FY2019 Business Results Summary & FY2020 Management Plan

ITOCHU Corporation

April 26, 2019

I am One with Infinite Missions

Summary of Financial Results for FY2019

ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** increased by ¥100.2 bil., compared with the previous fiscal year to **¥500.5 bil.** [3rd consecutive year]
  Reached the ¥500 bil. level due to the increase in profit of the Non-Resource sector centered on the consumer sector which is the strong point of ITOCHU as well as the higher resource prices.
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥55.0 bil., compared with the previous fiscal year to approximately **¥472.0 bil.** [4th consecutive year]
- **"Profits/Losses of group companies"** was **¥437.9 bil.** [3rd consecutive year]
  Shares (%) of group companies reporting profits remains a high level of 90%.
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥515.0 bil.** [3rd consecutive year]
- **NET DER** was **0.82 times** which was the best record. **ROE** was **17.9%** remaining at a high level.
- **"Basic earnings per share attributable to ITOCHU (EPS)" exceeded ¥300 for the first time**. [3rd consecutive year]

[]: Number of years renewing the highest record in a row

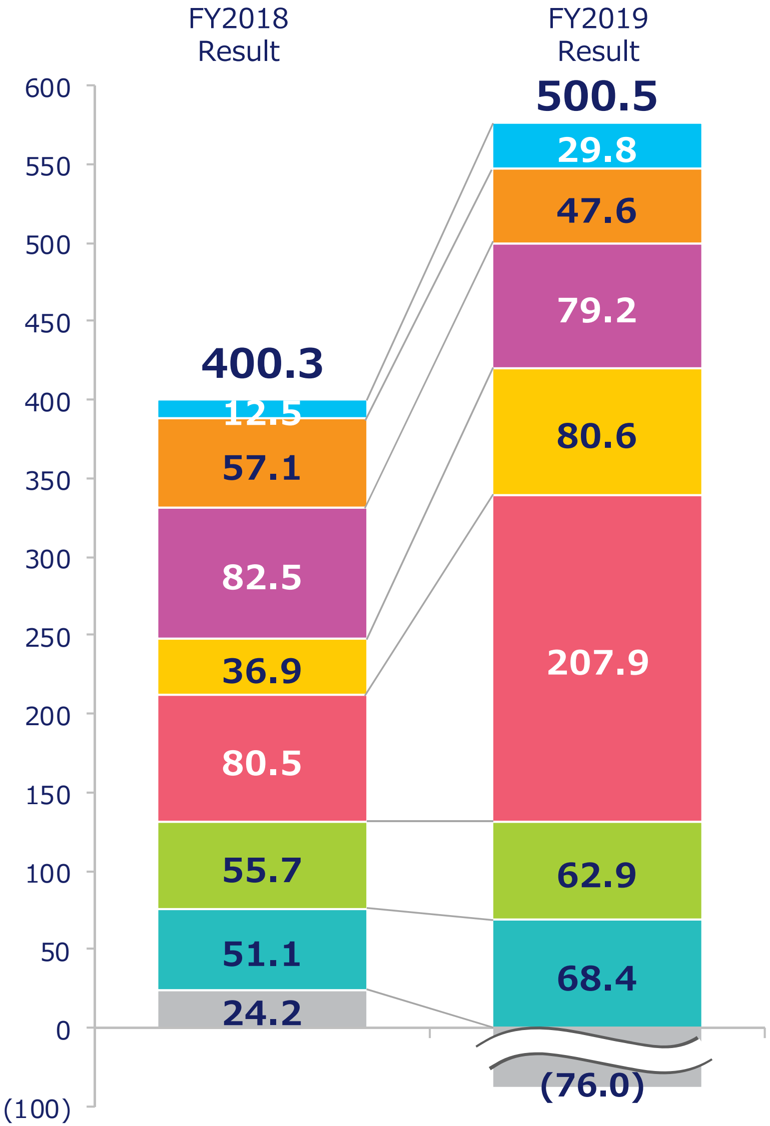
	FY2018 Result	FY2019 Result	Increase/ Decrease	FY2019 Forecast (Disclosed on Nov, 2)	Achievement
Net profit attributable to ITOCHU	**400.3**	＊ **500.5**	**+100.2**	**500.0**	**100%**
Extraordinary gains and losses	(16.5)	28.5	+ 45.0		
Core Profit	approx. 417.0	＊ approx. 472.0	approx. + 55.0		
Profits/Losses of group companies	392.3	＊ 437.9	+ 45.6		
Share (%) of group companies reporting profits	91.0%	90.0%	Decreased 1.0pt		
Core Operating Cash Flows	460.0	＊ 515.0	+ 55.0		
NET DER (times)	0.87	＊ 0.82	Improved 0.05pt		
ROE	15.8%	17.9%	Increased 2.1pt		
EPS	257.94 yen	＊ 324.07 yen	+ 66.13 yen		

