

Energy & Chemicals Company

By accumulating superior assets and further enhancing existing businesses, we aim to create an efficient and robust management foundation. We will also leverage new technologies and AI to promote next-generation businesses.

Business Fields

- Energy projects and trading (crude oil, petroleum products, LPG, LNG, natural gas, electricity, etc.)
- Chemical projects and trading (general range of basic petrochemical products, sulfur, fertilizer, pharmaceuticals, synthetic resin, household goods, fine chemicals, electronic materials, etc.)



President, Energy & Chemicals Company
Keita Ishii

Company Strengths

- Business portfolio in the energy field ranging from upstream to downstream
- Worldwide sales network of chemicals trading
- The ability to develop businesses across a broad range, spanning raw materials to end products in the chemicals field



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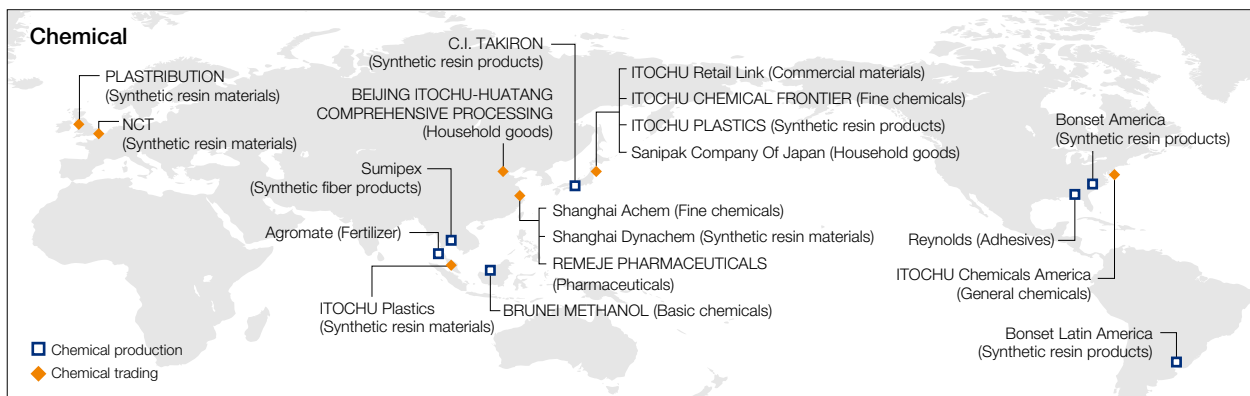
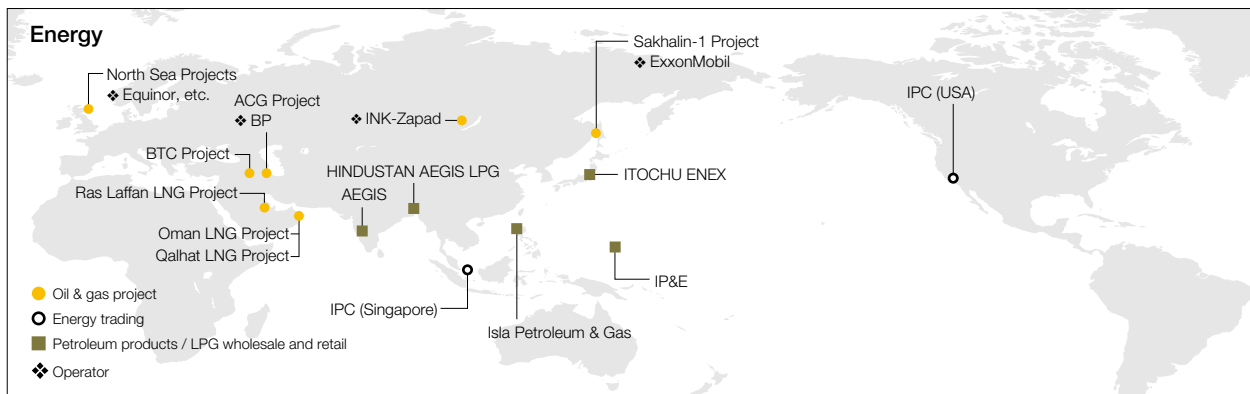
Hisato Okubo,
Chief Operating Officer, Energy Division

Masaya Tanaka,
Chief Operating Officer, Chemicals Division

Satoshi Nakajima,
Chief Financial Officer

Isao Nakao,
General Manager, Planning & Administration Department

Business Development



Major Business Developments in the Value Chain

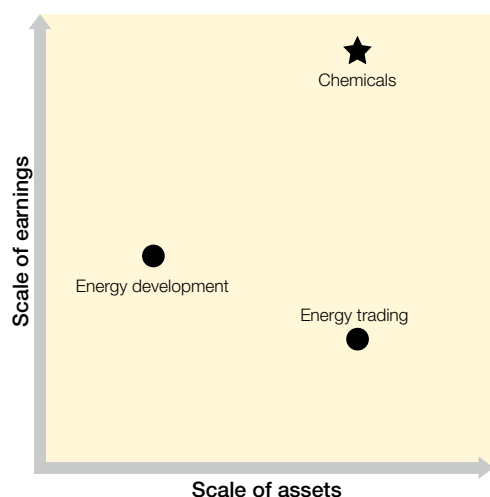
Note: For more information on official company names that are abbreviated, please refer to the "Performance Trends" section.

