

## Metals & Minerals Company

We will engage in innovation initiatives, both in investment and trade, to contribute to new generation industries within a value chain covering a broad range of activities from the development of metal and mineral resources to the trading of steel and non-ferrous products.

### Business Fields

- Development of metal & mineral resources (iron ore, coal, alumina, etc.)
- Trade in materials, fuel, and products (iron ore, coal, aluminum, uranium, non-ferrous products), recycling businesses (steel scrap, etc.)
- Steel business (process and trade of steel products, and investment in related industries)



President, Metals & Minerals Company

**Shigetoshi Imai**

### Company Strengths

- Strong relationships with excellent business partners in each business area
- Ownership of superior natural resource assets, centering on iron ore and coal
- Broad-ranging trade flows that run from upstream (metal and mineral resources) to downstream (steel and non-ferrous products)



From left:

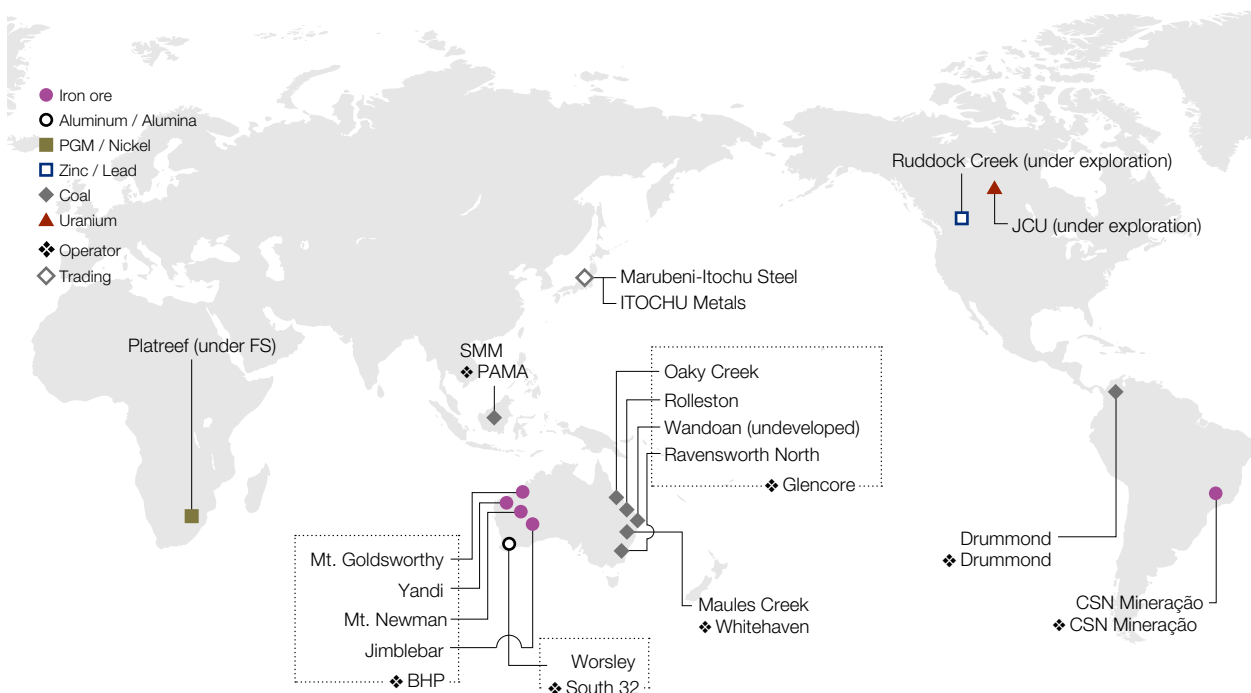
**Kenji Seto**,  
Chief Operating Officer, Metal & Mineral Resources Division

**Ikuya Hirano**,  
Chief Financial Officer

**Yoshihiko Ogura**,  
General Manager, Planning & Administration Department

**Takashi Nakano**,  
General Manager, Steel Business Coordination Department

## Business Development



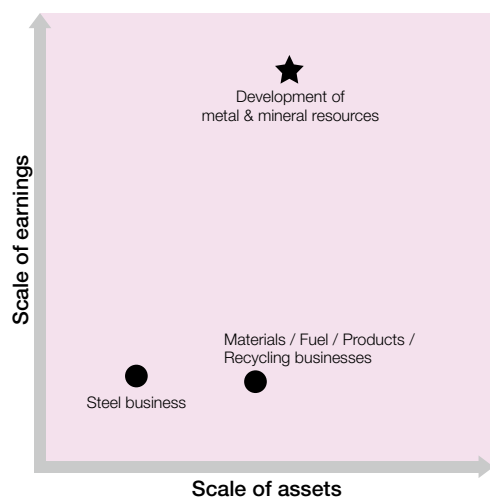
## Major Business Developments in the Value Chain

