

## Energy & Chemicals Company

We aim to maintain and expand our ability to generate earnings base by enhancing existing businesses in Japan. At the same time, we will take strategic actions in new business fields worldwide to strengthen our business foundation over the medium to long term.

President, Energy & Chemicals Company

**Masahiro Imai**



### Organization

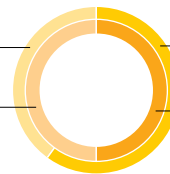


From left:  
Hisato Okubo,  
Chief Operating Officer, Energy Division  
Keita Ishii,  
Executive Vice President, Energy & Chemicals Company;  
Chief Operating Officer, Chemicals Division  
Satoshi Nakajima, Chief Financial Officer  
Isao Nakao,  
General Manager, Planning & Administration Department

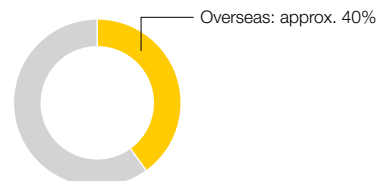
### Ratios

#### Composition by Segment (image)

Chemicals:		Energy:
Total assets (outside):		Total assets (outside):
approx. 40%		approx. 60%
Consolidated		Consolidated
net profit (inside):		net profit (inside):
approx. 50%		approx. 50%



#### Percentage of Earnings from Overseas Businesses (image)





## Analysis of Current Status

### Strengths

- Business portfolio in the energy sector ranging from upstream to downstream
- Worldwide sales network of chemicals trading
- Robust portfolio of chemicals projects ranging from upstream to downstream

### Earnings Opportunities

- Long-term growth in energy demand
- Robust expansion in chemicals demand in China, ASEAN, and North / Central / South America
- Rising food demand in line with a growing world population (methionine, fertilizers, etc.)
- Needs for environment-friendly energy and products

### Challenges to Address

- Establishment of a well-balanced and stable earnings platform resilient to business environment changes
- Promotion of cost-competitive energy development projects with prime partners
- Strengthening the compliance system for changing chemical-related legislations
- Energy development with consideration for local communities, working environments, and the environment

### Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

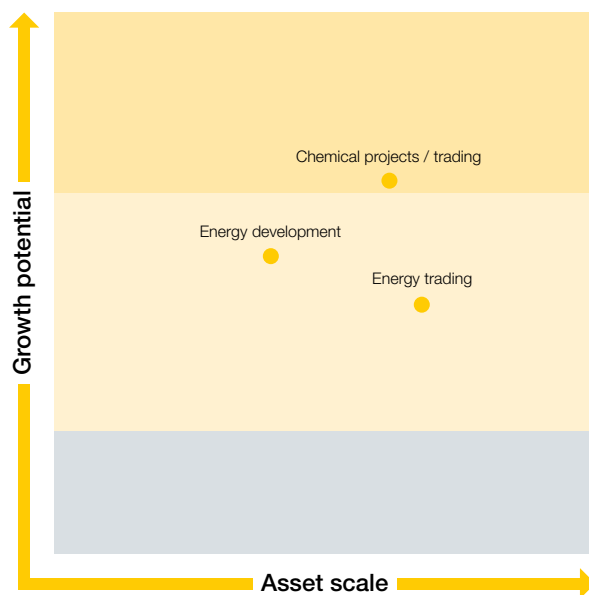


Contribution to local communities



Improving labor conditions

## Asset Portfolio



## Growth Strategies

### Creating Added Value

- Bolster earnings base in existing businesses and expand business foundations in new fields
- Realize synergy and integration effects of C.I. TAKIRON, which has become a leading Japanese plastics processing company
- Promote collaboration with prime partners, including the CITIC Group and the CP Group and oil majors

### Asset Strategies

- Build up additional superior assets of oil and gas development and LNG projects
- Expand the chemicals trade network and ensure lean management and low-cost operations

## Initiatives to Enhance Corporate Value

Creating  
Added Value

+

ESG

### Methionine Business with Sumitomo Chemical

In December 2016, ITOCHU signed a basic agreement with Sumitomo Chemical Co., Ltd., to collaborate in the sales of the feed additive methionine to be produced on a new production line of Sumitomo Chemical's Ehime Works (100,000 tons per year). After a formal agreement was concluded in March 2017, we began pre-marketing in April 2017 with a view to commence full-fledged sales collaboration once the new production line is complete.

