendy, alluding to three things that were popular among the public, including children (respectively, the baseball team, the grand champion *sumo* wrestler, and the Japanese rolled omelet). The phrase was uniquely suited to the period because people were desperately seeking strong heroes. In contrast, when someone strong only keeps winning, a tendency often emerges in Japan to "favor the underdog," and the hero's popularity can slide. It is not well known, but the ratings for the Giants' games were actually higher after they lost the championship than during their nine-year winning streak. That means, it was because the Giants' position changed that the baseball league became animated and its popularity was revived.

I think we could say the same about competition between companies. Before FYE 2011, we were fourth in the industry in terms of consolidated net profit, and the three ranked above us were all general trading companies associated with the former *zaibatsu* industrial groups. Had we had gotten content with our position at the time, we probably would have lost our hunger for success and began a downward slide. ITOCHU, a non-*zaibatsu* associated company, turned the tables in this way, gradually rising in the ranks and upsetting the status quo. Then, I think this competition principle kicked in and the industry as a whole became much more active.

In June 2020, there were two events we should commemorate as part of ITOCHU's history. For the first time in our history, both ITOCHU's share price and market capitalization reached No. 1 for general trading companies on a Tokyo Stock Exchange closing-price basis. This feels a world away from where we were at the beginning of FYE 2011, when our share price was only around a third of the top performer's and our market capitalization was roughly ¥3 trillion lower from the top.

Staying True to the Way of the Merchant

Last year, I went to a department store in Nihonbashi to buy a gift for a secretary who was transferring. As I was waiting for the gift to be wrapped, a woman suddenly came running up to me to shake my hand. I was taken aback and asked what was going on. She told me she had once applied for a job with ITOCHU. Although she regrets not getting it, she has remained a big fan all along. She was both delighted, and a bit jealous, to see what a great company ITOCHU was turning into.

To date, I have managed the business with a focus on making ITOCHU a "great company" in the eyes of its shareholders, investors, business partners, financial institutions, society, employees, and their families. We have achieved the top employer spot in many rankings of companies for new graduates, garnering praise from students as well as those with longer relationships with the Company. For this, I am thankful. I believe we could say this is a result of keeping our promises to diverse stakeholders.

Going forward, we will have to keep pushing ahead as the waves of this chaotic period approach. Fortunately, we are empowered by our "*Sampo-yoshi*" philosophy—our unwavering ideal aimed at sustainably enhancing ITOCHU's corporate value. If each employee can avoid feeling overconfident, if we can all embrace our basic principles of "earn, cut, prevent," and if ITOCHU stays true to the "*Sampo-yoshi*" philosophy, then I am sure we will be able to overcome any turbulence. In FYE 2021, I want everyone to witness the unsurpassed reliability that our "commitment-based management" consistently achieves when we fully leverage the "true business power" of ITOCHU and the "combined power" of all Group employees working together.

COO Message

By keeping our focus firmly fixed beyond the current difficulties and taking forward-looking preparations, we aim to sustainably enhance our corporate value.

Amid this unprecedented phase brought about by COVID-19 and other recent developments, we will unflinchingly maintain our steadfast efforts and continue achieving the goals we have outlined. In addition, through our market-oriented perspective, we will perceive changes in customers and industry structure to steadily seize good opportunities.

Yoshihisa Suzuki
President & Chief Operating Officer

FYE 2020: The Year the Tide Turned

In April 2019, as we were almost sure about achieving an historic ¥500.0 billion in consolidated net profit, we held a Special Headquarters Management Committee meeting to discuss the FYE 2020 management plan. Rather than revel in our major ¥500.0 billion achievement, we honed our gaze on the trajectory beyond ¥500.0 billion. Our discussion focused on how ITOCHU could continue to steadily grow and what actions were needed with our organizational systems and human capital. We started the meeting reflecting on the many ups and downs the Company has experienced and what lessons could be learned. We narrowed these down to three major lessons. The first is not to formulate long-term management plans on hypotheticals. In other words, we should not announce baseless quantitative targets, and management should emphasize its commitments. The second is not to conduct management through excessive selection and concentration. The third is that the business environment will always change: Overconfidence is forbidden. “The higher the peak, the lower the valley.”

Based on these lessons, we set the FYE 2020 consolidated net profit plan at ¥500.0 billion, or about the same as the FYE 2019 results, and maintained our progressive dividend policy with a dividend of ¥85, an increase of ¥2. This was a result of emphasizing our commitment to achieving the numbers we promised while first establishing a firm foothold amid an uncertain economic outlook. Another contributing factor was the establishment of The 8th Company as a new Division Company with the purpose of securing resilience against volatile business environments and withdrawing from legacy businesses. One goal of the new Division Company is to enhance the corporate value of FamilyMart, which was made a subsidiary in FYE 2019, and strengthen the Group’s value chain by using the consumers’ perspective, a “market-oriented perspective,” rather than our conventional product-oriented perspective. Finally, learning from our lesson of not using excessive selection and concentration, we did not alter the Division Companies that comprise our existing profit pillars.

In the summer of 2019, the stock market took a turn, which had until then been steadily advancing. It started with the worsening of the U.S.–China trade friction, which caused a drop that some said could make for another “unlucky August.” As the Company was strengthening its warning about the eventual collapse of the long sustained period of global economic growth, ITOCHU used this market shift, under the guidance of its Chairman & CEO Masahiro Okafuji, to redouble its efforts on the “earn, cut, prevent” principles, which form the foundation of ITOCHU’s management. Specifically, we redoubled efforts to uncover potential concerns and thoroughly practice our “prevent” principle. To prepare for further economic deterioration, we also decided to swiftly shift toward lean management, leveraging our “cut” principle.

We began to take countermeasures ahead of other companies. For example, we conducted an interim review of the management plan on September 9, a month earlier than usual. We also instilled a feeling of restraint during summer vacation. This was because ITOCHU, which had grown dramatically over the course of a decade, determined that it was facing a major challenge about whether it could keep its commitment of achieving the promised ¥500.0 billion. Since then, the stock market fortunately recovered, and ITOCHU’s share price set 22 record highs. The preparations we made for that time helped us be ready when

COO MESSAGE

COVID-19 struck. This example illustrates how we practice the lessons learned from our past of not becoming overconfident.

At the beginning of 2020, the WHO raised the alarm in January about the spread of COVID-19 in Wuhan, and, in March, it declared a pandemic, as the COVID-19 shock raced around the world. While the 2007 global financial crisis involved a collapse of the financial system, this shock was set off by the global spread of a virus with no vaccine. It will take time to develop treatments and vaccines, and even when the pandemic ends, it is inconceivable that the world will immediately go back to how it was before COVID-19. With plummeting oil prices, eroding consumer confidence, and sharp declines in automotive and other basic industries, FYE 2020 has shaped up to be the year the tide turned on the general trading industry. While ITOCHU's business portfolio showed stability as it encompasses a diverse range of operations mainly in the consumer sector, other general trading companies with their assets more heavily concentrated in the resource sector and the basic industry sector faced a harsh environment. We also saw the emergence of huge differences in results across the general trading industry. (➡ Page 56 COVID-19's Impact on the Company and Status of Initiatives)

FYE 2021: Continue Commitment-Based Management

With the impact of COVID-19 growing every day, we held a Special Headquarters Management Committee meeting on March 31, 2020 to discuss FYE 2021. In a normal year, the entire management team would assemble with executive officers stationed overseas returning to Japan. However, considering the risk of infection, this year's meeting was limited in duration and participants to include only Directors and the President of each Division Company.

General trading companies are sensitive to economic fluctuations and the COVID-19 shock has thrown all of us into an era of extreme difficulty. Three of the difficulties include: 1) a crisis that intertwines healthcare with an economy that defies forecasting; 2) economic decline that is a cyclical contraction ensuing 11 years of economic growth following the global financial crisis so things are not expected to simply return to normal; and 3) falling crude oil prices that create worries as oil money dries up and give rise to growing credit instability for shale companies. Recognizing this era of extreme difficulty, our discussions centered on how ITOCHU can succeed in FYE 2021 and whether we should ultimately release an FYE 2021 plan or go without. Ultimately, we confirmed that we would shift our strategic focus on combatting these risks and would remain faithful to ITOCHU's commitment-based management.

In an effort to proactively disclose as much as we can to the market after accounting for currently conceivable risks, we decided to announce our FYE 2021 management plan calling for consolidated net profit of ¥400.0 billion and, in a continuation of our progressive dividend policy, dividends of ¥88. In addition, we need to prepare for upheaval in the business environment and a global economic recession that will likely last for several years. Recognizing that we have entered a new business phase, we positioned this year as one in which we should establish a firm foothold, and decided to formulate a single-year management plan that is not contained in the medium-term management plan to address risks.

With the future unforeseeable, we should not think of FYE 2021 as a continuation of the economic expansion to date. Instead, we are designating this as a year in which we need to hold our position for a while. In order to put this into practice and fortify our position, the Company needs, I think, to thoroughly assume the lean management that Chairman & CEO Masahiro Okafuji refers to as stricter and smaller. In every field, we have vowed to return to our "earn, cut, prevent" principles. In particular, the "cut" and "prevent" principles will be key to achieving our plan. The entire Group carefully monitors contract and sales trends, logistics, credit status, and other variables to take forward-looking measures, such as insurance coverage, shorter payment terms, and rapid recovery of accounts receivable. We avoid losing income by "preventing" the incurrence of loses. By "cutting," we will not simply reduce business expenses; we will constantly create more effective ways to utilize capital. We will remain steadfast in these efforts. In FYE 2021, we will again strive to meet everyone's expectations and realize consolidated net profit of ¥400.0 billion and the announced dividend of ¥88. (➡ Page 54 FYE 2021 Management Plan)

Looking Beyond the Current Difficulties

Amid this extremely uncertain business environment, we will assess new investments more carefully than before, quickly exit from existing investments if necessary, and thoroughly manage risks, such as by refraining from investments without any strategic value. At the same time, we will steadily execute growth strategies that look beyond the COVID-19 crisis. In particular, we intend to carefully select and implement prime investment projects, especially in the consumer sector where ITOCHU has strengths.

Launched in July 2019, The 8th Company has partnered with FamilyMart, whose nationwide network of stores gets approximately 15 million customers per day, in an effort to roll out financial services, marketing, and advertisements that utilize purchasing data and customer engagement. We are also working to upgrade the data utilization system with FamilyMart and NIPPON ACCESS, INC. to optimize the value chain, including ordering, inventory and distribution, and to construct a system that can test new initiatives in actual FamilyMart stores. In addition, we are building a data management platform (DMP) to manage and utilize customer data across the entire ITOCHU Group with the aim of creating new businesses, including a digital ad business, data management business, data analysis business, and financial services business. (➡ Page 102 The 8th Company)

We will work to maintain supply chains in each field by steadily carrying out operations and contribute to the stability of society as a whole.

Regarding the upgrade of business models through venture investments or by using new technologies, we have completed the development of forward-looking foundations and the identification of key fields. From FYE 2021, we will enter a phase where we strive to expand business under the initiative of our Division Companies centering on mobility, power, and retail businesses. In particular, the power field combined the downstream fields of next-generation power and storage batteries and established the new Power & Environmental Solution Division. Our brand of storage batteries equipped with AI functions has sold a cumulative total of roughly 30,000 units across Japan as of March 31, 2020, giving it the No. 1 share in Japan on a capacity basis. Our strengths in this area include our sales network and a business foundation that has evolved over more than a decade. We are steadily expanding our business by taking full advantage of our investees handling a variety of next-generation businesses, such as Sunnova Energy International Inc., 24M Technologies, Inc., and Shenzhen Pandpower Co., Ltd. (➡ Page 60 Realizing Our "*Sampo-yoshi*" Philosophy through the Largest Multifaceted Development in Japan)

Amid the current crisis, which has been called the greatest since World War II, let us recall the words of President John F. Kennedy during the Cuban Missile Crisis: "In the Chinese language, the word 'crisis' is composed of two characters, one representing danger and the other, opportunity." For example, COVID-19 is obviously spurring retailers to more quickly move online and fostering greater online engagement with customers of services. During this time, the ITOCHU Group has also launched new initiatives, such as HOKEN NO MADOGUCHI (an insurance agency with walk-in stores) starting online consultations. Even during the COVID-19 crisis, we will continue to precisely sense changes in customers and industry structure, attune our senses to the seeds of change, and seize good opportunities.

We are also monitoring the effect of COVID-19 overseas. By thoroughly managing risks and polishing our existing businesses, our "earn, cut, prevent" principles will serve as a base. Through the "earn" principle, we strive to expand our business through collaboration with powerful partners. For example, the Energy-from-Waste (EfW) project in Serbia started construction in FYE 2020, and it is a collaborative initiative with SUEZ S.A., a major French company for water and environmental utilities. Annually 340,000 tons of waste, equivalent to 66% of the waste emitted by the city of Belgrade, is incinerated to produce electricity and supply heat. This is Serbia's first large-scale Public Private Partnership (PPP) using project finance. The project is of paramount importance to the Serbian government, which aims to meet the European Union (EU)'s waste disposal standards and join the EU. ITOCHU also operates similar EfW facilities in the United Kingdom. Leveraging the business development and operational know-how we have cultivated to date, we will collaborate with strong partners in each region and business field to enhance the quality of our projects, thereby making steady progress. (➡ Page 59 Viewing Environmental Issues as Business Opportunities)

Aiming to Sustainably Enhance Corporate Value

To achieve major accomplishments with very few employees relative to other general trading companies on a non-consolidated basis, ITOCHU has rolled out its distinctive advanced measures to enhance every employee's productivity. Specifically, we have made operations more efficient by going paperless for meetings and applications and by utilizing IT including robotic process automation (RPA). We also promoted workstyle reforms through the "Morning-Focused Working System" and "Dress-down Days," as well as health management through such measures as "Support Measures for Balancing Cancer Care and Work."

Going forward, by providing opportunities for advancement as a "strict but rewarding company," ITOCHU will continue to ensure its employees can truly experience growth and feel the appeal of creation, through cultivating new customers and developing business models on their own.

In April 2020, to achieve further growth as we adapt to the rapid changes in the business environment in the industries that we are facing and to establish values that resonate with the strengths that set ITOCHU apart, we amended our corporate mission to be "*Sampo-yoshi*," our management philosophy that has been in place since our founding, which also aligns with the principles behind the SDGs. We will continue to increase the unified strength of the entire Group as we aim to enhance our corporate value.

Going forward, we will work reliably to support the diligent efforts of our subsidiaries, affiliates, and customers even amid the COVID-19 crisis. We will work to maintain supply chains in each field by steadily carrying out operations and contribute to the stability of society as a whole.

The Story of Merchants

More than 160 years have passed since ITOCHU's establishment in 1858. Like our founder, Chubei Itoh I, who crossed rugged mountain passes and paved the ways for peddling his wares throughout Japan, we have overcome numerous difficulties during the ensuing years. Despite these difficulties we have remained true to our identity as a merchant, "supplying the needs of the society," as well as to the business philosophy of Chubei Itoh I, "*Sampo-yoshi*." This identity and philosophy have constantly underscored our actions and served as the driving force for transforming ourselves.

Staying True to "the Way of for More Than 160 Years

ITOCHU's Major Milestones

1858
Founded

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

1950s–1960s
Internationalization and Diversification

We pursued a path of diversification, and as a result non-textile areas accounted for around 40% of trading volume (1958). In the 1960s, we expanded our business to include energy, machinery, general merchandise projects, and the iron and steel business, becoming a "¥1 trillion trading company."

1970s
Move into Resource Development and Space Development

While we set our policy of aggressive expansion into such areas as space development, ocean development, and overseas resource development, we returned to the Chinese market prior to the normalization of diplomatic relations between Japan and China. In 1977, we expanded the iron and steel business through a merger with Ataka & Co., Ltd.

1980s
Aggressive Promotion of Telecommunications Business

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

Changing times

1920
Depression following World War I

1923
Great Kanto Earthquake

1929
The Great Depression

1939
World War II

1971
Nixon shock

1973
First oil shock

Late 1970s to early 80s
Period of hardship for trading companies

1979
Second oil shock

An Inherited Merchant Spirit

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

Chubei Itoh I

"Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society."

Chubei Itoh II

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

Takenosuke Itoh

"Reliable, fast, simple, and clear"

Uichiro Kosuga
1949–1960

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

Masakazu Echigo
1960–1974

"Every dark cloud has a silver lining."

1858

the Merchant”

1990s
Set the Steppingstones for the Current Business

We introduced management reform measures to sweep away negative legacy assets from the bubble era. At the same time, we set in place the steppingstones for the future by acquiring shares in FamilyMart in 1998. In 1999, ITOCHU TECHNO-SCIENCE Corporation (currently, ITOCHU Techno-Solutions Corporation) was listed on the Tokyo Stock Exchange.

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

We took decisive action to dispose of low-efficiency and unprofitable assets. Simultaneously, to adopt more sophisticated risk management, we introduced a quantitative risk management method. As our financial position improved, earnings from the resource business expanded as we entered the commodities super cycle period.

FYE 2012–2020
Shift to Aggressive Stance and Strengthen Our Financial Foundation

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

FYE 2021
Preparing for Global Recession

Given the uncertain duration and extent of economic recession, we will strive to maximize our management capabilities in an environment affected by COVID-19 and erect the foundations for the post-COVID-19 world. We will thoroughly instill the “earn, cut, prevent” principles.

Early 1990s
Collapse of Japan’s economic bubble

1997
Asian financial crisis

2007
Global financial crisis

2011
Great East Japan Earthquake

2015
Collapse of the resource bubble

2020
COVID-19 pandemic

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

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

Minoru Murofushi
1990–1998
“Nothing is impossible”

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

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

Masahiro Okafuji
2010–

President & COO
Yoshihisa Suzuki
2018–

Starting out as a Merchant, Continuing on the Path of Merchants

ITOCHU inherited and practices the merchant spirit of Chubei Itoh I, that has spawned a unique corporate culture and led to an accumulation of strengths. In recent years, we have been shoring up our foundations as we unleash each of our potential strengths. We have formulated "*Sampo-yoshi*," the business philosophy of the merchants of Ohmi originated from the personal motto of Chubei Itoh I, as the corporate mission of the ITOCHU Group, taking this as another step toward the sustainable expansion of corporate value.

Earning Trust as Merchants

Ohmi Province (present-day Shiga Prefecture) was separated from the commercial centers of Osaka and Edo (now Tokyo). To conduct trade, the merchants of Ohmi traveled on foot balancing their wares on carrying poles from Ohmi, where Japan's major travel arteries of Tokaido and Nakasendo meet. For business discussions, they used samples. Ordered products would then be delivered from far away at a later date, so cultivating a spirit of trust was essential. A management philosophy that values trust has been passed down through the Company's top managements throughout the years. Its spirit is evident in the "commitment-based management" that aims to consistently achieve targets each fiscal year. Each fiscal year, we work steadfastly to turn words into accomplishments, recognizing that earning trust in the capital markets is key to long-term management success.

(Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University)

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

Merchants: Always Thrifty

Being thrifty dates back to the Company's origins. The importance of frugality and learning were essential elements of the "store rule (*tanaho*)" established in 1872. Also, it is recorded in the post World War II period that each organization within the Company operated as a financially independent entity, paying the headquarters for the space it uses (store rent). In addition to the itinerant trading business, where margins were slim, this emphasis harks back to the Company's origins in the textile business. Different from businesses in heavy industry, in the textile business prices were negotiated down to the cents and profits were based on the steady accumulation of efforts. Thrift was a historical necessity. The ITOCHU Group retains this emphasis up to the present day, carried forward in its ongoing efforts to "cut" costs, maximizing results while minimizing investment. As a result, we have achieved overwhelmingly high ratio of Group companies reporting profits—about 90%. Consolidated net profit continues to grow, and our capital efficiency remains at the top tier of the industry.

The Merchant's Heritage of Being Proactive, Agile, and Rational

Chubei Itoh I was an extremely progressive business leader. The "store rule" clearly demonstrates his efforts to overcome old-fashioned practices with state-of-the-art management practices. These included a system of meetings, Western bookkeeping, the hiring of university graduates, and the use of shipping insurance.

Rather than sticking stubbornly to precedent or being swept away by the tides of the times, he followed his own senses as a merchant and perceived the essence. His management philosophy emphasized proactive implementation of whatever was determined to be rational. This "proactive, agile, and rational" philosophy has been passed forward over the years. One example was the Company's concentrated effort to strengthen business in the non-resource sector quickly around 2013, when it anticipated that the "commodities super cycle" was coming to a close. Other practices introduced on the basis of "whether it leads rationally to sustainable increases in corporate value" included human resource strategies such as health management, the establishment of nomination and remuneration systems in the corporate governance system, and management's decision not to formulate long-term management plans based on the "idealistic" theory.

Merchants Upholding the Unwavering Ideal —"*Sampo-yoshi*"

The merchants of Ohmi followed a business philosophy of "*Sampo-yoshi*" (good for the seller, good for the buyer, and good for society). This philosophy is said to be rooted in Chubei Itoh I's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society." Doing business outside their own lands, to some extent the merchants of Ohmi were always considered as outsiders. To be permitted to engage in economic activity outside their own lands, the merchants always strove to be humble and contribute to local communities, and they naturally cultivated a spirit of putting the customer first. Chubei Itoh I's "store rule" called for net profit to be evenly split three ways—to the head family, to the accumulation of stores, and to employees. The fundamental thought of "*Sampo-yoshi*" is relevant to today's idea of Creating Shared Value (CSV), recognizing a company as a "vessel of society" that aligns its interests with those of stakeholders and shares the profits it generates. "*Sampo-yoshi*" is an unwavering ideal that underpins the Company's daily business.

ITOCHU's client industries are having to face unprecedented change, prompted by two factors. First, the world is undergoing vigorous digital transformation that is being described as the Fourth Industrial Revolution. Second, we

must live with COVID-19. Surmounting the challenges of this business environment will require the understanding of "what sets ITOCHU apart," emphasizing values for which all can relate, and further strengthening bonds of solidarity throughout the Group. In line with these efforts, in April 2020 the Company revised the corporate mission to "*Sampo-yoshi*" which has sustained the ITOCHU Group's development for more than 160 years, and positioned the corporate message of "I am One with Infinite Missions" as its Guideline of Conduct.

By encouraging each individual employee to consider their own conduct as they go about their business, ITOCHU aims to simultaneously enhance sustainable corporate value and resolve social issues.

Sources of Strengths Deriving from the Way of the Merchant

Consistent corporate behavior based on the unwavering ideal has underpinned ITOCHU's strengths over the years. During Japan's period of rapid economic growth, the Company kept pace with the changes in the country's industry structure, expanding into the non-textile sectors and diversifying its business. However, ITOCHU lacked the heavy industry connections, unlike the general trading companies associated with the former *zaibatsu* industrial groups. As a result, we concentrated our strengths on the non-resource sector, centering on areas of expertise such as food, clothing, and housing. Different from the merchants of Osaka and Edo, which operated out of free-standing stores, the merchants of Ohmi had to peddle their wares on foot. This cultivated a pioneering spirit and the independence of developing trade on their own, or "individual capabilities." Even after ITOCHU diversified its business, it continued to adhere to these "individual capabilities," carrying forward especially in the food, clothing, and housing sectors, where the number of customers is large and individual transactions are small. In 1972, we became the first major general trading company recognized as a friendly trading company by Chinese government. We took advantage of this opportunity to secure access to what would become a massive consumer market in the future. We continued working to build relations with China, which was undergoing economic development under a reform and open-door policy. In the process, we expanded our human network and business foundations.

Comprehensive Strength Accumulated from Constantly Transforming Itself

General trading companies, which operate in the middle of the value chain, are affected by trends among sellers. In particular, as manufacturers transitioned toward a practice of selling products themselves, trading companies became concerned that this disintermediation could be fateful for them. We have faced such existential crises numerous times, with the 1960s marked by "the notion that trading companies were a declining force" and the late 1970s to early 80s labeled as a "period of hardship for trading companies." We have successfully overcome such adversities by flexibly changing the form of our business. As part of these initiatives, we moved upstream to secure stable supplies of resources and product materials. At the same time, we invested in downstream operations, notably FamilyMart, to expand our customer contact points. In addition to this vertical expansion of the value chain, we shifted toward a business model that pursued added value. One example was our move into the brand business in the Textile Company in the 1970s. By entwining our business investments and creating businesses in a multifaceted and linked manner, we have built up our comprehensive strength. As Chubei Itoh I worded in "supplying the needs of the society" and the current Chairman & CEO, Masahiro Okafuji, explained that trading companies "are like water taking the form of the vessel in which it is carried, sometimes round, and sometimes square," we transform ourselves as a merchant sensitive to the needs of the times.

Passing on the Management Baton While Bringing out True Value of a History of more than 160 Years

In the late 1990s, huge holdings of underperforming assets led to a crisis that threatened our continued existence. Then-President Uichiro Niwa adopted a bold stance, saying "Problems created in the 20th century should be resolved in the 20th century." Accordingly, in FYE 2000 we processed total losses of ¥400.0 billion, sweeping away low-efficiency and unprofitable assets. We also introduced a new management method, called Risk Capital Management and shifted funds to high-efficiency assets.

Strengthening Our Financial Position

March 31, 1999

NET DER: 13.7 times

Net interest-bearing debt: Approximately ¥4.2 trillion

March 31, 2011

NET DER: 1.4 times

Net interest-bearing debt: Approximately ¥1.6 trillion

Trading Companies as Water

The current Chairman & CEO, Masahiro Okafuji, explains that ITOCHU has the ability to transform itself, noting that general trading companies "are like water taking the form of the vessel in which it is carried, sometimes round, and sometimes square."

Inherited Strengths

Individual Capabilities

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.12 billion (FYE 2020)

ITOCHU did not maintain free-standing stores, but instead cultivated a spirit of creating businesses on its own. This DNA and the fact of having the non-resource sector, with its large number of clients, as the core naturally cultivated "individual capabilities."

Earning Power in the Non-Resource Sector

Profits from the Non-Resource Sector

¥378.3 billion (FYE 2020)

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

Comprehensive Strength and Ability of Self-transformation

Ratio of Group Companies Reporting Profits

88.6% (FYE 2020)

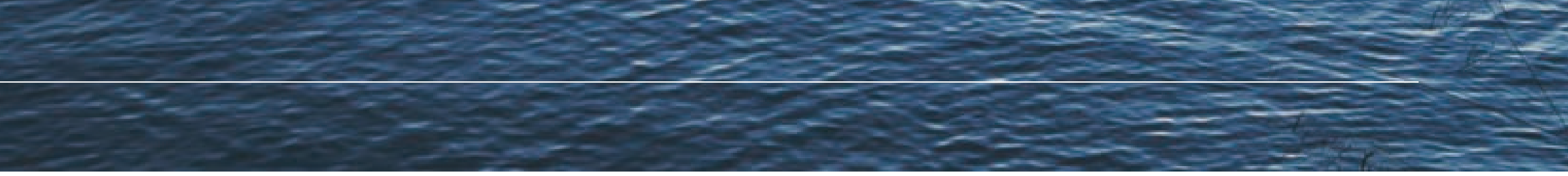
With diversified business portfolio, we established a solid earnings base by leveraging various functions and business know-how we have cultivated as a general trading company as well as by maximizing synergies between businesses.

Experience and Track Record in China and Other Parts of Asia

Expanding Business into China

1972

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



Steady Steps under “Brand-new Deal” Strategies

FYE 2016
Steppingstones toward China and other parts of Asia
➡ No. 1 general trading company in consolidated net profit

FYE 2015
Strengthening earning power in the non-resource sector
➡ No. 1 in the non-resource sector

FYE 2012
Harnessing individual capabilities ➡ No. 1 in the consumer sector

In addition, we adopted A&P Strategy and concentrated management resources on areas of strength, centering on food, clothing, and housing. He then passed on the management baton to unleash our strengths in the non-resource sector.

Taking over the management reins, President Eizo Kobayashi emphasized the pursuit of efficiency, strengthening “defense.” At the same time, the Company made proactive efforts to build the foundation for “offense” through accumulating profit by taking advantage of a resource boom. The role of President Okafuji (the current Chairman & CEO), appointed in 2010, was to dramatically develop the path the two prior presidents had outlined, maximizing the true value of our strengths as a merchant. The Company then proceeded to achieve each of its targets under “Brand-new Deal” strategies from FYE 2012.

Three Steps to Unleashing the True Value of Our Strengths

“Brand-new Deal 2012” (FYE 2012–2013) established the strengthening of front-line capabilities and “earn, cut, prevent” as the fundamental of the merchant ethos, marking a shift from our previous predilection toward “defense.” We launched a number of internal reforms to thoroughly unleash the potential of individual capabilities. We reduced internal meetings and materials, strengthened front-line capabilities, and introduced a Morning-Focused Working System. Enhancing measures such as these led us to become an industry leader in labor productivity.

Next, under “Brand-new Deal 2014” (FYE 2014–2015) we set about reaping the rewards of large-scale investments we had made and increasing profitability in existing businesses. Furthermore, by revising investment criteria, we made nearly 80% of our total investments in the non-resource sector and strengthened our earning power in this area. Through consistent implementation of the “earn, cut, prevent” principles, our business portfolio dispersed over a wide range of regions and business fields, and we have established stable cash generating power, as about 90% of the Group companies are reporting profit.

As the third step, under “Brand-new Deal 2017” (FYE 2016–2018), in addition to ensuring profit growth each fiscal year, we conducted preparations with a longer-term view. Following our investment in CP Group, we invested approximately ¥600.0 billion—the largest amount to date—in CITIC. With this move, we laid a major strategic foundation for business in China and other parts of Asia, the world’s largest consumer market.

In FYE 2012, we achieved our objective of becoming No. 1 in the consumer sector. In FYE 2015, we became No. 1 in the non-resource sector. And in FYE 2016, we became the No. 1 general trading company in consolidated net profit, as the higher-ranked general trading companies were affected significantly by the fall in resource prices while we were able to demonstrate the true value of our earnings base—being highly resilient to economic fluctuations due to our diversified business portfolio. Furthermore, in FYE 2019 we reached the major milestone of exceeding ¥500.0 billion in consolidated net profit for the first time. We have steadily stepped up our businesses by building on our existing strengths. This could be interpreted as us having charted a major change of course toward “offensive” management, but in fact that is not the case. Rather, as we moved forward we weighed the risks very carefully, keeping in mind the harsh lessons learned in the late 1990s. As the next step in the following medium-term management plan, “Brand-new Deal 2020,” we advanced the shift from a product-oriented to a market-oriented perspective, in order to upgrade the physical businesses we have honed to date. As a result, in FYE 2020 we achieved the strongest financial results ever including consolidated net profit, achieving the targets of “Brand-new Deal 2020” one year ahead of schedule.

In FYE 2021, we expect global economic confusion to become more pronounced on various fronts due to the COVID-19 pandemic which we cannot predict its containment. Remaining true to the “*Sampo-yoshi*” spirit, despite the adverse operating conditions we will continue to lay the steppingstones for our next step forward.

Dialogue

“*Sampo-yoshi*” and ITOCHU

CAO Fumihiko Kobayashi interviewed Professor Hideki Usami, a leading researcher on the merchants of Ohmi, about the origins of “*Sampo-yoshi,*” which is the new ITOCHU Group corporate mission from April 2020, the common ground between the spirit and ITOCHU’s current management policies, and the ideal shape of management amid the increasing importance of ESG.

Hideki Usami
Professor Emeritus of Shiga University

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

Kobayashi: On April 1, 2020, the ITOCHU Group declared "*Sampo-yoshi*" as its new corporate mission. On this occasion, ITOCHU consulted with Professor Hideki Usami, a leading researcher on the merchants of Ohmi. Professor Usami presents the view that the spirit of "*Sampo-yoshi*" can be found in the business practices of Chubei Itoh I, whose personal motto was "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." Would you mind explaining, once again, the meaning behind the words "*Sampo-yoshi*"?

Usami: For starters, I must clarify that "*Sampo-yoshi*" is a neologism created by researchers studying the merchants of Ohmi, and that Chubei Itoh I did not come up with the phrase itself. In addition, "*Sampo-yoshi*" is well known across Japan for consisting of three sides, "*urite-yoshi* (meaning "good for the seller"), *kaite-yoshi* (meaning "good for the buyer"), *seken-yoshi* (meaning "good for society")." The use of "for" ("*ni*" in Japanese) before "good" ("*yoshi*") is correct Japanese, in my opinion. Therefore, the correct phrase should be "*urite-ni-yoshi*, *kaite-ni-yoshi*, *seken-ni-yoshi*." In the history of the merchants of Ohmi, the expression "*Sampo-yoshi*" began to appear after Professor Eiichiro Ogura of Shiga University used the term in 1988 to describe the trading philosophy of the merchants of Ohmi in his book *Omi Shonin no keiei* (Management Practices of the Merchants of Ohmi). Chubei Itoh I's personal motto is an exemplification of this philosophy in a management mindset, which is "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."

Kobayashi: In modern Japanese society, "*Sampo-yoshi*" has become a phrase that everyone has heard of before, but not many people are clearly aware of its origins.

Usami: There are various opinions about the origins of "*Sampo-yoshi*." One view is that it came from the Jihei Nakamura family motto, but I have not found evidence of the "*urite-ni-yoshi*, *kaite-ni-yoshi*, *seken-ni-yoshi*" expression. The first appearance of the expression can be traced to Chubei Itoh I. On their outward journeys, the merchants of Ohmi traveled up to other countries and sold merchandise from Kyoto, Osaka and other parts of the Kinki region, in addition to those from Ohmi. On their return journeys, the merchants bought specialties in other countries and sold them in the Ohmi and Kinki region. This trade practice was called "saw trading," and it gave rise for merchants to open stores for trading specialties from various regions between the merchants of other countries. These merchants were outsiders ("*yosomono*") in foreign lands, so they had to heed the trade practices rooted in each region. The trading style of these unique merchants of Ohmi persisted over many long years, culminating in the "*Sampo-yoshi*" spirit. Chubei Itoh I was the first person to put this trading philosophy into words. In Japan, I believe ITOCHU and Marubeni are the only companies that can claim "*Sampo-yoshi*" as their founding spirit because they can count Chubei Itoh I as their founder.

Kobayashi: Thank you for that explanation. After the bubble economy collapsed in Japan, Japanese firms did not hesitate to embrace the concept of shareholder capitalism and related systems from Europe and the United States. In the past, it was well understood that a company belongs to shareholders and it should behave in ways to

I think it will be important how "*Sampo-yoshi*" is perceived and practiced in modern business.

Hideki Usami

Professor Emeritus of Shiga University

Born in 1951 in Fukui Prefecture, Mr. Usami is a former director of Archival Museum for the Faculty of Economics at Shiga University. He is a famous researcher in the business and social activities of the merchants of Ohmi. He is also the author of *Cherishing the Memory of Chubei Itoh I* (Seibundo Publishing) and *Ohmi Fuzokushi* (*Morisada Mankou*) (Castigation, Iwanami Shoten).

Driving Force for Sustainable Value Creation maximize shareholder returns. Once a consensus formed among institutional investors and leaders in the business world that pursuing only shareholder returns would not ensure the sustainability of a company, the SDGs and ESG investment began to catch on as an underlying trend. SDGs and ESG concepts encourage companies to contribute to the development of the world by increasing benefits for people other than shareholders, while also striving to increase shareholder value. I believe these concepts align perfectly with the sayings of Chubei Itoh I. ITOCHU's corporate activities carry on the spirit of Chubei Itoh I, guided by the idea that trade "accords with the spirit of Buddha." To put it another way in modern-day language, companies have the mission of bringing profits to society at large.

Usami: The merchants of Ohmi's idea of returning profit to society is deeply rooted in their practice of "evenly splitting net profit three ways." Retailers were the customers of merchants of Ohmi, which were effectively wholesalers, and people living in the region, who bought this merchandise, were the customers of these retailers. If the people did not have stable lifestyles, the merchants would not be able to conduct trade for long, and this is why the merchants of Ohmi were keen to make sure people in their target region could carry out their lives without disruption. It is noteworthy that the merchants naturally adopted the concept of "*intoku zenji*," or constantly making improvements without outwardly telling other people. Not only providing aid to people after natural disasters struck, the merchants also helped the impoverished in regional communities, by employing people in the construction of non-essential storehouses and residences. Such "helpful" construction was one example of how the merchants gave back to the world ("good for society"). Rooted in the Friedman-style concept of free market capitalism, businesses in Europe and the United States sought to maximize profits as the ultimate good. In contrast, the merchants of Ohmi, which valued collective harmony preconditioned on mutual aid, had clearly different views on profits. Their idea that employees were joint partners also tends to be dismissed from the viewpoint of free market capitalism. I believe it is important to nurture ideal values depending on historical and cultural perspectives.

Kobayashi: ITOCHU's current approach to business, sharing its value between the Company, employees, shareholders and other providers of capital, suppliers, and society aligns with the idea of "evenly splitting net profit three ways." For example, ITOCHU's Stock Compensation Scheme is designed with the intention of improving the awareness of employees' participation in management.

Usami: The merchants of Ohmi dealt with the society, a collective entity of specific minorities connected together by relationships. Modern corporations deal with society, a collection of an unknown number of independent individuals. The scope of profit distribution has spread to areas where there are no direct transactions. If profits are distributed to broader society, pursuing more profits in itself is not a negative thing. When pursuing profits, however, it must not be forgotten that profits should not be pursued just for the sake of profits. In other words, it is essential that corporations engage in "trading in good faith." Among the merchants of Ohmi, the phrase "regretting after the sale is the essence as the merchants" was conveyed. They believed that even if a selling price were regretfully low, intentionally selling at this price to a willing buyer would gain the trust of the customer and lead to more profits over the long run. Chubei Itoh I encouraged cash transactions, in which buyers (retailers) purchase merchandise within their own financial capacity, without putting them at a disadvantage, such as by loading them with unnecessary inventories. I believe this is one example of "trading in good faith" with due consideration given to the customer. By gaining the trust of customers and forming relationships based on this trust, profits can increase in perpetuity. By distributing these profits to the world, the concept of "evenly splitting net profit three ways" is an idea similar to SDGs in modern society, in my opinion.

Kobayashi: The word "trust" in Professor Usami's comments is a key word that the merchants of Ohmi have in common with ITOCHU today. The linen trading that Chubei Itoh I began with his carrying pole entailed showing samples of merchandise to customers, taking orders, and then receiving payment after the merchandise is delivered from the site of production. If trust is lost at a single point along these series of transactions, the trading could not continue over the long term. Although times have changed, ITOCHU strives to achieve its targets every period through commitment-based management. It is based on the idea that building the trust of all stakeholders every period, including shareholders, is essential to gaining trust in ITOCHU's medium- to long-term vision and the management based on it. This is a common thread that extends back to the merchants in their heyday.

Usami: The merchants of Ohmi had the expression "trading is like the drooling saliva of a cow." This expression means that continuing to trade over several generations is better than making a fortune for only one generation. Lists ranking of the merchants of Ohmi still exist today, and the highest-ranked merchants are the well-known families that managed to trade over the most generations. Even if a fortune created a prosperous merchant family for one generation, it was not recognized if they could not continue business. Regardless of changes in trading methods, merchandise handled, and the social fabric, the merchant families that passed down a spirit of "*Sampo-yoshi*," thrift and frugal, and a spirit of building trust through their family mottoes and store rules that spanned generations are the ones that continued long and small business small business based on trust of their family, successfully having stayed in business in their communities.

