

**To Those Shareholders with Voting Rights**

Yoshihisa Suzuki  
President & Chief Operating Officer  
ITOCHU Corporation  
1-3, Umeda 3-chome, Kita-ku, Osaka

**NOTICE OF THE 94TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 94th Ordinary General Meeting of Shareholders of ITOCHU Corporation to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights either in writing or via the Internet and other means. Please read the attached REFERENCE DOCUMENTS OF THE GENERAL MEETING OF SHAREHOLDERS and exercise your voting rights so that it will reach us by 5 p.m., Thursday, June 21, 2018. (Please refer to “Information on Exercise of Voting Rights, etc.” on pages 3 to 4.)

**1. Date:** 10 a.m., Friday, June 22, 2018 (Reception commences at 9 a.m.)

**2. Place:** The Hō Banquet Hall (2F), Hotel New Otani Osaka  
4-1, Shiromi 1-chome, Chuo-ku, Osaka

**3. Objectives of the Meeting:**

**Reports:**

1. The Business Report, the Consolidated Financial Statements and the report of the audit of the Consolidated Financial Statements by the Independent Auditor and Audit & Supervisory Board for the 94th Fiscal Term (from April 1, 2017 to March 31, 2018) will be reported at the meeting.
2. The Non-Consolidated Financial Statements for the 94th Fiscal Term (from April 1, 2017 to March 31, 2018) will be reported at the meeting.

**Agenda:**

**[Company Proposals (Proposal No. 1 to 4)]**

**Proposal No. 1:** Appropriation of Surplus

**Proposal No. 2:** Proposed Amendments to the Articles of Incorporation

**Proposal No. 3:** Election of Eight (8) Directors

**Proposal No. 4:** Election of One (1) Audit & Supervisory Board Member

**[Shareholder Proposals (Proposal No. 5 to 6)]**

**Proposal No. 5:** Amendments to the Articles of Incorporation (Cancellation of Treasury Stock)

**Proposal No. 6:** Cancellation of Treasury Stock

\*Other matters relating to ordinary general meetings of shareholders

- (1) In the event that a shareholder provides no indication of approval or disapproval with regard to the proposals, the shareholder shall be considered to have expressed approval of the Company proposals (Proposals No. 1 through 4) and to have expressed disapproval of the shareholder proposals (Proposals No. 5 and 6), which shall be handled accordingly.
- (2) In the event that a vote is exercised in duplicate via enclosed Exercise Voting Rights Form and via the Internet or other means, or more than one vote is exercised electronically, the latest vote shall be effective.
- (3) For those attending, please present the enclosed Exercise Voting Rights Form at the reception desk on arrival at the meeting. Please take note that persons other than shareholders who can exercise voting rights, such as proxy agents who are not shareholders or those accompanying shareholders, will not be permitted to enter the meeting venue.

- ◆ This Notice of Meeting does not include complete Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Corporate Auditors and Independent Auditor in preparing the respective reports of audit. The Notes to Consolidated Financial Statements, the Notes to Non-Consolidated Financial Statements, also the Consolidated Statements of Cash Flows and the Operating Segment Information as reference materials are provided on ITOCHU Corporation's website ([https://www.itochu.co.jp/en/ir/shareholder/general\\_meeting/](https://www.itochu.co.jp/en/ir/shareholder/general_meeting/)), pursuant to the provisions of applicable laws and regulations as well as Article 16 of ITOCHU Corporation's Articles of Incorporation.
- ◆ If circumstances are generated whereby revisions should be made to the content of the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and the REFERENCE DOCUMENTS OF THE GENERAL MEETING OF SHAREHOLDERS, such notification shall be published on ITOCHU Corporation's website ([https://www.itochu.co.jp/en/ir/shareholder/general\\_meeting/](https://www.itochu.co.jp/en/ir/shareholder/general_meeting/)).

## **Information on Exercise of Voting Rights, etc.**

The right to vote at the general meeting of shareholders is a principal right of shareholders. Please exercise your voting rights after reading the REFERENCE DOCUMENTS OF THE GENERAL MEETING OF SHAREHOLDERS on pages 5 to 20.

You may exercise your voting rights by one of the following three methods.

### **1. By attending the general meeting of shareholders**

Please submit your Exercise Voting Rights Form to the reception of the meeting. Please also bring this Notice to the meeting.

<The date of the general meeting of shareholders>

June 22, 2018 at 10 a.m.

### **2. By mail**

Please indicate your approval or disapproval to each of the proposals and return it to ITOCHU Corporation by the voting deadline.

<Voting deadline>

Your vote must arrive at ITOCHU Corporation no later than 5 p.m. on June 21, 2018.

### **3. Via the Internet or other means**

If you are not able to attend the general meeting of shareholders, you may exercise your voting rights via the Internet or other means. Please read the detailed instructions below.

<Voting deadline>

Your vote must be inputted no later than 5 p.m. on June 21, 2018.

## **Exercise of Voting Rights via the Internet**

Please read carefully the explanation described below before exercising your voting rights via the Internet.

### **1. Procedures**

- (1) Please access the following website solely set up for the exercise of voting rights designated by ITOCHU Corporation  
[Website] <https://www.web54.net> (This website is available in Japanese only.)
- (2) The code and password printed on the right-hand side of the Exercise Voting Rights Form are required.
- (3) Shareholders are requested to change the above password to a desired password and exercise the voting rights by following the instructions on the screen.  
(For shareholders who received the Notice of the 94th Ordinary General Meeting of Shareholders by e-mail, the password column therein is shown as “\*\*\*\*\*”. Please input the password you have chosen when you registered your e-mail address.)

### **2. Handling of voting rights that have been exercised multiple times**

- (1) If you have exercised multiple votes via the Internet, the last vote shall be deemed effective.
- (2) If you have exercised your voting rights both via the Internet and by sending the Exercise Voting Rights Form, the last one to arrive at ITOCHU Corporation shall be deemed effective. The exercise of voting rights via the Internet shall be deemed effective if both arrive at ITOCHU Corporation on the same day.

### **3. Handling of passwords**

- (1) The password verifies that you are entitled to vote. Please carefully secure it in the same manner as personal identification number. ITOCHU Corporation does not accept any referrals on passwords by telephone or any other means.

- (2) In case you exceed a certain number of tries to input your password, the Internet-based voting system will be automatically locked, making further operations unavailable. In case of requesting re-issue of a password, please follow the on-screen guidance for further processing.

#### **4. System requirements**

- (1) To connect your communication device to the Internet, you might have to pay a connection fee and telecommunication charges (telephone charge) to your service provider and a carrier. Such a fee or charges shall be borne by each shareholder.
- (2) Please be noted that this website cannot be accessed by mobile phones.

#### **Inquiries on the Operation of Your PC and Other Communication Terminals**

- (1) If you are unclear as to the operation of your PC and other devices regarding the exercise of voting rights via the Internet, please contact the following number.

**Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support (dedicated line)**

**Tel: 0120-652-031 (toll free, available only in Japan)**

**(Service hours: 9 a.m. to 9 p.m.)**

- (2) In case of other inquiries, please contact the following number.

**Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Operation Center**

**Tel: 0120-782-031 (toll free, available only in Japan)**

**(Service hours: 9 a.m. to 5 p.m. on weekdays)**

#### **Electronic Voting Platform for Institutional Investors**

Institutional investors may exercise their voting rights via “Voting Rights Electronic Exercise Platform” operated by ICJ Co., Ltd., if application is made in advance.

End

## REFERENCE DOCUMENTS OF THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references

### [Company Proposals (Proposal No. 1 to 4)]

#### **Proposal No. 1: Appropriation of Surplus**

ITOCHU Corporation has the following intention with regard to Appropriation of Surplus.

#### **Term-end Dividends**

ITOCHU Corporation announced at the beginning of the FY2018, the final year of the operation of the medium-term management plan “Brand-new Deal 2017,” that ITOCHU Corporation guarantees a lower limit on the dividend equal to ¥64 per share based on the policy of “a consolidated dividend payout ratio of 20% for net profit attributable to ITOCHU up to ¥200.0 billion and approximately 30% on the portion of net profit attributable to ITOCHU exceeding ¥200.0 billion.” In light of the 94th Fiscal Term cash flows and other relevant considerations, we plan to pay the total annual dividend of ¥70 per share (including an interim dividend of ¥32), ¥6 more than the guaranteed lower limit, and propose to pay a term-end dividend of ¥38 for the current term.

(1) Type of the dividend assets

Cash

(2) Allocation of dividend assets to be paid to shareholders and total dividend amount:

¥38 per share of common stock	Total ¥58,994,979,784
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(3) Date on which the appropriation of surplus goes into effect:

June 25, 2018

## Proposal No. 2: Proposed Amendments to the Articles of Incorporation

### 1. Reasons for the Amendments

- (1) In order to ensure the flexibility in the management of General Meeting of Shareholders, ITOCHU Corporation will partly amend Article 15 (Chairman of General Meeting of Shareholders) of the current Articles of Incorporation.
- (2) Based on the existing management structure, in order to further clarify its position, ITOCHU Corporation will add Chairman & Chief Executive Officer to Article 25 (Executive Officers and Responsible Executive Officers), Paragraph 2 of the current Articles of Incorporation.

### 2. Contents of the Amendments

The comparison between the current Articles of Incorporation and the proposed amendments is as follows.

(Underlined parts are to be amended.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 15. (Chairman of General Meeting of Shareholders)</p> <p><u>The President &amp; Chief Operating Officer</u> shall be the Chairman at the General Meeting of Shareholders. In the case that <u>the President &amp; Chief Operating Officer</u> is prevented from presiding, <u>any one of the other Representative Directors</u> present shall take <u>his place</u>, and in the case that <u>all Representative Directors are unable to preside</u>, <u>any one of the Directors present shall act as Chairman</u>.</p> <p>Article 25. (Executive Officers and Responsible Executive Officers)</p> <p>Executive Officers may be elected by resolution of the Board of Directors. The matters relating to the Executive Officers, including election, retirement, status, duties thereof, shall be governed by the Regulations of the Executive Officers which are prescribed by the Board of Directors.</p> <p>② The Board of Directors may appoint, by resolution, a President &amp; Chief Operating Officer, a limited number of Executive Vice Presidents, Senior Managing Executive Officers, Managing Executive Officers, and such other responsible Executive Officers as the Board of Directors shall prescribe.</p>	<p>Article 15. (Chairman of General Meeting of Shareholders)</p> <p><u>A Director previously appointed by the Board of Directors</u> shall be the Chairman at the General Meeting of Shareholders. In the case that <u>the appointed Director</u> is prevented from presiding, <u>another Director</u> present shall take <u>his/her place in the order previously determined by resolution of the Board of Directors</u>.</p> <p>Article 25. (Executive Officers and Responsible Executive Officers)</p> <p>Executive Officers may be elected by resolution of the Board of Directors. The matters relating to the Executive Officers, including election, retirement, status, duties thereof, shall be governed by the Regulations of the Executive Officers which are prescribed by the Board of Directors.</p> <p>② The Board of Directors may appoint, by resolution, <u>a Chairman &amp; Chief Executive Officer</u>, a President &amp; Chief Operating Officer, a limited number of Executive Vice Presidents, Senior Managing Executive Officers, Managing Executive Officers, and such other responsible Executive Officers as the Board of Directors shall prescribe.</p>

### Proposal No. 3: Election of Eight (8) Directors

Director Hitoshi Okamoto resigned from the office on March 31, 2018. In addition, at the conclusion of this 94th Ordinary General Meeting of Shareholders, the terms of office of the eight (8) current directors will expire: Masahiro Okafuji, Yoshihisa Suzuki, Fumihiko Kobayashi, Tsuyoshi Hachimura, Ichiro Fujisaki, Chikara Kawakita, Atsuko Muraki and Harufumi Mochizuki. Accordingly, we hereby propose to elect eight (8) directors. The candidates for the new directors are as follows:

Of the eight (8) candidates, three (3) are candidates for outside directors.

(For policy and process for appointing candidates for directors and independence criteria for outside directors of ITOCHU Corporation, please refer to pages 17 to 19.)

No.	Name	Current position and responsibility in the Company	Number of Attendance at Meetings of the Board of Directors
1	Masahiro Okafuji	Chairman & Chief Executive Officer	15/15 (100%)
2	Yoshihisa Suzuki	President & Chief Operating Officer	15/15 (100%)
*3	Tomofumi Yoshida	Senior Managing Executive Officer President, General Products & Realty Company	– / – (–%)
4	Fumihiko Kobayashi	Member of the Board, Senior Managing Executive Officer Chief Administrative & Information Officer	15/15 (100%)
5	Tsuyoshi Hachimura	Member of the Board, Senior Managing Executive Officer Chief Financial Officer	15/15 (100%)
**6	Atsuko Muraki	Member of the Board	15/15 (100%)
**7	Harufumi Mochizuki	Member of the Board	11/11 (100%) (since his appointment)
***8	Masatoshi Kawana	–	– / – (–%)

\* indicates a newly nominated candidate.

\*\* indicates candidates for outside and independent director.

\*\*\* indicates a newly nominated candidate for outside and independent director.

No.	Name	Brief personal history (Important concurrent occupations or positions)	
1	<p>Masahiro Okafuji (December 12, 1949)</p> <p>Number of Attendance at Meetings of the Board of Directors: 15/15 (100%)</p> <p>Number of ITOCHU Corporation's shares held: 171,295 shares</p>	<p>April 1974 Joined ITOCHU Corporation</p> <p>June 2002 Executive Officer</p> <p>April 2004 Managing Executive Officer</p> <p>June 2004 Managing Director</p> <p>April 2006 Senior Managing Director</p> <p>April 2009 Executive Vice President</p> <p>April 2010 President &amp; Chief Executive Officer</p> <p>April 2018 Chairman &amp; Chief Executive Officer (current position)</p> <p>(Important concurrent occupations or positions) Outside Director, NISSIN FOODS HOLDINGS CO., LTD.</p> <p><u>Reason for the nomination of the candidate for director</u> Since joining ITOCHU Corporation, Mr. Masahiro Okafuji has primarily engaged in textile-related business. After serving as President of Textile Company, he assumed the position of President &amp; Chief Executive Officer of ITOCHU Corporation in April 2010, and since then has increased corporate value through excellent management skills and leadership. He assumed the position of Chairman &amp; Chief Executive Officer of ITOCHU Corporation in April 2018, and as he possesses a track record as the top of ITOCHU Corporation and knowledge of general trading company management overall, we propose him as a candidate for director.</p>	
2	<p>Yoshihisa Suzuki (June 21, 1955)</p> <p>Number of Attendance at Meetings of the Board of Directors: 15/15 (100%)</p> <p>Number of ITOCHU Corporation's shares held: 50,584 shares</p>	<p>April 1979 Joined ITOCHU Corporation</p> <p>June 2003 Executive Officer</p> <p>April 2006 Managing Executive Officer</p> <p>April 2011 Adviser</p> <p>June 2011 Executive Vice President, JAMCO Corporation</p> <p>June 2012 Chief Executive Officer, JAMCO Corporation</p> <p>April 2016 Senior Managing Executive Officer of ITOCHU Corporation President, ICT &amp; Financial Business Company</p> <p>June 2016 Member of the Board, Senior Managing Executive Officer</p> <p>April 2018 President &amp; Chief Operating Officer (current position)</p> <p><u>Reason for the nomination of the candidate for director</u> Since joining ITOCHU Corporation, Mr. Yoshihisa Suzuki has primarily engaged in aviation-related business, and served as President of ITOCHU International Inc. and Chief Executive Officer of JAMCO Corporation. Since April 2016, he has made efforts to expand our business in the information and finance sectors as President of ICT &amp; Financial Business Company. He assumed the position of President &amp; Chief Operating Officer of ITOCHU Corporation in April 2018, and as he possesses abundant work experience in ITOCHU Corporation and knowledge of general trading company management overall, we propose him as a candidate for director.</p>	



