FY2019 1st Half

Business Results Summary

ITOCHU Corporation
November 2, 2018

I am One with Infinite Missions

Summary of Net profit attributable to ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU" increased by ¥15.5 bil., compared with the same period of the previous fiscal year to ¥258.0 bil., which renewed the highest record for the second consecutive year as a 1st half result**. Due to the strong earnings in the Energy, Construction, Realty & Logistics and Forest Products & General Merchandise sectors, "Net profit attributable to ITOCHU" increased compared with the same period of the previous fiscal year in all operating segments, except for the Machinery sector. **Profits of the Non-Resource sector increased by ¥3.8 bil., compared with the same period of the previous fiscal year to ¥211.2 bil., and has been renewing the highest record for a 1st half result since FY2012**. **"Net profit attributable to ITOCHU" progressed 52% steadily toward the FY2019 Revised Forecast of ¥500.0 bil.**
- **"Net profit attributable to ITOCHU after deducting extraordinary gains and losses"** (¥14.0 bil. (profit) in this 1st half, ¥42.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥43.0 bil., compared with the same period of the previous fiscal year to approximately ¥244.0 bil. and renewed the highest record for the third consecutive year as a 1st half result.**
- **"Profits/Losses of group companies"** was **¥241.7 bil., which renewed the highest record for the third consecutive year as a 1st half result.**
- **"Core operating cash flows"**, after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥210.0 bil., which renewed the highest record for the third consecutive year as a 1st half result**.

	FY2018 1st Half Result	FY2019 1st Half Result	Increase/ (Decrease)	FY2019 Forecast: Previous Forecast (Disclosed on May, 2)	FY2019 Forecast: Revised Forecast	FY2019 Forecast: Progress
Net profit attributable to ITOCHU	**242.5**	* **258.0**	**+ 15.5**	450.0	* **500.0**	**52%**
Gross trading profit	579.0	* 619.6	+ 40.7	1,593.0	* 1,600.0	39%
Selling, general and administrative expenses	(429.6)	(452.6)	(23.0)			
Gains on investments	37.3	192.2	+ 154.9			
Equity in earnings of associates and joint ventures	109.3	(9.7)	(119.0)	214.0	82.0	–
Income tax expense	(57.2)	(80.1)	(22.9)			

(Reference)

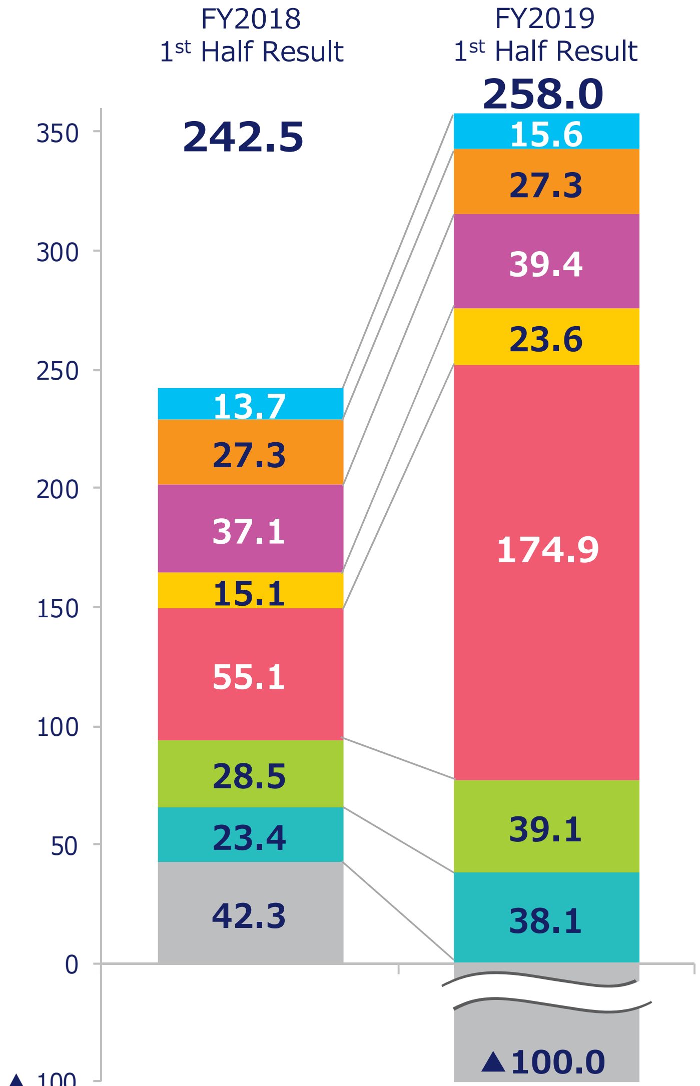
	FY2018 1st Half Result	FY2019 1st Half Result	Increase/ (Decrease)
Extraordinary gains and losses	42.0	14.0	(28.0)
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 201.0	* approx. 244.0	approx. + 43.0
Profits/Losses of group companies	226.8	* 241.7	+ 14.9
Share (%) of group companies reporting profits	81.3%	* 85.6%	Increased 4.3pt