Kobayashi: The families that ran a successful trading business over the long term became the most distinguished families. I believe this aligns with the way modern corporations focus on sustainability as an assessment criteria. To summarize our conversation today, "*Sampo-yoshi*," as a phrase of the condensed spirit of the merchants of Ohmi, can be viewed as a straightforward expression of the cutting-edge economic value systems in the world today. Now that ITOCHU has a new Group corporate mission with "*Sampo-yoshi*," I believe ITOCHU has astutely aligned itself with modern social trends. At ITOCHU, managers in the past have all embodied the spirit of "*Sampo-yoshi*," and this spirit has embedded itself in the hearts and minds of each and every employee. I am very proud that ITOCHU has taken a corporate stance that dovetails with the concept of an ideal corporation needed the world over.

Usami: I think it will be important how "*Sampo-yoshi*" is perceived and practiced in modern business. In this context, I believe ITOCHU needs to shed more light on the future it envisions. ITOCHU's goal of becoming the top general trading company is a major motivation for employees. As this is achieved in the future, I believe employees will be even more motivated if management further clarifies its vision for ITOCHU as "a company working for the benefit of society." In my opinion, each and every employee must have a sense of their own mission, and an idea of the better future that can be created from their own position, starting with the "I am One with Infinite Missions" Guideline of Conduct, amid a growing need to contribute to society and management focusing more on various stakeholders around the world, not just customers and suppliers. While adhering to the code of conduct in the spirit of "*Sampo-yoshi*," I hope that ITOCHU continues to put this spirit into practice while adjusting with the times.

Kobayashi: In these hard times during the COVID-19 pandemic, I felt strongly that our corporate mission should be a compass for all employees. Our "*Sampo-yoshi*" corporate mission and "I am One with Infinite Missions" Guideline of Conduct have served as a psychological prop for our employees working on the front lines and our employees working from home during the COVID-19 pandemic. As the ones who have inherited the spirit of "*Sampo-yoshi*," we carry out the mission asked of each of us. This is a universal and easy-to-grasp concept. Our corporate mission and Guideline of Conduct empower our employees to think on their own and fulfill their own mission when protecting the Company, their families, and our customers.

I believe the change in our corporate mission has allowed our employees to rethink the meaning of "*Sampo-yoshi*" from a sustainability standpoint. I would like to thank Professor Usami once again for providing us with a springboard. Thank you for setting aside the time for this discussion today.

In these hard times during the COVID-19 pandemic, I felt strongly that our corporate mission should be a compass for all employees.

Fumihiko Kobayashi

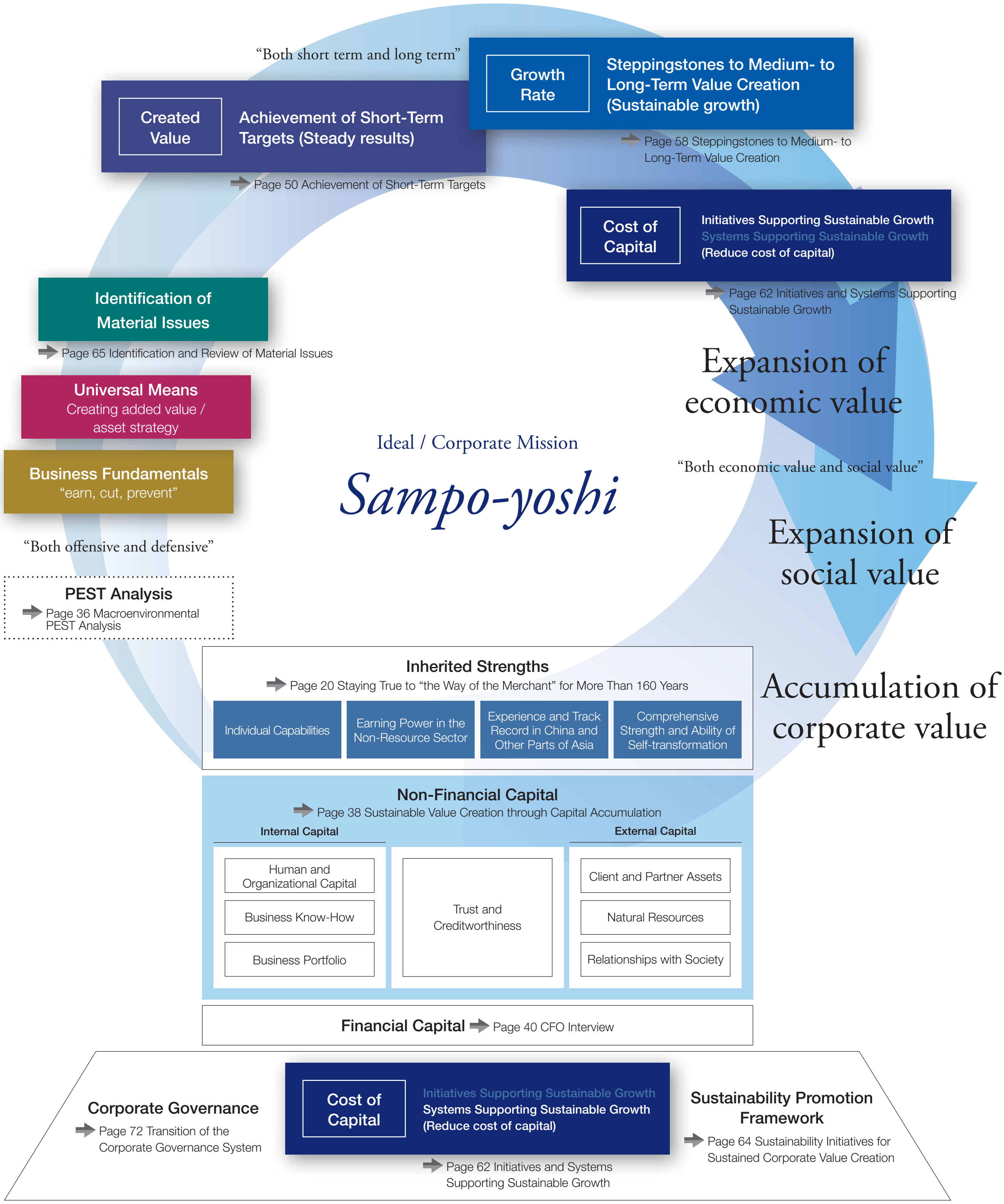
Member of the Board, Senior Managing Executive Officer, CAO

The “Merchant” Business Model

Pursuing “All the Priorities,” Not Just “a Single Expedient”

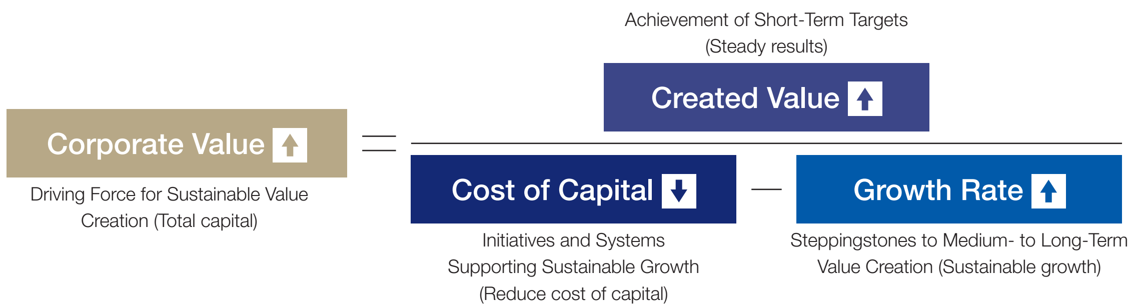
For more than 160 years, the “*Sampo-yoshi*” spirit has represented our unwavering ideal as a merchant. In keeping with this focus, rather than seeking to achieve a single target of either economic or social value, or either short-term targets or steppingstones for medium- to long-term growth, we aim to achieve “all the priorities.”

Each of the merchants of the Group in charge of “Infinite Missions” makes the most of his or her “individual capabilities” to further enhance corporate value.



Explanation of Our Business Model

In our aim of enhancing corporate value, we must expand both economic and social value. Specifically, we are working to expand created value (Achievement of Short-Term Targets), increase growth rate (Steppingstones to Medium- to Long-Term Value Creation), and lower the cost of capital (Initiatives and Systems Supporting Sustainable Growth). As a result, we will realize a virtuous circle as we “reinforce capital,” which is a driving force for sustainable value creation.



Business Fundamentals and Universal Means as a Merchant

Business Fundamentals

EARN	CUT	PREVENT
Conduct trade aligning with changes in the world and customer needs	Reduce expenses that are not cost effective, reduce unnecessary meetings and documents	Prevent outflows due to losses on receivables and impairment losses

Universal Means

Creating Added Value

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

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

Promoting Business Management
In addition to leveraging the various functions and management know-how we have accumulated as a general trading company, we take the initiative in forming business combinations and alliances with Group companies, enhancing the competitive advantage of our investees.

Generating Synergies among Businesses
By leveraging the Group’s management resources, we maximize synergies between existing businesses and Group companies, increasing the Group’s overall corporate value.

Asset Strategies

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

Investing in Areas of Strength
We emphasize investment in areas where we have strength, such as the non-resource sector, centered on consumer-related businesses, and in China and other parts of Asia. On this basis, we are working to further reinforce our competitive edge.

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

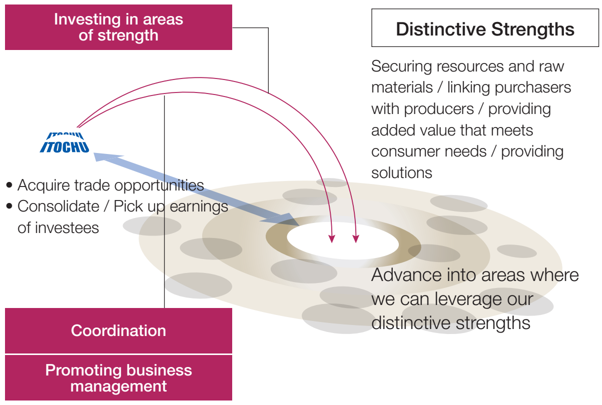
Pursuing Asset Efficiency
We exit from investments that are determined to be low-efficiency assets from such perspectives as scale of earnings, investment efficiency, and strategic significance. In this way, we are working to maximize free cash flows by increasing asset efficiency and strengthening cash generation power.

Our Business Model, as Seen through Business Development

Expanding Our Multifaceted Businesses and Tirelessly Upgrading

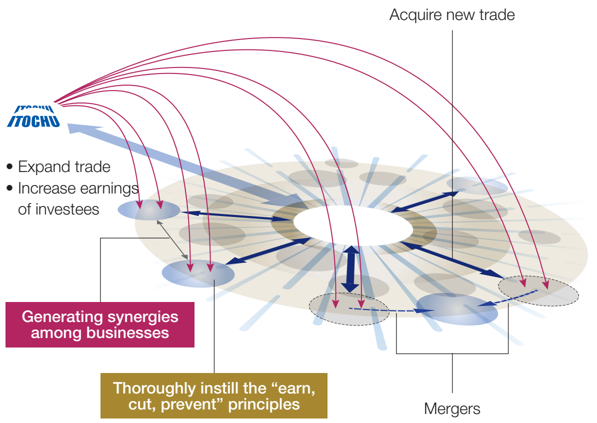
We are expanding our multifaceted businesses through a chain reaction by leveraging functional areas of strength. At the same time, we are combining existing businesses, shifting to a market-oriented perspective, and investing in new fields. Through such efforts, we continue to upgrade our business model and pursue a new vision of what a trading company can achieve.

Advancing into Areas Where We Can Leverage Our Distinctive Strengths



We narrow down possible areas to those in which we can generate synergies with existing businesses and control risk, and advance into new businesses and markets through trade and investment.

Establishing a Market Position and Creating Multifaceted, Linked Businesses

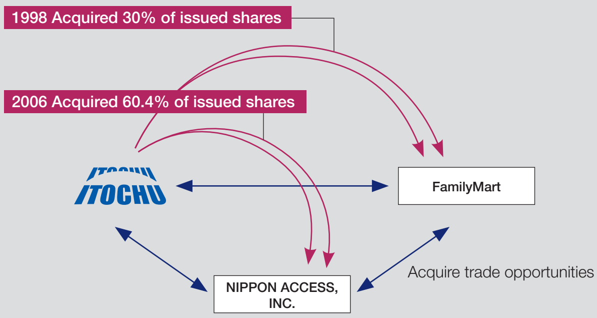


After advancing into a new area, we strive to acquire business know-how while setting our sights on the next step. At the same time, we leverage our management resources and create added value to increase investees' corporate value and establish a market position. Thereafter, we continuously work to thoroughly instill the "earn, cut, prevent" principles, acquire new trade, generate synergies among businesses, and reorganize business, creating multifaceted, linked businesses.

Examples from the Convenience Store Business

Acquiring Customer Contact Points

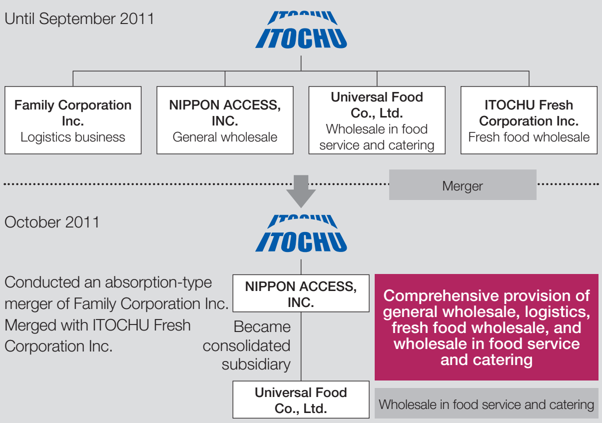
ITOCHU acquired approximately 30% of the issued shares of FamilyMart in 1998, marking our first full-fledged foray into the retail field. In 2006, we converted the general food wholesaler NIPPON ACCESS, INC., into a consolidated subsidiary. These moves accelerated reforms in our business model highlighted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



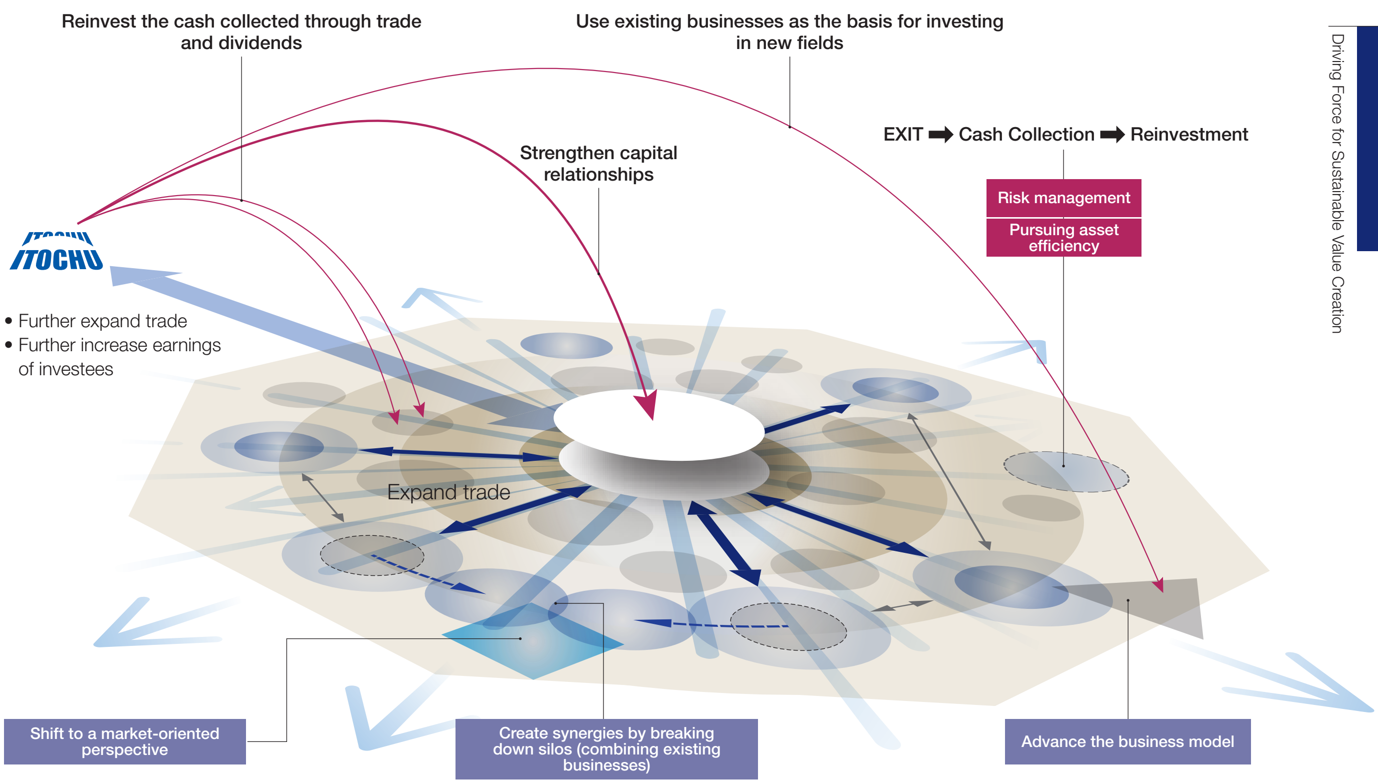
* As of March 31, 2020, we own 50.2% of FamilyMart Co., Ltd., and 100% of NIPPON ACCESS, INC.

Strengthening the Intermediate Food Distribution Business through Reorganization

In October 2011, ITOCHU integrated its intermediate food distribution business, centering it on NIPPON ACCESS, INC. Through this reorganization, we built a system that can offer integrated handling of processed foods in all temperature ranges—ambient, frozen, and chilled—as well as the three main groups of fresh food products. This move also facilitated the provision of integrated distribution services. Now possessing top-class scale and functionality in the field of food distribution, we have created a structure providing our business partners with low-cost, high-quality logistics.



Reinforcing Earning Power by Advancing (Upgrading) the Business Model and Strengthening Cross-Divisional Functionality, and Promoting Asset Replacement



Creating a Value Chain in the Convenience Store Business

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

Shift to a market-oriented perspective

ITOCHU

POCKET CARD CO., LTD.
Settlement service

ITOCHU Techno-Solutions Corporation
Development of store systems

ITOCHU Retail Link Corporation
Daily necessities

Tokyo Century Corporation
Leasing of store fixtures

Expanding synergies by breaking down silos

Creation of a Food Product Value Chain

Foodstuffs, raw materials
↓
Product planning
↓
Manufacturing and processing
↓
Sales agents
↓
Intermediate distribution
↓
FamilyMart

How ITOCHU Differs from a General Private Equity Fund

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

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

Creating Synergies Infinitely —Vertically and Horizontally

The ITOCHU Group is building and enhancing a value chain spanning upstream to downstream operations with the aim of maximizing earnings from the Convenience Store business. In addition to fortifying the food value chain, we are generating synergies among businesses by making The 8th Company the starting point and going beyond Division Companies' boundaries in such areas as daily necessities, financial services, system development, and construction materials.

Food Product and Peripheral Business Initiative Examples

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

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

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

	Raw Materials	Product Planning / Manufacturing, Processing / Sales Agents
Ready-to-eat products (rice balls, boxed lunches)	■ Japan Food Supply Co., Ltd. (NIPPON ACCESS Group) ■ ITOCHU Food Sales and Marketing Co., Ltd. ■ ITOCHU FEED MILLS CO., LTD., etc.	◆ Ready-to-eat producers
Fried chicken (FAMICHIKI)	◆ Chicken suppliers	▲ Fresh Food Department No. 2
Fried chicken (Spicy Chicken)	◆ CP Group	▲ Fresh Food Department No. 2
Counter coffee (FAMIMA CAFÉ)	■ UNEX (GUATEMALA), S.A., etc.	▲ Sugar, Confectionery Materials, Coffee & Dairy Products Department ▲ Food Products Marketing & Distribution Department
Eggs	■ I-hiyoko Co., Ltd (ITOCHU FEED MILLS Group)	■ ITS Farm Co., Ltd. (ITOCHU FEED MILLS Group)
Bananas	■ Dole	▲ Fresh Food Department No. 3

Non-Food Product Initiative Examples

The ITOCHU Group is working together to provide daily necessities that support lifestyles and supplies needed for everyday store operation.

Daily necessities	New Year's cards	■ ITOCHU Pulp & Paper Corporation
	FamilyMart collection daily necessities (detergent, plastic bags, cleaning sheets, etc.) and umbrellas	■ ITOCHU Retail Link Corporation ■ Sanipak Company Of Japan, Ltd.
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 Corporation
	Uniforms	▲ Textile Company

■ Subsidiary ● Affiliated company ▲ ITOCHU ◆ Business partner

Operational Support Initiative Examples

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

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

Areas of Focus in Joint Initiatives with FamilyMart

- Building a new convenience store model in response to changing lifestyles
- Promoting efforts to reduce food losses and amount of plastic used
- Taking advantage of new technologies to lower store and headquarters costs
- Boosting efficiency of the supply chain further through such moves as expanding the scope of data linkage
- Developing new businesses in areas such as advertising / marketing and financial services by leveraging purchasing information and customer contact points
- Accelerating development in China and other parts of Asia

Linking supply chain data

By linking data, optimize ordering, inventories, and distribution, making the value chain more efficient as continuous efforts to "cut."

Wholesale / Logistics

Intermediate Distribution Example

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

Wholesale / Logistics	■ NIPPON ACCESS, INC. Provides the majority of logistics services for food and non-food products for FamilyMart stores through approximately 550 distribution locations around Japan
Delivery van	● NIPPON CAR SOLUTIONS CO., LTD (Tokyo Century Group)

NIPPON ACCESS, INC., supporting an industry-leading store network

Service Initiative Examples

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

Financial / insurance services	Famima T Cards	■ POCKET CARD CO., LTD.
	Motorbike liability insurance, One-day automobile insurance	▲ ICT & Financial Business Company
Other services	POSA cards	■ CONEXIO Corporation
	Famiport coupons	▲ ICT & Financial Business Company

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

Macroenvironmental PEST Analysis

The business environment surrounding ITOCHU is changing day by day, while uncertainties increase. Through a PEST analysis, we adequately assess the risks and opportunities related to non-financial capital in the context of macroeconomic factors, including the COVID-19 pandemic and trade friction between the United States and China. We use this assessment to build a stronger competitive edge while flexibly responding and adapting to changes in the business environment.

P (Political / Legal)

Risks		Opportunities
	Political Trends 1 2 3 4 5 6	
Global economic stagnation; decrease in trade volume; stricter export and investment regulations	**U.S.–China Conflict (Trade disputes, forced technology transfer)**	Supply chain revisions
Decrease in trade volume and movement; destabilization of financial markets	**Anti-globalization Movement (Brexit and protectionism)**	Greater complexity in food and resource procurement; supply chain revisions
Coercive political management	**Elections (U.S. presidential and Lower House elections)**	Economic stimulus
Economic stagnation due to terrorism and armed conflict; disorder in financial markets	**Geopolitical Risks (Middle East, North Korea, etc.)**	Increase in crude oil prices
	Changes in Tax Code and Regulations 1 2 3 4 5 6	
Decrease in trade volume	**Trade Talks and Trade Agreements (Japan–U.S., U.S.–EU, USMCA, etc.)**	Supply chain revisions
Existing energy market shrinkage (coal and crude oil)	**Greenhouse Gas Containment Regulations (Paris Agreement, etc.)**	Expansion of new energy market (wind power, solar power, etc.)
Rising costs, such as those for establishing data governance; damage and decline of reputation	**Tightening Regulations on Handling of Personal Data**	End of data monopolies held by existing platformers; expansion of open data availability
Decrease in existing business transactions	**International Tax Trends (Measures to address tax avoidance and platformers)**	Improvement in corporate performance; optimized taxation
	Economic Policy Trends 1 2 3 4 5 6	
Destabilization of financial markets	**Continuation of Monetary Easing Policy**	Stable low cost of fundraising
Upward pressure on interest rates; higher taxes	**Change in Expansionary Fiscal Policy**	Expectations for private sector to drive economic growth; faster pace of deregulation

Business development amid growing uncertainties and instability as countries prioritize bringing their own economies back to normal during unstable international affairs

E (Economical)

Risks		Opportunities
Decrease in business opportunities and trade volume	**Economic Slump in Developed Countries** 1 2 3 4 5 6	Emergence of new demand from changes in consumer and corporate behavior
Emergence of non-performing assets due to economic and social deterioration	**Greater Disparities in Economic Growth in Emerging Countries** 1 2 3 4 5 6	Increase in consumer spending as standard of living improves; increase in demand for infra-structure and foodstuffs as population grows
Decrease in currencies of emerging countries; increase in overseas investment costs	**Dollar Appreciation** 1 2 3 4 5 6	Improvement in earnings environment due to yen depreciation
Formation and collapse of asset bubbles in specific fields and products	**Asset (stocks, real estate) and Resource Price Increase** 1 2 3 4 5 6	Increase in fundraising capacity due to higher value of existing assets; growth in earnings from trading
Excessive swings in project prices	**Change in Investment Environment** 1 2 3 4 5 6	Increase in expected returns as growth rebounds; more investment opportunities in fields of strength in accordance with restructuring

With only moderate recoveries in the economies of developed countries, and widening disparities in the economic growth potential of emerging countries, monitor the balance between growth fields and fields peaking out

S (Social / Cultural)

Risks		Opportunities
Decrease in fossil fuel demand; business damage due to increasingly abnormal weather	Addressing Climate Change (Contribute to building a decarbonized society) 1 2 3 4 5 6	Increase in business opportunities in renewable energy, etc.
Labor shortages and outflow of personnel; harassment, mental health, and long working hours; increases in health-related costs	Cultivating a Motivating Workplace Environment 1 2 3 4 5 6	Improve labor productivity with IT tools; enhance work efficiency through flexible work systems; improvement in health and motivation; securement of superior human resources
Project delay and continuity risks due to human rights issues; compliance violations and data leaks	Respecting Human Rights 1 2 3 4 5 6	Business stabilization and recruitment through harmonious coexistence with local communities; construction of a safe and secure product supply system
Decrease in creditworthiness when safety and health issues occur; destabilization of markets and the social security system	Contributing to Healthier and More Enriched Lifestyles 1 2 3 4 5 6	Increase in demand for products and services compatible with a non-contact society; increase in demand for food safety, security, and health promotion; expansion of personal consumption and information, financial, and distribution services
Occurrence of environmental issues and protest campaigns; industrywide structural exhaustion as competition drives down prices	Ensuring Stable Procurement and Supply 1 2 3 4 5 6	Increase in demand for resources in emerging countries; stable supply of environmentally friendly resources and raw materials
Lowering of corporate value assessment by investors; withdrawal of invested funds; exclusion from investment target; decline in stock prices	Maintaining Rigorous Governance Structure 1 2 3 4 5 6	Rising of corporate value assessment by investors; addition to investment targets; inflow of investment funds; increase in stock prices

Provide products and services, create new businesses, and conduct asset replacement based on "*Sampo-yoshi*" Group corporate mission, aiming to resolve social issues

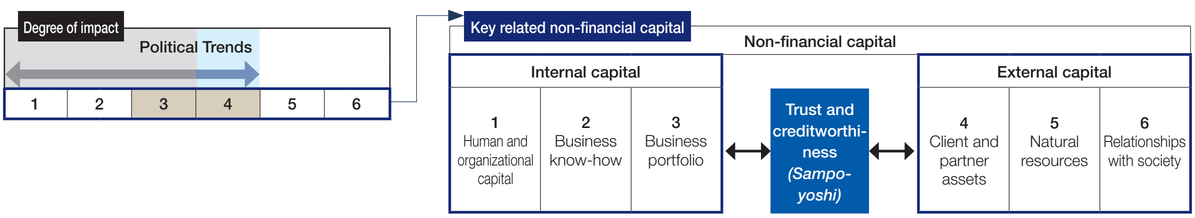
T (Technological)

Risks		Opportunities
Obsolescence and extinction of existing business models from proliferation of new technologies such as AI and IoT; leaks of internal data due to cyber criminals	Evolving Businesses through Technological Innovation 1 2 3 4 5 6	Creation and provision of innovative services and new business models; improve productivity and optimize overall supply chain through use of new technology

By taking a market-oriented perspective to address rapid technological innovation and changes in consumer behavior, advance the transformation of business models

Guide to understanding this page

Each macroeconomic factor displays the impact from risks and opportunities, as well as key related non-financial capital



Page 38 Sustainable Value Creation through Capital Accumulation

Sustainable Value Creation through Capital Accumulation

The ITOCHU Group conducts its business through both trade and business investment. In the course of its history over 160 years, we have steadily accumulated internal capital such as human capital and business know-how.

Meanwhile, we believe that trust and creditworthiness are extremely important for achieving enhancement of interaction between internal and external capital. By always remaining cautious of trust and creditworthiness in our management practice, we aim to realize increases in economic and social value, and to continuously expand our corporate value.

Importance and Monitoring Indicators of Each Capital

Internal Capital

	Importance of Capital in Value Creation	Examples of KPIs / Monitoring Indicators
Human and Organizational Capital	Human resources are the driving force behind the functioning of our business models. We increase "individual capabilities" and labor productivity through our human resource strategies. In addition, our "profit earning" business divisions have powerful backing from our administrative divisions, which have rapid decision-making systems and high-level expertise.	• Labor productivity of employees • Engagement Survey • Time and money spent on employee skill development • Number of employees with Chinese-language qualifications • Hours of overtime work • Paid leave acquisition rate • Evaluation by students looking for work
Business Know-How	With eight Division Companies operating businesses in diverse industries, ITOCHU has accumulated extensive business know-how. This is a vital intangible asset for creating new businesses and expanding into new regions.	• Number of new businesses formed • Number of years of business with existing customers
Business Portfolio	Under pressure to respond to a rapidly changing management environment and diversification of consumer needs, the entire ITOCHU Group will leverage its comprehensive strength in a wide range of business domains to transform its existing business models and enable expansion of its functional domains, expanding the potential for sustainable profit growth.	• Ratio of Group companies reporting profits • Management efficiency indicators

Trust and Creditworthiness (*Sampo-yoshi*)

Financial Capital ➡Page 40 CFO Interview

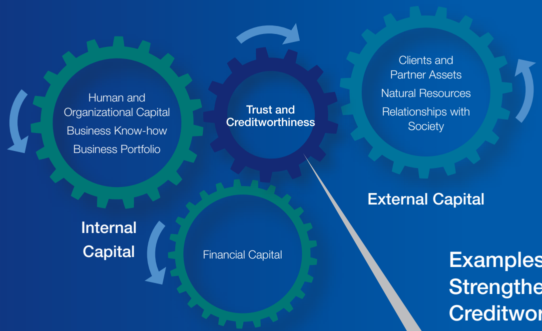
External Capital

	Importance of Capital in Value Creation	Examples of KPIs / Monitoring Indicators
Client and Partner Assets	We maintain win–win relationships with our clients and partners, which include a large number of leading companies. This is vital to our ability to rapidly expand into new domains and constantly capture and expand trade. It is our abundant client and partner assets that enable us to realize sustainable earnings growth.	• Profits from initiatives with good partners • Number of clients and partners • Expenses reduced and decrease in allowance for bad debts
Natural Resources	Through its business in the non-resource and resource sectors, we meet social demand for stable procurement and supply of natural resources, while capturing new business opportunities in responding to social issues outlined in the SDGs.	• Ratio of renewable energy • Level of energy consumption • Level of waste emissions • Amount of paper consumption • Amount of water usage and emissions
Relationships with Society	We practice constructive communication with our stakeholders, ascertaining their expectations and demands of the Company and resolving them. Through this effort we promote stable business activities in Japan and overseas and realize further increases in corporate value.	• Number of engagements with stakeholders • Number of companies participating in sustainability surveys • Number of ESG- and compliance-related internal training session participants • External evaluation of initiatives and additions to indexes • Shareholder returns (dividend payout ratio and share buybacks) and EPS • Evaluation by ESG evaluation institutions • Number of compliance violation incidents

Relationship between the Corporate Mission of "*Sampo-yoshi*" and Increase in Corporate Value

On April 1, 2020, we changed our Group corporate mission to "*Sampo-yoshi*." Through our business as a general trading company, we earn the trust and creditworthiness from various stakeholders in the spirit of "*Sampo-yoshi*." We will leverage these to strengthen a cycle of value creation.

Our policy is to promote business activities with an awareness of our external capital, which are clients, partners, natural resources, and society, and to promote internalization of these external capital. This results in interaction between our external capital and our existing internal capital, which will enable us to realize even more sustainable creation of corporate value.



Examples of Measures for Strengthening Client and Partner Assets

- Selection and securing of good partners
- Use of cutting-edge technologies and services and business model transformation
- Consideration for Environment, Health and Safety (EHS)
- Building of safe and secure supply chains

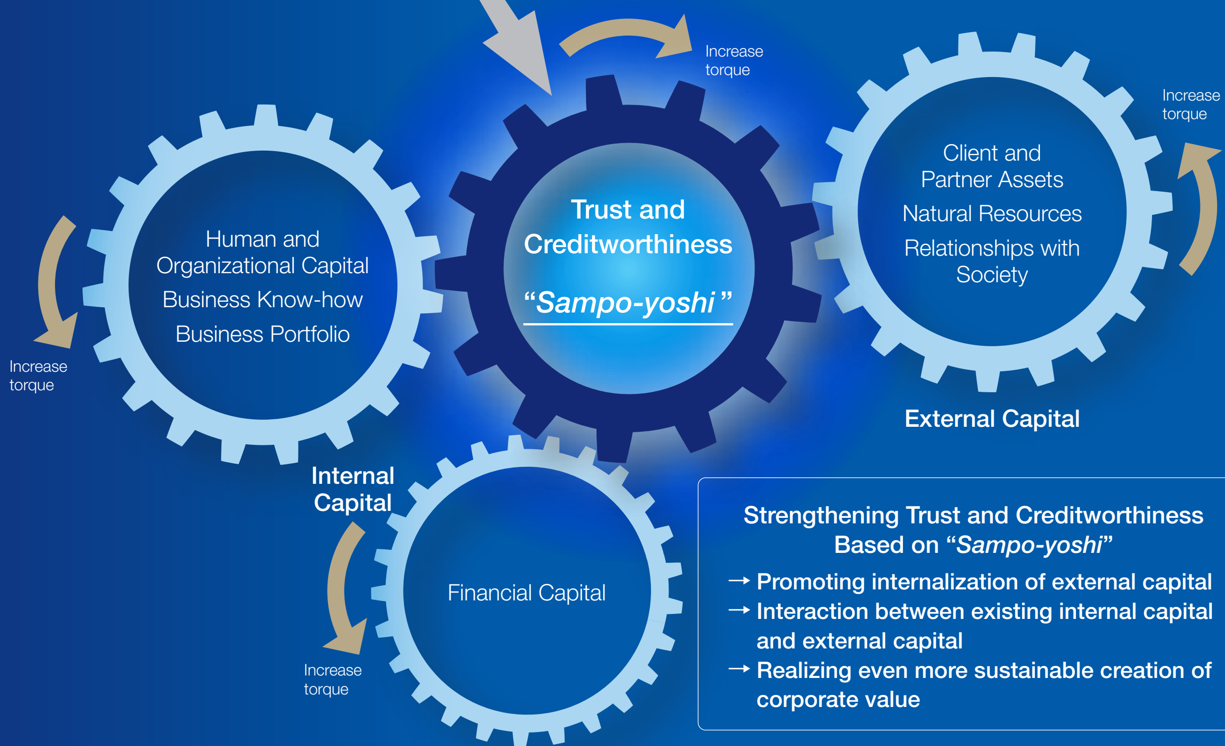
Examples of Measures for Strengthening Trust and Creditworthiness

- Revision of corporate mission to "*Sampo-yoshi*"

Examples of Measures for Strengthening Natural Resources and Relationships with Society

- Announcement and implementation of our policy on coal-related business initiatives (ongoing review of existing project based on engagement)
- Strengthening of value chains and business investment management based on sustainability
- Promotion of environmentally friendly business

➡ Page 64 Sustainability Initiatives for Sustained Corporate Value Creation



Strengthening Trust and Creditworthiness Based on "*Sampo-yoshi*"

→ **Promoting internalization of external capital**
→ **Interaction between existing internal capital and external capital**
→ **Realizing even more sustainable creation of corporate value**

Examples of Measures for Strengthening Human and Organizational Capital

- Revision of the corporate mission, establishment of the Guideline of Conduct
- Morning-Focused Working System and working from home system
- Health management (ITOCHU Health Charter, Support Measures for Balancing Cancer Care and Work)
- Business support leveraging abilities of administrative divisions (high level expertise)

➡ Page 70 Human Resource Strategy

Examples of Measures for Strengthening Business Know-How

- Initiatives to transform business models that utilize ITOCHU's comprehensive strength
- Establishment of The 8th Company, development of business from a "market-oriented perspective"
- Acquisition of new knowledge through venture investments, etc., and incorporation into ITOCHU's business models

Examples of Measures for Strengthening Business Portfolio

- Pursuit of highly efficiency management through execution of rigorously selected strategic investments and continuous asset replacement
- Thorough refinement of existing businesses by enacting our business fundamentals: "earn, cut, prevent."
- Announcement and implementation of ITOCHU's Policy on the Governance of its Listed Subsidiaries, etc.

➡ Page 77 ITOCHU's Policy on the Governance of Its Listed Subsidiaries

CFO Interview

Question 1
Please provide a general review of the financial and capital strategies in "Brand-new Deal 2020."

Answer 1
We were able to achieve our promises a year ahead of schedule by steadily racking up accomplishments, one by one.

Despite a bruising business environment caused by the protracted U.S.–China trade friction and the emergence of COVID-19, FYE 2020 became ITOCHU's most outstanding year ever in quantitative terms. We achieved our target of solidifying our earnings base at ¥500.0 billion in consolidated net profit for the second consecutive years and further strengthened our financial position. As a result, we were able to successfully conclude our three-year medium-term management plan, "Brand-new Deal 2020," a year ahead of schedule. Moreover, we definitively kept our "four commitments" related to the financial and capital strategies that were set forth when "Brand-new Deal 2020" was released.

First, in terms of "enhancing shareholder returns," we promised to continue our progressive dividend policy during the period of "Brand-new Deal 2020." We achieved steady increases in dividends per share each fiscal year, up to ¥83 in FYE 2019 and ¥85 in FYE 2020, setting new record highs for both years. Furthermore, based on the "Medium- to Long-Term Shareholder Returns Policy" announced in October 2018, we showed our stance on maintaining high ROE management by continuously improving EPS (Consolidated net profit per share) through measures including share buybacks. Based on this policy, we dynamically and flexibly repurchased a cumulative total of ¥130.0 billion in shares in FYE 2019 and 2020. As a result, we were able to achieve a high level of shareholder returns in FYE 2020 with a dividend payout ratio of 25% and a total shareholder return ratio of 38%.

Next, in terms of "Core Operating Cash Flows," we set record highs for the fourth consecutive year and exceeded ¥600.0 billion for the first time, reaching ¥602.0 billion. With our improving earning power, we also steadily racked up accomplishments in terms of "cash-generating power." Amid an uncertain business environment, we conducted steady asset replacements while realizing the previously noted shareholder returns, and were able to maintain positive Core Free Cash Flows after deducting shareholder returns of ¥123.0 billion. Together with the ¥300.0 billion we recorded in FYE 2019, we have accumulated a huge cash inflow of more than ¥420.0 billion over the cumulative two-year period. We were able to further strengthen our financial position while acquiring a sufficient volume of

Amid this year's bruising business environment, we will balance our "offense" and "defense" to achieve a firm footing for even stronger growth.

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

excess funds for growth investments going forward.

In terms of NET DER, we achieved further improvement, reducing it from 0.82 times in FYE 2019 to 0.75 times and setting a new best record.

