

Textile Company

We will target further earnings growth by enhancing existing business, accumulating superior assets, and reinventing business.

Business Fields

- Brand business
- Raw materials, Garment materials, and Apparel
- Industrial materials



President, Textile Company

Shuichi Koseki

Company Strengths

- Strong position as the unmistakable leader among general trading companies in the textile industry
- Full-spectrum value chain that includes everything from upstream to downstream operations in the textile industry
- Highly efficient business foundation and a balanced asset portfolio



From left:

Motonari Shimizu,
Chief Operating Officer, Apparel Division

Masahiro Morofuji,
Executive Vice President, Textile Company;
Chief Operating Officer, Brand Marketing Division 1

Yoshihiro Fukushima,
Chief Operating Officer, Brand Marketing Division 2

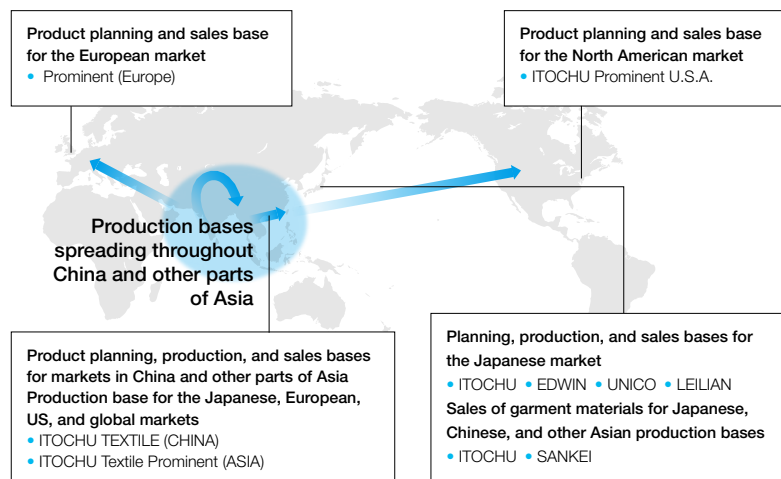
Tatsuya Izumi,
Chief Financial Officer

Shoji Miura,
General Manager, Planning & Administration Department

Business Development

Raw materials, Garment materials, Apparel

Products: Textile materials, textiles, garment materials, textile products, etc.



Industrial materials

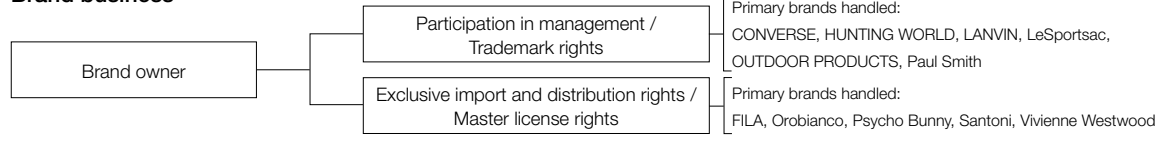
Products: Fiber materials used for hygiene, automobile interior materials, electronics materials, building materials, etc.

Establishment of local supply chains that match customer needs and locations (Focus region: China and other parts of Asia)



Spread the business model established in Japan, China, and other parts of Asia throughout the world

Brand business



Major Business Developments in the Value Chain

Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section and the marginal notes.

		Trading (raw materials) / Manufacturing (products)	Wholesale / Trading (finished products)	Retail	E-commerce
Brand business	Participation in management / Trademark rights	ITOCHU / IPU* ¹ / EUPAL* ²			ITOCHU / IPU* ¹ / EUPAL* ²
		CONVERSE JAPAN / CONVERSE FOOTWEAR / HUNTING WORLD JAPAN			
Raw materials, garment materials, and apparel (including own brands)	Exclusive import and distribution rights / Master license rights	ITOCHU / 3 IPA / 4 ITS / IPU* ¹ / EUPAL* ²			ITOCHU / MAGASeek*
		EDWIN / CORONET / 1 JOI'X CORPORATION / SCABAL JAPAN / LEILIAN / DESCENTE* / Bosideng**			
Industrial materials		ITOCHU / 3 IPA / 4 ITS			
		TERAOKA SEISAKUSHO*			
		WATAKYU SEIMO A*			

