FY2019 Business Results Investors Meeting

ITOCHU Corporation

May 8, 2019

I am One with Infinite Missions

Forward-Looking Statements
Data and projections contained in these materials 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.

FY2019 Business Results Summary & FY2020 Management Plan

Yoshihisa Suzuki
President & COO

General Review of FY2019 (Quantitative)

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Profits	■ Upward revision to initial forecast, third consecutive year of record-breaking consolidated net profit with figure of ¥500.5 billion ■ Fourth consecutive year of record-breaking core profit with figure of approx. ¥472.0 billion thanks to growth centered on the non-resource sector ■ Profit achieved over 90% of Group companies, a record high level maintained due to thorough application of the “earn, cut, prevent” principles
B/S, Cash Flows	■ Record-breaking core operating cash flows exceeding ¥500.0 billion, massively positive core Free CFs after deducting shareholder returns achieved due to exits from large-scale investments ■ Achieving upgrade by all four major credit rating agencies in a one-year period, historic best NET DER of 0.82 times, strong financial position maintained
Shareholders Return	■ FY2019 dividends increased from initial plan of ¥74 per share to record high of ¥83 per share ■ Medium to Long Term Shareholders Return Policy announced along with commitment to acquire 100 million shares of treasury stock, proactive acquisition of treasury stock commenced ahead of schedule in FY2019 together with treasury stock cancellations ■ Framework for enhancing corporate value disclosed (gradual increase of dividend, sustainable increase of EPS, and maintain high ROE)

Consolidated net profit was ¥500.5 bil., an increase of approximately ¥100.0 bil. from the previous fiscal year, marking the third consecutive year of record earnings.

In addition to Energy, growth in non-resource businesses such as Construction, Realty & Logistics, Forest Products & General Merchandise, and Information & Communication Technologies resulted in record-high core profit for the fourth consecutive year and strong growth.

The share of group companies reporting profits was 90%, which was the highest level ever.

Regarding cash flows, core operating cash flows reached a record high of ¥515.0 bil. We further strengthened our ability to generate cash and achieved substantial core free cash flows after deducting shareholders return.

As for B/S, NET DER was 0.82 times, the lowest level ever. ROE was 17.9%, by which we showed further progress in achieving the highest-efficiency management in the general trading company industry.

In terms of credit ratings, we achieved a rating of A or higher for all four major rating agencies during a year, and I believe we have achieved significant financial results.

General Review of FY2019 (Qualitative)

Investments	■ Reinforcement of strategic business foundations in the consumer sector through conversion of UFHD into a subsidiary ■ Massive cash inflows realized through aggressive exits (from GMS business, China-related operations, large-scale resource interests, etc.) ■ Recognition of the impairment loss on the investment in CITIC Limited despite stable results, considering the share price and dispelling concerns in the future
Reinvention of Business	■ Capital alliances with numerous start-ups that can reinvent business further ■ Strategic investments in the fintech sector and advertising and marketing sector, all highly compatible with the retail sector, as well as in the mobility and electricity fields and commencement of business model integration
Smart and Health Management	■ Improvement of work efficiency through introduction of the company-wide integrated data infrastructure, RPAs and company-wide deployment of highly secure mobile PCs, transition from awareness-based work-style reforms to process-based reforms ■ Execution of unique healthcare initiatives including expansion of support measures for balancing cancer care and work, provision of compensation for brain examinations, etc.
ESG	■ Establishment of coal business policies stating that no new coal-fired power generation business or thermal coal mine interests will be developed to move toward a carbon-free society ■ Decision to keep ratio of outside directors on or above one-third all times in consideration for Board of Directors diversity

Brand-new Deal 2020

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By making FamilyMart UNY Co., Ltd. a consolidated subsidiary, we have strengthened our strategic business foundation, while at the same time carrying out CITIC impairments, which eliminated concerns about the future.

As for Reinvention of Business, we invested a total of ¥30.0 bil. in businesses such as consumer-related, mobility and electricity, as well as fintech, internet advertising, and data analysis.

In the past, we reformed working styles, such as the morning-focused working system, and implemented health-based management. Through these reforms, we have reformed the structure of old trading companies with overtime work and raised productivity. In the fiscal year under review, we strengthened our IT infrastructure and introduced RPAs, transiting from awareness-based work--style reforms to process-based reforms.

Quantitative Targets for FY2020

- **Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion**
  (More growth in Non-Resource sector which is more resistant to economic fluctuations.)
- **CF Plan : Balanced Cash Allocation**
  (Growth Investments, Shareholders Return, Control of Interest-bearing Debt)
- **Raito & B/S Plan : Maintain high efficiency & B/S control for maintaining A ratings**

(unit : billion yen)

Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion

Segment Profit	FY2019 Result	FY2020 Plan	Increase/ Decrease
Textile	29.8	**33.0**	+3.2
Machinery	47.6	**62.0**	+14.4
Metals & Minerals	79.2	**96.0**	+16.8
Energy & Chemicals	80.6	**57.0**	(23.6)
Food	68.4	**85.0**	+16.6
[Extraordinary profit related conversion of UFHD into a subsidiary]	[139.5]	[**0.0**]	[(139.5)]
General Products & Realty	62.9	**70.0**	+7.1
ICT & Financial Business	68.4	**69.0**	+0.6
Others, Adjustments & Eliminations	(76.0)	**28.0**	+104.0
Consolidated	500.5	**500.0**	(0.5)
Non-Resource	378.0	**420.0**	+42.0
Resource	115.5	**110.0**	(5.5)
Others	7.1	(30.0)	(37.1)