Dividend Information (Per Share)	
Annual (Planned)	83.0 yen
Interim (Paid)	37.0 yen

＊ : Record High (NET DER : Best Record)

Net profit attributable to ITOCHU by Segment

(Unit : billion yen)



	FY2018	FY2019
Non-Resource	331.0	＊ 378.0
Resource	82.3	115.5
Others	(13.0)	7.1
Non-Resource(%)	80%	77%

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

＊ : Record High

Summary of changes from the previous fiscal year

Textile [Inc / (Dec) : ¥+17.3 bil.]
Increase due to the stable performance in apparel-related companies such as SANKEI, the gain on sales of a foreign apparel-related company, and the absence of impairment losses in the previous fiscal year.

Machinery [Inc / (Dec) : ¥ (9.4) bil.]
Decrease due to the temporary deterioration of profitability in used car sales in YANASE, losses on North American IPP companies and the absence of lower tax expenses in the previous fiscal year, despite the stable performance in automobile-related transactions and the absence of a provision for the specific overseas project in the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥ (3.2) bil.]
Decrease due to the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore in IMEA, despite the higher coal prices and the favorable performance in Marubeni-Itochu Steel.

Energy & Chemicals [Inc / (Dec) : ¥+43.8 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, increase in dividends from oil and LNG projects and the gain on sales of a North Sea oil fields development company.

Food [Inc / (Dec) : ¥+127.4 bil.]
Increase due to the stable performance in FamilyMart UNY and the revaluation gain accompanying the conversion of the company into a consolidated subsidiary (¥141.2 bil.), despite the lower sales prices in packaged foods in Dole and the absence of extraordinary gains in the previous fiscal year.

General Products & Realty [Inc / (Dec) : ¥+7.2 bil.]
Increase due to the higher transaction volume in domestic logistics-facility-development-projects and the higher equity in earnings in IFL (European pulp-related company) and Japan Brazil Paper & Pulp Resources Development resulting from the higher pulp prices, despite the absence of extraordinary gains in the previous fiscal year.

ICT & Financial Business [Inc / (Dec) : ¥+17.3 bil.]
Increase due to the favorable performance in finance-related companies such as POCKET CARD, the higher gains on fund operations and the extraordinary lower tax expenses.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (100.2) bil.]
Deterioration due to the impairment loss on investment in CITIC Limited accounted for by the equity method (¥(143.3) bil.), despite the absence of the impairment loss on C.P. Pokphand in the previous fiscal year.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥476.6 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 ¥677.7 bil.,** due to the increase in cash resulting from the conversion of FamilyMart UNY into a consolidated subsidiary and the sale of UNY in FamilyMart UNY, despite the acquisition of fixed assets mainly in the Food, Metals & Minerals 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 ¥515.0 bil., which renewed the highest record for the third consecutive year**. Due to actively promoting asset replacement, **"Core Free Cash Flows"** resulted in a **net cash-inflow of ¥495.0 bil.**, massively positive figure.