No.	Name	Brief personal history (Important concurrent occupations or positions)	
3	Tomofumi Yoshida (September 5, 1956)  Number of ITOCHU Corporation's shares held: 63,250 shares	<p>April 1979 Joined ITOCHU Corporation</p> <p>April 2006 General Manager, Planning &amp; Coordinating Department, Chemicals, Forest Products &amp; General Merchandise Company; Chief Information Officer, Chemicals, Forest Products &amp; General Merchandise Company</p> <p>April 2007 Executive Officer, Chief Operating Officer, Forest Products &amp; General Merchandise Division</p> <p>April 2010 Managing Executive Officer</p> <p>April 2012 President, ICT, General Products &amp; Realty Company</p> <p>June 2012 Member of the Board, Managing Executive Officer</p> <p>April 2014 Member of the Board, Senior Managing Executive Officer</p> <p>April 2016 Senior Managing Executive Officer (current position) President &amp; CEO, ITOCHU International Inc.</p> <p>April 2018 President, General Products &amp; Realty Company (current position)</p> <p><u>Reason for the nomination of the candidate for director</u> Since joining ITOCHU Corporation, Mr. Tomofumi Yoshida has primarily engaged in general merchandise-related business, and served as Chief Operating Officer of Forest Products &amp; General Merchandise Division and President of ICT, General Products &amp; Realty Company. As President &amp; CEO of ITOCHU International Inc., he has overseen the management and business activities of ITOCHU's North American block overall, has promoted new business cultivation and business improvements, and has demonstrated excellent management skills. As he possesses abundant work experience in ITOCHU Corporation and knowledge of general trading company management overall, we propose him as a new candidate for director.</p>	
4	Fumihiko Kobayashi (June 21, 1957)  Number of Attendance at Meetings of the Board of Directors: 15/15 (100%)  Number of ITOCHU Corporation's shares held: 76,180 shares	<p>April 1980 Joined ITOCHU Corporation</p> <p>April 2010 Executive Officer</p> <p>April 2013 Managing Executive Officer</p> <p>April 2015 Chief Administrative Officer</p> <p>June 2015 Member of the Board, Managing Executive Officer</p> <p>April 2017 Member of the Board, Senior Managing Executive Officer (current position)</p> <p>April 2018 Chief Administrative &amp; Information Officer (current position)</p> <p><u>Reason for the nomination of the candidate for director</u> Since joining ITOCHU Corporation, Mr. Fumihiko Kobayashi has primarily engaged in human resources-related operations and served as General Manager of Human Resources &amp; General Affairs Division. Since April 2015, he has worked to propose and execute human resources policy and to construct and operate compliance systems as Chief Administrative Officer. He assumed the position of Chief Administrative &amp; Information Officer in April 2018, and as he and possesses abundant work experience in ITOCHU Corporation and knowledge of general trading company management overall, we propose him as a candidate for director.</p>	
5	Tsuyoshi Hachimura (July 6, 1957)  Number of Attendance at Meetings of the Board of Directors: 15/15 (100%)  Number of ITOCHU Corporation's shares held: 63,300 shares	<p>October 1991 Joined ITOCHU Corporation</p> <p>April 2012 Executive Officer</p> <p>April 2015 Managing Executive Officer Chief Financial Officer (current position)</p> <p>June 2015 Member of the Board, Managing Executive Officer</p> <p>April 2018 Member of the Board, Senior Managing Executive Officer (current position)</p> <p><u>Reason for the nomination of the candidate for director</u> Since joining ITOCHU Corporation, Mr. Tsuyoshi Hachimura has primarily engaged in metals-related business and served as CAO of ITOCHU International Inc. and as General Manager of Finance Division of ITOCHU Corporation. Since April 2015, he has worked toward the improvement and operation of financial strategy, managerial administration, risk management, and internal control as Chief Financial Officer. As he possesses abundant work experience in ITOCHU Corporation and knowledge of general trading company management overall, we propose him as a candidate for director.</p>	

No.	Name	Brief personal history (Important concurrent occupations or positions)	
**6	Atsuko Muraki (December 28, 1955)	April 1978	Joined Ministry of Labour
		October 2005	Counsellor for Policy Evaluation, Minister's Secretariat, Ministry of Health Labour and Welfare
		September 2006	Deputy Director-General, Equal Employment, Children and Families Bureau, Ministry of Health Labour and Welfare
		July 2008	Director-General, Equal Employment, Children and Families Bureau, Ministry of Health Labour and Welfare
		September 2010	Director-General for Policies on Cohesive Society, Cabinet Office
		September 2012	Director-General, Social Welfare and War Victims' Relief Bureau, Ministry of Health Labour and Welfare
		July 2013	Vice Minister of Health Labour and Welfare, Ministry of Health Labour and Welfare
		October 2015	Retired from Ministry of Health Labour and Welfare
		June 2016	Outside Member of the Board of ITOCHU Corporation (current position)
		April 2017	Guest Professor, Tsuda University (current position)
		June 2017	Audit & Supervisory Board Member, Sompo Holdings, Inc. (current position)
	Number of Attendance at Meetings of the Board of Directors: 15/15 (100%)	(Important concurrent occupations or positions) Audit & Supervisory Board Member, Sompo Holdings, Inc. Outside Director, Sumitomo Chemical Company, Limited (scheduled to assume the position)	
	Number of ITOCHU Corporation's shares held: 1,100 shares	<u>Reason for the nomination of the candidate for outside director</u> Ms. Atsuko Muraki provides apt advice on the management of ITOCHU Corporation from a broad perspective and performs proper supervision of its business execution, drawing on high-level knowledge of improving work environments, developing human resources, social security and more, cultivated through many years of experience in the Ministry of Health Labour and Welfare (and the former Ministry of Labour). While she does not have experience with direct involvement in corporate management other than as an outside director of ITOCHU Corporation and as an outside audit & supervisory board member for other company, we have determined that it can continue to leverage her high-level knowledge in its management, and propose her as a candidate for outside director.	
		<u>Special notes concerning the candidate for outside director</u> Ms. Atsuko Muraki is currently an outside director of ITOCHU Corporation, and she will have served in that capacity for two (2) years at the conclusion of this 94th Ordinary General Meeting of Shareholders. She fulfills the criteria for independent directors prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" (please refer to pages 18 to 19) and is registered as an independent director at Tokyo Stock Exchange, Inc.	

No.	Name	Brief personal history (Important concurrent occupations or positions)	
**7	Harufumi Mochizuki (July 26, 1949)  Number of Attendance at Meetings of the Board of Directors (since his appointment): 11/11 (100%)  Number of ITOCHU Corporation's shares held: 1,000 shares	April 1973	Joined Ministry of International Trade and Industry
		July 1998	Deputy Director-General for Economic Structural Reform, Ministry of International Trade and Industry
		January 2001	Director-General for Nuclear and Industrial Safety Policy, Nuclear and Industrial Safety Agency
		July 2002	Director-General for Commerce and Distribution Policy, Ministry of Economy, Trade and Industry
		July 2003	Director-General, Small and Medium Enterprise Agency
		July 2006	Director-General, Agency for Natural Resources and Energy
		July 2008	Vice-Minister of Economy, Trade and Industry
		July 2010	Retired from Ministry of Economy, Trade and Industry
		August 2010	Special Advisor to the Cabinet (to September 2011)
		June 2012	Outside Director, Hitachi, Ltd. (current position)
		June 2013	President & CEO, Tokyo Small and Medium Business Investment & Consultation CO., LTD. (current position)
		June 2014	Outside Audit & Supervisory Board Member of ITOCHU Corporation
		June 2017	Retired as Outside Audit & Supervisory Board Member
		June 2017	Outside Member of the Board (current position)
		(Important concurrent occupations or positions)	
Outside Director, Hitachi, Ltd. President & CEO, Tokyo Small and Medium Business Investment & Consultation CO., LTD.			
<u>Reason for the nomination of the candidate for outside director</u> Mr. Harufumi Mochizuki has served important positions at the Ministry of Economy, Trade and Industry (and the former Ministry of International Trade and Industry). On the basis of his wealth of experience and high-level knowledge he accumulated as a government official, he provides appropriate advice on the management of ITOCHU Corporation from a broad perspective and performs proper supervision of ITOCHU Corporation's business execution. Based on his experience as a corporate executive at other entities where he concurrently serves, we have determined that he is able to leverage his high-level knowledge in the management of ITOCHU Corporation, and propose him as a candidate for outside director.			
<u>Special notes concerning the candidate for outside director</u> Mr. Harufumi Mochizuki is currently an outside director of ITOCHU Corporation, and at the conclusion of this 94th Ordinary General Meeting of Shareholders, he will have served in that capacity for one (1) year. He fulfills the criteria for independent directors prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" (please refer to pages 18 to 19) and is registered as an independent director at Tokyo Stock Exchange, Inc. Although he is currently engaged in business execution of Tokyo Small and Medium Business Investment & Consultation CO., LTD. as President & CEO of the company, there is no business relationship between the company and ITOCHU Corporation in the most recent fiscal year.			

No.	Name	Brief personal history (Important concurrent occupations or positions)	
*** 8	Masatoshi Kawana (November 27, 1953)  Number of ITOCHU Corporation's shares held: 0 shares	May 1978	Joined the Department of Cardiology, Tokyo Women's Medical University
		September 1991	Research fellow at Massachusetts General Hospital, Harvard Medical School
		December 1991	Research fellow at Vanderbilt University School of Medicine
		March 2004	Professor of Cardiology, Tokyo Women's Medical University
		April 2005	President of Aoyama Hospital, Tokyo Women's Medical University
		April 2014	Vice-president of Tokyo Women's Medical University Hospital (current position)
		November 2014	Professor of General Medicine, Tokyo Women's Medical University Hospital (current position)
		<u>Reason for the nomination of the candidate for outside director</u>	
		Mr. Masatoshi Kawana has served for many years as a physician at Tokyo Women's Medical University Hospital and has held successive key positions, including Vice-president of the hospital. Based on the experience in hospital management and the high-level knowledge of medical care that he has gained as the President of Aoyama Hospital, Tokyo Women's Medical University, we have determined that he can provide advice from an instructive and diverse perspective, particularly with regard to Health and Productivity Management and the medical care business that ITOCHU Corporation is promoting, and propose him as a new candidate for outside director.	
		<u>Special notes concerning the candidate for outside director</u>	
		Mr. Masatoshi Kawana fulfills the criteria for independent directors prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" (please refer to pages 18 to 19) and we intend to register him as an independent director at Tokyo Stock Exchange, Inc.	

\* indicates a newly nominated candidate.

\*\* indicates candidates for outside and independent director.

\*\*\* indicates a newly nominated candidate for outside and independent director.

- Notes:
1. All candidates do not have any special interest with ITOCHU Corporation.
  2. Ms. Atsuko Muraki, Mr. Harufumi Mochizuki and Mr. Masatoshi Kawana are candidates for outside directors.
  3. ITOCHU Corporation, in order for its directors to perform their expected roles fully, has provided in Article 24 of the Company's Articles of Incorporation that it may conclude an agreement with an outside director limiting his or her liability to an amount provided for by laws and regulations as long as there are good faith and no gross negligence regarding the outside director's performance of duties. Therefore, in the event that this proposal is approved, we intend to continue the agreements on limited liability that it has concluded with Ms. Atsuko Muraki and Mr. Harufumi Mochizuki, and intend to also conclude an agreement on limited liability with Mr. Masatoshi Kawana.  
The content of the contract can be summarized as follows:
    - It limits, based on the provisions of Article 427, Paragraph 1 of the Companies Act, responsibility as specified in Article 423, Paragraph 1 of that Act.
    - As long as there are good faith and no gross negligence regarding an outside director's performance of duties, ITOCHU Corporation may limit responsibility to the extent permitted under Article 425, Paragraph 1 of that Act.
  4. In January and February 2018, the Japan Fair Trade Commission issued a cease and desist order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to ITOCHU Corporation regarding its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION up until the previous fiscal year. Both Ms. Atsuko Muraki and Mr. Harufumi Mochizuki have continually made statements in Board of Directors meetings concerning the importance of legal compliance, and, after the incident became known, conducted proactive advocacy concerning the further enforcement of legal compliance in ITOCHU Corporation and the Group, as well as measures to prevent recurrence of incidents, including the development of internal rules for compliance with the

Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. They perform continuous checking of these initiatives to strengthen our compliance systems.

**Proposal No. 4: Election of One (1) Audit & Supervisory Board Member**

The current audit & supervisory board member Yoshio Akamatsu will resign from office at the conclusion of this 94th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose the election of one (1) audit & supervisory board member. The candidate for the new audit & supervisory board member is as follows.

The Audit & Supervisory Board has given its accord to this proposal.

(For policy and process for appointing candidates for audit & supervisory board members, please refer to page 17.)

Name	Brief personal history (Important concurrent occupations or positions)	
* Shuzaburo Tsuchihashi (March 28, 1962)  Number of ITOCHU Corporation's shares held: 12,200 shares	April	1985 Joined ITOCHU Corporation
	April	2012 General Manager, Planning & Administration Department, Metals & Minerals Company
	April	2015 Chief Operating Officer, Coal, Nuclear Fuel & Solar Division
	April	2016 Chief Operating Officer, Metals & Minerals Resources Division
	April	2017 Managing Director & Chief Executive Officer, ITOCHU Australia Ltd.; Managing Director & Chief Executive Officer, ITOCHU Minerals & Energy Australia Pty Ltd
	April	2018 Vice President, Metals & Minerals Company (current position)
	(Important concurrent occupations or positions) Outside Director, WIN-Partners Co., Ltd.  <u>Reason for the nomination of the candidate for audit &amp; supervisory board member</u> Since joining ITOCHU Corporation, Mr. Shuzaburo Tsuchihashi has primarily engaged in metals-related business. He has extensive experience from successive key positions in both sales and management, including General Manager of Planning & Administration Department, Metals & Minerals Company, and Chief Operating Officer of Metals & Minerals Resources Division. Since April 2017, he has demonstrated outstanding corporate management skills as the Managing Director & Chief Executive Officer of ITOCHU Australia Ltd. and Managing Director & CEO of ITOCHU Minerals & Energy Australia Pty Ltd. We have determined that he is able to properly execute duties as an audit & supervisory board member, and have proposed him as a new candidate for audit & supervisory board member.	

\* indicates a newly nominated candidate for audit & supervisory board member.

Note: The candidate does not have any special interest with ITOCHU Corporation.

### [Shareholder Proposals (Proposal No. 5 to 6)]

Proposal No. 5 and Proposal No. 6 were proposed by one shareholder.

The original text of the subject, content, and reasons for the proposals are presented without any changes from the Shareholder Proposal Exercise Voting Rights Form.

#### **Proposal No. 5: Amendments to the Articles of Incorporation (Cancellation of Treasury Stock)**

(1) Content of the shareholder proposal (Outline of the proposal)

In “Chapter III. GENERAL MEETING OF SHAREHOLDERS” of the Articles of Incorporation, add the following provision as a new Article 19 and the Articles from Article 19 onward will each be brought down by one Article (i.e., set the current Article 19 to Article 20, the current Article 20 to Article 21, and so on).

Article 19. In addition to matters as set forth in the Companies Act, the General Meeting of Shareholders may pass a resolution related to the cancellation of treasury stock (including the types of treasury stock to be cancelled, and the number of each type of treasury stock shares).

(2) Reason for Proposal

ITOCHU Corporation’s Brand-new Deal 2017 plan aims for a stable ROE of 13% or more. However, in order to avoid lowering the current high ROE, an increase in profitability, together with control of shareholders’ equity, is necessary, and the acquisition of treasury stock is also an important means for this.

Moreover, if acquired treasury stock is sold or released again through share exchange, etc., the probability of lowering of the ROE is high.

Accordingly, whether or not the cancellation of treasury stock is performed can be viewed as an extremely important issue for shareholders.

At present, the cancellation of treasury stock is a matter for resolution by the Board of Directors; however, as an extremely important issue for shareholders, making the matter resolvable by a General Meeting of Shareholders as well as by the Board of Directors would serve the interests of all shareholders, and thus the proposal is made to amend the Articles of Incorporation.

◆ The opinion of the Board of Directors concerning the shareholder proposal

The Board of Directors opposes the proposal.

ITOCHU Corporation believes it necessary to deliberate policy on the holding and cancellation of treasury stock within considerations of medium- to long-term capital management policy. Taking into account consistency with future management strategy as well, ITOCHU Corporation intends to consider the cancellation of treasury stock together with its utilization in flexible capital management policy, including future financing and M&A.