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

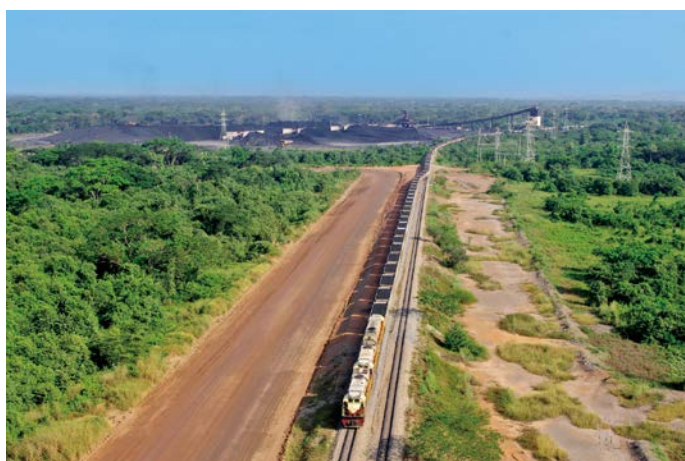
	Exploration / Development / Production	Processing	Trading / Sales (finished products)
Metal & mineral resources	<b>1</b> IMEA (iron ore, coal, etc.) / <b>3</b> ICA (coal) / <b>2</b> CSN Mineração (iron ore)		ITOCHU
Steel business		<b>4</b> Marubeni-Itochu Steel*	
Materials / Fuel / Products / Recycling businesses			ITOCHU / <b>5</b> ITOCHU Metals

\* Equity-method associated companies

## Asset Portfolio and Efficiency



Note: ★ indicates focused business areas.



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

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan)*1
<b>Consolidated Net Profit (Loss)</b>	11.2	(16.7)	45.2	<b>82.5</b>	60.0
<b>Breakdown of Net Profit (Loss) by Major Group Companies</b>					
<b>1</b> ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	42.3	(22.6)	42.8	<b>62.3</b>	42.7
<b>2</b> Brazil Japan Iron Ore Corporation (CSN Mineração**)	(44.8)	(0.9)	(2.9)	<b>3.3</b>	—
<b>3</b> ITOCHU Coal Americas Inc. (ICA) (Drummond**)	0.1	(2.3)	(2.6)	<b>2.9</b>	—
<b>4</b> Marubeni-Itochu Steel Inc.*	12.8	6.6	7.6	<b>9.2</b>	—
<b>5</b> ITOCHU Metals Corporation	0.2	2.0	1.1	<b>1.6</b>	1.3
<b>Total Assets</b>	1,261.8	876.4	854.9	<b>850.3</b>	—
<b>ROA (%)</b>	0.9	(1.6)	5.2	<b>9.7</b>	—
<b>Core Profit</b>	—	21.3	53.2	<b>80.5</b>	—

\*1 "2019 (Plan)" indicates figures announced on May 2, 2018.

\*2 Single asterisks indicate equity-method associated companies, and double asterisks indicate investees of non-affiliated investments.



Photo courtesy of BHP



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## Review of “Brand-new Deal 2017”

Through a selection and integration process during the period of “Brand-new Deal 2017,” we have executed asset restructuring by selling coal mine interests, as well as consolidating and recovering capital from the Brazilian iron ore business. At the same time, we have enhanced our business model to achieve a balance between investment and trade to maintain growth that is not dependent on resource prices.

In investments, we enhanced cost competitiveness on projects in which we hold interests and pursued exploration projects and other initiatives for the next generation. In trade, we established new business projects with excellent

partners, which enabled us to add further value to value chains extending from raw materials to finished products. As a result, from FYE 2017 to FYE 2018 we were able to take advantage of the global recovery in demand for metal & mineral resources and metal materials, resulting in a steady growth in earnings.

Amid rising global concern and toward the realization of a low-carbon society, we focused our future investment and trade policy on the social responsibility and the mission of ensuring a stable supply of high-quality resources and fuels that reduce environmental impact.

## Important Steps under “Brand-new Deal 2017”

### Providing a Stable Supply of Resources and Contributing to Local Communities through Long-Term, Ongoing Investment in Superior Assets

The Mt. Whaleback iron ore mine, which is the core project for the Western Australia iron ore business of ITOCHU, celebrated its first 50 years of operation in 2017. In September, we invited major customers from Japan, China, South Korea, and other countries to a commemoration ceremony.