CF Plan : Balanced Cash Allocation
(Growth Investments, Shareholders Return, Control of Interest-bearng Debt, Balancing Three Factors)

Core Operating CFs	Over 580.0 as target
Net Investment CFs	Actively promote growth investments and asset replacements
Shareholders return	Steady implementation of Medium to Long Term Shareholders Return Policy
Core Free CFs after deducting shareholder returns	Utilize Core Free CFs of FY2019 (approx. 300.0) for growth investments and shareholders return Maintain Positive

B/S Plan : B/S control for maintaining A ratings

NET DER	Gradually decraese
Shareholders' equity	Increase shareholders' equity and improve the ratio of shareholders' equity (excluding the impact of lease accounting)
Net Interest-bearng Debt	approx. 2,400.0 +α (excluding the impact of lease debt)
Shareholders' equity	approx. 3,300.0
ROE	approx. 16%
ROA	approx. 5% (excluding the impact of lease accounting)

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We are targeting consolidated net profit of ¥500.0 bil. for FY2020, the second consecutive year of achieving ¥500.0 bil.

There is a risk that the global economy will remain uncertain, oil prices and metal resource prices will decline, which currently remain high. Under such situations, we will expand our business in the non-resource sector, which is highly resilient to economic fluctuations. As a result, we plan to achieve ¥500.0 bil. for the second consecutive year, with the aim of achieving a further positive.

The subtitle is “Evolution to Next-Generation Growth Models.”

In the medium-term management plan, the subtitle was “ITOCHU:INFINITE MISSIONS:INNOVATION.” We intended to express our strong desire to undergo change, but this year is the second year of the Mid-term Management Plan, and we will evolve into a next-generation growth model and realize the reforms and evolution of our existing businesses. we have expressed our intention to enter a realization phase.

Fundamental Policy for FY2020 Plan

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Development of Foundations for Sustainable Growth

Actively Promote Growth Investments, and Maintain High Efficiency

Actively promote investments to Next-Generation Growth Models and replace from the business in peak-out stage or low-returns

Realizing New Vision of What a Trading Company Can Achieve
(Market-oriented perspective and Escape from vertical-oriented mindset)

Establishment of the 8th Company
Measures for Invigorating Human Resources

Balanced Cash Allocation

Growth Investments, Shareholders Return, Control of Interest-bearing Debt, Balancing Three Factors

Steady Advancement of Sustainability Initiatives

Smart and Health Management, Governance, Address climate change

Brand-new Deal 2020 10

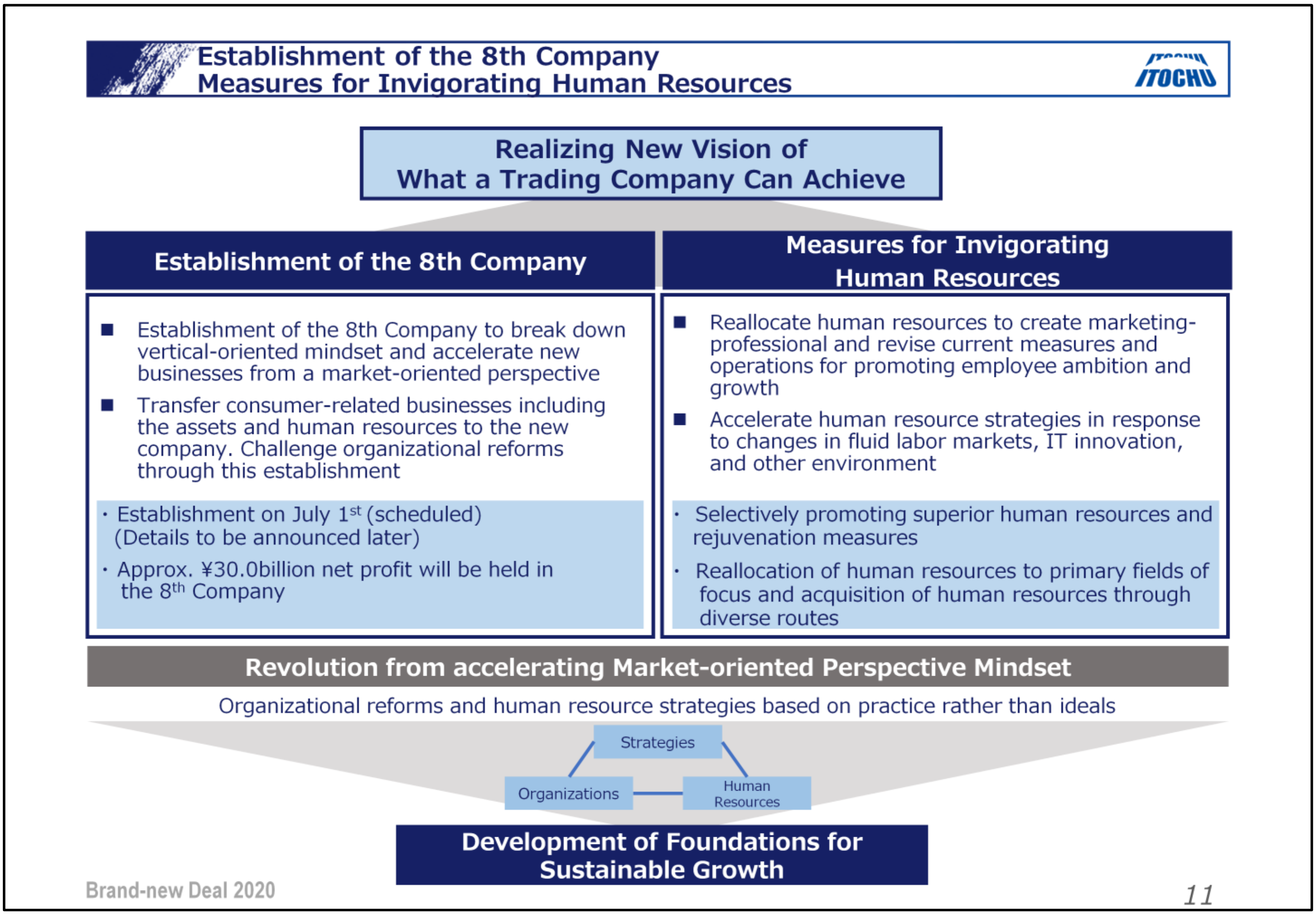
The Company will steadily implement growth investments to build a foundation for sustainable growth and at the same time aggressively replace assets that have peaked out or are low-returns. We must promote highly-efficient management.