ITOCHU Corporation accordingly believes that having its Board of Directors make decisions on capital management policy, including cancellation of treasury stock, pursuant to the Companies Act’s provisions, not as a matter to be voted on at General Meetings of Shareholders, will enable cancellation of treasury stock to be utilized in more flexible capital management policy based on medium- to long-term management strategy, ultimately contributing to enhancement of corporate value.

## Proposal No. 6: Cancellation of Treasury Stock

- (1) Content of the shareholder proposal (Outline of the proposal)  
Cancel 100 million shares of treasury stock held.

- (2) Reason for Proposal

As of the end of the 94th Fiscal Term (fiscal year ended March 31, 2018), the Company had a large holding of 112.7 million shares of treasury stock (6.78% of the number of issued shares). If the treasury stock were to be sold, the earnings per share would be diluted, in exactly the same way as when new shares are issued.

Accordingly, treasury stock should be cancelled upon a certain cycle (for example, once per year) or at the point when a certain number of shares of treasury stock have accumulated.

Although the Company holds a large number of shares of treasury stock, cancellation of treasury stock through resolution by the Board of Directors has not been conducted. Accordingly, the proposal is made for the cancellation of a round number, 100 million shares, of the treasury stock.

In this connection, Mitsui & Co., Ltd., considered a rival by ITOCHU Corporation's management, cancelled 54,168,500 shares of treasury stock, the equivalent of over 3% of its number of issued shares, effective April 20, 2018. The action reduced the number of its treasury stock to an amount over 4.53 million shares (0.26% of the number of issued shares). It can be suggested that Mitsui & Co., Ltd. has a policy of not holding large amounts of treasury stock; I believe that ITOCHU Corporation, too, should follow that policy.

◆ The opinion of the Board of Directors concerning the shareholder proposal

The Board of Directors opposes the proposal.

As a result of considering the proposal on the basis of ITOCHU Corporation's policy for holding and cancelling treasury stock, as noted in the opinion of the Board of Directors regarding Proposal No. 5, the Board of Directors has determined the cancellation of treasury stock to be unnecessary at present.

Additionally, when treasury stock is acquired, it will be deducted from shareholders' equity for accounting purposes at the time of its acquisition. Whether it is subsequently cancelled has no further impact on ROE, etc.



## **[Reference] Policy and Process for Appointing Candidates for Directors and Candidates for Audit & Supervisory Board Members**

### **Policy and Process for Appointing Candidates for Directors**

In order to effectively supervise management and decide important business matters as the Board of Directors of a general trading company with broad range of business, in principle, in addition to the Chairman, President & Chief Executive Officer, Chief Financial Officer, Chief Strategy & Information Officer, and Chief Administrative Officer, the Board of Directors nominates one appropriate person from among Division Company presidents as an (internal) director, and nominates multiple outside directors to improve supervisory function of the Board of Directors. In nominating outside directors, ITOCHU Corporation prioritizes candidates with higher independence, based on the criteria for “independent directors” prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation’s “Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members,” who with his or her experience and knowledge in the relevant category, are expected to contribute to the management of ITOCHU Corporation. Proposal on candidates for directors is created by Chairman & Chief Executive Officer, and submitted to the Nomination Committee for further deliberation before the Board of Directors finally nominates the candidates for election at the General Meeting of Shareholders.

### **Policy and Process for Appointing Candidates for Audit & Supervisory Board Members**

In order to appropriately audit and supervise management as audit & supervisory board members of a general trading company with broad range of business, candidates for audit & supervisory board members are selected from those with understanding about ITOCHU Corporation’s management, high-level expertise in fields including accounting, finance, law, and risk management, and a broad range of experience. As a company with a Audit & Supervisory Board, half or more of the members always consist of outside audit & supervisory board members. In nominating outside audit & supervisory board members, ITOCHU Corporation prioritizes candidates with higher independence, based on the criteria for “independent auditors” prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation’s “Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members,” who with his or her high-level expertise and extensive experience in the relevant category, are expected to appropriately audit and supervise the management of ITOCHU Corporation. Moreover, among the audit & supervisory board members, ITOCHU Corporation nominates at least one person who possesses considerable knowledge concerning finance and accounting. Proposal on candidates for audit & supervisory board members is created by Chairman & Chief Executive Officer with consent of the Audit & Supervisory Board and submitted to the Nomination Committee for further deliberation before the Board of Directors finally nominates the candidates for election at the General Meeting of Shareholders.

**[Reference] ITOCHU Corporation Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members**

For Outside Directors or Outside Audit & Supervisory Board Members of ITOCHU Corporation to be qualified as “independent directors/auditors” as defined by the Tokyo Stock Exchange, Inc., they must NOT fall under any of the following items:

- A. A person whose major business partner is ITOCHU Corporation or an executing person (Note 1) of such person
  - “A person whose major business partner is ITOCHU Corporation” in the above criteria means a person whose accounts receivable from ITOCHU Corporation exceed 2% of such person’s consolidated net sales in any one of its last three (3) fiscal years.
- B. A person who is a major business partner of ITOCHU Corporation or an executing person of such person
  - “A person who is a major business partner of ITOCHU Corporation” in the above criteria means a person to which ITOCHU Corporation’s revenues exceed 2% of ITOCHU Corporation’s consolidated revenues in any one of ITOCHU Corporation’s last three (3) fiscal years.
- C.
  - 1. A consultant, an accounting professional, a legal professional, or a tax professional receiving a significant amount of money or other assets from ITOCHU Corporation other than executive remunerations (which shall be read as a consultant, an accounting professional, a legal professional, or a tax professional of an organization if such person receiving the said assets is an organization such as corporation and partnership)
    - “A significant amount of money” in the above criteria means, if such person receiving the money is an individual, 10 million yen or higher per year on average of the past three years, or, if such person is an organization, in respect of the payments made by ITOCHU Corporation on average over the last three (3) fiscal years (of such organization), the higher of 10 million yen or 2% of the consolidated gross sales of the organization.
  - 2. A member or a partner of an auditing firm which is Independent Auditor of ITOCHU Corporation, or other accounting professional who undertakes audits on ITOCHU Corporation or its subsidiary.
- D. A major shareholder (or its executing person) of ITOCHU Corporation
  - “A major shareholder” in the above criteria means a shareholder who directly or indirectly holds 10% or more of voting rights of ITOCHU Corporation.
- E. A director or other executing person of an organization (limited to those who are involved in business execution of such organization) to which ITOCHU Corporation has made a significant amount of donation
  - “A significant amount of donation” in the above criteria means a donation of an amount exceeding 20 million yen per year on average over the last three (3) fiscal years.
- F. A major lender of ITOCHU Corporation, its parent company, or their respective executing person
  - “A major lender” of ITOCHU Corporation in the above criteria means the top three (3) companies of the lenders of ITOCHU Corporation in terms of the amount of borrowings in the last fiscal year.
- G. A person who was an executing person of ITOCHU Corporation or its subsidiary at a certain point in time during ten (10) years prior to their appointment
- H. An executing person of a company which has Director(s) on loan from ITOCHU Corporation

- I.
  - 1. In case there is an organization falling under A, B or C-1 above as of their appointment, a person who belonged to such organization at a certain point in time during three (3) years prior to their appointment
  - 2. A person who fell under C-2 above at a certain point in time during three (3) years prior to their appointment
  - 3. In case there is an organization falling under E above as of their appointment, a person who belonged to such organization at a certain point in time during three (3) years prior to their appointment
  - 4. A person who fell under D or F above at a certain point in time during three (3) years prior to their appointment
  
- J. A close relative (Note 2) of a person falling under one of the following items (limited to an important person)
  - (A) A person falling under any of items A through C above, or a person falling under I-1 or I-2 (For A and B, an “important person” means an executive director, executive officer or corporate officer. For C-1, “important person” means, in case of an organization, a member or a partner of such organization, and for C-2, “important person” means a member, a partner or an accounting professional who directly engages in auditing on ITOCHU Corporation’s group)
  - (B) An executing person of ITOCHU Corporation’s subsidiary
  - (C) A non-executive director or an Accounting Advisor of ITOCHU Corporation’s subsidiary (limited to a case where an outside audit & supervisory board member is to be designated as an independent director/auditor)
  - (D) A person who fell under (B) or (C), or was an executing person of ITOCHU Corporation (including non-executive director if an outside audit & supervisory board member is to be designated as an independent director/ auditor) at a certain point in time during one (1) year prior to their appointment

Notes: 1. “An executing person” means a person who executes business as provided for in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act.  
2. “Close relative” means a relative within the second degree of kinship.

**[Reference] Overview of the Remuneration Plan for Directors and Audit & Supervisory Board Members (FY2018)**

Remuneration for Directors (excluding Outside Directors) consists of (1) monthly remuneration, (2) performance-linked bonuses, and (3) performance-linked and share-based remuneration (trust type). In this case, (1) monthly remuneration is determined according to factors that include degree of contribution to ITOCHU Corporation, based on a standard amount for each position; and (2) performance-linked bonuses and (3) performance-linked and share-based remuneration are determined as total amounts paid on the basis of net profit attributable to ITOCHU (consolidated). Performance-linked and share-based remuneration was introduced in FY2017 for the purpose of heightening awareness of contribution to increasing the medium- to long-term corporate value of ITOCHU Corporation.

Outside Directors are paid monthly remuneration only.

**[Remuneration of Directors and Audit & Supervisory Board Members]**

	Type of remuneration	Remuneration limits	Resolution at General Meeting of Shareholders
Directors	(1) Monthly remuneration	¥1.2 billion per year as total amount of monthly remuneration (of that amount, ¥50 million per year for Outside Directors)	June 24, 2011
	(2) Bonus	¥1.0 billion per year as the total amount of bonus * Not paid to Outside Directors	
	(3) Share-based remuneration (trust type) introduced in FY2017	The amounts below are limits for two fiscal years, for Directors and Executive Officers * Limit on contribution to trust by ITOCHU Corporation: ¥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
Audit & Supervisory Board Members	Monthly remuneration only	Monthly total: ¥13 million	June 29, 2005

## **Business Report**

(From April 1, 2017 to March 31, 2018)

### **1. Current Conditions of the ITOCHU Group**

#### **(1) Business Progress and Achievement**

##### **[General Economic Situation]**

In fiscal year 2018, the global economy showed an overall trend of expansion reflecting continued stable growth of the U.S. economy due to the improvements in domestic employment and income levels, the European economies' smooth recovery despite certain concerns over the progress of Brexit talks, and signs of the improvement of emerging countries, especially Asian countries, such as China, ASEAN and India. The WTI crude oil price, although it had fallen from the US\$50 level per barrel in May to the mid-US\$40s level in June, recovered to the US\$60 level at the end of December due to decreasing inventories in the U.S. market and another extension of the period of oil production curtailment by major oil-producing countries including OPEC, with the positive expectation of higher demands accompanying the favorable global economy. The price has stayed around the US\$60-65 range from the end of December onwards.

The Japanese economy expanded moderately overall due to a continuing upward trend in exports and companies' capital investment, despite ups and downs in consumer spending. The yen had appreciated against the U.S. dollar in early September mainly due to increasing tensions with North Korea. Although the yen temporarily depreciated on the back of the further growth expectation of the U.S. economy, the yen surged against the U.S. dollar to below the ¥105 temporarily due to concerns over the protectionist U.S. trade policy, remaining at the ¥106 level at the end of March. The Nikkei Stock Average surged from the ¥18,000 level in April to the ¥24,000 level in January due to the rise in the U.S. stock market and the depreciation of the yen. However, it slipped to the ¥21,000 level at the end of March reflecting the fall in the U.S. stock market and the appreciation of the yen. The yield on 10-year Japanese government bonds had temporarily dipped below zero in early September, but recovered to nearly 0.1% to the end of January. At the end of March, it dropped to 0.04% due to the appreciation of the yen and the fall in stock markets.

##### **[Operating Results of the ITOCHU Group]**

(Billions of Yen)

	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018)	Increase (Decrease)	%
Revenues	4,838.5	5,510.1	671.6	13.9%
Gross trading profit	1,093.5	1,210.4	117.0	10.7%
Selling, general and administrative expenses	(801.8)	(890.3)	(88.4)	11.0%
Others	208.2	217.7	9.5	—
[Equity in earnings of associates and joint ventures]	[185.2]	[216.2]	[31.1]	[16.8%]
Profit before tax	499.9	537.9	38.0	7.6%
Net profit attributable to ITOCHU	352.2	400.3	48.1	13.7%
(Reference) Trading income	288.4	316.9	28.5	9.9%

**Revenues** for the fiscal year ended March 31, 2018 increased by 13.9%, or 671.6 billion yen, compared with the previous fiscal year to 5,510.1 billion yen. Revenues increased in the Machinery Company due to the conversion of YANASE into a subsidiary and the favorable performance in aircraft-related and plant-related companies; in the Energy & Chemicals Company due to the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei and higher sales prices in energy-related companies; and in the Food Company due to the higher transaction volume with FamilyMart UNY Holdings in fresh-food-related and provisions-related transactions and food distribution-related companies, and fresh-food-related companies.

**Gross trading profit** increased by 10.7%, or 117.0 billion yen, compared with the previous fiscal year to 1,210.4 billion yen. Gross trading profits increased in the Machinery Company due to the conversion of YANASE into a subsidiary, the favorable performance in aircraft-related and plant-related companies, and the absence of deterioration in profitability in ship-related business affected by stagnant market conditions in the previous fiscal year; in the Metals & Minerals Company due to higher iron ore and coal prices, and higher sales volume in iron ore-related business; and in the Energy & Chemicals Company due to the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei and the favorable performance in chemical-related transactions despite the deterioration in profitability in energy trading transactions.

**Selling, general and administrative expenses** increased by 11.0%, or 88.4 billion yen, compared with the previous fiscal year to 890.3 billion yen, due to the conversion of YANASE into a subsidiary, the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei and other factors.

**Provision for doubtful accounts** remained nearly same level compared with the previous fiscal year, at a loss of 3.2 billion yen.

**Gains on investments** decreased by 78.0%, or 25.1 billion yen, compared with the previous fiscal year to a gain of 7.1 billion yen, due to the impairment loss on C.P. Pokphand and the absence of the gain on sales of a medical device-related company in the previous fiscal year and the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings despite the gain accompanying the merger of C. I. Kasei and Takiron, and the gain accompanying the partial sales of a Chinese fresh-food-related company.

**Losses on property, plant, equipment and intangible assets** deteriorated by 12.9 billion yen, compared with the previous fiscal year to a loss of 29.6 billion yen, due to impairment losses in apparel-related and fresh-food-related companies, despite the absence of the impairment loss in European tire-related companies in the previous fiscal year.

**Other-net** increased by 5.1 billion yen to a loss of 0.3 billion yen, due to the absence of the decline in foreign currency translation resulting from the appreciation of the yen in the previous fiscal year.

Net interest expenses, which is the total of **Interest income** and **Interest expense**, deteriorated by 3.1 billion yen compared with the previous fiscal year to expenses of 6.7 billion yen due to the lengthening terms of certain borrowings and the rise in the U.S. dollar interest rates. **Dividends received** increased by 72.2%, or 14.4 billion yen, compared with the previous fiscal year to 34.3 billion yen, due to increase in dividends from a coal-related investments, oil and LNG projects. As a result, Net financial income, which is the total of net interest expenses and dividends received, increased by 11.3 billion yen compared with the previous fiscal year, to a gain of 27.5 billion yen.

**Equity in earnings of associates and joint ventures** increased by 16.8%, or 31.1 billion yen, compared with the previous fiscal year to 216.2 billion yen. In the Food Company, the increase was attributable to the higher operating revenues resulting from the merger of FamilyMart and UNY Holdings and the improvement in tax expenses, despite the impairment losses in the company; in the ICT & Financial Business Company, due to the recovery of foreign finance-related companies; and in the General Product & Realty Company, due to the improvement in the market conditions in foreign pulp-related companies.

Consequently, **Profit before tax** increased by 7.6%, or 38.0 billion yen, compared with the previous fiscal year to 537.9 billion yen. **Income tax** expense decreased by 15.3%, or 19.1 billion yen, compared with the previous fiscal year to 106.1 billion yen, due to the positive effects of the U.S. tax reform and the decrease in tax expenses in pulp-related companies, despite stable growth in profits. **Net profit**, which is calculated as profit before tax of 537.9 billion yen minus income tax expense of 106.1 billion yen, increased by 15.3%, or 57.1 billion yen, compared with the previous fiscal year to 431.7 billion yen. **Net profit attributable to ITOCHU**, which is calculated as Net profit minus **Net profit attributable to non-controlling interests** of 31.4 billion yen, increased by 13.7%, or 48.1 billion yen, compared with the previous fiscal year to 400.3 billion yen.