	Exploration & Production	Trading	Retail
Energy	1 ACG Project (Oil and gas development) / Sakhalin-1** (Oil and gas development) / 4 Ras Laffan**, Oman**, Qalhat** (LNG development)	ITOCHU / 2 IPC (Singapore) / IPC (USA)	3 ITOCHU ENEX
Chemical	BRUNEI METHANOL* / Argomate*	ITOCHU 5 ITOCHU CHEMICAL FRONTIER / 6 ITOCHU PLASTICS	7 C.I. TAKIRON / Sanipak Company Of Japan / ITOCHU Retail Link

*Equity-method associated companies

**Non-affiliated 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) **
Consolidated Net Profit (Loss)	2.4	55.5	18.9	36.9	54.0

Breakdown of Net Profit (Loss) by Major Group Companies

1 ITOCHU Oil Exploration (Azerbaijan) Inc. (ACG Project)	6.9	5.0	0.7	2.3	1.9
2 ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	1.0	2.3	1.8	(1.8)	0.6
3 ITOCHU ENEX CO., LTD.	2.8	4.1	5.5	6.0	6.1
4 Dividend from LNG Projects (PAT)	8.3	4.8	3.2	4.4	4.3
5 ITOCHU CHEMICAL FRONTIER Corporation	3.1	3.1	3.1	3.7	3.6
6 ITOCHU PLASTICS INC.	3.5	3.5	4.2	4.0	4.0
7 C.I. TAKIRON Corporation**	1.8	2.1	5.4	3.0	3.1

Total Assets	1,329.5	1,077.1	1,169.5	1,355.7	—
ROA (%)	0.2	4.6	1.7	2.9	—
Core Profit	—	37.5	33.4	37.4	—

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

** On April 1, 2017, TAKIRON Co., Ltd. and C.I. Kasei Co., Ltd. merged to form C.I. TAKIRON Corporation. Accordingly, C.I. TAKIRON's consolidated contribution from FYE 2015 to 2017 is represented as the sum of consolidated contributions for the two companies.



Review of “Brand-new Deal 2017”

Throughout the period of “Brand-new Deal 2017,” we enhanced existing businesses to increase core profit and entered into new businesses and new fields on a worldwide basis.

In the energy field, we reached an agreement with the State Oil Company of the Azerbaijan Republic to extend the production sharing agreement in the ACG field in Azerbaijan from 2024 to 2049. In Eastern Siberia, part of a project in which we are participating alongside Japan Oil, Gas and Metals National Corporation and INPEX CORPORATION has moved to the production stage, and crude oil production has commenced at a project we are pursuing in the U.K. North Sea. In energy trading, we have joined an LPG distribution

and LPG receiving terminal business in India, where consumption is slated to increase, focusing on strengthening and expanding our ability to sell and distribute LPG.

In the chemical business, in addition to expanding existing businesses we are pursuing management efficiency through Group companies including C.I. TAKIRON Corporation, which was formed through a merger. By steadily reinforcing our earnings base, we have achieved record-high profits for three consecutive fiscal years. Meanwhile, we are cultivating synergies within the Group. For example, ITOCHU PLASTICS INC. and ITOCHU Retail Link Corporation are providing packaging materials, supplies, and other items to FamilyMart Co., Ltd.

Important Steps under “Brand-new Deal 2017”

Access to Superior Resource Projects

In the energy field, we obtained an equity interest in Iraq’s West Qurna 1 oil field, thereby accessing one of the world’s largest reserves, of more than 20 billion barrels. The project scheme calls for ITOCHU, ExxonMobil, and other companies to operate and develop the field on behalf of the Iraqi government, for which they are entitled to receive recovery for the cost spent as well as a certain remuneration fee based on the production levels. We expect this project, which should be relatively unaffected by fluctuations in the oil price, to contribute to stable earnings over the medium to long term.

To counter our exposure to the risk of investing in this project, we have obtained approval of the Japan Oil, Gas and Metals National Corporation for 40% equity financing.