Cash Flows

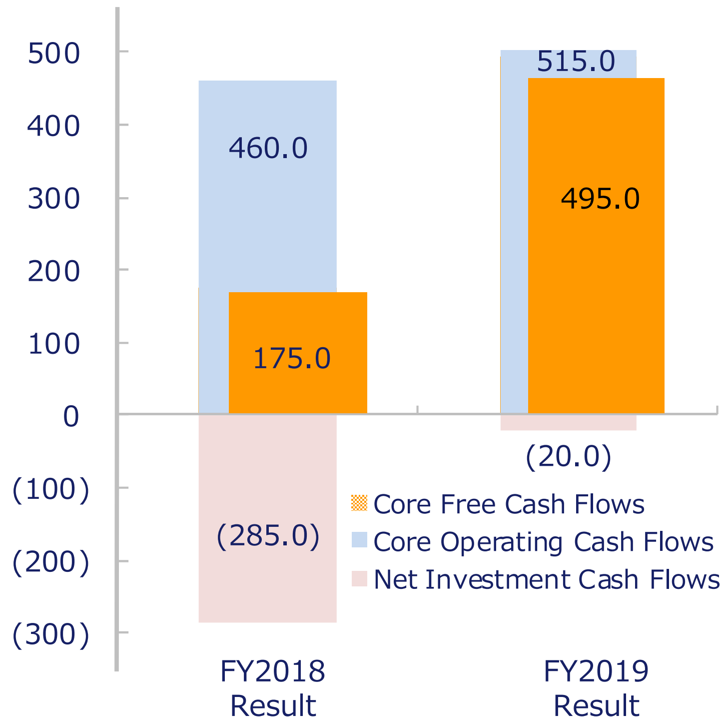
	FY2018 Result	FY2019 Result
Cash flows from operating activities	388.2	* 476.6
Cash flows from investing activities	(256.4)	201.1
Free cash flows	*131.9*	* *677.7*
Cash flows from financing activities	(296.1)	(538.3)

Core Free Cash Flows

	FY2018 Result	FY2019 Result
Core Operating Cash Flows(Note1)	460.0	* 515.0
Net Investment Cash Flows(Note2)	(285.0)	(20.0)
Core Free Cash Flows	175.0	* 495.0

* : Record High

Core Free Cash Flows

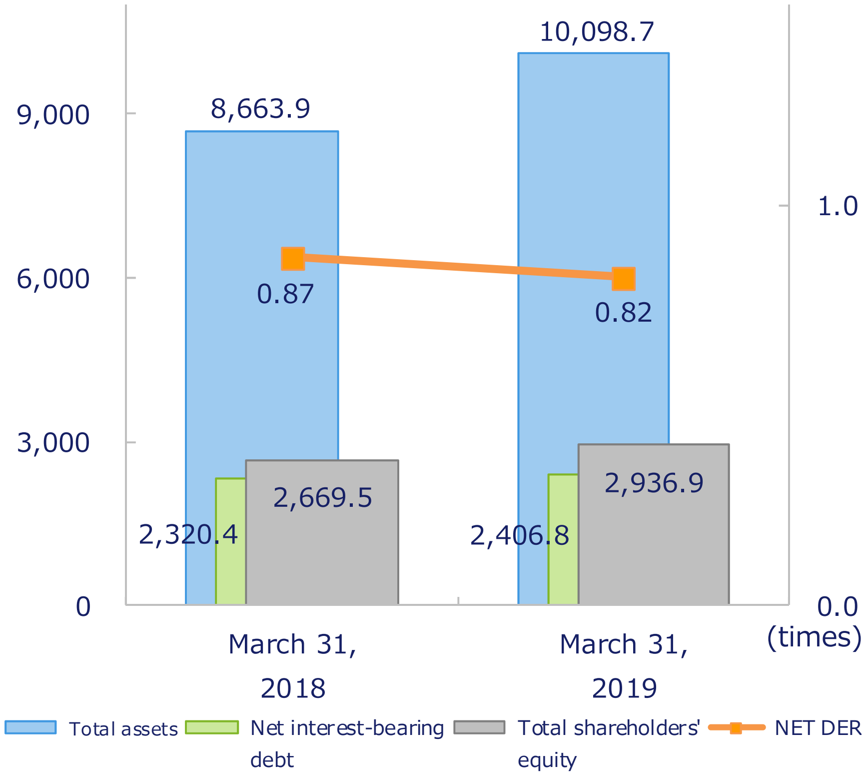


Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥1,434.8 bil., compared with March 31, 2018 to **¥10,098.7 bil.**, due to the conversion of FamilyMart UNY and POCKET CARD into consolidated subsidiaries.
- **Net interest-bearing debt:**
  Increased by ¥86.3 bil., compared with March 31, 2018 to **¥2,406.8 bil.**, due to dividend payments, the repurchase of own shares, and the conversion of POCKET CARD into a consolidated subsidiary, despite the repayment of borrowings accompanying stable performance in operating revenues and steady collections.
- **Total shareholders' equity:**
  Increased by ¥267.4 bil., compared with March 31, 2018 to **¥2,936.9 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments and the repurchase of own shares.
- **Ratio of shareholders' equity to total assets, NET DER and ROE:**
  Ratio of shareholders' equity to total assets decreased by 1.7 points compared with March 31, 2018 to **29.1%**.
  NET DER improved compared with March 31, 2018 to **0.82 times**.
  ROE increased by 2.1 points compared with March 31, 2018 to **17.9%**.