Dividend Information (Per Share)	Previous Forecast (Disclosed on May, 2)	Revised Forecast
Annual (Planned)	74.0 yen (minimum)	83.0 yen (minimum)
Interim	37.0 yen	37.0 yen

* : Record High

Net profit attributable to ITOCHU by Segment 1st Half Result

(Unit : billion yen)



	FY2018	FY2019
Non-Resource	207.3	＊ 211.2
Resource	34.7	41.0
Others	0.5	5.9
Non-Resource(%)	86%	84%

＊: Record High

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

Summary of changes from the same period of the previous fiscal year

Textile [Inc / (Dec) : ¥+1.9 bil.]
Increase due to the stable performance and the reduction of expenses in apparel-related companies, and the gain on sales of a foreign apparel-related company.

Machinery [Inc / (Dec) : ¥ (0.0) bil.]
Nearly at the same level due to the temporary deterioration of profitability in used car sales in YANASE, a subsidiary consolidated in the second quarter of the previous fiscal year, despite the stable performance in automobile-related transactions and the gain on sales of a foreign company.

Metals & Minerals [Inc / (Dec) : ¥+2.3 bil.]
Increase due to the higher coal prices and the favorable performance in the steel-products-related companies, despite the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore.

Energy & Chemicals [Inc / (Dec) : ¥+8.6 bil.]
Increase due to the higher production volume of crude oil, the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices, and the stable performance in chemical sector, despite the decrease due to the absence of the extraordinary gains in the same period of the previous fiscal year.

Food [Inc / (Dec) : ¥+119.8 bil.]
Increase due to the higher equity in earnings of FamilyMart UNY Holdings and the revaluation gain accompanying the conversion of the company into a consolidated subsidiary (¥141.2bil.), despite the lower sales prices in packaged foods in fresh-food-related companies and the absence of extraordinary gains in the same period of the previous fiscal year.

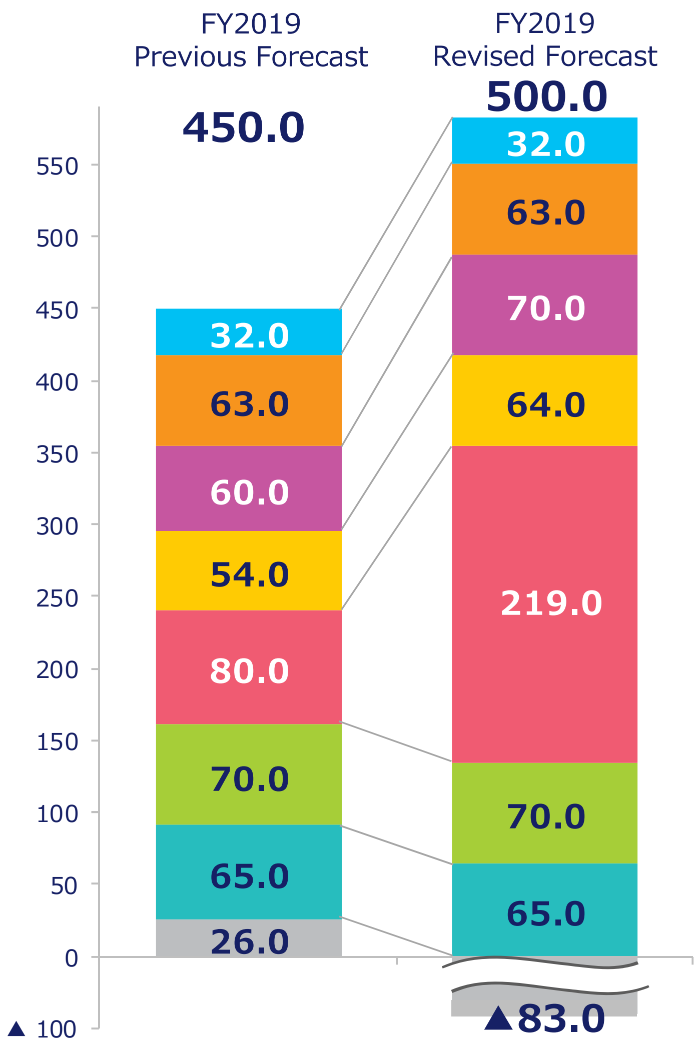
General Products & Realty [Inc / (Dec) : ¥+10.5 bil.]
Increase due to the higher transaction volume in domestic logistics-facility-development-projects and the rise in the market prices in foreign pulp-related companies, despite the absence of extraordinary gains in the same period of the previous fiscal year .