Methionine, an amino acid, is widely used to boost chicken meat and egg productivity. Adding methionine also helps to adjust the amino acid balance in feed, promoting the efficient use of amino acids within an animal's body, which reduces the amount of nitrogen oxide in excrement—a positive environmental result.

Global demand growth for methionine is forecast to be stable. ITOCHU has built up a strong relationship with the Charoen Pokphand Group, a leading consumer of methionine, and has a global sales network.

Through this basic agreement, ITOCHU and Sumitomo Chemical will seek to integrate the strengths both companies have cultivated over the years in China and other Asian markets. By working together to further enhance our business in global markets, we aim to contribute to a stable supply of food throughout the world.



Methionine plant at Sumitomo Chemical's Ehime Works



Sumitomo Chemical Animal Nutrition Technical Center (Malaysia)

Asset  
Strategies

### Oil Exploration, Development, and Production Activities in Eastern Siberia, Russian Federation

Together with Japan Oil, Gas and Metals National Corporation and INPEX CORPORATION, ITOCHU is participating in oil exploration, development, and production activities in Irkutsk Oblast, Eastern Siberia, Russian Federation. These activities are being conducted through Japan South Sakha Oil Co., Ltd. (JASSOC). The operator for this project is INK-Zapad, a joint venture between Irkutsk Oil Company (INK) and JASSOC. INK-Zapad has moved forward with exploration and appraisal operations. Crude oil reserves sufficient for commercial production were confirmed at the Ichyodinskoye (ICH) oil field, and the field was moved to the production phase in December 2016.

The crude oil produced at this field will not only be supplied to the domestic market in Russia but also exported to the Asian market, including Japan. Further discoveries of large-scale oil and gas fields are anticipated in Eastern Siberia. In addition to the ICH field, other oil and gas accumulations have also been confirmed in the blocks. Going forward, the project will continue to focus on business expansion. Resource projects are depleting assets, and there is a continuing need for asset augmentation. Accordingly, ITOCHU will continue working to acquire superior projects that contribute to the establishment of a stable earnings base.