(Reference)

“Trading income” in accordance with Japanese accounting practices (“Trading income” = “Gross trading profit” + “Selling, general and administrative expenses” + “Provision for doubtful accounts”) increased by 9.9%, or 28.5 billion yen, compared with the previous fiscal year to 316.9 billion yen. This increase was attributable to the higher iron ore and coal prices, and the higher sales volume in iron ore-related business from the Metals & Minerals Company.

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#### Cautionary Notes concerning Forecasts

Data and projections contained in this business report are based on the current information available, 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.

**[Main Business]**

The ITOCHU Group, through its network in Japan and overseas, engages in the domestic trading, import/export and overseas trading of various products such as textiles, machinery, information and communications-related products, metals, products related to oil and other energy sources, general merchandise, chemicals, and provisions and food. Moreover, the ITOCHU Group is making multifaceted investments in insurance agencies, finance, construction, real estate trading, and warehousing as well as operations and businesses incidental or related to those fields.

**[Operating Results by Segment]****Net profit attributable to ITOCHU**

(Billions of Yen)

Segment	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018)
Textile	25.2	12.5
Machinery	46.4	57.1
Metals & Minerals	45.2	82.5
Energy & Chemicals	18.9	36.9
Food	70.5	80.5
General Products & Realty	27.6	55.7
ICT & Financial Business	40.1	51.1
Others, Adjustments & Eliminations	78.3	24.2
Total	352.2	400.3

**Financial Highlights by Segment**

Segment	
Textile Company	Decrease due to the unfavorable sales and impairment losses in apparel-related business, despite lower expenses.
Machinery Company	Increase due to the favorable performance in aircraft-related and plant-related companies, the absence of deterioration in profitability in ship-related business affected by stagnant market conditions in the previous fiscal year, and lower tax expenses, despite the absence of the gain on sales of a medical-device-related company in the previous fiscal year.
Metals & Minerals Company	Increase due to the higher iron ore and coal prices, the higher sales volume in iron ore-related business, and dividends from a coal-related investment.
Energy & Chemicals Company	Increase due to the favorable performance in chemical-related transactions, higher dividends from oil and LNG projects, the gain accompanying the merger between C. I. Kasei and Takiron, and lower tax expenses, despite the deterioration in profitability in energy trading transactions.
Food Company	Increase due to the higher equity in earnings of associates and joint ventures accompanying the merger of FamilyMart and UNY Holdings, and an extraordinary gain accompanying the partial sales of a Chinese fresh-food-related company, despite the impairment loss in a fresh-food-related company and the absence of extraordinary gains in the previous fiscal year.



Segment	
General Products & Realty Company	Increase due to the higher transaction volume in European tire-related, natural-rubber-related, and North American building-materials-related companies, the stable performance in foreign pulp-related companies, lower tax expenses, the gain accompanying the partial sales of an asset-management-related company, and the absence of an extraordinary loss in the previous fiscal year.
ICT & Financial Business Company	Increase due to the higher transaction volume in domestic ICT-related companies, the stable performance in mobile-phone-related and CRO-business-related companies, the recovery of foreign finance-related companies, and lower tax expenses.
Others, Adjustments & Eliminations	Decrease due to the impairment loss on C.P. Pokphand, the attribution of the internal tax, and foreign currency translation.

Notes: 1. ITOCHU Corporation prepared the consolidated financial statements in conformity with IFRS.

2. [Others, Adjustments & Eliminations] includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.

**[Consolidated Financial Position]**

(Billions of Yen)

	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018)	Increase (Decrease)	%
Total assets	8,122.0	8,663.9	541.9	6.7%
Interest-bearing debt	2,944.7	2,779.5	(165.2)	(5.6%)
Net interest-bearing debt	2,330.7	2,320.4	(10.3)	(0.4%)
Total shareholders' equity	2,401.9	2,669.5	267.6	11.1%

Ratio of shareholders' equity to total assets	29.6%	30.8%	Increased 1.2 pt
NET DER (Net debt-to-shareholders' equity ratio) (times)	0.97	0.87	Improved 0.1 pt

Total assets increased by 6.7%, or 541.9 billion yen, compared with March 31, 2017 to 8,663.9 billion yen, due to the conversion of YANASE into a subsidiary, the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei, the acquisition of the stake of Iraqi oil fields, the increased trade receivables in food-distribution-related companies with the effect of the last day falling on a weekend, and the increase in investments accounted for by the equity method.

Interest-bearing debt decreased by 5.6%, or 165.2 billion yen, compared with March 31, 2017 to 2,779.5 billion yen, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, despite the acquisition of the stake of Iraqi oil fields, the conversion of YANASE into a subsidiary, the investments in IPP-related companies, and the additional investments in FamilyMart UNY Holdings and a provisions-related company. Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 0.4%, or 10.3 billion yen, compared with March 31, 2017 to 2,320.4 billion yen.

Total shareholders' equity increased by 11.1%, or 267.6 billion yen, compared with March 31, 2017 to 2,669.5 billion yen, due to Net profit attributable to ITOCHU during this fiscal year, despite dividend payments and acquisition of treasury stock.

Ratio of shareholders' equity to total assets increased by 1.2 points compared with March 31, 2017 to 30.8%. NET DER (Net debt-to-shareholders' equity ratio) improved compared with March 31, 2017 to 0.87 times.

**[Consolidated Cash Flows]**

(Billions of Yen)

	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018)
Cash flows from operating activities	389.7	388.2
Cash flows from investing activities	(81.3)	(256.4)
Free cash flows	308.4	131.9
Cash flows from financing activities	(335.4)	(296.1)

Cash flows from operating activities recorded a net cash-inflow of 388.2 billion yen, resulting from the stable performance in operating revenue in the Metals & Minerals, Food, Energy, Machinery and ICT sectors.

Cash flows from investing activities recorded a net cash-outflow of 256.4 billion yen, due to the additional investments in FamilyMart and UNY Holdings and a provisions-related company, the acquisition of the stake of Iraqi oil fields, the investments in IPP-related companies, and the acquisition of fixed assets mainly in the Food, Energy, Metals & Minerals and Machinery sectors, despite the increase in cash resulting from the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei.

Cash flows from financing activities recorded a net cash-outflow of 296.1 billion yen, due to the repayment of borrowings, dividend payments, and acquisition of treasury stock.

Consequently, Cash and cash equivalents as of March 31, 2018 decreased by 173.4 billion yen compared with March 31, 2017 to 432.1 billion yen.

### **[Medium-Term Management Plan “Brand-new Deal 2017”]**

Under the medium-term management plan, “Brand-new Deal 2017” (Three-Year Plan from FY2016 to FY2018), the ITOCHU Group has two basic policies — “reinforcing our financial position” and “building a platform for earnings of 400.0 billion yen.” The following shows specific results in the final year of “Brand-new Deal 2017”.

#### **■Textile Company**

##### **Expanding and Strengthening Our Brand Business**

ITOCHU acquired the exclusive import and marketing rights for MooRER, a luxury brand created in Verona, Italy in 1999 with commitment to every detail of products, from raw materials to sewing. From the 2018 spring/summer season we will roll out the down jackets at the center of the brand and other Italian top-quality products, primarily in major department stores and select shops throughout the country.

In addition, we acquired exclusive import and marketing rights, master license rights, and trademark rights for a variety of brands, including the outerwear brands GRENFELL and GLOVERALL (U.K.), the jeans brand CIMARRON and the shoe brand PALOMA BARCELÓ (Spain), and the surf brand Lightning Bolt (U.S.A.).

Among other business expansion initiatives tailored to the times, we also undertook a new concept shop for HUNTING WORLD, a New York bag brand now in its 50th year, and began EC business of made-to-order suits for the global high-end menswear brand SCABAL.

#### **■Machinery Company**

##### **Participation in sales of Toyota and Lexus in Panama**

ITOCHU made the decision to acquire 70% of the shares and effective control of Ricardo Pérez S.A., an exclusive distributor for Toyota and Lexus in Panama. Established in 1956, Ricardo Pérez S.A. has maintained the top position for more than 20 years in the Panamanian market for new cars. ITOCHU will leverage its experience in automobile dealer management in countries around the world to further expand Ricardo Pérez S.A.’s share and raise its corporate value.

##### **ITOCHU signs a waste management and power generation contract in the first major PPP project in the Republic of Serbia**

ITOCHU signed an agreement for 25-year waste management and power generation project as the first major Public Private Partnership (PPP) project in Serbia. Through the construction and operation of an energy-from-waste facility, the project will incinerate municipal waste from the city of Belgrade and use the resulting heat for power generation and heat supply. The adoption of waste treatment with low environmental impact will reduce waste landfill volume and emissions of greenhouse gases, contributing to environmental conservation in Serbia.

#### **■Metals & Minerals Company**

##### **Mt. Whaleback Iron Ore Mine in Western Australia hits 50th year of development**

The Mt. Whaleback Iron Ore Mine, a backbone of the Western Australia iron ore business in which ITOCHU is engaged, marked 50 years of development in 2017. In September, major customers from Japan, China, South Korea, and other nations were invited to a commemorative ceremony. Since the start of production in 1969, the mine has met iron ore demand in Japan, China, and elsewhere in Asia as the world’s largest open-pit iron ore mine. We will continue to make use of these superior assets to contribute to economic development in Western Australia and to the stable supply of raw materials to the steel industry.

##### **Ichihara Biomass Power Plant project**

ITOCHU, Osaka Gas Co., Ltd., and Mitsui Engineering & Shipbuilding Co., Ltd. (MES) have agreed to construct one of Japan’s largest biomass power plants, and established an operating company named Ichihara Biomass Power Co., Ltd. in a three-way joint venture. ITOCHU will continue to actively pursue projects making use of renewable energy both domestically and internationally, to address global warming and to contribute to the recycling-oriented society of the future.

## ■Energy & Chemicals Company

### Oil development project in the Republic of Iraq

ITOCHU has acquired a 19.6% interest in the West Qurna 1 Oil Field. The oil field, located in southern Iraq and one of the world's largest oil fields with estimated recoverable reserves of over 20 billion barrels, is currently producing and is operated under the extensive experience of ExxonMobil Corporation. In addition, as the acquisition of interest employs a form of agreement that is resistant to the impact of oil price fluctuations, the project is expected to contribute to stable earnings over the medium to long term.

### ITOCHU signs capital and business tie-up with Moixa (UK)

ITOCHU has signed a capital and business tie-up with Moixa Energy Holdings Ltd., a UK company that operates a platform business that applies AI technologies to energy storage systems. ITOCHU has also acquired exclusive marketing rights in Japan for the Company's platform technology software, Gridshare Client. In conjunction with storage batteries, the software performs optimal control of energy for customers at multiple levels, including general consumers, power producers, and power transmission and distribution utilities. Our aim for this next-generation business is to achieve the No. 1 share in the Japanese market for storage battery systems, as we contribute to the realization of a distributed energy society.

## ■Food Company

### FamilyMart UNY Holdings Co., Ltd. signs capital and business tie-up with Don Quijote Holdings Co., Ltd.

In August 2017, FamilyMart UNY Holdings Co., Ltd. and Don Quijote Holdings Co., Ltd. concluded a capital and business alliance agreement aimed at leveraging the strengths and know-how of both Groups to strengthen their respective businesses. In February 2018, the companies opened the first new form of store concentrating the strengths of both Groups, the MEGA Don Quijote UNY Oguchi store, and expanded the number of new stores to six by the end of March. As the largest shareholder, ITOCHU is supporting FamilyMart UNY Holdings Co., Ltd.'s pursuit of improvement in its medium- to long-term corporate value.

### Additional investment in Fuji Oil Co., Ltd.

Fuji Oil Holdings Inc. is a leading company with world-class technological capabilities in the fields of chocolate, fats, and soya.

In 2017, ITOCHU increased its holdings of shares of the Company to 33.4%, further strengthening the relationship with the company. By continuing to support the active overseas expansion of the company while making maximum use of the ITOCHU Group's manufacturing and marketing infrastructure, we aim to further improve the corporate value of the companies.

## ■General Products & Realty Company

### ITOCHU acquires 100% membership interests of Alta Forest Products

Alta has built a No. 1 position in the North American wooden fence manufacturing industry through high productivity in specialized fence manufacturing. Through our U.S. subsidiary Master-Halco Inc., ITOCHU has established the leading position in the U.S. fence wholesaling industry. Through the acquisition, ITOCHU foresees synergies between the sales networks of Alta and Master-Halco. Focused on these two companies, we will further strengthen our fence business in the North American residential market, which is expected to remain robust.

### Metsä Fibre Corporation completes construction of new Äänekoski plant

Increased production following the completion of a new plant in August 2017 has made Metsä Fibre Corporation the world's largest manufacturer of commercial softwood pulp for paper making.

The majority of the increased 800,000 tons of production will be sold in China and Asia through ITOCHU, further solidifying our position as a leading global pulp trader.

## ■ ICT & Financial Business Company

### Investment in Inagora Co., Limited

In order to facilitate entry into the Japan-China cross-border e-commerce market, ITOCHU made an additional acquisition of shares of Inagora Co., Limited, a cross-border e-commerce business for China, through the third-party allocation of shares, etc. in November 2017. ITOCHU will utilize the assets it holds to expand deployment Southeast Asia and other regions beyond China, accelerating the growth of Inagora and also strengthening its initiatives in the cross-border e-commerce market.

### Increase in investment ratio in Pocket Card Co., Ltd.

ITOCHU and FamilyMart Co., Ltd. have raised their investment ratio in POCKET CARD CO., LTD to 46% through a tender offer for common stock of the company. This action aims to further strengthen the financial business and increase the corporate value of POCKET CARD CO., LTD. and to strengthen initiatives with FamilyMart UNY Holdings Co., Ltd. in the ICT and finance sectors, promoting the capture and expansion of new markets.

## ■ Headquarters

### ITOCHU China 1,000-Talents Gathering held

To promote collaboration with Charoen Pokphand Group (CP) and CITIC Limited (CITIC) and to train human resources able to expand business in China, ITOCHU has set a goal of training 1,000 persons with Chinese language skills over the three years from FY2016 to the end of FY2018. After developing measures including the development of Chinese language learning environments for employees, the Company has achieved that goal, with 1,043 employees having acquired internal qualifications in Chinese as of March 2018.

To celebrate these qualification holders and to connect their accomplishment to further expansion of our China business, the Company held the “ITOCHU China 1,000-Talents Gathering.” With Chinese Ambassador to Japan Cheng Yonghua and his wife in attendance, along with Vice Chairman of CP Group Yang Xiaoping and Vice President of CITIC Group Pu Jian, about 850 employees participated in the grand event that drew multiple media sources from both Japan and China.

## (2) Management Policy for the Future

### [Outlook for the Next Term]

Looking ahead to the next fiscal year ending March 31, 2019, we assume that the global economy will continue to expand. The U.S. economy is remaining on favorable trends, and the European economy is expected to continue to expand as long as the negative effect of the Brexit is limited, while it is uncertain. The emerging countries, while the Chinese economic growth may be suppressed by their structural reforms, will mostly be in favorable conditions due to the stable natural resource price movements and the favorable advanced countries' economies.

In Japan, although economic conditions are expected to improve moderately due to expanding exports and the recovery of consumer expenditures accompanying income growth, the upheavals of circumstances overseas may cause the yen to appreciate and place downward pressure on the Japanese economy.

### [Implementing the New Medium-Term Management Plan “Brand-new Deal 2020”]

ITOCHU Group will aim for reinventing Trading company to deal with a new era of transformation by innovation proactively by utilizing new technologies drastically and evolving a business model. Meanwhile, we will reinvent work-style to promote employees' productivity and quality.

In order to create greater corporate-value and establish a reinvented and sustainable growth model for enhancing returns to shareholders, society and employees, ITOCHU Group has formulated “Brand-new Deal 2020” (the three-year plan covering the period from FY2019 to FY2021).

