

May 2, 2018

This document is an English translation
of a statement written initially in Japanese.
The Japanese original should be considered
as the primary version.

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Announcement of FY 2019-2021 Medium-Term Management Plan,
“Brand-new Deal 2020”

ITOCHU Corporation announced FY 2019-2021 Medium-Term Management Plan, “Brand-new Deal 2020” today.

For more details, please refer to the attached material.

FY2019–2021

Medium-Term Management Plan

ITOCHU Corporation

May 2, 2018



I am One with Infinite Missions

Forward-Looking Statements

Data and projections contained in these materials are based on the information available at the time of publication, and various factors may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Brand-new Deal 2017 General Review

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Brand-new Deal 2020 ITOCHU: INFINITE MISSIONS: INNOVATION

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<p>Profits</p>	<ul style="list-style-type: none"> ■ Recorded the highest net profit attributable to ITOCHU among general trading companies for the first time in FY2016 and achieved record-high profit in FY2017 and then again in FY2018, when profit exceeded ¥400.0 billion for the first time, by rigorously implementing “Earn, Cut, Prevent” principles ■ Established an earnings base that is resilient to changes in resource prices and became the No. 1 general trading company in the non-resource sector ■ Enhanced existing businesses to bring 91% of Group companies reporting profits
<p>B/S, Cash Flows and Investments</p>	<ul style="list-style-type: none"> ■ Further improved already industry-leading ROE (15.8% in FY2018) while increasing total shareholders’ equity ■ Accomplished financial position targets earlier than projected, have achieved core free cash flows of more than ¥100.0 billion for three consecutive years, and was awarded credit ratings of A or higher from all raters ■ Practiced strict management to control new investment within the scope of core operating cash flows and investment inflows
<p>Stock Price and Shareholder Returns</p>	<ul style="list-style-type: none"> ■ Renewed a record high stock price and market capitalization reached ¥3.0 trillion the higher ever ■ Maintained performance-linked progressive dividend policy and set the highest minimum dividend guarantee ever of ¥70 per share in FY2018 ■ Conducted flexible share buybacks to enhance shareholder returns
<p>Work-Style Reforms and Corporate Governance</p>	<ul style="list-style-type: none"> ■ Accelerated work-style reforms by improving productivity and placing emphasis on customers through implementing morning-focused working systems, policies related to health management and living with cancer. Redesigned and executed compensation policies to reward performance ■ Raised ratio of outside directors to above 1/3 and transitioned to monitoring-focused Board of Directors structure to strengthen corporate governance

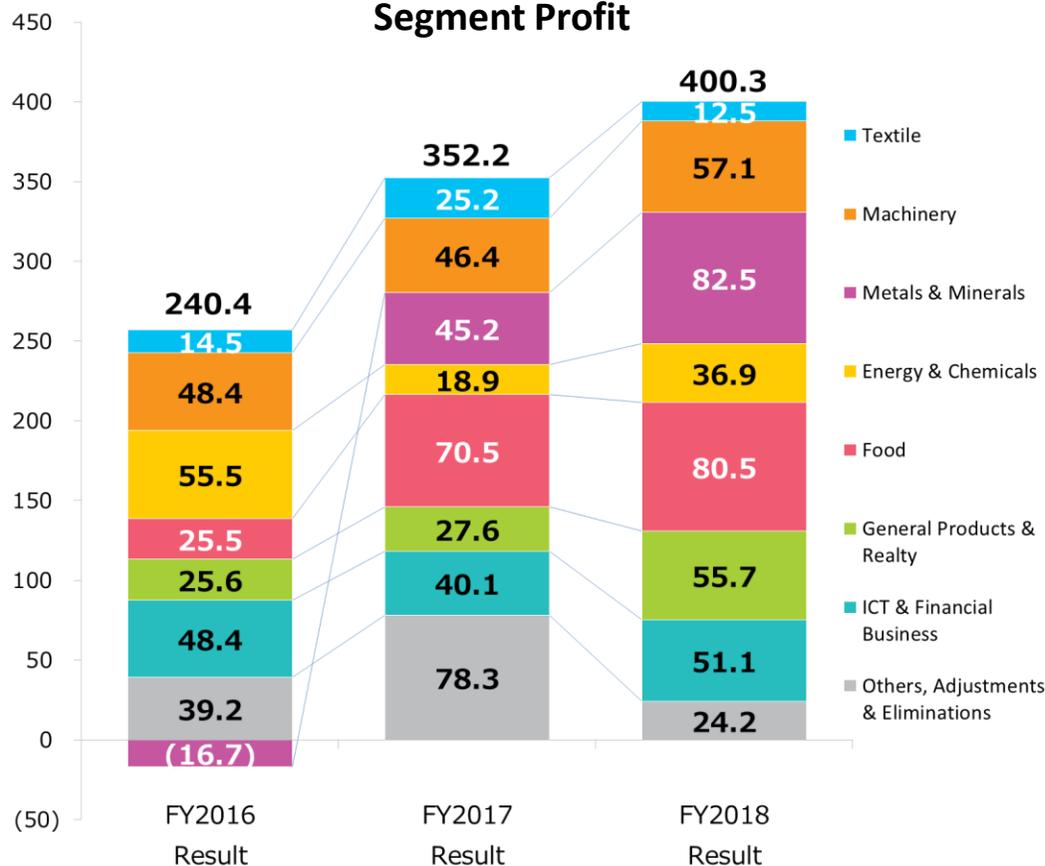
Brand-new Deal 2017—Profit by Operating Segment (Base Earnings)