Finally, in terms of ROE, we hit 17.0%, beating our initial target of around 16%. By maintaining such a high level, we have held the No. 1 spot among general trading companies for six years running while striking a balance between "enhancing shareholder returns," namely through higher dividends and share buybacks, and "enhancing shareholders' equity."

In addition to the methodical allocation of capital and enhancement of shareholder returns, we have once again earned praise from shareholders and investors regarding the stability and sustainability of our earnings in the non-resource sector, especially the consumer-related business, which is our strength. As a result, in FYE 2020 ITOCHU's share price set 22 record highs.

Question 2
Are there any changes to the financial and capital strategies under the "FYE 2021 Management Plan?"

Answer 2
There have been no fundamental changes.

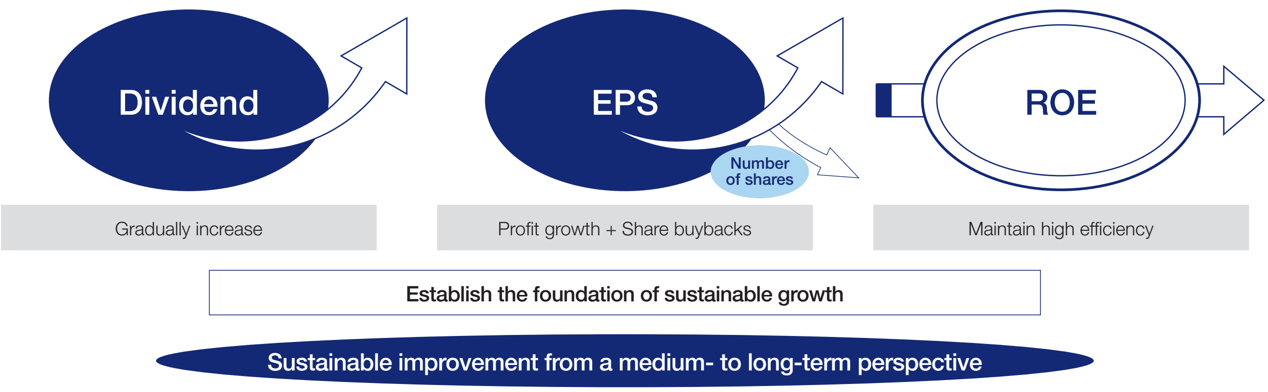
While the goals of "Brand-new Deal 2020" were achieved ahead of schedule, as mentioned previously, we have decided not to make any major changes under the single-year "FYE 2021 Management Plan" to the management policies in place. Neither have we made any changes to the "Policy to achieve high ROE while balancing three factors (shareholder returns, growth investments, and control of interest-bearing debt)" nor to the "Medium- to Long-Term Shareholder Returns Policy."

The latter policy clarifies the two aspects of our approach to shareholder returns in the medium to long term (a period of three to four years from the policy's announcement) concerning dividend payout ratio and share buybacks. It also sets forth our policy that focuses on EPS in order to achieve a medium- to long-term enhancement in corporate value. Basically, by working toward achieving profit growth, we aim to sustainably improve EPS and will therefore continue to search out growth investment opportunities. Meanwhile, we need to more seriously consider the financial impact of the extraordinary circumstances caused by the COVID-19 pandemic.

Regarding share buybacks, to live up to our commitments under this shareholder returns policy, we will continue to carry out the remaining "share buybacks of up to 35 million shares or ¥70.0 billion" as currently announced. However, we intend to continue to strike just the right balance to ensure that corporate management does not overemphasize either growth investments or shareholder returns. We seek to avoid becoming shackled to one side, which creates warped priorities.

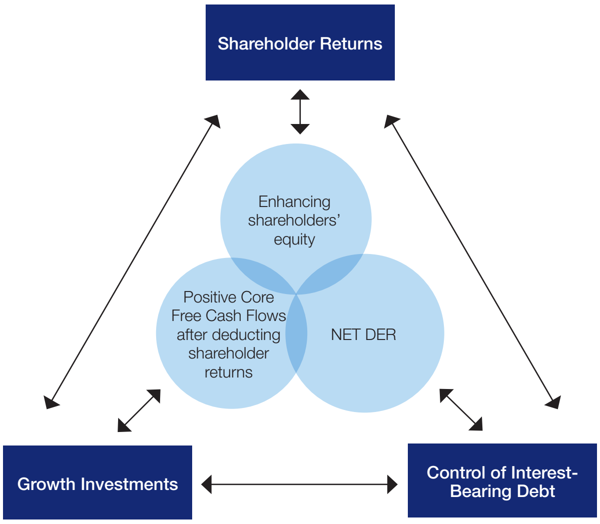
Furthermore, regarding the status of our funding

Concept for Enhancing Corporate Value



Medium- to Long-Term Shareholder Returns Policy	• Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30%. • More actively execute share buybacks Actively and continuously execute share buybacks, while considering the level of share price and cash flow availability.

Achieve High ROE While Balancing Three Factors



procurement, we have secured sufficient liquidity mainly through ample cash and deposits as well as commitment line agreements with financial institutions.

Question 3
Could you discuss ITOCHU's investment policy as the economy teeters on the brink of recession?

Answer 3
Our policy is to minimize risks and carefully select investments that are certain to contribute to future earnings.

Amid concerns over geopolitical risks such as the U.S.–China trade friction and Brexit, and an emerging global economic recession due to COVID-19, we need to minimize risks surrounding growth investments and carefully select investments that are certain to contribute to future earnings.

Since investing in CITIC in FYE 2016, we were able to strengthen our financial position by restraining investment and promoting asset replacement. This has generated significant excess investment capacity. Going forward, we aim to achieve further profit growth by searching out investment opportunities. At the same time, to ensure "balance sheet control for maintaining A ratings" as outlined under the FYE 2021 short-term management plan, we intend to pay full attention to "maintaining our financial discipline." In other words, I think it is crucial that we achieve a good balance and consider the broader picture when investing, such as staying away from investments at their peak in order to refrain from unnecessary accumulation of goodwill, actively replacing low-efficiency or peaked-out assets, and ensuring sufficient shareholders' equity as a risk buffer.

On the other hand, to date, the number of outstanding investment projects that would be suitable candidates for a merger or acquisition has been limited, and acquisition prices have remained high. As the economy begins to change direction, however, there is a high probability that there will be an increase in opportunities to invest in companies that are undervalued relative to their potential.

When investing, we, of course, consider candidates in line with our stringent investment criteria by fully leveraging the advantages of having the CFO as the chair of the Investment Consultative Committee. We steadily conduct highly strategic investments that will reinforce the fields of strength that ITOCHU has long accumulated, and will underpin continued profit growth going forward.

Question 4
Please tell us about the measures aimed at further enhancing corporate value.

Answer 4
I believe it is important that we steadily achieve our announced targets and promote reliable dialogue.

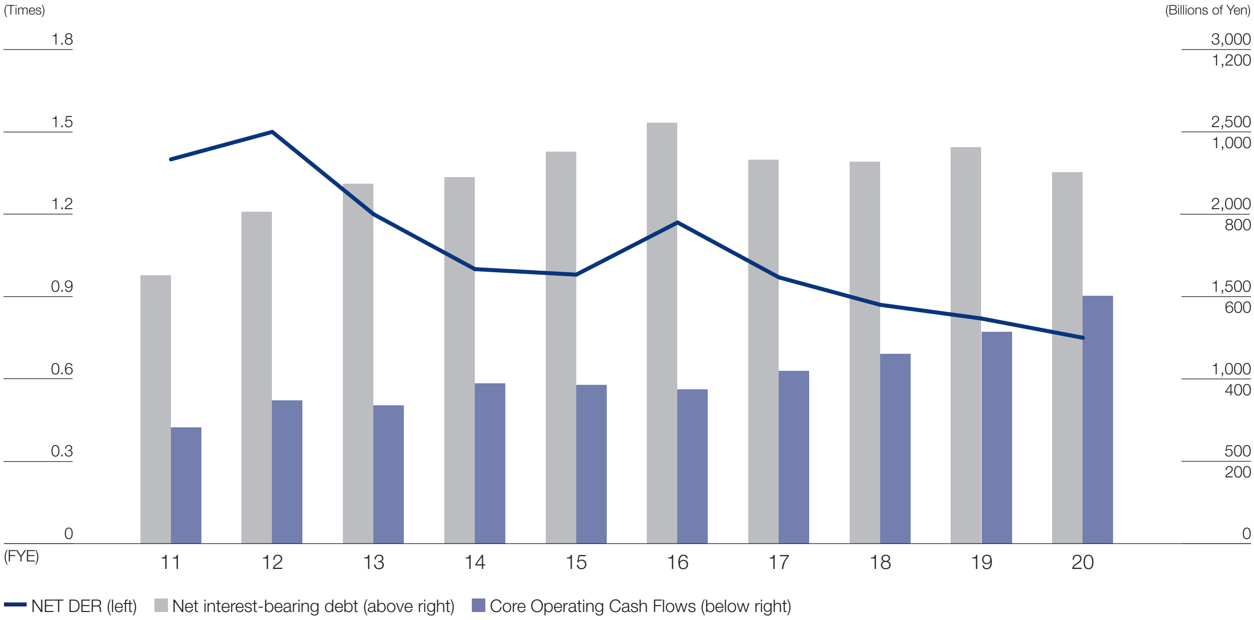
While forecasts predict a precipitous drop in global economic growth for 2020 as it is currently difficult to discern a way out of the COVID-19 pandemic, it is regrettable that the share price valuation of general trading companies remains low.

To further enhance ITOCHU's corporate value, we will continue to steadily achieve the targets we announced, such as carrying out the aforementioned shareholder returns policy, maintaining a high ROE, and improving EPS over the medium to long term. Amid the COVID-19 pandemic, which continues to defy forecasts for containment, I think it is of the utmost importance that we continue to "disclose information" to facilitate deeper understanding and better decision-making, especially for all our shareholders and investors. As one of the leading general trading companies, we intend to continue fostering highly reliable dialogue through appropriate and timely disclosure.
(➡ Page 48 The Positive Cycle of Dialogue and Enhancing Corporate Value)

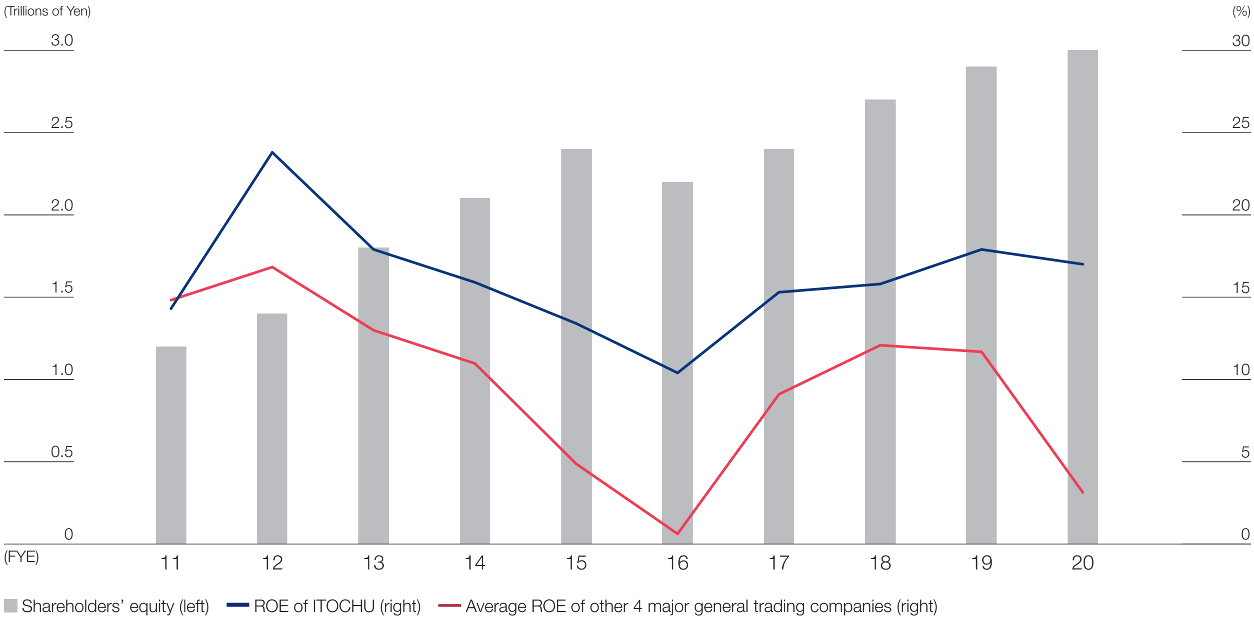
In addition, speaking in ESG terms, due to the impact of COVID-19, greater attention is being paid not only to environmental efforts but also to corporate actions toward society. Because ITOCHU is a "general trading company" that sets importance on trade, we will continue working hard to resolve social issues by, for instance, providing a wide range of products and services and creating new businesses. We will also continue promoting balanced initiatives that take into consideration "all the priorities" including the environment and society, and not just "a single expedient."

We will continue striving to sustainably enhance corporate value by diligently maintaining our unique, unshakable focus. This will also lead to a reduction in the cost of capital. Before concluding, I would like to mention that in June 2020 ITOCHU's share price and market capitalization attained the top spot in the general trading sector. I would like to express my deepest gratitude to all our shareholders and investors. Moving forward, I intend to continue pursuing management that fully lives up to the expectations of our diverse stakeholders.

Core Operating Cash Flows, Net Interest-Bearing Debt, and NET DER



ROE and Shareholders' Equity



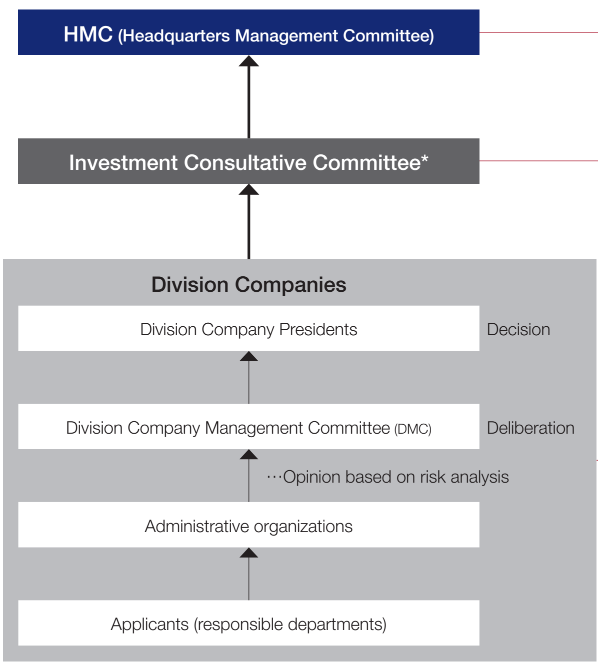
Business Investment

Fundamental Approach

Along with strategic business alliances, business investment is an important means of creating new businesses. To actively promote strategic investments in areas of strength in a timely manner, we choose the optimal structure from a wide range of methods, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As or converting to a consolidated subsidiary. In principle, we hold investments continuously. After making each investment, we work to maximize the investee's corporate value and to expand trading profit and dividends received by fully utilizing our Groupwide capabilities. Given such considerations as larger-scale investments in recent years, we are rigorously screening the appropriateness of the business plan and acquisition price. 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 conditions and thoroughly implementing periodic investment review.

Decision-Making Process for New Investments

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



Projects that exceed the Division Company President's authority must be approved by the HMC.

If the project needs further consideration and screening in terms of profitability and strategy, the project is discussed at the Investment Consultative Committee prior to the HMC.

Related administrative organizations express their opinions from various specialized perspectives regarding the application made by the applicants. Following careful discussion at the DMC, the Division Company President will make a final decision.

* Investment Consultative Committee: The CFO serves as the chair. Core members include the CAO, General Manager of the Corporate Planning & Administration Division, General Manager of the Legal Division, General Manager of the General Accounting Control Division, General Manager of the Finance Division, and General Manager of the Global Risk Management Division. Meetings are also attended by one full-time Audit & Supervisory Board Member.

Business Investment Process

Under "Brand-new Deal 2020," in addition to the conventional investment process, we have further strengthened the earnings base to make it more resilient to economic fluctuation by thoroughly verifying the appropriateness of business plans and focusing on the monitoring of subsubsidiaries. Despite the challenging business environment, in FYE 2020 profits / losses of Group companies reached a record high for the fourth consecutive year. Besides, amid the COVID-19 pandemic, the ratio of Group companies reporting profits remained high, at 88.6%.

Given the rapidly changing business environment, we recognize that "prevent" efforts will be an even higher priority in FYE 2021 than in the past. By conducting careful and close monitoring, which is our forte as a company having strengths in the non-resource sector, we will strive to accurately ascertain risks unique to individual businesses. If we anticipate impairment concerns that could result from lower share prices or decreased earnings, we will act preemptively.

Points for Making Investment Decisions

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

Execution of Investment

Monitoring

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

Hold

Asset Replacement

- Promoting replacement of low-efficiency assets that meet exit criteria, as well as businesses that have lost strategic significance

Investment Criteria

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

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

Thoroughly Verifying Appropriateness of Business Plan

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

Setting Exit Conditions

- Setting clear and feasible exit measures before making investment

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

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

ESG Risk Evaluation

➡ Page 69 ESG Risk Evaluation of New Business Investment Projects

- Evaluate in advance the impact on the environment, society, and other areas as well as the corporate governance status of the investment target using an ESG checklist composed of 33 categories
- Conduct multifaceted ESG assessments, including surveys made through on-site visits, to prevent environmental pollution and related problems among Group companies even following investment

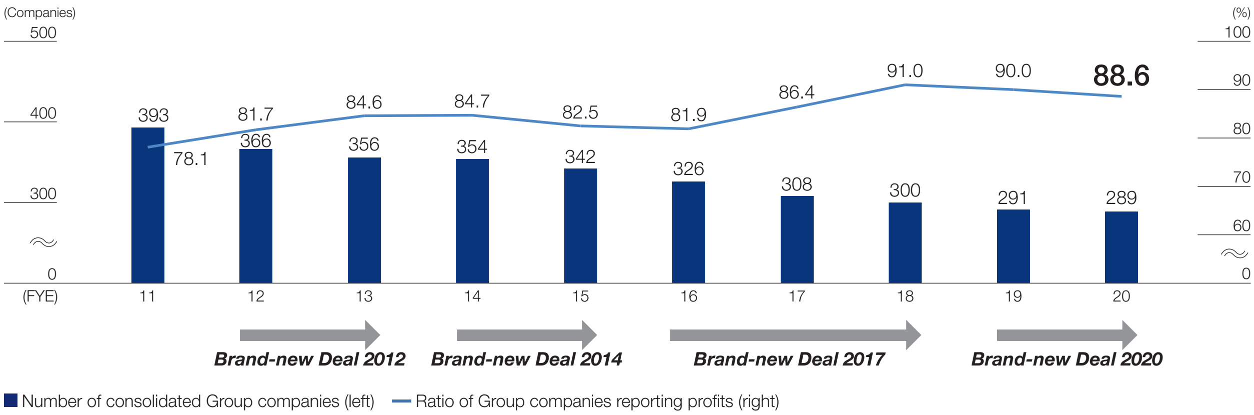
Exit Criteria

➡ Page 46 "Prevent"—Upgrading Business Investment Management

Covenant Management

- Continuously focus on our policy to maintain positive Core Free Cash Flows after deducting shareholder returns

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



"Prevent"—Upgrading Business Investment Management

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

Exit Criteria for Business Investment

(1) Cumulative losses over three years

(2) Returns lower than expected at time of investment

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

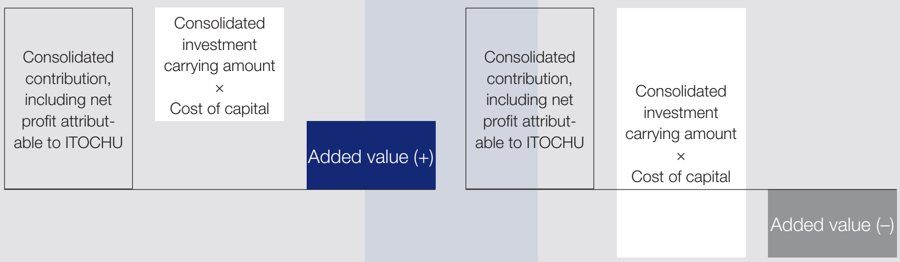
* Consolidated contribution is the total of net profit and trade merit.

If either criteria is met:

Positive added value

Negative added value

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



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

Continue the business

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

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

EXIT

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

➡ Page 69 Group Company Fact-Finding Investigations

Ratio of Group companies reporting profits	
FYE 2011	FYE 2020
78.1%	88.6%

Profits of Group companies reporting profits	
FYE 2011	FYE 2020
¥226.7 billion	¥471.1 billion

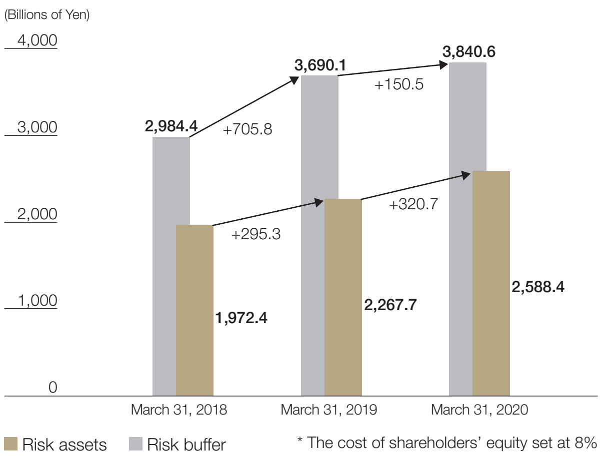
Risk Management

Risk Capital Management* and Management of Concentration Risk

Strict Management of Risk Assets

Our basic operational policy involves first calculating risk assets based on the maximum amount of possible future losses from all assets on the balance sheet including investments and all off-balance-sheet transactions. Second, we manage the amount of risk assets within the limits of our risk buffer (Total shareholders' equity + Non-controlling interests). As we promote investments that will lead to evolve existing business moving forward, we will work to maintain risk assets within the limits of our risk buffer, conduct strict risk management, and further strengthen our financial position.

Risk Assets and Risk Buffer



* The cost of shareholders' equity set at 8%

Significant Risks to Be Managed on a Consolidated Basis

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

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

With COVID-19 having a wide-ranging impact, we have used asterisks (*) to indicate those of the 18 risks indicated below that we believe have a relatively high likelihood of materializing.

Individual Risk Categories (Major Risks)

		Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th
1	Compliance Risks								
2	Legal Risks (Excluding Compliance Risks)								
3	Risks Associated with Trade Security Policy Management								
4	Risks Associated with Customs								
5	Country Risks*								
6	Commodity Price Risks (Specific Important Commodities)*								
7	Credit Risks*								
8	Investment Risks*								
9	Stock Price Risks*								
10	Foreign Exchange Rate Risks*								
11	Interest Rate Risks*								
12	Financing Risks								
13	Information System Risks								
14	Information Security Risks*								
15	Labor Management Risks*								
16	Human Resource Risks								
17	Risks Associated with the Appropriateness of Financial Reporting								
18	Risks Associated with Internal Control								

The Positive Cycle of Dialogue and Enhancing Corporate Value

ITOCHU emphasizes dialogue with its shareholders, investors, and other stakeholders from the perspective of achieving sustainable growth and enhancing corporate value over the medium to long term. After announcing "Brand-new Deal 2020," which failed to give due consideration to market expectations, the Company's share price plunged. Learning from this experience, we now strive to reflect input obtained in investor meetings, general meetings of shareholders, and one-on-one meetings into our management strategies and financial and capital policies. Through commitment-based management, we are striving to expand corporate value and sustain a positive cycle through effective engagement.

Examples of Feedback from Shareholders and Investors

Achievement of Short-Term Targets	• General trading companies' results are affected significantly by fluctuations in resource prices, so results are highly volatile. • The impact of COVID-19 on performance is unclear. As far as possible, I would like to see the Company disclose information and outline its directions.
Steppingstones to Medium- to Long-Term Value Creation	• The shareholder returns policy unveiled along with "Brand-new Deal 2020," the medium-term management plan, was vague and less attractive than expected. • The measures for enhancing corporate value described in "Brand-new Deal 2020" were abstract and difficult to understand. No KPIs were provided. • The "reinvention of business" policy was vague; no specific actions were evident. • I would like the Company to indicate specific growth strategies. In particular, no specific results are apparent through collaboration with CITIC and CP Group. • I find it unfortunate that no progress was made on the share buybacks announced in June 2019.
Initiatives and Systems Supporting Sustainable Growth	• I would like to hear the Company's thoughts on parent-subsidiary listing. • The Company's policies for the coal-related business should be announced. • Please outline initiatives on climate change. • I would like to see a progress on successor planning.

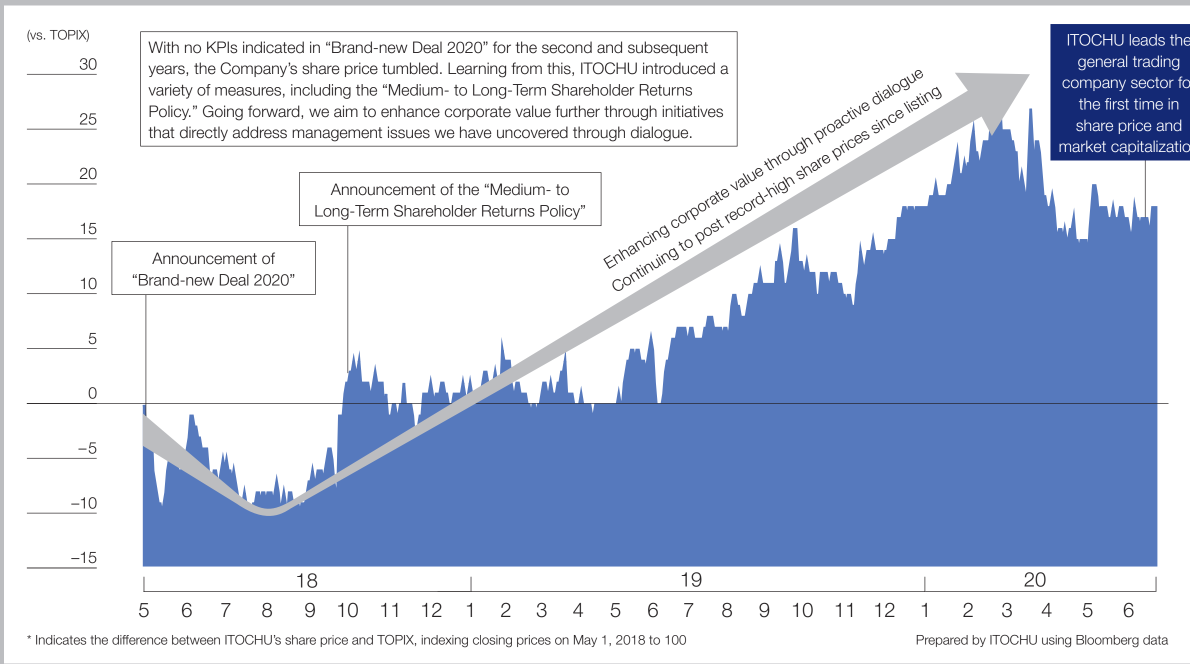
Examples of Measures Launched as a Result of Dialogue

Achievement of Short-Term Targets	• Built a steady earnings base centered on the non-resource sector and practiced "commitment-based management," achieving initially planned results for four consecutive years • Indicated quantitative targets in the FYE 2021 Management Plan (May 2020)
Steppingstones to Medium- to Long-Term Value Creation	• Announcement of the "Medium- to Long-Term Shareholder Returns Policy" (October 2018) • Presented management indices that consider the enhancement of corporate value (maintaining high ROE, sustainable EPS growth, positive Core Free Cash Flows after deducting shareholder returns) • Held a briefing session regarding the reinvention of business (investors meeting for operating segments) (June 2019) • Clarified and explained our thoughts on the "reinvention of business" in the annual report and through IR activities
Initiatives and Systems Supporting Sustainable Growth	• Announced ITOCHU's coal-related business policy (February 2019) • After conducting a TCFD scenario analysis, announced our endorsement of the TCFD (May 2019) • Announced "ITOCHU's Policy on the Governance of its Listed Subsidiaries, etc." (October 2019)

Issues the Company Recognizes It Needs to Address through Dialogue

Steppingstones to Medium- to Long-Term Value Creation	• Specific results of collaboration with CITIC and CP Group • Prompt execution of the share buybacks already announced, for 35 million shares or ¥70.0 billion (both upper limits)
Initiatives and Systems Supporting Sustainable Growth	• Explanation of specific deliberations by the Nominating Committee

ITOCHU's Share Price Performance vs. TOPIX after Announcing "Brand-new Deal 2020"*



* Indicates the difference between ITOCHU's share price and TOPIX, indexing closing prices on May 1, 2018 to 100

Prepared by ITOCHU using Bloomberg data

Sustainable increases in corporate value

Yasuhiro Narita

Managing Director
Equity Research Department
Nomura Securities Co., Ltd.

Joined Nomura Securities Co., Ltd. in 1998. After being in charge of the shipping, land transport, and housing equipment sectors, took charge of the trading company sector in 2006. In the current position since 2015.

Steadily Moving Forward—Can ITOCHU Break through to Reinvention?

The general trading company business model is changing from a trading-oriented model to one based on business investment, and in recent years the Company has turned toward a strategy of augmenting business value by contributing actively to investees' businesses. With peer companies struggling with low levels of profitability due to large investments and across-the-board investments, ITOCHU is focusing on consumer-related businesses—an area of expertise. The Company also focuses carefully on the profitability of investees via thorough cost management, therefore realizes steady profit growth and high profitability. While advances in information technology present general trading companies with good opportunities to create new businesses, such advances also pose the risk of making existing businesses obsolete. Reinventing its businesses in response to consumer needs and using its investment in CITIC as a lever to access China's massive internal demand pose issues, as well as growth opportunities. We will be monitoring the situation.

Akira Morimoto

Senior Analyst
Equity Research
SMBC Nikko Securities Inc.

In 2007, joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanly MUFG Securities Co., Ltd.). After being assigned to the steel sector for approximately five years, in charge of the trading company sector since 2012. In the current position since 2013.

Already Means Not Yet

In its dialogue with the stock market, I give the Company high marks for the way top management took this input seriously. However, ITOCHU still needs to surmount a number of issues. In the short term, it needs to complete share buybacks. In the medium to long term, it needs to clarify its growth strategy, including the creation of synergies with CITIC, as well as further moves on climate change. Notably, low cash returns from CITIC are one reason the stock market is discounting ITOCHU's shares. At present, we believe ITOCHU can maintain high ROE in FYE 2025, but I would like to see management set its sights even higher, at some "market expectation +." If it can present a growth-oriented solution, ITOCHU may be able to change the way its shares are valued, stepping outside the framework of a general trading company.

The Trajectory for Enhancing Corporate Value under the “Brand-new Deal” Strategy (Management Plan)

Brand-new Deal 2012 (FYE 2012–2013)

“Earn, Cut, Prevent”

Shape and implement initiatives surrounding the business fundamentals of “earn, cut, prevent.” Aim to expand earnings through active investments, while strengthening management foundation through corporate governance system, etc.

Basic Policies	Strengthen Our Front-line Capabilities
	Proactively Seek New Opportunities
	Expand Our Scale of Operations

FYE	Consolidated Net Profit		Turning Words into Accomplishments
	Initial Plan	Results	
2012	¥240.0 billion	¥300.5 billion	Accomplished
2013	¥280.0 billion	¥280.3 billion	Accomplished

Brand-new Deal 2014 (FYE 2014–2015)

“Aiming to be the No. 1 Trading Company in the Non-Resource Sector”

Redouble our focus on the non-resource sector, the area of our strength, rather than relying on earnings from the highly volatile resource sector. As one of the top three general trading companies, further entrench our position as No. 1 in the non-resource sector.

Basic Policies	Boost Profitability
	Pursue Balanced Growth
	Maintain Financial Discipline and Lean Management

FYE	Consolidated Net Profit		Turning Words into Accomplishments
	Initial Plan	Results	
2014	¥290.0 billion	¥310.3 billion	Accomplished
2015	¥300.0 billion	¥300.6 billion	Accomplished

OUTCOME

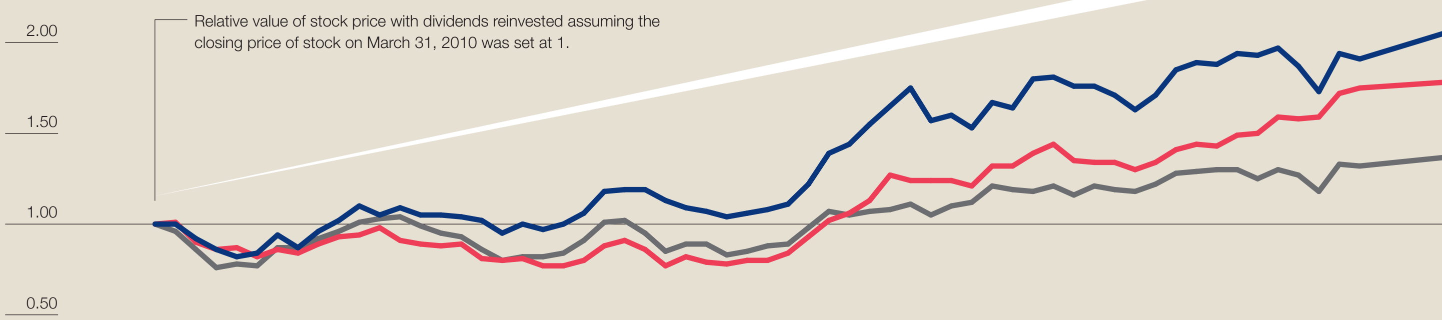
Recognition from Capital Markets for our “Commitment-Based Management”

In our pursuit of “*Sampo-yoshi*,” we have set out management initiatives considering “all the priorities,” not just “a single expedient” such as the stock market or the bond market, and therefore achieved solid recognition.

Total Shareholder Return (Stock price with dividends reinvested)*

Stock price: Annual average of daily trading value
PER: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Outlook for consolidated net profit, announced by ITOCHU)
PBR: Daily average of (Stock price x Number of issued shares excluding treasury stock ÷ Most-recent results of shareholders’ equity)
ITOCHU — TOPIX — Average of other 4 major general trading companies
Source: Bloomberg

(Times)
5.00
4.50
4.00
3.50
3.00
2.50



	FYE 2011			FYE 2012			FYE 2013			FYE 2014			FYE 2015		
	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR
	¥784	7.9 times	1.1 times	¥824	5.5 times	1.1 times	¥890	5.0 times	1.0 times	¥1,229	6.7 times	1.0 times	¥1,280	6.8 times	0.9 times

TSR* as of March 31, 2020

Ownership period	1 year	2 years	3 years	4 years	5 years
ITOCHU	16.2%	17.2%	58.8%	88.2%	107.8%
TOPIX	(9.5%)	(14.1%)	(0.5%)	14.2%	1.7%
Average of other 4 major general trading companies	(17.5%)	(17.3%)	(0.3%)	30.5%	10.9%

* Total Shareholder Return (TSR): Return on investment assuming that dividends are reinvested. Indicated periods are years preceding from March 31, 2020.

Brand-new Deal 2017 (FYE 2016–2018)

"Challenge"
"Engaging All Employees to Lead a New Era for the *Sogo Shosha*"
"Infinite Missions Transcending Growth"

While pursuing earnings growth, strictly select new investments and pursue asset replacement so as to improve our financial position, which deteriorated temporarily as the result of the investment in CITIC. Through such measures, strive both to achieve profit growth and reinforce our business foundation.

Basic Policies	
	Strengthen Our Financial Position
	Build Solid Earnings Base to Generate ¥400.0 Billion Level Consolidated Net Profit

FYE	Consolidated Net Profit		Turning Words into Accomplishments
	Initial Plan	Results	
2016	¥330.0 billion	¥240.4 billion	
2017	¥350.0 billion	¥352.2 billion	Accomplished
2018	¥400.0 billion	¥400.3 billion	Accomplished

Brand-new Deal 2020 (FYE 2019–2020)

ITOCHU: INFINITE MISSIONS: INNOVATION
"Evolution to Next-Generation Growth Models"
+ "Medium- to Long-Term Shareholder Returns Policy (October 2018)"

Accomplished and completed ahead of schedule

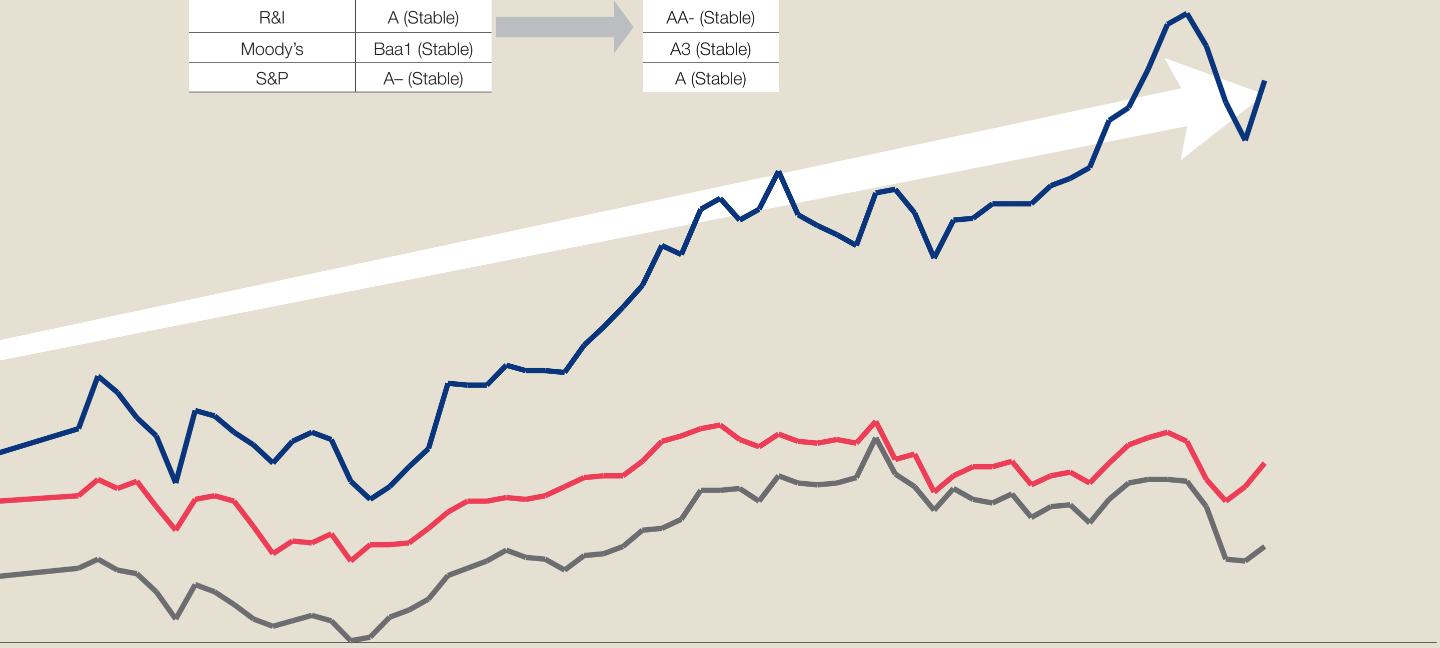
Combine our abundant superior assets with new technologies and new business models to build next-generation business models and work to further expand our earnings base. Also pursue management efficiency, improvement in labor productivity, and health management.

