

## Food Company

Commerce is not just about selling products. Rather, it requires constant vigilance about why products are sold. By giving thoughtful consideration to downstream operations, we are further strengthening our value chain spanning upstream to downstream activities as we work to augment corporate value throughout the ITOCHU Group.

### Business Fields

- Resources / Material
- Product processing (flesh food, provisions)
- Midstream distribution (food wholesaling)
- Retail (CVS, GHS)



President, Food Company  
**Yozo Kubo**

### Company Strengths

- An industry-leading midstream distribution and retail network
- Possession of a worldwide production, distribution, and sales value chain for fresh foods (marine, meat, and agricultural products)
- Ownership of a global supply chain for food resources



From left:

**Hiroyuki Kaizuka,**  
Chief Operating Officer, Provisions Division

**Yutaka Yamamura,**  
Vice President, Food Company;  
Chief Operating Officer, Fresh Food Division

**Kensuke Hosomi,**  
Chief Operating Officer, Food Products Marketing & Distribution Division

**Makoto Kyoda,**  
Chief Financial Officer

**Takeshi Inoue,**  
General Manager, Planning & Administration Department

## A Distinctive Group of Companies

### Size

FamilyMart UNY Holdings Co., Ltd.



**Second-highest**  
number of convenience  
stores in Japan

17,232 stores in Japan  
(as of February 28, 2018)  
15 million store visits per day  
(as of February 28, 2018)

NIPPON ACCESS, INC.



**Second-largest**  
food wholesaler in Japan

Sales of ¥2.1 trillion  
(FYE 2018)  
550 distribution locations  
(FYE 2018)

### Size + Brand

Dole International Holdings, Inc.



Global leader in fresh produce  
**Largest share** of canned pineapple  
and pineapple juice in the United States

### Niche and Differentiation

FUJI OIL HOLDINGS INC.



In fats and oils for chocolate,  
**50% share** of the Japanese market  
**30% share** of the global market

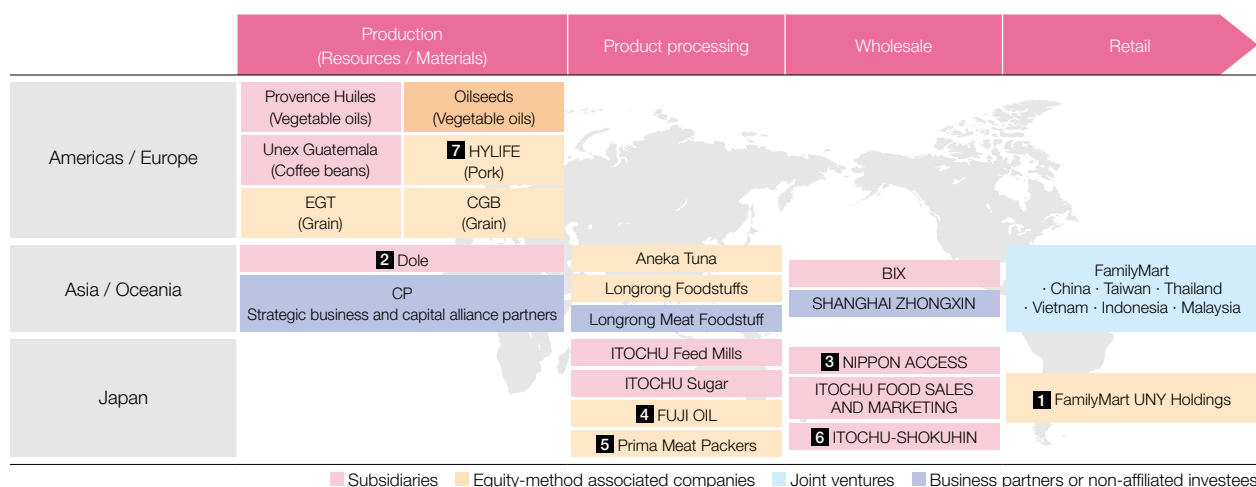
HYLIFE GROUP HOLDINGS LTD.