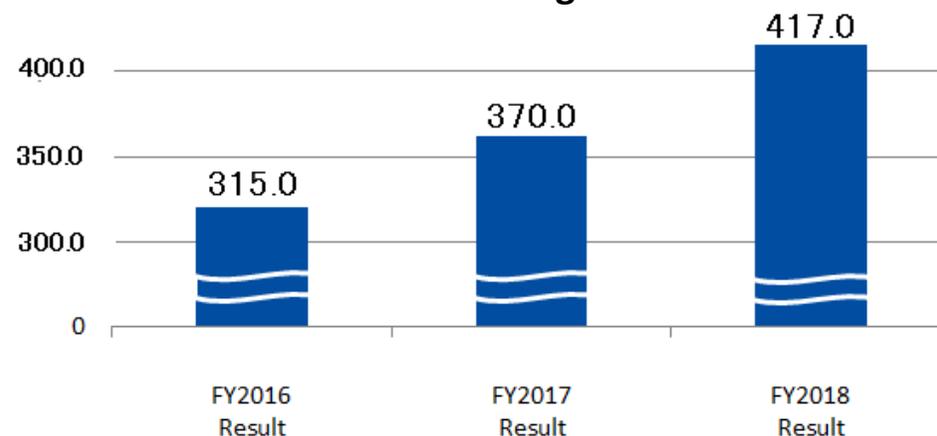
(Unit : billion yen)

- Achieved record-high net profit attributable to ITOCHU in FY2017 and then again in FY2018, when net profit amounted to ¥400.3 billion, and accomplished basic Brand-new Deal 2017 policy of “building solid earnings base to generate ¥400.0 billion”
- Enhanced existing businesses and thereby brought base earnings over the level of ¥410.0 billion in FY2018

Segment Profit



Base Earnings



Non-resource / Resource Profit

	FY2016 Result	FY2017 Result	FY2018 Result
Non-Resource	237.3	313.7	331.0
Resource	1.8	30.6	82.3
Others	1.3	8.0	(13.0)
Non-Resource(%)	99%	91%	80%

Note: composition is calculated using the total of Non-Resource and Resource sectors as 100%.

- Achieved substantial, positive core free cash flow through cash generation capabilities exceeding initial forecasts and disciplined investment policy
- Achieved NET DER to 0.87 times by steadily strengthening financial position and was awarded credit ratings of A or higher (positive) from all raters
- Maintained high capital efficiency, increased total shareholders' equity, and achieved ROE of 15.8% in FY2018

	March 31, 2016 Result	March 31, 2017 Result	March 31, 2018 Result
Financial Position			
Total assets	8,036.4	8,122.0	8,663.9
Net interest-bearing debt	2,555.6	2,330.7	2,320.4
Total shareholders' equity	2,193.7	2,401.9	2,669.5
NET DER (times)	1.17	0.97	0.87
ROE	10.4%	15.3%	15.8%
Cash Flows			
	FY2016 Result	FY2017 Result	FY2018 Result
Core operating free cash flows ^(Note1)	375.0	420.0	460.0
Net investment cash flows ^(Note 2)	35.0	(120.0)	(285.0)
Core free cash flows	410.0	300.0	175.0

Note 1: "Operating Cash Flows" minus "increase/decrease of working capital"

Note 2: Payments and collections for substantive investment and capital expenditure.

