

ICT & Financial Business Company

We intend to take the lead in the ICT and financial business, an area characterized by rapid change and where intelligence and speed are the keys, as we take up the challenge of creating new businesses.

President, ICT & Financial Business Company

Yoshihisa Suzuki



Organization



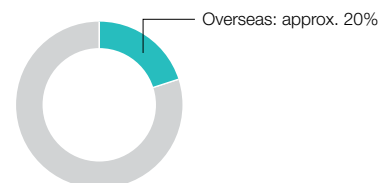
From left:
Tatsushi Shingu,
Chief Operating Officer, ICT Division
Shuichi Kato,
Chief Operating Officer, Financial & Insurance Business Division
Kenichi Kijima, Chief Financial Officer
Tadayoshi Yamaguchi,
General Manager, Planning & Administration Department

Ratios

Composition by Segment (image)



Percentage of Earnings from Overseas Businesses (image)








Analysis of Current Status

Strengths

- Solid position of strong Group companies in the ICT field and the generation of synergies through alliances between businesses
- Business development in the retail financial services and insurance fields in Japan and overseas
- Network including startups and other leading-edge companies in Japan and overseas

Earnings Opportunities

- Creation and expansion of finance-related business opportunities connecting Japan and the rest of the world
- Initiatives in fintech and other new markets combining ICT and finance
-  Expansion of the infrastructure services business in response to increasingly specialized and sophisticated business processes
-  Improved business efficiency and higher productivity through the use of AI and IoT
-  Cultivation and business development support for excellent companies in regional Japanese locations

Challenges to Address

- Further advances in customer-response quality and efficiency in consumer business
- Provision of business solutions to address increasingly complex and sophisticated changes in the ICT business environment
- Responding to the fast-changing business environment and regulations in various sectors
- Thorough information management in the ICT, healthcare, and financial businesses

Materialities



Consideration for the environment



Sustainable use of resources



Respect and consideration for human rights

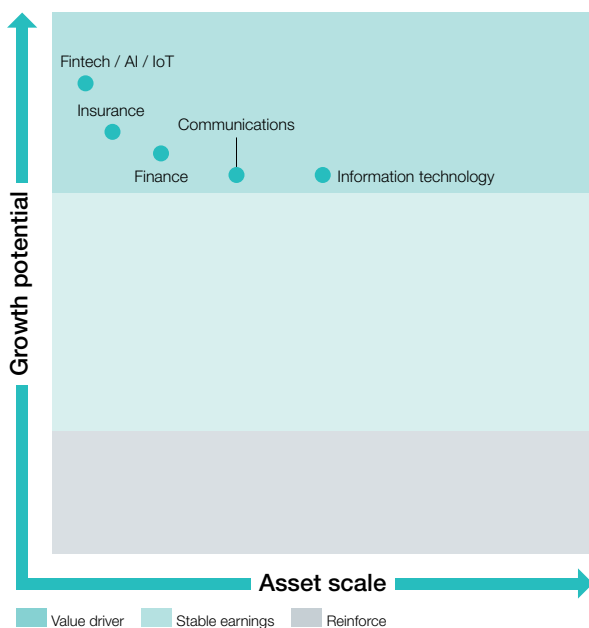


Contribution to local communities



Improving labor conditions

Asset Portfolio



Growth Strategies

Creating Added Value

- Bolster fundamental earnings capacity by executing growth strategies at key Group companies, such as CTC and CONEXIO
- Through venture investments, cultivate businesses that will generate new earnings in the fintech, AI, and IoT fields
- Strengthen and expand initiatives with FamilyMart UNY Holdings in the ICT and finance fields

Asset Strategies

- Diversify our portfolio by accumulating prime assets
- Maintain relatively high levels of ROA through efficient asset deployment
- Make proactive venture investments and replace assets

Initiatives to Enhance Corporate Value

Creating
Added Value

+

ESG

Sustainable Growth Model in First Response Finance

Through an overseas subsidiary, ITOCHU is a 100% shareholder in First Response Finance Ltd. (FRF), which operates a second-hand car loan business. We support FRF in such ways as dispatching a management team and providing funding. With a corporate philosophy of “people, service, and profit,” FRF considers its human resource strategy is the key to sustainable growth. In line with this philosophy, the company is fully committed to recruiting and cultivating human resources from a long-term perspective, as well as to fostering a corporate culture of sincerity and openness to achieve a favorable working environment.

Thanks to the resulting increase in employee motivation and the provision of high-quality services, FRF has established a sustainable growth model that has generated record earnings over nine consecutive years. In recognition of FRF’s achievements, The Sunday Times, a major UK newspaper, has selected FRF for its “100 Best Companies to Work For Awards” for seven consecutive years.

In addition to FRF, ITOCHU also contributes to the development of local communities by building financial businesses that meet customers’ financial needs in Asia, where the middle income group is growing.



