FY2020 3rd Quarter

Business Results Summary

ITOCHU Corporation

February 5, 2020

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.

Summary of FY2020 3rd Quarter

Summary of Financial Results for FY2020 3rd Quarter

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** increased by 7%, or ¥29.1 bil., compared with the same period of the previous fiscal year to **¥426.7 bil.** [5th consecutive year]
  The progress toward the FY2020 Forecast was 85%.
  Profits of the Non-Resource sector increased by ¥24.5 bil., compared with the same period of the previous fiscal year to **¥335.3 bil.** [10th consecutive year]
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥4.5 bil., compared with the same period of the previous fiscal year to approximately **¥362.5 bil.** [4th consecutive year]
- **"Profits/Losses of group companies"** was **¥374.1 bil.** [4th consecutive year]
  Shares (%) of group companies reporting profits was 87.5%. [5th consecutive year]
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥452.0 bil.** [4th consecutive year]
- **"Basic earnings per share attributable to ITOCHU (EPS)"** was **¥285.39**. [5th consecutive year]

[]: Number of years renewing the highest record in a row for a 1-3Q result

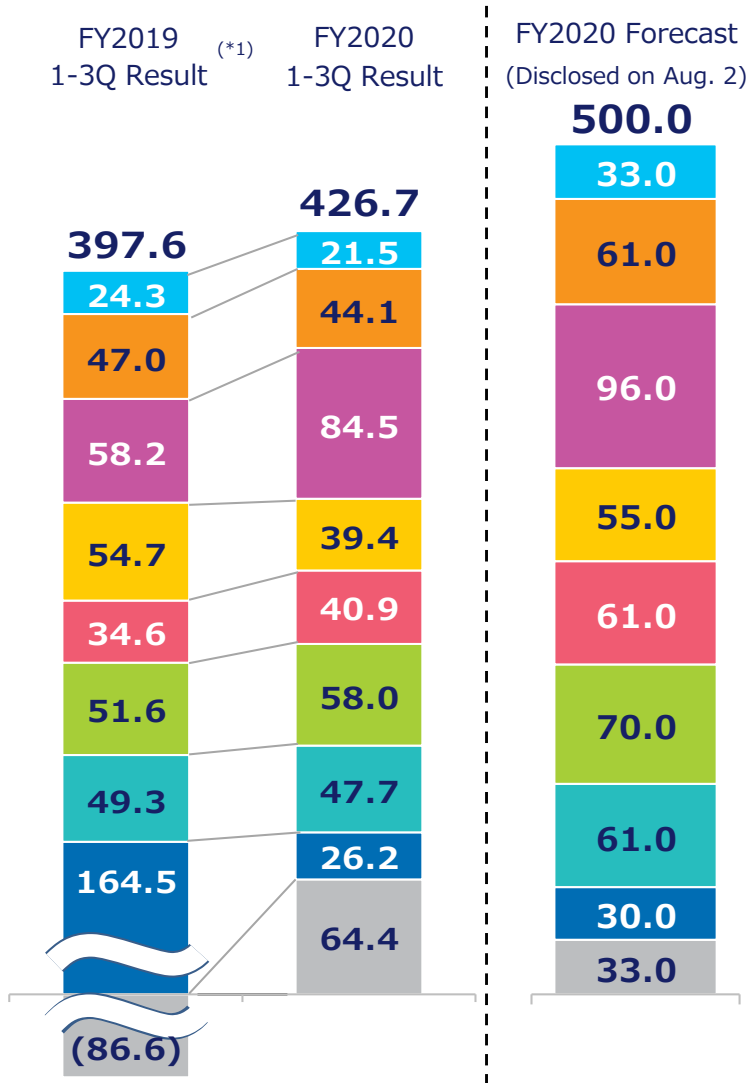
	FY2019 1-3Q Result		FY2020 1-3Q Result	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26)	Progress
Net profit attributable to ITOCHU	**397.6**	＊	**426.7**	**+ 29.1**	**500.0**	**85%**
Extraordinary gains and losses	39.5		64.0	+ 24.5		
Core Profit	approx. 358.0	＊	approx. 362.5	approx. + 4.5		
Profits/Losses of group companies	358.3	＊	374.1	+ 15.9		
Share (%) of group companies reporting profits	87.2%	＊	87.5%	Increased 0.3pt		
Core Operating Cash Flows	360.0	＊	452.0	+ 92.0		
EPS	256.64 yen	＊	285.39 yen	+ 28.75 yen		

