

Textile Company

We will target further earnings growth by accelerating our pursuit of downstream strategies and accumulating superior assets, while replacing assets.

President, Textile Company
Shuichi Koseki



**NEW
STAR
IS COMING**



CONVERSE ALL STAR
100th Anniversary

**IT'S
ALL
STAR
100!!**



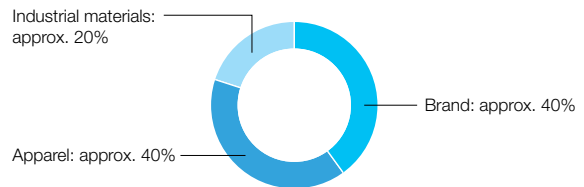
Organization



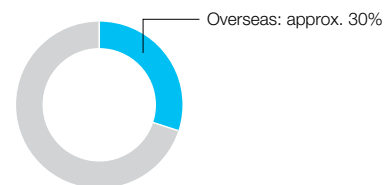
From left:
Shiro Hayashi,
Chief Operating Officer, Apparel Division 1
Motonari Shimizu,
Chief Operating Officer, Apparel Division 2
Masahiro Morofuji,
Executive Vice President, Textile Company;
Chief Operating Officer, Brand Marketing Division 1
Yoshihiro Fukushima,
Chief Operating Officer, Brand Marketing Division 2
Tatsuya Izumi, Chief Financial Officer
Shoji Miura,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status

Strengths

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

Earnings Opportunities

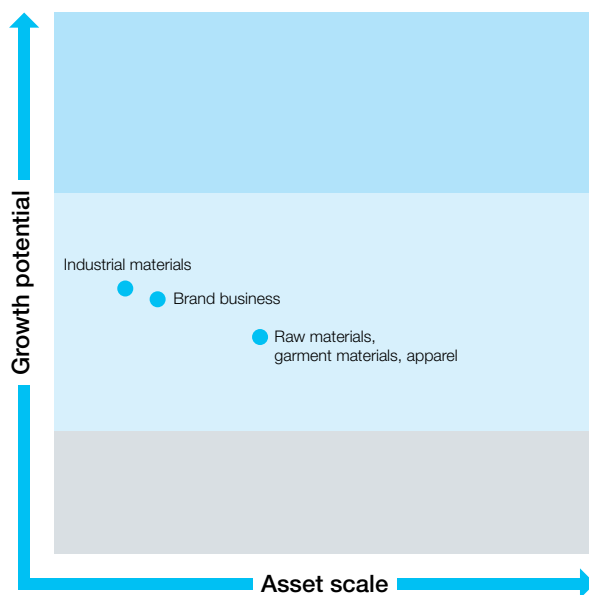
- Changing consumer trends in the Japanese market such as increasing inbound tourism
- Growth of consumer markets in China and other parts of Asia due to rising standards of living
- Trade agreements that can lead to new commercial opportunities
- 
 ■ Creating a stable structure for manufacturing by developing a supply chain that values human rights and achieves improvements in the working environment
- 
 ■ Meet new consumer demand for sustainable and ethical practices by creating environmentally friendly businesses, such as those using recycled textiles

Challenges to Address

- Encouraging consumption through the creation of new ways to add value for consumers under the shrinking domestic apparel market
- Cultivating overseas markets with influential partners under a decreasing domestic population
- 
 ■ Improve the precision of supply chain management and conduct more in-depth and broader initiatives
- 
 ■ Ensure business sustainability by responding swiftly and positively to environmental legislation

Materialities
 Consideration for the environment
  Sustainable use of resources
  Respect and consideration for human rights
  Contribution to local communities
  Improving labor conditions

Asset Portfolio



EXIT from "stable earnings" in FYE 2016: Shanshan Group

 Value driver
  Stable earnings
  Reinforce

Growth Strategies

Creating Added Value

- Increase earnings by enhancing existing businesses through cultivation and improvement
- Expand new trade and initiatives in growth fields, such as e-commerce, sports, etc.
- Increase fundamental earnings by enhancing existing businesses through measures, such as promoting a lean and streamlined management

Asset Strategies

- Further promote the expansion and replacement of superior assets while maintaining a mid- to long-term perspective
- Strengthen capital initiatives by partnering with strong local companies in Japan, China, and other parts of Asia

Initiatives to Enhance Corporate Value

Creating Added Value

Enhancing Value by Strengthening Existing Businesses (Cultivation and Improvement)

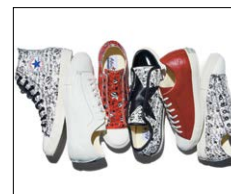
In addition to new initiatives and projects, the Textile Company aims to achieve stable and sustainable growth in the mid to long term by further strengthening its existing businesses.