Basic Policies	
	Reinvention of Business
	Smart Management
	No.1 Health Management

FYE	Consolidated Net Profit		Turning Words into Accomplishments
	Initial Plan	Results	
2019	¥450.0 billion	¥500.5 billion	Accomplished
2020	¥500.0 billion	¥501.3 billion	Accomplished

Page 52 Business Results for FYE 2020

Credit rating agency	FYE 2011		FYE 2020
JCR	A+ (Stable)	All upgraded	AA (Stable)
R&I	A (Stable)		AA- (Stable)
Moody's	Baa1 (Stable)		A3 (Stable)
S&P	A– (Stable)		A (Stable)



	FYE 2016			FYE 2017			FYE 2018			FYE 2019			FYE 2020	
Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR
¥1,466	7.1 times	0.9 times	¥1,408	6.4 times	1.0 times	¥1,843	7.2 times	1.1 times	¥2,029	6.7 times	1.1 times	¥2,242	6.7 times	1.1 times

	6 years	7 years	8 years	9 years	10 years
	131.9%	**156.8%**	**235.3%**	**265.6%**	**297.7%**
	33.0%	57.6%	95.3%	96.5%	78.3%
	25.2%	40.6%	44.7%	40.2%	45.7%

Business Results for FYE 2020

General Review of “Brand-new Deal 2020”

Of the initial targets set under “Brand-new Deal 2020,” our medium-term management plan, we achieved all the quantitative targets, including the profit plan, ahead of time for the two-year period spanning FYE 2019 and FYE 2020. We also progressed steadily toward our qualitative targets, resulting in the completion of the plan.

	Commitments under “Brand-new Deal 2020”		Achievements
Quantitative targets	Entrenched consolidated net profit at the ¥500.0 billion level	Accomplished	Recorded consolidated net profit of more than ¥500.0 billion for the second consecutive year. Further reinforced an earnings base that is resilient to economic fluctuations.
	Positive Core Free Cash Flows after deducting shareholder returns		Achieved substantial positive Core Free Cash Flows after deducting shareholder returns of more than ¥420.0 billion over a two-year period. Secured ample surplus funds for future growth investments.
	Progressive dividend policy (Record-high dividend levels each year)		¥83 per share for FYE 2019 / ¥85 per share for FYE 2020. Steadily promoted record-high dividend levels each year.
	Actively promoted share buybacks		Implemented share buybacks of ¥130.0 billion over a two-year period. Responded flexibly in accordance with our Medium- to Long-Term Shareholder Returns Policy.
	Sustainable EPS growth		Set new target for “EPS growth.” Leveraged share buybacks and steadily improve EPS growth.
	Medium- to Long-Term Shareholder Returns Policy		

	Commitments under “Brand-new Deal 2020”		Achievements
Qualitative targets	Reinvention of Business	Progressed Steadily	Drove forward the conversion of FamilyMart into a subsidiary, established The 8th Company, and created the Power & Environmental Solution Division for next-generation power business. Going forward, we will enter into a new phase in which we work to ensure profitability in each Division Company.
	Smart & Health Management		Exhaustively improved operational efficiency by leveraging IT and reducing paper use. Promoted unique health management measures, including Support Measures for Balancing Cancer Care and Work.
	Sustainability & ESG		Revised the corporate mission of the ITOCHU Group (“*Sampo-yoshi*”) and formulated and unveiled a corporate governance policy for listed subsidiaries.

Summary of Financial Results for FYE 2020

- **Consolidated net profit** was **¥501.3 billion**, which exceeded the full-year forecast committed at the start of the fiscal year and achieved ¥500.0 billion level for the second consecutive year [4th consecutive year]. Profit in **the non-resource sector** was **¥378.3 billion** [3rd consecutive year].
- **Core Profit** (consolidated net profit after deducting extraordinary gains and losses) increased by approximately ¥13.5 billion compared with the previous fiscal year, to approximately **¥485.5 billion** [5th consecutive year].
- **Profits / losses of Group companies** was **¥445.2 billion** [4th consecutive year]. Ratio of Group companies reporting profits was 88.6%, maintained high level.
- **Core Operating Cash Flows** was a net cash-inflow of **¥602.0 billion** [4th consecutive year].
- **Consolidated net profit per share (EPS)** was **¥335.58** [4th consecutive year].

Note: Figures in brackets, [ ], indicate the number of years renewing the highest record in a row.

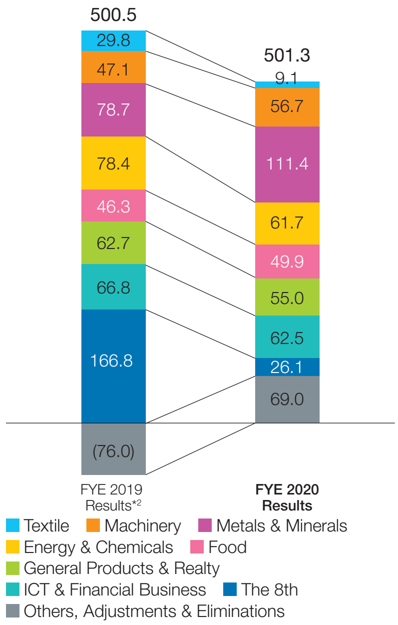
Business Results

(Billions of Yen)	FYE 2019 Results	FYE 2020 Results	Increase / Decrease
Consolidated Net Profit	500.5	* 501.3	+0.8
Extraordinary gains and losses	28.5	16.0	(12.5)
Core Profit	Approx. 472.0	* Approx. 485.5	Approx. +13.5
Non-Resource	378.0	* 378.3	+0.3
Resource	115.5	126.8	+11.3
Others	7.1	(3.7)	(10.8)
Non-Resource (%)*1	77%	75%	Decreased 2 pt
Profits / Losses of Group companies	437.9	* 445.2	+7.3
Ratio of Group companies reporting profits (%)	90.0%	88.6%	Decreased 1.5 pt
EPS	¥324.07	* ¥335.58	+¥11.51

*1 % composition is calculated using the total of Non-Resource and Resource sectors as 100%.

Consolidated Net Profit by Segment

(Billions of Yen)



*2 Accompanying the establishment of The 8th Company on July 1, 2019, figures for FYE 2019 have been adjusted retroactively.

Cash Flows

Cash Flows

(Billions of Yen)	FYE 2019 Results	FYE 2020 Results
Cash flows from operating activities	476.6	* 878.1
Cash flows from investing activities	201.1	(248.8)
Free cash flows	*677.7*	*629.4*
Cash flows from financing activities	(538.3)	(575.5)

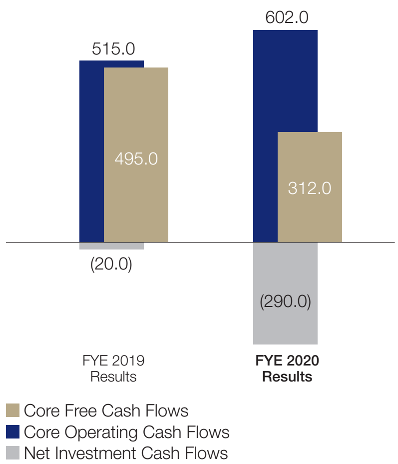
Core Free Cash Flows

(Billions of Yen)	FYE 2019 Results	FYE 2020 Results
Core Operating Cash Flows*1	515.0	* 602.0
Net Investment Cash Flows*2	(20.0)	(290.0)
Core Free Cash Flows	495.0	312.0

*1 "Operating Cash Flows" minus "changes in working capital" (excluding the effect of lease accounting)
*2 Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables," etc.

Core Free Cash Flows

(Billions of Yen)



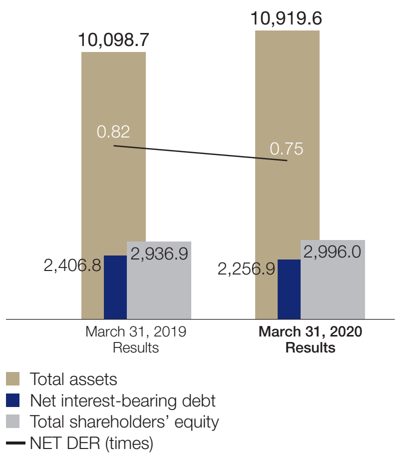
Financial Position

(Billions of Yen)	March 31, 2019	March 31, 2020	Increase / Decrease
Total assets	10,098.7	* 10,919.6	+820.9
Net interest-bearing debt	2,406.8	2,256.9	(149.9)
Total shareholders' equity	2,936.9	* 2,996.0	+59.0
Ratio of shareholders' equity to total assets	29.1%	27.4%	Decreased 1.6 pt
NET DER	0.82 times	* 0.75 times	Improved 0.07 pt
ROE	17.9%	17.0%	Decreased 0.9 pt

***Record High (NET DER : Best Record)**

Financial Position

(Billions of Yen)



FYE 2021 Management Plan

Concept of FYE 2021 Management Plan

- The business environment is undergoing tumultuous changes. We are poised to move into a new management phase in which we must be prepared for economic downturn and global recession.
- Accomplished and completed the measures set out in our medium-term management plan, "Brand-new Deal 2020," ahead of schedule during FYE 2019 and FYE 2020.
- Setting FYE 2021 as a year for consolidating our foothold, we formulated a single-year management plan.

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
New concept	Brand-new Deal 2017			Brand-new Deal 2020		FYE 2021 Management Plan	Next medium-term management plan		
Current	Brand-new Deal 2017			Brand-new Deal 2020			Next medium-term management plan		

Basic Policies

Qualitative targets

Thoroughly instilling the
"earn, cut, prevent"
principles as the core of our business

Quantitative targets

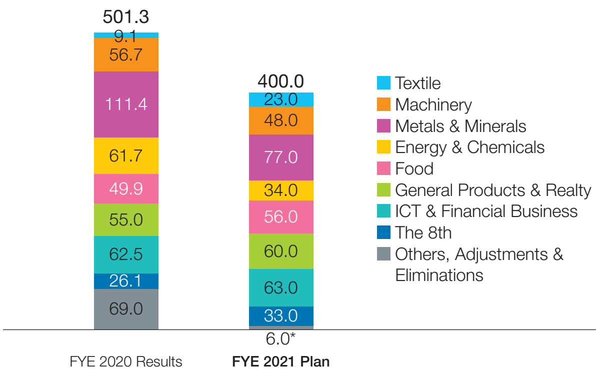
- Consolidated net profit ¥**400.0** billion
- Dividend per share ¥**88**
(Maintain the progressive dividend policy)
- Maintain the **"Medium- to Long-Term Shareholder Returns Policy*"**

* Disclosed on October 1, 2018

Quantitative Targets

Consolidated Net Profit by Segment

(Billions of Yen)



(Billions of Yen)	FYE 2020 Results	**FYE 2021 Plan**
Non-Resource	378.3	384.0
Resource	126.8	73.0
Others	(3.7)	(57.0)*

* Including a loss buffer of ¥(50.0) billion

Brand-new Deal 2020

Cash Flows, Financial Position and Ratio Plan

	FYE 2019 Results	**FYE 2020 Results**
Core Operating Cash Flows (Billions of Yen)	515.0	**602.0**
Net Investment Cash Flows (Billions of Yen)	(20.0)	**(290.0)**
Core Free Cash Flows after deducting shareholder returns (Billions of Yen)	300.0	**123.0**
	423.0	
NET DER (times)	0.82	**0.75**
Shareholders' equity (Trillions of Yen)	2.9	**3.0**
ROE (%)	17.9	**17.0**

FYE 2021 Management Plan

FYE 2021 Priority Measures

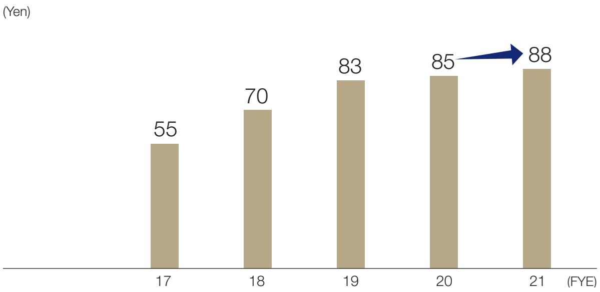
- **Actively promote strategic investments in areas of strength and asset replacement in a timely manner**
- **B/S control for maintaining A ratings**
- **Maintain high efficiency**

Shareholder Returns Policy

Dividend

¥**88** dividend per share for FYE 2021, targeting further increase in dividend amount and dividend payout ratio.

Dividend per Share

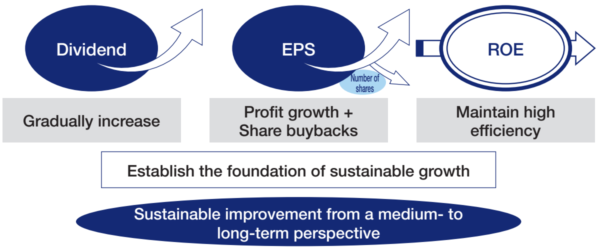


Share buybacks (Billions of Yen)	Approx. 16.0	Approx. 28.0	Approx. 68.0	Approx. 62.0	Execute actively and continuously

Share Buybacks

Actively and continuously execute in accordance with the "Medium- to Long-Term Shareholder Returns Policy"

Concept for Enhancing Corporate Value



Medium- to Long-Term Shareholder Returns Policy	• Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30%. • More actively execute share buybacks Actively and continuously execute share buybacks, while considering the level of share price and cash flow availability.

ESG

- Resolve social issues that will help to achieve sustainable increase in our corporate values while maintaining and increasing profits based on the new Group corporate mission of "*Sampo-yoshi*," the roots of the idea of sustainability.
- In specific terms, we will make the most of our characteristics as a general trading company to expand and aggressively promote environmental businesses through providing a wide range of products and services and creating new businesses, as well as promoting flexible asset replacement and other measures.

Material Sustainability Issues and Specific Measures

Environment

- Steadily implement the coal-related business policy.
- Recognize the problem of plastic waste as a key issue. Promote business creation through the development of environmentally friendly materials and other initiatives.

Society

- Strengthen front-line capabilities through improving operational efficiency; further refine our unique workstyle reforms aimed at establishing an environment that is challenging but allows employees to concentrate on their work without concern; and pursue improvement in labor productivity.

Governance

- Further improve the effectiveness of corporate governance on a Groupwide basis, including listed subsidiaries.

Assumptions for FYE 2019 & 2020 Results and FYE 2021 Plan

	FYE 2019 Results	FYE 2020 Results	FYE 2021 Plan	(Reference) Sensitivities on consolidated net profit*1
Exchange rate (YEN/US$) average	110.56	109.16	105.00	Approx. ¥(2.4) billion (1yen appreciation against US$)
Exchange rate (YEN/US$) closing	110.99	108.83	105.00	—
Interest (%) USD LIBOR 3M	2.50%	2.04%	1.00%	Approx. ¥(2.0) billion (1% increase)
Crude oil (Brent) (US$/BBL)	70.86	60.95	30	±¥0.61 billion
Iron ore (CFR China) (US$/ton)	71*2	95*2	N.A.*3	±¥1.23 billion
Hard coking coal (FOB Australia) (US$/ton)	202*2	164*2	N.A.*3	±¥0.22 billion
Thermal coal (FOB Australia) (US$/ton)	106*2	71*2	N.A.*3	

*1 The above effect varies according to changes in sales volume, foreign exchange rates and production costs.
*2 FYE 2019 and FYE 2020 prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.
*3 The prices for iron ore, hard coking coal and thermal coal used in the FYE 2021 Plan are assumed in consideration for general transaction prices based on the market. The figures are not presented since the actual sales prices are decided based on negotiations with each customer, ore type and coal type.

COVID-19's Impact on the Company and Status of Initiatives

We explain COVID-19's impact on our operating performance and management policies, as well as status of initiatives.

Q.1 How has COVID-19 affected ITOCHU's consolidated business performance, management strategies, and business model?

Our initial plan of consolidated business performance for FYE 2021 called for consolidated net profit of ¥400.0 billion. This incorporates a direct downward impact from COVID-19 of roughly 10%, excluding such impacts as falling resource prices. In addition, we set a higher-than-usual loss buffer of ¥50.0 billion, an increase of ¥20.0 billion from previous years. Our plan thus gave ample consideration to preparedness for uncertainty in the business environment.

Even before the worldwide spread of COVID-19, we have been responding to rapid structural changes and digitalization in client industries, and have steadily promoted initiatives to evolve and transform our existing business models. It is said that COVID-19 would rapidly accelerate changes in purchasing methods and preferences, as well as the digital shift. That said, the basic business flow—procuring and delivering what customers want—remains unchanged. Going forward, we will continue to take the social needs of individual countries and regions into account as we pursue our business from a customer viewpoint through a market-oriented perspective.

Q.2 Has COVID-19 prompted a change in ESG awareness?

Even if some business activities are suspended due to COVID-19, rather than responding with emergency actions, we believe companies should maintain responsible ESG management from a medium- to long-term perspective.

In addition to environment-related measures to date, such as addressing climate change and marine plastic pollution, the spread of COVID-19 provides an important opportunity to renew society-related initiatives, including the supply chain and human rights. In April 2020, we declared a new Group corporate mission of "*Sampo-yoshi*," which is the philosophy we have upheld since the time of our founding. While ensuring that we maintain and improve profitability, we will continue working hard to resolve social issues by, for instance, providing a wide range of products and services and creating new businesses. To this end, we recognize the importance of remaining sensitive to changing social values and continuously undertaking proactive and consistent initiatives that contribute to ESG.

Q.3 What are some examples of initiatives ITOCHU is taking to sustain its business in an environment affected by COVID-19?

As the ITOCHU Group's strength lies in the consumer sector, its businesses support the social infrastructure that forms the foundation of everyday lives in many ways. Accordingly, we are undertaking a host of initiatives to sustain corporate activities even in an environment affected by COVID-19.

For example, our subsidiary, HOKEN NO MADOGUCHI GROUP INC., which is one of Japan's largest insurance agencies with walk-in stores, has promptly established a nationwide system to provide insurance consultations online, leveraging the ITOCHU Group resources, in order to respond to customer concerns about conducting insurance consultations face-to-face. This system went on line in July 2020. Another example can be found at an affiliated company, WingArc1st Inc., which provides software and services that help leverage corporate data. Amid the rapid shift to working from home, this company energetically deployed a web-based invoice distribution service both within and outside the ITOCHU Group. This move addressed the issue of preparation and shipping of invoice, which had presented a barrier to working from home. Through this service, WingArc1st Inc. helps to prevent infection risk at companies adopting the system and aided the shift in workstyles in an environment affected by COVID-19.

Through these improvements on the front lines of business and the steadily accumulated effect of small initiatives, the ITOCHU Group demonstrates its highly distinctive characteristics in business contributing to customers and society at large.

Q.4 Are there any changes in workstyles and human resource strategies?

To date, we have positioned human resource strategy as one of our important management strategies. Beginning with our introduction of a "Morning-Focused Working System" in FYE 2014, we have been making various efforts to improve employee health and create a rewarding workplace environment in order to increase labor productivity.

In an environment affected by COVID-19, employee awareness has changed substantially with respect to workstyle reforms. The convenience of teleworking has improved, and online services have been further utilized. In addition, the development of a working environment that makes it easier to strike a better balance between work and home life has been accelerated, especially for employees with childcare or nursing care.

COVID-19 has highlighted some of the advantages of working from home. We also need to pay careful attention to eliciting front-line opinions about some of the more subtle disadvantages. After conducting a multilateral analysis that takes into account the current personnel and performance structures as well as duly considering ways to improve disadvantages, we will strive to increase labor productivity even more.

Q.5 What has been ITOCHU's response to stakeholders with regard to COVID-19's impact?

We set up a COVID-19 countermeasures headquarters in January 2020, when COVID-19 infections were beginning to increase. Prioritizing worker safety, we expanded the practice of working from home and temporarily evacuated employees from overseas locations. We continued with expanded PCR testing, erecting shields in office areas, and otherwise putting in place systems to ensure employees could work safely.

As a general trading company whose strength lies in the consumer sector, we have been working to fulfill our on-site customer service responsibilities, including at Group companies. At the same time, in order to contribute to the stability of society, we sustain important operations by maintaining supply chains in various fields while avoiding risks even when the infection spreads.

To prevent the spread of infection among shareholders, we significantly scaled back our general meeting of shareholders. Only ITOCHU executives were physically present. Along with the convocation notice, we prepared and sent shareholders a booklet containing Q&As on high-interest topics. In this way, we sought to foster a substantial understanding of conditions at the Company, even if shareholders were unable to be physically present.

As in the past, when announcing our FYE 2021 Management Plan, in addition to the quantitative targets including consolidated business forecasts, we disclosed qualitative targets focusing on important points in order for stakeholders to cultivate an understanding of our management policies and priority measures in an environment affected by COVID-19. We resolve to continue engaging proactively in dialogue to ensure we are evaluated positively in the markets and work to further enhance corporate value.

Comments from an Outside Director on Our COVID-19 Countermeasures

ITOCHU shared information about policies to address COVID-19 and measures to prevent infection with Outside Directors in a timely manner. As an Outside Director of ITOCHU, I tried to provide more practical opinions and advice based on the experience and knowledge I have gained through my involvement in healthcare over many years.

ITOCHU established an internal COVID-19 countermeasures headquarters in January 2020, just as the number of infections was beginning to increase. Headed by the CAO, the headquarters have been focusing on thoroughly implementing the infection protection measures necessary to sustain business operations as well as on such areas as reinforcing the testing system. From my perspective as a medical sector professional, these measures appear prompt and appropriate.

Leading corporate management in an environment affected by COVID-19 requires striking a balance between curtailing infection risk and minimizing the impact on business activities. I look forward to continuing in my role of working in tandem with the internal management team to develop and maintain an environment in which executives and employees can concentrate on their work with peace of mind.

Masatoshi Kawana

Outside Director

Mr. Kawana served as Vice President of Tokyo Women's Medical University Hospital, in addition to other positions, where he gained a high level of experience in hospital management and advanced knowledge of medical care.

He assumed a position as member of the Board of Directors at ITOCHU in June 2018. He contributed to the further development of governance at ITOCHU as a member of the Governance and Remuneration Committee in FYE 2020. He used his expertise to provide many useful proposals and suggestions in the fields of health management and medical care-related business.

Building on Our Existing Strengths

We aim to increase our corporate value by taking a medium- to long-term perspective in fields where our Group companies have strengths. This includes developing multifaceted business fields centered on China and other parts of Asia as well as promoting initiatives to further new business opportunities and maximize synergies in our areas of strength, such as the consumer sector.

Building Synergies that will Become Growth Pillars over the Medium to Long Term

In January 2015, ITOCHU acquired 20% of the share of China's largest state-owned conglomerate, CITIC, in a 50–50 joint investment with CP Group in order to expand our earnings base in China and other parts of Asia, our areas of strength. Since around 80% of CITIC's earning power is in the financial sector, our role as its partner is to contribute to expanding its non-financial businesses. Meanwhile, CITIC is an unchanging reliable partner for the ITOCHU Group in China, with its local market of approximately 1.4 billion people and rapid business development supported by various government policies. With the impact of COVID-19 on top of an already uncertain management environment, it has become necessary to take a more comprehensive approach to risk identification and business discernment. We will combine the resources of CITIC, including human networks and information, with our own strengths in the non-resource sector, especially the consumer sector, to build synergies that will become earnings pillars from a medium- to long-term perspective.

Creating New Business Models Utilizing Customer Contact Points

FamilyMart is the Group's core business company with customer contact points involving its network of approximately 16,500 physical stores in Japan and around 15 million customer purchases a day. By placing this business under The 8th Company, our policy is to achieve further supply chain optimization and efficiency gains through a "market-oriented perspective," by responding to market and consumer needs, rather than fixating on the vertical organizational structure based on the traditional product-oriented approach. In addition, by promoting a series of digital strategies such as electronic payment, we will increase convenience and customer appeal, which will strengthen the earning power of existing stores even further. Amid increasing pressure to revise the business model of the convenience store itself, we will take steps to further strengthen our existing business foundation. At the same time, we aim to build a new business model that creates new added value across the traditional boundary of goods or services through the fusion of physical and digital formats, and exploring future overseas expansion in more detail.

Top-Level Earning Power in the Non-Resource Sector among General Trading Companies

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

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

Viewing Environmental Issues as Business Opportunities

Based on the ITOCHU Group corporate mission of "*Sampo-yoshi*," we are working to resolve social issues such as exponential population growth and climate change by supplying diverse products and services, creating new businesses, and flexibly and actively conducting asset replacement, while ensuring that we maintain and improve our earning power.

We see opportunities in the resolution of environmental issues in particular. By leveraging our distinctive accumulated business know-how, we are committed to expanding and actively promoting our environmental business.

Continuously Increasing Corporate Value by Providing Resolutions to Environmental and Social Issues through Our Infrastructure Business

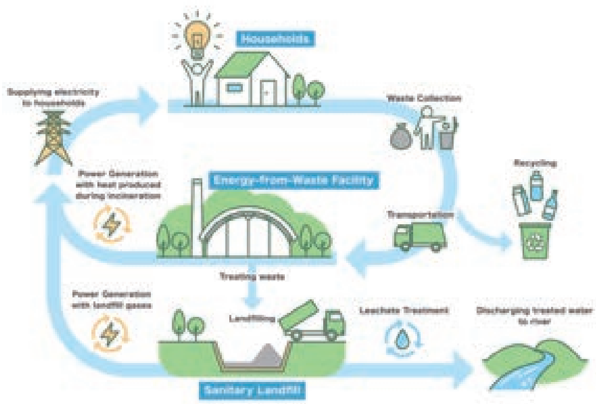
ITOCHU has positioned the environmental and renewable energy business as one of its focus fields, and is developing projects globally that contribute to upgrading urban environments and reducing greenhouse gas (GHG) emissions. In particular, as environmental conservation-oriented businesses that contribute to sustainable social development, we have actively promoted Energy-from-Waste (EfW) projects and water-related projects from an early stage, building up expertise in these businesses.

In response to the United Kingdom tightened its waste management legislation and policy, ITOCHU took the opportunity to enter the local EfW market in 2002. As of 2020, we have constructed and operated four EfW facilities, which process around 15% of the country's incinerated waste. We are now using the business expertise and strong partnerships cultivated in the United Kingdom to expand into other areas. In 2017, we teamed up with French water and environmental utility major SUEZ S.A. to participate jointly in an EfW project in Belgrade, Serbia, the first major Public Private Partnership (PPP) in the country. The project will help to resolve environmental and social issues through the closure and remediation of the Europe's largest unsanitary landfill that has caused serious environmental damage. At the same time, we will construct and operate an EfW facility that will treat around 70% of the total municipal waste generated in Belgrade, using the waste heat from its incineration to supply electricity and heat equivalent to the power consumption of around 30,000 local houses.

Furthermore, with population increase and climate change expected to drive growth in demand for the water-related business, ITOCHU is providing high-quality, sustainable, economic water services through water supply, waste water treatment, and seawater desalination projects. In 2012, ITOCHU became the first Japanese company to participate in the water service business in the United Kingdom, followed in 2014 by participation in water supply and sewage services in the Canary Islands, Spain. In seawater desalination projects, ITOCHU has moved beyond its traditional sales of water treatment facilities and equipment by participating in seawater desalination projects in Victoria, Australia in 2009 and Oman in 2016, transforming this field into a strength by continuously refining its accumulated business expertise. Commercial operation of the Barka Seawater Desalination Plant started in 2018, with the largest water production capacity in Oman, where it plays an important role in the stable supply of daily life water. By contributing to securing safe, economical water resources for countries, we will broaden our business opportunities.

ITOCHU will continuously play a vital role in society through its infrastructure business, realizing a circular economy and sustainable resource use with the goal of preserving the earth's environment and resolving social issues, while sustainably increasing its corporate value.

Circular Mechanism in the EfW Business



Please see our website below for further information about initiatives in the waste business
https://www.itochu.co.jp/en/csr/sustainability_activities/2020/index.html#activity_machinery

Realizing Our “*Sampo-yoshi*” Philosophy through the Largest Multifaceted Development in Japan

A market-oriented perspective and an ecosystem that shares value among all stakeholders underpin our storage battery business. By forming one of the largest AI-equipped storage battery networks in Japan, we aim for sustainable value enhancement.

Investment of Time Leading to Competitive Advantage

In May 2010, we launched a joint pilot project in collaboration with a number of other companies and the city of Tsukuba, Ibaraki Prefecture, for a future low-carbon transportation system. The multidisciplinary project combined solar power generation, Electric Vehicles (EVs), storage batteries, and ICT. Through this project, we have placed the steppingstones for our storage battery business of today. This investment of time has resulted in the accumulation of expertise and partners who share our medium- to long-term vision. These essential assets have helped us build the competitive advantage we enjoy today.

Taking on Challenges beyond the Bounds of a General Trading Company

In the 1990s, we entered the business of providing storage battery manufacturing equipment, component materials, and other items to manufacturers. Growth in this business relied on battery manufacturers’ product sales. To achieve sustainable growth, we recognized the need to expand our downstream business and generate demand by ourselves. A solution came in the form of a household Energy Storage System (ESS). Instead of merely selling products, we took up the challenge of moving into a manufacturer position by forming a partnership with NF Corporation, a company we had begun doing business with in the past and that excelled in electronic circuits and control systems.

A Thorough Market-Oriented Perspective and Overall Ecosystem Design

Our first initiative was to reflect consumer demand in the aftermath of the Great East Japan Earthquake. We responded with 200V power sources that could provide emergency power for entire homes. Looking ahead to post-2019 demand once Japan’s feed-in tariff (FIT) scheme for renewable energy ended, we secured a battery capacity of approximately 10kWh, the amount of power an average household uses in one day. It was in May 2017 that we launched the Smart Star L, offering functionality competitors’ products did not offer at the time.

In addition to pursuing functionality, we worked to design an ecosystem optimized for homes and other partners in regard to spanning sales, distribution, construction, and call center support. In designing the system, our distinctive business know-how and coordination skills we had cultivated through our strength in the non-resource sector truly came to the fore.

Amid growing awareness of the need to address power outages, giving the rise in natural disasters, examples of Smart Star L application are garnering attention. In addition, we have in place a thorough market-oriented perspective, a robust sales network that incorporates Group companies, and an optimized ecosystem. These efforts enabled us to create new opportunities.

Evolution by Combining Existing Businesses with New Technologies

In January 2018, we entered a capital and business alliance with Moixa Energy Holdings Ltd. of the United Kingdom, a company that leverages AI technology in the power platform business. Under this agreement, we acquired exclusive marketing rights in Japan to provide Moixa’s household service. The challenge we had taken up, to move into a position more akin to a manufacturer, came to fruition in this agreement under a common vision of creating a platform that combines storage batteries with Moixa’s AI technology. This AI technology analyzes and learns about weather forecasts and household electricity demand and

then optimally controls the charging and discharging of storage batteries, allowing electricity storage systems to operate efficiently.

As of March 2020, sales of Smart Star L exceeded 30,000 units. As a result, we have built the largest multifaceted development in Japan through an ESS comprising distributed power sources that can be controlled remotely.

The Possibilities Expanded from a Japan-Leading Multifaceted Development

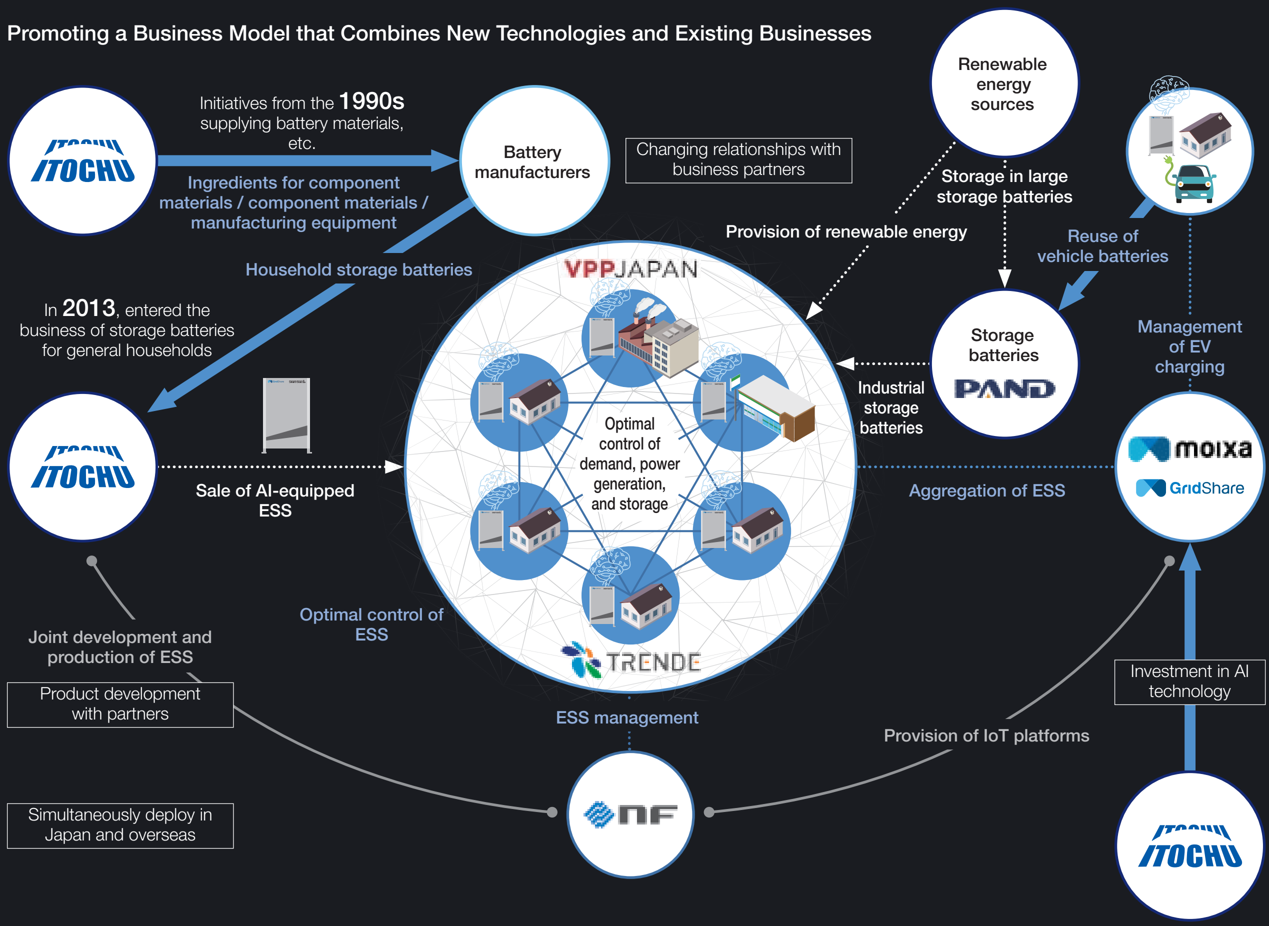
In addition to trade spanning upstream to downstream, we sought to expand our scope of operation by adding value to products and services at customer contact points. To that end, we have built a foundation for the largest AI-equipped storage battery network in Japan to move into the Virtual Power Plant (VPP) business. In March 2019, we invested in VPP Japan, Inc., which operates in the solar power business under a third-party ownership model. In June 2020, we also invested in TRENDE Inc., a TEPCO Group company that provides electricity retail services. Envisioning after 2021 when the business environment will be ready, we are exploring a host of possibilities beyond the sale of storage batteries and excess electricity, such as the formation of economic zones that link regional populations with electricity.

Based on a successful model we have developed in Japan, we aim to take it overseas. A shift toward distributed energy is taking place around the world. We have the advantage of operating an ESS comprised of nearly 20,000 AI-equipped storage batteries, providing a favorable environment for attracting new partners. In 2018, we invested in 24M Technologies, Inc., a U.S. company that engages in the research and development of semisolid lithium-ion batteries, and entered a capital and business alliance with Sunnova Energy International Inc., a U.S.-based residential solar and storage service provider. In addition, in October 2019 we acquired an equity stake in Shenzhen Pandpower Co., Ltd., a Chinese company that reuses and recycles vehicle batteries. In March 2020, we invested in Canadian company Eguana Technologies Inc., which sells proprietary ESS. We expect to combine our expertise in the storage battery business we have cultivated in Japan and our work with strong overseas partners into new businesses overseas. We also plan to apply this know-how to enter the VPP business in Japan.

Aiming for Sustainable Business Growth by Leveraging “What Sets ITOCHU Apart”

We have adopted a fully market-oriented perspective and continue to improve our finely tuned ecosystem. Although other companies are likely to enter this market, due to its strong growth potential, we will seek to differentiate ourselves by leveraging the distinctive strengths that have driven our growth to date and continue to anticipate new challenges. At the same time, we will contribute to various partners, households, and help build a better society, realizing sustainable growth as we embody the “*Sampo-yoshi*” philosophy.

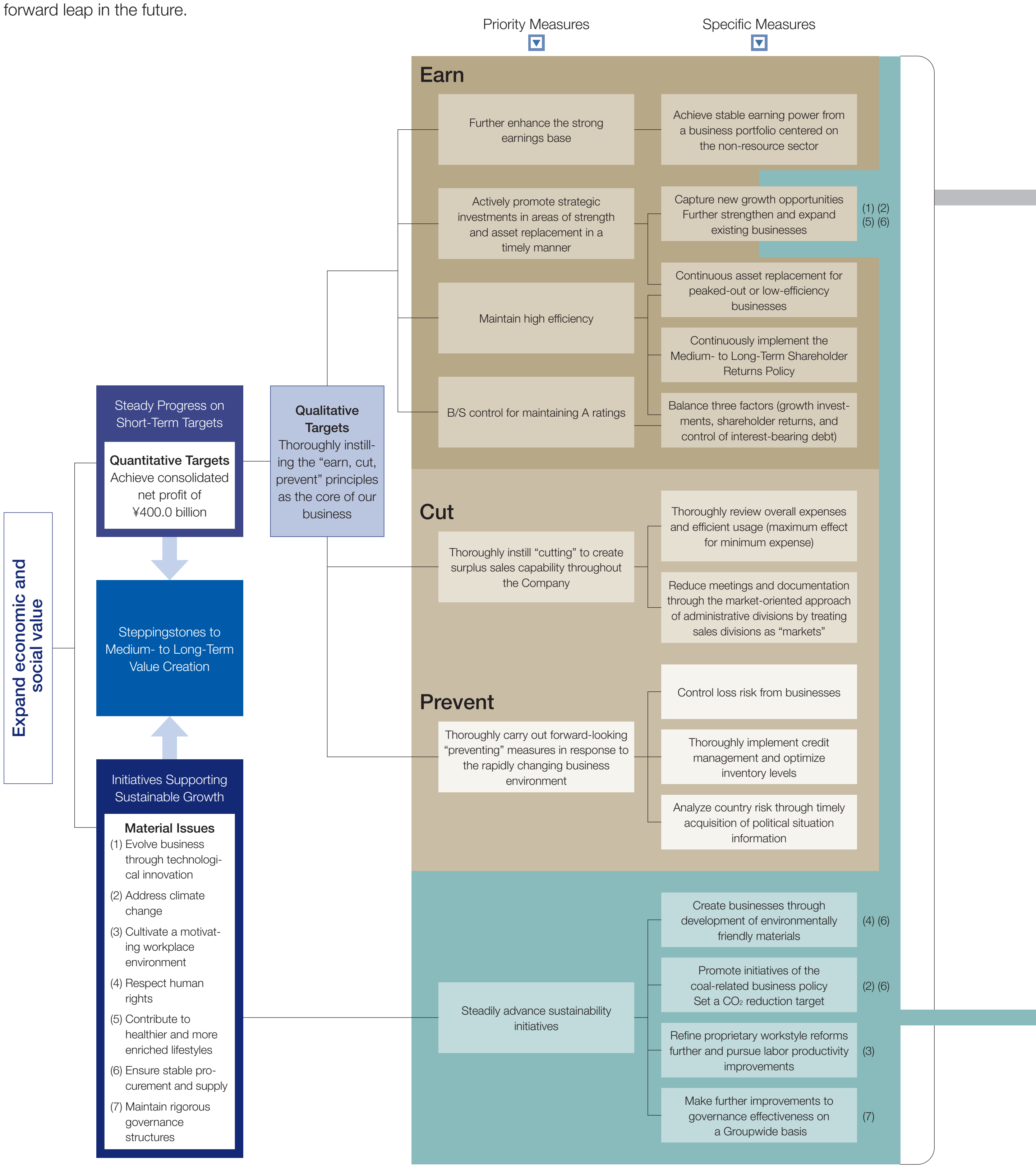
Promoting a Business Model that Combines New Technologies and Existing Businesses



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

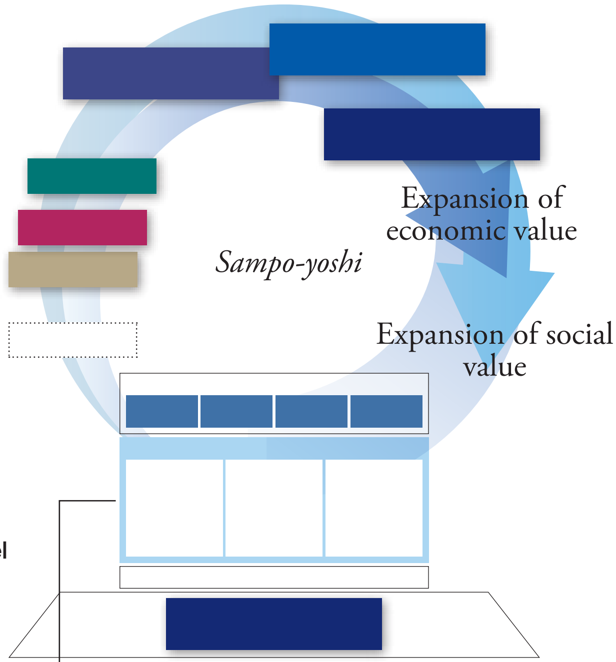
Logic Tree of the FYE 2021 Management Plan

ITOCHU started the medium-term management plan, "Brand-new Deal 2020," in FYE 2019 and has accomplished and completed it one year ahead of schedule. With the business environment undergoing tumultuous changes, mainly due to the impact of COVID-19, we have formulated a single-year plan for FYE 2021, in which we will consolidate our footing by thoroughly instilling the "earn, cut, prevent" principles. In this way, we will spend this year on steadily preparing for another forward leap in the future.