#### Our Vision

ITOCHU Group, the best global partner playing an integral role in supporting prosperous lifestyles, will become Next-Generation Merchant and seek for sustainable growth through a reinvented “*sampo yoshi*” approach, with evolution of a business model through new technology and new partnerships (“Reinvented Business”), and with advancement work-style (“Reinvented Work-Styles”), which reforms to help each employee create greater value through higher productivity and quality.

#### Basic Policies

In “Brand-new Deal 2020”, the basic policies to achieve the vision are as follows:

##### [Reinvented Business]

- Evolve business model by utilizing new technologies at all division companies
- Improve value across Group value chain centered around FamilyMart UNY Holdings
- Accelerate creation of new businesses in China and other parts of Asia by actively engaging in alliances with strategic partners

##### [Smart Management]

- Become an industry leader in terms of management efficiency indicators such as ROE and labor productivity
- Further advance work-style reforms and efficiency

##### [No.1 Health Management Company]

- Ensure employees feel motivated and rewarded in their work and become the best company for employees' families as well
- Improve the health of all employees and energize entire Group

#### Investment Policy

We will aim to consistently maintain positive core free cash flows after deducting shareholder returns (Note 1) by reinventing business through investment in new and next-generation technologies and conducting continuous and disciplined growth investments while considering cash flows.

Note 1: “Core operating cash flows” minus “Net investment” minus “Dividends and share buybacks”

#### Shareholder Returns Policy

We will continue applying the current performance-linked and progressive dividend policy (Note 2); set minimum dividend of ¥74 per share for FY2019 and target record-breaking dividend levels each year as the dividend policy of Brand new-Deal 2020 while adopting a flexible stance toward share buybacks based on factors including the Company’s stock price and cash flows to enhance shareholder returns.

Note 2: Target a dividend payout ratio of approximately 20% on net profit attributable to ITOCHU up to ¥200.0 billion and a dividend payout ratio of approximately 30% on the portion of net profit attributable to ITOCHU exceeding ¥200.0 billion.

ITOCHU Group appreciates the continuing support of our shareholders.



**(3) Changes in Assets and Operating Results****1) Changes in Assets and Operating Results of the ITOCHU Group**

Category	91st Fiscal Term (FY2015)	92nd Fiscal Term (FY2016)	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018) (Current term)
Revenues (Millions of Yen)	5,591,435	5,083,536	4,838,464	5,510,059
Gross trading profit (Millions of Yen)	1,089,064	1,069,711	1,093,462	1,210,440
Net profit attributable to ITOCHU (Millions of Yen)	300,569	240,376	352,221	400,333
Basic earnings per share attributable to ITOCHU (Yen)	189.13	152.14	223.67	257.94
Total assets (Millions of Yen)	8,560,701	8,036,395	8,122,032	8,663,937
Total shareholders' equity (Millions of Yen)	2,433,202	2,193,677	2,401,893	2,669,483

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

**2) Changes in Assets and Operating Results of ITOCHU Corporation (Non-Consolidated)**

Category	91st Fiscal Term (FY2015)	92nd Fiscal Term (FY2016)	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018) (Current term)
Total trading transactions (Millions of Yen)	5,738,595	5,203,725	4,470,329	4,795,741
Ordinary income (Millions of Yen)	209,057	203,425	184,893	211,881
Net profit (Millions of Yen)	130,628	115,301	136,673	109,263
Earnings per share (Yen)	82.13	72.92	86.74	70.35
Total assets (Millions of Yen)	3,951,473	3,366,654	3,217,095	3,164,561
Equity (Millions of Yen)	956,014	927,125	975,726	974,102

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

**(4) Status of Major Group Companies**

**1) Major Subsidiaries and Associated Companies**

Name		Common stock	Voting shares ratio	Main business
Domestic	Dole International Holdings, Inc.	33,976 million yen	100.00%	Investment in Dole Asian fresh produce business and worldwide packaged foods business
	ITOCHU Techno-Solutions Corporation	21,764 million yen	58.26%	Sales, maintenance and development of IT systems
	ITOCHU ENEX CO., LTD.	19,878 million yen	54.00%	Wholesale of petroleum products and LPG and electricity and supply business
	C.I. TAKIRON Corporation	15,189 million yen	51.13%	Manufacture, processing and sale of plastic products
	ITOCHU PROPERTY DEVELOPMENT, LTD.	10,225 million yen	99.83%	Development and sale of housing
	YANASE & CO., LTD.	6,976 million yen	66.10%	Sales and repair of automobile and related parts
	ITOCHU-SHOKUHIN Co., Ltd.	4,923 million yen	52.30%	Wholesale and distribution of foods and liquor
	ITOCHU LOGISTICS CORP.	4,261 million yen	98.97%	Comprehensive logistics services
	CONEXIO Corporation	2,778 million yen	60.35%	Sale of mobile phone units, mobile phones-related solution business
	NIPPON ACCESS, INC.	2,620 million yen	93.77%	Wholesale and distribution of foods
	ITOCHU CONSTRUCTION MACHINERY CO., LTD.	2,300 million yen	100.00%	Sale and rental of construction machinery
	ITOCHU Sugar Co., Ltd.	2,000 million yen	100.00%	Manufacture, processing, and sales of sugar and by-products
Overseas	ITOCHU International Inc.	625,640 thousand US\$	100.00%	Wholesale and investment
	ITOCHU Europe PLC	43,829 thousand GBP	100.00%	Wholesale and investment
	ITOCHU Hong Kong Ltd.	937,788 thousand HK\$	100.00%	Wholesale and investment
	ITOCHU (CHINA) HOLDING CO., LTD.	300,000 thousand US\$	100.00%	Wholesale and investment
	ITOCHU Minerals & Energy of Australia Pty Ltd	276,965 thousand AU\$	100.00%	Investment and sales in projects of iron ore, coal, and bauxite mining and manufacture of alumina
	ITOCHU Coal Americas Inc.	762,000 thousand US\$	100.00%	Holding of coal mine and transportation infrastructure interests
	European Tyre Enterprise Limited	325,230 thousand GBP	100.00%	Management control of the European tire business
	ITOCHU FIBRE LIMITED	168,822 thousand EUR	100.00%	Distribution and trading of pulp, wood chip and paper materials and investment in METSA FIBRE OY
	Orchid Alliance Holdings Limited	55 thousand US\$	100.00%	Investment and shareholder loan to a company investing in CITIC Limited

Name		Common stock	Voting shares ratio	Main business
Associated companies	Orient Corporation	150,041 million yen	16.53%	Consumer credit
	Marubeni-Itochu Steel Inc.	30,000 million yen	50.00%	Import/export and wholesale of steel products
	C.P. Pokphand Co. Ltd.	253,329 thousand US\$	25.00%	Compound animal feed business, livestock and aquatic product related businesses, and manufacture and sale business of food products
	FamilyMart UNY Holdings Co., Ltd.	16,659 million yen	40.13%	Holding company of GMS and CVS companies

(Amount less than 1 million or 1 thousand have been rounded to the nearest unit.)

- Notes: 1. The column of voting shares ratio shows the total of shareholding by ITOCHU Corporation and indirect shareholding by its subsidiaries.
2. Takiron Co., Ltd. and C. I. Kasei Company, Limited merged and formed C.I. TAKIRON Corporation on April 1, 2017.
3. YANASE & CO., LTD. is added as major subsidiaries from this fiscal year.
4. While the voting shares ratio of Orient Corporation is less than 20%, ITOCHU Corporation participates in the determination of sales and financial directions by dispatching its Directors, including its Representative Directors, to the Board of Directors of Orient Corporation. Accordingly, ITOCHU Corporation exerts an important influence and Orient Corporation is considered an associated company of ITOCHU Corporation.
5. ITOCHU Corporation made a resolution at its Board of Directors meeting held on April 19, 2018 to acquire the shares of FamilyMart UNY Holdings Co., Ltd., by way of a tender offer, for the purpose of making it a subsidiary of ITOCHU Corporation.

## 2) Consolidated Subsidiaries and Equity-Method Associated Companies

Category	91st Fiscal Term (FY2015)	92nd Fiscal Term (FY2016)	93rd Fiscal Term (FY2017)	94th Fiscal Term (FY2018) (Current term)
Consolidated subsidiaries	218 companies	212 companies	207 companies	206 companies
Equity-method associated companies	124 companies	114 companies	101 companies	94 companies
Total of group companies	342 companies	326 companies	308 companies	300 companies

Note: Investment companies which are directly invested in by ITOCHU Corporation and its Overseas trading subsidiaries are included in the above-mentioned number of companies. Investment companies which are considered as part of the parent company are not included.

## (5) Main Offices

### 1) Domestic

Head Office of ITOCHU Corporation	Osaka Head Office: 1-3, Umeda 3-chome, Kita-ku, Osaka Tokyo Head Office: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo
Areas of ITOCHU Corporation	Chubu Area (Nagoya), Kyushu Area (Fukuoka), Chugoku & Shikoku Area (Hiroshima), Hokkaido Area (Sapporo), Tohoku Area (Sendai)
Branches of ITOCHU Corporation	Hokuriku Branch (Kanazawa), Toyama Branch

### 2) Overseas

Branches of ITOCHU Corporation	Johannesburg, Manila, Kuala Lumpur
Offices of ITOCHU Corporation	38 offices including Lima, Alger, Nairobi, Riyadh, Jakarta and Moscow
Overseas trading subsidiaries	60 overseas trading subsidiaries including headquarters/branches such as ITOCHU International Inc. (U.S.A.) ITOCHU Brasil S.A., ITOCHU Europe PLC (U.K.) ITOCHU MIDDLE EAST FZE (U.A.E.) ITOCHU Australia Ltd., ITOCHU (CHINA) HOLDING CO., LTD. ITOCHU Hong Kong Ltd., ITOCHU Singapore Pte, Ltd. ITOCHU (Thailand) LTD.

## (6) Status of Employees

### 1) Status of Employees of the ITOCHU Group

(Number of employees)

Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Other	Total
9,879 [2,968]	13,603 [914]	530 [79]	12,785 [4,095]	30,105 [10,845]	17,058 [3,003]	15,421 [7,936]	2,705 [136]	102,086 [29,976]

Notes: 1. The number of employees refers to actual working employees and the average annual number of temporary employees shown in the square bracket [ ] is not included in total.

2. While the number of employees in the Textile segment decreased owing to the sale of Java Holdings Co., Ltd., the number of employees in the Machinery segment and in the Energy & Chemicals segment increased owing to the consolidation of YANASE & CO., LTD. as a subsidiary, and the conversion of Takiron into a subsidiary as a result of its merger with C. I. Kasei respectively. Consequently, total number of employees increased by 6,142 compared with the previous fiscal year.

**2) Status of Employees of ITOCHU Corporation (Non-Consolidated)**

Number of employees	Changes from the previous term-end	Average age	Average service years
4,285 employees	0 employees	41.6 years old	17.3 years

Note: The above number of employees includes 886 employees and 330 employees seconded to other companies in Japan and overseas respectively and 292 employees at overseas trading subsidiaries.

**(7) Status of Capital Investment**

During the fiscal year, facilities and equipment of YANASE & CO., LTD. was added to facilities and equipment of the ITOCHU Group due to consolidation of YANASE & CO., LTD. as a subsidiary.

**(8) Status of Financing**

ITOCHU Group raises funds through financing mainly carried out by ITOCHU Corporation and some by domestic and overseas treasury centers, overseas trading subsidiaries, and other entities and undertook borrowing from financial institutions, issuance of short-term corporate bonds (electronic CP), and other actions.

**(9) Main Lenders**

ITOCHU Corporation mainly undertakes borrowings of the ITOCHU Group and main lenders at the end of the current term are as follows.

Lenders	Outstanding amount of borrowings
	Millions of Yen
Mizuho Bank, Ltd.	84,681
Nippon Life Insurance Company	68,000
Sumitomo Mitsui Banking Corporation	57,429
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	44,787
Development Bank of Japan Inc.	43,500
Sumitomo Mitsui Trust Bank, Limited	40,997
Mizuho Trust & Banking Co., Ltd.	39,241
Asahi Mutual Life Insurance Company	35,000
The Norinchukin Bank	30,000
Meiji Yasuda Life Insurance Company	27,500

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its corporate name to MUFG Bank, Ltd., on April 1, 2018.

**(10) Other Significant Matters Regarding the Current Conditions of the ITOCHU Group**

In January and February 2018, the Japan Fair Trade Commission issued a cease and desist order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to ITOCHU Corporation regarding its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION up until the previous fiscal year. Although the Company had worked to maintain thorough compliance from the past, we took the situation quite seriously and formulated measures to prevent recurrence of such incident, including the development of internal rules for compliance with the Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. We have performed these measures with certainty. We will work to compliance with all laws and regulations including the Antimonopoly Act, not only within ITOCHU Corporation but also within ITOCHU Group.

## 2. Shares of ITOCHU Corporation

(1) Total Number of Authorized Shares ..... 3,000,000,000 shares

(2) Total Number of Issued Shares ..... 1,662,889,504 shares

(3) Number of Shareholders ..... 183,643 persons

### (4) Major Shareholders (top 10)

Shareholders	Numbers of shares held	Shareholding ratio
	Thousands of shares	%
The Master Trust Bank of Japan, Ltd. (trust account)	91,982	5.92
Japan Trustee Services Bank, Ltd. (trust account)	91,025	5.86
CP WORLDWIDE INVESTMENT COMPANY LIMITED	63,500	4.09
Nippon Life Insurance Company	34,056	2.19
Japan Trustee Services Bank, Ltd. (trust account 9)	32,952	2.12
Mizuho Bank, Ltd.	31,200	2.01
STATE STREET BANK WEST CLIENT - TREATY 505234	28,131	1.81
Japan Trustee Services Bank, Ltd. (trust account 5)	27,621	1.78
STATE STREET BANK AND TRUST COMPANY	23,442	1.51
Asahi Mutual Life Insurance Company	23,400	1.51

(A fraction of shares less than one thousand is truncated)

Notes: 1. ITOCHU Corporation owns 110,390 thousand shares of treasury stock but has been omitted from the major shareholders listed above.

2. The treasury stock is excluded from the calculation of shareholding ratio.

### (5) Other Significant Matters Regarding Shares

In order to pursue a flexible capital management policy, ITOCHU Corporation resolved at the Board of Directors meeting held on May 2, 2017 to purchase its own shares, and increased its treasury stock by 17,120 thousand shares on May 8, 2017 in accordance with the provisions of Article 156 of the Companies Act applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act.

### 3. Corporate Officers

#### (1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2018)

##### 1) Directors

Name	Position in ITOCHU Corporation	Responsibility	Attendance at Meetings of the Board of Directors
*Masahiro Okafuji	President & Chief Executive Officer		15/15 (100%)
*Hitoshi Okamoto	Member of the Board	Chief Strategy & Information Officer	14/15 (93%)
*Yoshihisa Suzuki	Member of the Board	President, ICT & Financial Business Company	15/15 (100%)
*Fumihiko Kobayashi	Member of the Board	Chief Administrative Officer	15/15 (100%)
*Tsuyoshi Hachimura	Member of the Board	Chief Financial Officer	15/15 (100%)
Ichiro Fujisaki	Member of the Board		15/15 (100%)
Chikara Kawakita	Member of the Board		15/15 (100%)
Atsuko Muraki	Member of the Board		15/15 (100%)
Harufumi Mochizuki	Member of the Board		11/11 (100%)

##### 2) Audit & Supervisory Board Members

Name	Position in ITOCHU Corporation	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Audit & Supervisory Board
Yoshio Akamatsu	Full-time Audit & Supervisory Board Member	15/15 (100%)	14/14 (100%)
Kiyoshi Yamaguchi	Full-time Audit & Supervisory Board Member	15/15 (100%)	14/14 (100%)
Shingo Majima	Audit & Supervisory Board Member	15/15 (100%)	14/14 (100%)
Kentaro Uryu	Audit & Supervisory Board Member	14/15 (93%)	13/14 (93%)
Kotaro Ohno	Audit & Supervisory Board Member	11/11 (100%)	10/10 (100%)

Notes: 1. \* indicates a representative director.

