

FYE 2020 Management Plan

Brand-new Deal 2020

FYE 2020 Management Plan

Evolution to Next-Generation Growth Models



I am One with Infinite Missions

Fundamental Policy for FYE 2020 Plan

Development of Foundations for Sustainable Growth

Actively Promote Growth Investments, and Maintain High Efficiency (⇒ Page 67)

Actively promote investments to
Next-Generation Growth Models and replace from
the business in peak-out stage or low-returns

Realizing “a New Vision of What a Trading Company Can Achieve” (⇒ Page 60)

(Market-oriented perspective and
Escape from vertically-oriented mindset)
Establishment of The 8th Company
Measures for invigorating human resources

Balanced Cash Allocation (⇒ Page 34)

Growth investments, Shareholder returns,
Control of interest-bearing debt,
Balancing three factors

Steady Advancement of Sustainability Initiatives (⇒ Page 50)

Smart and Health Management,
Governance, Address climate change

FYE 2019 Review and FYE 2020 Plan

Quantitative Targets

FYE 2019 Review

- Upward revision to initial forecast, third consecutive year of record-breaking consolidated net profit with figure of ¥500.5 billion
- Fourth consecutive year of record-breaking core profit with figure of approx. ¥472.0 billion thanks to growth centered on the non-resource sector
- Profit achieved over 90% of Group companies, a record-high level maintained due to thorough application of the “earn, cut, prevent” principles
- Record-breaking Core Operating Cash Flows exceeding ¥500.0 billion, massively positive Core Free Cash Flows after deducting shareholder returns achieved due to exits from large-scale investments
- Achieved upgrade by all four major credit rating agencies in a one-year period, historic best NET DER of 0.82 times, strong financial position maintained

FYE 2020 Plan

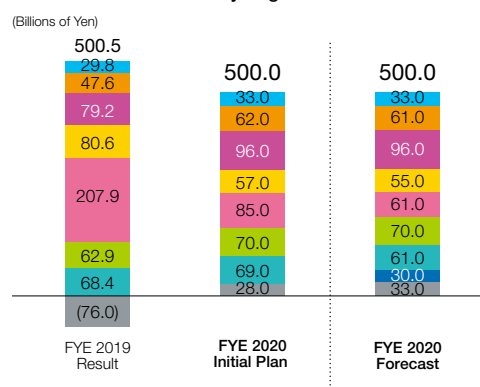
- Profit Plan:** Consolidated net profit of ¥500.0 billion (More growth in the non-resource sector which is more resistant to economic fluctuations.)
- Cash Flows Plan:** Balanced Cash Allocation (Growth investments, Shareholder returns, Control of interest-bearing debt)
- Ratio & B/S Plan:** Maintain high efficiency and control B/S for maintaining A ratings

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Consolidated net profit	500.5	500.0
Gross trading profit	1,563.8	1,864.0
Total of selling, general and administrative expenses	(1,193.3)	(1,416.0)
Equity in earnings of associates and joint ventures	98.1	229.0
Income tax expense	(149.7)	(137.0)

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Net interest-bearing debt	2,406.8	Approx. 2,400.0+α *
Total shareholders' equity	2,936.9	Increase total shareholders' equity and improve ratio of shareholders' equity to total assets Approx. 3,300.0 *
NET DER (times)	0.82	Gradually decrease
ROE	17.9%	Approx. 16%
ROA	5.3%	Approx. 5% *

Billions of Yen	FYE 2019 Result	FYE 2020 Plan
Core Operating Cash Flows	515.0	Over ¥580.0 as target
Net Investment Cash Flows	(20.0)	Actively promote growth investments and asset replacements
Core Free Cash Flows	495.0	Maintain positive
Dividends	(127.5)	Steady implementation of the medium- to long-term shareholder returns policy (Full-year minimum dividend of ¥85 per share)
Share buybacks	(68.0)	
Core Free Cash Flows after deducting shareholder returns	Approx. 300.0	Maintain positive Utilize Core Free Cash Flows of FYE 2019 (approx. 300.0) for growth investments and shareholder returns

Consolidated Net Profit by Segment



■ Textile ■ Machinery ■ Metals & Minerals
■ Energy & Chemicals ■ Food
■ General Products & Realty ■ ICT & Financial Business
■ The 8th ■ Others, Adjustments & Eliminations

	FYE 2019 Result	FYE 2020 Plan
Non-Resource	378.0	420.0
Resource	115.5	110.0
Others	7.1	(30.0)

* Excluding the impact of IFRS 16 (Leases)

Assumptions for FYE 2019 Result and FYE 2020 Plan

	FYE 2019 Result	FYE 2020 Plan	(Reference) Sensitivities on consolidated net profit
Exchange rate (Yen/US\$) average	110.56	110.00	Approx. ¥(2.5) billion (1 yen appreciation against US\$)
Exchange rate (Yen/US\$) closing	110.99	110.00	—
Interest (%) US\$ LIBOR 3M	2.50%	3.20%	Approx. ¥(3.0) billion (1% increase)
Crude oil (Brent) (US\$/BBL)	70.86	65	±0.58 billion
Iron ore (CFR China) (US\$/ton)	71*	N.A.**	±1.33 billion
Hard coking coal (FOB Australia) (US\$/ton)	202*	N.A.**	
Thermal coal (FOB Australia) (US\$/ton)	106*	N.A.**	±0.22 billion

(The above effect varies according to changes in sales volume, foreign exchange rates, and production costs.)

* FYE 2019 prices for iron ore, hard coking coal, and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

** The prices for iron ore, hard coking coal, and thermal coal used in the FYE 2020 Plan are assumed in consideration for general transaction prices based on the market. The figures are not presented since the actual sales prices are decided based on negotiations with each customer, ore type, and coal type.