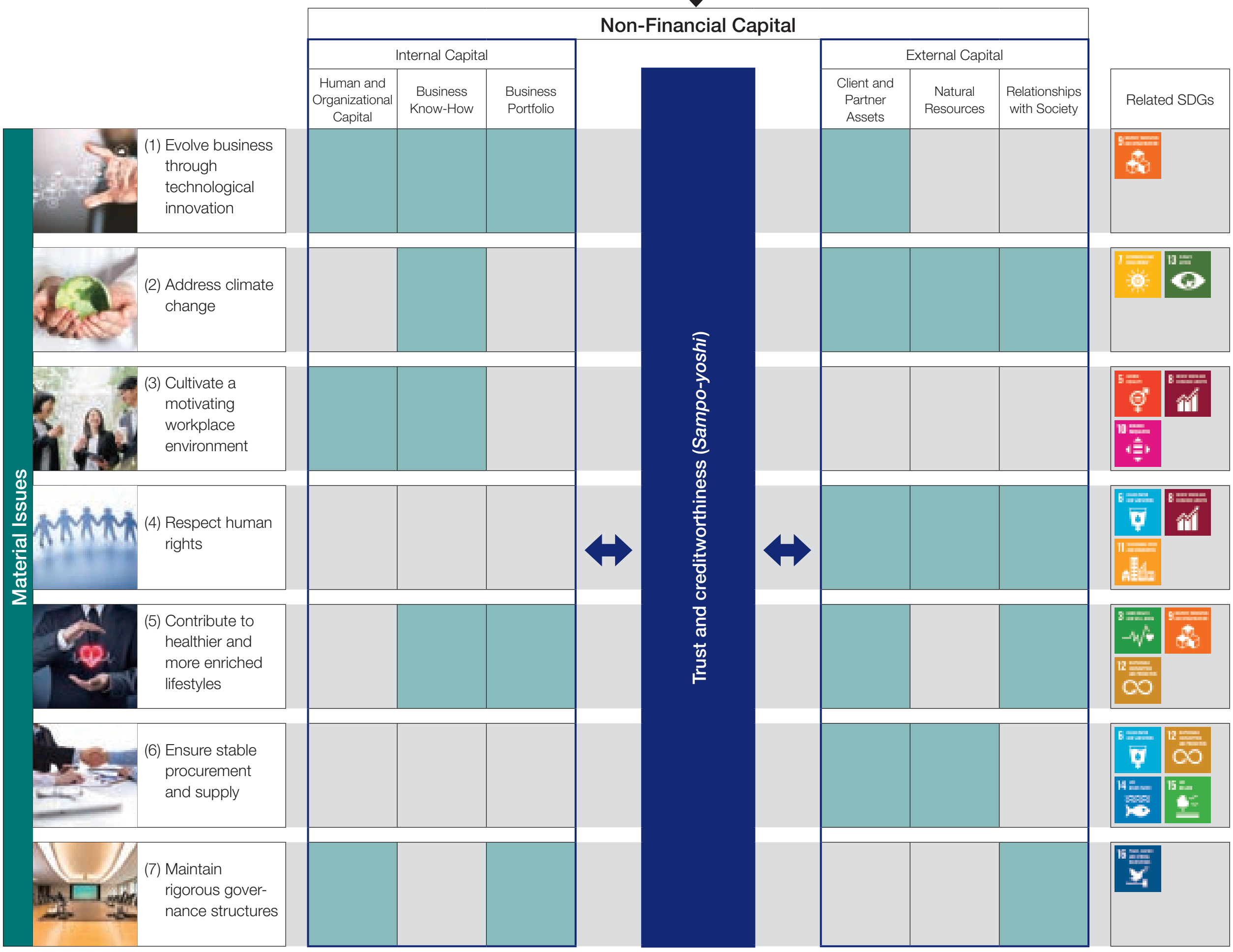
Relationship between Maintaining and Upgrading of Non-Financial Capital and Material Issues

ITOCHU has identified its corporate mission of "*Sampo-yoshi*" which embodies its material sustainability issues and works to resolve material issues through its business. In this way, we maintain and expand our non-financial capital that we have accumulated by leveraging the trust and creditworthiness, and realize a sustainable increase in corporate value.



Page 30
The "Merchant" Business Model

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



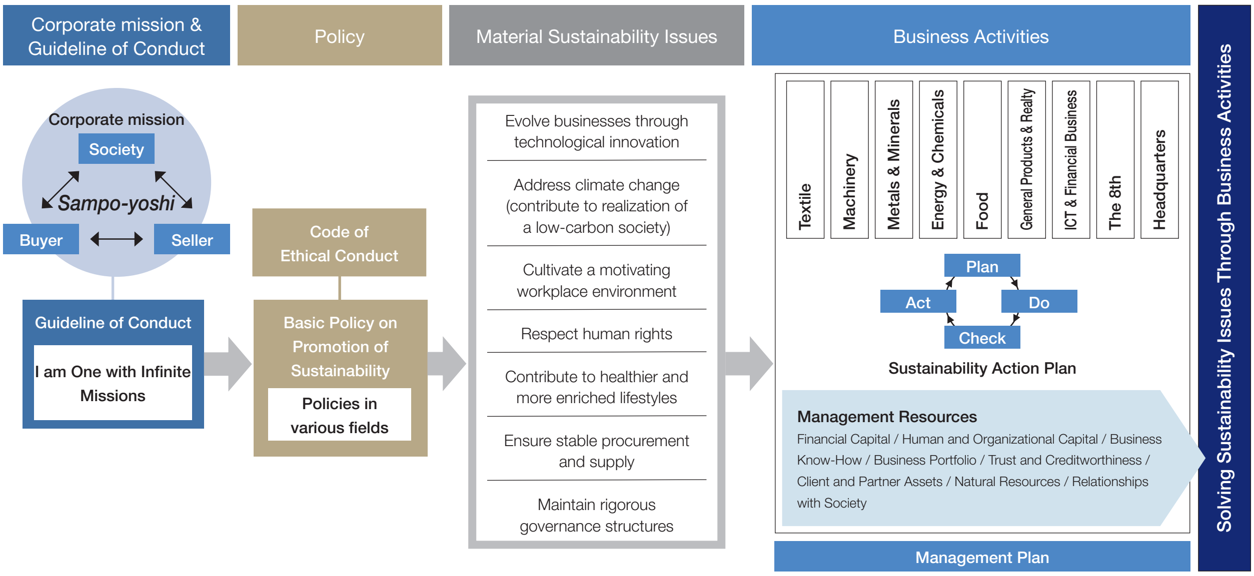
Indicates non-financial capital judged to have a particularly high relevance to material issues. We also recognize that trust and creditworthiness are strongly related to all of our material issues.

Sustainability Initiatives for Sustained Corporate Value Creation

ITOCHU conducts business globally under the Group corporate mission of "*Sampo-yoshi*," our founding spirit. As such, we consider addressing global environmental and social issues to be one of the top priority issues in our management policy. We contribute to the realization of a sustainable society in order to achieve the goals of the Group Guideline of Conduct, "I am One with Infinite Missions."

We have established the Basic Policy on Promotion of Sustainability in accordance with our corporate mission and the dynamic environment in which we operate, and promote initiatives in an organized and systematic manner. We have also determined our material issues, which are priority issues that we should resolve, and incorporated these into our Sustainability Action Plans. While maintaining and increasing our earning power, we will achieve both a sustainable increase in corporate value and resolving social issues through our trade and business investment activities.

Sustainability Promotion Flow



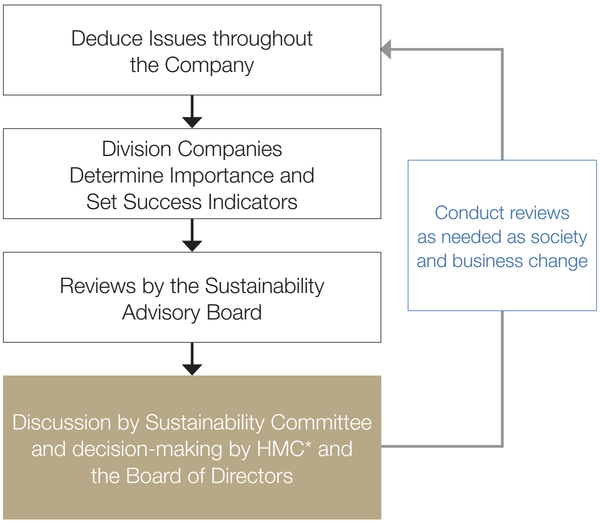
Material Sustainability Issues

Material Sustainability Issues	Examples of Performance Indicators for Sustainability Action Plans
Evolve businesses through technological innovation We create new value by working on new technologies proactively and trying to respond to changes in the industry structure beyond the framework of existing businesses.	• Rebuild business through the application of AI, IoT, fintech, and other new technologies and services • Through the use of AI and the popularization and expansion of RFID tags in the textile business, realize higher levels of supply chain productivity and operating efficiency, better traceability, and enhanced selling capabilities
Address climate change (contribute to realization of a low-carbon society) (➡ Page 66–67) We strive to adapt to the impact of climate change on business. At the same time, we work to promote business activities aimed at contributing to realization of a low-carbon society and reduce GHG emissions.	• Develop an optimal asset portfolio that takes social requirements fully into consideration, including the transition to a low-carbon society • Promote initiatives aimed at increasing the renewable energy ratio of our power generation business more than 20% (equity interest basis) by FYE 2031
Cultivate a motivating workplace environment (➡ Page 70–71) We create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity.	• By FYE 2021, reduce average annual overtime hours by at least 10% compared to the period prior to the introduction of the Morning-Focused Working System • Reduce employees who leave work due to cancer or long-term illnesses at 0% by FYE 2021
Respect human rights (➡ Page 68) We take initiatives for the respect and consideration for human rights through our business activities to stabilize our businesses and contribute to the development of local communities.	• Comply with societal and environmental maintenance and management standards throughout the entire Group's supply chain • Announce a policy for sustainable palm oil procurement that takes into account business partners' conditions, industry trends, and liaison with industry groups, and promote building of a structure for procurement and supply
Contribute to healthier and more enriched lifestyles (➡ Page 68) We contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.	• Ensure food safety and security through establishment of the Food Safety Management Department • By FYE 2021, aim to manage the health data of 1 million people obtained from medical checkups
Ensure stable procurement and supply (➡ Page 68) We work to ensure the effective utilization and stable procurement and supply of resources in accordance with demand in each country, in consideration of biodiversity and other environmental issues, aiming to achieve a recycling-oriented society.	• Further promote the recycled fiber business and increase our handling of sustainable materials • By FYE 2026, make 100% of the wood we handle in the wood products business either certified wood or wood that is confirmed to be under a high-level management
Maintain rigorous governance structures (➡ Page 72-81) The Board of Directors implements highly effective supervision of management from an independent and objective standpoint and ensures appropriate and efficient execution of operations by improving the transparency of decision-making.	• Continuously conduct measures aimed at strengthening the supervisory function of the Board of Directors through Board of Directors' evaluations • Monitor various compliance-related measures and continue face-to-face training, etc.

For details on the status of initiatives at Division Companies, please refer to the Sustainability Action Plans. **https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/**

Identification and Review of Material Issues

Since ITOCHU first identified material issues in 2013, we have conducted regular reviews based on trends in the international community and the expectations of stakeholders. In FYE 2019, when the previous medium-term management plan kicked off, we identified seven material issues based on the adoption of the SDGs, the Paris Agreement on climate change coming into effect, and other social developments and changes affecting business. In the FYE 2021 Management Plan, we continue to apply them.

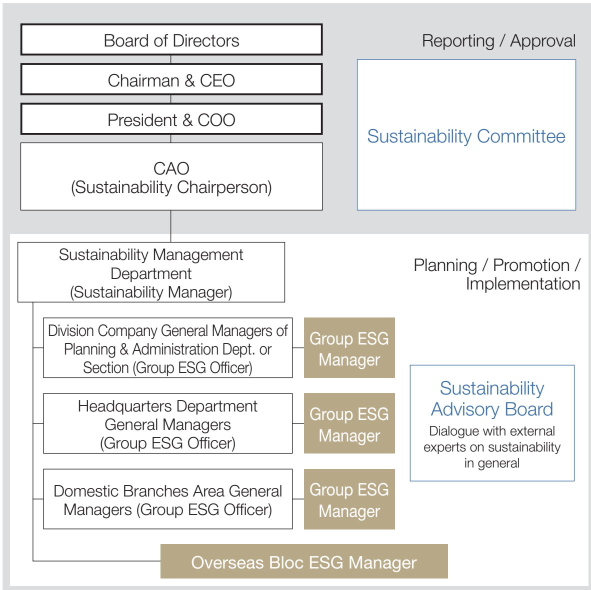


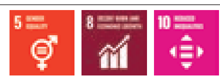
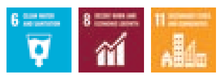
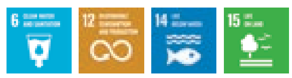
*HMC = Headquarters Management Committee

Please see the ESG report for details.
https://www.itochu.co.jp/en/csr/report/

Sustainability Promotion Framework

The Sustainability Management Department plans measures to advance sustainability. After these are decided by the CAO, they are carried out by each organization. The Sustainability Committee deliberates and makes decisions concerning formulation and revision of basic policies and important matters. Through dialogue with stakeholders such as the Advisory Board, we gain an understanding of society's expectations and demands, etc., which we use in our efforts to promote sustainability.



	Status of Initiatives at Division Companies									SDGs
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Headquarters	
										
										
										
										
										
										
										

Addressing Climate Change

ITOCHU uses the scenario analysis* in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the impact of climate change on the Group's businesses and their continuity, and to build business strategies based on the various opportunities and risks associated with climate change. We use the "under 2°C" scenario mainly for businesses related to fossil fuels, which will be heavily impacted by transition risk arising from changes in policies, technologies, and markets following the transition to a low-carbon society. Meanwhile, we use the "around 4°C" scenario for businesses in the consumer-related sector, which will be heavily impacted by physical risk arising from increases in average temperatures and changes in weather patterns. In this way, the TCFD scenarios allow a well-balanced analysis covering all of our asset portfolio. Taking the impacts from the above scenarios on each business into account, we will take appropriate steps to prepare for the future, and work to further enhance the continuity of our robust earnings base centered on our businesses in the consumer sector.

Risks and Opportunities

Risks	Opportunities
Transition risk • Reduction in demand for fossil fuels due to business restrictions on GHG emissions **Physical risk** • Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons, and hurricanes)	• Increase in renewable energy and other business opportunities which will contribute to alleviating climate change • Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather flexibly

Governance

➔ Page 65 Sustainability Promotion Framework

Metrics and Targets

Metrics	Targets	FYE 2020 Results
Electricity consumption of Tokyo and Osaka headquarters, branches and offices in Japan, and other business facilities in Japan	Reduction of 30% compared with FYE 2011 levels in FYE 2021	Reduction of 44% compared with FYE 2011 levels
	Average annual reduction of at least 1%	Reduction of 2.3% compared with FYE 2019 levels
Renewable energy ratio	More than 20% by FYE 2031	12.5%

Risk Management

➔ Page 47 Risk Management

Strategy

- ITOCHU recognizes that the various risks and opportunities associated with climate change are an important perspective for business strategy.

*** Scenario Analysis**

- In considering scenarios analysis, we established the two scenarios, making reference to the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC): one where average temperature increase by the end of this century is "under 2°C" and one where it is "around 4°C."
- In terms of transition and physical risks, we have identified financially important businesses that could potentially be affected heavily by climate change.

Agreement with the TCFD Recommendations and Policy on Coal-Related Businesses

In May 2019, ITOCHU announced its endorsement of the TCFD recommendations after conducting a scenario analysis* based on the recommendations with regard to its power generation-related business with support from the Ministry of the Environment. At the same time, we also participated in the TCFD Consortium established by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency, as a body for promoting discussion and deliberation among companies and financial institutions supporting the TCFD mission. Our policy going forward is to continue analyzing the impacts of climate change on our overall business in line with the TCFD recommendations and to provide timely, appropriate disclosure of relevant information. Moreover, we recognize that the coal-related business has a particularly significant impact on our business and stakeholders. We therefore conducted scenario analysis an urgent priority, and in February 2019 announced a policy of neither developing any new coal-fired power generation business nor acquiring any new thermal coal mining interest.

We will conduct ongoing reviews and asset replacement with regard to our existing thermal coal mining business, while continuing to respond to social demand from customers in Japan and overseas for a stable supply of energy. At the same time, we will maintain our participation in technological research that contributes to reducing GHG emissions. Our goal in doing so is to contribute to the development of a sustainable society.

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

Scenario Analysis

Division Companies									
Machinery		Metals & Minerals		Energy & Chemicals		Food		General Products & Realty	
Business									
Power Generation		Coal		Oil & Gas Upstream Business Development		Dole		Pulp	
Main risks									
Transition risk* * The impact under the “around 4˚C” scenario on businesses with a significant transition risk is limited.						Physical risk			
Business environment									
4˚C	<2˚C	4˚C	<2˚C	4˚C	<2˚C	4˚C	<2˚C	4˚C	<2˚C
→	→	↗	→	↗	↗	↗	↗	↘	↗
• Even in the “under 2˚C” scenario, we can maintain and grow revenue by increasing the number of new renewable energy plants.		• In the “under 2˚C” scenario, use of fossil fuels will be reduced as a result of technological innovation and changes in regulatory trends, but demand for high-grade coal, which has a relatively lower environmental impact, will remain at a certain level.		• Demand for crude oil is expected to shrink across the world in the “under 2˚C” scenario. Nevertheless, we will be able to increase revenue by capturing the opportunities of the global increase in demand for LNG and the increase in demand for new energies (e.g., biofuels).		• We expect climate change (the impact on the amount of harvest per unit area due to the increase in the average temperature) to have the impact of reducing revenue under both the “around 4˚C” and “under 2˚C” scenarios. Nevertheless, we will be able to increase revenue by dispersing risks with diversification of production areas (e.g., Sierra Leone) and by striving to improve our cultivation technologies and cultivation efficiency.		• We will partially increase revenue due to an increase in pulp production output in some afforestation areas where production output is expected to expand under the “around 4˚C” scenario. Nevertheless, our analysis shows that our overall revenue will decrease due to the impact of the reduction in production output in most afforestation areas with the rise in the average global temperature. • We will maintain production output at a certain level in afforestation areas with the suppression in the rise of the average temperature in the “under 2˚C” scenario. If the carbon prices are introduced in pulp manufacturing factories using biomass energy, we will be able to curtail costs. In addition, we will be able to increase profit by augmenting revenue with an increase in our pulp production output in afforestation areas where production output is expected to expand.	
Policies and efforts									
• We aim to achieve a renewable energy ratio of more than 20% (equity interest basis) by FYE 2031 and will reflect this in the future strategy. • We will not develop any new coal-fired power generation business.		• We will not acquire new thermal coal mining interests. • Regarding the existing thermal coal mining projects, we will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to customers in Japan and overseas. • We will continue to be involved in the development of technologies to contribute to reduction of GHG emissions, including carbon capture and storage (CCS) and carbon capture and utilization (CCU).		• We will carefully examine an expansion of our crude oil assets. • We will aim to stabilize business by participating in excellent projects. We will then examine investment opportunities in gas projects (e.g., LNG). • We will examine a business portfolio that anticipates an increase in demand in the new energies field (e.g., the capture of biofuel and hydrogen-related business opportunities).		• We will diversify production areas (expand production in Sierra Leone). • We will increase the yield by researching and selecting varieties and by improving production methods (e.g., by improving seedling cultivation methods). • We will contribute to a low-carbon society through the promotion of biogas power generation utilizing pineapple dregs and solar power generation utilizing factory rooftops. We will aim to further improve the Dole brand and product superiority with the support of highly environmentally conscious consumers. • We will implement irrigation as necessary.		• We will examine a selection of varieties to respond to climate change. • We will conduct on-site monitoring to examine measures before the impact of climate change becomes significant.	

Please see our website below for further information about initiatives in response to climate change
https://www.itochu.co.jp/en/csr/environment/climate_change/

Sustainability in the Value Chain

ITOCHU understands that on top of realizing the stable and sustainable procurement and supply of raw materials, it must also respond appropriately to environmental and human rights risks in its increasingly wide-ranging and complex supply chains. Through dialogue with stakeholders, we will work to achieve even greater transparency across the entire supply chain, including suppliers and customers, and make efforts on risk management.

Risks and Opportunities

Risks	Opportunities
• Decrease in creditworthiness when safety and health issues occur for consumers and service users	• Increase in demand for food safety and security as well as health promotion • Building of a secure and stable product supply system through consideration for human rights and improvement of working environments in the supply chain • Acquisition of customer trust and creation of new businesses through stable supply of environmentally friendly resources and materials

Food Supply Chain in the COVID-19 Pandemic

Plant audit in China

Our supply chain is growing more wide-ranging and complex as our business domains expand, making it more important to manage risks in raw materials procurement and in our supply chains related to human rights, working environment, and other aspects. For example, in the Food Company, we are promoting sustainable purchasing activities over the long term, mainly in upstream businesses such as palm oil, marine products, dairy products, fresh meat, and coffee. These efforts include participation in international certification organizations and initiatives to increase the procurement ratio of certified products, and through initiatives to promote greater supply chain transparency utilizing blockchains.

In addition, at food manufacturing plants, which are positioned in the midstream section of the supply chain, we have made use of our existing initiatives for increasing transparency across the entire supply chain even under the COVID-19 environment. For example, since January 2015, we have had a food safety management team in China, and have regularly dispatched Japanese experts to sites there. From a perspective of preventative management, we have conducted regular plant audits in accordance with international standards, and fostered communication with our business partners' plants. In addition to reducing the risk of accidents and issues arising, these initiatives also helped us to get a timely grasp of the status of suppliers infection prevention management systems and operating status during the COVID-19 crisis, which enabled us to avoid any interruption in the supply chain. Furthermore, preliminary preparation of crisis response manuals through preliminary surveys regarding BCP measures also contributes to the stable supply of food.

Initiatives in the Supply Chain Going Forward

As a general trading company that operates businesses globally, ITOCHU takes essential measures to fulfill its responsibilities to reduce the risk of human rights violations in its supply chain and provide a stable supply of goods to support people's lives. Specifically, we will reiterate the Sustainability Action Guidelines for Supply Chains* and continue to implement annual sustainability inspections at our suppliers in an effort to ascertain their true status.

Looking ahead, we plan to build processes for conducting more thorough human rights due diligence to identify and assess risks, and to remedy them.

* The Sustainability Action Guidelines for Supply Chains can be found here:
https://www.itochu.co.jp/en/csr/society/value_chain/policy/

ESG Risk Evaluation in Business Investment

ITOCHU carries out comprehensive ESG risk evaluations when making business investment decisions by using an ESG checklist and making on-site visits after executing investments. These are part of our efforts to ascertain ESG risks for business investments and take preventative actions. Furthermore, the ESG risk evaluation process is continuously reviewed and improved within the Company's sustainability management system framework based on ISO 14001 as a means of reducing risks related to business investments.

ESG Risk Evaluation of New Business Investment Projects

When making new business investments, we use the ESG checklist for investments to conduct a thorough due diligence check of the status of the business investee's sustainability promotion system and CSR policy, as well as the risks of significant adverse effects on the environment, violations of laws and ordinances, and complaints from stakeholders. This checklist consists of 33 check items, including the elements of the seven core subjects* in ISO 26000. With this checklist, the division making the application (sales department) is required to refer to reviews based on risk analysis from relevant administrative organizations, and to request additional due diligence from external specialist organizations on areas of concern that require an expert opinion, such as soil pollution surveys for building construction. The project is then only undertaken upon confirming that there are no problems in those results.

* Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

Group Company Fact-Finding Investigations

We have continued to conduct on-site visits and surveys in Group companies since 2001 to prevent environmental pollution. We visited and surveyed two Group companies in FYE 2020, working with external experts upon consideration for the environmental and social risks of each company. (We completed investigations into a total of 285 offices as of the end of March 2020.)

In these investigations, we conduct wide-ranging inspections such as the factory and warehouse facilities, the situation of drainage to rivers, compliance with environmental laws and regulations, consideration for labor safety and human rights, and communication with the local community in addition to holding a Q&A session with management. We also identify problems and present preventative measures, and check to see whether the situation has been corrected afterwards.

In January 2020, we visited and surveyed Dole Philippines Inc., which manufactures canned pineapple. Based on the insights of an external expert with detailed knowledge of local laws and regulations, we carefully checked the status of soil pollution, waste, and compliance with laws and regulations to confirm that these are being managed properly.

We also confirmed that the company is actively engaged in on-site biomass power generation and making donations to local schools, among other activities.

Survey at Dole Philippines Inc.

Increasing Labor Productivity by Building a Companywide Integrated Data Infrastructure

The Company has radically overhauled its mission-critical systems looking ahead to the full-scale arrival of the era of Digital Transformation. As part of this, we have built a Companywide integrated data infrastructure that will improve the speed and flexibility of business data analysis. In addition to accounting data, the system also aggregates all data concerning sales transactions of the eight Division Companies, logistics data, and external data such as stock prices. This enables the provision of reports and business data in accordance with front-line needs. In conjunction with this, we have established the Business Intelligence Competency Center (BICC) as a dedicated organization for providing assistance with data analysis and use within the IT Planning Division under the Chief Digital & Information Officer. It will support flexible use of data to enable all sales departments to "evolve businesses through technological innovation," which has been identified as a material issue for the Company. The IT Planning Division will support increased efficiency and productivity of management using technology, while supporting thorough implementation of the merchant principles of "earn, cut, prevent."

Human Resource Strategy

One of ITOCHU's most important attributes is that it advocates the "creation of company environments that are strict but rewarding" and its management is committed to realizing these environments. By clearly positioning a human resource strategy consisting of various measures as a management strategy, we elicit the maximum "individual capabilities" from our employees, who are the driving force behind the functioning of ITOCHU's business models. As a result, we have steadily increased labor productivity at ITOCHU with the smallest head-count among major general trading companies on a non-consolidated basis.

In addition, by raising their awareness of participation in management, we encourage employees to unite their "individual capabilities," an ITOCHU strength, and align themselves in the direction of management. This is a further driving force for the virtuous cycle that leads to sustainable increases in corporate value. We plan to introduce additional measures that will strengthen this cycle even more.

OUTCOME

Number of ITOCHU Employees and Consolidated Net Profit

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

Company ranking among job-seekers: No. 1*

* Sources: "2020 [Spring] (Second Half of 2021 Graduates) Workplace Popularity Ranking among University Students" by DIAMOND, Inc.; "Company Ranking among Job-Seekers Graduating in 2021" by GAKUJO Co., Ltd.; and "Job Brand Ranking Survey Flash Report (First Half) by Prospective Employees in 2021," by Bunkahoso Career Partners Co., Ltd.

Our Understanding of the Environment

2030 problem ⇒ Labor shortage, more frequent job changes

In 2030, a labor shortage of 6.44 million people*

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

Continuously Develop Employee Capabilities

Continuously Develop Employee Capabilities	OUTCOME
Increasing the Number of Chinese-Speaking Employees (from FYE 2016) • Increase the number of Chinese-speaking employees to 1,000, or around one-third of career-track employees • Provide overseas training in the Chinese language	• Expand our foundations in China and other parts of Asia, which are our areas of strength • In FYE 2018, met the target of having 1,000 employees with Chinese-language qualifications; figure increased to 1,231 employees in FYE 2020 • Implementing programs to maintain or increase Chinese-language proficiency
Hiyoshi Dormitory (from FYE 2019) • Foster the development of, and a sense of unity among, young employees	• Create personal networks that surpass the boundaries of age and department, and build a robust organization • Encourage the passing on of a free-spirited corporate culture

(As of April 1, 2020)

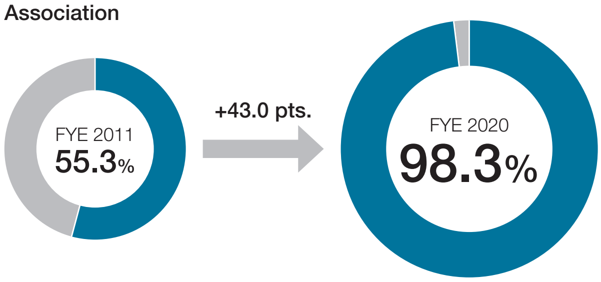
Initiatives to Support the Career Development of Female Employees	OUTCOME
Developing Next-Generation Managers • Various types of career training • Sending to external training sessions • Preparation of individual career plans **Establishing Environments That Provide Job Satisfaction to Female Employees** • Allowing employees stationed overseas to bring children with them but without spouse • Re-employment system • Promotion of awareness of active female participation through organizational leadership training	• Two female Outside Directors, two female Executive Officers • 27 female corporate officers and divisional managers (of whom one is president of an overseas subsidiary) • Percentage of female career-track employees: 10.0% • Percentage of women in management positions: 8.1% • Female career-track employees with overseas experience: 76.0% (Figure excludes employees in their first four years of employment, as employees are in principle not sent overseas during this training period.)

Increase Awareness of Participation in Management (Shared Value with Shareholders)

Shareholder-Conscious Stock Compensation Scheme

To achieve sustainable increases in corporate value, we believe it is important for employees, in addition to the management team, to take part in management. We have encouraged participation in our employee shareholding association, and the participation level reached almost 100% in FYE 2019. Going further, in FYE 2020 we used this association to introduce a stock compensation scheme. Under this scheme, we pay special incentives when the Company's performance reaches a certain level, granting shares as consideration.

Percentage Membership in the Employee Shareholding Association



Cultivate a Motivating Workplace Environment

Create a Rewarding Workplace Environment	OUTCOME
Morning-Focused Working System (from FYE 2014) • Shift from the tendency to work late-night to morning-focused working style • In principle, prohibit work after 8:00 p.m., and encourage to work in early morning (from 5:00 a.m. to 8:00 a.m.) • Offer free breakfast • Provide a higher wage rate for people who start work before 8:00 a.m. • Extend morning training options, such as Morning Activity Seminars	• Improve operating efficiency and use time more effectively (self-improvement, etc.) • Reduce overtime work, correcting the issue of long working hours • By reducing overtime pay and taxi fares, almost no change in net costs even though providing free breakfast
Dress-down Days (from FYE 2018) • Create an environment that encourages flexible thinking • Allow employees to work in casual clothing from Tuesday through Friday (every day in summer)	• By encouraging employees to think more about their clothing, promote employees to actively have interests in various things and foster an environment conducive to new ideas

Results of Morning-Focused Working System

		Before introduction	One year after introduction	FYE 2020
Leaving the Office*1	8:00 p.m. or after	30%	7%	6%
	Of which, 10:00 p.m. or after	*10%*	*almost 0%*	*almost 0%*
Entering the Office*1	8:00 a.m. or before	20%	34%	43%
Hours of overtime work*2		—	(7%)	(8%)
Cost per month (Overtime pay + cost of breakfast)*2		—	—	almost no change
Usage of paid holidays*2		—	—	increase of 10%

*1 % of people in the headquarters
*2 Compared with the level before we introduced the Morning-Focused Working System

FYE 2019 Engagement Survey*1 Results (Main Items)

	Affirmative response rate	Compare with global average*2
ITOCHU considers employees important and takes them into consideration	80%	+17%
ITOCHU places importance on customers	80%	+5%
ITOCHU calls for the achievement of high levels of success	91%	+5%

*1 Next survey scheduled for FYE 2023 (conducted every four years)
*2 Global average of 330 enterprises and 6.7 million employees

Improve Employee Health

Improve Employee Health	OUTCOME
Establishment of the ITOCHU Health Charter (from FYE 2017) **Support Measures for Balancing Cancer Care and Work (from FYE 2018)** • Hold regular special checkups through a cooperation with the National Cancer Center Research Institute • Reflect the balance between treatment and work tasks in individual performance reviews • Provide full Company assistance for expenses for advanced cancer treatment • Provide schooling and work support for bereaved family members	• Maintain and increase employee motivation and sense that work is worthwhile • Create an environment where employees can feel secure and devote their full attention to work • Reduce uncertainty about the future • Nearly 100% screening among people targeted for cancer screening • Held a total of three internal seminars themed on cancer, with more than 1,000 participants • Strengthen the organizational capabilities

Transition of the Corporate Governance System

ITOCHU aims to continuously improve the effectiveness and transparency of its corporate governance system, a foundation that supports sustainable increases in economic and social value under its new "*Sampo-yoshi*" Group corporate mission.

Design of Effective Organizations and Systems with Strong Awareness of Corporate Value Improvement

1	2	3
Transparent and fair decision-making Independent advisory committees to the Board of Directors Page 74	**Ensure diversity** Outside Directors with specialized experience in diverse fields Page 75	**Maintain and improve effectiveness of the Board of Directors** Continuous confirmation and improvement of effectiveness based on third-party assessments Page 76

Atsuko Muraki

Outside Director

Ms. Muraki assumed a position as member of the Board of Directors at ITOCHU in June 2016, after serving as Vice Minister of Health, Labour and Welfare. She served as Chairman of the Governance and Remuneration Committee in FYE 2020, leading discussions regarding Corporate Officer remuneration, etc. She has provided many helpful suggestions concerning internal control, compliance, deploying personnel, and strengthening organizations.

Aiming for Long-Term Increases in Corporate Value

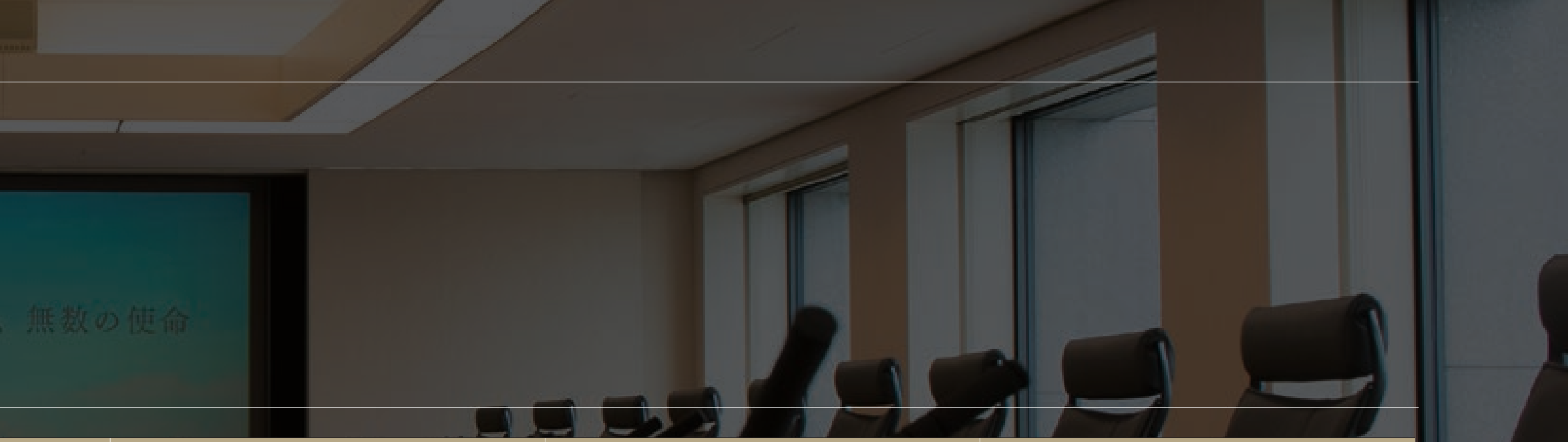
Since being appointed as an Outside Director of ITOCHU, I have served as a member of the Governance and Remuneration Committee, and I also chaired the same committee in FYE 2019 and FYE 2020, fulfilling my role as Outside Director through deep involvement in changing the Company's corporate governance for the better. During my tenure, I have experienced major changes as the Board of Directors transitioned to a monitoring-focused structure. Thereafter, the Company's corporate governance system has steadily improved with each passing year, including an increase in the ratio of Outside Directors to 40%.

The Corporate Officer remuneration system, one of the major topics of discussion by the Governance and Remuneration Committee, is designed to reflect in the remuneration of each Corporate Officer's role and contribution to performance, with the aim of winning the trust of shareholders and other stakeholders.

There is no goal for advancing corporate governance. Therefore, we continue to seek to create an even better system through constant revisions in response to the rapidly changing external business environment. In FYE 2021, as the Chairman of the Nomination Committee, I will work to improve ITOCHU's corporate value by strengthening the Company's corporate governance system through examining succession plans, an important corporate governance issue for the Company, and through discussions about personnel matters relating to Board Members.

