

## General Products & Realty Company

We will strengthen our earnings platform in core businesses, aggressively replace assets, and take on the challenge of seizing further growth opportunities.

President, General Products & Realty Company

**Yasuyuki Harada**



### Organization



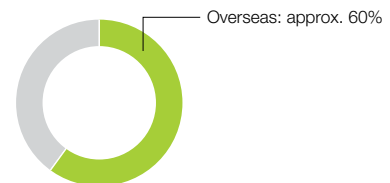
From left:  
Nobuya Urashima,  
Chief Operating Officer, Forest Products & General Merchandise Division  
Masatoshi Maki,  
Chief Operating Officer, Construction, Realty & Logistics Business Division  
Noboru Fukushima, Chief Financial Officer  
Minoru Araki,  
General Manager, Planning & Administration Department

### Ratios

#### Composition by Segment (image)



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





## Analysis of Current Status



### Strengths

- Firm position and value chains in each business area
- Creation of synergy through collaboration between businesses
- Strengthening of the management foundation through the aggressive replacement of our asset portfolio

### Earnings Opportunities

- Market expansion due to rising living standards of people in China and the ASEAN region
- Rise in demand for specialized and sophisticated logistics infrastructure services
- Create earnings opportunities in the building materials business in Japan and overseas
-  Demand for environmentally conscious products and construction materials
-  Need for certified forestry products

### Challenges to Address

- Hedging of market price fluctuation risk on commodity products (pulp, natural rubber, etc.) and housing
- Response to changing market needs and regulation in various fields
-  Sustainable use of resources
-  Harmony with local communities

### Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

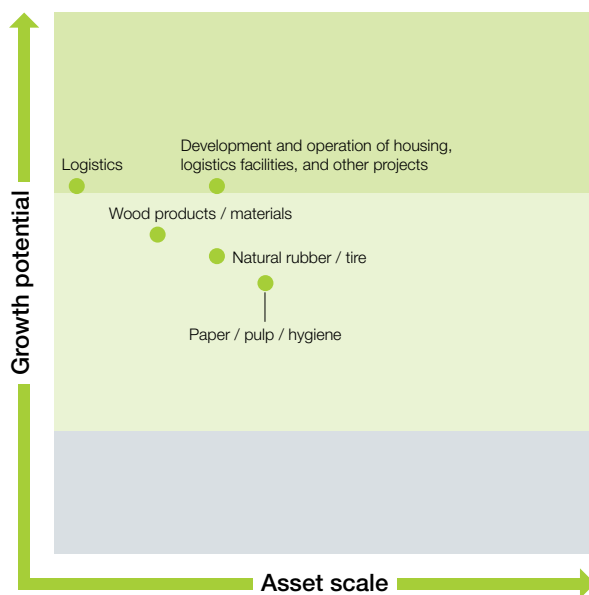


Contribution to local communities



Improving labor conditions

## Asset Portfolio



EXIT from "stable earnings" in FYE 2016: PrimeSource

Value driver Stable earnings Reinforce

## Growth Strategies

### Creating Added Value

- Increase profitability in the European tire business
- Expand the earnings platform in the domestic and overseas building materials business
- Augment the logistics facility development business
- Reinforce the operating platform for international logistics, centered on China

### Asset Strategies

- Accumulate superior assets, focusing on existing businesses
- Continue promoting the asset turnover model in the real estate field

## Initiatives to Enhance Corporate Value

Creating  
Added Value

### Strengthening and Expanding Logistics Services for Internet Sales in China

ITOCHU LOGISTICS CORP. is the core logistics company for the ITOCHU Group, spearheading its overseas logistics operations. ITOCHU LOGISTICS (CHINA) CO., LTD., is building logistics networks in China. Early on, the company commenced initiatives targeting the market for Internet sales in China, which is expected to continue growing at a stable rate of 10% or more each year, and has developed distribution services covering all sales channels integrated with online and actual stores. ITOCHU LOGISTICS offers a fulfillment service that covers all functions related to Internet sales, including call center operations and marketing.