ICT & Financial Business [Inc / (Dec) : ¥+14.7 bil.]
Increase due to the favorable performance in finance-related companies and the higher gains on fund operations and the extraordinary decrease in tax expenses.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (142.3) bil.]
Deterioration due to the impairment loss on investment in CITIC Limited accounted for by the equity method (¥(143.3)bil.).

Net profit attributable to ITOCHU by Segment Annual Forecast

(Unit : billion yen)



	FY2019 Previous Forecast	FY2019 Revised Forecast
Non-Resource	414.0	＊ 414.0
Resource	71.0	89.0
Others	(35.0)	(3.0)
Non-Resource(%)	85%	82%

＊: Record High

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

Summary of changes from the previous forecast

Textile [Inc / (Dec) : ¥±0 bil.]
In line with the previous forecast due to the stable performance in group companies.

Machinery [Inc / (Dec) : ¥±0 bil.]
In line with the previous forecast due to the stable performance in North American construction-machinery-related companies and aircraft-related companies and the gain on sales of a foreign company despite the temporary unfavorable performance of YANASE.

Metals & Minerals [Inc / (Dec) : ¥+10.0 bil.]
Increase due to the higher iron ore and coal prices, improvement in foreign currency translation and the favorable performance in the steel-products-related companies.

Energy & Chemicals [Inc / (Dec) : ¥+10.0 bil.]
Increase due to the rise in oil prices and the higher production volume of crude oil.

Food [Inc / (Dec) : ¥+139.0 bil.]
Increase due to the revaluation gain accompanying the conversion of FamilyMart UNY Holdings into a consolidated subsidiary. With regard to the forecast after deducting the revaluation gains accompanying the conversion of FamilyMart UNY Holdings, etc. into consolidated subsidiaries (¥139.0bil.), in line with the previous forecast (¥80.0bil.) due to a recovery with the reduction of costs in fresh-food-related companies.

General Products & Realty [Inc / (Dec) : ¥±0 bil.]
In line with the previous forecast due to the rise in the market prices in foreign pulp-related companies and the stable performance in domestic and foreign Construction, Realty & Logistics-related companies.

ICT & Financial Business [Inc / (Dec) : ¥±0 bil.]
In line with the previous forecast due to the stable performance in domestic ICT-related companies and mobile-phone-related companies.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (109.0) bil.]
Deterioration due to the impairment loss on investment in CITIC Limited accounted for by the equity method.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥167.5 bil.,** resulting from the stable performance in operating revenues in the Food, Metals & Minerals, Energy and ICT sectors. **"Free cash flows"** resulted in a **net cash-inflow of ¥220.8 bil.,** due to the increase in cash resulting from the conversion of FamilyMart UNY Holdings into a consolidated subsidiary, despite the acquisition of fixed assets in the Metals & Minerals, Food and Energy sectors.
- **Core Free Cash Flows:**
  "Core operating cash flows", after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥210.0 bil., which renewed the highest record for the third consecutive year as a 1st half result. "Core free cash flows"** resulted in a **net cash-outflow of ¥(15.0) bil.,** due to the acquisition of fixed assets in the Metals & Minerals, Food and Energy sectors and the additional investments in FamilyMart UNY Holdings.
  The revised FY2019 Image of Core Free Cash Flows is ¥140.0 bil. + α.