Expanding Our Portfolio by Taking on the Life Science Business

In the chemical field, we entered a sales alliance with Sumitomo Chemical Company, Limited involving the sale of methionine, a feed additive. Used widely to increase meat and egg productivity in chickens, methionine is expected to continue experiencing steady demand growth worldwide.

Meanwhile, in the pharmaceutical and healthcare business we are collaborating with ITOCHU CHEMICAL FRONTIER Corporation to promote capital and business alliances with superior partners in Japan and overseas. We are also creating a pharmaceutical business value chain by developing the biopharmaceutical and new drug sublicensing business.



Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Long-term growth in demand for energy resources	➔	Collaborate with superior partners to maintain a stable, long-term supply of energy resources by increasing efficiency and expanding existing projects; and consider new projects as alternatives to existing interests
Growing demand toward a low-carbon society	➔	Further strengthen the LNG value chain, including consideration of new project acquisitions
Rising demand for food in tandem with global population increases	➔	Evolve existing businesses related to conventional fertilizer, agrochemicals, and agricultural materials; and contribute to the stable supply of food through proposing to transition to smart agriculture and expanding feed additives (methionine) worldwide
Demand for environment-friendly energy and products	➔	Expand initiatives leveraging breadth of the business domain, ranging from energy solutions and renewable energy initiatives to the provision of environment-friendly materials and electricity storage services
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Stricter regulation of greenhouse gas emissions and falling needs for fossil fuels	➔	Continuing efforts to minimize greenhouse gas emissions and the pursuit of renewable energy and businesses that have lower environmental impact, such as LNG
Rising prevalence of lifestyle diseases as society ages, and growing uncertainty of medical security systems	➔	Helping to reduce physical and economic burdens on patients by supporting new pharmaceutical development and growing sales of generic pharmaceuticals
Stricter regulations on development, claims for damages resulting from environmental degradation, and deteriorating relations with local communities	➔	Promotion of businesses that exceed the environmental management standards of governments in which we undertake projects, as well as of international administrative bodies

(⇔ Page 64 Sustainability)

Taking Advantage of Opportunities for Growth

Using AI Technologies in Services to Optimize Electricity Storage

We signed a business and capital tie-up with Moixa Energy Holdings Ltd., a UK company developing a platform business that applies AI technologies to storage batteries and acquired exclusive marketing rights in Japan for its Gridshare Client platform technology software. Gridshare Client is used with storage batteries to perform optimal control of energy for various categories of customers, including general consumers, power producers, power transmission, and distribution utilities.

Going forward, we will include this service as standard in our own Smart Star storage battery system. We aim to acquire a leading share of the Japanese market for storage battery systems as a “reinvented business” and contribute toward the realization of a society that utilizes dispersed energy sources.

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

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



Overview of Moixa

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)