Since the start of production in 1969, the mine has met iron ore demand in Japan, China, and elsewhere in Asia as the world’s largest open-pit iron ore mine. Enabling the extraction of high-quality ore over a long period of time, this mine has contributed to the stable supply of raw materials to the Asian steel industry, as well as economic development in Western Australia, and the local community.

Going forward we will continue to invest in superior assets that connect producers, local communities, and customers.



Mt. Whaleback (Photo courtesy of BHP)

## Strategic Direction

### Growth Opportunities

Changes in society's demands with respect to metal & mineral resources and metal materials	➔
Expansion of trade in metal & mineral resources, steel and non-ferrous products, as well as the recycling business in line with robust global economic development	➔

### Strategies (Specific Measures)

Creation of optimal resource portfolios that contribute to next-generation industries by replacing and acquiring superior assets
Formation of new, high-value-added trading structures by leveraging strong relationships with excellent partners

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

Uncertainty in demand for fossil fuels due to regulations on greenhouse gas emissions, and changes in industrial materials with a view toward realizing a low-carbon society	➔
Lower production and sales volumes due to resource depletion and mine closures	➔
Consideration for the environment, health, labor safety (EHS) and harmony with people in local communities	➔

### Responses

Ongoing contribution to the development of technologies that will help reduce greenhouse gas emissions, and enhanced initiatives in businesses (such as aluminum) that will facilitate lighter-weight vehicles and a shift toward EVs
Expansion of superior equity investments that provide the foundation for stable supplies of resources and fuel
Operation of EHS guidelines; thorough employee education; healthcare, education, and donations to local communities; contributions to community infrastructure development, etc.

(⇔ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Promoting ESG Initiatives That Will Contribute to the Stable Supply of Future-Generation Resources

Ensuring a stable supply of industrial resources and materials for the future generations is the Metals & Minerals Company's social mission and responsibility, and we are engaging in ESG-related initiatives to this end.

We are promoting the material business such as aluminum and other metals that will be necessary for lightweight automobiles and EVs. We are also supporting the development of technologies to reduce greenhouse gas emissions. Through such efforts, we are making a proactive effort to realize a low-carbon society. We are also thoroughly implementing our own EHS guidelines, contributing to local communities on an ongoing basis, and ensuring sustainable resource development.

ITOCHU Metals Corporation handles various types of recyclable materials. The company is expanding its recycling business by undertaking the appropriate processing of industrial waste on a contract basis and recovering chlorofluorocarbon gases, thereby helping to create a resource circulation society.

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

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



Support activities for an elementary school in the area near our Colombian coal operations