Drilling site at the Ichyodinskoye oil field

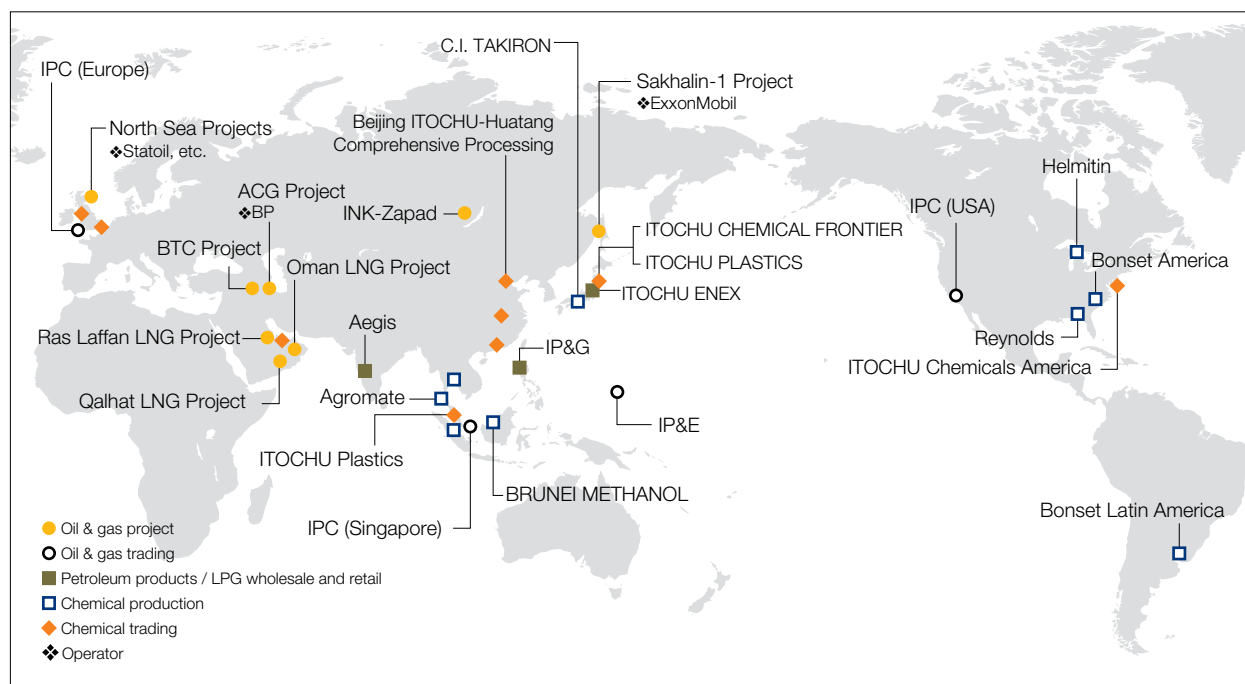


Construction site of a crude oil processing facility

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/chemical/>

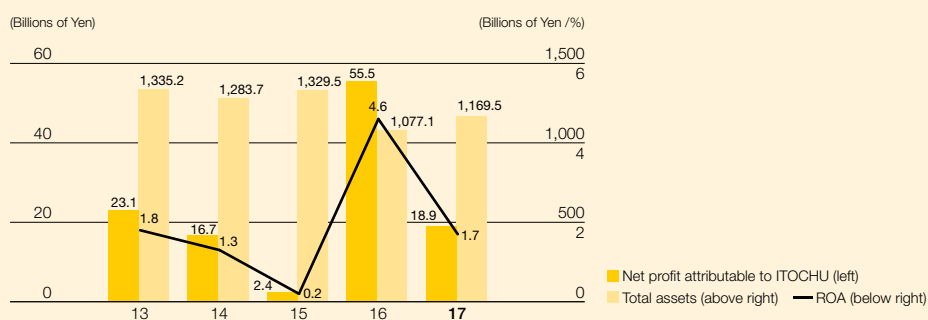
## Business Development



## 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

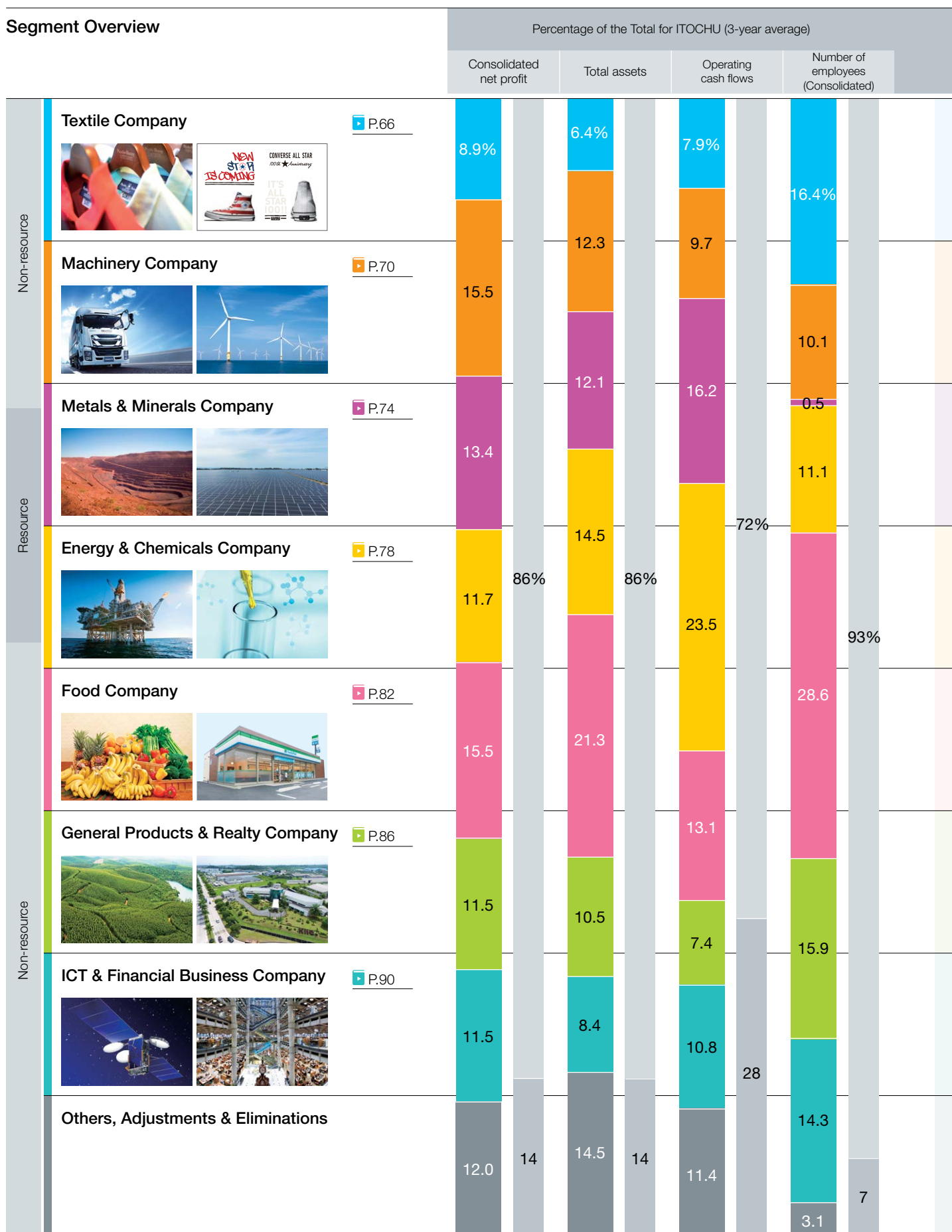


	Billions of Yen				
Breakdown of Net Profit Attributable to ITOCHU by Major Group Companies	2013	2014	2015	2016	2017
ITOCHU Oil Exploration (Azerbaijan) Inc.	13.1	15.7	6.9	5.0	0.7
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	0.8	4.3	1.0	2.3	1.8
ITOCHU ENEX CO., LTD.	3.2	3.9	2.8	4.1	5.5
Dividend from LNG Projects (PAT)	7.7	7.8	8.3	4.8	3.2
ITOCHU CHEMICAL FRONTIER Corporation	3.0	3.2	3.1	3.1	3.1
ITOCHU PLASTICS INC.	2.2	3.0	3.5	3.5	4.2
C.I. Kasei Co., Ltd.*	1.1	1.2	1.1	1.3	4.1
TAKIRON Co., Ltd.*	1.0	1.3	0.7	0.9	1.3
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan					
Overseas					

\* In April 2017, Takiron Co., Ltd., and C.I. Kasei Co., Ltd., merged to form C.I. TAKIRON Corporation.