Investments

FYE 2019 Review

- Reinforcement of strategic business foundations in the consumer sector through conversion of FamilyMart UNY Holdings Co., Ltd., into a subsidiary
- Massive cash inflows realized through aggressive exits (from GMS business, China-related operations, large-scale resource interests, etc.)
- Recognition of the impairment loss on the investment in CITIC Limited despite stable results, considering the share price and dispelling concerns in the future

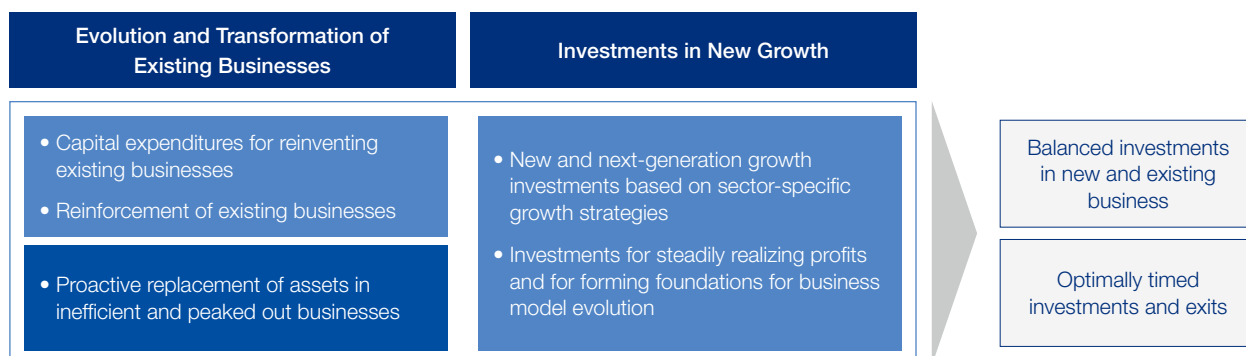
FYE 2019 Major New Investments and Exits

Major New Investments			Major Exits	
Non-resource sector	Acquisition of FamilyMart UNY Holdings Co., Ltd. Investment in Taipei Financial Center Corporation Additional investment in DESCENTE LTD., etc.	Approx. ¥465.0 billion	Sale of entire stake in UNY Co., Ltd. Sale of entire stake in TING HSIN (CAYMAN ISLANDS) HOLDING CORPORATION Sale of entire stake in CIECO Exploration and Production (UK) Limited, etc.	Approx. ¥480.0 billion
Resource sector	Capital expenditure of existing investments, etc.	Approx. ¥35.0 billion		

FYE 2020 Plan

Development of Foundations for Sustainable Growth

In areas of strength, actively promote evolution and transformation of existing businesses and investments in new growth



Ratio of growth investments 5 : 5

Next-generation growth investments: Approx. ¥70.0 billion

(Ongoing upfront foundation construction and acceleration of strategic business development and business model integration)

"Investments in next-generation": Approx. ¥30.0 billion

Smart and Health Management

FYE 2019 Review

- Improvement of work efficiency through introduction of the Companywide integrated data infrastructure, RPAs and Companywide deployment of highly secure mobile PCs, transition from awareness-based work-style reforms to process-based reforms
- Execution of unique healthcare initiatives including expansion of Support Measures for Balancing Cancer Care and Work, provision of compensation for brain examinations, etc.

FYE 2020 Plan

- Improvement of productivity by thoroughly establishing efficient and healthy work styles
 - Evolution of work-style reforms supporting smart management
 - Evolution of industry-leading health management

Sustainability

FYE 2019 Review

- Establishment of coal business policies stating that no new coal-fired power generation business or thermal coal mine interests will be developed to move toward a carbon-free society
- Decision to keep the ratio of outside Directors more than one-third at all times in consideration for Board of Directors' diversity

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- Steady advancement of sustainability initiatives and acceleration of initiatives for resolving social issues and creating social value to achieve targeted sustainable growth
- Focus on enhancing measures for addressing climate change (environment), cultivating workplace environments (society), and maintaining rigorous governance structures (governance) in FYE 2020

Shareholder Returns

FYE 2019 Review

- FYE 2019 dividends increased from initial plan of ¥74 per share to record high of ¥83 per share
- Medium- to Long-Term Shareholder Returns Policy announced along with commitment to acquire 100 million shares of treasury stock, proactive acquisition of treasury stock commenced ahead of schedule in FYE 2019 together with treasury stock cancellations (78 million shares)
- Framework for enhancing corporate value disclosed (gradual increase of dividends, sustainable increase of EPS, and maintain high ROE).

FYE 2020 Plan

Shareholder Returns Policy	Medium- to Long-Term Policy (Announced in October 2018)	<ul style="list-style-type: none"> Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30% More actively execute share buybacks Continuously execute share buybacks of approx. 100 million shares in total, while considering cash flow availability*
	Dividend	<ul style="list-style-type: none"> Pay a minimum dividend of ¥85 per share for FYE 2020, our highest dividend level ever Continue progressive dividend, targeting further increase in dividend amount and dividend payout ratio (Existing dividend formula abolished)
	Share Buybacks	<ul style="list-style-type: none"> Actively and continuously execute in accordance with the policy*

* Execute share repurchases of up to 40 million shares, ¥70.0 billion, in the period until June 11, 2020.

Besides, based on the Medium- to Long-Term Shareholder Returns Policy, share buybacks of 65 million shares, ¥130.0 billion were executed by June 2019. Of these, 34 million shares, (¥68.0 billion) were repurchased in FYE 2019.

Dividend per Share

