

Machinery Company

We aim to make a further leap forward by accumulating superior assets and reconfiguring and reinforcing the value chain business.

President, Machinery Company

Kazutaka Yoshida



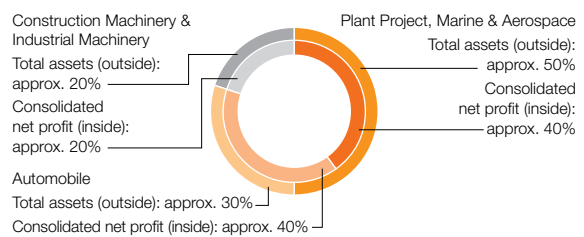
Organization



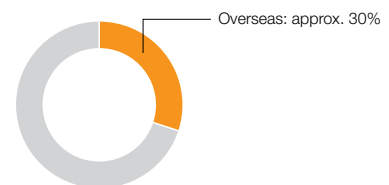
From left:
 Hiroshi Sato,
 Chief Operating Officer, Plant Project, Marine & Aerospace Division
 Masato Osugi,
 Chief Operating Officer, Automobile Division
 Toshihiko Fujioka,
 Chief Operating Officer,
 Construction Machinery & Industrial Machinery Division
 Ikuya Hirano, Chief Financial Officer
 Hiroshi Ushijima,
 General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status

Strengths

- Solid business relationships with excellent partners in each field of operations
- Broad-based business development on a global scale in the automobile sector
- Diverse businesses in advanced countries and business developments in emerging countries that minimize country risk

Earnings Opportunities

- Numerous investment opportunities to meet growing demand for global infrastructure (electric power, water, environmental, transport, and energy)
- Market expansion due to rising automobile demand in emerging countries
-  ■ Growing needs for leading-edge medical devices in advanced countries as their societies age
-  ■ Participation in renewable energy projects, including geothermal and wind power generation
-  ■ Initiatives in water-related businesses in response to increasing demand for water

Challenges to Address

- Trade and business development that takes into consideration the pace of growth and country risk in emerging countries
-  ■ In infrastructure-related businesses, consideration for environmental protection, local communities, and human rights in development regions
-  ■ In medical businesses, response to the rapid aging of society
-  ■ Response to a low-carbon society by utilization of renewable energy

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

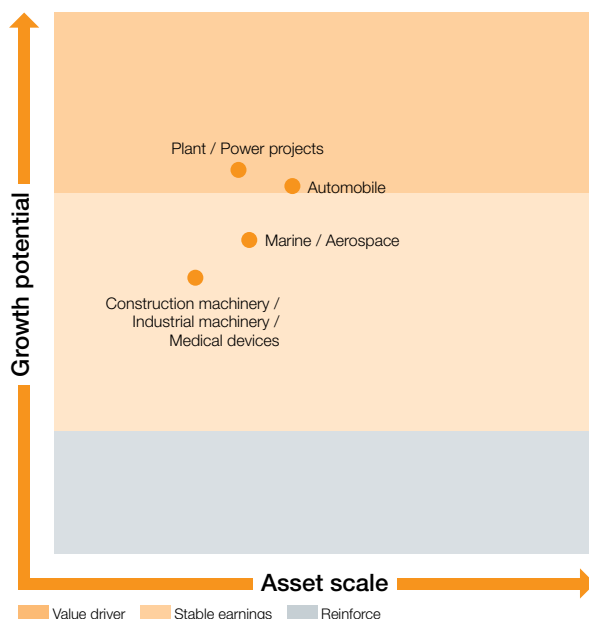


Contribution to local communities



Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Augment ability to generate fundamental earnings through measures to enhance existing businesses
- Boost trade and reorganize and strengthen the value chain business, expanding into peripheral fields
- Promote cooperation with excellent partners (such as the CITIC Group and the CP Group)
- Promote the construction of a medical device value chain

Asset Strategies

- Replace assets and accumulate superior assets
- Invest in projects while paying due consideration to environmental protection and local communities

Initiatives to Enhance Corporate Value

Creating Added Value

YANASE Converted to Consolidated Subsidiary

YANASE & CO., LTD., is the largest imported car dealership group in Japan, with a network of approximately 190 locations around Japan and some 4,700 employees. The company marked its 100th anniversary of establishment in 2015. YANASE currently handles seven automobile brands centered on Mercedes-Benz, with sales of approximately 43,000 units per year, which is 15% share of the imported car market in Japan.

ITOCHU became a capital participant in YANASE in 2003. Since then, we have gradually increased our capital contribution ratio, and in the second quarter of FYE 2018 we converted the company to a consolidated subsidiary. ITOCHU is following the investment policy that prioritizes investment in carefully selected projects, centering on additional investments of existing businesses with a proven track record to further enhance the quality and efficiency of its assets. YANASE is an example of these efforts.

Going forward, ITOCHU will strengthen its alliance with YANASE, and strive to enhance existing businesses in Japan, including new and used car sales and after-sales services. At the same time, we aim to improve YANASE's corporate value further by realizing synergies with ITOCHU's expertise, human and financial resources.