"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "increase/decrease of loan receivables", etc.

Exclude investment into CITIC Limited

Brand-new Deal 2017—Investments



(Unit : billion yen)

- ◆ Prioritized new investments in the non-resource sector based on a disciplined investment policy and enhanced existing businesses by increasing investment in FamilyMart UNY Holdings, etc.
- ◆ Exited investments to steadily collect cash through the sale of PrimeSource, integration of Brazilian iron ore producer and seller, NAMISA, etc.

FY2016 Result		FY2017 Result		FY2018 Result		3-year total	
◆ FamilyMart additional investment		◆ FamilyMart UNY Holdings additional investment		◆ FamilyMart UNY Holdings additional investment			
◆ Bosideng		◆ Metsa Fibre capital increase and loan		◆ Panama automobile distributor			
◆ Prima Meat Packers capital increase		◆ Germany Offshore Wind Power Generation Projects (Butendiek)		◆ Alta Forest Products investment			
◆ Metsa Fibre loan		etc.		◆ FUJI OIL HOLDINGS additional investment			
	etc.		etc.		etc.		
Non-resource	195.0	180.0	180.0	310.0	310.0	685.0	685.0
◆ Metal and energy resource capital expenditure		◆ Metal and energy resource capital expenditure		◆ West Qurna 1 oil field interests in Iraq			
◆ BTC pipeline investment		etc.		◆ Metal and energy resource capital expenditure			
	etc.		etc.		etc.		
Resource	50.0	35.0	35.0	85.0	85.0	170.0	170.0
Total of New Investment	245.0	215.0	215.0	395.0	395.0	855.0	855.0
EXIT	(280.0)	(95.0)	(95.0)	(110.0)	(110.0)	(485.0)	(485.0)
Net Investment Amount (excluding investment in CITIC)	(35.0)	120.0	120.0	285.0	285.0	370.0	370.0
◆ CITIC Limited	600.0						
Net Investment Amount (including investment in CITIC)	565.0						

Note : The above figures are approximate.

Medium-Term Management Plan

Brand-new Deal 2020

ITOCHU:INFINITE MISSIONS:INNOVATION



Key Statement of Brand-new Deal 2020

ITOCHU: INFINITE MISSIONS: INNOVATION

With a rich history spanning over 160 years, ITOCHU is excited to create a brighter future founded on innovation. New technologies, new businesses, new lifestyles, new values. These are our core strengths in trading. With innovation, these strengths will bring about an even more dynamic ITOCHU and an era of transformation.



 = Next-Generation Merchant

Best global partner playing an integral role in supporting prosperous lifestyles



Reinvented Business

Evolution of business model through new technologies and new partnerships

Reinvented Work-Styles

Advancement of work-style reforms to help employees create greater value through higher productivity and quality



Sustainable growth through a reinvented *sampo yoshi* approach*

* A part of the management philosophy of the Ohmi (founded place) merchants emphasizing the importance of activities that are “Good for the seller, Good for the buyer, and Good for society” and a spirit originating from founder Chubei Itoh that ITOCHU remains true to today



Reinvented Business

- Evolve business model by utilizing new technologies at all division companies
- Improve value across Group value chain centered around FamilyMart UNY Holdings
- Accelerate creation of new businesses in China and other parts of Asia by actively engaging in alliances with strategic partners



Smart Management

- Become an industry leader in terms of management efficiency indicators such as ROE and labor productivity
- Further advance work-style reforms and efficiency



No. 1 Health Management Company

- Ensure employees feel motivated and rewarded in their work and become the best company for employees' families as well
- Improve the health of all employees and energize entire Group

Incorporate new technologies in all fields to evolve ITOCHU's "Earn, Cut, Prevent" principles



Reinvented Business

Improvement of Value Across the Consumer-Related Value Chain

Evolution of Business Model with New Technologies



Optimization of value chain encompassing everything from production to sales



Smart distribution systems



Satisfying customer experiences
Development of new retail proposals



Optimal energy use and supply



Next-generation mobility society
Shift from ownership to use



Improvement of management productivity through new technologies

Open Collaboration with Other Industries and Venture Companies

Reinvent business through investment in new and next-generation technologies

Conduct continuous and disciplined growth investments while considering cash flows

Consistently maintain positive core free cash flows after deducting shareholder returns^(※)

