

Food Company

Commerce is not just about selling products. Rather, it requires constant vigilance toward product sales. By giving thoughtful consideration to downstream operations, we are further strengthening our value chain spanning upstream to downstream activities as we work to augment corporate value, including our Group companies.

President, Food Company
Yozo Kubo



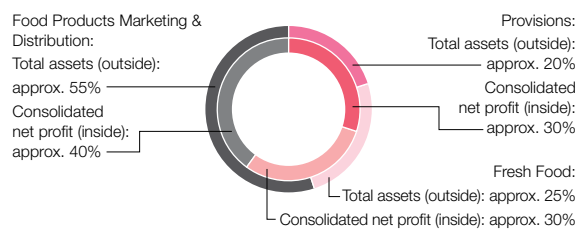
Organization



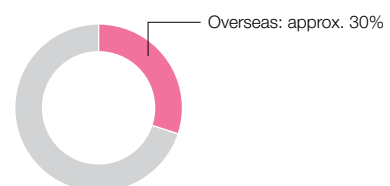
From left:
Hiroyuki Kaizuka,
Chief Operating Officer, Provisions Division
Yutaka Yamamura,
Vice President, Food Company;
Chief Operating Officer, Fresh Food Division
Kensuke Hosomi,
Chief Operating Officer, Food Products Marketing & Distribution Division
Makoto Kyoda, Chief Financial Officer
Takeshi Inoue,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)





Analysis of Current Status



Strengths

- An industry-leading midstream distribution and retail network
- Possession of a worldwide production, distribution, and sales value chain for fresh foods (marine, meat, and agricultural products)
- Ownership of a global supply chain for food resources

Earnings Opportunities

- Possession of a robust value chain spanning upstream to downstream processes
- Business expansion based on strategic business alliance with the CITIC Group and the CP Group
- Market expansion due to increasing population and rising income, centered on China and other parts of Asia
- Further increase in consumer awareness toward food safety and security
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 ■ Reinforcement of the structure to supply sustainable raw materials

Challenges to Address

- Responding to the shrinking market in Japan caused by a decreasing population, falling birthrate, and aging population
- Ensuring a stable supply of foodstuffs
- Configuring robust supply chains overseas
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 ■ Responding to the risk of climate change
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 ■ Responding to supply chain management (human rights, labor practices, and the environment)

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

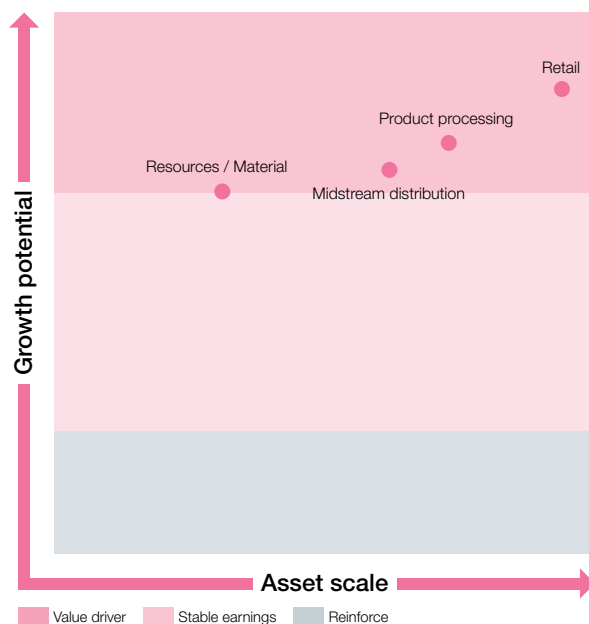


Contribution to local communities



Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Expand peripheral businesses with FamilyMart UNY Holdings in areas including finance, IT, distribution, and services
- Increase scale of the Dole business
- Reinforce the ITOCHU Group's value chain
- Promote collaboration with excellent partners (such as the CITIC Group and the CP Group)