We also emphasize the balance of three pillars of growth investment, shareholder returns, and control of interest-bearing debt.
In FY2020, we aim to further strengthen ESG.
Please refer to pages 37 and 38 of Appendix* for details on specific investment for growth. In FY2020, we plan to allocate approximately ¥100.0 bil. to invest in next generation growth.

We proceed reinvention of business to realize a new vision of “What a Trading Company Can Achieve”. As part of this effort, we have decided to establish the 8th Company in addition to the existing seven Companies. The traditional business model of a trading company is centered on wholesale of B-to-B with a vertically-oriented mindset. This must also change amid the trend of the fourth industrial revolution and the digital revolution. As new business models such as B-to-C and B-to-B-to-C that is closer to the market and consumers is required, ITOCHU will shift from a product focus to a market-oriented perspective.

To realize this transformation, the seven Companies based on vertical-oriented conventional model will be important engines for generating earnings, but we have decided to launch a new eighth Company that is not tied to conventional ideas.

* See below for Appendix:
https://www.itochu.co.jp/en/ir/financial_statements/2019/__icsFiles/afieldfile/2019/05/09/19_ended_03_e.pdf



The 8th Company will be inaugurated on July 1.
The details are currently being finalized. we would like to announce it as soon as we are ready for it.

As a rough image, by integrating the personnel and assets of the B-to-C businesses, which are scattered among the seven Companies, we aim to achieve consolidated net profit of around ¥30.0 bil. on a consolidated basis.

We does not intend to sell products that are categorized, as it has in the past. Rather, it intends to grasp the needs of the market and consumers, and then combine the various products and supply chains that ITOCHU possesses to meet their needs. We will also provide the logistics and financial services needed. The 8th Company will become such a company.

From the point of view of retailers and distributors, they have had to inquire at multiple Companies about each product, but this will be done all at once. In other words, it can be said to be a platform for retail and distribution, or function like a marketplace.

In order to realize the new vision of “What a Trading Company Can Achieve”, it is also extremely important to train and energize human resources. We will encourage the promotion of superior human resources and rejuvenation measures as well as cross-Company transfer unlike the conventional vertical transfer.

The 8th Company will be a small and talented group of around 40 people. We plan to introduce measures for invigorating human resources ahead of other companies.

Shareholders Return Policy

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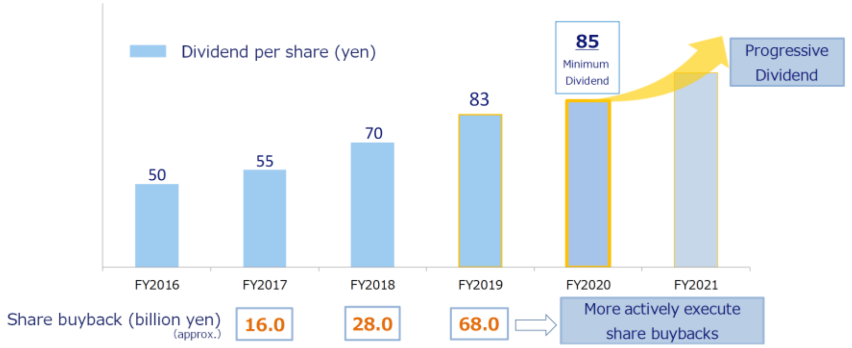
Shareholders Return Policy		
	Medium to Long Term Policy	1) Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30%. 2) More actively execute share buybacks Continuously execute share buybacks approx. 100 million shares in total, while considering cash flow availability.
	Dividend	・¥85 minimum dividend per share for FY2020 ・Continue progressive dividend, targeting further increase in dividend amount and dividend payout ratio. (Existing dividend formula abolished)
	Share Buyback	・Actively and continuously execute in accordance with the policy.