History of Changes in the Corporate Governance System

	Purpose	Actions Taken
FYE 2021	Maintenance and improvement of the effectiveness of the Board of Directors and improvement of Group governance system	• Maintain the ratio of female Directors at 20% • Improve the governance structure of listed subsidiaries
FYE 2020	Further improvement of the effectiveness of the Board of Directors	• Maintain the ratio of Outside Directors to more than one-third at any time • Further improve the diversity of Outside Directors • Achieve ratio of 20% of female Directors on the Board of Directors (in addition, two female Executive Officers (non-Director)) • Formulate ITOCHU's Policy on the Governance of its Listed Subsidiaries • Reorganized the Nomination Committee (Majority members of both the Governance and Remuneration Committee and the Nomination Committee are outside executives)
FYE 2019	Maintenance of the Board of Directors' system in response to internal and external changes	• Transition to a Management Structure with a Chairman & CEO and a President & COO • Improve diversity of Outside Directors • Maintain an Outside Directors' ratio of at least one-third • Discontinue consultant and advisor system
FYE 2018	For thorough separation of management execution and supervision	• Transition to a Board of Directors with a monitoring-focused structure • Increase in the ratio of Outside Directors to at least one-third • No Directors except one Division Company President appointed to concurrent positions
FYE 2017	To strengthen the Board of Directors' supervision function	• Increase in the number of Outside Directors (from two to three) • Reorganized the Governance and Remuneration Committee and the Nomination Committee (appointing Outside Directors as chairmen and accounting Outside executive half or more of members)
FYE 2016	To strengthen the Board of Directors' supervision function and increase transparency	• Response to Japan's Corporate Governance Code • Establishment of the Governance and Remuneration Committee and the Nomination Committee
FYE 2012	To increase the effectiveness of the supervision of management and improve the transparency of decision-making	• Appointment of two Outside Directors
FYE 2000	To strengthen decision-making and supervisory functions of the Board of Directors	• Introduction of Executive Officer System



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Arrangements for lively discussions of the Board of Directors

Proactive sharing of information with Outside Directors

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5

Improvement in Group governance system

Announcement and steady application of governance policies for listed subsidiaries

Page 77

6

Incentives for earnings growth

Fair and well-balanced Corporate Officer remuneration system, highly linked to business performance

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Constant Improvement

Internal Directors	Outside Directors	Ratio of Outside Directors	Ratio of Female Directors
6 (CEO, COO, CAO, CFO, P, *) * Overseas	4	40% (4 out of 10 Directors)	20% (2 out of 10 Directors)
6 (CEO, COO, CAO, CFO, P, *) * Overseas	4	40% (4 out of 10 Directors)	20% (2 out of 10 Directors)
5 (CEO, COO, CAO CIO, CFO, P)	3	38% (3 out of 8 Directors)	13% (1 out of 8 Directors)
5 (CEO, CSO CIO, CAO, CFO, P)	4	44% (4 out of 9 Directors)	11% (1 out of 9 Directors)
11 (CEO, CSO CIO, CAO, CFO, P, P, P, P, P, P, P)	3	21% (3 out of 14 Directors)	7% (1 out of 14 Directors)

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

Harufumi Mochizuki

Outside Director

Mr. Mochizuki was appointed as an Audit & Supervisory Board Member of ITOCHU in June 2014 and a Director in June 2017, following a position as the Vice Minister of Economy, Trade and Industry. In FYE 2020, he served as the Chairman of the Nomination Committee, and lead deliberations on the appointment and dismissal of key management members and succession plans. He provides many beneficial and broad-minded suggestions on topics including internal control, compliance, and next-generation businesses.

Ensuring and Improving Transparency of Decision-Making

There are always many number of options and directions to consider when making business decisions. I believe the primary role of Outside Directors in corporate governance is to maintain an objective and comprehensive perspective and examine whether all the necessary factors have been considered, such as various possibilities and accompanying risks, and voice opinions to the management team. I am confident that steps to ensure and improve the transparency and fairness of decision-making at ITOCHU have led to even better management, as Outside Directors give management their frank opinions based on their specialized knowledge and diverse backgrounds, while management carefully listen to these opinions.

Succession plans for management are one of the most important issues for maintaining and improving the effectiveness of corporate governance at ITOCHU. During my tenure as the Chairman of the Nomination Committee for two years since FYE 2019, we periodically discussed succession plans, and had lively conversations about the "ideal" manager as he or she is pressured to make bold decisions, and policies for grooming successors. In FYE 2020, we worked on having more practical discussions by taking a more flexible approach to meetings, such as creating opportunities for only Outside Directors on the committee to have discussions.

Overview of the Corporate Governance System

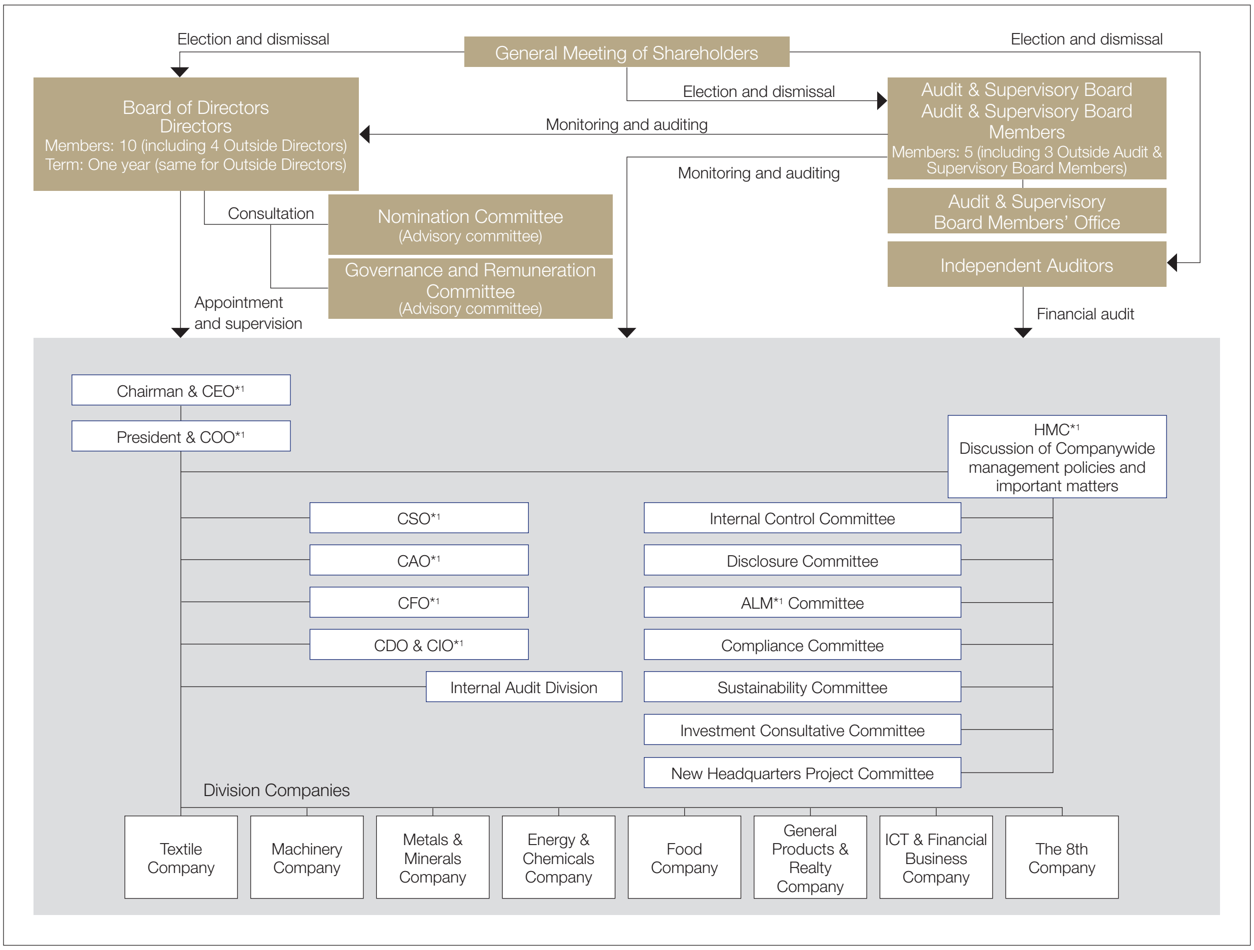
As a company with Audit & Supervisory Board Members (Audit & Supervisory Board), ITOCHU is always implementing measures to strengthen management supervision. After transitioning to a monitoring-focused Board of Directors in FYE 2018, the Company increased the ratio of Outside Directors to at least one-third, and intends to maintain this ratio. As advisory committees to the Board of Directors, the Governance and Remuneration Committee and the Nomination Committee have been established with an Outside Director as the Chairman and Outside Directors forming a majority of members.

ITOCHU's Inside Directors are nominated from a pool of personnel who have abundant business experience and general knowledge about the management of general trading companies. Outside Directors are appointed from a pool of diverse candidates who have expertise in certain fields. Furthermore, Outside Audit & Supervisory Board Members are selected from candidates who have extensive knowledge in finance, accounting, or legal affairs. They facilitate the neutral and objective supervision and oversight of the Company's management.

The following outlines ITOCHU's corporate governance system, the role of each Outside Director and Outside Audit & Supervisory Board Member, and their primary fields of expertise.

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of June 19, 2020)



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

Principal Internal Committees

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

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

Composition of the Governance and Remuneration Committee and the Nomination Committee

(As of June 19, 2020)

Name	Title	Governance and Remuneration Committee*1	Nomination Committee*2
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director		○
Atsuko Muraki	Outside Director		◎ (Chair)
Harufumi Mochizuki	Outside Director	○	○
Masatoshi Kawana	Outside Director	◎ (Chair)	
Makiko Nakamori	Outside Director	○	
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member		*3
Makoto Kyoda	Audit & Supervisory Board Member	○	
Shingo Majima	Outside Audit & Supervisory Board Member		○
Kentaro Uryu	Outside Audit & Supervisory Board Member		○
Kotaro Ohno	Outside Audit & Supervisory Board Member	○	
		(7 members)	(7 members)

*1 The Governance and Remuneration Committee deliberates and advises on proposals related to the remuneration system for Directors and Executive Officers and other matters on corporate governance.
*2 The Nomination Committee deliberates and advises on proposals related to nomination and dismissal of Executive Officers, nomination of candidates for Directors and Audit & Supervisory Board Members, dismissal of Directors and Audit & Supervisory Board Members, and appointment and dismissal of responsible Directors and officers.
*3 Shuzaburo Tsuchihashi, Audit & Supervisory Board Member, attends as an observer.

Principal Specialized Area of Experience of Outside Directors

Name Role	Gen-der	Length of services *1	Principal specialized area of experience						Main career history & qualifications, etc.
			All aspects of management	Overseas assignment (Global)	Finance and accounting	Human resources and labor	Internal control & legal affairs / compliance	Health and medical care	
Atsuko Muraki Outside Director Chairman of the Nomination Committee		4 years	●			●	●	●	Vice Minister of Health, Labour and Welfare
Harufumi Mochizuki Outside Director		3 years*2	●	● (North America / Europe)		●	●		Vice Minister of Economy, Trade and Industry
Masatoshi Kawana Outside Director Chairman of the Governance and Remuneration Committee		2 years	●	● (North America)		●	●	●	Vice President of Tokyo Women's Medical University Hospital, Doctor of Medicine
Makiko Nakamori Outside Director		1 year	●		●		●		Served as outside director and audit & supervisory board member at several companies including ITOCHU Techno-Solutions Corporation Certified Public Accountant

Principal Specialized Area of Experience of Outside Audit & Supervisory Board Members

Name Role	Gen-der	Length of services *1	Principal specialized area of experience						Main career history & qualifications, etc.
			All aspects of management	Overseas assignment (Global)	Finance and accounting	Human resources and labor	Internal control & legal affairs / compliance	Health and medical care	
Shingo Majima Outside Audit & Supervisory Board Member		7 years	●	● (North America)	●		●		Executive Director of Chuo University, Senior Partner, KPMG LLP, Certified Public Accountant in Japan and the U.S. (New York State)
Kentaro Uryu Outside Audit & Supervisory Board Member		5 years	●	● (Asia)			●		Managing Partner, URYU & ITOGA, Attorney-At-Law
Kotaro Ohno Outside Audit & Supervisory Board Member		3 years	●			●	●		Prosecutor General, Vice Minister of Justice, Attorney-At-Law

*1 Number of full years of service as of June 30, 2020
*2 Harufumi Mochizuki served for three years as an Audit & Supervisory Board Member before being appointed as an Outside Director

Maintaining and Improving the Effectiveness of the Board of Directors

Procedure for Evaluation of the Board of Directors and Evaluation by External Consultant in FYE 2020

For the purpose of maintaining and improving the effectiveness of the Board of Directors, ITOCHU conducts an evaluation of the effectiveness of the Board of Directors. We have confirmed its effectiveness based on the results of the evaluation in FYE 2020.

Based on the results of this evaluation, ITOCHU will continue to examine measures to improve diversity among Outside Directors and strive to enhance discussions of major topics at meetings of the Board of Directors.

Respondents	All 10 Members of the Board and 5 Audit & Supervisory Board Members in FYE 2020
Evaluation method	Step 1 Enlist external consultants to conduct questionnaires and interview all members (anonymous responses) Step 2 Conduct independent evaluation of respondents' answers by external consultants Step 3 With consideration for the results of the evaluation by external consultants, hold deliberations by the Governance and Remuneration Committee Step 4 Conduct analysis and evaluation by the Board of Directors
Questions	Centered on items related to following five sections: • Structure of the Board of Directors • Structure of advisory committees to the Board of Directors • Roles and duties of the Board of Directors • Operation status of the Board of Directors • Information provision and training for Members of the Board and Audit & Supervisory Board Members
Evaluation by external consultant	• In addition to scores improving in the majority of the questionnaires, the effectiveness of the Board of Directors has made further progress through means including: (1) Progress in external form such as improvement of diversity and the structure of advisory committees (2) Invigoration of discussions in the Board of Directors through improvements in proceedings and operation of meetings (3) Enhancement of information sharing • With regard to the operation of the Board of Directors based on the transition to a Monitoring-Focused Structure, which was recognized as an ongoing issue in the previous evaluation, discussions were held with the goal of improving medium- to long-term corporate value, which ITOCHU seeks in its management strategy and corporate mission, and steady progress was observed • As remaining issues, there is a need for initiatives to address: (1) Further diversity in the Board of Directors (2) The further enhancement of medium- to long-term discussions in the Board of Directors (3) The strengthening of provision of information to Outside Directors and Outside Audit & Supervisory Board Members

Initiatives for More Constructive Discussions

ITOCHU takes various steps to ensure the Board of Directors can have more lively discussions by deepening the understanding of the Outside Directors and Outside Audit & Supervisory Board Members of the overall state of operations and issues pertaining to its diverse businesses as a general trading company.

For example, in preliminary briefings about proposals for meetings of the Board of Directors, we endeavor to provide useful information and clear, detailed briefings about the specifics and backgrounds of each proposal in order to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members on perspectives and key points that should be discussed. The Corporate Planning & Administration Division is in charge of leading the preliminary briefings with explanations of not only the details of each proposal, but also their position in overall management, for the purpose of facilitating the exchange of essential opinions based on the actual conditions of the ITOCHU Group.

Moreover, opportunities to visit business sites at subsidiaries and affiliates inside and outside Japan are periodically created. The aim is to increase the effectiveness of the Board of Directors by having Outside Directors and Outside Audit & Supervisory Board Members directly exchange opinions with management teams, engage in dialogue with employees, and see firsthand the products and services offered.

Visit to Via Transportation, Inc. in the U.S.

Tour of MASTER-HALCO, Inc. plant in the U.S.

Major Topics Discussed by the Board of Directors in FYE 2020

(1) Revisions to the Group corporate mission
(2) Organizational reforms (establishment of The 8th Company)
(3) Governance policies for listed subsidiaries
(4) Reform of the Nomination Committee
(5) Short-term management plan

ITOCHU's Policy on the Governance of Its Listed Subsidiaries

Generating Synergies While Ensuring Autonomy

Significance of holdings of listed subsidiaries includes the increases in transactions based on the reputation, credibility and an independent standpoint away from ITOCHU, as well as the expansion of synergies within the Group, including with ITOCHU.

In October 2019, ITOCHU announced the following policies regarding listed subsidiaries in light of the growing interest of shareholders and institutional investors in parent-subsidiary listings, based on the idea that ITOCHU appropriately protecting the interests of general shareholders in listed subsidiaries would ultimately increase the corporate value of the listed subsidiaries.

1 In case that there is a listed subsidiary in the ITOCHU Group, ITOCHU respects the autonomy of the listed subsidiary and prohibits any acts that contradict the principle of shareholder equality.
2 In particular, with the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of the listed subsidiary and in order to secure the independent decision-making of the listed subsidiary, we request the listed subsidiary to set up the governance structure under which the independent outside directors of the listed subsidiary are well functioned.
3 With respect to the listed subsidiary, ITOCHU will perform its accountability as to the rationale to maintain the listed parent-subsidiary relationship as well as the effectiveness of the governance structure of the listed subsidiary.

State of Governance Systems at Listed Subsidiaries

ITOCHU requires that its listed subsidiaries (1) have independent outside directors for at least one-third of its directors, (2) establish independent advisory committees for their board of directors, and (3) have independent outside members for a majority on their audit & supervisory boards. At the listed subsidiaries shown below, governance systems have been put into place that mostly satisfy these requirements.

(As of July 1, 2020)

Division Company	Company name	(1) Ratio of independent outside directors			(2) Advisory committees for the board of directors	(3) Ratio of independent outside audit & supervisory board members
		Directors	Outside directors			
Energy & Chemicals	ITOCHU ENEX CO., LTD.	5	3	38% (3 out of 8 directors)	- Governance Committee	50% (2 out of 4 members)
	C.I. TAKIRON Corporation	5	3	38% (3 out of 8 directors)	- Nomination / Remuneration Committee	50% (2 out of 4 members)
Food	ITOCHU-SHOKUHIN Co., Ltd.	6	3	33% (3 out of 9 directors)	- Governance Committee	50% (2 out of 4 members)
	Prima Meat Packers, Ltd.	3	2	40% (2 out of 5 directors)	- Management Advisory Committee	33% (1 out of 3 members)
ICT & Financial Business	ITOCHU Techno-Solutions Corporation	4	2	33% (2 out of 6 directors)	- Nomination Committee - Remuneration Committee - Governance Committee	50% (2 out of 4 members)
	CONEXIO Corporation	5	3	38% (3 out of 8 directors)	- Nomination / Remuneration Committee - Governance Committee	50% (2 out of 4 members)
The 8th	FamilyMart Co., Ltd.*	8	4	33% (4 out of 12 directors)	- Remuneration Committee	50% (2 out of 4 members)

* The ITOCHU Group announced on July 8 2020 a tender offer for shares in FamilyMart Co., Ltd. for the purpose of delisting the company.

Corporate Officer Remuneration

A Highly Transparent Remuneration Plan Linked to Corporate Value

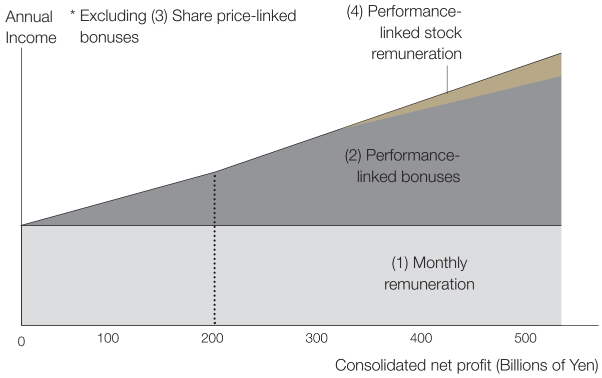
ITOCHU's remuneration plan for Directors is designed to be an incentive to grow business performance. Every fiscal year, the Board of Directors passes a resolution on Director remuneration based on the deliberations of the Governance and Remuneration Committee, an advisory committee to the Board of Directors.

Performance-linked bonus has a high proportion of overall remuneration. This percentage is not fixed at a certain level, and it slides upwards as the Company's earnings expand. Consolidated net profit is the key performance-linked indicator, a metric of high interest to the stock market for representing the source of funding for growth investments and shareholder returns. To raise awareness of contributing to medium- to long-term expansion in earnings and corporate value, a portion of remuneration includes stock remuneration. In addition, share price-linked bonuses depend on the rate of growth in the Company's share price between FYE 2019 and FYE 2021.

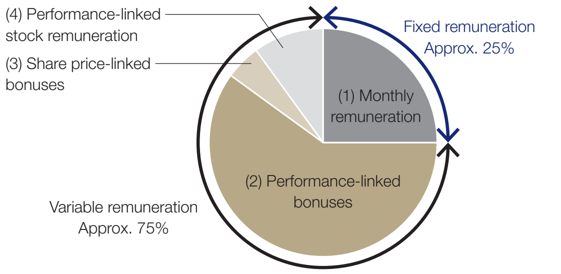
To maintain high levels of transparency, ITOCHU has externally disclosed the details of this remuneration system, including the calculation method.

As of FYE 2021, the remuneration system for Directors (excluding Outside Directors) is as follows.

Remuneration Image of Directors (Excluding Outside Directors)



Composition of Remuneration for Directors (Excluding Outside Directors)



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

Type of remuneration	Details	Fixed / Variable	Remuneration limit	Resolution at general meeting of shareholders
(1) Monthly remuneration	Determined according to factors that include degree of contribution to ITOCHU, based on a standard amount for each position	Fixed	¥0.8 billion per year as total amount of monthly remuneration (including ¥0.1 billion per year as a portion paid to Outside Directors)	June 21, 2019
(2) Performance-linked bonuses	Total amount of payment is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director	Variable (Single year)	¥2.0 billion per year as total bonuses paid to all Directors * Not paid to Outside Directors	
(3) Share price-linked bonuses	Calculated based on an evaluation of the relative growth rate of ITOCHU's share price from FYE 2019 to FYE 2021 vs. the growth rate of TOPIX	Variable (Medium to long term)		
(4) Performance-linked stock remuneration	Total payment amount is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonus		The amounts below are limits for two fiscal years, for Directors and Executive Officers - Limit on contribution to trust by ITOCHU: ¥1.5 billion - Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share) * Not paid to Outside Directors	June 24, 2016

Details of the Remuneration Paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2020

Type		Number of people	Total amount of remuneration (Millions of yen)	Details (Millions of yen)				
				Monthly remuneration	Performance-linked bonuses	Share price-linked bonuses	Special benefits	Stock remuneration
Directors	Inside	6	2,239	532	1,273	105	180	149
	Outside	4	59	59	—	—	—	—
	Total	10	2,298	591	1,273	105	180	149
Audit & Supervisory Board Members	Inside	2	86	86	—	—	—	—
	Outside	3	45	45	—	—	—	—
	Total	5	131	131	—	—	—	—

*1 Following deliberation by the Governance and Remuneration Committee, at a meeting of the Board of Directors held on May 13, 2020 ITOCHU resolved to pay special benefits. This is paid within the limit of bonuses for Directors, and is based on ITOCHU's record profits despite the increasingly severe business environment.
*2 The amounts of the share price-linked bonuses are calculated at the end of FYE 2021.
*3 The retirement benefits system for Directors and Audit & Supervisory Board Members was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that Directors and Audit & Supervisory Board Members retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

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

Total Amount Paid to All Directors

Total amount paid to all Directors = (A + B + C) x Sum of position points for all the eligible Directors ÷ 55
A = (Of consolidated net profit for FYE 2021, the portion up to ¥200.0 billion) x 0.35%
B = (Of consolidated net profit for FYE 2021, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%
C = (Of consolidated net profit for FYE 2021, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock remuneration)

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

Amount Paid to an Individual Director

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

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

Chairman	President	Executive Vice President (Resident in Japan)	Executive Vice President (Resident outside Japan)	Senior Managing Executive Officers	Managing Executive Officers
10	7.5	5	4	4	3

Of the amount paid to an individual Director, the portion corresponding to A and B is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock remuneration and the balance is paid in cash. Furthermore, 80% of the amount paid in cash is linked to the plan achievement rate of the consolidated net profit of the assigned division / department.*

In regard to stock remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock remuneration is paid from the trust in correspondence with accumulated points. Plans call for all of the stocks paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

A Director that is a resident outside Japan is not eligible for performance-linked stock remuneration. As a substitute, such Director is eligible for the Equivalent Amount of Individual stock remuneration. The Equivalent Amount of Individual stock remuneration is calculated in accordance with the above formula (except the points assigned to such Director being 15) as if such Director were subject to performance-linked stock remuneration, and the amount will be added or subtracted according to a certain performance achievement rate. The remuneration will be determined and paid separately from the performance-linked bonus based on formula above.

* Formula for 80% of the Amount Paid in cash to an Individual Director:
(Total base amount paid to all Directors as above x Position Point / Sum of Position points for all the eligible Directors) x 80% x the Rate (defined below) determined based on plan achievement rate of the consolidated net profit of the assigned division/department
- The Rate: 100% + (plan achievement rate of the consolidated net profit of the assigned division / department –100%) x 2 (if negative, it will be 0%)
- The plan achievement rate shall be 100% for the eligible Director for whom no plan achievement rate is measurable.

Calculation Formula for (3) Share Price-Linked Bonuses

Amount Paid to an Individual Director*1 (Aggregate amount after the revision to Share price-linked bonuses (FYE 2020 and FYE 2021))
= ((Simple average of daily closing price in FYE 2021) – (Simple average of daily closing price in FYE 2019))
× 1,300,000 × (Total position points*2 of FYE 2020 and FYE 2021) / (108.8 points × 2 (years)) × Relative Stock Price Growth Rate*3

*1 Share price-linked bonus amounts are determined and paid when the Director retires or when, in the case of taking on the position of Executive Officer after retirement of the Director, the Executive Officer retires.
*2 The position points assigned to each Director are the same as those applied for calculating (2) performance-linked bonuses.
*3 Relative Stock Price Growth Rate = (simple average of daily closing price in FYE 2021 / simple average of daily closing price in FYE 2019) / (simple average of daily TOPIX in FYE 2021 / simple average of TOPIX in FYE 2019)

Eyeing Further Improvement in Effectiveness of Corporate Governance

One year has passed since I was appointed as an Outside Director of ITOCHU. On multiple occasions, I felt that the Company's corporate governance system was functioning effectively, and not just on the surface. First of all, at the meetings of the Board of Directors, various briefings and venues for exchanging opinions are managed to encourage lively and meaningful deliberations against a backdrop of frank and open internal discussions. Regarding important matters for discussion, the honest opinions of the management team are presented to the Outside Directors, and management listens attentively to the frank opinions of the Outside Directors, resulting in constructive dialogues. As Outside Directors not directly involved in business operations to give helpful opinions, we must gain a deep understanding of the diverse operations of a trading company. At ITOCHU, Outside Directors are given opportunities to attend preliminary briefings prior to each meeting of the Board of Directors, tour business sites inside and outside Japan, and participate in other briefings, enabling us to receive precise explanations that are on point.

As an Outside Director, I intend to fulfill my check and supervisory functions from the standpoint of creating an even more sound management structure while directly engaging with the management of ITOCHU, the Company which can leverage its advantages in rapid decision-making without being bound to preconceived ideas, and its ability to adapt to major changes in the business environment.

Makiko Nakamori

Outside Director

Ms. Nakamori possesses a high level of expertise on finance and accounting as a certified public accountant and a wealth of experience as a corporate manager. She was appointed as an Outside Director of ITOCHU in June 2019. She has helped advance corporate governance at ITOCHU while serving as a member of the Governance and Remuneration Committee in FYE 2020. She has often provided helpful advice based on her specialized knowledge and unique experience in the fields of internal control, compliance, and next-generation businesses.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers (As of July 1, 2020)

Members of the Board

1		2	
3	4	5	6
7	8	9	10

1 Chairman & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2018 Chairman & Chief Executive Officer

Number of shares held: 275,613 (104,018*1)

2 President & Chief Operating Officer

Yoshihisa Suzuki

1979 Joined ITOCHU Corporation
2018 President & Chief Operating Officer
2020 President & Chief Operating Officer; Chief Digital & Information Officer

Number of shares held: 133,154 (63,470*1)

3 Member of the Board

Tomofumi Yoshida

President, General Products & Realty Company
1979 Joined ITOCHU Corporation
2019 Executive Vice President

Number of shares held: 95,265 (28,115*1)

4 Member of the Board

Yuji Fukuda

CEO for East Asia Bloc;
CEO for Asia & Oceania Bloc;
Executive Advisory Officer for CP & CITIC Operations
1979 Joined ITOCHU Corporation
2019 Executive Vice President

Number of shares held: 44,200

5 Member of the Board

Fumihiko Kobayashi

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

Number of shares held: 123,163 (40,183*1)

6 Member of the Board

Tsuyoshi Hachimura

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

Number of shares held: 115,050 (37,450*1)

7 Member of the Board*2

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation

Number of shares held: 2,300

8 Member of the Board*2

Harufumi Mochizuki

2014 Audit & Supervisory Board Member*3, ITOCHU Corporation
2017 Outside Director, ITOCHU Corporation

Number of shares held: 4,000

9 Member of the Board*2

Masatoshi Kawana

2018 Outside Director, ITOCHU Corporation

Number of shares held: 1,800

10 Member of the Board*2

Makiko Nakamori

2019 Outside Director, ITOCHU Corporation

Number of shares held: 400

"Number of shares held" indicates the number of ITOCHU shares.
*1 Figures indicate the number of shares scheduled to be granted post-retirement based on the stock remuneration plan (figures corresponding to points for rights determined under the performance-linked stock remuneration plan (trust type)). The number of shares held includes these shares.
*2 Indicates an Outside Director as provided in Article 2, Item 15 of the Companies Act
*3 Indicates an Outside Audit & Supervisory Board Member as provided in Article 2, Item 16 of the Companies Act
*4 Ms. Mitsuru Chino's registered name is Mitsuru Ike.
For executives' career histories, please see the website:
https://www.itochu.co.jp/en/about/officer/

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Shuzaburo Tsuchihashi

1985 Joined ITOCHU Corporation
2018 Audit & Supervisory Board Member
Number of shares held: 13,650

Audit & Supervisory Board Member

Makoto Kyoda

1987 Joined ITOCHU Corporation
2020 Audit & Supervisory Board Member
Number of shares held: 12,050

Audit & Supervisory Board Member*3

Shingo Majima

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

Audit & Supervisory Board Member*3

Kentaro Uryu

2015 Audit & Supervisory Board Member, ITOCHU Corporation
Number of shares held: 6,300

Audit & Supervisory Board Member*3

Kotaro Ohno

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

Executive Officers

Chairman & Chief Executive Officer

Masahiro Okafuji

President & Chief Operating Officer

Yoshihisa Suzuki

Executive Vice Presidents

Tomofumi Yoshida
President,
General Products & Realty Company

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

Senior Managing Executive Officers

Fumihiko Kobayashi
Chief Administrative Officer

Tsuyoshi Hachimura
Chief Financial Officer

Keita Ishii
President, Energy & Chemicals Company;
Chief Operating Officer,
Power & Environmental Solution Division
Number of shares held: 55,966 (29,663*1)

Managing Executive Officers

Hiroyuki Tsubai
President, Machinery Company
Number of shares held: 44,643 (9,388*1)

Masahiro Morofuji
President, Textile Company;
Chief Operating Officer,
Brand Marketing Division 2
Executive Advisory Officer
for Osaka Headquarters
Number of shares held: 63,356 (29,274*1)

Mitsuru Chino*4
President & CEO,
ITOCHU International Inc.
Number of shares held: 26,204

Hiroshi Sato
Chief Executive for European Operation;
CEO, ITOCHU Europe PLC
Number of shares held: 28,100

Shigetoshi Imai
General Manager for Chubu Area
Number of shares held: 64,683 (9,351*1)

Hiroyuki Kaizuka
President, Food Company
Number of shares held: 59,967 (25,070*1)

Motonari Shimizu
Executive Vice President,
Textile Company;
Chief Operating Officer, Apparel Division
Number of shares held: 51,878 (15,682*1)

Tomoyuki Takada
General Manager,
Corporate Communications Division
Number of shares held: 60,082 (15,682*1)

Hiroshi Oka
General Manager, Secretariat
Number of shares held: 42,298 (15,682*1)

Tatsushi Shingu
President,
ICT & Financial Business Company
Number of shares held: 41,831 (20,131*1)

Toshikazu Otani
Chief Executive for Africa
Number of shares held: 27,849

Executive Officers

Yoichi Ikezoe
Deputy CEO for East Asia Bloc;
Chairman,
ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)
Number of shares held: 10,200

Kensuke Hosomi
President, The 8th Company
Number of shares held: 57,004 (20,131*1)

Hisato Okubo
Executive Vice President,
Energy & Chemicals Company;
Chief Operating Officer, Energy Division
Number of shares held: 41,232 (13,382*1)

Hidefumi Mizutani
Vice President,
ITOCHU East Asia Bloc (East China);
Managing Director,
ITOCHU SHANGHAI LTD.
Number of shares held: 23,720

Shinjiro Tanaka
CEO, European Tyre Enterprise Limited
Number of shares held: 7,249

Takanori Morita
Chief Operating Officer,
Automobile, Construction Machinery &
Industrial Machinery Division
Number of shares held: 35,150 (8,195*1)

Masaya Tanaka
Chief Operating Officer, Chemicals Division
Number of shares held: 33,395 (8,195*1)

Kenji Seto
President, Metals & Minerals Company
Number of shares held: 39,694 (14,944*1)

Shinichi Aburaya
Chief Operating Officer, Plant Project,
Marine & Aerospace Division
Number of shares held: 15,186

Yoshiko Matoba
General Manager,
Research & Public Relations Division
Number of shares held: 43,345

Hiroyuki Naka
General Manager, Corporate Planning &
Administration Division;
General Manager, CP & CITIC Business
Development Department
Number of shares held: 14,629

Tatsuya Izumi
General Manager,
General Accounting Control Division
Number of shares held: 20,352

Kenji Tanaka
Deputy CEO for Asia & Oceania Bloc
(Indo-China Area);
Chief Officer for Indo-China Area;
President, ITOCHU (Thailand) Ltd.;
President,
ITOCHU Enterprise (Thailand) Ltd.
Number of shares held: 5,752

Shuichi Kato
Executive Vice President,
ICT & Financial Business Company;
Chief Operating Officer,
Financial & Insurance Business Division
Number of shares held: 10,155

Masatoshi Maki
Chief Operating Officer,
Construction & Real Estate Division
Number of shares held: 16,823

Tatsuo Odani
President, Leilian Co., LTD.
Number of shares held: 16,610

Masazumi Nishikage
Director, SEVP & COO,
Dole Asia Holdings Pte. Ltd.
Number of shares held: 10,331

Tadayoshi Yamaguchi
SVP & CAO, ITOCHU International Inc.;
General Manager, Corporate Planning
Division, ITOCHU International Inc.;
President & CEO, ITOCHU Canada Ltd.
Number of shares held: 5,912

Financial Summary

Segment Overview

Textile Company

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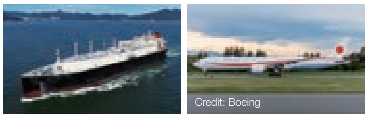
ROA
1.8%

Machinery Company


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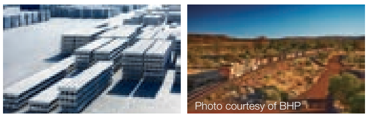
ROA
4.6%

Metals & Minerals Company


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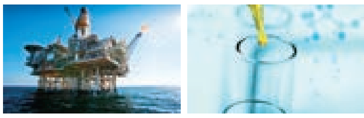
ROA
13.5%

Energy & Chemicals Company

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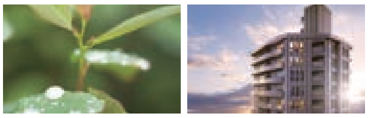
ROA
4.7%

Food Company

Page 96

ROA
2.9%

General Products & Realty Company

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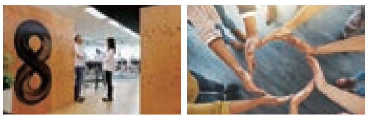
ROA
5.3%

ICT & Financial Business Company

Page 100

ROA
5.3%

The 8th Company

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ROA
1.1%

Others, Adjustments & Eliminations

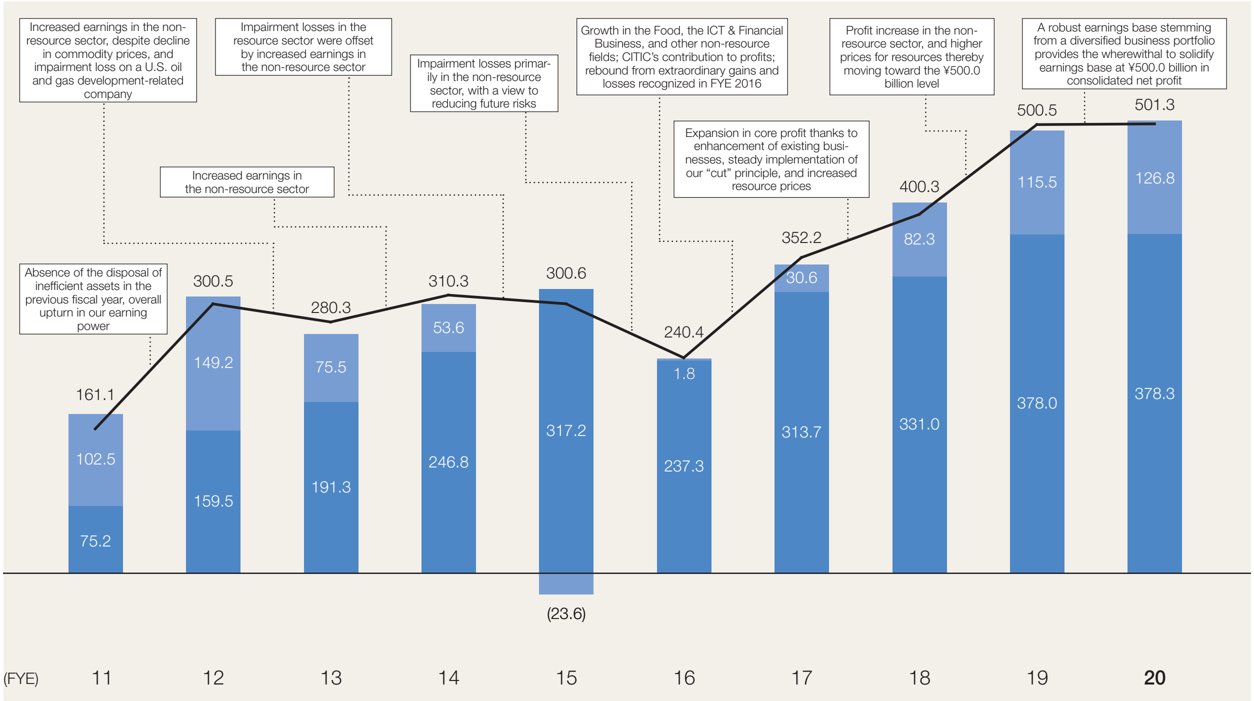
Percentage of the Total for ITOCHU (3-year average)

	Core profit	Total assets	Core Operating Cash Flows	Number of employees (Consolidated)
Textile Company	5.4%	4.9%	4.5%	7.8%
Machinery Company	11.7	12.2	11.6	11.9
Metals & Minerals Company	19.1	8.4	20.2	0.4
Energy & Chemicals Company	10.6	13.1	17.1	11.0
Food Company	10.3	17.0	15.0	28.6
General Products & Realty Company	11.4	10.0	9.6	14.7
ICT & Financial Business Company	11.9	10.3	14.4	14.9
The 8th Company	5.3	14.5	8.7	8.3
Others, Adjustments & Eliminations	14.3	9.6	(1.1)	2.4
Non-Resource	78.3%	90.4%	73.8%	94.6%
Resource	21.7%	9.6%	26.2%	5.4%

* Accompanying the establishment of The 8th Company on July 1, 2019, figures for FYE 2018 and FYE 2019 have been adjusted retroactively.

