

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

(Times)
5.00

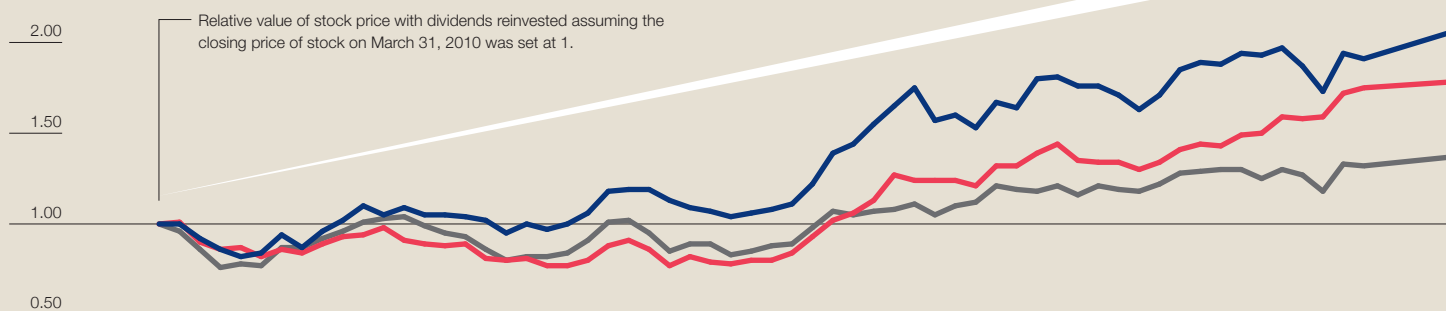
OUTCOME

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



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

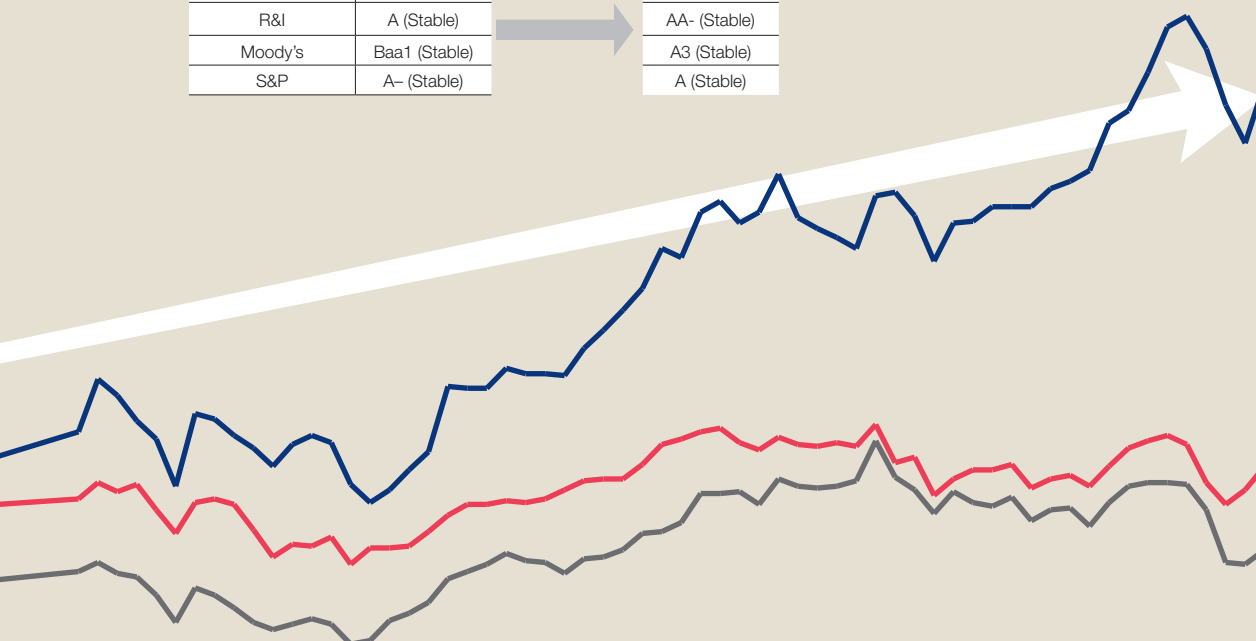
Combine our abundant superior assets with new technologies and new business models to build next-generation business models and work to further expand our earnings base. Also pursue management efficiency, improvement in labor productivity, and health management.