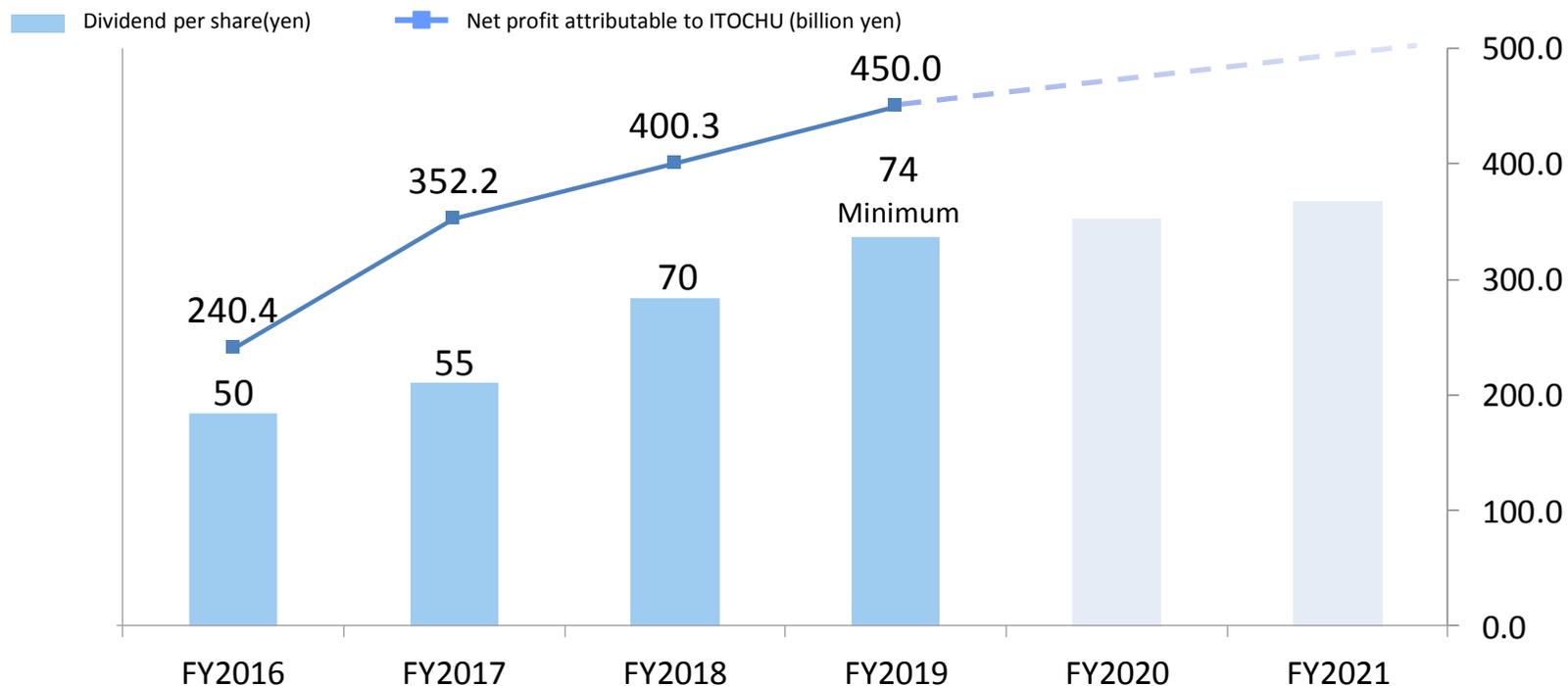
(※) “Core operating cash flows” minus “Net investment” minus “Dividends and share buybacks”

	FY2016 Result	FY2017 Result	FY2018 Result	FY2019 Forecast
a Core operating cash flows	375.0	420.0	460.0	* approx. 500.0
b Net investment cash flows	35.0	(120.0)	(285.0)	
a+b Core free cash flows	410.0	300.0	175.0	More than 120.0
c Dividends	(75.0)	(83.0)	(93.0)	*approx. (120.0)
c Share buybacks	0.0	(16.0)	(28.0)	Conduct flexibly
a+b-c Core free cash flows after deducting shareholder returns	335.0	201.0	54.0	Maintain positive

*:Record High

■ Continue applying the current performance-linked and progressive dividend policy*; set minimum dividend of ¥74 per share for FY2019 and target record-breaking dividend levels each year as the dividend policy of Brand-new Deal 2020 while adopting a flexible stance toward share buybacks based on factors including the Company’s stock price and cash flows to enhance shareholder returns