- Members of the Board, Mr. Ichiro Fujisaki, Mr. Chikara Kawakita, Ms. Atsuko Muraki and Mr. Harufumi Mochizuki are outside directors. They are registered as independent directors at the Tokyo Stock Exchange, Inc.
- Audit & Supervisory Board Member, Mr. Shingo Majima, Mr. Kentaro Uryu and Mr. Kotaro Ohno are outside Audit & Supervisory Board Members. They are registered as independent auditors at the Tokyo Stock Exchange, Inc.
- Audit & Supervisory Board Member, Mr. Shingo Majima is a certified public accountant in Japan and the United States. Also he has a long-standing career as a university professor of accounting and considerable expertise in finance and accounting.
- Mr. Harufumi Mochizuki resigned as an Audit & Supervisory Board Member on June 23, 2017, and assumed the position of Director on the same date. In addition, on March 31, 2018, Mr. Hitoshi Okamoto resigned as Member of the Board.

6. Important concurrent occupations or positions are as described below.

Category	Name	Organization	Title
Members of the Board	Masahiro Okafuji	NISSIN FOODS HOLDINGS CO., LTD.	Outside Director
	Yoshihisa Suzuki	Orient Corporation	Outside Director
	Ichiro Fujisaki	NIPPON STEEL & SUMITOMO METAL CORPORATION	Outside Director
	Atsuko Muraki	Sompo Holdings, Inc.	Outside Audit & Supervisory Board Member
	Harufumi Mochizuki	Hitachi, Ltd.	Outside Director
		Tokyo Small and Medium Business Investment & Consultation CO., LTD.	President & CEO
Audit & Supervisory Board Members	Shingo Majima	WIN-Partners Co., Ltd.	Outside Director
	Kentarō Uryu	URYU & ITOGA	Attorney-At-Law, Managing Partner
		U&I Advisory Service Co., Ltd.	CEO
		Kyowa Hakko Kirin Co., Ltd.	Outside Director of the Board
	Kotaro Ohno	AEON CO., LTD.	Outside Director
		Komatsu Ltd.	Outside Audit & Supervisory Board Member

7. Effective March 31, 2018, Member of the Board, Mr. Yoshihisa Suzuki resigned as Outside Director of Orient Corporation.

8. Effective March 17, 2018, Audit & Supervisory Board Member, Mr. Kentarō Uryu resigned as Outside Director of GMO TECH, Inc. In addition, effective March 23, 2018, he resigned as Outside Company Auditor of Kyowa Hakko Kirin Co., Ltd. and assumed the position of Outside Company Director of Kyowa Hakko Kirin Co., Ltd. on the same date.

## (2) Status of Executive Officers (as of April 1, 2018)

Name	Position in ITOCHU Corporation	Responsibility
Masahiro Okafuji	Chairman & Chief Executive Officer	Chief Executive Officer
Yoshihisa Suzuki	President & Chief Operating Officer	Chief Operating Officer
Tomofumi Yoshida	Senior Managing Executive Officer	President, General Products & Realty Company
Yuji Fukuda	Senior Managing Executive Officer	CEO for Asia & Oceania Bloc; President & CEO, ITOCHU Singapore Pte, Ltd.; Executive Advisory Officer for CP & CITIC Operation
Shuichi Koseki	Senior Managing Executive Officer	President, Textile Company; Executive Advisory Officer for Osaka Headquarters
Masahiro Imai	Senior Managing Executive Officer	President, Machinery Company
Fumihiko Kobayashi	Senior Managing Executive Officer	Chief Administrative & Information Officer
Tsuyoshi Hachimura	Senior Managing Executive Officer	Chief Financial Officer
Yozo Kubo	Managing Executive Officer	President, Food Company



Name	Position in ITOCHU Corporation	Responsibility
Akihiro Ueda	Managing Executive Officer	CEO for East Asia Bloc; Chairman, ITOCHU (CHINA) HOLDING CO., LTD.; Chairman, ITOCHU Shanghai Ltd.; Chairman, BIC
Hiroyuki Tsubai	Managing Executive Officer	Chief Executive for European Operation; CEO, ITOCHU Europe PLC; Executive Advisory Officer for Africa
Keita Ishii	Managing Executive Officer	President, Energy & Chemicals Company
Masahiro Morofuji	Managing Executive Officer	Executive Vice President, Textile Company; Chief Operating Officer, Brand Marketing Division 1
Mitsuru Chino	Managing Executive Officer	President & CEO, ITOCHU International Inc.
Hiroshi Sato	Managing Executive Officer	Chief Operating Officer, Plant Project, Marine & Aerospace Division
Shigetoshi Imai	Managing Executive Officer	President, Metals & Minerals Company
Yoichi Ikezoe	Executive Officer	Chairman, ITOCHU Hong Kong Ltd.; Senior Officer for Asia & Oceania Bloc
Mamoru Seki	Executive Officer	General Manager, General Accounting Control Division
Tomoyuki Takada	Executive Officer	General Manager, Corporate Communications Division
Hiroyuki Kaizuka	Executive Officer	Chief Operating Officer, Provisions Division
Hiroshi Oka	Executive Officer	General Manager, Secretariat
Motonari Shimizu	Executive Officer	Chief Operating Officer, Apparel Division
Masato Osugi	Executive Officer	Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division
Akira Tsuchihashi	Executive Officer	General Manager, Internal Audit Division
Yoshihiro Fukushima	Executive Officer	Chief Operating Officer, Brand Marketing Division 2
Kensuke Hosomi	Executive Officer	Chief Operating Officer, Food Products Marketing & Distribution Division
Hisato Okubo	Executive Officer	Chief Operating Officer, Energy Division
Shunsuke Noda	Executive Officer	CSO
Tatsushi Shingu	Executive Officer	President, ICT & Financial Business Company
Hidefumi Mizutani	Executive Officer	Vice President, ITOCHU East Asia Bloc (East China); Managing Director, ITOCHU SHANGHAI LTD.; General Manager, Nanjing Branch, ITOCHU SHANGHAI LTD.
Shinjiro Tanaka	Executive Officer	SVP & General Manager, General Products & Realty Division, ITOCHU International Inc.
Shoji Miura	Executive Officer	General Manager, Planning & Administration Department, Textile Company
Takanori Morita	Executive Officer	Deputy Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division
Toshikazu Otani	Executive Officer	Chief Executive for Africa; General Manager, ITOCHU Corporation, Johannesburg Branch; Managing Director, ITOCHU Nigeria Ltd.
Masaya Tanaka	Executive Officer	Chief Operating Officer, Chemicals Division
Kenji Seto	Executive Officer	Chief Operating Officer, Metal & Mineral Resources Division; General Manager, Iron Ore & Steelmaking Resources Department

Note: Ms. Mitsuru Chino's registered name is Mitsuru Ike.

### (3) Remunerations etc. to Directors and Audit & Supervisory Board Members

(Millions of Yen)

Category		Number of persons (Persons)	Total amount of remuneration	Breakdown			
				Monthly remuneration	Bonus	Special bonus	Share-based remuneration
Directors	Directors (Internal)	5	1,386	456	687	166	76
	Outside Directors	4	45	45	—	—	—
	Total	9	1,431	501	687	166	76
Audit & Supervisory Board Members	Audit & Supervisory Board Members (Internal)	2	78	78	—	—	—
	Outside Audit & Supervisory Board Members	4	36	36	—	—	—
	Total	6	115	115	—	—	—

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

Notes: 1. The remuneration limit for Directors: ¥1.2 billion per year as monthly remuneration

(of that amount, ¥50 million per year for Outside Directors)

¥1.0 billion per year as the total amount of bonus for Directors

(excluding Outside Directors), separate from the remuneration amount above

(Both resolved at the General Meeting of Shareholders on June 24, 2011)

2. The remuneration limit for Audit & Supervisory Board Members: ¥13 million per month

(Resolved at the General Meeting of Shareholders on June 29, 2005)

3. In response to FY2018 consolidated net profit attributable to ITOCHU of 400.3 billion yen, an amount exceeding the 400.0 billion yen forecast for the full year and a record high profit for the company, ITOCHU Corporation has decided to pay a special bonus. This bonus is in accordance with the resolution of the Board of Directors held on February 2, 2018 after being examined by the Governance and Remuneration Committee. The amount of special bonus paid shall be inside a range whereby the amount of special bonus and Director bonus combined <sup>(Note 1)</sup> does not exceed the bonus limit (1 billion yen per year). Please refer to “Overview of the Remuneration Plan for Directors and Audit & Supervisory Board Members” on page 20 regarding the Remuneration Plan.

4. The introduction of performance-linked and share-based remuneration for Directors (Board Incentive Plan Trust “BIP”) was approved at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016. The total amount of share-based remuneration in the table is the recorded amount of expenses involving share granted points granted during this fiscal year related to BIP.

**(4) Outside Directors and Outside Audit & Supervisory Board Members**

**1) Relations Between ITOCHU Corporation and Organizations where Important Concurrent Occupations or Positions are Held**

Category	Name	Organization	Title
Outside Director	Ichiro Fujisaki	NIPPON STEEL & SUMITOMO METAL CORPORATION	Outside Director
	Atsuko Muraki	Sompo Holdings, Inc.	Outside Audit & Supervisory Board Member
	Harufumi Mochizuki	Hitachi, Ltd.	Outside Director
		Tokyo Small and Medium Business Investment & Consultation CO., LTD.	President & CEO
Outside Audit & Supervisory Board Members	Shingo Majima	WIN-Partners Co., Ltd.	Outside Director
	Kentarō Uryu	URYU & ITOGA	Attorney-At-Law, Managing Partner
		U&I Advisory Service Co., Ltd.	CEO
		Kyowa Hakko Kirin Co., Ltd.	Outside Director of the Board
	Kotaro Ohno	AEON CO., LTD.	Outside Director
		Komatsu Ltd.	Outside Audit & Supervisory Board Member

Note: There is no special relation between ITOCHU Corporation and the above organizations where important concurrent occupations or positions are held.

## 2) Primary Activities

Category	Name	Primary activities
Outside Directors	Ichiro Fujisaki	He attended all of the 15 meetings of the Board of Directors held during the current term. He mainly made statements from an objective and neutral position as an outside director based on his high level of knowledge regarding the international situation, economic matters and culture he accumulated in the course of his many years as a diplomatic official.
	Chikara Kawakita	He attended all of the 15 meetings of the Board of Directors held during the current term. He mainly made statements from an objective and neutral position as an outside director based on his high level of knowledge regarding fiscal, financial and taxation matters he accumulated in the course of his many years at the Ministry of Finance and the National Tax Agency.
	Atsuko Muraki	She attended all of the 15 meetings of the Board of Directors held during the current term. She mainly made statements from an objective and neutral position as an outside director based on her high level of knowledge regarding the creation of working environments, human resources development, and social security, accumulated in the course of her many years of experience at the Ministry of Health, Labour and Welfare (and the former Ministry of Labour).
	Harufumi Mochizuki	He attended all of the 11 meetings of the Board of Directors held since his appointment. He mainly made statements from an objective and neutral position as an outside director based on his wealth of experience and high-level knowledge as a government official at the Ministry of Economy, Trade and Industry (and the former Ministry of International Trade and Industry), as well as his experience as an Outside Audit & Supervisory Board Member of ITOCHU Corporation and his experience as a corporate executive at other entities where he concurrently serves.
Outside Audit & Supervisory Board Members	Shingo Majima	He attended all of the 15 meetings of the Board of Directors and all of the 14 meetings of the Audit & Supervisory Board held during the current term. He mainly made statements from an objective and neutral position as an Outside Audit & Supervisory Board Member based on his wealth of experience and expertise on finance and accounting as a certified public accountant and over many years as a university professor.
	Kentaro Uryu	He attended 14 of the 15 meetings of the Board of Directors and 13 of the 14 meetings of the Audit & Supervisory Board held during the current term. He made statements from an objective and neutral position as an Outside Audit & Supervisory Board Member, based on his wealth of experience and expertise as an attorney in wide-ranging fields of corporate legal matters.
	Kotaro Ohno	He attended all of the 11 meetings of the Board of Directors and all of the 10 meetings of the Audit & Supervisory Board held since his appointment. He mainly made statements from an objective and neutral position as an Outside Audit & Supervisory Board Member based on his expertise in legal systems and operations and his high-level knowledge developed through many years of experience in the Ministry of Justice and public prosecutor's office.

Note: In January and February 2018, the Japan Fair Trade Commission issued a cease and desist order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to ITOCHU Corporation regarding its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION up until the previous fiscal year. Each outside Director and outside Audit & Supervisory Board Member has continually made statements in Board of Directors meetings concerning the importance of legal compliance, and, after the incident became known, conducted proactive advocacy concerning the further enforcement of legal compliance in ITOCHU Corporation and the Group, as well as measures to prevent recurrence of incidents, including the development of internal rules for compliance with the Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. They perform continuous checking of these initiatives to strengthen our compliance systems.

### **3) Outline of Limitation of Liability Contracts**

ITOCHU Corporation entered into a limitation of liability contract as stipulated in Article 423, Paragraph 1 of the Companies Act, with outside directors and outside Audit & Supervisory Board Members pursuant to Article 427, Paragraph 1 of the same Act. Under this contract, liabilities for compensation are the lowest amount of liability stipulated by Article 425, Paragraph 1 of the Companies Act if they have acted in good faith and without gross negligence in performing their duties.

## 4. Status of Independent Auditor

### (1) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC

### (2) Remuneration of the Independent Auditor during the Current Term

- |                                                                                                                                                                                            |                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1) Amount of remuneration paid by ITOCHU Corporation to the Independent Auditor for audit certification in accordance with Article 2, Paragraph 1 of the Certified Public Accountants Law. | ¥615 million   |
| 2) Total amount of remuneration paid by ITOCHU Corporation and its subsidiaries                                                                                                            | ¥1,695 million |

Notes: 1. The audit agreement between the Independent Auditor and ITOCHU Corporation does not separately stipulate audit remunerations based on the Companies Act and the Financial Instruments and Exchange Act. Hence, the remuneration in 1) above includes remunerations for auditing based on the Financial Instruments and Exchange Act and auditing of financial statements in English based on International Financial Reporting Standards (IFRS).

2. ITOCHU Corporation has paid remuneration to the Independent Auditor for services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law which include preparation of comfort letters, and such amount is included in the above 2) total amount of remuneration.

3. The Audit & Supervisory Board, having checked the auditing plans of the Independent Auditor and having investigated the status of its performance of duties in past fiscal years, the grounds for calculation of remuneration estimates, and other matters, has given consent to the remuneration for the Independent Auditor in accordance with Article 399, Paragraph 1 of the Companies Act.

4. Of the major subsidiaries and associated companies as described in “1. Current Conditions of the ITOCHU Group, (4) Status of Major Group Companies, 1) Major Subsidiaries and Associated Companies,” YANASE & CO., LTD. and Orient Corporation are audited by Ernst & Young ShinNihon LLC, overseas subsidiaries and affiliates are audited by local auditing firms possessing similar qualifications under the relevant laws and regulations.

### (3) Policy Regarding Decisions to Dismiss or Deny Reappointment of Independent Auditor

The Audit & Supervisory Board shall dismiss the Independent Auditor if any of the items of Article 340, Paragraph 1 of the Companies Act applies with respect to the Independent Auditor. In addition, if it is determined that the appropriateness and credibility of audits by the Independent Auditor cannot be ensured, the Audit & Supervisory Board shall decide on the content of the proposal to dismiss or deny the reappointment of the Independent Auditor to be submitted to the General Meeting of Shareholders.

## **5. Overview of the Basic Policy Regarding Internal Control Systems and the Operational Status Thereof**

### **(1) Outline of Basic Policy Regarding the Internal Control System**

ITOCHU Corporation has established the following internal control systems, which are necessary to ensure that directors' implementation of duties are in compliance with laws and statutory regulations and Articles of Incorporation and ensure the appropriateness of other operations. Below is a summary of the Basic Policy regarding the Internal Control System, which the Board of Directors approved on April 19, 2006. (It was partially revised as of May 6, 2016.)

#### **1) System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation**

##### **[Corporate Governance]**

- 1) As the decision-making body, the Board of Directors, consisting of Directors and Outside Directors, is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations", and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.
- 2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.
- 3) ITOCHU Corporation is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.
- 4) The Audit & Supervisory Board Members are to oversee the performance of the directors based on the "Audit & Supervisory Board Regulations" and "Auditors' Auditing Standards".