Asset Strategies

- Strengthen relations with existing businesses
- Spearhead industry reorganization
- Accelerate efficiency in management

Initiatives to Enhance Corporate Value

Creating
Added Value

+

ESG

Turning Around the Dole Business

In April 2013, we acquired the Asian fresh produce business and the worldwide packaged food business from Dole Food Company, Inc. Following the acquisition, the Philippines—the largest production hub for the business' mainstay products—was affected by typhoons, droughts, and pest damage, causing banana production to fall by around 40% from the time of purchase. We are working to recover and expand production levels by leveraging our funding capabilities, including the Group finance system, and dispatching managers and onsite workers. Specific measures include the introduction of irrigation equipment, consolidation and expansion of farms, measures to combat pests for bananas, and capital investment in plantations and the revision of cultivation methods for pineapples. Furthermore, we promoted the diversification of producing areas to minimize climate risk. We have also improved management, including the selection and concentration of businesses and products and the liquidation of unprofitable businesses.

In FYE 2017, favorable selling prices and the success of various cost-reduction measures led to a recovery in earnings. By FYE 2021, we plan to increase production in the Philippines to 800,000 tons of bananas, up from 400,000 tons in FYE 2016, and 1 million tons of pineapples, up from 750,000 tons, becoming Asia's largest integrator of agricultural products.



Pineapple plantation in Mindanao Island, the Philippines



Banana plantation in Mindanao Island, the Philippines

Creating
Added Value

Synergies with Prima Meat Packers

Prima Meat Packers, Ltd., which is an associated company of ITOCHU, processes and sells ham, sausage, and other meats.

To reinforce production capabilities in its mainstay ham and sausage business, in 2016 Prima Meat Packers completed construction and began operations at a new sausage plant within its Ibaraki Plant. In the meat business, Prima Meat Packers has jointly developed a pork brand with HyLife Group Holdings, which is also an associated company of ITOCHU. HyLife is Canada's leading pork producer and accounts for the highest sales volume of Canadian chilled pork imported to Japan. By offering HyLife's unique product varieties and mixing its own feed, Prima Meat Packers is working to expand its pork sales on the strength of its reputation for safety and quality. In addition to HyLife, we plan to further reinforce the value chain throughout the ITOCHU Group.

Through human resource exchanges, such as seconding personnel to sales and staffing departments, ITOCHU is seeking to strengthen mutual understanding between the companies. In this manner, we are working actively to generate synergies that will contribute to Prima Meat Packers' medium- to long-term growth and further increasing their corporate value.