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We will steadily implement the medium-to long-term shareholder returns policy, announced on October 1 last year, gradually raising the amount of dividends and the dividend payout ratio as well as promoting the further active use of share buybacks. We will pay a dividend of ¥83 per share in FY2019 as announced, and plan to pay a dividend of ¥85 per share for FY2020. In FY2021, we will pay a progressive dividend that exceeds this target.

As in FY2019, we will continue to actively repurchase our own shares in FY2020 to further enhance shareholders return by improving EPS and achieving a high total shareholder return ratio.

Details of FY2019 Business Results & FY2020 Management Plan

Tsuyoshi Hachimura
Senior Managing Executive Officer, CFO

Summary of Financial Results for FY2019

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** increased by ¥100.2 bil., compared with the previous fiscal year to **¥500.5 bil.** [3rd consecutive year]
  Reached the ¥500 bil. level due to the increase in profit of the Non-Resource sector centered on the consumer sector which is the strong point of ITOCHU as well as the higher resource prices.
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥55.0 bil., compared with the previous fiscal year to approximately **¥472.0 bil.** [4th consecutive year]
- **"Profits/Losses of group companies"** was **¥437.9 bil.** [3rd consecutive year]
  Shares (%) of group companies reporting profits remains a high level of 90%.
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥515.0 bil.** [3rd consecutive year]
- **NET DER** was **0.82 times** which was the best record. **ROE** was **17.9%** remaining at a high level.
- **"Basic earnings per share attributable to ITOCHU (EPS)" exceeded ¥300 for the first time**. [3rd consecutive year]

[]: Number of years renewing the highest record in a row

	FY2018 Result	FY2019 Result	Increase/ Decrease	FY2019 Forecast (Disclosed on Nov, 2)	Achievement
Net profit attributable to ITOCHU	**400.3**	＊ **500.5**	**+100.2**	**500.0**	**100%**
Extraordinary gains and losses	(16.5)	28.5	+ 45.0		
Core Profit	approx. 417.0	＊ approx. 472.0	approx. + 55.0		
Profits/Losses of group companies	392.3	＊ 437.9	+ 45.6		
Share (%) of group companies reporting profits	91.0%	90.0%	Decreased 1.0pt		
Core Operating Cash Flows	460.0	＊ 515.0	+ 55.0		
NET DER (times)	0.87	＊ 0.82	Improved 0.05pt		
ROE	15.8%	17.9%	Increased 2.1pt		
EPS	257.94 yen	＊ 324.07 yen	+ 66.13 yen		

Dividend Information (Per Share)	
Annual (Planned)	83.0 yen
Interim (Paid)	37.0 yen

＊ : Record High (NET DER : Best Record)

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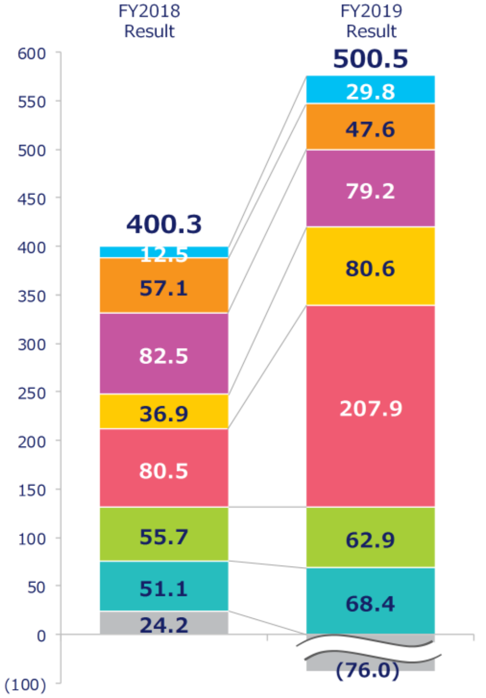
We have achieved record-high profits for the third consecutive year and, for the first time, we have entered the ¥500.0 bil. range.
Our next mission is to steadily consolidate this ¥500.0 bil.

Core profit has also grown to a record high for the fourth consecutive year.
I will explain the extraordinary gains and losses later.

EPS has also reached a record high for the third consecutive year, surpassing the ¥300 level. EPS will continue to expand in FY2020.

Net profit attributable to ITOCHU by Segment



	FY2018	FY2019
Non-Resource	331.0	＊ 378.0
Resource	82.3	115.5
Others	(13.0)	7.1
Non-Resource(%)	80%	77%

Note: % composition is calculated using the total of Non-Resource and Resource sectors as 100%.
＊ : Record High

(Unit : billion yen)

Summary of changes from the previous fiscal year

Textile [Inc / (Dec) : ¥+17.3 bil.]
Increase due to the stable performance in apparel-related companies such as SANKEI, the gain on sales of a foreign apparel-related company, and the absence of impairment losses in the previous fiscal year.

Machinery [Inc / (Dec) : ¥ (9.4) bil.]
Decrease due to the temporary deterioration of profitability in used car sales in YANASE, losses on North American IPP companies and the absence of lower tax expenses in the previous fiscal year, despite the stable performance in automobile-related transactions and the absence of a provision for the specific overseas project in the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥ (3.2) bil.]
Decrease due to the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore in IMEA, despite the higher coal prices and the favorable performance in Marubeni-Itochu Steel.