	March 31, 2018	March 31, 2019	Increase/ Decrease	FY2019 Forecast (Disclosed on Nov, 2)
Total assets	8,663.9	10,098.7	+ 1,434.8	10,300.0
Net interest-bearing debt	2,320.4	2,406.8	+ 86.3	2,550.0
Total shareholders' equity	2,669.5	* 2,936.9	+ 267.4	3,000.0
Ratio of shareholders' equity to total assets	30.8%	29.1%	Decreased 1.7pt	29.1%
NET DER (times)	0.87	* 0.82	Improved 0.05pt	0.85
ROE	15.8%	17.9%	Increased 2.1pt	17.6%

*: Record High (NET DER : Best Record)

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2018 Full year	FY2018 remarks	FY2019 Full year	FY2019 4Q	FY2019 remarks
Gains(Losses) related to investments	**(7.5)**	･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) ･Impairment loss on C.P. Pokphand: approx. (29.0) (Others, Adjustments & Eliminations)	**160.5**	**(11.0)**	･The revaluation gain accompanying the conversion of FamilyMart UNY into a consolidated subsidiary: 141.2 (Food) ･Gain on sales of a North Sea oil fields development company: approx. 19.5 (Energy & Chemicals) ･Gains/Losses on sales of foreign companies: approx. 7.0 (Textile 2.5, Machinery 2.5, Metals & Minerals 2.0) ･The revaluation gain accompanying the conversion of POCKET CARD 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) ･Losses on North American IPP companies: approx. (8.0) (Machinery) ･Losses in machinery-related companies: approx. (4.0) (Machinery) ･The impairment loss on CTEI: approx. (3.5) (Others, Adjustments & Eliminations)
Equity in earnings (losses) related to associates and joint ventures	**9.5**	･Gain on investments in related companies in CITIC Limited: approx. 8.0 (Others, Adjustments & Eliminations) ･Improvement in tax expenses of FamilyMart and UNY: approx. 6.0 (Food) ･Impairment loss in FamilyMart and UNY: approx. (6.5) (Food)	**(140.5)**	**(1.0)**	･Gain on sales of a foreign GMS company in FamilyMart UNY: 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	**19.0**	･U.S. Tax Reform: approx. 14.0 (Machinery, Food, etc.) ･Decrease in tax expenses relating to pulp-related companies: approx. 5.5 (General Products & Realty) ･Tax expenses in resource project: approx. (5.0) (Energy & Chemicals)	**11.5**	**3.5**	･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. 3.0 (Textile)
Gains(Losses) related to property, plant equipment and intangible assets, Others	**(37.5)**	･Gain related to sales of overseas assets: approx. 2.5 (Machinery) ･Loss in textile-related companies: approx. (14.0) (Textile) ･Provision for specific overseas project: approx. (11.0) (Machinery) ･Impairment loss in Dole: approx. (7.5) (Food)	**(3.0)**	**(2.5)**	･Impairment losses in apparel-related companies: approx. (4.0) (Textile)
Total	**(16.5)**		**28.5**	**(11.0)**	
Non-Resource	(3.5)		0.5	(17.5)	
Resource	(0.5)		24.5	3.0	
Others	(12.5)		3.5	3.5	

Brand-new Deal 2020

FY2020 Management Plan

Evolution to Next-Generation Growth Models

ITOCHU

I am One with Infinite Missions

General Review of FY2019 (Quantitative)

Profits	■ 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
B/S, Cash Flows	■ Record-breaking core operating cash flows exceeding ¥500.0 billion, massively positive core Free CFs after deducting shareholder returns achieved due to exits from large-scale investments ■ Achieving 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
Shareholders Return	■ FY2019 dividends increased from initial plan of ¥74 per share to record high of ¥83 per share ■ Medium to Long Term Shareholders Return Policy announced along with commitment to acquire 100 million shares of treasury stock, proactive acquisition of treasury stock commenced ahead of schedule in FY2019 together with treasury stock cancellations ■ Framework for enhancing corporate value disclosed (gradual increase of dividend, sustainable increase of EPS, and maintain high ROE)