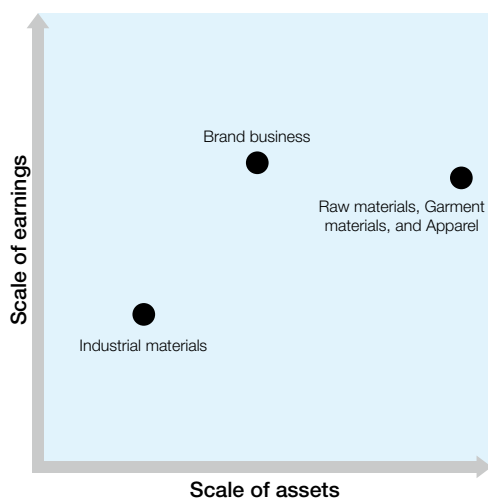
*1 IPU: ITOCHU Prominent U.S.A. LLC

*2 EUPAL: Prominent (Europe) Limited

*Equity-method associated companies

**Non-affiliated companies

Asset Portfolio and Efficiency



Note: We are aiming to reinvent business in all fields.



Performance Trends and Breakdown of Net Profit (Loss) by Major Group Companies

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan)* ²
Consolidated Net Profit (Loss)*¹	32.0	14.5	25.2	12.5	32.0

Breakdown of Net Profit (Loss) by Major Group Companies

1 JOI'X CORPORATION	1.3	1.1	1.4	1.5	1.3
2 SANKEI CO., LTD.	2.6	1.0	2.0	0.1	1.8
3 ITOCHU Textile Prominent (ASIA) Ltd.	1.4	0.9	0.8	0.2	1.1
4 ITOCHU TEXTILE (CHINA) CO., LTD.	1.2	0.9	0.9	1.0	1.0
Total Assets	555.8	524.5	495.9	474.9	—
ROA (%)	6.2	2.7	4.9	2.6	—
Core Profit	—	28.0	28.2	26.0	—

*1 Share of trade earnings from ITOCHU (non-consolidated) is 30%

*2 "2019 (Plan)" indicates figures announced on May 2, 2018.



Review of “Brand-new Deal 2017”

Throughout the period of “Brand-new Deal 2017,” we have enhanced initiatives with leading companies in promising countries and regions such as China and other parts of Asia.

We expanded and improved our synergy with existing capital and business alliance partners Shanshan Group Co., Ltd., and Shandong Ruyi Science & Technology Group Co., Ltd. Additionally, through initiatives to accumulate superior assets and expand our value chain in China and other parts of Asia, we formed capital and business alliance agreements with the Hong Kong Bosideng Group and Honma Golf Limited; established DESCENTE China with the DESCENTE Group and the Anta Group; and acquired additional shares in the

Vietnam National Textile and Garment Group (VINATEX), becoming the largest shareholder of private-sector companies.

On the other hand, apparel sales for physical retail stores continued to face extremely unfavorable conditions while jump in sales through Internet and rapid change in consumer market.

In this environment, we have built a business structure that can withstand the increasingly intense environmental changes that will occur moving forward, by enhancing existing business, creating synergy within the Group, and developing new business in the e-commerce and IT-related fields, while promoting management efficiency at operating companies and conducting asset replacements.

Important Steps under “Brand-new Deal 2017”

“Reinvented Business” through Technological Innovation

In April 2017, we composed a task force to promote and find investment opportunities in e-commerce and IT-related business. While unearthing new investment opportunities, we developed an AI prediction engine to strengthen our planning and proposal capability in the apparel business and conducted system development geared toward creating omnichannels of LEILIAN CO., LTD., and JOI'X CORPORATION.

Going forward, we will keep move toward to shift our business model which we can demonstrate our initiative by solidifying our brand business marketing, raising our rate of transition to e-commerce, developing environment-friendly materials in our apparel business, and creating new businesses in the wearable field.



Strategic Direction

Growth Opportunities

Secure new demand by creating new businesses that adapt to changes in market environment via the supply chain



Strategies (Specific Measures)

Take the initiative in promoting trade by utilizing new technologies, developing sustainable materials, etc.

Respond to changing consumer trends and diversifying sales channels in the domestic market



Improve brand value and strengthen in-house e-commerce through solidifying our brand and retail-related business marketing

Growth of consumer markets in China and other parts of Asia due to rising standards of living



Grow overseas revenues and earnings through cultivating initiatives with leading companies in China and other parts of Asia and increasing superior assets

Obstacles to Medium- to Long-Term Growth from an ESG Perspective

Risk related to securing superior human resources in the textile industry, which has labor-intensive facets



Responses

Add value and promote sustainable industrialization by creating production IT infrastructures

Increasing share of e-commerce in the apparel industry



Improve production and marketing efficiency with AI, expand the use of RFID tags in the apparel industry

Respond to environmental and human rights risks at production bases that arise from decreasing product prices



Promote establishment of a safe and reliable product supply system

(⇨ Page 64 Sustainability)

Initiatives for Reducing ESG Risks

Strengthen Branding of Natural and Environment-Friendly Materials

We have differentiated ourselves from competitors in our original raw materials business by branding, commercializing, and proposing natural materials like Peruvian Pima, Hamilton Lambs Wool, and One Cotton.