Energy & Chemicals [Inc / (Dec) : ¥+43.8 bil.]
Increase due to the higher production volume of crude oil, the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices, increase in dividends from oil and LNG projects and the gain on sales of a North Sea oil fields development company.

Food [Inc / (Dec) : ¥+127.4 bil.]
Increase due to the stable performance in FamilyMart UNY and the revaluation gain accompanying the conversion of the company into a consolidated subsidiary (¥141.2 bil.), despite the lower sales prices in packaged foods in Dole and the absence of extraordinary gains in the previous fiscal year.

General Products & Realty [Inc / (Dec) : ¥+7.2 bil.]
Increase due to the higher transaction volume in domestic logistics-facility-development-projects and the higher equity in earnings in IFL (European pulp-related company) and Japan Brazil Paper & Pulp Resources Development resulting from the higher pulp prices, despite the absence of extraordinary gains in the previous fiscal year.

ICT & Financial Business [Inc / (Dec) : ¥+17.3 bil.]
Increase due to the favorable performance in finance-related companies such as POCKET CARD, the higher gains on fund operations and the extraordinary lower tax expenses.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (100.2) bil.]
Deterioration due to the impairment loss on investment in CITIC Limited accounted for by the equity method (¥(143.3) bil.), despite the absence of the impairment loss on C.P. Pokphand in the previous fiscal year.

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The figure of the Food Company includes FamilyMart UNY's revaluation gain. Others, Adjustments & Eliminations include the impairment loss on CITIC investment.

On a net basis, extraordinary gains and losses in FY2019 ended at ¥28.5 bil.
All segments except Metals & Minerals recorded an increase in core profit.
While iron ore and coal prices remained at a high level as well as oil prices and pulp market, the profit from resource-related businesses is around 20%.

Textile: favorable in apparel fields such as SANKEI, ROYNE, and Converse. Made a partial impairment of trademarks in the fourth quarter.
Machinery: losses on North American IPP companies in 4Q. Other IPP-related and plant-related businesses were strong as well as automobile-related businesses.
Metals & Minerals: despite the volume of iron ore at IMEA declined, coal and other metals performed well.
Energy: strong results due to a gain on sales of North Sea oil field and high oil price.
Chemicals: operating companies performed well.
Food: FamilyMart UNY, Dole, and NIPPON ACCESS increased YoY.
General Products & Realty: Metsa Fibre and JBP performed well due to high pulp prices. Building materials in North America also performed well.
ICT & Finance: performed well mainly in CTC and mobile phone-related businesses. Solid growth in POCKET CARD and HOKEN NO MADOGUCHI, etc.
Others, Adjustments & Eliminations: CITIC impairment loss ¥143.3 bil. and profit ¥58.3 bil. resulting in net loss ¥85.0 bil. CP performed well due to pork market recovery.

* See below for the details in Appendix:
https://www.itochu.co.jp/en/ir/financial_statements/2019/__icsFiles/afieldfile/2019/05/09/19_ended_03_e.pdf

Cash Flows

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(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥476.6 bil.,** resulting from the stable performance in operating revenues in the Food, Metals & Minerals, Energy and ICT sectors. **"Free cash flows"** resulted in a **net cash-inflow of ¥677.7 bil.,** due to the increase in cash resulting from the conversion of FamilyMart UNY into a consolidated subsidiary and the sale of UNY in FamilyMart UNY, despite the acquisition of fixed assets mainly in the Food, Metals & Minerals and Energy sectors.
- **Core Free Cash Flows:**
  "Core Operating Cash Flows", after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥515.0 bil., which renewed the highest record for the third consecutive year**. Due to actively promoting asset replacement, **"Core Free Cash Flows"** resulted in a **net cash-inflow of ¥495.0 bil**., massively positive figure.

Cash Flows

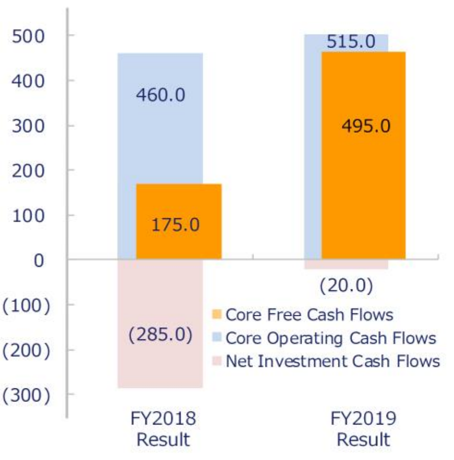
Cash Flows	FY2018 Result		FY2019 Result
Cash flows from operating activities	388.2	*	476.6
Cash flows from investing activities	(256.4)		201.1
Free cash flows	*131.9*	*	*677.7*
Cash flows from financing activities	(296.1)		(538.3)

Core Free Cash Flows

Core Free Cash Flows	FY2018 Result		FY2019 Result
Core Operating Cash Flows (Note1)	460.0	*	515.0
Net Investment Cash Flows (Note2)	(285.0)		(20.0)
Core Free Cash Flows	175.0	*	495.0

* : Record High

Core Free Cash Flows



Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 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.

Cash flows from investing activities is approximately ¥200.0 bil., and net investment cash flows is negative ¥20.0 bil.

Cash flows from investing activities includes the portion of cash and cash equivalents resulting from consolidations, etc. Net investment cash flows exclude this portion.