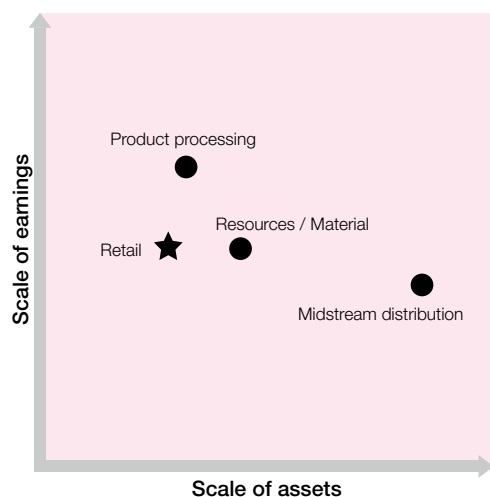
Differentiation through  
**integrated pork production**

## 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.



## 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) *2
<b>Consolidated Net Profit (Loss)*1</b>	114.4	25.5	70.5	<b>80.5</b>	80.0
<b>Breakdown of Net Profit (Loss) by Major Group Companies</b>					
<b>1</b> FamilyMart UNY Holdings Co., Ltd.*	8.1	6.1	7.4	<b>11.8</b>	16.4
<b>2</b> Dole International Holdings, Inc.	4.8	(16.9)	8.3	<b>3.2</b>	10.5
<b>3</b> NIPPON ACCESS, INC.	8.6	8.9	12.2	<b>9.8</b>	12.9
<b>4</b> FUJI OIL HOLDINGS INC.*	2.4	2.4	2.7	<b>4.2</b>	4.8
<b>5</b> Prima Meat Packers, Ltd.*	2.7	2.6	3.7	<b>4.1</b>	4.4
<b>6</b> ITOCHU-SHOKUHIN Co., Ltd.	1.3	1.5	1.7	<b>2.2</b>	1.9
<b>7</b> HYLIFE GROUP HOLDINGS LTD.*	2.1	2.6	2.7	<b>3.7</b>	—
<b>Total Assets</b>	1,772.2	1,723.1	1,773.2	<b>1,962.2</b>	—
<b>ROA (%)</b>	6.9	1.5	4.0	<b>4.3</b>	—
<b>Core Profit</b>	—	45.0	60.0	<b>66.5</b>	—

\*1 Share of trade earnings from ITOCHU (non-consolidated) is 15%.

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

\*3 Asterisks indicate equity-method associated companies.



## Review of “Brand-new Deal 2017”

To further enhance the Food Company’s superiority and business strength, we increased core profit by the expansion of existing businesses, the accumulation of superior assets, and engaging proactively in asset replacement.

We hold a 49.9% stake in HYLIFE GROUP HOLDINGS LTD., a leading Canadian hog farmer and producer of pork products. HYLIFE expanded its production facilities and increased production capacity. In the Dole business, we acquired an additional stake in Master Fruits D.O.O. Beograd, which is based in the Republic of Serbia, to increase the transaction volume of individual quick-frozen products (frozen fruit) destined for Europe and drive further

expansion and developments of the Dole packaged foods business.

We also enhanced our relationships with major Group companies FamilyMart UNY Holdings Co., Ltd. and FUJI OIL HOLDINGS INC. by acquiring additional shares. In this way, we further strengthened the value chain, spanning upstream to downstream operations.

In addition, to further enhance management efficiency we are pursuing asset replacement, such as assets that have already achieved strategic purpose, to consistently maintain an optimal asset portfolio.

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

### Emergence of a Giant Retail Group to Support the Value Chain

Formed through the merger of FamilyMart Co., Ltd. and UNY Group Holdings Co., Ltd., FamilyMart UNY Holdings Co., Ltd. (UFHD) was launched in September. The new company represents a giant retail group, with total sales of nearly ¥4 trillion and one of the most important Group companies, which supports the ITOCHU Group value chain from downstream.

Following the launch of UFHD, in August 2017, we welcomed another good partner, Don Quijote Holdings Co., Ltd., through a business and capital alliance. Driven by management collaboration between these two companies, MEGA DON QUIJOTE UNY stores have been delivering favorable performance and demonstrating the steady successes of this alliance.