Headquarters building, renovated in 2012



Mercedes-Benz showroom

Asset Strategies



ESG

The Sarulla Geothermal IPP Project

In Indonesia's Sarulla region in North Sumatra, one of the world's largest geothermal power projects (net capacity of 320.8 MW by three units) is under way by Sarulla Operations Ltd. (SOL), which was jointly established by ITOCHU Corporation, Kyushu Electric Power Co., Inc., INPEX Corporation, PT. Medco Power Indonesia, and Ormat Technologies, Inc. (USA).

In 2013, SOL signed a 30-year long-term power purchase agreement with Indonesia's state-owned electricity company, and began the construction of a power plant and steam field drilling, of which commercial operation of the first unit commenced on March 18, 2017. With ongoing construction, the second unit is set to achieve commercial operation in 2017, followed by the third in 2018.

Indonesia stands out as the home of one of the world's largest geothermal reserves and the Indonesian government is aggressively promoting its development as a strategic source of electricity. Amid growing infrastructure demand around the world, ITOCHU continues to promote investments in business opportunities which make contributions to the economic development of emerging countries with due consideration paid to environmental protection and local communities.

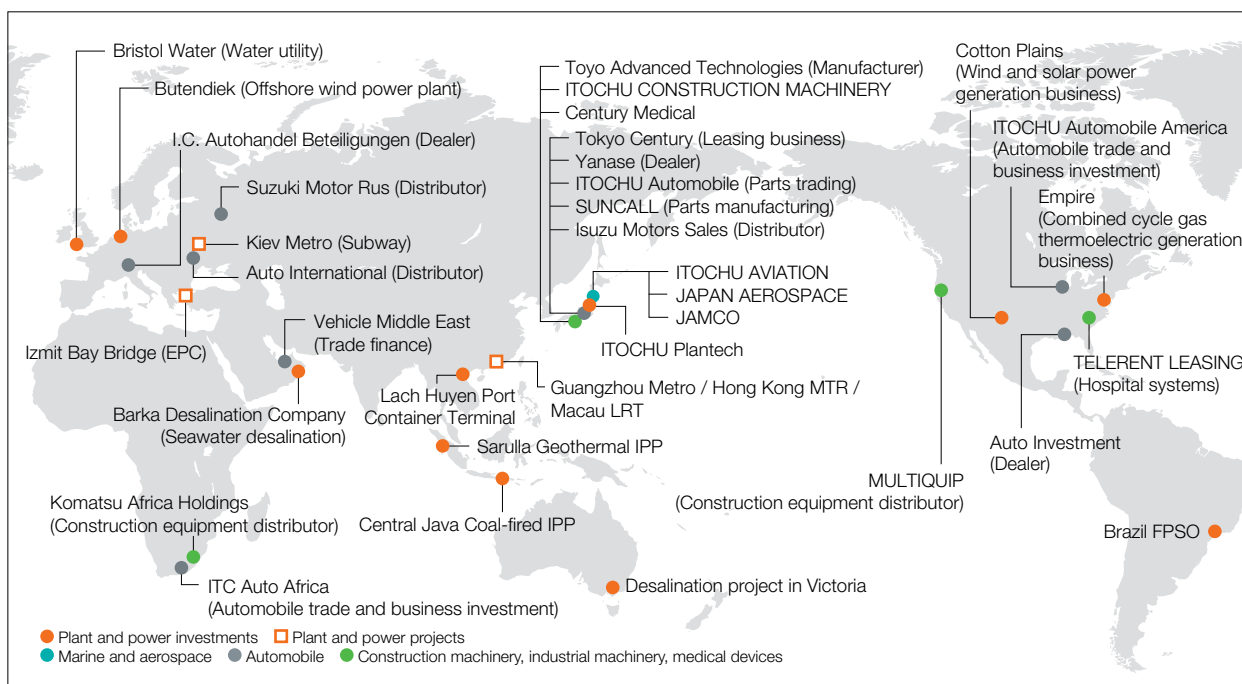


The first unit of the Sarulla Geothermal IPP Project

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/machinery/>

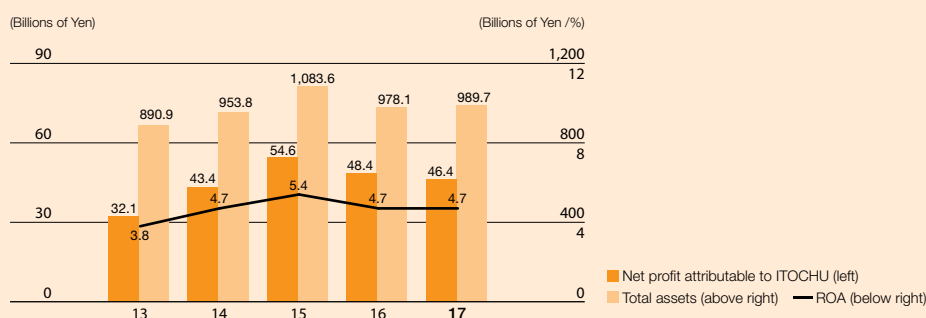
Business Development



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

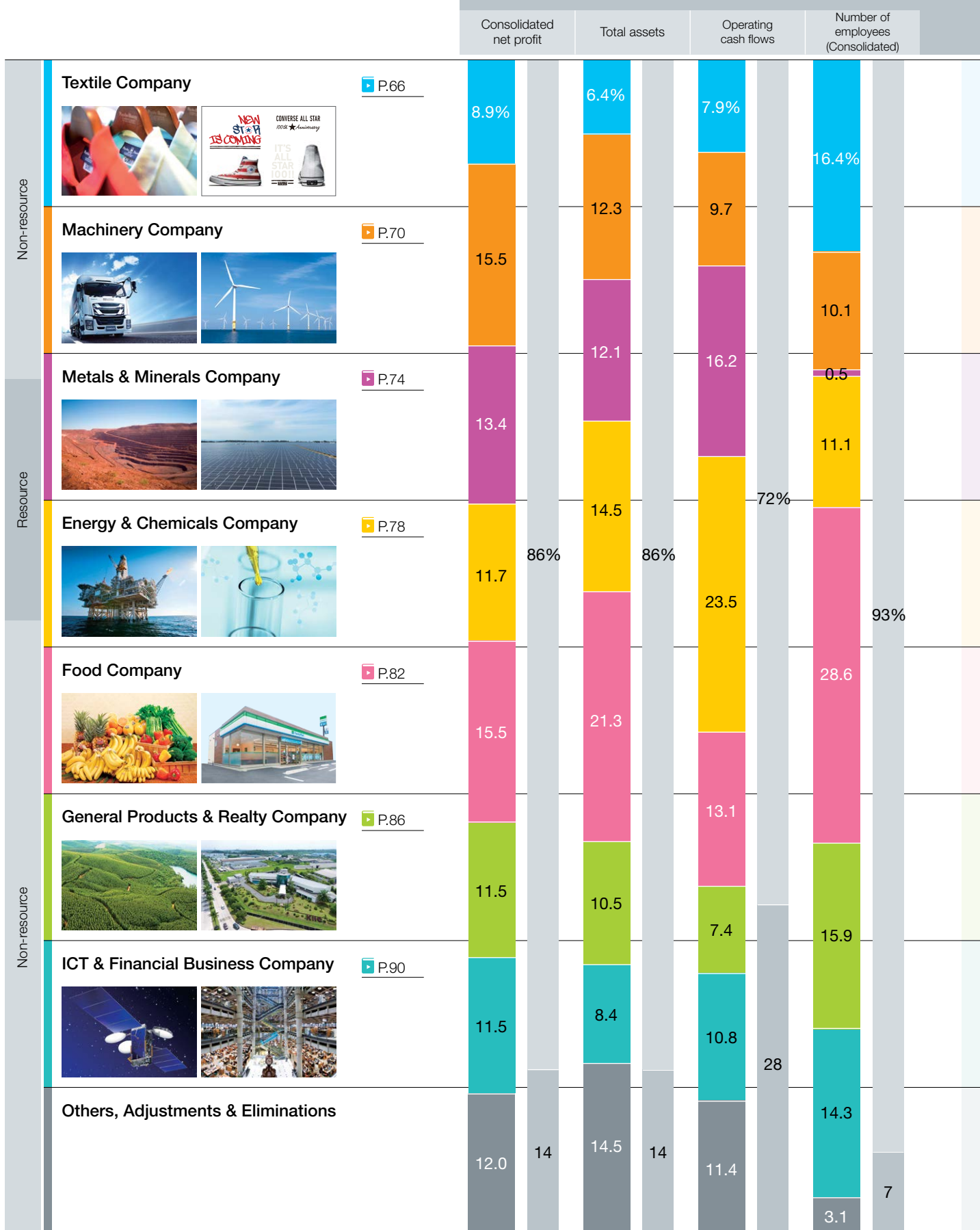


| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------|------|----------|----------|----------|
| Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies | | | | | |
| Tokyo Century Corporation* | 6.2 | 8.4 | 9.1 | 9.6 | 10.2 |
| JAMCO Corporation | 0.6 | 0.9 | 1.7 | 1.5 | 0.4 |
| JAPAN AEROSPACE CORPORATION | 0.7 | 1.0 | 0.9 | 1.0 | 1.1 |
| SUNCALL CORPORATION | 0.6 | 0.7 | 0.6 | 0.4 | 0.3 |
| ITOCHU CONSTRUCTION MACHINERY CO., LTD. | 0.9 | 1.3 | 0.9 | 0.8 | 0.7 |
| ITOCHU MACHINE-TECHNOS CORPORATION | 0.7 | 0.6 | 0.5 | 0.7 | 1.1 |
| Century Medical, Inc. | 1.0 | 1.1 | 1.0 | 0.3 | 0.5 |
| Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies) | Japan | | 16% (21) | 13% (17) | 12% (15) |
| | Overseas | | 21% (44) | 23% (46) | 23% (41) |

* Tokyo Century Corporation changed its name from Century Tokyo Leasing Corporation in October 2016.

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. |