Investments

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(Unit : billion yen)

FY2018 Result

Sector	Major New Investments	
Consumer-related Sector	◆ FamilyMart UNY additional investment ◆ FUJI OIL HOLDINGS additional investment ◆ POCKET CARD additional investment ◆ Acquisition of Alta Forest Products etc.	185.0
Basic Industry-related Sector	◆ US Gas-Fired Thermal Power Generation Project (Empire) ◆ Acquisition of YANASE ◆ Acquisition of Panama Automobile Distributor etc.	125.0
Non-Resource		**310.0**
Resource-related Sector	◆ IMEA capital expenditure ◆ ACG capital expenditure ◆ West Qurna 1 Oil Field in Iraq etc.	
Resource		**85.0**
Total of Major New Investments		**395.0**
EXIT		(110.0)
Net Investment Amount		**285.0**

FY2019 Result

Sector	Major New Investments		[4Q]
Consumer-related Sector	◆ Acquisition of FamilyMart UNY ◆ FamilyMart UNY / Dole fixed asset investment ◆ Investment in Taipei Financial Center Corporation ◆ DESCENTE additional investment etc.	385.0	85.0
Basic Industry-related Sector	◆ North America Hickory Run gas thermal power generation business additional investment ◆ ITOCHU ENEX / C. I. TAKIRON fixed asset investment etc.	80.0	20.0
Non-Resource		**465.0**	**105.0**
Resource-related Sector	◆ IMEA capital expenditure ◆ ACG capital expenditure etc.		
Resource		**35.0**	**10.0**
Total of Major New Investments		**500.0**	**115.0**
EXIT		(480.0)	(280.0)
Net Investment Amount		**20.0**	**(165.0)**

(Note 1) The above figures are approximate.
(Note 2) Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "increase/decrease of loan receivables", etc.

We have made ¥500.0 bil. investments primarily in the consumer-related sector.

EXIT stood at ¥480.0 bil., which is the highest ever: EXIT of FamilyMart UNY was approximately ¥200.0 bil. Ting Hsin was approximately ¥50.0 bil. We also exited from JAAL in Australia and North Sea oil field, etc.

Excluding CITIC, the investment of ¥500 bill. was the second largest in history. The reason that net investment amount totaled ¥20.0 bill. is the upfront EXIT, asset replacement.

Core Free Cash Flows and EPS

(Unit : billion yen)

		FY2017 Result	FY2018 Result	FY2019 Result	FY2020 Image
	Core Operating Cash Flows (Note 1)	420.0	460.0	515.0	**Over 580.0 as target**
	Net Investment Cash Flows (Note 2)	(120.0)	(285.0)	(20.0)	**Actively promote investments and asset replacements**
a	Core Free Cash Flows	approx. 300.0	approx. 175.0	approx. 495.0	Maintain positive
b	Shareholders Return: Dividend (Note 3)	Annual ¥55/share (86.6)	Annual ¥70/share (108.7)	Annual ¥83/share (127.5)	**Steady implementation of Medium to Long Term Shareholders Return Policy** (Annual ¥85/share Minimum Dividend)
	Shareholders Return: Share buyback	(16.2)	(27.9)	(68.0)	
a+b	Core Free Cash Flows after deducting Shareholders Return	approx. 200.0	approx. 40.0	approx. 300.0	Utilize Core Free CFs of FY2019 (approx. 300.0) for growth investments and shareholders return **Maintain positive**

Note 1: "Operating Cash Flows" minus "increase/decrease of working capital"
Note 2: Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "increase/decrease of loan receivables", etc.
Note 3: The sum of the interim dividend and the year-end dividend each year.

	FY2017 Result	FY2018 Result	FY2019 Result	FY2020 Image
EPS	224 yen	258 yen	324 yen	**Over 329 yen**

Core operating cash flows reached a record high of ¥515.0 bil.
After deducting net investment cash flows of ¥20.0 bil., core free cash flows was nearly ¥500.0 bil.

As a result of returning approximately ¥200.0 bil. to shareholders, core free cash flows remained at ¥300.0 bil.

I explained at the beginning of the year that some ¥120.0 bil. would remain. However, as a result, this amount gradually increased, with some of share buybacks currently underway slipping in FY2020.