* Target a dividend payout ratio of approx. 20% on net profit attributable to ITOCHU up to ¥200.0 billion and a dividend payout ratio of approx. 30% on the portion of net profit attributable to ITOCHU exceeding ¥200.0 billion



Quantitative Targets for FY2019



(Unit : billion yen)

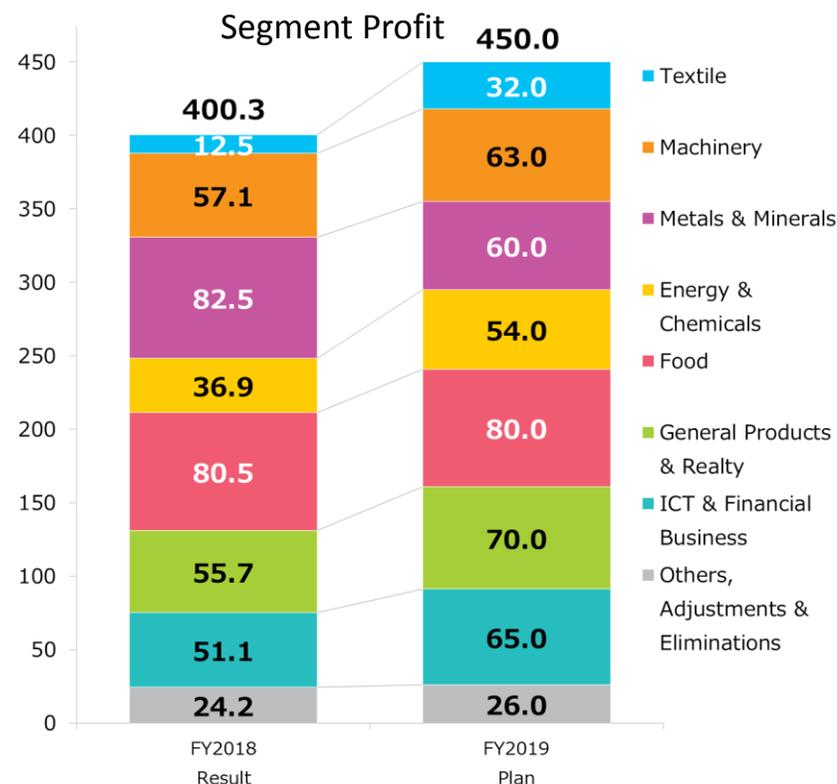
- Project consistent growth in base earnings and target record-breaking consolidated net profit attributable to ITOCHU of ¥450.0 billion
- Continue financial strategy for conducting disciplined growth investments and maintaining high capital efficiency

	FY2018 Result	FY2019 Plan	Increase/ Decrease
Net profit attributable to ITOCHU	400.3	* 450.0	+49.7
Gross trading profit	1,210.4	* 1,593.0	+382.6
Trading Income	316.9	* 377.0	+60.1
Equity in earnings of associates and joint ventures	216.2	214.0	(2.2)

	March 31, 2018 Result	March 31, 2019 Plan	Increase/ Decrease
Total assets	8,663.9	* 10,600.0	+1,936.1
Net interest-bearing debt	2,320.4	2,450.0	+129.6
Total shareholders' equity	2,669.5	* 3,000.0	+330.5
NET DER (times)	0.87	* 0.82	Improve 0.05pt
ROE	15.8%	15.9%	Increase 0.1pt

*: Record High

Note: composition is calculated using the total of Non-Resource and Resource sectors as 100%.



	FY2018 Result	FY2019 Plan
Non-Resource / resource Profit		
Non-Resource	331.0	* 414.0
Resource	82.3	71.0
Others	(13.0)	(35.0)
Non-Resource(%) (Note)	80%	85%

Assumptions for FY2019



	FY2017 Result	FY2018 Result	FY2019 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2019
Exchange rate (YEN / US\$) average	108.37	111.30	105	Approx. ¥(2.3) bil. (1 yen appreciation against US\$)
Exchange rate (YEN / US\$) closing	112.19	106.24	105	-
Interest JPY TIBOR 3M	0.061%	0.062%	0.10%	Approx. ¥(4.0) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	49.88	57.85	55	±¥0.40 bil.
Iron ore (CFR China) (US\$/ton)	66*	68*	N.A.**	±¥1.27 bil.
Hard coking coal (FOB Australia) (US\$/ton)	165*	204*	N.A.**	±¥0.35 bil.
Thermal coal (FOB Australia) (US\$/ton)	74*	94*	N.A.**	