As the transitional momentum toward sustainable materials in the global apparel market increases, we will strive to upgrade and expand our original materials and develop environment-friendly materials in the near future.

Please also see the sustainability pages of ITOCHU's website.

<https://www.itochu.co.jp/en/csr/activities/textile/>



Our own raw material brands: One Cotton and Hamilton Lambs Wool

We cooperated fully with the Japan Fair Trade Commission on its series of investigations into sales of corporate uniforms before FYE 2017. However, the commission issued the Company a cease-and-desist order citing infringement of Japan's Antimonopoly Act on certain projects.

We take the situation quite seriously and will consistently apply the preventive measures* we formulated based on internal investigation results and external advisors' opinions to secure and solidify compliance with all laws and ordinances, including the Antimonopoly Act.

* These measures include: (1) Adjusting our internal rules related to compliance with the Antimonopoly Act, (2) Promoting voluntary reporting of violations, and (3) Strengthening and enhancing education on compliance with the Antimonopoly Act

Key Financial (Ubiquitous) Risks

1	Compliance Risks	10	Foreign Exchange Rate Risks
2	Legal Risks (Excluding Compliance Risks)	11	Interest Rate Risks
3	Risks Associated with Trade Security Policy Management	12	Financing Risks
4	Risks Associated with Customs	13	Information System Risks
5	Country Risks	14	Information Security Risks
6	Commodity Price Risks (Specific, Important Product)	15	Labor Management Risks
7	Credit Risks	16	Human Resources Risks
8	Investment Risks	17	Risks Associated with the Appropriateness of Financial Reporting
9	Stock Price Risks	18	Risks Associated with Internal Control

Business Portfolio and Financial Summary

Segment Overview

Percentage of the Total for ITOCHU (3-year average)			
Core profit	Total assets	Core operating cash flows	Number of employees (Consolidated)