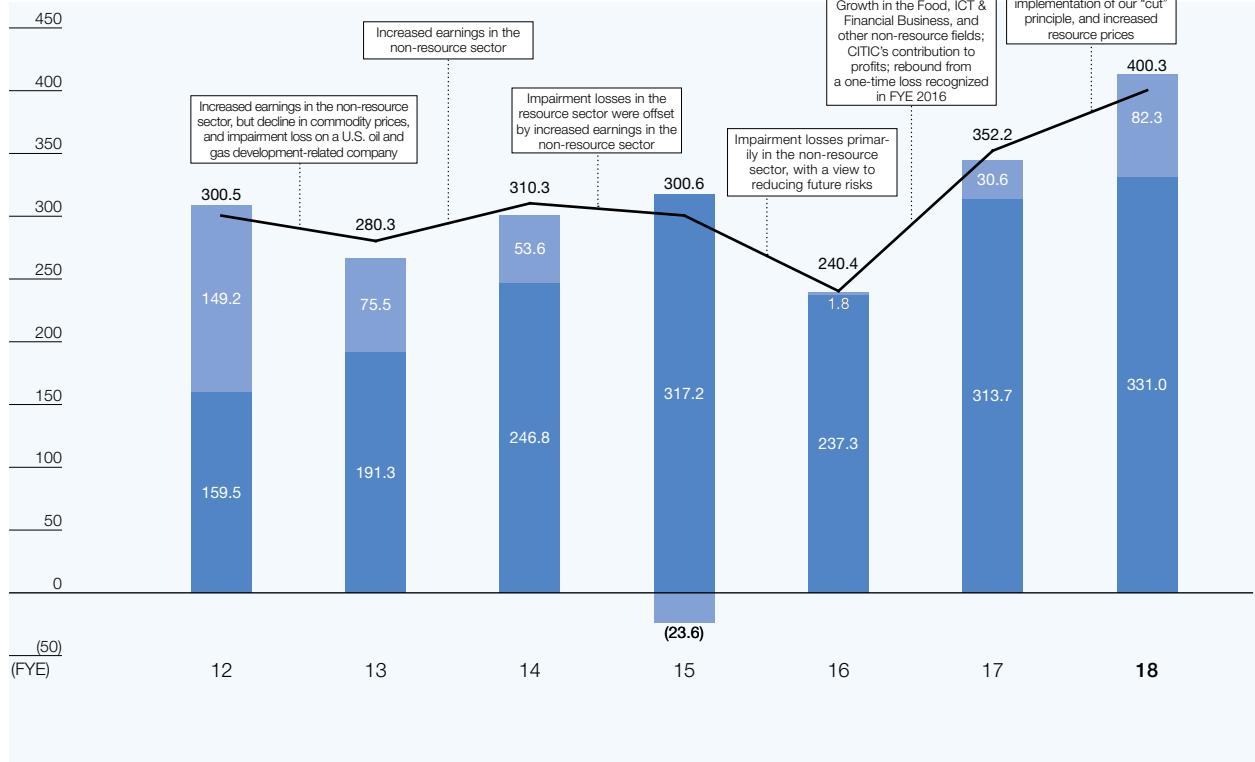


Non-resource	85.8%	88.4%	72.4%	93.3%
Resource	14.2%	11.6%	27.6%	6.7%

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

Consolidated Net Profit (Non-Resource / Resource)

(Billions of Yen)

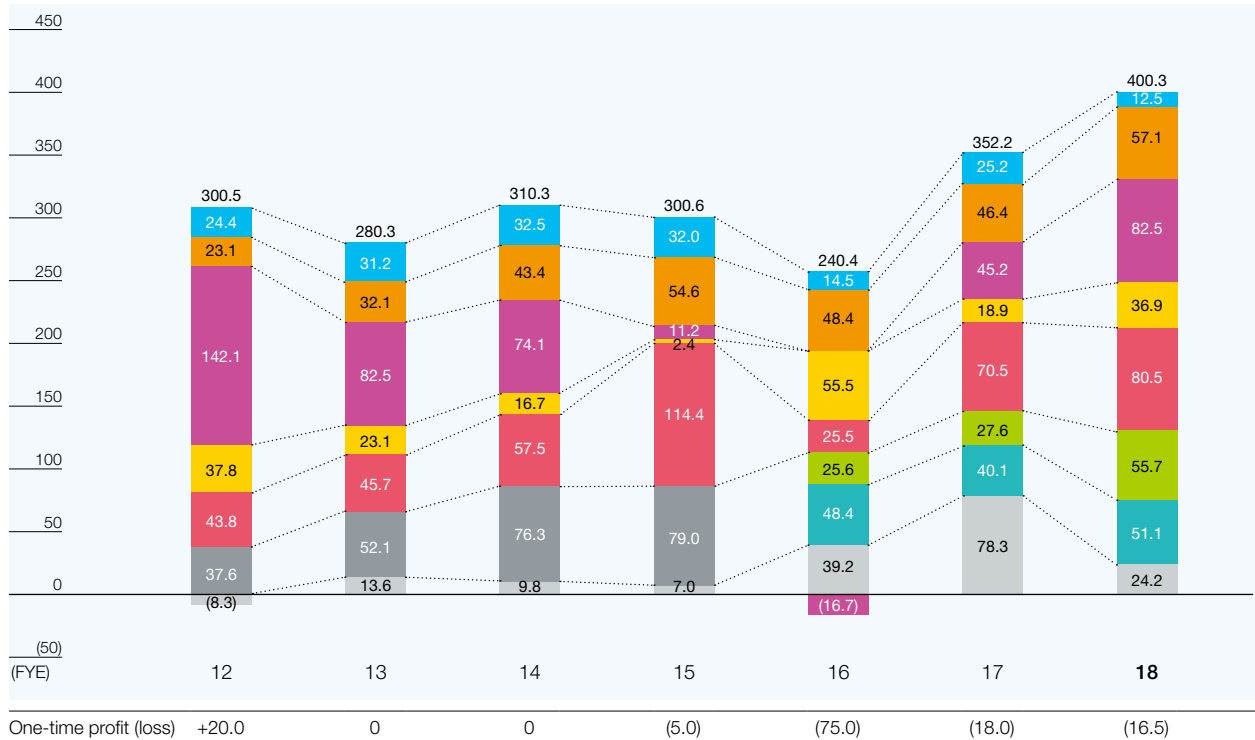


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

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

Consolidated Net Profit by Operating Segment

(Billions of Yen)



One-time profit (loss) +20.0 0 0 (5.0) (75.0) (18.0) (16.5)

■ 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.