Cash Flows

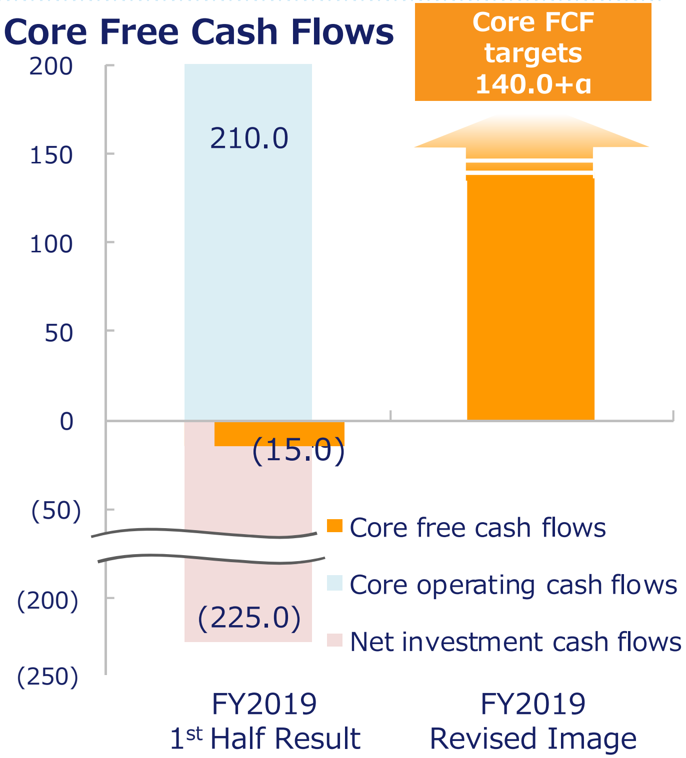
	FY2018 1st Half Result	FY2019 1st Half Result
Cash flows from operating activities	155.0	* 167.5
Cash flows from investing activities	(74.8)	53.3
Free cash flows	*80.2*	* *220.8*
Cash flows from financing activities	(186.4)	(48.9)

Core Free Cash Flows

	FY2018 1st Half Result	FY2019 1st Half Result	FY2019 Previous Image (Disclosed on May, 2)	FY2019 Revised Image
Core operating cash flows(Note1)	210.0	* 210.0	approx. 500.0	Over 500.0
Net investment cash flows(Note2)	(105.0)	(225.0)		
Core free cash flows	105.0	(15.0)	Over 120.0	140.0+α