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

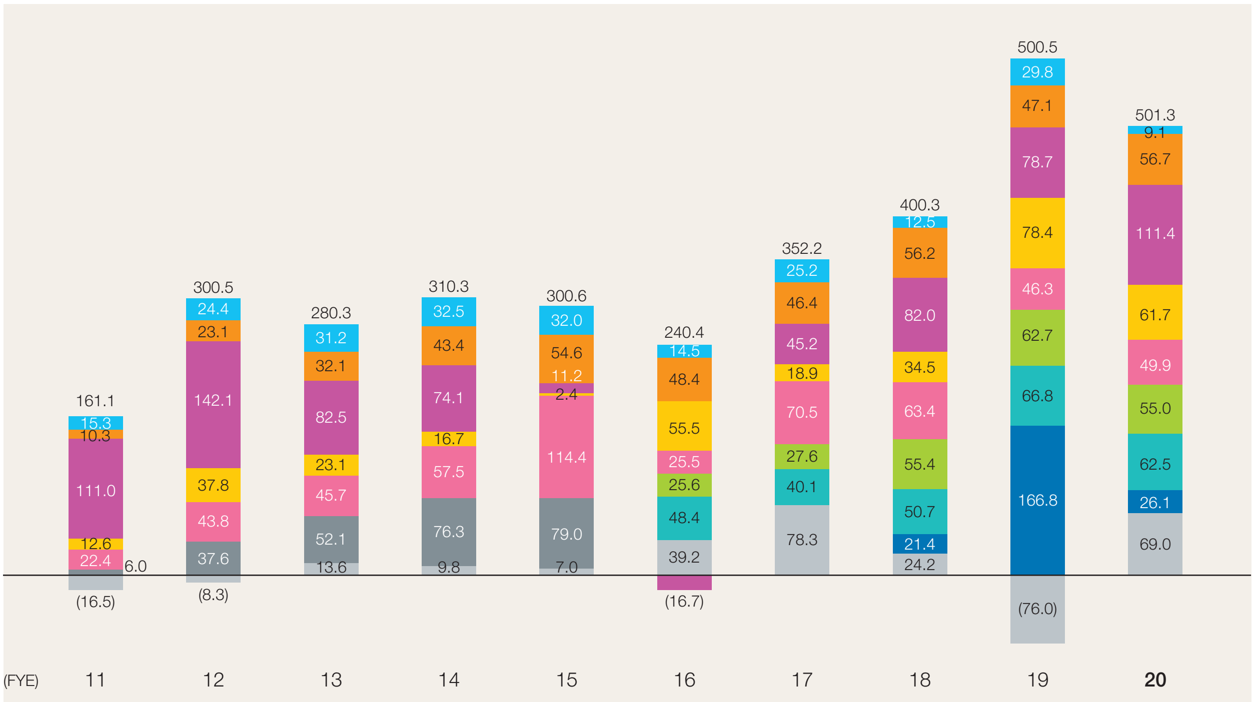
Consolidated Net Profit (Non-Resource / Resource) (Billions of Yen)



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

* Others, Adjustments & Eliminations except for CP & CITIC related profit (loss) is not included in earnings from the non-resource / resource sectors.

Consolidated Net Profit by Segment (Billions of Yen)



	11	12	13	14	15	16	17	18	19	20
Extraordinary Gains and Losses	(57.5)	20.0	0	0	(5.0)	(75.0)	(18.0)	(16.5)	28.5	16.0
Core Profit	218.6	280.5	280.3	310.3	305.6	315.4	370.2	416.8	472.0	485.3

■ Textile ■ Machinery ■ Metals & Minerals ■ Energy & Chemicals ■ Food ■ ICT, General Products & Realty (until FYE 2015)
■ General Products & Realty (from FYE 2016) ■ ICT & Financial Business (from FYE 2016) ■ The 8th (from FYE 2018)
■ Others, Adjustments & Eliminations

* In April 2016, the ICT, General Products & Realty Company was reorganized into the General Products & Realty Company and the ICT & Financial Business Company.
* Accompanying the establishment of The 8th Company on July 1, 2019, figures for FYE 2018 and FYE 2019 have been adjusted retroactively.

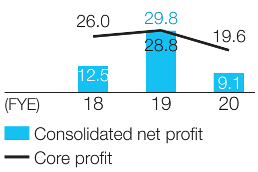
Business Portfolio

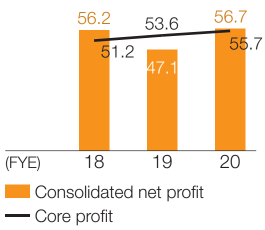
Performance Trends by Segment

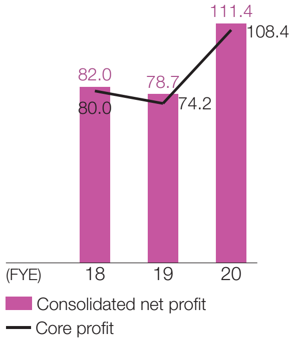
Textile Company | Machinery Company | Metals & Minerals Company

Consolidated Net Profit & Core Profit

(Billions of Yen)

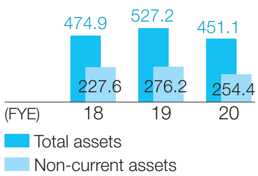


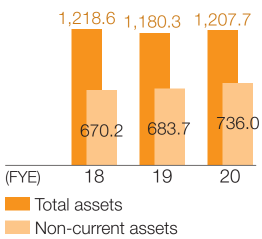


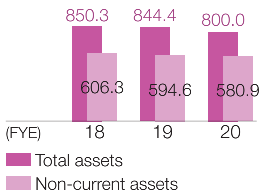


Total Assets

(Billions of Yen)

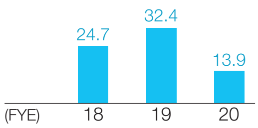


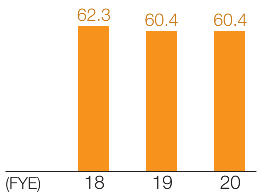


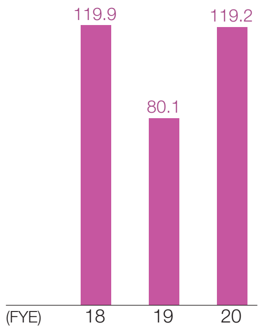


Core Operating Cash Flows*

(Billions of Yen)



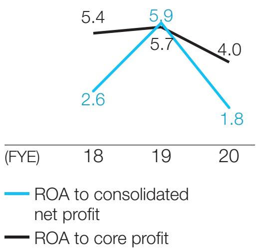


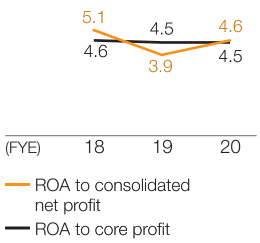


* "Operating cash flows" minus "changes of working capital"

ROA

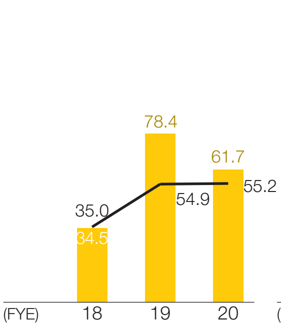
(%)



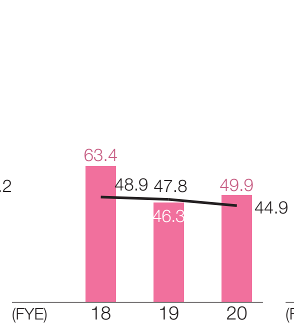


* Accompanying the establishment of The 8th Company on July 1, 2019, figures for FYE 2018 and FYE 2019 have been adjusted retroactively.

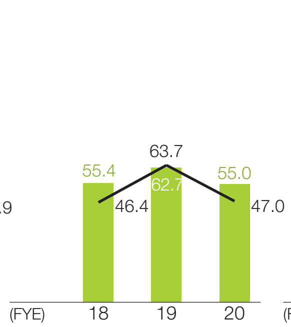
Energy & Chemicals Company	Food Company	General Products & Realty Company	ICT & Financial Business Company	The 8th Company



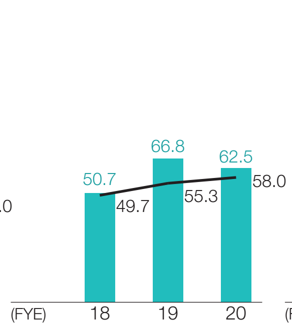
Consolidated net profit
Core profit



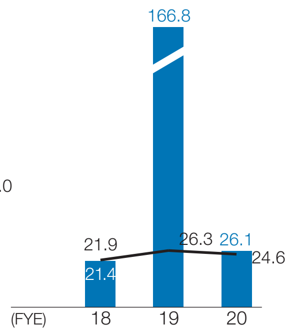
Consolidated net profit
Core profit



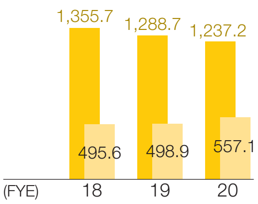
Consolidated net profit
Core profit



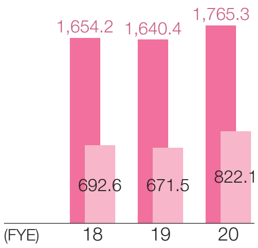
Consolidated net profit
Core profit



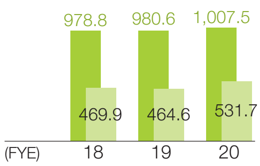
Consolidated net profit
Core profit



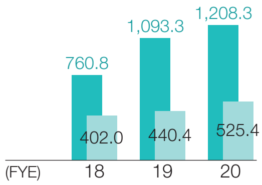
Total assets
Non-current assets



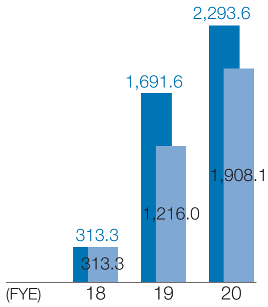
Total assets
Non-current assets



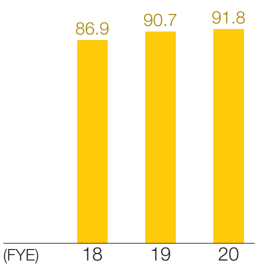
Total assets
Non-current assets

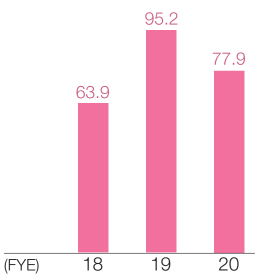


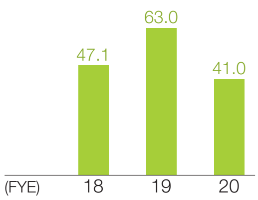
Total assets
Non-current assets

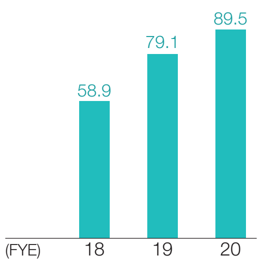


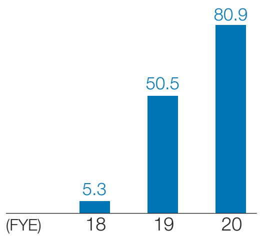
Total assets
Non-current assets

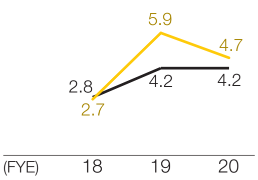




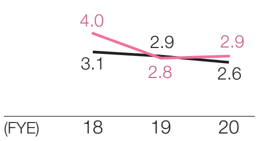




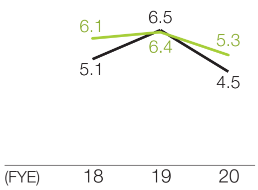




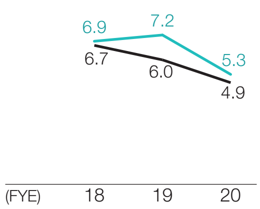
ROA to consolidated net profit
ROA to core profit



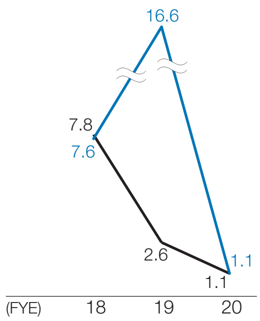
ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit



ROA to consolidated net profit
ROA to core profit

Net Profit by Major Group Companies

Textile Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		12.5	29.8	**9.1**	23.0
Breakdown of Net Profit (Loss) by Major Group Companies					
JOI'X CORPORATION	100.0%	1.5	1.2	**0.8**	0.3
DESCENTE LTD.	40.0%	1.4	1.2	**(1.4)**	2.0
Sankei Co., Ltd.	100.0%	0.1	1.9	**1.5**	1.2
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	0.2	1.1	**0.4**	1.0
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	1.0	1.1	**1.1**	1.1

Machinery Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		56.2	47.1	**56.7**	48.0
Breakdown of Net Profit (Loss) by Major Group Companies					
Tokyo Century Corporation	29.2%	12.5	12.6	**14.2**	13.1
I-Power Investment Inc.	100.0%	5.3	(5.8)	**1.8**	2.9
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	1.9	1.0	**1.2**	1.2
JAMCO Corporation	33.4%	0.6	0.6	**0.1**	—
YANASE & CO., LTD.	66.0%	3.7	1.1	**3.0**	3.3
ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.*3	50.0%	0.6	0.6	**0.3**	0.3
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	0.8	1.4	**1.4**	1.0
Century Medical, Inc.	100.0%	0.5	0.7	**0.6**	0.4
MULTIQUIP INC.	100.0%	2.3	2.8	**2.8**	1.7

Metals & Minerals Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		82.0	78.7	**111.4**	77.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	62.3	60.1	**83.4**	71.6
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA. (CSN Mineração)	77.3%	3.3	1.7	**9.4**	—
ITOCHU Coal Americas Inc. (Drummond)	100.0%	2.9	2.0	**1.1**	—
Marubeni-Itochu Steel Inc.	50.0%	9.2	12.1	**11.2**	—
ITOCHU Metals Corporation*4	70.0%	1.1	1.1	**1.3**	1.0

Energy & Chemicals Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		34.5	78.4	**61.7**	34.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Oil Exploration (Azerbaijan) Inc. (ACG Project)	100.0%	2.3	3.3	**4.9**	(1.1)
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	(1.8)	0.5	**0.7**	0.8
ITOCHU ENEX CO., LTD.	54.0%	6.0	6.5	**6.9**	5.9
Japan South Sakha Oil Co., Ltd. (Eastern Siberia Project)	25.0%	4.0	9.1	**7.7**	—
Dividends from LNG Projects (PAT)	—	4.4	6.2	**5.5**	2.7
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	3.7	5.2	**4.4**	4.4
ITOCHU PLASTICS INC.*4	60.0%	2.4	2.3	**2.5**	2.6
C.I. TAKIRON Corporation	52.0%	3.0	2.9	**6.4**	—

* Accompanying the establishment of The 8th Company on July 1, 2019, figures for FYE 2018 and FYE 2019 have been adjusted retroactively.

Food Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		63.4	46.3	49.9	56.0
Breakdown of Net Profit (Loss) by Major Group Companies					
Dole International Holdings, Inc.	100.0%	3.2	7.8	(0.2)	7.4
NIPPON ACCESS, INC.*4	60.0%	5.9	7.0	8.4	8.7
FUJI OIL HOLDINGS INC.	39.0%	4.2	3.0	5.1	4.5
Prima Meat Packers, Ltd.	42.9%	4.1	3.2	3.9	3.8
ITOCHU-SHOKUHIN Co., Ltd.	52.2%	2.2	1.7	2.0	2.1
HYLIFE GROUP HOLDINGS LTD.	49.9%	3.7	2.7	3.0	—

General Products & Realty Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		55.4	62.7	55.0	60.0
Breakdown of Net Profit (Loss) by Major Group Companies					
European Tyre Enterprise Limited (Kwik-Fit)	100.0%	5.8	4.2	6.2	—
ITOCHU FIBRE LIMITED (METSA FIBRE)	100.0%	9.9	16.1	1.9	—
Japan Brazil Paper & Pulp Resources Development Co., Ltd. (CENIBRA)	33.3%	4.2	7.3	(7.1)	—
ITOCHU LOGISTICS CORP.*4	95.2%	2.6	2.9	4.9	2.7
ITOCHU KENZAI CORPORATION	100.0%	2.7	2.9	2.9	1.8
DAIKEN CORPORATION	35.6%	1.6	1.3	1.9	—
ITOCHU Property Development, Ltd.	100.0%	2.4	2.9	2.4	2.2

ICT & Financial Business Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		50.7	66.8	62.5	63.0
Breakdown of Net Profit (Loss) by Major Group Companies					
ITOCHU Techno-Solutions Corporation	58.2%	13.6	14.2	16.6	17.5
BELLSYSTEM24 Holdings, Inc.	40.8%	1.2	1.2	1.8	2.9
CONEXIO Corporation	60.3%	4.1	4.0	4.0	—
ITOCHU Fuji Partners, Inc. (SKY Perfect JSAT Holdings)	63.0%	(0.2)	1.4	0.2	1.3
POCKET CARD CO., LTD.*4	32.2%	0.9	2.0	2.1	2.3
Orient Corporation	16.5%	4.2	4.2	3.7	—

The 8th Company

(Billions of Yen)

	Shares*1	FYE 2018	FYE 2019	FYE 2020	FYE 2021 (Plan)*2
Consolidated Net Profit		21.4	166.8	26.1	33.0
Breakdown of Net Profit (Loss) by Major Group Companies					
FamilyMart Co., Ltd.*5	50.2%	11.8	17.3	17.5	30.1
NIPPON ACCESS, INC.*4	40.0%	3.9	4.6	5.5	5.7
POCKET CARD CO., LTD.*4 *6	30.9%	0.4	1.9	2.1	2.2
ITOCHU PLASTICS INC.*4	40.0%	1.6	1.5	1.6	1.8
ITOCHU Metals Corporation*4	30.0%	0.5	0.5	0.6	0.4
ITOCHU LOGISTICS CORP.*4	4.8%	0.1	0.2	0.1	0.1

*1 Indicated share percentages are as of June 30, 2020.
*2 "FYE 2021 (Plan)" indicates forecast figures (including revised forecast figures) disclosed up to and including July 31, 2020.
*3 On July 1, 2019, ITOCHU CONSTRUCTION MACHINERY CO., LTD. changed its name to ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.
*4 Shares have been partially transferred to The 8th Company. Accordingly, share percentages and net profit (loss) are shown for each Division Company.
*5 On September 1, 2019, FamilyMart UNY Holdings Co., Ltd. changed its name to FamilyMart Co., Ltd.
*6 Figures include the net profit (loss) through FamilyMart Co., Ltd.

Textile Company

Business Fields

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

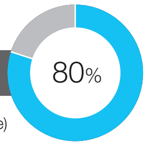
Company Strengths

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

Masahiro Morofuji
President, Textile Company;
Chief Operating Officer,
Brand Marketing Division 2

From left:
Motonari Shimizu,
Executive Vice President, Textile Company;
Chief Operating Officer, Apparel Division
Hideto Takeuchi,
Chief Operating Officer, Brand Marketing Division 1
Masato Sakuragi,
Chief Financial Officer
Noriya Hashimoto,
General Manager, Planning & Administration Department

Business Development



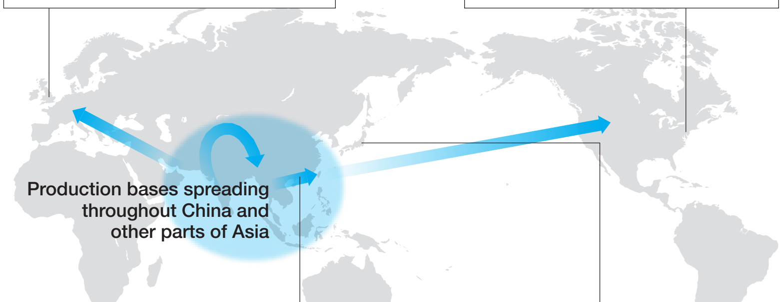
Percentage of Earnings from Domestic Business (image)

Raw materials / Garment materials / Apparel

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

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

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



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

Planning, production, and sales locations targeting Japanese, Chinese, Asian, and global markets
- ITOCHU
- EDWIN
- Sankei
- DESCENTE
- UNICO
- LEILIAN
- ROYNE

Industrial materials

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

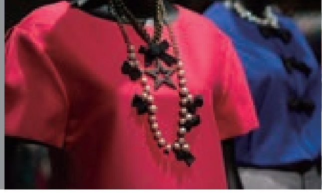
Establishment of local supply chains that match customer needs and locations (Focus region: China and other parts of Asia)

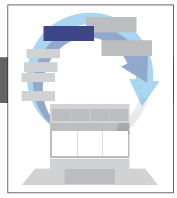
Spread the business model established in Japan, China, and other parts of Asia throughout the world

Brand business

Brand owner

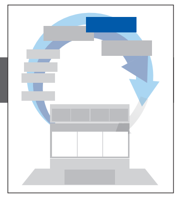
- Participation in management / Trademark rights
  - Primary brands handled: CONVERSE, HUNTING WORLD, LANVIN, LeSportsac, OUTDOOR PRODUCTS, Paul Smith
- Exclusive import and distribution rights / Master license rights
  - Primary brands handled: FILA, HEAD, Psycho Bunny, Santoni, Vivienne Westwood

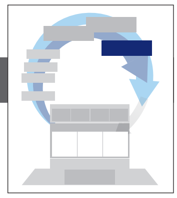
FYE 2020 Review (Achievement of Short-Term Targets)

- Built a unique value chain starting with raw materials with our partner companies and expanded initiatives with the world's leading retailers
- Launched the "RENU" project to expand the global development of sustainable materials
- Invested in a crowdfunding company and one operating a members only online boutique in a move to promote the creation of omni-channels in the brand business
- Invested in a company that operates a B2B online order platform and one that possesses AI measurement technologies
- Strengthened our ability to propose total solutions including systems in the RFID business, and increased the number of customers both within and outside the textile sector



Steppingstones to Medium- to Long-Term Value Creation

- Promote trade in which we take the initiative by utilizing new technologies, developing environmentally friendly materials, etc.
- Strengthen e-commerce and grow new sales channels in our brand and retail-related businesses
- Supporting DESCENTE to expand its overseas business, increasing overseas earnings through enhanced initiatives with leading companies in China and other parts of Asia



Initiatives Supporting Sustainable Growth

- Add value and promote sustainable industrialization by creating IT infrastructures for production
- Using RFID, AI, and other technologies to enhance the efficiency of production, sales, and logistics operations
- Promote establishment of a safe and reliable product supply system

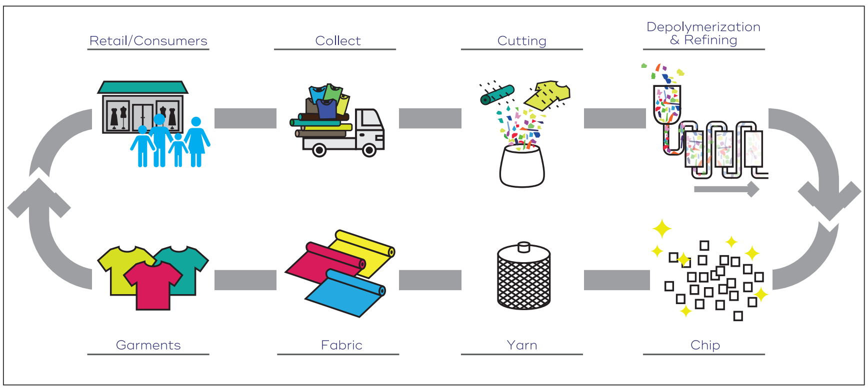
➡ Please refer to "Significant Risks to Be Managed on a Consolidated Basis" in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Launching the "RENU" Project to Address the Issue of Excessive Waste in Clothing

The Textile Company is promoting the creation of a value chain starting with raw materials in which we take initiatives. To further enhance this strategy, in FYE 2020 we launched the "RENU" project. Through this project, we aim to address the issue of excessive waste in the textile industry and realize a circular economy.

In March 2020, HUNTING WORLD, a U.S. luxury brand, launched a tote bag in its Borneo Charity Collection made from "RENU," recycled polyester materials sourced from old garments and textile. In this way, we are promoting collaboration among various brands and retailers in Japan and overseas.



The "RENU" project for recycling old garments and textile into newly born products.

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

Machinery Company

Business Fields

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

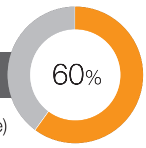
Company Strengths

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

Hiroyuki Tsubai
President, Machinery Company

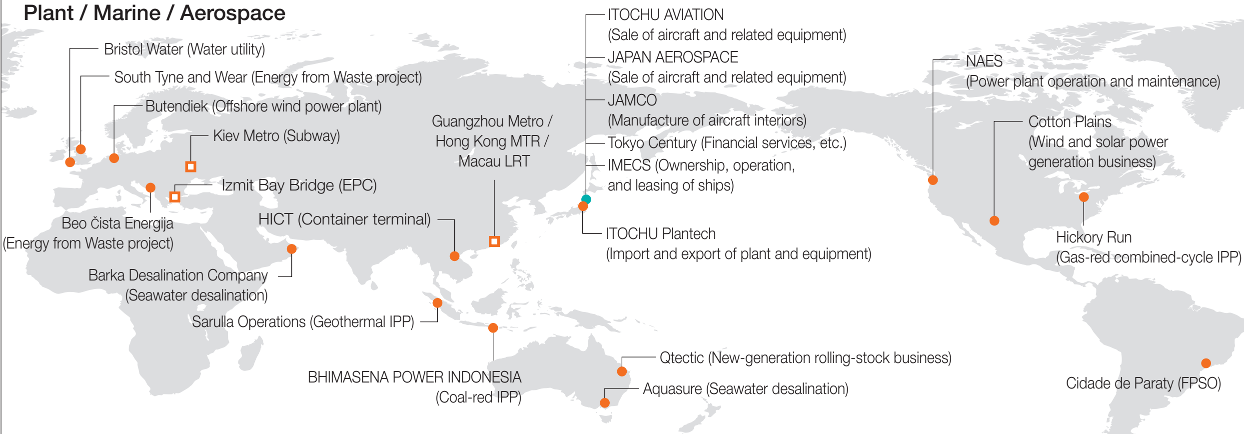
From left:
Shinichi Aburaya,
Chief Operating Officer, Plant Project, Marine & Aerospace Division
Takanori Morita,
Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division
Shuichiro Yamaura,
Chief Financial Officer
Tatsuya Hirano,
General Manager, Planning & Administration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

Business Development

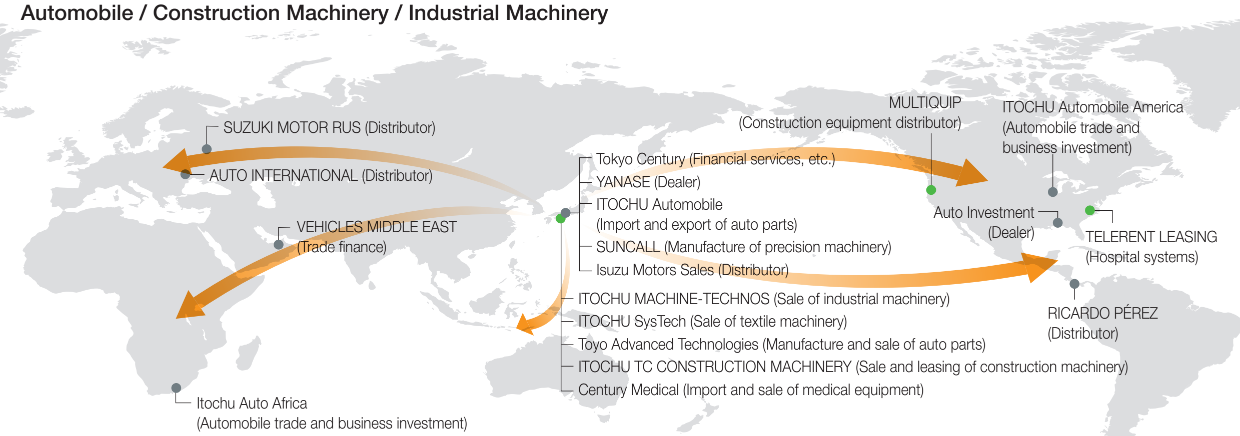


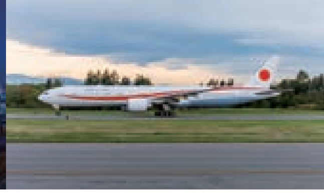
Percentage of Earnings from Domestic Business (image)

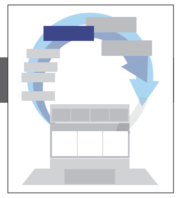
Plant / Marine / Aerospace



Automobile / Construction Machinery / Industrial Machinery

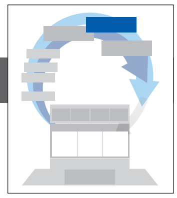




Credit: Boeing



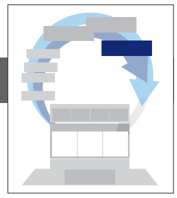
FYE 2020 Review (Achievement of Short-Term Targets)

- Promoted and reinforced the renewable energy business, including strategic investment in U.S. wind generation projects and electrification solution business to non-electrified regions in Africa
- Promoted and enhanced environmental business, and the achievement includes the groundbreaking of energy-from-waste plants in collaboration with the government of Belgrade, Serbia
- Increased the number of owned vessels and managed aircraft
- Enhanced initiatives with Dishangtie(DST), which provides commercial electric vehicles (EVs) in the logistics network throughout China and Singulato, an emerging EV manufacturer in China
- Encouraged partnerships between Beijing Century Kounre Hospital, our investee, and leading Japanese medical institutions in such areas as inbound treatment and medical checkups, as well as exchanges of medical personnel and technologies



Steppingstones to Medium- to Long-Term Value Creation

- Honing existing businesses centering on the urban environmental and power infrastructure sector and the automotive sector, and conducting asset replacement and new investment
- Transformation of existing value chains with a focus on the automobile industry and evolution toward a next-generation mobility business model
- Capturing superior aircraft and ship projects and enhancing the business model
- Pursuit of synergies and cooperation with strategic partners
- Continuing to invest to accelerate the upgrade of the business model



Initiatives Supporting Sustainable Growth

- Pursuing investment opportunities in renewable energy generation, taking into account the energy situations in individual countries and regions, and complying with policies related to the coal-fired power generation business
- Reducing environmental impact through efforts involving EVs and automatic guided vehicles, as well as the expansion of mobility services
- Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and to reduce environmental impact
- Engaging in next-generation mobility, including the electrification of aircraft
- In the aim of reducing marine GHG emissions, promoting a project to develop zero-emission ships using ammonia as marine fuel
- Providing leading-edge medical devices and advanced medical services to enhance quality of life in the medical field

➡ Please refer to “Significant Risks to Be Managed on a Consolidated Basis” in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Promoting Joint Business with Tokyo Century Corporation in the Construction Machinery and Construction Sectors

ITOCHU has built a new joint management structure for ITOCHU CONSTRUCTION MACHINERY CO., LTD. by having Tokyo Century Corporation, an affiliate of ITOCHU, as a shareholder. As a result of this move, ITOCHU CONSTRUCTION MACHINERY CO., LTD. changed its name to ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. Taking advantage of the range of services and the extensive domestic and overseas networks of ITOCHU and Tokyo Century Corporation, ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. aims to become a next-generation total solutions company. In addition to the sale and rental of construction equipment and materials, the company intends to become a one-stop provider meeting diverse needs including software, services, and financing. ITOCHU also plans to accelerate growth-oriented initiatives of ITOCHU TC CONSTRUCTION MACHINERY CO., LTD., including capital and business alliances with Japanese companies.


Tower crane for skyscraper construction, sold by ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

Metals & Minerals Company

Business Fields

- Development of metal & mineral resources projects (iron ore, coal, non-ferrous metals, etc.)
- Trading of raw materials for steel-making (iron ore, coal, etc.), fuel for power generation (coal, uranium), and non-ferrous raw material and products (aluminum, etc.) and recycling materials (steel scrap, etc.)
- Steel business (import to, and export from Japan, trading in non-Japan markets, processing, etc.)

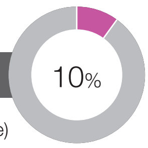
Company Strengths

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

Kenji Seto
President, Metals & Minerals Company

From left:
Jun Inomata,
Chief Operating Officer, Metal & Mineral Resources Division
Ikuya Hirano,
Chief Financial Officer
Yoshihiko Ogura,
General Manager, Planning & Administration Department
Toru Shinya,
General Manager, Steel Business Coordination Department

Business Development



Percentage of Earnings from Domestic Business (image)

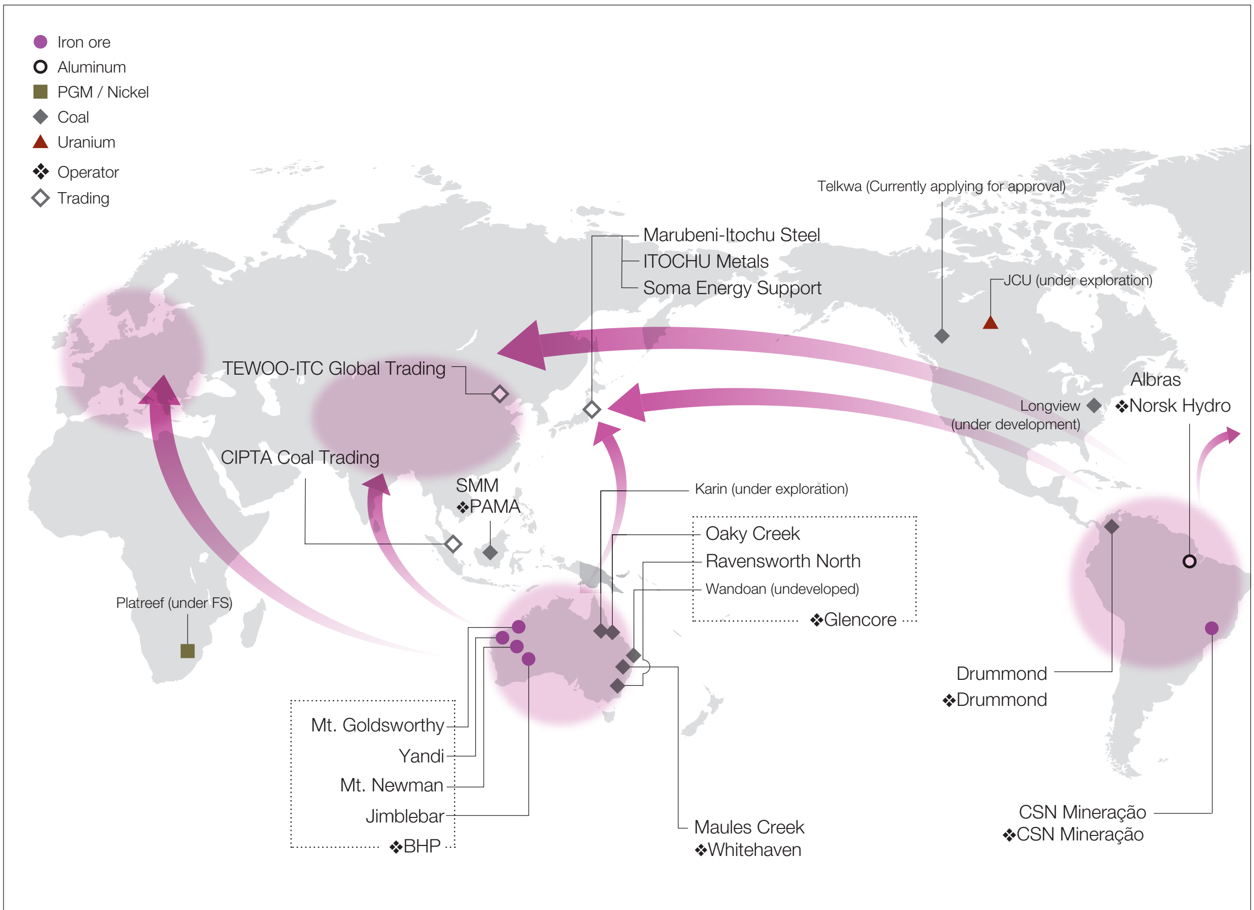


Photo courtesy of BHP

Photo courtesy of CSN Mineração

Photo courtesy of Emirates Global Aluminium

FYE 2020 Review (Achievement of Short-Term Targets)

- Acquired a 25% interest in the Longview coking coal mine (owned by North Central Resources, LLC). Longview, which is currently under development, will contribute to our strategy of building a superior asset portfolio that will contribute to continuous future business growth
- Continued to steadily progress development of the South Flank iron ore mine, which will replace the existing Yandi iron ore mine which is approaching the end of its economic life
- Established an aluminum value chain through aluminum ingot trading involving both Japan and non-Japan markets, as well as product trading in the automotive and IT sectors
- Expanded trading activity in the fields of steelmaking raw materials, fuels for power generation, and steel products, targeting both Japan and non-Japan markets, by leveraging solid relationships with excellent partners
- Entered into a capital alliance with Traxens SA of France to create “new value” by utilizing logistics big data
- Through ITOCHU Metals Corporation, established a joint venture in the U.S. with the Nippon Light Metal Group to produce and sell forged aluminum automotive parts
- At Marubeni-Itochu Steel Inc., while executing the steady restructuring and optimization of the overall Group businesses, successfully expanded steel export sales to remote overseas locations, and the construction materials business in the U.S.

Steppingstones to Medium- to Long-Term Value Creation

- Establish an optimal asset portfolio through asset replacements and new acquisitions that contributes to next-generation industries
- Create new, high-value-adding trading structures by leveraging strong relationships with excellent partners
- Further refine and improve the current business model through a wide range of upstream and downstream investments in each industry, and the adoption of cutting-edge technologies

Initiatives Supporting Sustainable Growth

- Keep complying with our coal-related business policy and continuously contribute to the development of technologies that will help reduce GHG emissions
- Promote businesses (such as aluminum) that will facilitate the uptake of lighter-weight vehicles and Electric Vehicles (EV’s)
- Optimize the asset portfolio to support the stable supply of raw materials and fuels to meet social needs
- Comply with our Environmental, Health, and Safety (EHS) guidelines and continue employee education of the guidelines
- Contribute to the local communities where we do business through the provision of healthcare, education, donations, and assistance to the establishment of regional infrastructure, etc.

➡ Please refer to “Significant Risks to Be Managed on a Consolidated Basis” in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Investment in North Central Resources, LLC Which Owns the Longview Coking Coal Mine in the United States

ITOCHU has acquired a 25% interest in North Central Resources, LLC. This company is the sole owner of the Longview coking coal mine, which is under development in the U.S. state of West Virginia. ITOCHU has also decided to participate in a new company which will exclusively market the coking coal produced at the mine.

The Longview coking coal mine is currently being developed toward the commencement of production in 2022. The mine is expected to have an average annual production capacity of 4 million tons of high-quality coking coal, and will be one of the largest coking coal mines in the United States. Amid firm growth in global steel production, demand for coking coal is expected to continue increasing. With the new development of the Longview mine and its involvement in the marketing joint venture company, ITOCHU will be contributing to a stable supply of high-quality metallurgical coal to global customers, particularly in Japan and Asia.