General Review of FY2019 (Qualitative)

Investments	■ Reinforcement of strategic business foundations in the consumer sector through conversion of UFHD 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
Reinvention of Business	■ Capital alliances with numerous start-ups that can reinvent business further ■ Strategic investments in the fintech sector and advertising and marketing sector, all highly compatible with the retail sector, as well as in the mobility and electricity fields and commencement of business model integration
Smart and Health Management	■ Improvement of work efficiency through introduction of the company-wide integrated data infrastructure, RPAs and company-wide 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.
ESG	■ 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 ratio of outside directors on or above one-third all times in consideration for Board of Directors diversity

Fundamental Policy for FY2020 Plan

Development of Foundations for Sustainable Growth

Actively Promote Growth Investments, and Maintain High Efficiency

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

Realizing New Vision of What a Trading Company Can Achieve

(Market-oriented perspective and Escape from vertical-oriented mindset)

Establishment of the 8th Company
Measures for Invigorating Human Resources

Balanced Cash Allocation

Growth Investments, Shareholders Return, Control of Interest-bearing Debt, Balancing Three Factors

Steady Advancement of Sustainability Initiatives

Smart and Health Management, Governance, Address climate change

Realizing New Vision of What a Trading Company Can Achieve

Establishment of the 8th Company

- Establishment of the 8th Company to break down vertical-oriented mindset and accelerate new businesses from a market-oriented perspective
- Transfer consumer-related businesses including the assets and human resources to the new company. Challenge organizational reforms through this establishment

・Establishment on July 1st (scheduled) (Details to be announced later)

・Approx. ¥30.0billion net profit will be held in the 8th Company

Measures for Invigorating Human Resources

- Reallocate human resources to create marketing-professional and revise current measures and operations for promoting employee ambition and growth
- Accelerate human resource strategies in response to changes in fluid labor markets, IT innovation, and other environment

・Selectively promoting superior human resources and rejuvenation measures

・Reallocation of human resources to primary fields of focus and acquisition of human resources through diverse routes

Revolution from accelerating Market-oriented Perspective Mindset

Organizational reforms and human resource strategies based on practice rather than ideals

Strategies

Organizations — Human Resources

Development of Foundations for Sustainable Growth

Quantitative Targets for FY2020

- **Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion**
  (More growth in Non-Resource sector which is more resistant to economic fluctuations.)
- **CF Plan : Balanced Cash Allocation**
  (Growth Investments, Shareholders Return, Control of Interest-bearing Debt)
- **Raito & B/S Plan : Maintain high efficiency & B/S control for maintaining A ratings**

(unit : billion yen)

Profit Plan : Consolidated net profit attributable to ITOCHU of ¥500.0 billion

Segment Profit	FY2019 Result	FY2020 Plan	Increase/ Decrease
Textile	29.8	**33.0**	+3.2
Machinery	47.6	**62.0**	+14.4
Metals & Minerals	79.2	**96.0**	+16.8
Energy & Chemicals	80.6	**57.0**	(23.6)
Food [Extraordinary profit related conversion of UFHD into a subsidiary]	68.4 [139.5]	**85.0** [**0.0**]	+16.6 [(139.5)]
General Products & Realty	62.9	**70.0**	+7.1
ICT & Financial Business	68.4	**69.0**	+0.6
Others, Adjustments & Eliminations	(76.0)	**28.0**	+104.0
Consolidated	500.5	**500.0**	(0.5)
Non-Resource	378.0	**420.0**	+42.0
Resource	115.5	**110.0**	(5.5)
Others	7.1	(30.0)	(37.1)

CF Plan : Balanced Cash Allocation
(Growth Investments, Shareholders Return,
Control of Interest-bearng Debt, Balancing Three Factors)

Core Operating CFs	Over 580.0 as target
Net Investment CFs	Actively promote growth investments and asset replacements
Shareholders return	Steady implementation of Medium to Long Term Shareholders Return Policy
Core Free CFs after deducting shareholder returns	Utilize Core Free CFs of FY2019 (approx. 300.0) for growth investments and shareholders return Maintain Positive