* : Record High

Core Free Cash Flows

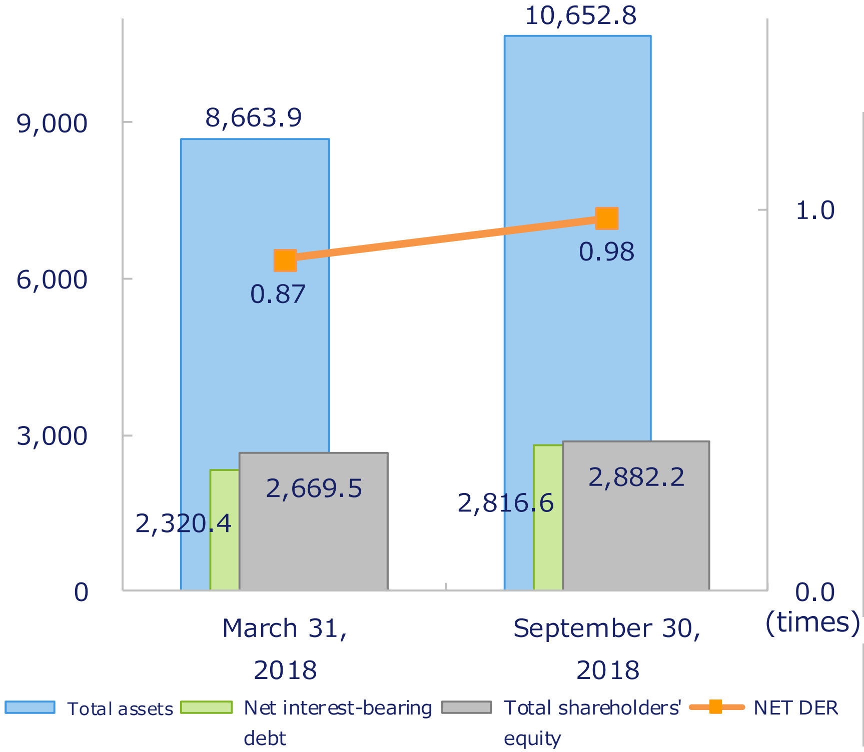


Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥1,988.9 bil., compared with March 31, 2018 to **¥10,652.8 bil.**, due to the conversion of FamilyMart UNY Holdings and a finance-related company into consolidated subsidiaries, the acquisition of a Latin American automobile-related subsidiary, and the effect of the depreciation of the yen.
- **Net interest-bearing debt:**
  Increased by ¥496.2 bil., compared with March 31, 2018 to **¥2,816.6 bil.**, due to the conversion of FamilyMart UNY Holdings and a finance-related company into consolidated subsidiaries, and the effect of the depreciation of the yen.
- **Total shareholders' equity:**
  Increased by ¥212.7 bil., compared with March 31, 2018 to **¥2,882.2 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets decreased by 3.8 points compared with March 31, 2018 to **27.1%.**
  NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2018 to **0.98 times**.



	March 31, 2018	September 30, 2018	Increase/ (Decrease)	FY2019 Previous Forecast (Disclosed on May, 2)	FY2019 Revised Forecast
Total assets	8,663.9	* 10,652.8	+ 1,988.9	10,600.0	10,300.0
Net interest-bearing debt	2,320.4	2,816.6	+ 496.2	2,450.0	2,550.0
Total shareholders' equity	2,669.5	* 2,882.2	+ 212.7	3,000.0	* 3,000.0
Ratio of shareholders' equity to total assets	30.8%	27.1%	Decreased 3.8pt	28.3%	29.1%
NET DER (times)	0.87	0.98	Increased 0.1pt	0.82	* 0.85
ROE	15.8%	–	–	15.9%	17.6%

* : Record High (NET DER : Record Low)

Major Indicators

	FY2018 1st Half Result	FY2019 1st Half Result	FY2019 Previous Forecast (Disclosed on May, 2)	FY2019 Revised Forecast	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2019 2nd half against forecast
Exchange rate (YEN / US$) average	111.25	109.44	105	110	Approx. ¥(1.2) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2018 106.24	Sep. 2018 113.57	105	110	-
Interest JPY TIBOR 3M, average	0.057%	0.069%	0.10%	0.10%	Approx. ¥(2.5) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	51.49	75.40	55	70	±¥0.11 bil.
Iron ore (CFR China) (US$/ton)	67*	66*	N.A.**	N.A.**	±¥0.34 bil.
Hard coking coal (FOB Australia) (US$/ton)	190*	189*	N.A.**	N.A.**	±¥0.07 bil.
Thermal coal (FOB Australia) (US$/ton)	87*	111*	N.A.**	N.A.**	

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

* FY2018 1st half and FY2019 1st half 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 forecast 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.

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2018 1st Half Result		FY2019 1st Half Result	
Gains(Losses) related to investments	**24.0**	・Gain related to partial sales of a Chinese fresh-food-related company: approx. 18.0 (Food) ・Merger of Takiron and C. I. Kasei: approx. 3.0 (Energy & Chemicals) ・Gain on sales of an asset-management -related company:approx. 2.0 (General Products & Realty)	**149.0**	・The revaluation gain accompanying the conversion of FamilyMart UNY Holdings into a consolidated subsidiary: 141.2 (Food) ・Gain on sales of a foreign textile-related company: approx. 2.5 (Textile) ・Gain on sales of foreign machinery-related company: approx. 1.5 (Machinery) ・The revaluation gain accompanying the conversion of a finance-related companies into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business 2.5, Food (1.5)) ・Gain accompanying the restructure of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ・The impairment loss on Chia Tai Enterprises International Limited: approx. (2.5) (Others, Adjustments & Eliminations)
Equity in earnings (losses) related to associates and joint ventures,	**9.0**	・Gain on investments in related companies in CITIC Limited: approx. 8.0 (Others, Adjustments & Eliminations)	**(141.0)**	・Gain on sales of a foreign GMS company in FamilyMart UNY Holdings: approx. 1.0 (Food) ・The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations)
Income tax expense, Others	**9.0**	・Decrease in tax expenses relating to pulp-related companies: approx. 5.5 (General Products & Realty)	**6.0**	・Decrease in tax expenses relating to foreign finance-related companies: approx. 5.0 (ICT & Financial Business) ・Decrease in tax expenses relating to apparel-related companies: approx. 1.5 (Textile)
Total	**42.0**		**14.0**	

	FY2018 1st Half Result	FY2019 1st Half Result
Non-Resource	45.5	13.5
Resource	0.5	0.5
Others	(4.0)	–