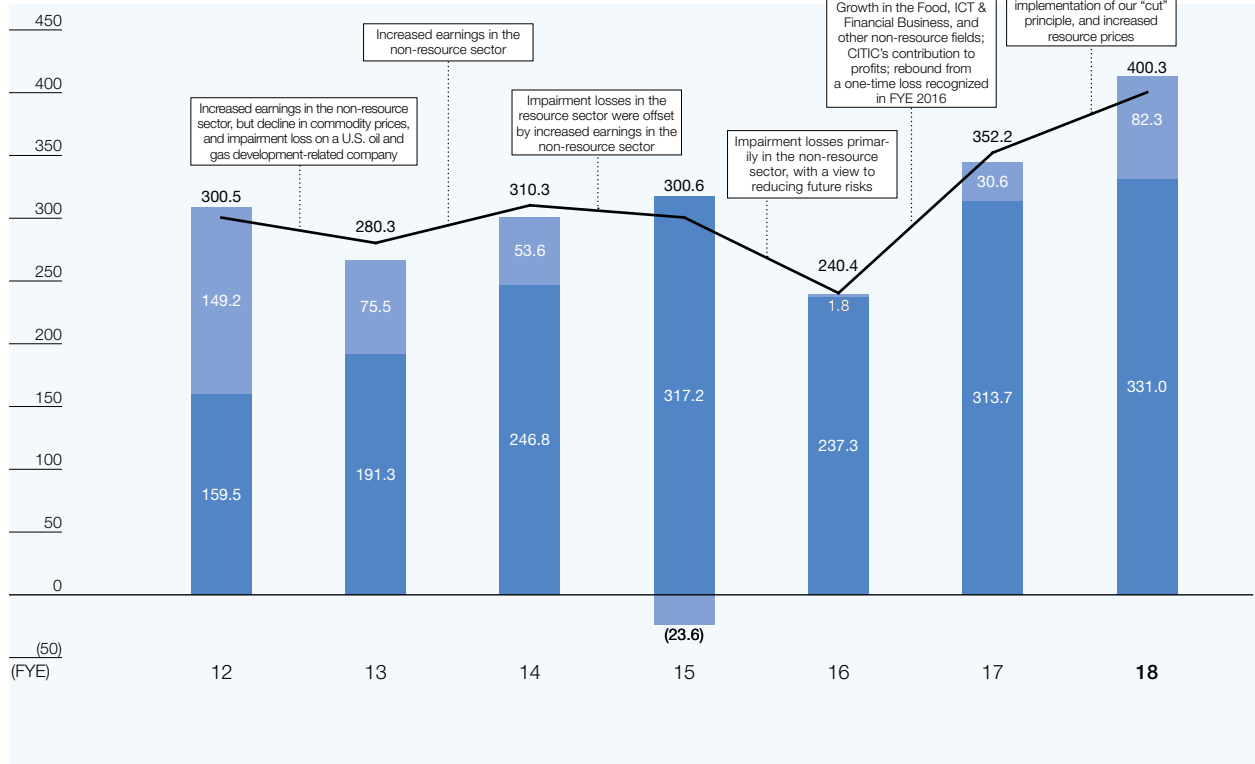


Non-resource	85.8%	88.4%	72.4%	93.3%
Resource	14.2%	11.6%	27.6%	6.7%

* Based on U.S. GAAP through FYE 2014, IFRS from FYE 2015

Consolidated Net Profit (Non-Resource / Resource)

(Billions of Yen)

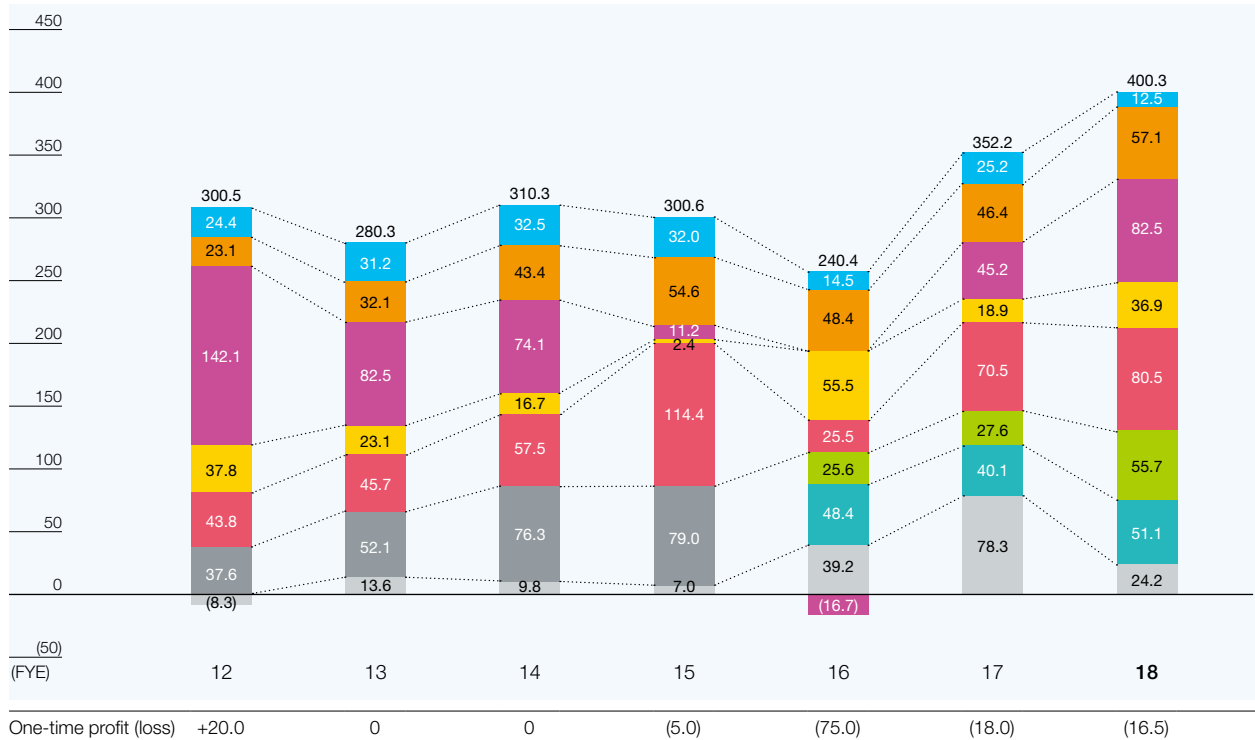


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

* Others, Adjustments & Eliminations is not included in earnings from the non-resource / resource sectors.

Consolidated Net Profit by Operating Segment

(Billions of Yen)



■ Textile ■ Machinery ■ Metals & Minerals ■ Energy & Chemicals ■ Food ■ ICT, General Products & Realty (FYE 2012–2015)
 ■ General Products & Realty (from FYE 2016) ■ ICT & Financial Business (from FYE 2016) ■ Others, Adjustments & Eliminations

* In April 2016, the ICT, General Products & Realty Company was reorganized into the General Products & Realty Company and the ICT & Financial Business Company.