With a warehouse network currently spanning more than 100 locations throughout China, ITOCHU LOGISTICS (CHINA) operates large-scale logistics centers dedicated to Internet sales in major Chinese cities and is building some of the largest-scale logistics networks for Japanese companies operating in the country, shipping 20 million orders per year to meet demand in China's rapidly growing market for Internet sales.

Leveraging our expertise as a general trading company, we plan to reinforce our unique functions, including the integrated development of the omnichannel, online-to-offline (O2O), and commercial product businesses, contributing to customers' Internet sales business and working to expand our overseas logistics business.



Logistics operation



Logistics center of ITOCHU LOGISTICS (CHINA) CO., LTD.

Creating  
Added Value

+

ESG

### Initiatives at METSA FIBRE

Amid rising global demand for paper, METSA FIBRE Oy, an ITOCHU affiliate and one of Finland's largest producers of softwood pulp, is taking advantage of the country's sustainable forestry resources to provide a stable supply of raw materials in a highly cost-competitive manner.

In the 1970s, ITOCHU and METSA FIBRE began working together to import products to Japan. We entered a formal sales alliance in 2004 and currently market the company's softwood pulp in the Asian market as an exclusive agent. As METSA FIBRE has decided to ramp up annual production by a substantial 800,000 tons, annual pulp production is expected to reach 3.1 million tons in 2018. This increase is slated to make METSA FIBRE the world's leading producer of softwood pulp for paper.

From an ESG perspective, METSA FIBRE generates electricity during the pulp production process, using some of the energy itself and providing the surplus to the surrounding community, which helps to reduce fossil fuel consumption in the area. By working with this excellent partner, ITOCHU believes it is both promoting the sustainable use of forestry resources and engaging in important measures to foster harmony with local communities.