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)



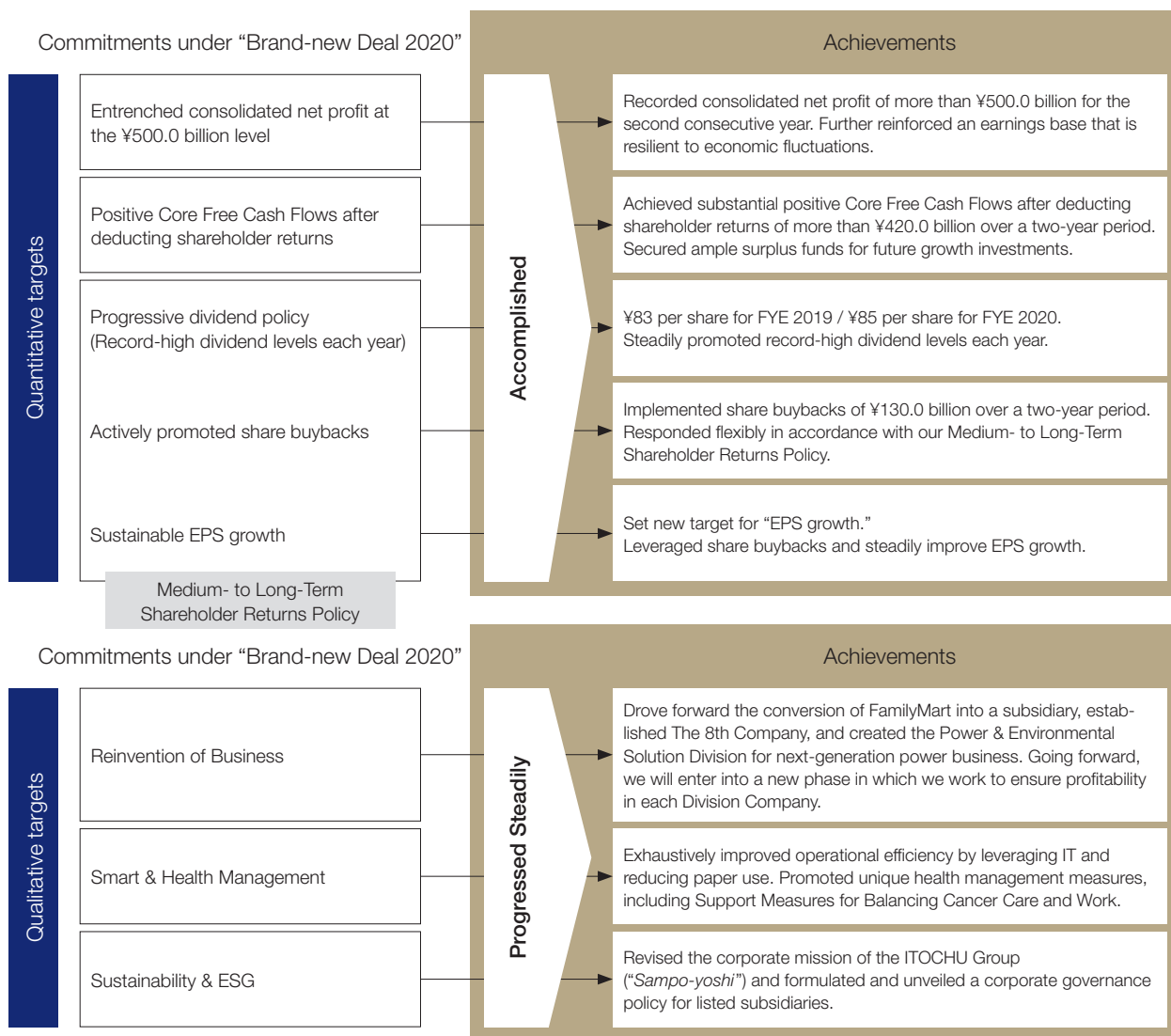
FYE 2016			FYE 2017			FYE 2018			FYE 2019			FYE 2020		
Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR	Stock price	PER	PBR
¥1,466	7.1 times	0.9 times	¥1,408	6.4 times	1.0 times	¥1,843	7.2 times	1.1 times	¥2,029	6.7 times	1.1 times	¥2,242	6.7 times	1.1 times

	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.



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.