Overview of FRF



FRF President Don Brough (right)

Creating
Added Value

Taking On New Business Domains by Leveraging AI and Fintech

ITOCHU continues to take on challenges in new business domains through its fusion of ICT, which excels in deploying new technologies and business models, and the financial services and insurance business, whose forte lies in the retail business. We are focusing in particular on the fields of fintech (finance + technology) and artificial intelligence (AI), as we proactively promote venture investments in Japan and overseas.

In FYE 2017, ITOCHU entered a capital alliance with MYDC, which operates and administers individual-type defined contribution pension plans (iDeCo). We also formed a capital alliance with Exchange Corporation, which uses AI to provide an asset investment proposal service and offers the Paidy online settlement service, entering a personal finance and cardless settlement business based on credit scoring. In the business process outsourcing (BPO) field, ITOCHU, BELLSYSTEM24 Holdings, and NTT DATA entered a capital alliance with SOLAIRO, which uses AI technology to provide a Web-based customer interaction service.

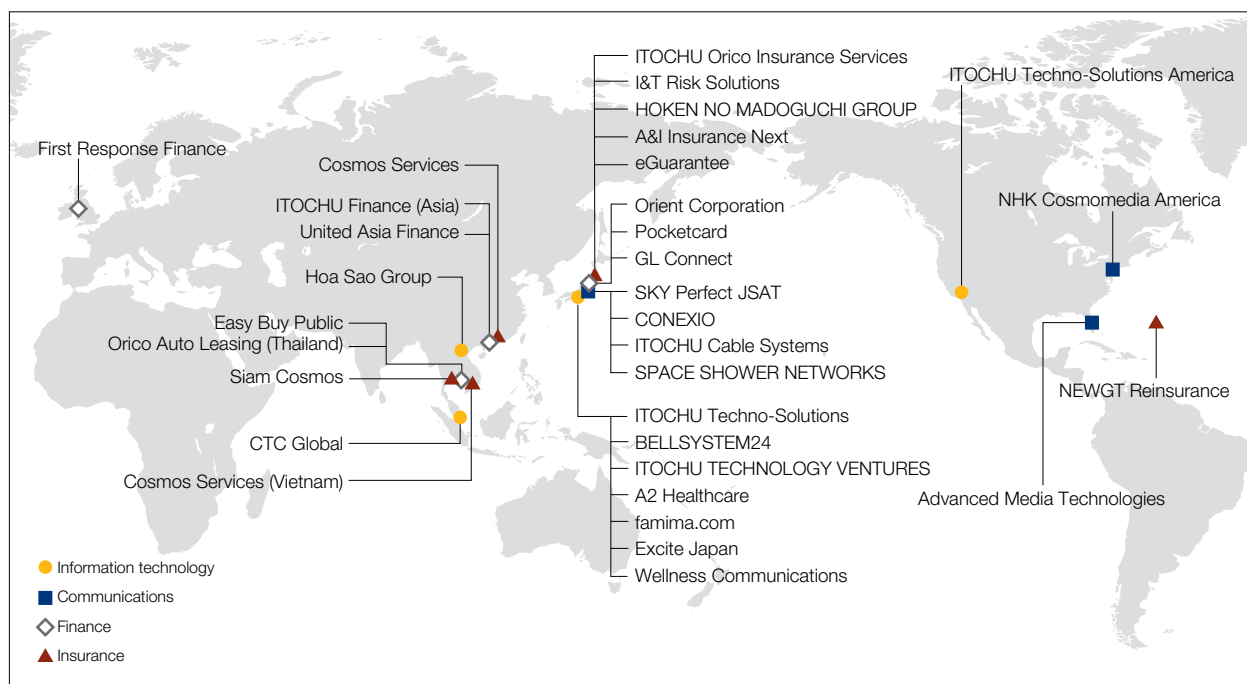
In 2017, we established the new Fintech Development Section within the ICT & Financial Business Company. This office will take the lead in the creation of advanced financial services that leverage technology and entry into new markets by combining the ICT Division’s business development functions with the customer network and expertise of the Financial & Insurance Business Division.



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/ict/>

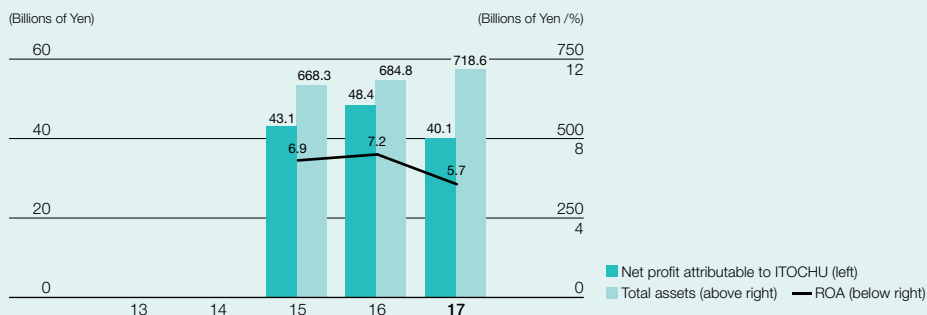
Business Development



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.