METSA FIBRE's Joutseno mill

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/general/>

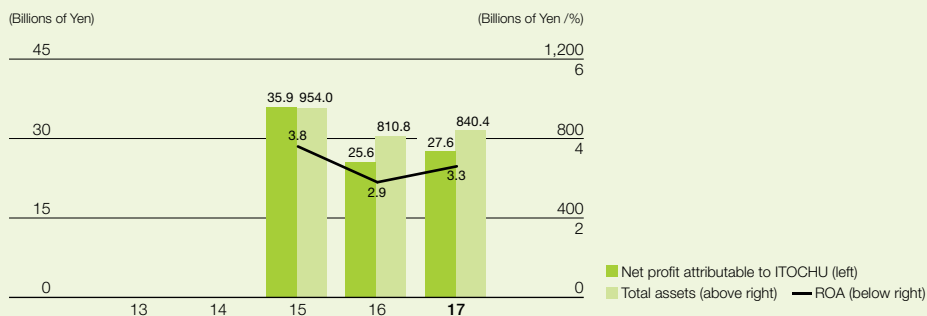
## Business Development



## Business Results Years ended March 31

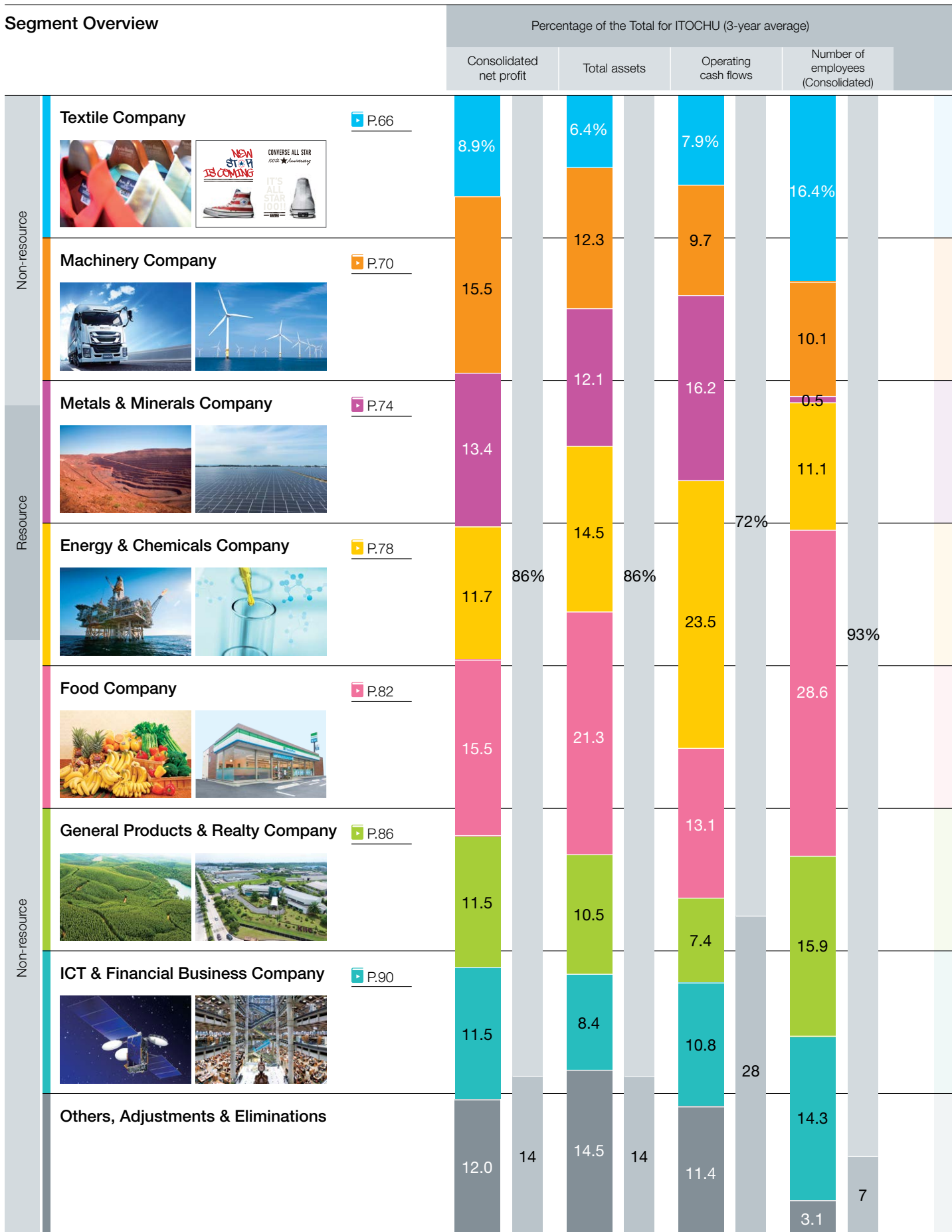
Notes: 1. Based on U.S. GAAP for FYE 2013 and 2014  
2. Revised to the current organization in FYE 2016. Indicated figures begin in FYE 2015.

### Net Profit attributable to ITOCHU / Total Assets / ROA



		2013	2014	2015	2016	2017
<b>Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies</b>						
European Tyre Enterprise Limited		2.2	5.1	4.7	(29.9)	(5.2)
ITOCHU FIBER LIMITED		2.4	6.5	5.9	6.9	4.3
Japan Brazil Paper and Pulp Resources Development Co., Ltd.		2.0	4.0	1.4	3.7	2.9
ITOCHU Kenzai Corp.		1.5	3.0	2.8	1.7	2.6
ITOCHU Property Development, Ltd.		1.8	2.2	2.4	2.8	2.6
ITOCHU LOGISTICS CORP.		1.2	1.4	1.9	2.1	2.4
<b>Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)</b>						
Japan				16% (22)	14% (18)	14% (17)
Overseas				15% (31)	14% (28)	14% (26)

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>