ITOCHU holds the trademark rights for the Converse brand in Japan. We obtained the rights for use in apparel and accessories in 1999, followed by shoes in 2001. In 2002, we established Converse Japan Co., Ltd., as a wholly owned subsidiary. Since then, the Textile Company has made a unified effort to strengthen and grow the brand, further enhancing its value in the Japanese market. To increase sales channels and continue to build on the core wholesale business of Converse shoes, in 2015 we opened the brands' first directly operated store. The business continues to evolve steadily as we look to further expansion through new initiatives such as high-end collaborations with prominent designers to promote the brand's development. Furthermore, the brand's apparel initiatives were previously focused on the sale of mid-range products to mass retailers, but recently we have started a new partnership with MELROSE CO., LTD., which is a strong player in the apparel industry that develops and operates brands in Japan. This partnership has resulted in the launch of a high-end apparel line and has significantly boosted the brand image in non-shoe categories.

The success and growth of the Converse brand is a prime example of how we will continue to pursue new initiatives to strengthen and grow our existing businesses.



White Atelier BY CONVERSE, the directly operated store in Tokyo that opened in 2015



AVANT CONVERSE, a high-end collaboration line created with a prominent designer

Creating Added Value



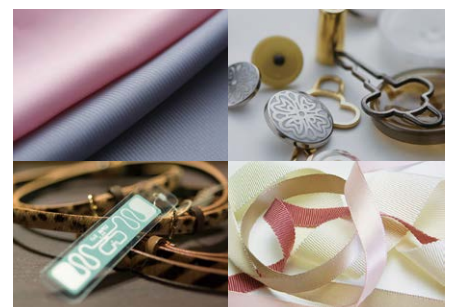
ESG

Initiatives with SANKEI

SANKEI CO., LTD. is an ITOCHU subsidiary that specializes in garment materials and notions, such as linings, buttons, and fasteners. SANKEI is known as a total supplier, providing comprehensive services that include production, sales, and distribution in both Japan and international markets. SANKEI's Mikuni factory in Fukui Prefecture specializes in the dyeing of lining materials and is the largest of its kind in Japan. Through this and several other factories, SANKEI holds a 70% share of the domestic market. In recent years, the company has also focused on development in cutting-edge fields, including the manufacture and sale of contactless IC tags (RFID). Through its proactive engagement in these fields, SANKEI is working to foster the early adoption of this technology in both Japan and overseas.

Since SANKEI became a subsidiary in 2008, ITOCHU has worked to support the business by dispatching management resources to SANKEI in an effort to bring about structural reforms and the growth of its apparel functions. As a result, the company has achieved a solid position as the industry leader in garment materials and notions. We also proactively promote synergies within the Group, including SANKEI's provision of garment materials to EDWIN, which is one of the largest denim manufacturers and distributors in Japan.

From an ESG perspective, SANKEI is working to achieve cost reductions and implement environmental measures, such as installing solar power panels on some of their unused land and building a biomass boiler fueled by waste wood chips. Through these initiatives, the company is striving to establish a sustainable manufacturing foundation and shrink its environmental footprint by reducing CO₂ emissions and converting to natural energy.