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2018 Full year		FY2019 Full year	FY2019 4Q	
Gains(Losses) related to investments	(7.5)	･Gain related to partial sales of a Chinese fresh-food-related company: approx. 18.0 (Food) ･Merger of Takiron and C. I. Kasei: approx. 3.0 (Energy & Chemicals) ･Gain on sales of an asset-management-related company: approx. 2.0 (General Products & Realty) ･Impairment loss on C.P. Pokphand: approx. (29.0) (Others, Adjustments & Eliminations)	160.5	(11.0)	･The revaluation gain accompanying the conversion of FamilyMart UNY into a consolidated subsidiary: 141.2 (Food) ･Gain on sales of a North Sea oil fields development company: approx. 19.5 (Energy & Chemicals) ･Gains/Losses on sales of foreign companies: approx. 7.0 (Textile 2.5, Machinery 2.5, Metals & Minerals 2.0) ･The revaluation gain accompanying the conversion of POCKET CARD into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business 2.5, Food (1.5)) ･Gain accompanying the restructure of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ･Losses on North American IPP companies: approx. (8.0) (Machinery) ･Losses in machinery-related companies: approx. (4.0) (Machinery) ･The impairment loss on CTEI: approx. (3.5) (Others, Adjustments & Eliminations)
Equity in earnings (losses) related to associates and joint ventures	9.5	･Gain on investments in related companies in CITIC Limited: approx. 8.0 (Others, Adjustments & Eliminations) ･Improvement in tax expenses of FamilyMart and UNY: approx. 6.0 (Food) ･Impairment loss in FamilyMart and UNY: approx. (6.5) (Food)	(140.5)	(1.0)	･Gain on sales of a foreign GMS company in FamilyMart UNY: approx. 1.0 (Food) ･The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations)
Income tax expense	19.0	･U.S. Tax Reform: approx. 14.0 (Machinery, Food, etc.) ･Decrease in tax expenses relating to pulp-related companies: approx. 5.5 (General Products & Realty) ･Tax expenses in resource project: approx. (5.0) (Energy & Chemicals)	11.5	3.5	･Decrease in tax expenses relating to foreign finance-related companies: approx. 5.0 (ICT & Financial Business) ･Decrease in tax expenses relating to apparel-related companies: approx. 3.0 (Textile)
Gains(Losses) related to property, plant equipment and intangible assets, Others	(37.5)	･Gain related to sales of overseas assets: approx. 2.5 (Machinery) ･Loss in textile-related companies: approx. (14.0) (Textile) ･Provision for specific overseas project: approx. (11.0) (Machinery) ･Impairment loss in Dole: approx. (7.5) (Food)	(3.0)	(2.5)	･Impairment losses in apparel-related companies: approx. (4.0) (Textile)
Total	(16.5)		28.5	(11.0)	
Non-Resource	(3.5)		0.5	(17.5)	
Resource	(0.5)		24.5	3.0	
Others	(12.5)		3.5	3.5	

Brand-new Deal 2020

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We recorded extraordinary gains of ¥28.5 bil. in FY 2019, within that, losses of ¥11.0 bil. were posted in the fourth quarter.

Losses on North American IPP companies of approximately ¥8.0 bil. and impairment losses of approximately ¥4.0 bil. on trademarks related to apparel were the major items.

Quantitative Targets for FY2020

ITOCHU

- **Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion**
  (More growth in Non-Resource sector which is more resistant to economic fluctuations.)
- **CF Plan : Balanced Cash Allocation**
  (Growth Investments, Shareholders Return, Control of Interest-bearing Debt)
- **Raito & B/S Plan : Maintain high efficiency & B/S control for maintaining A ratings**

(unit : billion yen)

Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion

Segment Profit	FY2019 Result	FY2020 Plan	Increase/ Decrease
Textile	29.8	**33.0**	+3.2
Machinery	47.6	**62.0**	+14.4
Metals & Minerals	79.2	**96.0**	+16.8
Energy & Chemicals	80.6	**57.0**	(23.6)
Food	68.4	**85.0**	+16.6
[Extraordinary profit related conversion of UFHD into a subsidiary]	[139.5]	[**0.0**]	[(139.5)]
General Products & Realty	62.9	**70.0**	+7.1
ICT & Financial Business	68.4	**69.0**	+0.6
Others, Adjustments & Eliminations	(76.0)	**28.0**	+104.0
Consolidated	500.5	**500.0**	(0.5)
Non-Resource	378.0	**420.0**	+42.0
Resource	115.5	**110.0**	(5.5)
Others	7.1	(30.0)	(37.1)

CF Plan : Balanced Cash Allocation
(Growth Investments, Shareholders Return, Control of Interest-bearng Debt, Balancing Three Factors)

Core Operating CFs	Over 580.0 as target
Net Investment CFs	Actively promote growth investments and asset replacements
Shareholders return	Steady implementation of Medium to Long Term Shareholders Return Policy
Core Free CFs after deducting shareholder returns	Utilize Core Free CFs of FY2019 (approx. 300.0) for growth investments and shareholders return Maintain Positive

B/S Plan : B/S control for maintaining A ratings

NET DER	Gradually decraese
Shareholders' equity	Increase shareholders' equity and improve the ratio of shareholders' equity (excluding the impact of lease accounting)
Net Interest-bearng Debt	approx. 2,400.0 +α (excluding the impact of lease debt)
Shareholders' equity	approx. 3,300.0
ROE	approx. 16%
ROA	approx. 5% (excluding the impact of lease accounting)

Brand-new Deal 2020

12

We are in the stage of solidifying the ¥500.0 bil. target.

The ¥500.0 bil. target includes a ¥30.0 bil. buffer; therefore, we expect a 6% growth rate on ¥530.0 bil. on a practical basis.
We expect extraordinary gains of ¥42.0 bil.

On a core profit basis, we forecast a 3% or ¥16 bil. increase from ¥472.0 bil. in FY2019 to ¥488.0 bil. in FY2020.