## Segment Overview



\* 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"> <li>■ Brand business</li> <li>■ Raw materials, garment materials, apparel</li> <li>■ Industrial materials</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>
<ul style="list-style-type: none"> <li>■ Plant and Power projects (petrochemical, water and environmental, infrastructure, IPP)</li> <li>■ Marine and Aerospace (new vessels, secondhand vessels, ship ownership, civil aircraft, aircraft leasing)</li> <li>■ Automobile (sales of passenger cars and commercial vehicles in the domestic and international markets, and business investments)</li> <li>■ Construction machinery, Industrial machinery and Medical devices (sales and business investment in domestic and international markets)</li> </ul>	<ul style="list-style-type: none"> <li>■ Acquired 22.5% equity interest in the Butendiek Offshore Wind Power Plant jointly with CITIC Pacific Ltd.</li> <li>■ Commencement of commercial operation of the first unit of the Sarulla Geothermal IPP Project in Indonesia</li> <li>■ 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</li> </ul>
<ul style="list-style-type: none"> <li>■ Development of metals and mineral resources (iron ore, coal, alumina, etc.)</li> <li>■ Trade in products, resources, and fuel (iron ore, coal, aluminum, uranium, etc.)</li> <li>■ Steel-related businesses (import and export, sales, and processing of steel products)</li> <li>■ Environment-related businesses (mega-solar projects, biomass fuel trading, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Start of commercial operation at Shin-Okayama Solar Power Plant</li> <li>■ Annual production at the Jimblebar Iron Ore Mine in Australia reached 50 million tons per year</li> </ul>
<ul style="list-style-type: none"> <li>■ Energy development (LNG projects, oil and gas projects, etc.)</li> <li>■ Energy trading (crude oil, petroleum products, LPG, LNG, natural gas, electricity, etc.)</li> <li>■ Chemical projects and trading</li> </ul>	<ul style="list-style-type: none"> <li>■ Signing of memorandum of understanding with CITIC Resources Holdings Limited for collaboration in oil and gas business</li> <li>■ Signing of basic agreement with Sumitomo Chemical to collaborate on distribution of methionine</li> <li>■ Successful entry into production phase at an oil field in Eastern Siberia, Russian Federation</li> </ul>
<ul style="list-style-type: none"> <li>■ Resources/Material</li> <li>■ Product processing (fresh food, provisions)</li> <li>■ Midstream distribution (food wholesaling)</li> <li>■ Retail (CVS, GMS)</li> </ul>	<ul style="list-style-type: none"> <li>■ Merger of FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., creating FamilyMart UNY Holdings Co., Ltd.</li> <li>■ Conclusion of alliance with the RIZAP Group and FamilyMart in the areas of healthcare and lifestyle</li> </ul>
<ul style="list-style-type: none"> <li>■ Wood products and materials (production, wholesaling)</li> <li>■ Paper, pulp, and hygiene (production, wholesaling)</li> <li>■ Natural rubber and tire (processing, wholesaling, retail)</li> <li>■ Development and operation of housing, logistics facilities, and other projects</li> <li>■ Logistics (3PL, international transport, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Acquired a site of approximately 200 hectares in the Karawang International Industrial City in Indonesia, and a plant expansion is under way</li> <li>■ 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.</li> </ul>
<ul style="list-style-type: none"> <li>■ Information technology (ICT, BPO, healthcare)</li> <li>■ Communications (mobile, media, satellite businesses)</li> <li>■ Finance (retail, corporate)</li> <li>■ Insurance (brokerage, underwriting)</li> <li>■ Fintech, AI, IoT</li> </ul>	<ul style="list-style-type: none"> <li>■ 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)</li> <li>■ Reorganization of BPO services for ITOCHU Group and pharmaceutical companies</li> <li>■ Enhanced ties with HOKEN NO MADOGUCHI GROUP</li> </ul>
	<ul style="list-style-type: none"> <li>■ Signing of letter of intent for establishment of joint venture in medical and health-related businesses with CITIC Medical &amp; Health Group Co., Ltd.</li> <li>■ Start of operations of cross-border e-commerce site targeting affluent Chinese segment in collaboration with CITIC Holdings Co., Ltd.</li> </ul>