Planned portal to the Longview coking coal mine

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

Energy & Chemicals Company

Business Fields

- Energy projects and trading (crude oil, petroleum products, LPG, LNG, natural gas, etc.)
- Chemical products business and trading (basic petrochemical products, synthetic resins, household goods, fine chemicals, pharmaceuticals, electronic materials, and others)
- Power business and trading (IPP, electricity, heat supply, solar panels, storage batteries, biomass fuel, and other related materials)

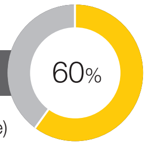
Company Strengths

- **Sets of superior upstream assets, portfolio of downstream assets generating steady demand, and trading businesses leveraging and utilizing those core assets in the energy sector**
- **Business development capabilities in the chemicals field that leverages robust Group companies and overseas locations**
- **Comprehensive value chain in the next-generation power sector consists of both investments and trade businesses**

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

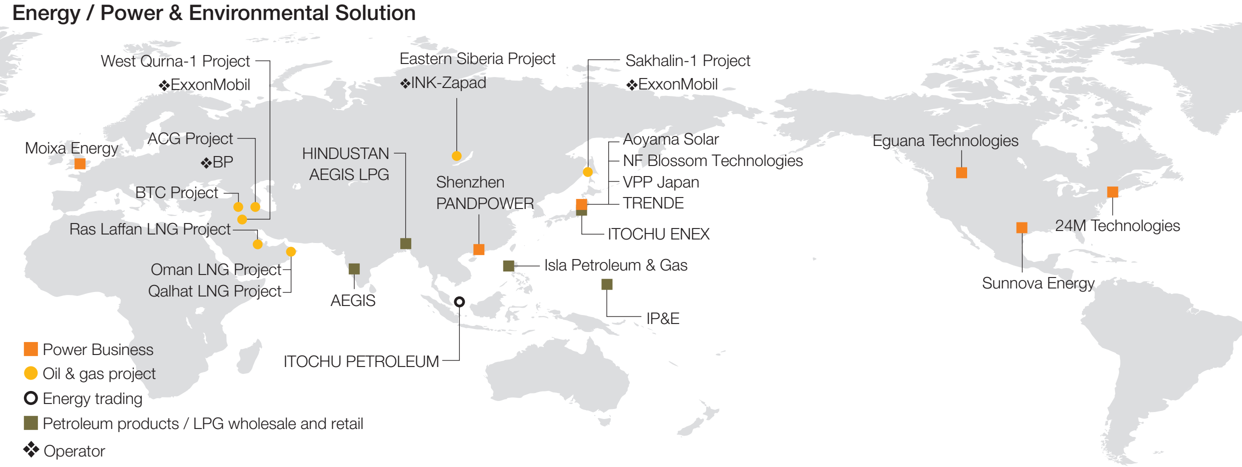
Keita Ishii
President, Energy & Chemicals Company;
Chief Operating Officer,
Power & Environmental Solution Division

Business Development

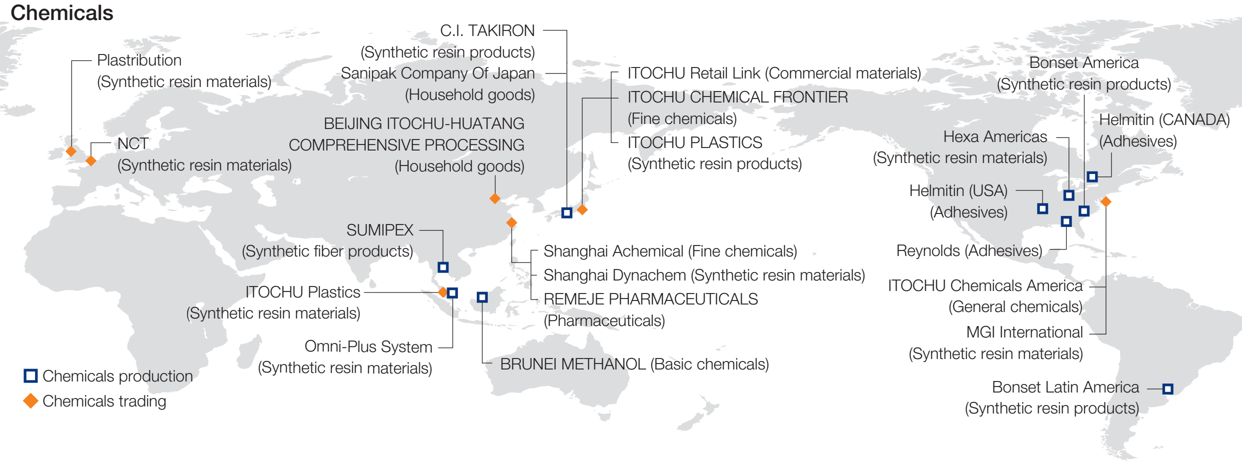


Percentage of Earnings from Domestic Business (image)

Energy / Power & Environmental Solution

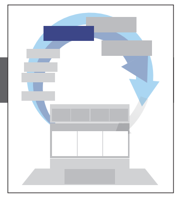


Chemicals



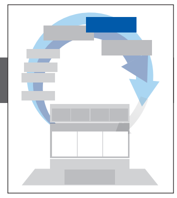






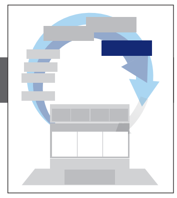
FYE 2020 Review (Achievement of Short-Term Targets)

- Built grounds for us to shift our focus more on our priority fields in the coming years through reviews conducted on our energy trading strategy and pursuits of asset replacements at our Group companies
- Promoted the configuration of a recycling platform with brand owners by participating in the reuse and recycling business in line with the move away from plastic
- Expanded sales channels in the storage battery business, established a joint venture with NF Corporation, and entered capital and business alliances with excellent partners
- As one initiative in the area of renewable energy trading, promoted the handling of CO_2-free electricity by making use of non-fossil certificates



Steppingstones to Medium- to Long-Term Value Creation

- Agile asset replacement measures for better asset utilization efficiencies and acquisitions of new assets to expand the earnings base
- Establishing strong working ties with reputable partners in the upstream sector, along with making continuous investments to secure more efficient operations base and to expand our asset base in the efforts to sustain our access to the competitive and secure energy supply source
- Expand initiatives leveraging breadth of the business domain, ranging from energy solutions and renewable energy to optimal charging and discharging services utilizing the energy storage system



Initiatives Supporting Sustainable Growth

- Efforts made and measures taken in our businesses to reduce GHG emissions and to pursue businesses with low environmental impact, such as renewable energy and hydrogen
- Engaging in pharmaceutical and leading-edge medical businesses in the life science domain and promoting agribusiness initiatives such as trading in methionine (a feed additive)
- Expanding the business model to help resolve social issues, such as through the joint development of eco-friendly materials and the recycling business

➡ Please refer to “Significant Risks to Be Managed on a Consolidated Basis” in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Establishment of the Power & Environmental Solution Division

In FYE 2021, ITOCHU established the Power & Environmental Solution Division.

The power sector has undergone significant change in recent years. On the generation side, renewable energy has made inroads, and the market for distributed power generation has expanded due to solar power generation and storage batteries utilizing household or industrial roofs. Power trading has changed as well. Trading in CO_2-free electricity (through the use of non-fossil certificates) has begun, evincing a rapid shift from the conventional business model driven by electric power producers to one led by customers and consumers. In addition, consumption of electricity is expected to grow in line with proliferation of the fifth-generation mobile telecommunications system (5G). Given this situation, we established the new division to provide broad-ranging power and storage battery solutions in Japan and overseas based on a market-oriented perspective. By stepping up our initiatives in the electric power and storage battery business, we will contribute toward the more stable power supply as well as the realization of a society that utilizes distributed energy resources.

Oita Hiyoshibaru Solar Park, Japan

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

Food Company

Business Fields

- Food resources and ingredients
- Food production and processing
- Food marketing & distribution

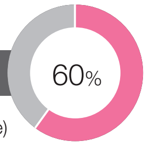
Company Strengths

- **Top-class food distribution and retail network**
- **Worldwide network of production, distribution, and sales value chains for fresh foods (marine, meat, and agricultural products)**
- **Global supply chain for food resources**

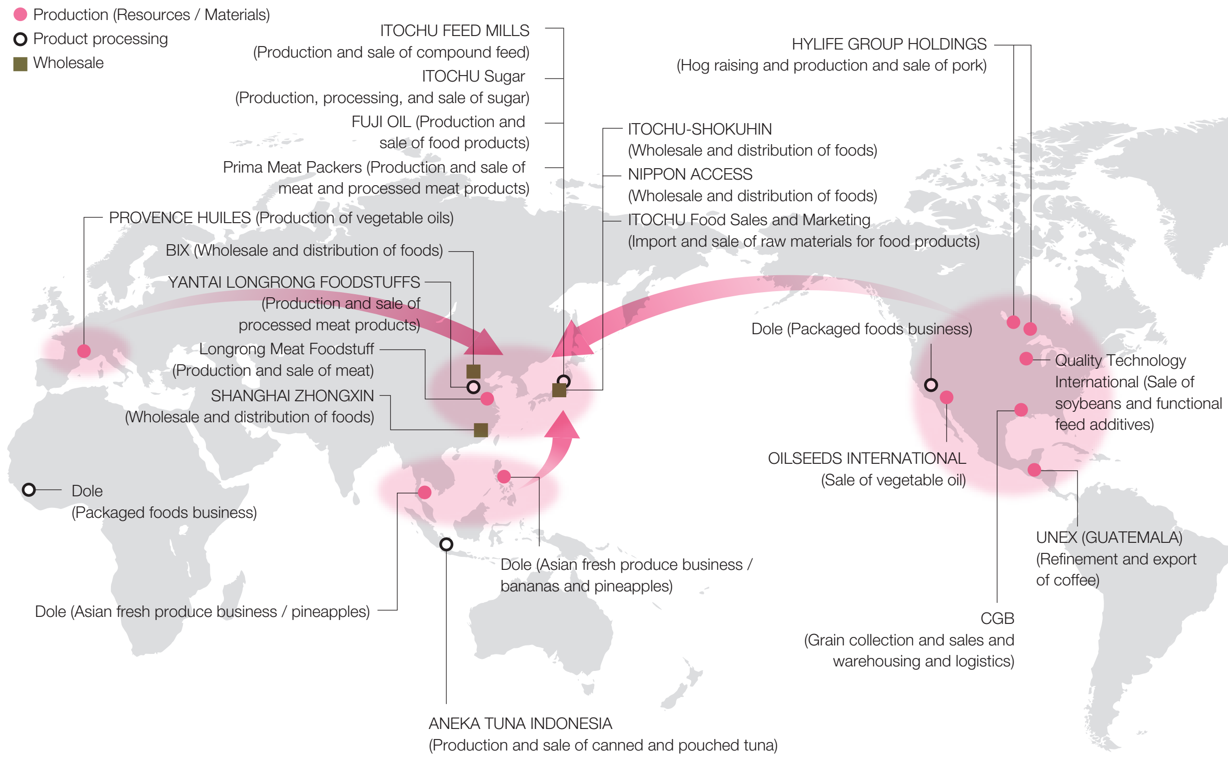
Hiroyuki Kaizuka
President, Food Company

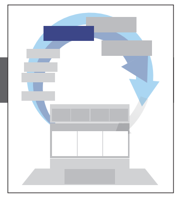
From left:
Shuichi Miyamoto,
Chief Operating Officer, Provisions Division
Kenichi Tai,
Chief Operating Officer, Fresh Food Division
Takeshi Hagiwara,
Chief Operating Officer, Food Products Marketing & Distribution Division
Kenichiro Soma,
Chief Financial Officer
Kuniaki Abe,
General Manager, Planning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

Business Development



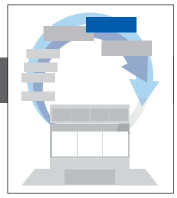
Percentage of Earnings from Domestic Business (image)





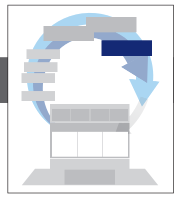
FYE 2020 Review (Achievement of Short-Term Targets)

- Signed an MOA with the government of Sierra Leone regarding Dole's production of pineapples in the country
- With a new relationship with Prima Meat Packers, Ltd., now our subsidiary, successfully established a system to generate Group synergy and holistically support overseas development
- Began a project to optimize inventory-management at NIPPON ACCESS, INC. to increase the value we provide to retailers
- Participated in Farmer Connect, a traceability platform for the coffee supply chain based on blockchain technology
- Got involved in the initiative for domestic distribution of fresh salmon, produced onshore by environmentally friendly Recirculating Aquaculture System (RAS)



Steppingstones to Medium- to Long-Term Value Creation

- Leveraging the Group's wide-range of product groups, functions, and expertise with new technologies to provide the increasingly diverse value in food distribution
- Expanding overseas business foundations centering on value-added raw materials and products
- Strengthening value chains by expanding and diversifying domestic sales functions
- Broadening production bases, which ensures food safety and security, and developing a stable supply network



Initiatives Supporting Sustainable Growth

- Pursuing the consolidation of operations in the distribution sector, which faces increasingly severe labor shortages, and providing high-quality logistics services
- Diversifying the production regions to ensure stable supplies of fresh foods in avoidance of risks related to weather and epidemics
- Conducting development of producing regions, aiming to create employment and improve living environments through nurturing local industry
- Reforming the productivity of Dole's plantations by consolidating farmland and improving plant varieties
- Creating a procurement system, which complies with verification by third-party institutions and the business partners' own codes of conduct
- Increasing the number of employees holding international certifications for inspections under a food safety management system (FSMS)

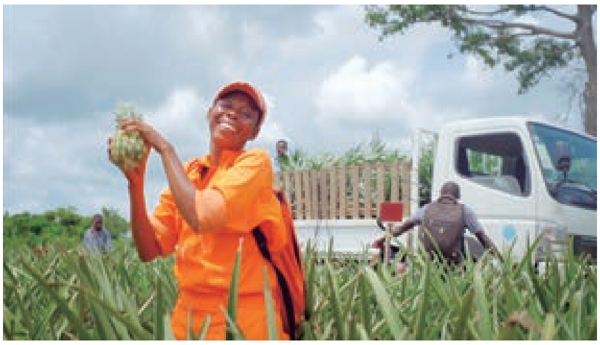
➡ Please refer to "Significant Risks to Be Managed on a Consolidated Basis" in the Risk Management section on Page 47.

Specific Example of Initiatives Supporting Sustainable Growth

Pineapple Production Business in Sierra Leone

ITOCHU established Sierra Tropical Limited in Sierra Leone in June 2014 through Dole, a subsidiary, to begin pineapple cultivation and production of processed foods containing pineapple. To expand production, the company is currently raising seedlings and has started building a plant to process pineapples. It aims to commence commercial production at an early stage.

By diversifying its production bases, ITOCHU aims to establish a stable pineapple production system that is not affected by weather risk and further enhance Dole's processed foods business on a global scale. In addition, the business is aimed at contributing to the local community by cultivating local industry, thereby creating employment and improving living environments.



Pineapple harvesting in Sierra Leone

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

General Products & Realty Company

Business Fields

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

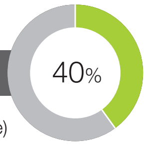
Company Strengths

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

Tomofumi Yoshida
President, General Products & Realty Company

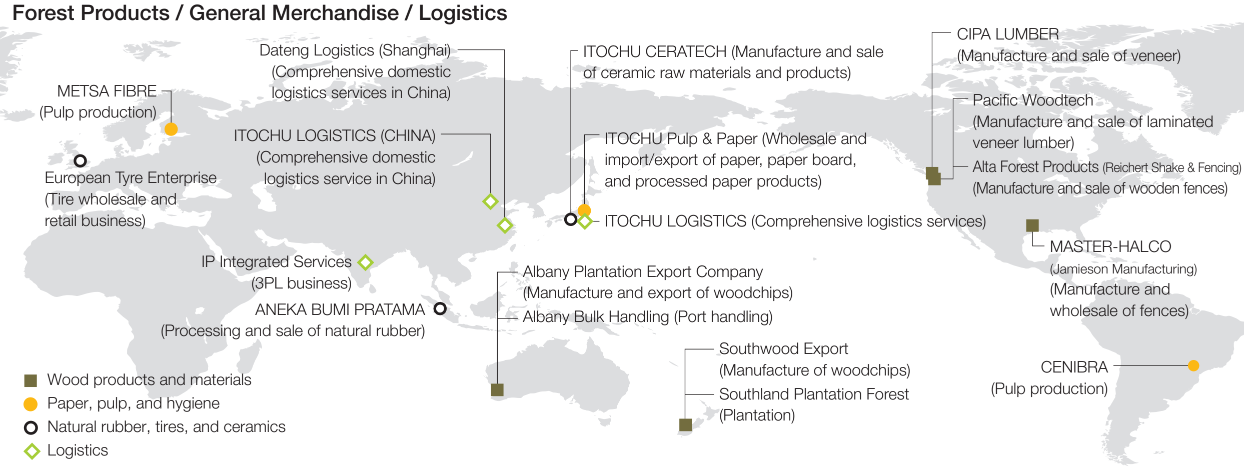
From left:
Kenji Murai,
Chief Operating Officer, Forest Products, General Merchandise & Logistics Division
Masatoshi Maki,
Chief Operating Officer, Construction & Real Estate Division
Kazuaki Yamaguchi,
Chief Financial Officer
Tsutomu Yamauchi,
General Manager, Planning & Administration Department

Business Development

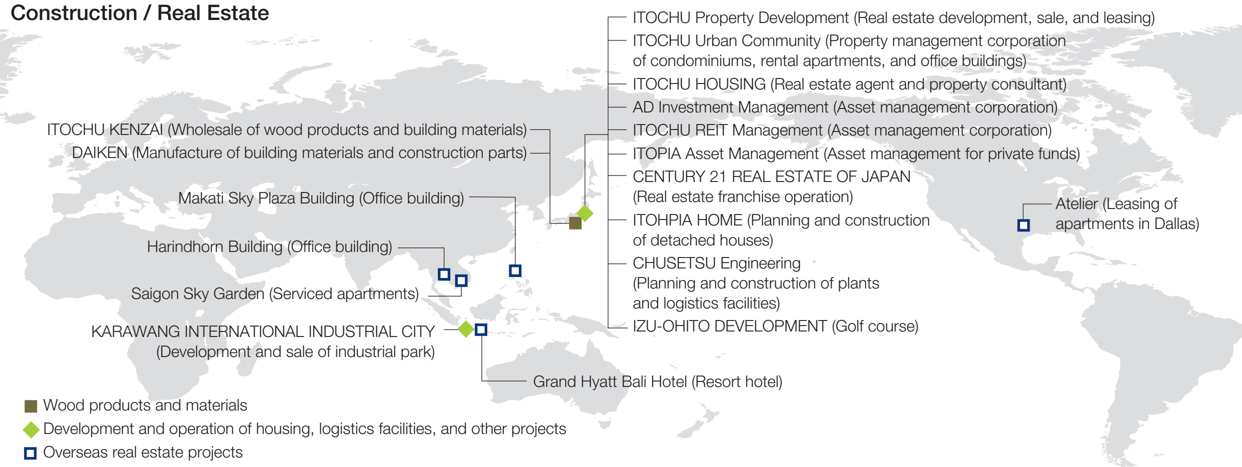


Percentage of Earnings from Domestic Business (image)

Forest Products / General Merchandise / Logistics

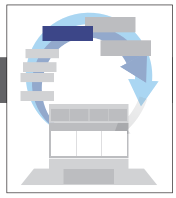


Construction / Real Estate



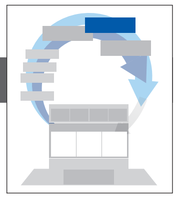






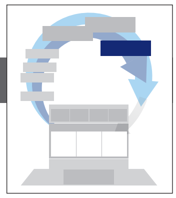
FYE 2020 Review (Achievement of Short-Term Targets)

- Steadily expanded construction materials business in North America by acquiring companies involved in fence manufacture and wholesale, as well as the manufacture of wooden fences
- Commenced joint management with DAIKEN CORPORATION ("DAIKEN") of companies manufacturing veneers and laminated veneer lumber in North America
- Expanded our share of the UK tire market and increased profitability by focusing on leveraging data to enhance customer satisfaction
- Restructured our logistics business in China, reinforcing the management system and earnings base
- In line with the real estate asset replacement model, developed residential assets and logistics warehouses, and expanded REITs AUM



Steppingstones to Medium- to Long-Term Value Creation

- Enhancing profitability by promoting M&As in the North American construction materials business
- Further honing our tire, construction material, real estate, and logistics businesses by applying new technologies
- Expand the handling of environmentally friendly products that use sustainable forestry resources
- Strengthening the real estate asset replacement model for logistics warehouses
- Continuing to move ahead in the North American real estate business through strategic alliances and joint investments with leading U.S. real estate companies



Initiatives Supporting Sustainable Growth

- Strengthening the afforestation business in Brazil with a partner, and enhancing the pulp business in Finland, where a stable long-term supply of raw timber is possible
- Promoting the effective use of sustainable byproducts (slag) as a cement alternative and creating a sustainable and stable distribution
- Creating a natural rubber traceability system that identifies the source of raw material to eradicate illegal logging
- Revising Group companies' backbone systems (ERP) to increase analytical and operational efficiency ("cut") and reduce security risk ("prevent")

➡ Please refer to "Significant Risks to Be Managed on a Consolidated Basis" in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Strategies for Boosting Profitability and Enhancing Corporate Value at North American Group Companies Involved in Construction Materials

ITOCHU has restructured its construction materials business in North America, where the steady increase in population and solid economic growth are expected among the major developed countries. In addition to MASTER-HALCO, Inc. (manufacture and wholesale of fences) and Alta Forest Products LLC (manufacture and sale of wooden fences), in FYE 2020 ITOCHU acquired Jamieson Manufacturing Co. (manufacture and wholesale of fences) and Reichert Shake & Fencing, Inc. (manufacture of wooden fences). We also sold part of CIPA LUMBER CO. LTD. (manufacture and sale of veneer) and Pacific Woodtech Corporation (manufacture and sale of laminated veneer lumber) to DAIKEN and commenced joint operation. Following these acquisitions and realignments, we have dispatched more than 20 highly experienced personnel to these Group companies to improve their management and augment their corporate value. In addition to our own expertise cultivated over many years, we will incorporate DAIKEN's manufacturing know-how, working together to further enhance profitability and corporate value.

Pacific Woodtech Corporation

Please also see the Sustainability Action Plan on our website for initiatives underpinning sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

ICT & Financial Business Company

Business Fields

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

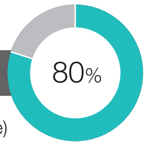
Company Strengths

- **Profitable revenue structure made possible by the core Group companies in the ICT field and the generation of synergies through various alliances between businesses**
- **Business development in the retail financial services and insurance fields in Japan and overseas**
- **Network including start-up companies and other leading-edge companies in Japan and overseas**

Tatsushi Shingu
President, ICT & Financial Business Company

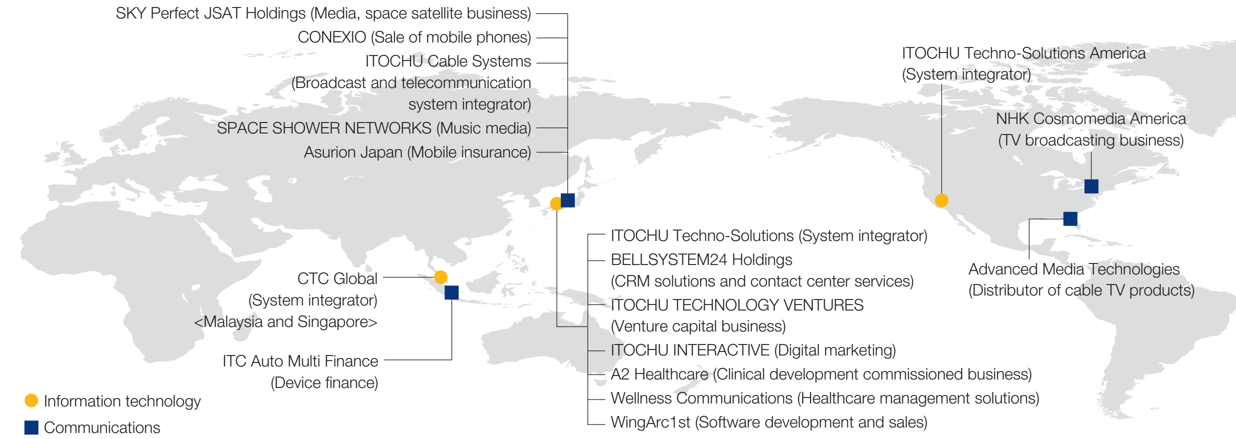
From left:
Hiroshi Kajiwara,
Chief Operating Officer, ICT Division
Shuichi Kato,
Executive Vice President, ICT & Financial Business Company;
Chief Operating Officer, Financial & Insurance Business Division
Fumitaka Horiuchi,
Chief Financial Officer
Atsushi Hashimoto,
General Manager, Planning & Administration Department

Business Development

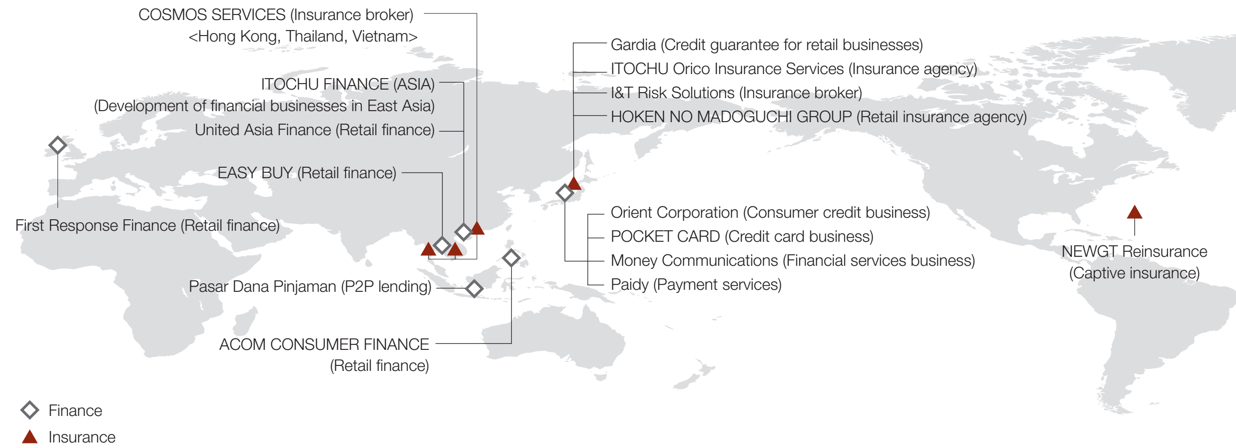


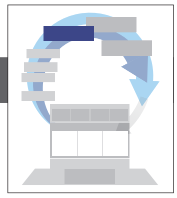
Percentage of Earnings from Domestic Business (image)

Information Technology / Communications



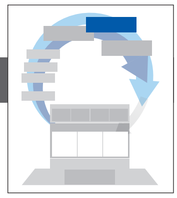
Finance / Insurance





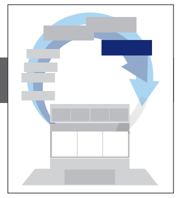
FYE 2020 Review (Achievement of Short-Term Targets)

- Made HOKEN NO MADOGUCHI GROUP INC. a subsidiary, reinforcing the structure to promote business from a market-oriented perspective
- Made WingArc1st Inc. an affiliated company and, through a business alliance with AKQA in the U.S. (a leading digital consulting company), strengthened the foundation for advancing the DX business
- Turned Paidy Inc. into an affiliated company and built a system to jointly promote new services, such as moving forward with Paidy's offline payments business
- Through a capital and business alliance with iLAC Inc., began to consider building a platform for whole genome analysis and commenced industrialization of genome-related businesses leveraging IT
- By making Gardia, Inc. a subsidiary, supported start-up companies' new business efforts via a guarantee business for personal credit
- Through Money Communications Inc., entered the salary prepayment business to create a customer base centering on younger customers



Steppingstones to Medium- to Long-Term Value Creation

- Discovering and forming alliances with start-up companies, and creating and promoting next-generation businesses by leveraging new technologies
- Fostering overseas development of business models cultivated in Japan in the mobile and ICT business sectors
- Building an earnings base in the innovative and highly convenient DX business based on a market-oriented perspective
- Expanding our overseas business foundation by leveraging new retail finance
- Creating a value chain of insurance business in the retail sector



Initiatives Supporting Sustainable Growth

- Offering high-value-added ICT solutions that realize a safe, secure, and highly convenient social infrastructure
- Providing platforms that use healthcare data to contribute to pharmaceutical and medical development, ultimately enhancing the quality of people's lives
- Building and expanding our retail business foundations by forging alliances with companies that have new technologies and customer bases

Please refer to "Significant Risks to Be Managed on a Consolidated Basis" in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Conversion of HOKEN NO MADOGUCHI GROUP INC. into a Consolidated Subsidiary

HOKEN NO MADOGUCHI GROUP INC. (HOKEN NO MADOGUCHI), the leading walk-in insurance shop operator, sets the corporate mission of "being the best possible company for customers." With 762 shops across Japan as of March 31, 2020, it is the largest company in its industry. HOKEN NO MADOGUCHI is also a leader among insurance shops for service quality, underpinned by a proprietary system for training employees. By making HOKEN NO MADOGUCHI a subsidiary, ITOCHU supports the company to further enhance the quality of customer services in line with its management philosophy and to achieve business growth. At the same time, by working more closely with HOKEN NO MADOGUCHI, which has abundant customer contact points, ITOCHU aims to expand Group businesses with a market-oriented perspective.

From a HOKEN NO MADOGUCHI television commercial, as of June 2020

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

The 8th Company

Kensuke Hosomi
President, The 8th Company

Business Fields

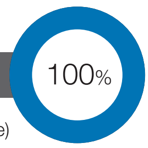
- Creating new business and collaborating with the seven existing Division Companies from a market-oriented perspective
- Promoting business that leverages FamilyMart's customer contact points
- Building an information platform that combines the ITOCHU Group's consumer-related data

Company Strengths

- **FamilyMart's physical store network and a business base of Group companies with its strength in the consumer sector**
- **Human resources from diverse backgrounds and a highly fluid, ameba-like organizational system**
- **An organizational culture that creates businesses flexibly with a market-oriented perspective independent of product lines**

From left
Toshifumi Iwamura,
Chief Financial Officer
Tetsuya Mukohata,
General Manager,
Planning & Administration Section

Business Development

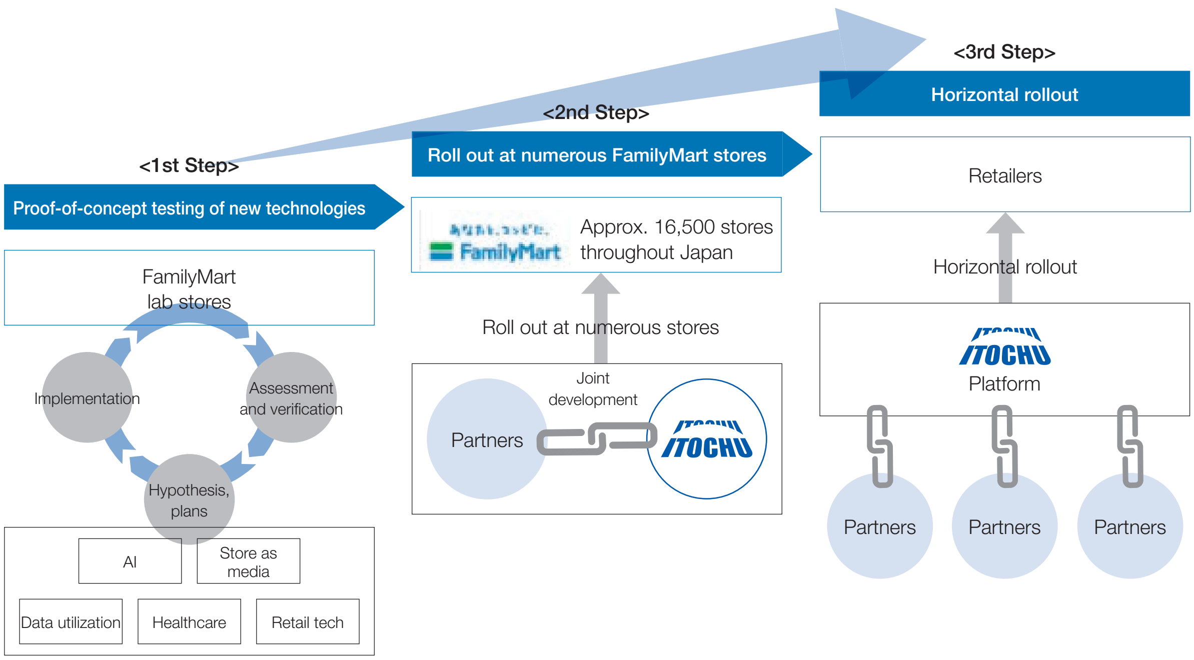


Percentage of Earnings from Domestic Business (image)

The vigorous digital transformation that is occurring as part of the Fourth Industrial Revolution is prompting the emergence of services and business models that ITOCHU will no longer be able to handle via its conventional vertical, product-based organization. To respond with sensitivity to such changes, The 8th Company will adopt a market-oriented perspective. By making full use of ITOCHU's various business foundations, particularly those that are strong in the consumer sector, we aim to cultivate new businesses and customers.

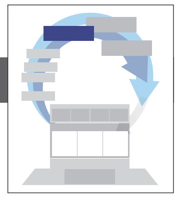
Example of New Business Development <Lab Stores>

- We are using FamilyMart lab stores to run proof-of-concept tests on new technologies and services in a wide variety of fields.
- We are striving for agile improvements and optimization, aiming to expand to many of 16,500 FamilyMart stores around Japan.
- In addition, we are working with strategic partners to roll out these new technologies and services to customers in the retail and other industries in an effort to increase economic and social value.



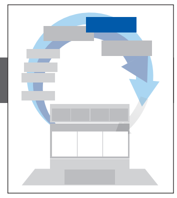
Inbound tourism services provided
by RING BELL co.,ltd.

FYE 2020 Review (Achievement of Short-Term Targets)



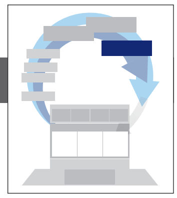
- Established this new Division Company on July 1, 2019 to cultivate new businesses and customers from a market-oriented perspective
- Promoted a business alliance with RING BELL co.,ltd. in the inbound tourism business
- Formed a capital and business alliance with Couger Inc. ("Couger"), a start-up in the field of Artificial Intelligence (AI) development
- Introduced the Lab concept by setting up FamilyMart test stores
- Launched an all-in-one app "FamiPay" at FamilyMart

Steppingstones to Medium- to Long-Term Value Creation



- Supporting revisions in the use of FamilyMart stores and overseas business schemes ("earn") and efforts to reduce store and headquarters costs through the introduction of new technologies and make the supply chain more efficient ("cut"), thereby promoting existing business ("enhance")
- Developing new businesses, such as advertising, marketing, and financial services that utilize customer data
- At lab stores, utilizing new technologies and services obtained through ITOCHU's global information networks

Initiatives Supporting Sustainable Growth



- Creating a highly fluid, ameba-like organizational system conforming to a market-oriented perspective
- Introducing a new personnel system to further enhance employee motivation and growth
- Create an office environment that emphasizes productivity and functionality, such as "free address workspace," where employees are free to change desks

➡ Please refer to "Significant Risks to Be Managed on a Consolidated Basis" in the Risk Management section on Page 47.

Specific Example of Steppingstones to Medium- to Long-Term Value Creation

Initiatives with Couger, a Start-up in the Field of AI Development

In January 2020, ITOCHU announced a capital and business alliance with Couger. Couger has world-leading technologies in game AI with human-like emotions, technologies that gives AI a reliability by utilizing blockchain, and image-recognition AI that reads and analyzes human expressions and gestures.

Using Virtual Human Agent developed by Couger, we will engage in problem-solving and service development with a market-oriented perspective emphasizing market and consumer needs in a wide range of fields including nursing care, education, and entertainment, as well as in the consumer sector that is ITOCHU's forte.

Virtual Human Agent, which communicates with people via facial expressions and movements

Please also see the Sustainability Action Plan on our website for initiatives supporting sustainable growth.
https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/

IR Activities

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

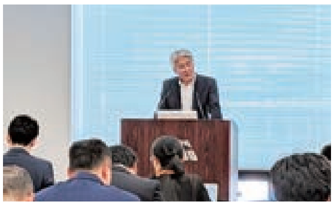
Major IR Activities

Activity	FYE 2018 Results	FYE 2019 Results	FYE 2020 Results
Individual meetings with institutional investors	334	328	301
Investor briefings on financial results for analysts and institutional investors	4	5	4
Investor briefings on operating segments / projects for analysts and institutional investors	1	0	1
Site tours for analysts and institutional investors	1	0	0*1
Overseas IR roadshows	8	8	5*1
Conferences sponsored by securities companies (in Japan)	5	5	4*1
Meetings for individual investors	16	13	6*2

*1 To prevent the spread of COVID-19, events have been suspended since February 2020.
*2 The figure includes an online briefing session for individual investors. To prevent the spread of COVID-19, meetings have been suspended since February 2020.

	FYE 2018 Results	FYE 2019 Results	FYE 2020 Results
Number of individual shareholders (as of the end of March)	183,643	187,392	176,884
Number of attendees at General Meeting of Shareholders*1	2,529	2,696	7*2

*1 Excluding ITOCHU executives
*2 To prevent the spread of COVID-19, in principle, meetings have been attended only by ITOCHU executives; the scale has been reduced significantly.


Investor briefing on financial results for analysts and institutional investors


General Meeting of Shareholders


Investor briefing on operating segments / projects (Reinvention of Business)

External Evaluations of Our IR Activities

■ Annual Report

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

NIKKEI Annual Report Awards 2019
Award for Outstanding Performance

■ IR Website

2019 Internet IR Award
by Daiwa Investor Relations Co. Ltd.
Grand Prize (1st Place)

All Japanese Listed Companies' Website Ranking 2019
by Nikko Investor Relations Co., Ltd.
Overall Ranking: AAA Grade / By-sector Ranking (Wholesale Trade): AAA Grade

Gomez IR Site Ranking 2019 by Morningstar Japan K.K.
Gold Ranking

Credit Ratings
(As of July 2020)

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

Status of Inclusion in Indexes

(As of July 2020)

- JPX-Nikkei Index 400
- TOPIX Large 70 / 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*1
- MSCI Japan High Dividend Yield Index*1
- MSCI Japan Empowering Women Index (WIN)*1
- Dow Jones Sustainability Indices (World / Asia Pacific Index)
- SAM Sustainability Award 2020 Gold Class
- SNAM Sustainability Index
- S&P / JPX Carbon Efficient Index
- FTSE Blossom Japan Index*2
- FTSE4Good Index Series*2

*1 The inclusion of ITOCHU in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of ITOCHU by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. The names and logos of MSCI indexes are trademarks or service marks of MSCI or its affiliates.

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that ITOCHU Corporation has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements and become a constituent of FTSE4Good Index and FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Also, FTSE Blossom Japan Index is specifically designed to assess the performance of Japanese companies demonstrating strong ESG practices using the globally established FTSE4Good Index Inclusion Rules. The FTSE4Good Indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

For more information about IR,
please 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.

Message from the Investor Relations Department

Thank you for taking the time to read our Annual Report 2020. We hope the report helps you to understand our efforts to link the Company's financial and non-financial capital with management strategy and moves to enhance corporate value. Despite the changes in our business environment due to COVID-19, we are doing our utmost to engage proactively in communication with stakeholders and ensure timely and appropriate disclosure. Through our IR activities, we aim to contribute to further increases in corporate value by reflecting opinions from stakeholders in corporate management.

Stock and Shareholder Information (As of March 31, 2020)

Basic Information about Our Stock

Stock listing	Tokyo
Category	Wholesale, Trade
Stock code	8001
Minimum number of stocks allowed per trade	100
Fiscal year	From April 1 to March 31
Shareholder fixed day for dividend payment	March 31 (Interim: September 30)
Number of common shares issued	1,584,889,504 shares
Number of shareholders	176,884

Breakdown of Shareholders