### 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)

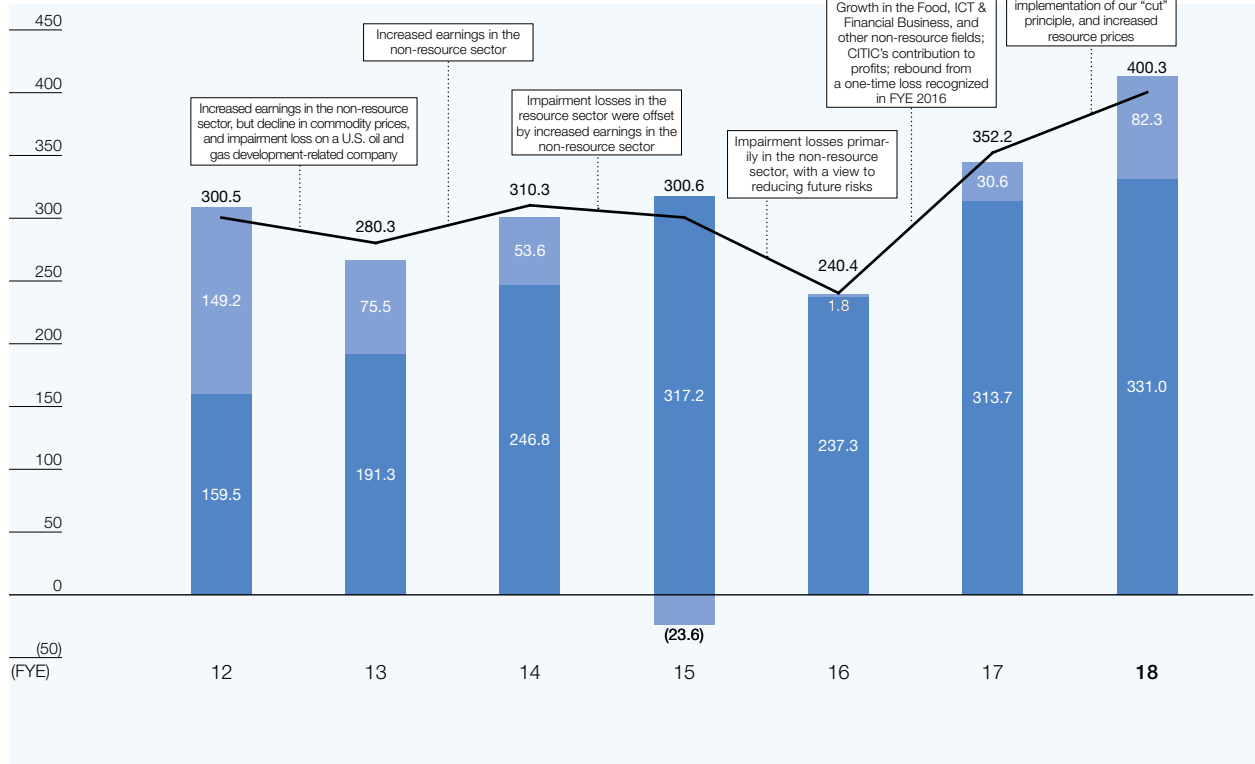


Non-resource	85.8%	88.4%	72.4%	93.3%
Resource	14.2%	11.6%	27.6%	6.7%

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

### Consolidated Net Profit (Non-Resource / Resource)

(Billions of Yen)

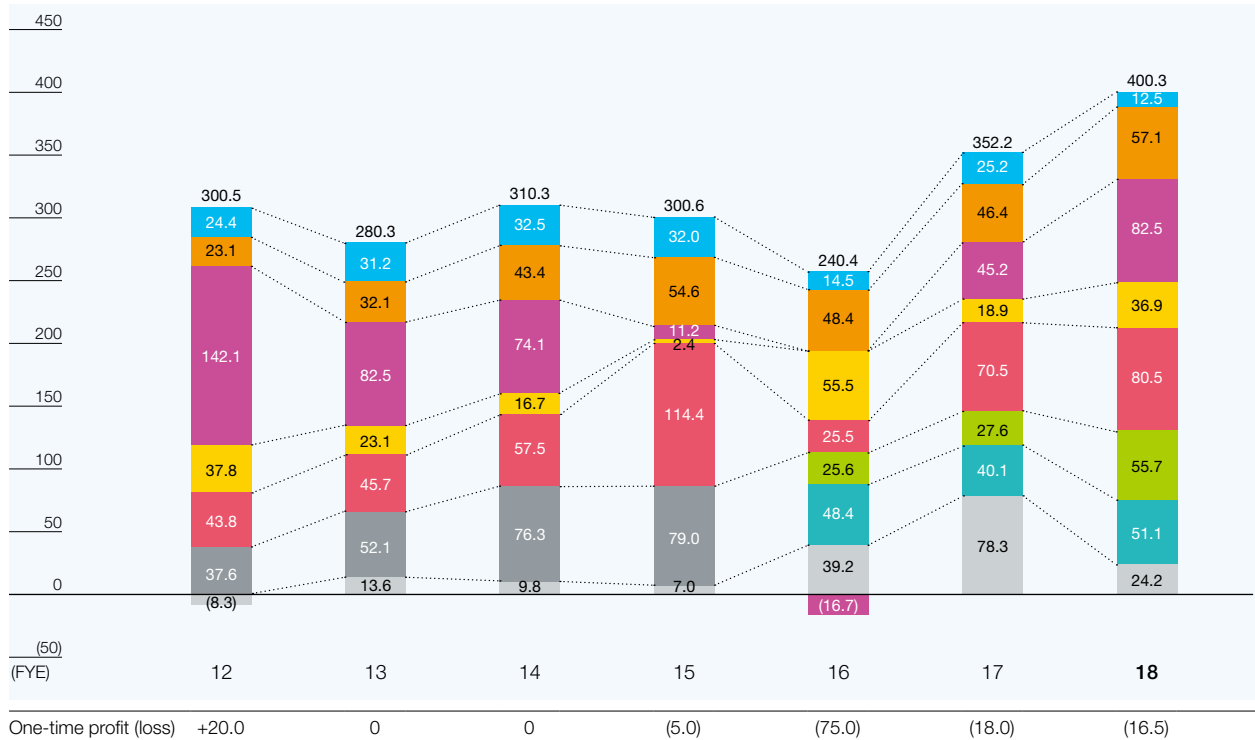


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

\* 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.