＊ : Record High

Dividend Information (Per Share)	
Annual (Planned)	85.0 yen (minimum)
Interim	42.5 yen

Net profit attributable to ITOCHU by Segment

(Unit : billion yen)



	FY2019 1-3Q Result (*1)	FY2020 1-3Q Result	FY2020 Forecast (Disclosed on Aug. 2)
Non-Resource	310.8	∗ 335.3	∗ 420.0
Resource	80.4	84.6	110.0
Others	6.4	6.8	(30.0)
Non-Resource(%) (*2)	79%	80%	79%

∗ : Record High

(*1) Accompanying the establishment of The 8th Company on July 1, "FY2019 1-3Q Result" is presented post reclassification.

(*2) % 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) : ¥ (2.7) bil., Progress : 65%]
Decrease due to the decrease in industrial-material-related transactions, unfavorable winter clothes sales resulting from warm winter, and the absence of the gain on sales of a foreign apparel-related company in the same period of the previous fiscal year, despite the stable performance and the reduction of expenses in apparel-related companies, and the gain on sales of fixed assets in EDWIN.

Machinery [Inc / (Dec) : ¥ (2.9) bil., Progress : 72%]
Decrease due to the absence of the gains on sales of foreign companies in the same period of the previous fiscal year, despite the stable performance in ship, aircraft, and automobile related transactions.

Metals & Minerals [Inc / (Dec) : ¥ +26.3 bil., Progress : 88%]
Increase due to the higher iron ore prices, the increase in dividends received in a Brazilian iron ore company, and lower tax expenses in natural-resource-projects, despite the lower coal prices.

Energy & Chemicals [Inc / (Dec) : ¥ (15.3) bil., Progress : 72%]
Decrease due to the absence of the gain on sales of a North Sea oil fields development company in the same period of the previous fiscal year and the lower equity in earnings in petrochemical-related companies and Japan South Sakha Oil, despite the improvement in profitability and the increased vessel allocation in CIECO Azer, and the gain on sales of fixed assets in C.I. TAKIRON.

Food [Inc / (Dec) : ¥ +6.3 bil., Progress : 67%]
Increase due to the stable performance in NIPPON ACCESS and the revaluation gain accompanying the conversion of Prima Meat Packers into a consolidated subsidiary, despite the lower equity in earnings in North American grain-related companies resulting from weather factors and the lower sales prices in fresh products in Dole.

General Products & Realty [Inc / (Dec) : ¥ +6.4 bil., Progress : 83%]
Increase due to the improvement in profitability in North American facility-materials-related companies, the stable performance in ITOCHU PROPERTY DEVELOPMENT, the extraordinary gains accompanying the partial sales of foreign companies, and the extraordinary gains in ITOCHU LOGISTICS, despite the lower pulp prices and the lower transaction volume in domestic logistics-facility-development-projects.

ICT & Financial Business [Inc / (Dec) : ¥ (1.5) bil., Progress : 78%]
Decrease due to the lower gains on fund operations and the absence of lower tax expenses in the same period of the previous fiscal year, despite the stable performance in ITOCHU Techno-Solutions and retail-finance-related companies, the extraordinary gain accompanying the partial sales of a domestic company, and the revaluation gain accompanying the conversion of a domestic insurance-related company into a consolidated subsidiary.

The 8th [Inc / (Dec) : ¥ (138.3) bil., Progress : 87%]
Decrease due to the absence of extraordinary gains in the same period of the previous fiscal year and the effect of the sale of UNY in the fourth quarter of the previous fiscal year, despite the stable performance and lower tax expenses in FamilyMart. (*3)

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +151.0 bil.]
Improvement due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the same period of the previous fiscal year.

(*3) FamilyMart Co., Ltd. changed its corporate name from FamilyMart UNY Holdings Co., Ltd. on September 1. In this material, descriptions related to the same period of the previous fiscal year are also referred to as "FamilyMart", which is the current corporate name.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥619.8 bil.**, resulting from the stable performance in operating revenues in The 8th, