

General Products & Realty Company

We will strengthen our earnings base in core businesses, aggressively replace assets, and take on the challenge of seizing further growth opportunities.

Business Fields

- Wood products and materials (production, wholesaling)
- Paper, pulp, and hygiene (production, wholesaling)
- Natural rubber and tire (processing, wholesaling, and retail)
- Development and operation of housing, logistics facilities, and other projects
- Logistics (3PL, international transport, etc.)



President, General Products & Realty Company

Tomofumi Yoshida

Company Strengths

- Well-established position and value chains in each business area
- Creation of synergy through collaboration between businesses
- Strengthening of the management foundation through the aggressive replacement of our asset portfolio



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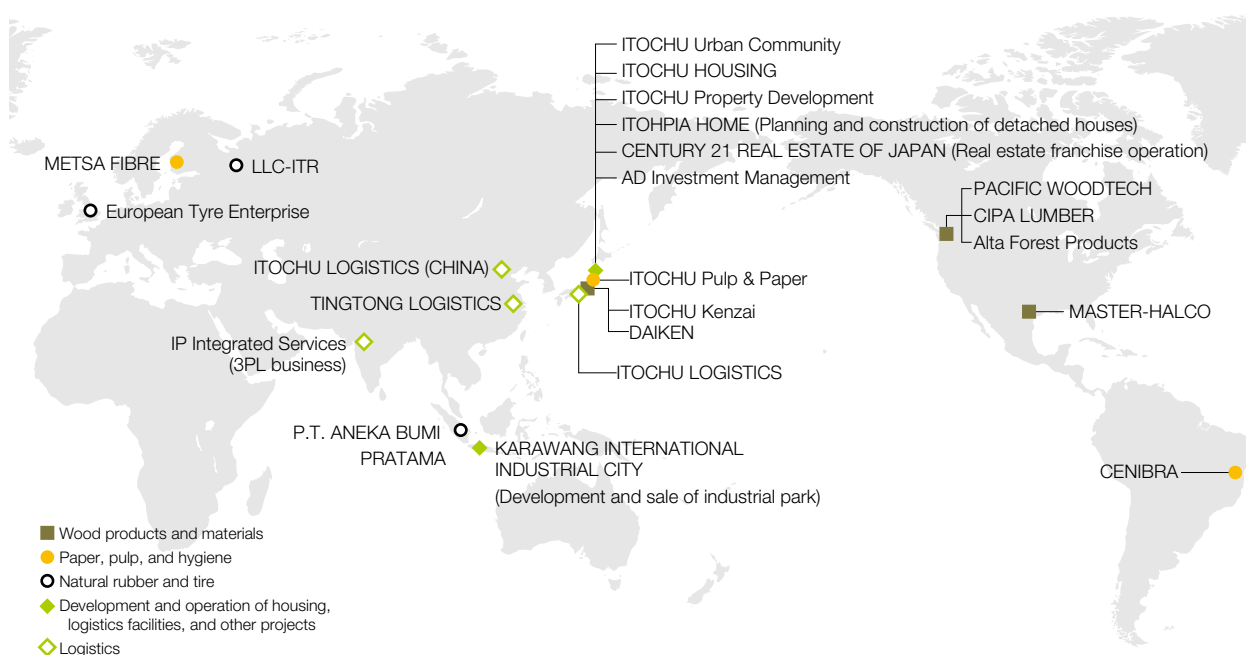
Kenji Murai,
Chief Operating Officer, Forest Products & General Merchandise Division

Masatoshi Maki,
Chief Operating Officer, Construction, Realty & Logistics Division

Kazuaki Yamaguchi,
Chief Financial Officer

Tsutomu Yamauchi,
General Manager, Planning & Administration Department

Business Development



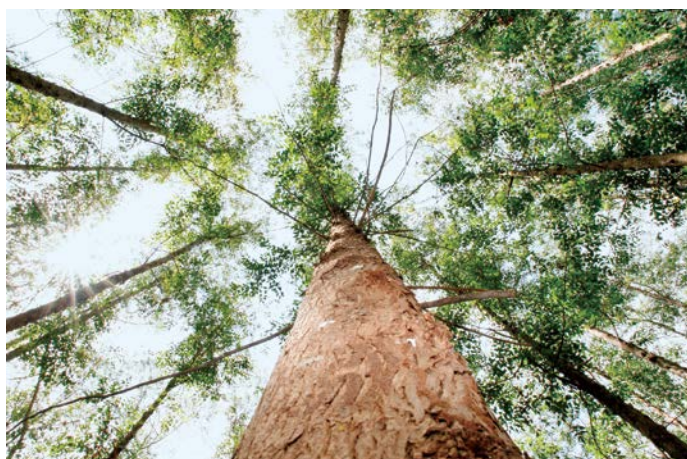
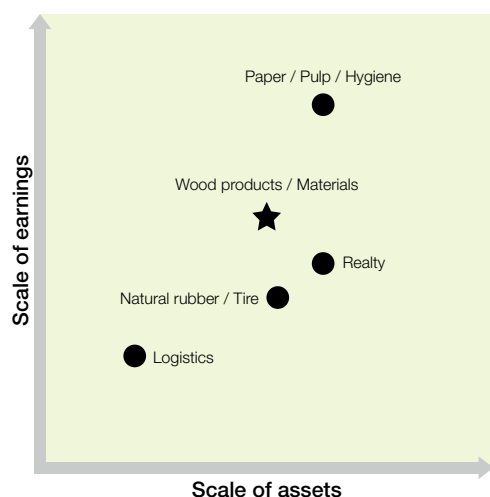
Major Business Developments in the Value Chain

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

	Manufacturing / Processing	Distribution	Retail
Paper / Pulp / Hygiene	2 ITOCHU FIBRE / 3 Japan Brazil Paper and Pulp Resources Development	ITOCHU Pulp & Paper	
Natural rubber / Tire	P.T. ANEKA BUMI PRATAMA	LLC-ITR	1 European Tyre Enterprise
Wood products / Materials	PACIFIC WOODTECH / CIPA LUMBER / Alta Forest Products / DAIKEN*	4 ITOCHU Kenzai / MASTER-HALCO	
	Development	Administration / Sales	REITs / Funds
Realty	5 ITOCHU Property Development	ITOCHU Urban Community / ITOCHU HOUSING	AD Investment Management
Logistics	6 ITOCHU LOGISTICS / ITOCHU LOGISTICS (CHINA) / TINGTONG LOGISTICS*		

*Equity-method associated companies

Asset Portfolio and Efficiency



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

(Billions of Yen)

	2015	2016	2017	2018	2019 (Plan) *1
Consolidated Net Profit (Loss)	35.9	25.6	27.6	55.7	70.0

Breakdown of Net Profit (Loss) by Major Group Companies

1 European Tyre Enterprise Limited (Kwik-Fit)	4.7	(29.9)	(5.2)	5.8	6.2
2 ITOCHU FIBRE LIMITED (METSA FIBRE*)	5.9	6.9	4.3	9.9	—
3 Japan Brazil Paper and Pulp Resources Development Co., Ltd.* (CENIBRA)	1.4	3.7	2.9	4.2	—
4 ITOCHU Kenzai Corp.	2.8	1.7	2.6	2.7	2.6
5 ITOCHU Property Development, Ltd.	2.4	2.8	2.6	2.4	2.3
6 ITOCHU LOGISTICS CORP.	1.9	2.1	2.4	2.7	2.6
Total Assets	954.0	810.8	840.4	978.8	—
ROA (%)	3.8	2.9	3.3	6.1	—
Core Profit	—	43.1	38.1	46.7	—

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

*2 Asterisks indicate equity-method associated companies.



Review of “Brand-new Deal 2017”

European Tyre Enterprise Limited (ETEL), which retails and wholesales tires in Europe, succeeded in various initiatives to bolster sales and profits. Also, ETEL is steadily augmenting its earning power by enhancing services which earned high marks from customers and third parties.

In the pulp business, METSA FIBRE Oy a Finnish softwood pulp manufacturer, increased production thanks to the completion of construction at a new plant in August 2017. As a result, METSA FIBRE became the world's largest manufacturer of commercial softwood pulp for making paper. We are selling the majority of the increased 800,000 tons of

production in China and other parts of Asia. This rise in trading volume, plus favorable pulp prices have contributed to record-high net profits. Going forward, we will further solidify our position as a global pulp trader.

In the Chinese logistics business, we are building the largest logistics network for Japanese logistics companies operating in China mainly via ITOCHU LOGISTICS (CHINA) CO., LTD., positioning itself as the leader in terms of handling volume. We aim to further expand earnings in the Chinese logistics business through get involved in fast-growing e-commerce-related businesses.

Important Steps under “Brand-new Deal 2017”

Strengthening Our Earnings Base in the North America Fencing Business

ITOCHU Group company MASTER-HALCO, INC., which manufactures and sells fences in North America, has established a position as the largest wholesaler of fences in the United States through operations spanning five chainlink fence factories and 53 sales locations across North America. To further expand our North American fencing business, in January 2018 we acquired Alta Forest Products, LLC. (Alta), North America's largest manufacturer of wooden fences.

Alta has four sawmills in the northwestern United States, where it produces an annual 360 million board-feet (approximately 850,000 m³) of wooden fencing material. Alta holds a 75% share of the market for fencing made out of western red cedar, which is a scarce and precious wood. Highly resistant to deterioration and aromatic, this attractive and high-end fencing material is particularly sought after in North America.

We plan to leverage sales network synergies between the newly acquired Alta and Master-Halco as well as further strengthen the North American fencing business through the two companies.



Alta fence

Strategic Direction

Growth Opportunities		Strategies (Specific Measures)
Adapt business models in line with rapid technological change	➡	Further enhance the tire, construction materials, real estate, and logistics businesses by employing new technologies
Create earning opportunities in the Japanese and overseas construction materials business	➡	Strengthen earning power in the North American construction materials business and promote asset replacement
Market expansion due to growing demand for specialized and sophisticated logistics infrastructure services, as well as rise in living standards in China and the ASEAN region	➡	Augment the asset turnover model by building a value chain for logistics facilities, and expand the logistics business in China by reinforcing corporate foundations
Obstacles to Medium- to Long-Term Growth from an ESG Perspective		Responses
Opposition from local communities and consumers due to the handling of forestry resources without adequate consideration to biodiversity and local communities	➡	Continue asking uncertified suppliers to obtain certification and conduct sustainability surveys and visits to suppliers
Continuation of the cement business, which generates substantial greenhouse gas emissions during production	➡	Create a sustainable and stable flow of business between suppliers such as steel mills and users of slag and other byproducts as cement alternatives
Unbuilt social infrastructure and opposition from local communities in developing or emerging countries	➡	Building of infrastructure that takes environmental safety security and environment into consideration, such as the construction of electricity supply facilities, building of industrial water or wastewater plant facilities, and the establishment of security systems

(⇔ Page 64 Sustainability)

Initiatives for Reducing ESG Risks

Becoming the World's No. 1 Trader in Blast Furnace Slag, a Cement Alternative

Blast furnace slag, a byproduct of the steelmaking process, can be mixed into and used as a cement alternative. The use of slag helps to conserve limestone, a natural resource used in cement, and provides the environmental benefit of lowering CO₂ emissions by around 40%* compared with concrete made entirely from cement.

Blast furnace slag is also highly resistant to seawater and, being resistant to long-term corrosion, is widely used in large civil engineering structures at ports.

Beginning some 20 years ago, we now sell blast furnace slag produced in Japan and overseas in around 10 countries, making us the world's leading trader in slag, by handling volume. Going forward, we will build a sustainable and stable flow of operations in the slag business and are considering further investment and participation.



Structure employing blast furnace slag

* Calculated at a 55 : 45 ratio for cement : blast furnace slag

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

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

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

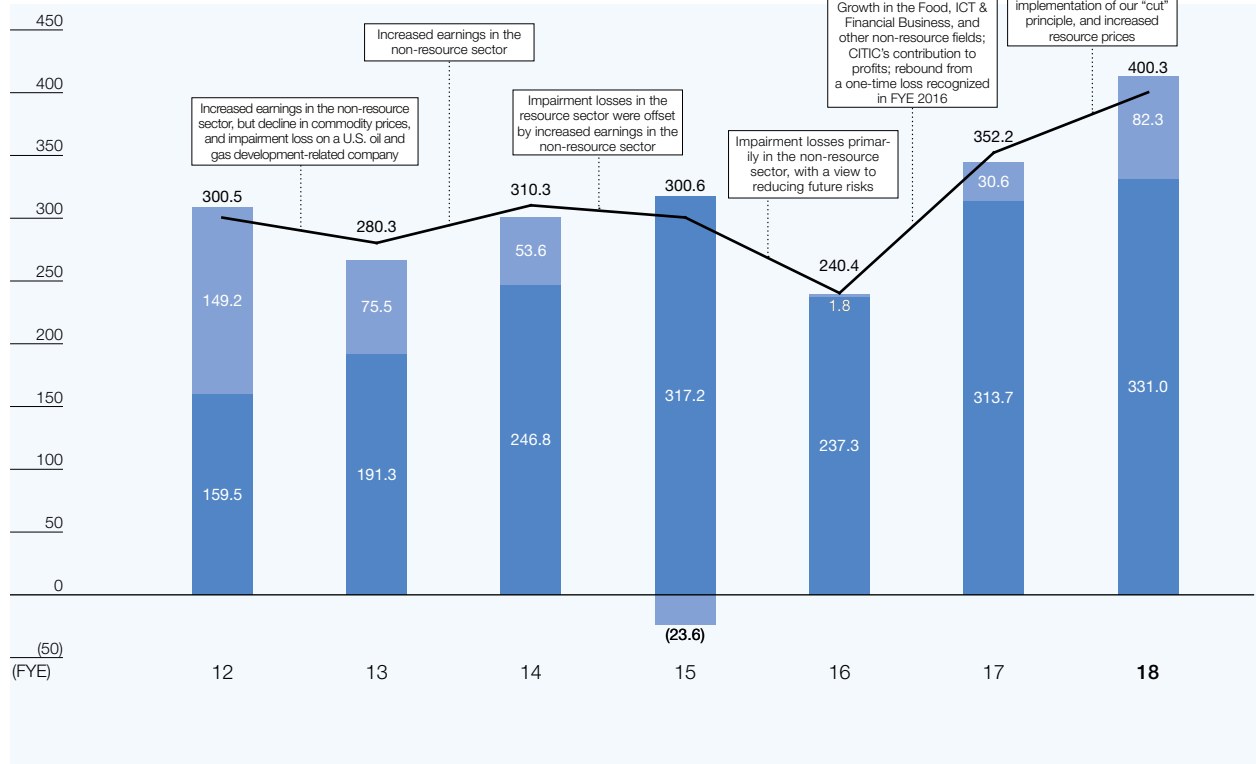
Segment Overview

		Percentage of the Total for ITOCHU (3-year average)			
		Core profit	Total assets	Core operating cash flows	Number of employees (Consolidated)
Textile Company  <p>P.74 ROA 2.6%</p>		7.5%	6.0%	6.3%	13.3%
Machinery Company  <p>P.78 ROA 5.2%</p>		14.2	12.8	13.3	10.7
Metals & Minerals Company  <p>P.82 ROA 9.7%</p>		14.1	10.4	19.7	0.5
Energy & Chemicals Company  <p>P.86 ROA 2.9%</p>		9.8	14.5	20.7	11.8
Food Company  <p>P.90 ROA 4.3%</p>		15.6	22.0	15.6	29.4
General Products & Realty Company  <p>P.94 ROA 6.1%</p>		11.6	10.6	9.7	16.2
ICT & Financial Business Company  <p>P.98 ROA 6.9%</p>		11.8	8.7	12.5	15.2
Others, Adjustments & Eliminations		15.6	14.9	2.2	2.9
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)

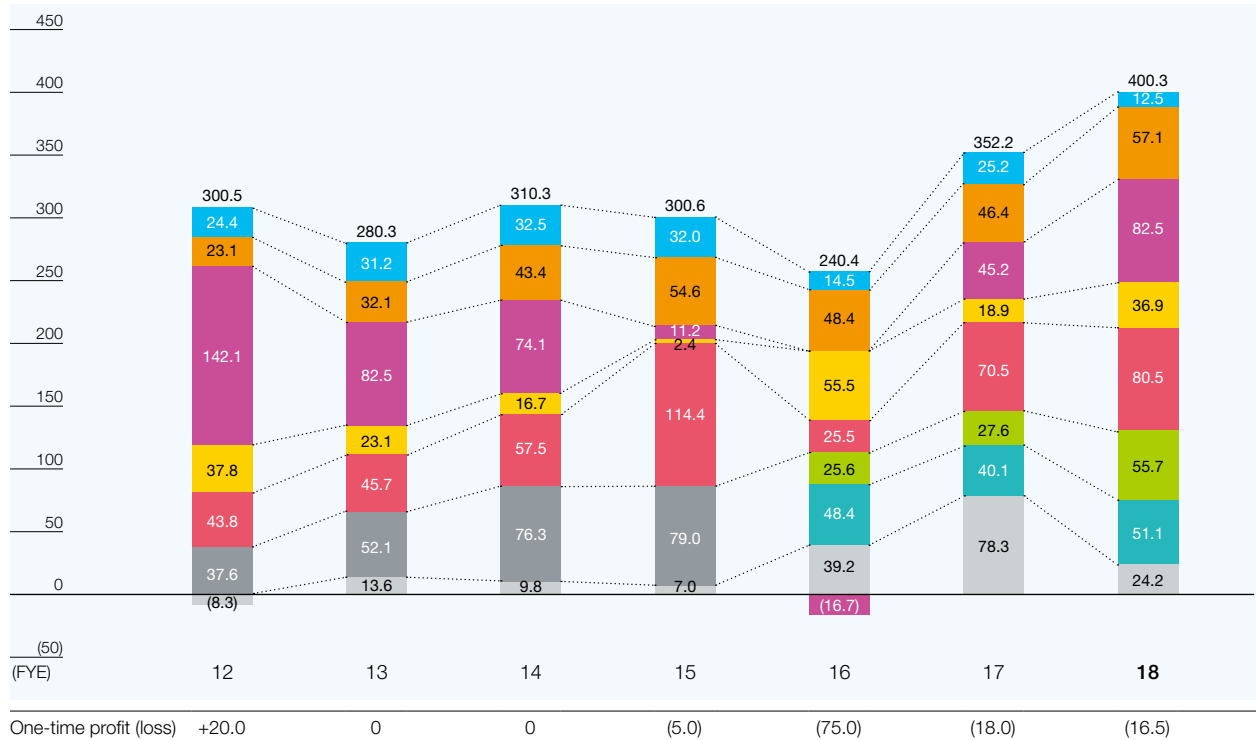


— Consolidated net profit ■ Earnings from the non-resource sector ■ Earnings (loss) from the resource sector

* 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.