In April 2018, we announced plans for a tender offer to convert UFHD to a subsidiary. Going forward, to further enhance the ITOCHU Group value, UFHD will be the cornerstone of “reinvented business.”



MEGA DON QUIJOTE UNY store opened in February 2018

## Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Revolution in distribution which makes existing business model obsolete	➔	Promotion of a retail business that combines the Group's wide range of product groups, functions, expertise, and new technologies
More diverse and sophisticated diets around the world	➔	Expansion of overseas raw materials business base and domestic trade by augmenting the foundation of business centering on value-added products
Rising consumer awareness of food safety and security	➔	Ensure safe and secure food supplies and build stable supply chain networks
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Problems with business continuity due to labor shortage caused by a shrinking population	➔	Maintaining convenience to society through the introduction and use of new technologies in the retail and surrounding fields, where labor shortages are growing particularly acute
Supply risk stemming from damage to agricultural production and food production plants due to droughts, flooding, typhoons, hurricanes, and other extreme weather events	➔	Ensure stable supply of agricultural products through diversification of production regions
Distribution of products containing substances that pose health hazards	➔	Increase number of employees holding Food Safety Systems (FSMS) international certificate

(⇨ Page 64 Sustainability)

## Taking Advantage of Opportunities for Growth

### Establishing a Stable Production System by Integration

HYLIFE's vertically integrated system enables management of the entire supply chain independently. The supply chain includes compound feed production, hog raising, and pork processing.

As a result, the integrated strategy ensures a stable supply of safe, secure, and high-quality products with a business model resilient to market price fluctuations. Aiming to further leverage these strengths over the medium to long term, the company has expanded its facilities, introducing technologies to partially automate pork processing to increase production system efficiency and stability.



Processing line

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

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

### 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)

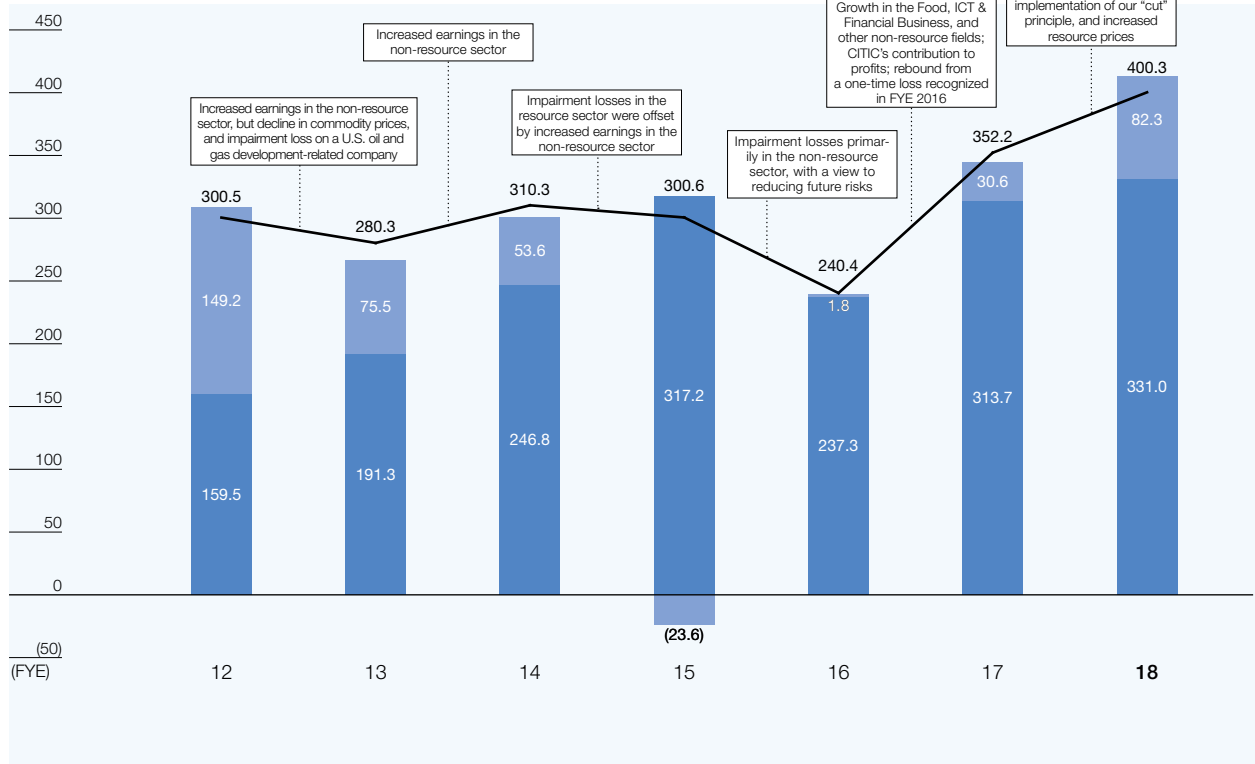


Non-resource	85.8%	88.4%	72.4%	93.3%
Resource	14.2%	11.6%	27.6%	6.7%

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

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

(Billions of Yen)

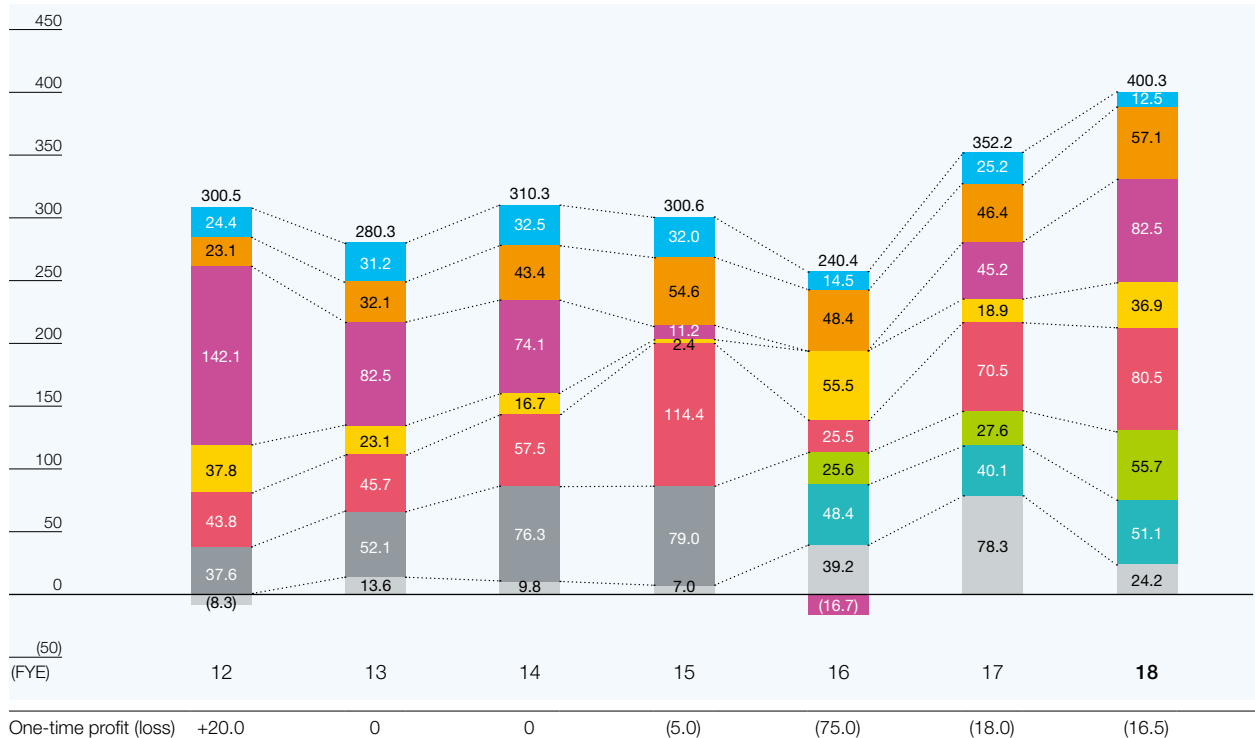


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

\* 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.