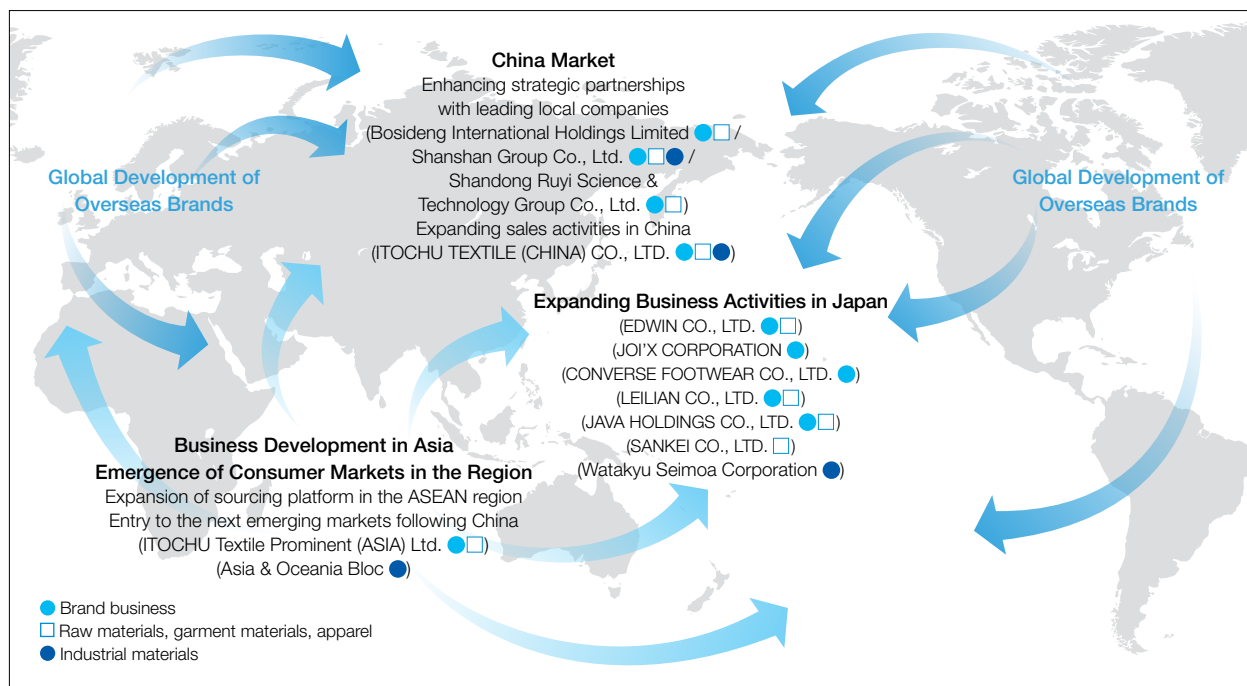
SANKEI's primary products:
Linings, buttons, RFID tags, etc.



Solar panels installed on unused land
at the Mikuni factory

Please see the Sustainability pages of our website to learn more about our initiatives targeting sustainable growth issues.
<https://www.itochu.co.jp/en/csr/activities/textile/>