##### **[Compliance]**

- 1) Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct.
- 2) ITOCHU Corporation is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

##### **[Internal Control to Ensure Reliability of Financial Reporting]**

- 1) ITOCHU Corporation is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of CFO (Chief Financial Officer) to ensure the reliability of financial reporting.
- 2) ITOCHU Corporation is to establish the Disclosure Committee and regularly review and improve the development and implementation status of the internal control systems to ensure the reliability of financial reporting.

##### **[Internal Audits]**

ITOCHU Corporation is to establish the Internal Audit Division under the direct control of the President & Chief Operating Officer. The Internal Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations". Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

## **2) System for the Storage and Preservation of Information Related to Director Duties**

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Shareholders, in accordance with the “Information Management Regulations”, the “Document Management Rules” and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, ITOCHU Corporation will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

## **3) Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System**

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU Corporation is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU Corporation is to regularly review the effectiveness of the risk management system.

## **4) System to Ensure Efficient Performance of Directors**

### **[The HMC and Other Internal Committees]**

The HMC (Headquarters Management Committee) as a supporting body to the President & Chief Operating Officer, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President & Chief Operating Officer and the Board of Directors.

### **[Division Company System]**

Under the Division Company System, the position of Division Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

### **[Clearly Define the Scope of Authority and Responsibilities]**

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU Corporation is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

## **5) System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)**

### **[Subsidiary Management and Reporting System]**

- 1) ITOCHU Corporation is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU Corporation is to send directors and Audit & Supervisory Board Members to each subsidiary to ensure the adequacy of the subsidiary's operations.
- 2) With respect to subsidiaries that ITOCHU Corporation owns indirectly through its directly-owned subsidiaries, ITOCHU Corporation is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.



- 3) With respect to important matters on the management of subsidiaries, ITOCHU Corporation is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU Corporation, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

**[Rules and Other Systems to Manage the Risk of Loss at Subsidiaries]**

ITOCHU Corporation is to identify the subsidiaries which shall be subject to our Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU Corporation is to periodically review the effectiveness of such Group-wide management system.

**[System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries]**

ITOCHU Corporation is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU Corporation.

**[System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation]**

- 1) In principle, ITOCHU Corporation is to send directors and Audit & Supervisory Board Members to each subsidiary and strive to ensure that the performance of duties of directors, etc. and employees of a subsidiary complies with laws and regulations, and the Articles of Incorporation of such subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU Corporation.
- 2) ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.
- 3) All of the operations and activities of the subsidiaries are to be subject to internal audits by the Internal Audit Division.

**6) Matters Concerning Supporting Personnel to Audit & Supervisory Board Members, Independence of Such Personnel from the Directors and Ensuring the Effectiveness of Instructions to Such Personnel**

ITOCHU Corporation is to establish the Audit & Supervisory Board Members' Office under the direct jurisdiction of the Audit & Supervisory Board and is to put in place full-time employees with the sole responsibility of supporting the work of the Audit & Supervisory Board Members. The supervisory authority over such employees is to belong exclusively to the Audit & Supervisory Board Members, and evaluation of such employees is to be carried out by the Audit & Supervisory Board Member designated by the Audit & Supervisory Board. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such Audit & Supervisory Board Member.

## **7) System for Reporting by Directors and Employees to Audit & Supervisory Board Members**

### **[Attendance at Important Meetings]**

The Audit & Supervisory Board Members are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the Audit & Supervisory Board Members are to have the right to inspect all relevant materials.

### **[Reporting System]**

- 1) The directors and corporate officers are to regularly report to the Audit & Supervisory Board Members about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors and corporate officers are to report all the decisions that could have a major impact on the finance or business of ITOCHU Corporation to the Audit & Supervisory Board Members immediately after such decisions are made.
- 2) Employees are to have the right to report directly to the Audit & Supervisory Board Members any matters that could cause serious damage to ITOCHU Corporation.
- 3) In the “ITOCHU Group Compliance Program”, ITOCHU Corporation is to explicitly prohibit disadvantageous treatment of directors and employees who have reported to the Audit & Supervisory Board Members and to ensure thorough familiarization with this prohibition.

## **8) System for Reporting by Directors, Audit & Supervisory Board Members and Employees of Subsidiaries or by a Person who Received a Report from Them to Audit & Supervisory Board Members**

### **[Reporting System]**

- 1) The directors and Audit & Supervisory Board Members of subsidiaries may report directly to the Audit & Supervisory Board Members of ITOCHU Corporation any matters that could cause serious damage to the said subsidiary.
- 2) A department that oversees compliance is to periodically report to the Audit & Supervisory Board Members of ITOCHU Corporation a summary of matters that could cause serious damage to a subsidiary that were reported by the officers and employees of the said subsidiary.
- 3) In the “ITOCHU Group Compliance Program”, ITOCHU Corporation is to explicitly prohibit disadvantageous treatment of persons who have reported to the Audit & Supervisory Board Members under the provisions listed above and to ensure full familiarization with this prohibition.

## **9) Matters Concerning Policy on Procedures for Prepayment or Refund of Expenses Arising in Relation to Performance of Duties of Audit & Supervisory Board Members and Processing of Expenses or Obligations Arising in Relation to the Performance of Other Duties**

When an Audit & Supervisory Board Member claims prepayment, etc. from ITOCHU Corporation in relation to the performance of duties under Article 388 of the Companies Act, we are to process the relevant expense or claim promptly upon confirmation by the responsible department.

## **10) Other Relevant Systems to Ensure the Proper Functioning of Audits**

### **[Coordination with the Audit & Supervisory Board Members by the Internal Audit Division]**

The Internal Audit Division is to maintain close communication and coordination with the Audit & Supervisory Board Members with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

### **[Retaining Outside Experts]**

When deemed necessary, the Audit & Supervisory Board Members are to independently retain outside experts for the implementation of an audit.

## **(2) Overview of the Operational Status of Internal Control Systems**

For the proper operation of internal control systems, ITOCHU Corporation has adopted a system by which it further segments items stipulated by the Basic Policy into more detailed confirmatory items in respect of each fiscal year, and, after setting the department in charge of each of these confirmatory items, conducts checks of the construction and the operational status of internal control systems by each department (and by other related internal committees) at the Internal Control Committee meetings held each half year. The Internal Control Committee, chaired by the Chief Strategy Officer and with the Corporate Planning & Administration Division as its secretariat, consists of the Chief Administrative & Information Officer, Chief Financial Officer, General Manager of Internal Audit Division, and an external expert (attorney) as members. Audit & Supervisory Board Members also attend the meetings and voice opinions every time.

At its meetings, the Internal Control Committee verifies the content of checklists summarizing achievement status, issues, etc. for each of the above confirmatory items, as submitted by the departments in charge of each. It also confirms the construction and operational status of internal control systems by verifying the content of individual reports from the departments in charge, with respect to important matters such as systems to ensure the reliability of financial reporting, compliance systems, systems to manage the risk of losses, and the construction and operational status of internal control systems in the ITOCHU Group.

The results of deliberations by the Internal Control Committee are reported once per year to the HMC and the Board of Directors, the latter of which conducts a full-year evaluation of the construction and operational status of internal control systems.

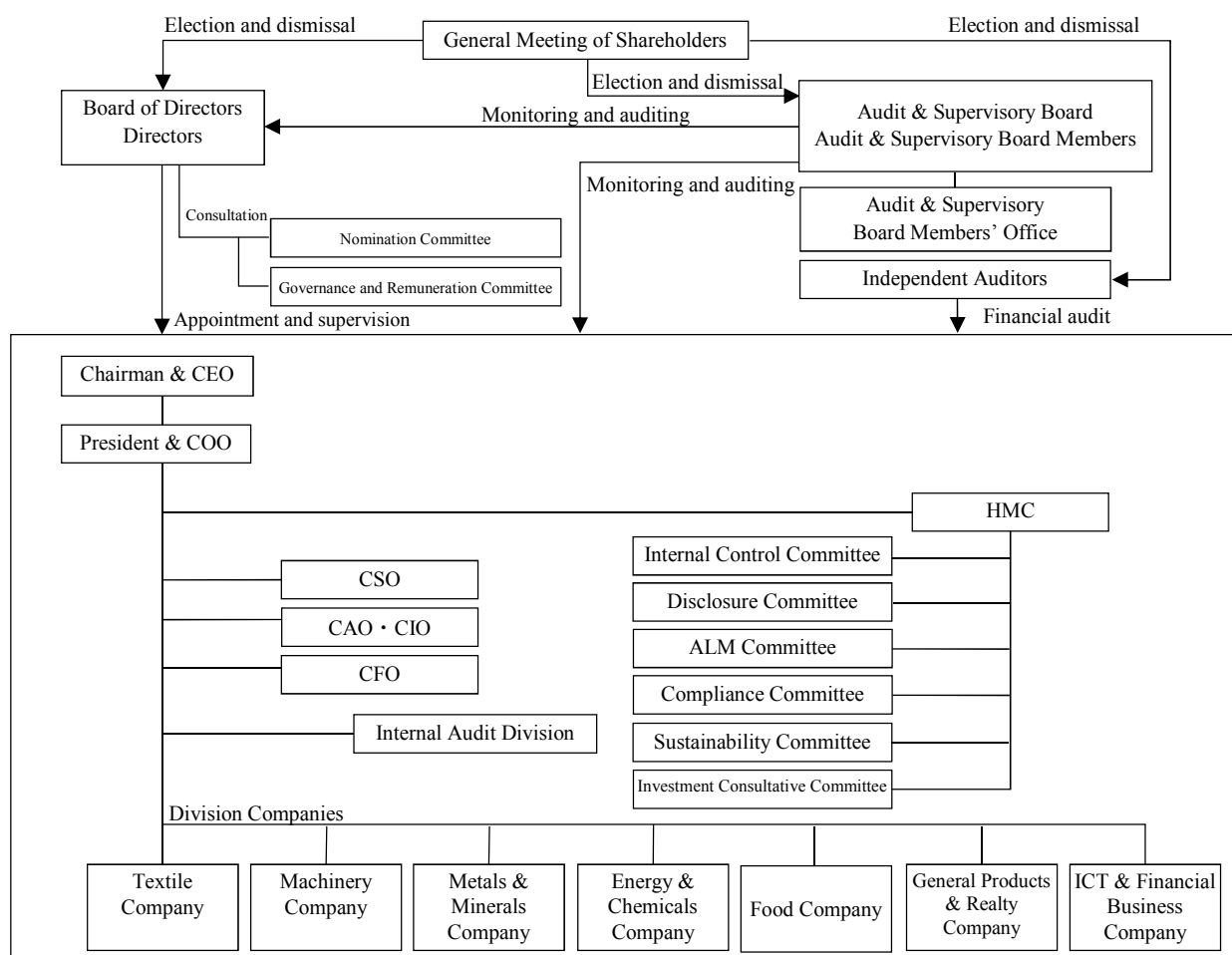
Regarding the meetings of main internal committees related to internal control in FY2018, the Internal Control Committee met 2 times, the Compliance Committee met 2 times, and the Asset Liability Management (ALM) Committee met 10 times.

Our internal control systems are constructed on the base of the ITOCHU Group, consisting of ITOCHU Corporation and its subsidiaries, and the operational status of the Group base internal control systems, and the construction and operational status of internal control systems in subsidiaries, are reported regularly to the Internal Control Committee.

We intend to revise and improve these internal control systems tirelessly in order to build systems that are even more appropriate and efficient. Further, a meeting of the Board of Directors convened on May 2, 2018, evaluated the development and implementation status of each item enumerated in the Basic Policy regarding the Internal Control System for FY2018 and confirmed that there were no significant deficiencies or defects.

# ITOCHU's Corporate Governance and Overview of Internal Control System

(as of April 1, 2018)



Notes: 1. CEO: Chief Executive Officer COO: Chief Operating Officer CSO: Chief Strategy Officer

CAO • CIO: Chief Administrative & Information Officer CFO: Chief Financial Officer

HMC: Headquarters Management Committee ALM: Asset Liability Management

2. CAO • CIO 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.

## Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries

As of March 31, 2018 and 2017

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

Assets	Millions of Yen	
	2018	2017 (Reference)
<b>Current assets:</b>		
Cash and cash equivalents	¥ 432,140	¥ 605,589
Time deposits	26,915	8,381
Trade receivables	2,183,349	1,949,049
Other current receivables	84,146	74,322
Other current financial assets	34,329	28,999
Inventories	870,352	775,396
Advances to suppliers	179,760	161,855
Other current assets	112,370	97,224
<b>Total current assets</b>	<b>3,923,361</b>	<b>3,700,815</b>
<b>Non-current assets:</b>		
Investments accounted for by the equity method	1,844,871	1,626,583
Other investments	816,510	793,589
Non-current receivables	617,719	656,774
Non-current financial assets other than investments and receivables	82,379	118,511
Property, plant and equipment	813,294	680,375
Investment property	19,134	26,605
Goodwill and intangible assets	362,571	369,378
Deferred tax assets	62,259	54,660
Other non-current assets	121,839	94,742
<b>Total non-current assets</b>	<b>4,740,576</b>	<b>4,421,217</b>
<b>Total assets</b>	<b>¥ 8,663,937</b>	<b>¥ 8,122,032</b>

Note: ITOCHU Corporation prepared the consolidated financial statements in conformity with IFRS.

Liabilities and Equity	Millions of Yen	
	2018	2017 (Reference)
<b>Current liabilities:</b>		
Short-term debentures and borrowings .....	¥ 526,867	¥ 563,033
Trade payables .....	1,825,859	1,588,783
Other current payables .....	79,200	53,494
Other current financial liabilities .....	26,791	15,729
Current tax liabilities .....	53,241	40,660
Advances from customers .....	157,167	149,921
Other current liabilities .....	319,777	288,785
<b>Total current liabilities .....</b>	<b>2,988,902</b>	<b>2,700,405</b>
<b>Non-current liabilities:</b>		
Long-term debentures and borrowings .....	2,252,606	2,381,620
Other non-current financial liabilities .....	114,627	108,333
Non-current liabilities for employee benefits .....	97,955	59,614
Deferred tax liabilities .....	129,579	123,374
Other non-current liabilities .....	95,917	85,875
<b>Total non-current liabilities .....</b>	<b>2,690,684</b>	<b>2,758,816</b>
<b>Total liabilities .....</b>	<b>5,679,586</b>	<b>5,459,221</b>
<b>Equity:</b>		
Common stock .....	253,448	253,448
Capital surplus .....	160,271	162,038
Retained earnings .....	2,324,766	2,020,018
Other components of equity:		
Translation adjustments .....	136,729	137,085
FVTOCI financial assets .....	(61,484)	(50,353)
Cash flow hedges .....	5,961	1,997
<b>Total other components of equity .....</b>	<b>81,206</b>	<b>88,729</b>
Treasury stock .....	(150,208)	(122,340)
<b>Total shareholders' equity .....</b>	<b>2,669,483</b>	<b>2,401,893</b>
Non-controlling interests .....	314,868	260,918
<b>Total equity .....</b>	<b>2,984,351</b>	<b>2,662,811</b>
<b>Total liabilities and equity .....</b>	<b>¥ 8,663,937</b>	<b>¥ 8,122,032</b>

Note: ITOCHU Corporation prepared the consolidated financial statements in conformity with IFRS.

## Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries

Years ended March 31, 2018 and 2017

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

	Millions of Yen	
	2018	2017 (Reference)
<b>Revenues:</b>		
Revenues from sale of goods .....	¥ 4,719,460	¥ 4,115,568
Revenues from rendering of services and royalties .....	790,599	722,896
Total revenues .....	5,510,059	4,838,464
<b>Cost:</b>		
Cost of sale of goods .....	(3,706,873)	(3,209,289)
Cost of rendering of services and royalties .....	(592,746)	(535,713)
Total cost .....	(4,299,619)	(3,745,002)
<b>Gross trading profit</b> .....	1,210,440	1,093,462
<b>Other gains (losses):</b>		
Selling, general and administrative expenses .....	(890,276)	(801,837)
Provision for doubtful accounts .....	(3,231)	(3,226)
Gains on investments .....	7,080	32,144
Losses on property, plant, equipment and intangible assets .....	(29,629)	(16,696)
Other-net .....	(280)	(5,425)
Total other-losses .....	(916,336)	(795,040)
<b>Financial income (loss):</b>		
Interest income .....	34,702	26,625
Dividends received .....	34,273	19,901
Interest expense .....	(41,449)	(30,251)
Total financial income .....	27,526	16,275
<b>Equity in earnings of associates and joint ventures</b> .....	216,228	185,158
<b>Profit before tax</b> .....	537,858	499,855
Income tax expense .....	(106,138)	(125,262)
<b>Net Profit</b> .....	431,720	374,593
Net profit attributable to ITOCHU .....	¥ 400,333	¥ 352,221
Net profit attributable to non-controlling interests .....	31,387	22,372
<b>Other comprehensive income, net of tax:</b>		
Items that will not be reclassified to profit or loss:		
FVTOCI financial assets .....	(23,100)	263
Remeasurement of net defined pension liability .....	3,252	6,017
Other comprehensive income in associates and joint ventures .....	1,333	(4,115)
Items that will be reclassified to profit or loss:		
Translation adjustments .....	(38,452)	(11,789)
Cash flow hedges .....	495	5,674
Other comprehensive income in associates and joint ventures .....	40,354	(47,278)
Total other comprehensive income, net of tax .....	(16,118)	(51,228)
<b>Total comprehensive income</b> .....	415,602	323,365
Total comprehensive income attributable to ITOCHU .....	¥ 390,022	¥ 303,063
Total comprehensive income attributable to non-controlling interests ..	25,580	20,302

Note: ITOCHU Corporation prepared the consolidated financial statements in conformity with IFRS.

## Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries

Years ended March 31, 2018 and 2017

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

	Millions of Yen	
	2018	2017 (Reference)
<b>Common stock:</b>		
Balance at the beginning of the year	¥ 253,448	¥ 253,448
Balance at the end of the year	253,448	253,448
<b>Capital surplus:</b>		
Balance at the beginning of the year	162,038	156,688
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	(1,767)	5,350
Balance at the end of the year	160,271	162,038
<b>Retained earnings:</b>		
Balance at the beginning of the year	2,020,018	1,748,375
Net profit attributable to ITOCHU	400,333	352,221
Transfer from other components of equity	(2,740)	2,459
Cash dividends	(92,845)	(83,037)
Balance at the end of the year	2,324,766	2,020,018
<b>Other components of equity:</b>		
Balance at the beginning of the year	88,729	140,750
Other comprehensive income attributable to ITOCHU	(10,311)	(49,158)
Transfer to retained earnings	2,740	(2,459)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	48	(404)
Balance at the end of the year	81,206	88,729
<b>Treasury stock:</b>		
Balance at the beginning of the year	(122,340)	(105,584)
Net change in treasury stock	(27,868)	(16,756)
Balance at the end of the year	(150,208)	(122,340)
<b>Total shareholders' equity</b>	<b>2,669,483</b>	<b>2,401,893</b>
<b>Non-controlling interests:</b>		
Balance at the beginning of the year	260,918	258,378
Net profit attributable to non-controlling interests	31,387	22,372
Other comprehensive income attributable to non-controlling interests	(5,807)	(2,070)
Cash dividends to non-controlling interests	(10,732)	(9,726)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	39,102	(8,036)
Balance at the end of the year	314,868	260,918
<b>Total equity</b>	<b>¥ 2,984,351</b>	<b>¥ 2,662,811</b>

Note: ITOCHU Corporation prepared the consolidated financial statements in conformity with IFRS.



## Non-Consolidated Balance Sheet

ITOCHU Corporation

As of March 31, 2018 and 2017

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

Assets	Millions of Yen	
	2018	2017 (Reference)
<b>Current assets:</b>		
Cash and deposits with banks	¥ 133,667	¥ 303,395
Trade notes receivable	38,316	32,396
Trade accounts receivable	639,642	600,942
Inventories	204,248	181,819
Prepaid expenses	5,516	5,111
Deferred tax assets	5,634	5,037
Short-term loans receivable	299	590
Short-term loans receivable from subsidiaries and associated companies	196,570	222,022
Other current assets	111,853	106,913
Allowance for doubtful receivables	(567)	(281)
Total current assets	1,335,178	1,457,944
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	1,189	15,966
Land	28,348	28,889
Others	2,612	3,383
Total property, plant and equipment net of accumulated depreciation	32,149	48,238
<b>Intangible assets:</b>		
Software	15,264	10,814
Others	8,580	9,199
Total intangible assets	23,844	20,013
<b>Investments and other assets:</b>		
Investments in securities	201,055	215,221
Investments in subsidiaries' and associated companies' equity securities	1,347,400	1,297,778
Investments in subsidiaries' and associated companies' securities other than equity securities and corporate bonds	27,169	22,360
Investments in equity interests	35,039	29,526
Investments in subsidiaries' and associated companies' equity interests	66,434	67,843
Long-term loans receivable	272	3,361
Long-term loans receivable from subsidiaries and associated companies	49,076	38,526
Claims provable in bankruptcy	19,667	24,629
Prepaid pension cost	—	5,573
Deferred tax assets	21,110	—
Other investments	28,651	18,400
Allowance for doubtful receivables	(18,746)	(26,972)
Allowance for loss on investments	(3,737)	(5,345)
Total investments and other assets	1,773,390	1,690,900
Total non-current assets	1,829,383	1,759,151
<b>Total Assets</b>	¥ 3,164,561	¥ 3,217,095

Liabilities and Equity	Millions of Yen	
	2018	2017 (Reference)
<b>Current liabilities:</b>		
Trade notes payable	¥ 131,183	¥ 146,357
Trade accounts payable	429,880	384,300
Short-term debt	116,379	243,198
Bonds, due within one year	50,000	70,000
Other payable	22,315	19,928
Accrued expenses	74,373	68,129
Income taxes payable	4,200	3,322
Advances from customers	12,135	13,622
Deposits received	230,405	198,425
Deferred income	7,009	6,057
Other current liabilities	7,529	5,414
<b>Total current liabilities</b>	<b>1,085,408</b>	<b>1,158,752</b>
<b>Non-current liabilities:</b>		
Bonds	276,699	316,219
Long-term debt	720,051	668,022
Deferred tax liabilities	—	15,960
Provision for retirement benefits for employees	683	378
Provision for stock benefits	1,783	540
Provision for retirement benefits for directors, corporate auditors and executive officers	31	31
Provision for loss on guarantees	26,879	16,431
Other non-current liabilities	78,925	65,036
<b>Total non-current liabilities</b>	<b>1,105,051</b>	<b>1,082,617</b>
<b>Total liabilities</b>	<b>2,190,459</b>	<b>2,241,369</b>
<b>Equity</b>	<b>913,688</b>	<b>925,138</b>
<b>Common stock</b>	<b>253,448</b>	<b>253,448</b>
<b>Capital surplus</b>	<b>62,602</b>	<b>62,602</b>
Additional paid-in capital	62,600	62,600
Other capital surplus	2	2
<b>Retained earnings</b>	<b>746,832</b>	<b>730,414</b>
Legal reserve	36,323	36,323
Other retained earnings		
Retained earnings unappropriated	710,509	694,091
<b>Treasury stock, at cost</b>	<b>(149,194)</b>	<b>(121,326)</b>
<b>Valuation, translation adjustments and others</b>	<b>60,414</b>	<b>50,588</b>
Unrealized gain on available-for-sale securities	49,486	35,223
Deferred gain on derivatives under hedge accounting	10,928	15,365
<b>Total equity</b>	<b>974,102</b>	<b>975,726</b>
<b>Total Liabilities and Equity</b>	<b>¥ 3,164,561</b>	<b>¥ 3,217,095</b>

## Non-Consolidated Statement of Income

ITOCHU Corporation

Years ended March 31, 2018 and 2017

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

	Millions of Yen	
	2018	2017 (Reference)
<b>Total trading transactions</b> .....	¥ 4,795,741	¥ 4,470,329
Cost of trading transactions .....	4,657,517	4,331,191
<b>Gross trading profit</b> .....	138,224	139,138
Selling, general and administrative expenses .....	130,531	122,883
<b>Operating income</b> .....	7,693	16,255
<b>Other income:</b>		
Interest income .....	5,779	5,214
Dividends received .....	205,164	164,635
Others .....	14,505	20,638
Total other income .....	225,448	190,487
<b>Other expenses:</b>		
Interest expense .....	6,763	5,056
Others .....	14,497	16,793
Total other expenses .....	21,260	21,849
<b>Ordinary income</b> .....	211,881	184,893
<b>Extraordinary gains:</b>		
Gain on sales of property, plant and equipment .....	62	660
Gain on sales of investments in securities .....	3,031	15,631
Total extraordinary gains .....	3,093	16,291
<b>Extraordinary losses:</b>		
Loss on sales of property, plant and equipment .....	17	26
Loss on investments in subsidiaries and associated companies .....	82,306	41,392
Loss on sales of investments in securities .....	88	2,127
Loss on devaluation of investments in securities .....	39,667	2,199
Loss on impairment of long-lived assets .....	16,355	1,043
Total extraordinary losses .....	138,433	46,787
<b>Profit before income taxes</b> .....	76,541	154,397
Income taxes — current .....	9,283	6,587
Income taxes — deferred .....	(42,005)	11,137
<b>Net profit</b> .....	¥ 109,263	¥ 136,673

# Non-Consolidated Statement of Changes in Equity

ITOCHU Corporation

Year ended March 31, 2018

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

(Millions of Yen)

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

(millions of yen)

	Equity								Valuation, translation adjustments and others			Total equity	
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total share-holders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting		Total valuation, translation adjustments and others
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings unappropriated	Total retained earnings						
Balance at beginning of year	253,448	62,600	2	62,602	36,323	694,091	730,414	(121,326)	925,138	35,223	15,365	50,588	975,726
Changes during the year													
Dividends						(92,845)	(92,845)		(92,845)				(92,845)
Net profit						109,263	109,263		109,263				109,263
Purchase of treasury stock								(27,895)	(27,895)				(27,895)
Disposal of treasury stock			0	0				27	27				27
Net changes of items other than stock-holders' equity										14,263	(4,437)	9,826	9,826
Net change in the year	—	—	0	0	—	16,418	16,418	(27,868)	(11,450)	14,263	(4,437)	9,826	(1,624)
Balance at end of year	253,448	62,600	2	62,602	36,323	710,509	746,832	(149,194)	913,688	49,486	10,928	60,414	974,102

# Non-Consolidated Statement of Changes in Equity

ITOCHU Corporation

Year ended March 31, 2017 (reference)

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

(Millions of Yen)

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

(millions of Yen)

	Equity								Valuation, translation adjustments and others				Total equity
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total share-holders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total valuation, translation adjustments and others	
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings unappropriated	Total retained earnings						
Balance at beginning of year	253,448	62,600	2	62,602	36,323	640,455	676,778	(104,570)	888,258	38,239	628	38,867	927,125
Changes during the year													
Dividends						(83,037)	(83,037)		(83,037)				(83,037)
Net profit						136,673	136,673		136,673				136,673
Purchase of treasury stock								(16,773)	(16,773)				(16,773)
Disposal of treasury stock			0	0				17	17				17
Net changes of items other than stock-holders' equity										(3,016)	14,737	11,721	11,721
Net change in the year	—	—	0	0	—	53,636	53,636	(16,756)	36,880	(3,016)	14,737	11,721	48,601
Balance at end of year	253,448	62,600	2	62,602	36,323	694,091	730,414	(121,326)	925,138	35,223	15,365	50,588	975,726

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To the Board of Directors of  
ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Masahiro Ishizuka  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Koichi Okubo  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Hiroyuki Yamada  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Tadashi Nakayasu

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2018 of ITOCHU Corporation (the “Company”) and its subsidiaries, and the consolidated statement of comprehensive income and consolidated statement of changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the related notes" referred to in this report are not included in the attached financial documents.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To the Board of Directors of  
ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Masahiro Ishizuka  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Koichi Okubo  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Hiroyuki Yamada  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Tadashi Nakayasu

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of March 31, 2018 of ITOCHU Corporation (the “Company”), and the non-consolidated statements of income and changes in equity for the 94th fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

### Management’s Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to



design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the related notes and the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(Translation)

## **AUDIT REPORT OF THE Audit & Supervisory Board**

This audit report was prepared following the discussions based on the respective audit reports of each Audit & Supervisory Board Member concerning the conduct of the Directors in the performance of their duties during the 94th fiscal year from April 1, 2017 to March 31, 2018. The Audit & Supervisory Board submits its report as follows.

### **1. Methods and Details of the Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board**

The Audit & Supervisory Board established the policies of audit, the division of duties and other matters, and received reports from each Audit & Supervisory Board Member on the status and results of its audits. In addition, the Audit & Supervisory Board received reports from the Directors, etc., and the Independent Auditor regarding the performance of their duties, and requested explanations as necessary.

In accordance with the policies of audit, division of duties and the standards for the Audit & Supervisory Board Members as established by the Audit & Supervisory Board, each Audit & Supervisory Board Member communicated with the Directors, the Internal Audit Department, employees and others, committed to gather information and to enhance the audit environment, attended the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and others regarding the performance of their duties, requested explanations as necessary, and inspected important documents supporting decisions and other records and examined the status of operations and assets at the head office and important operating locations. In addition, the Audit & Supervisory Board periodically received reports from the Directors, employees and others, requested explanations as necessary, inspected important documents supporting decisions and other records, and expressed opinions regarding the details of the Board of Directors' resolutions and the system that is developed and operated in accordance with such resolution concerning the development of system to ensure that Directors' performance of their duties are in compliance with the laws and regulations, and Articles of Incorporation and the system to ensure the adequacy of operations of the ITOCHU Group consisting of ITOCHU Corporation and its subsidiaries as stipulated under Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of Company Act (internal control system).

As for the subsidiaries, each Audit & Supervisory Board Member promoted communications with the directors, Audit & Supervisory Board Members and, etc. of the subsidiaries, and received reports on the business of the subsidiaries as necessary.

Based on the above-mentioned methods, the business report and its supplemental schedules for the fiscal year under review were examined.

Moreover, each Audit & Supervisory Board Member monitored and verified whether the Independent Auditor, Deloitte Touche Tohmatsu LLC, maintained independence and conducted proper audit, received reports from the Independent Auditor regarding the status of the performance of its duties, and requested explanations as necessary.

The Audit & Supervisory Board Members also received the notification from the Independent Auditor that it had established a "system to ensure appropriate performance of its duties" (pursuant to Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Auditing" (issued by the Business Accounting Council on October 28, 2005), and requested explanation as necessary.

Based on the above-mentioned methods, the Audit & Supervisory Board examined the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statements of income, the non-consolidated statements of changes in equity, and the notes to non-consolidated financial statements) and the accompanying supplemental schedules as well as the consolidated financial statements (the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of changes in equity, and the notes to consolidated financial statements) for the fiscal year under review.

## 2. Results of Audit

### (1) Results of Audit of Business Reports, etc.

We confirm as follows;

- (a) The business report and the accompanying supplemental schedules present ITOCHU Corporation's situation correctly in accordance with laws and regulations, and the Articles of Incorporation of ITOCHU Corporation.
- (b) There was no improper behavior, or serious violation of any applicable laws and regulations or of the Articles of Incorporation of ITOCHU Corporation concerning the Directors' performance of their duties.
- (c) The details of the Board of Directors resolutions concerning the internal control system were appropriate and adequate. Furthermore, there was no matter we must point out, regarding the description of the internal control system in the business report and the Directors' performance of their duties concerning the internal control system. Additionally, we confirmed that ITOCHU Corporation and its subsidiaries and associates have, as noted in Business Report, implemented recurrence prevention measures and thorough compliance in response to a cease and desist order issued by the Japan Fair Trade Commission in January and February 2018.

### (2) Results of Audit of Non-Consolidated Financial Statements and the Accompanying Supplemental Schedules

We confirm that the auditing method and results of the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We confirm that the auditing method and results of the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 11, 2018

### **ITOCHU Corporation Audit & Supervisory Board**

Yoshio Akamatsu  
Audit & Supervisory Board Member (full time)

Kiyoshi Yamaguchi  
Audit & Supervisory Board Member (full time)

Shingo Majima  
Outside Audit & Supervisory Board Member

Kentaro Uryu  
Outside Audit & Supervisory Board Member

Kotaro Ohno  
Outside Audit & Supervisory Board Member

End