Assumptions for FY2020

	FY2018 Result	FY2019 Result	FY2020 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2020
Exchange rate (YEN/US$) average	111.30	110.56	110.00	Approx. ¥(2.5) bil. (1 yen appreciation against US$)
Exchange rate (YEN/US$) closing	106.24	110.99	110.00	-
Interest (%) USD LIBOR 3M	1.48%	2.50%	3.20%	Approx. ¥(3.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	57.85	70.86	65	±0.58 bil.
Iron ore (CFR China) (US$/ton)	68*	71*	N.A.**	±1.33 bil.
Hard coking coal (FOB Australia) (US$/ton)	204*	202*	N.A.**	±0.22 bil.
Thermal coal (FOB Australia) (US$/ton)	94*	106*	N.A.**	

(The above effect varies according to changes in sales volume, foreign exchange rates and production costs.)

* FY2018 and FY2019 prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

** The prices for iron ore, hard coking coal and thermal coal used in the FY2020 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 customers, ore type and coal type.

Due to the lower price assumption of crude oil $65, which is lower than the actual figure in FY2019, and the absence of extraordinary gains of nearly ¥20.0 bil. from the EXIT of the North Sea oil field in FY2019, only the Energy and Chemicals Company is budgeted for a decline in profits in FY2020.

As for the assumprions for prices of iron ore and coal, we currently use conservative figures.

Quantitative Targets for FY2020

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Brand-new Deal 2020

12

We expect non-resource profit to increase 11% from ¥378.0 bil. to ¥420.0 bil. The lean management that we have conducted so far has been embodied by individual operating companies as well, and we expect an organic growth in FY2020.

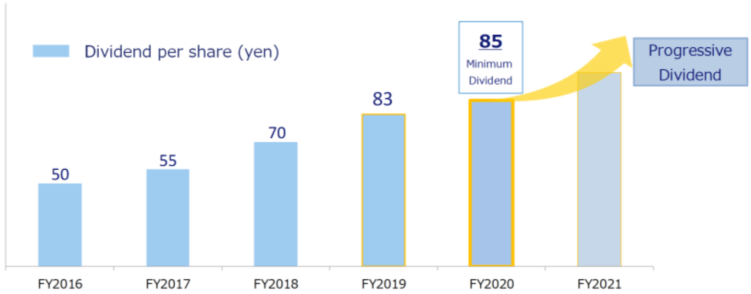
We target core operating cash flows of over ¥580.0 bil. As a result of the consolidation of FamilyMart UNY, the Company will generate cash flows for the full year, in addition to the accumulation of earnings in individual fields.

Textile: increase due to higher profit from trading of ITOCHU and apparel-related companies as well as profit from upfront investments in Lycra and Descente, etc.
Machinery: increase due to the recovery in Yanase, growth in the overseas automobile-related business, and the absence of the losses on North American IPP.
Metals & Minerals: increase due to the improvement in volume of iron ore and cost in IMEA, in addition to the improvement in the coal business in Colombia.
Energy: oil prices are assumed at low.
Chemicals: realize profit in pharmaceutical fields and increase profit in electricity fields including storage batteries.
Food: recovery in Dole, growth in NIPPON ACCESS, expansion of Fuji Oil, and growth in other operating companies are expected.
General Products & Realty: increase due to the recovery in natural rubber and ETEL, the roll-up of North American building materials businesses, construction-related asset management, and logistics-related businesses despite the conservative pulp prices. Some extraordinary gains included.
ICT & Finance: increase due to the steady progress in CTC and POCKET CARD, in accordance with the progress of the industry.
Others, Adjustments & Eliminations: steady performance of CITIC with the forecast of ¥60.0 bil. as well as CP thanks to strong pork market .

Shareholders Return Policy

ITOCHU

Shareholders Return Policy		
	Medium to Long Term Policy	1) Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30%. 2) More actively execute share buybacks Continuously execute share buybacks approx. 100 million shares in total, while considering cash flow availability.
	Dividend	・¥85 minimum dividend per share for FY2020 ・Continue progressive dividend, targeting further increase in dividend amount and dividend payout ratio. (Existing dividend formula abolished)
	Share Buyback	・Actively and continuously execute in accordance with the policy.



Share buyback (billion yen) (approx.) 16.0 28.0 68.0 → More actively execute share buybacks

Brand-new Deal 2020

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We will continue to pay a progressive dividend.
Based on the current cash flows, the minimum dividend for FY2020 is ¥85 per share.
We plan to take steps toward a dividend payout ratio of 30% over the medium to long term.

As for the status of our share repurchase program of ¥100.0 bil. or 55 mil. shares, announced in February, we stood at approximately ¥38.0 bil. and 19 mil. shares as of the end of March. By the end of April, we had completed 60% of our share repurchase program, having completed the repurchase of approximately 29.5 mil. shares, valued at ¥58.9 bil.
As a result, 40% remain to be repurchased by the end of June.

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Brand-new Deal 2020

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Regarding the cash-flow approach, as the financial position has improved considerably, we will be able to make a certain amount of investments actively, while we are maintaining the strength of our financial position.

Our target of core operating cash flows is over ¥580.0 bil. After deducting a cash outflow of approximately ¥130.0 bil., which is required amount for the minimum dividend of ¥85 per share, ¥450.0 bil. will remain. Out of this ¥450.0 bil., approximately ¥60.0 bil. will be used to repurchase treasury shares of the remainder of the announced program. As a result, the amount of around ¥390.0 bil. will be used for net investments and additional shareholder returns.

However, if there is a demand that exceeds this amount when investing aggressively, the remaining ¥300.0 bil. in FY2019 may be used in the first and second quarters of FY2020.