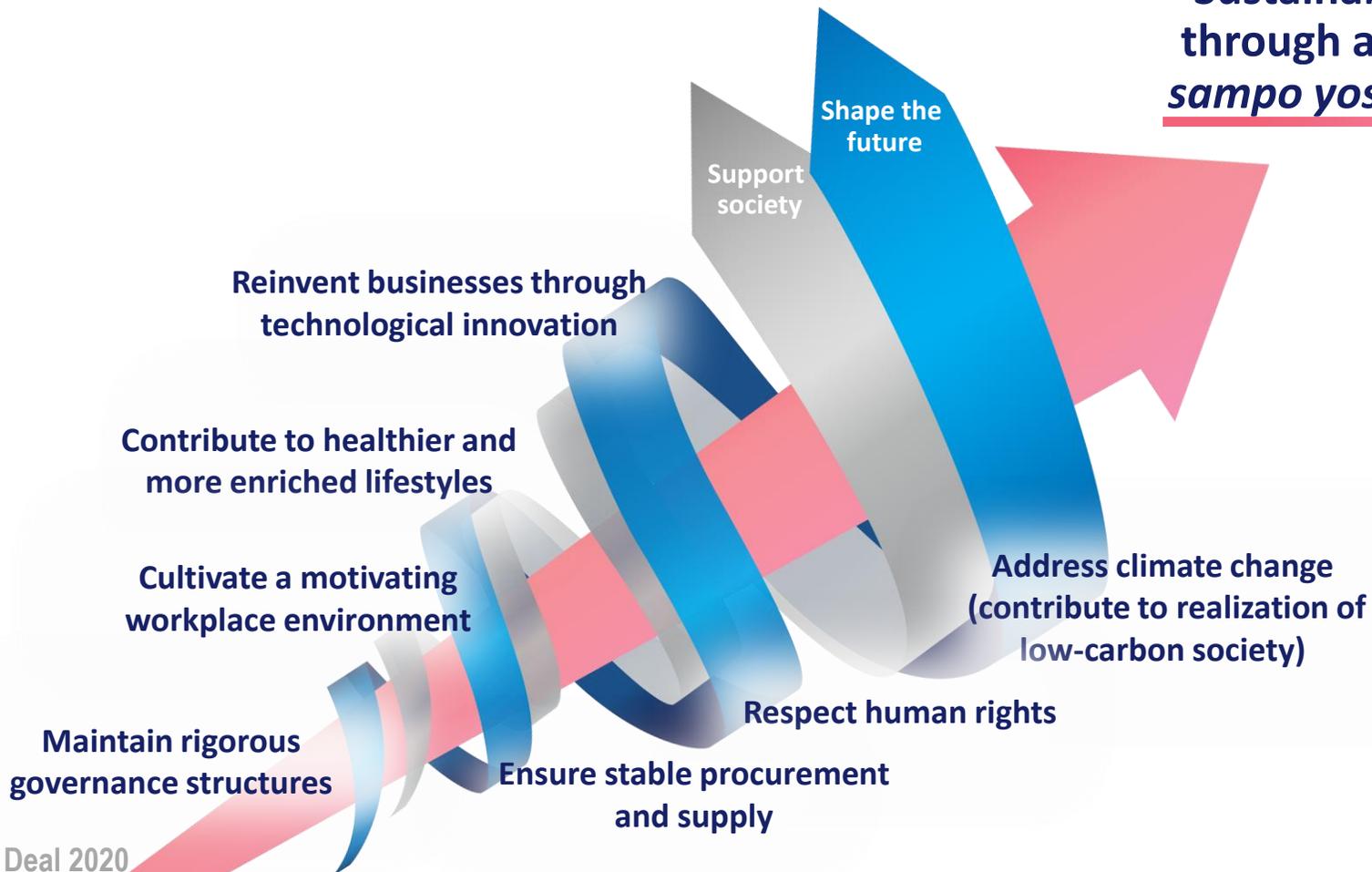
(The above effect varies according to changes in sales volume, foreign exchange rates and production costs.)

* FY2017 and FY2018 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 FY2019 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.

In April 2018, ITOCHU put forth material sustainability issues that incorporate an ESG perspective. Addressing these issues through its main business will help ITOCHU accomplish Brand-new Deal 2020's goal of achieving ongoing growth through a reinvented *sampo yoshi* approach.

Sustainable growth through a reinvented *sampo yoshi* approach



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