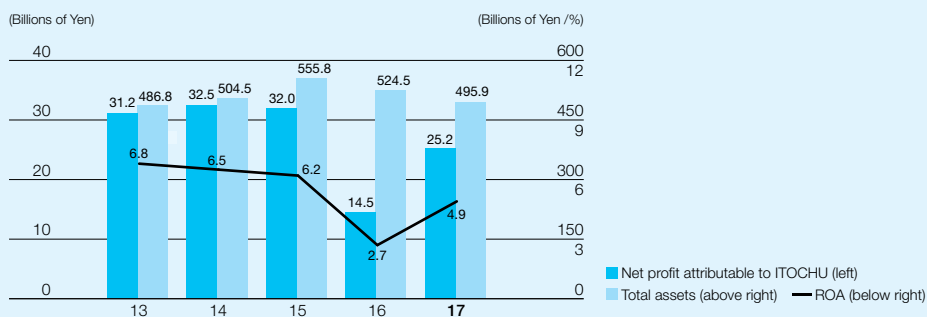
Business Development



Business Results Years ended March 31

Note: Based on U.S. GAAP for FYE 2013 and 2014

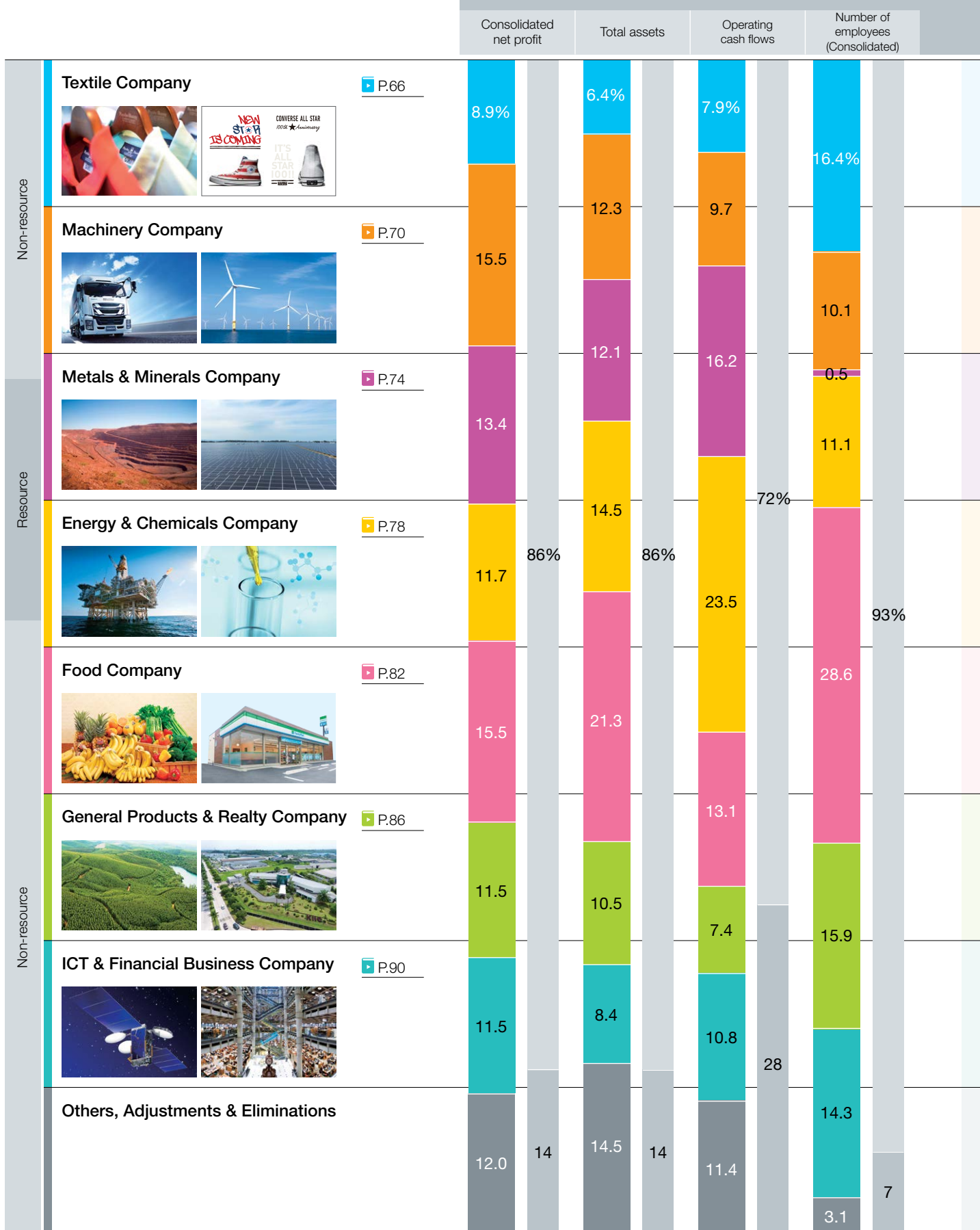
Net Profit attributable to ITOCHU / Total Assets / ROA



| | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------------------------------------------------------------------------------------------|-------------|------|----------|----------|----------|
| Billions of Yen | | | | | |
| Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies | | | | | |
| JOI'X CORPORATION | 1.3 | 1.3 | 1.3 | 1.1 | 1.4 |
| SANKEI CO., LTD. | 1.6 | 1.5 | 2.6 | 1.0 | 2.0 |
| ITOCHU Textile Prominent (ASIA) Ltd. | 1.1 | 2.0 | 1.4 | 0.9 | 0.8 |
| ITOCHU TEXTILE (CHINA) CO., LTD. | 1.3 | 1.2 | 1.2 | 0.9 | 0.9 |
| Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image) | approx. 30% | | | | |
| Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies) | Japan | | 18% (24) | 18% (23) | 17% (21) |
| | Overseas | | 7% (14) | 6% (11) | 6% (11) |

Segment Overview

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



* Figures for consolidated net profit are based on an average for the past three years, excluding one-time profit/loss.