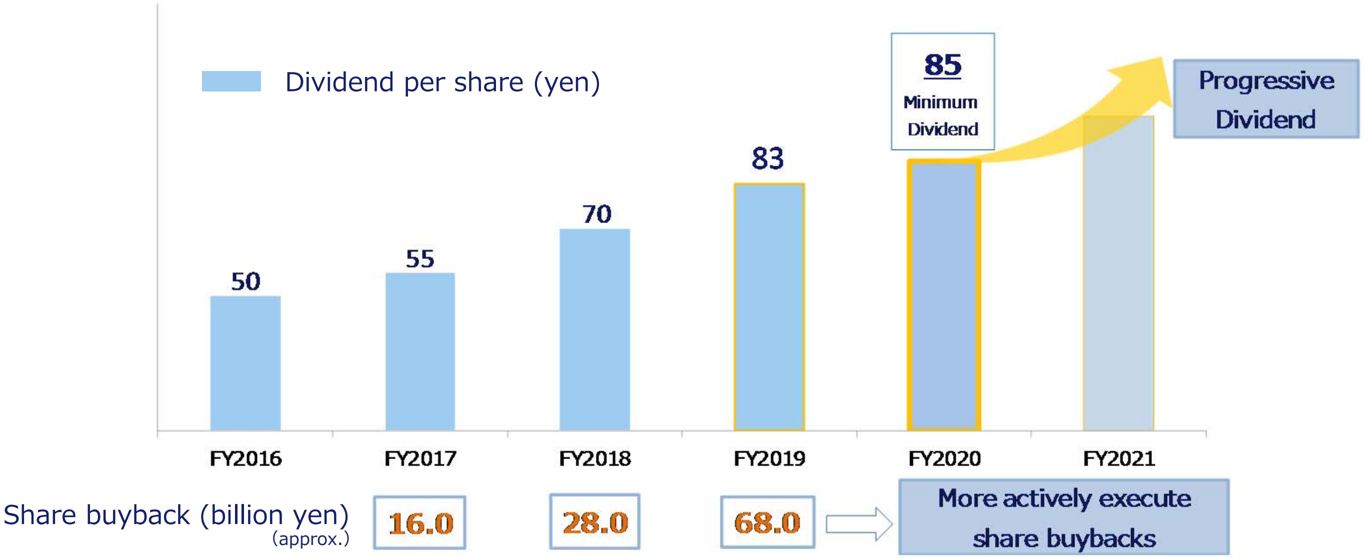
B/S Plan : B/S control for maintaining A ratings

NET DER	Gradually decraese
Shareholders' equity	Increase shareholders' equity and improve the ratio of shareholders' equity (excluding the impact of lease accounting)
Net Interest-bearng Debt Shareholders' equity	approx. 2,400.0 +α (excluding the impact of lease debt) approx. 3,300.0
ROE	approx. 16%
ROA	approx. 5% (excluding the impact of lease accounting)

Shareholders Return Policy

ITOCHU

Shareholders Return Policy		
	Medium to Long Term Policy	1) Gradually increase dividend payout ratio Gradually increase dividend payout ratio, targeting up to approx. 30%. 2) More actively execute share buybacks Continuously execute share buybacks approx. 100 million shares in total, while considering cash flow availability.
	Dividend	・¥85 minimum dividend per share for FY2020 ・Continue progressive dividend, targeting further increase in dividend amount and dividend payout ratio. (Existing dividend formula abolished)
	Share Buyback	・Actively and continuously execute in accordance with the policy.



Assumptions for FY2020

	FY2018 Result	FY2019 Result	FY2020 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2020
Exchange rate (YEN/US$) average	111.30	110.56	110.00	Approx. ¥(2.5) bil. (1 yen appreciation against US$)
Exchange rate (YEN/US$) closing	106.24	110.99	110.00	-
Interest (%) USD LIBOR 3M	1.48%	2.50%	3.20%	Approx. ¥(3.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	57.85	70.86	65	±0.58 bil.
Iron ore (CFR China) (US$/ton)	68*	71*	N.A.**	±1.33 bil.
Hard coking coal (FOB Australia) (US$/ton)	204*	202*	N.A.**	±0.22 bil.
Thermal coal (FOB Australia) (US$/ton)	94*	106*	N.A.**	

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

* FY2018 and FY2019 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 FY2020 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 customers, ore type and coal type.