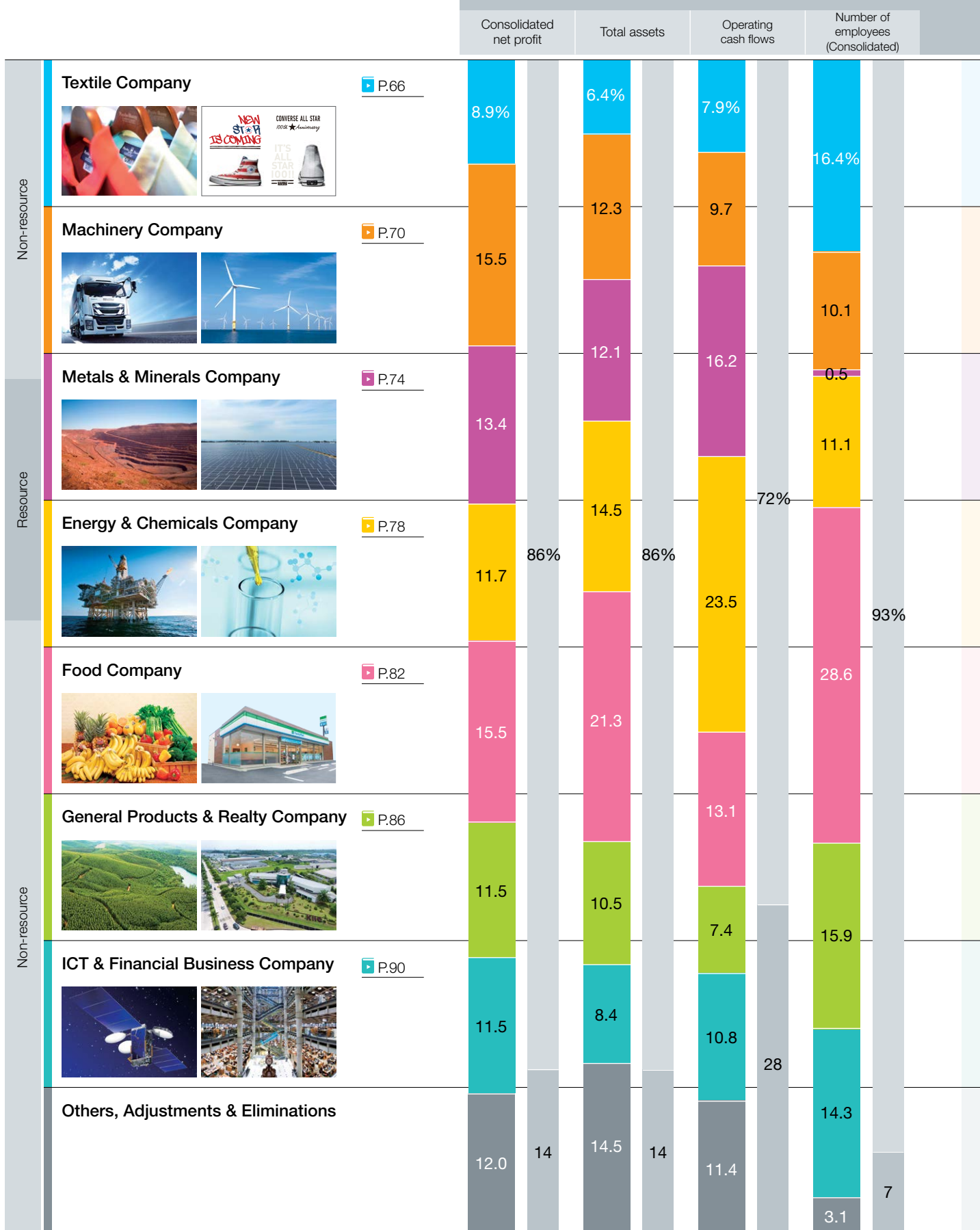
Net Profit attributable to ITOCHU / Total Assets / ROA



	2013	2014	2015	2016	2017
Billions of Yen					
Breakdown of Net Profit (Loss) Attributable to ITOCHU by Major Group Companies					
ITOCHU Techno-Solutions Corporation	8.9	8.1	10.2	10.4	12.6
CONEXIO Corporation	4.2	5.4	2.9	3.7	3.9
BELLSYSTEM24 Holdings, Inc.	—	—	1.7	3.4	1.4
Orient Corporation	(1.2)	2.7	3.0	2.6	5.0
ITOCHU Fuji Partners, Inc.	—	—	0.4	2.3	2.2
Percentage of Total Number of Subsidiaries and Affiliated Companies (No. of companies)					
Japan			16% (21)	20% (26)	21% (26)
Overseas			5% (10)	4% (8)	4% (7)

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.