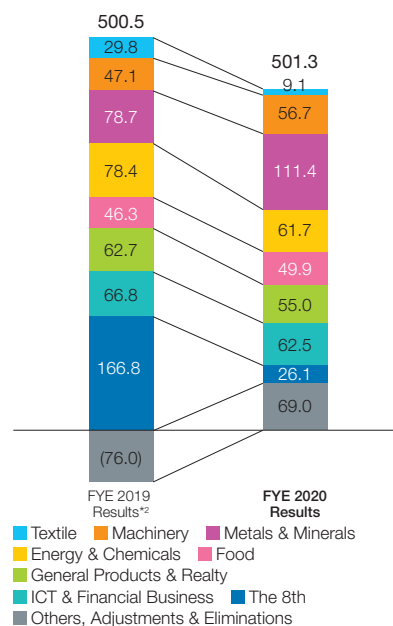
Business Results

(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

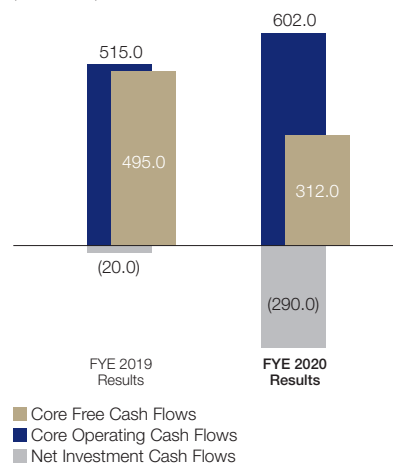
*1 "Operating Cash Flows" minus "changes in working capital" (excluding the effect of lease accounting)

*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)



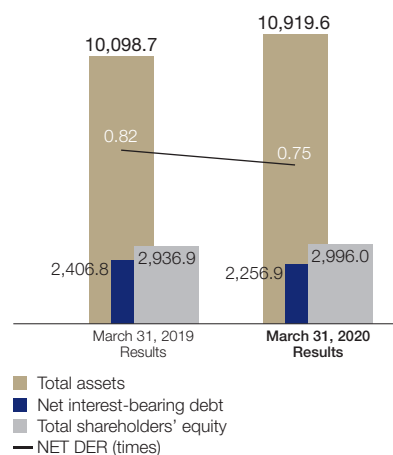
Financial Position

(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.



Basic Policies

Qualitative targets

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

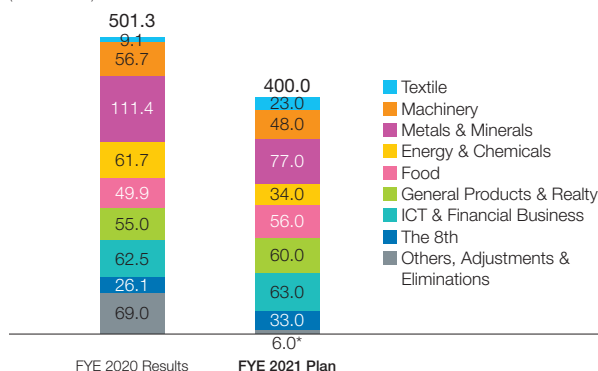
- Quantitative targets**
- ▶ Consolidated net profit **¥400.0 billion**
 - ▶ Dividend per share **¥88**
(Maintain the progressive dividend policy)
 - ▶ Maintain the “**Medium- to Long-Term Shareholder Returns Policy***”

* 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

FYE 2021 Management Plan

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 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



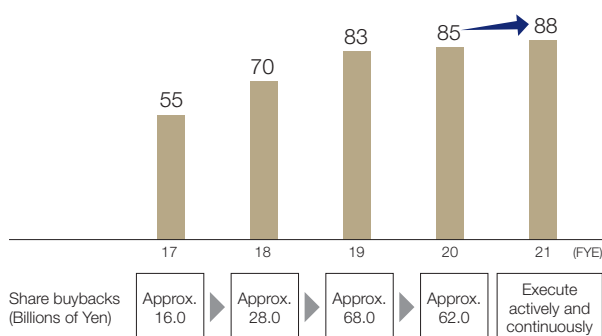
Shareholder Returns Policy

Dividend

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

Dividend per Share

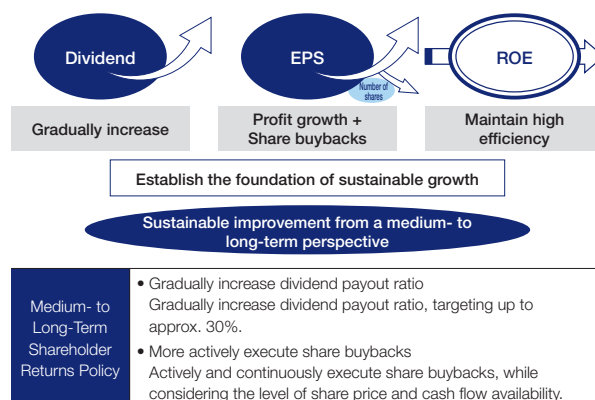
(Yen)



Share Buybacks

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

Concept for Enhancing Corporate Value



Achievement of Short-Term Targets

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**
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	±¥0.22 billion

*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.