| Business Fields | FYE 2017 Highlights |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ■ Brand business ■ Raw materials, garment materials, apparel ■ Industrial materials | <ul style="list-style-type: none"> ■ JOI'X CORPORATION debuted their first apparel collection for Psycho Bunny in spring/summer 2017 and will continue to focus on the line as one of their core brands alongside Paul Smith. In the first fiscal year, the company plans to open around 20 stores, including free standing stores. ■ To celebrate the 100th anniversary of its ALL STAR brand, Converse has launched the ALL STAR 100 series, which features enhanced performance. The company also began working with a prominent French designer on the development of the high-end AVANT CONVERSE line, which will further contribute to the brand's evolution. |
| <ul style="list-style-type: none"> ■ Plant and Power projects (petrochemical, water and environmental, infrastructure, IPP) ■ Marine and Aerospace (new vessels, secondhand vessels, ship ownership, civil aircraft, aircraft leasing) ■ Automobile (sales of passenger cars and commercial vehicles in the domestic and international markets, and business investments) ■ Construction machinery, Industrial machinery and Medical devices (sales and business investment in domestic and international markets) | <ul style="list-style-type: none"> ■ Acquired 22.5% equity interest in the Butendiek Offshore Wind Power Plant jointly with CITIC Pacific Ltd. ■ Commencement of commercial operation of the first unit of the Sarulla Geothermal IPP Project in Indonesia ■ Telerent, which has the leading share of TV system sales to hospitals in the Americas, acquired DNG, which engages in the business of designing and constructing audiovisual equipment |
| <ul style="list-style-type: none"> ■ Development of metals and mineral resources (iron ore, coal, alumina, etc.) ■ Trade in products, resources, and fuel (iron ore, coal, aluminum, uranium, etc.) ■ Steel-related businesses (import and export, sales, and processing of steel products) ■ Environment-related businesses (mega-solar projects, biomass fuel trading, etc.) | <ul style="list-style-type: none"> ■ Start of commercial operation at Shin-Okayama Solar Power Plant ■ Annual production at the Jimblebar Iron Ore Mine in Australia reached 50 million tons per year |
| <ul style="list-style-type: none"> ■ Energy development (LNG projects, oil and gas projects, etc.) ■ Energy trading (crude oil, petroleum products, LPG, LNG, natural gas, electricity, etc.) ■ Chemical projects and trading | <ul style="list-style-type: none"> ■ Signing of memorandum of understanding with CITIC Resources Holdings Limited for collaboration in oil and gas business ■ Signing of basic agreement with Sumitomo Chemical to collaborate on distribution of methionine ■ Successful entry into production phase at an oil field in Eastern Siberia, Russian Federation |
| <ul style="list-style-type: none"> ■ Resources/Material ■ Product processing (fresh food, provisions) ■ Midstream distribution (food wholesaling) ■ Retail (CVS, GMS) | <ul style="list-style-type: none"> ■ Merger of FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., creating FamilyMart UNY Holdings Co., Ltd. ■ Conclusion of alliance with the RIZAP Group and FamilyMart in the areas of healthcare and lifestyle |
| <ul style="list-style-type: none"> ■ Wood products and materials (production, wholesaling) ■ Paper, pulp, and hygiene (production, wholesaling) ■ Natural rubber and tire (processing, wholesaling, retail) ■ Development and operation of housing, logistics facilities, and other projects ■ Logistics (3PL, international transport, etc.) | <ul style="list-style-type: none"> ■ Acquired a site of approximately 200 hectares in the Karawang International Industrial City in Indonesia, and a plant expansion is under way ■ Distribution center development and expansion of outsourced center operations for Internet sales in China, centered on wholly owned ITOCHU Group subsidiary ITOCHU LOGISTICS (CHINA) CO., LTD. |
| <ul style="list-style-type: none"> ■ Information technology (ICT, BPO, healthcare) ■ Communications (mobile, media, satellite businesses) ■ Finance (retail, corporate) ■ Insurance (brokerage, underwriting) ■ Fintech, AI, IoT | <ul style="list-style-type: none"> ■ Entrance of new business domain that uses AI and fintech to go beyond the boundaries of telecommunications and finance (capital tie-up with ABEJA/Grid) ■ Reorganization of BPO services for ITOCHU Group and pharmaceutical companies ■ Enhanced ties with HOKEN NO MADOGUCHI GROUP |
| | <ul style="list-style-type: none"> ■ Signing of letter of intent for establishment of joint venture in medical and health-related businesses with CITIC Medical & Health Group Co., Ltd. ■ Start of operations of cross-border e-commerce site targeting affluent Chinese segment in collaboration with CITIC Holdings Co., Ltd. |