New sausage plant at the Ibaraki Plant

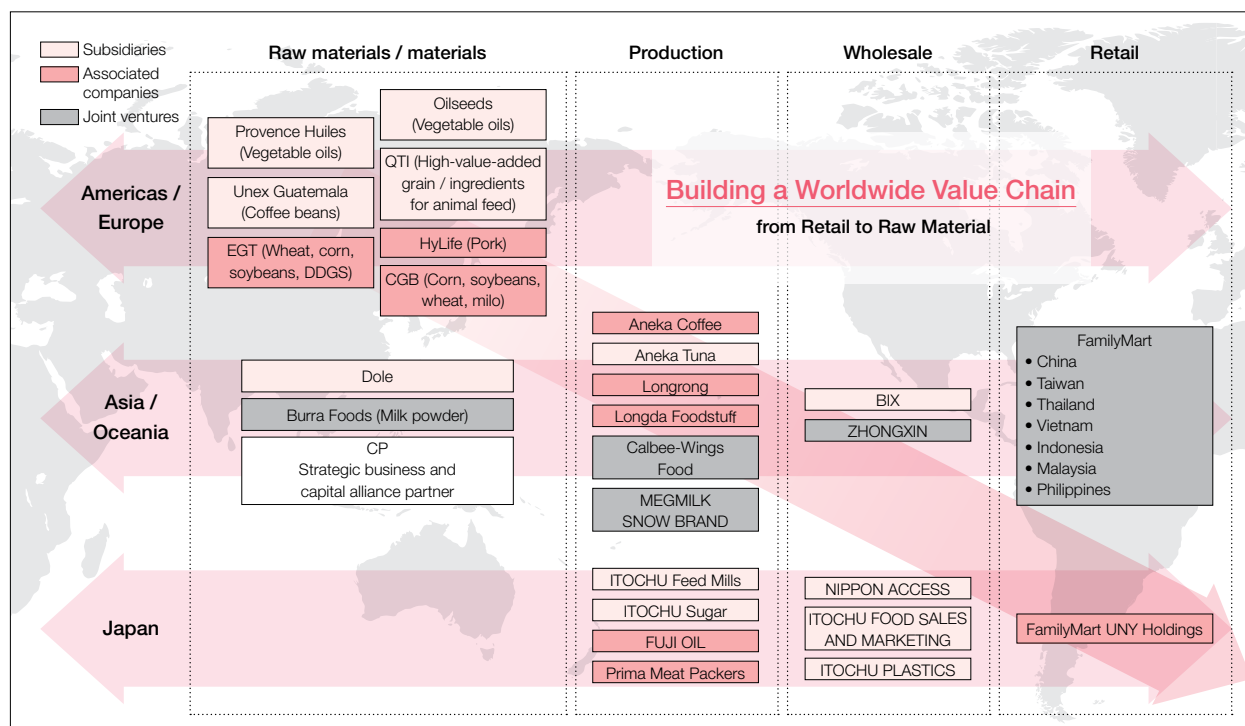


Major brands

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/food/>

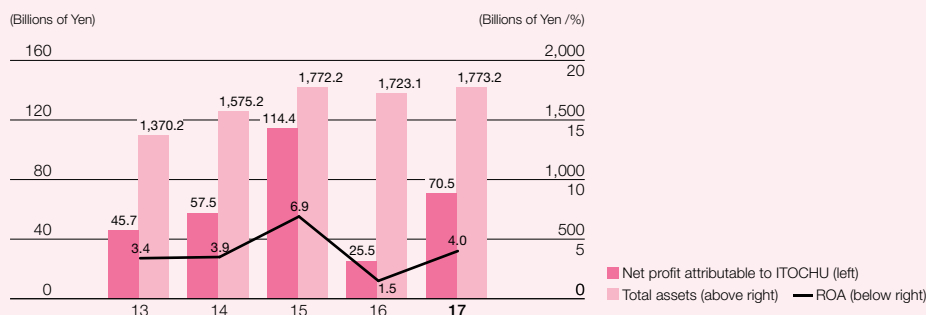
Business Development



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

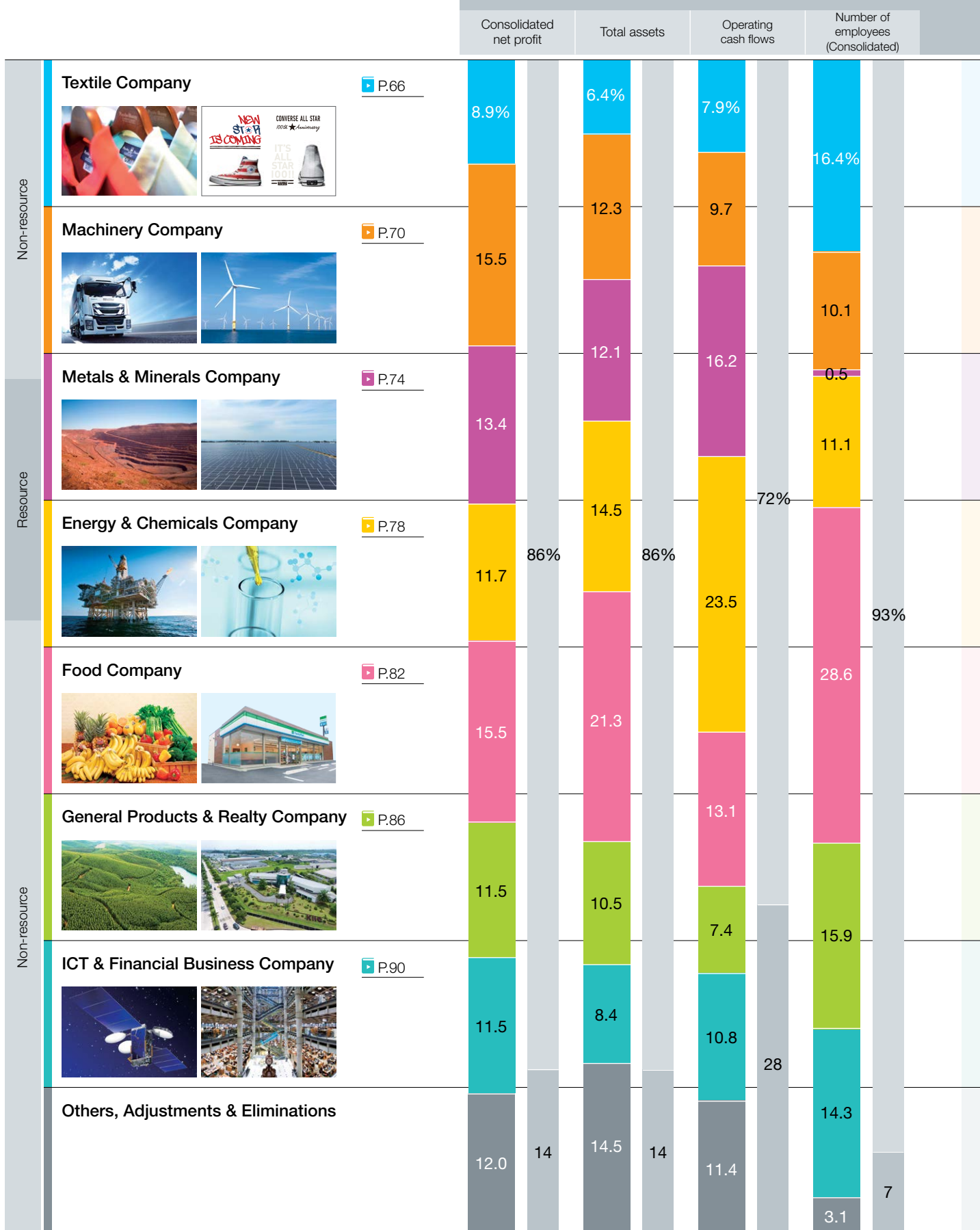


	2013	2014	2015	2016	2017
<small>Billions of Yen</small>					
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
FamilyMart UNY Holdings Co., Ltd.*	9.1	7.3	8.1	6.1	7.4
Dole International Holdings, Inc.	0.0	7.1	4.8	(16.9)	8.3
NIPPON ACCESS, INC.	10.8	11.6	8.6	8.9	12.2
FUJI OIL HOLDINGS INC.	2.3	2.1	2.4	2.4	2.7
Prima Meat Packers, Ltd.	2.4	2.0	2.7	2.6	3.7
ITOCHU-SHOKUJIN Co., Ltd.	1.9	1.0	1.3	1.5	1.7
HyLife Group Holdings Ltd.	0.1	0.0	2.1	2.6	2.7
Percentage Contribution of Non-consolidated Trade Earnings to Net Profit Attributable to ITOCHU (image)	approx. 15%				
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)	Japan		13% (17)	14% (18)	14% (18)
	Overseas		11% (22)	10% (20)	9% (17)

* In September 2016, FamilyMart Co., Ltd., and UNY Group Holdings Co., Ltd., merged to form FamilyMart UNY Holdings Co., Ltd.

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.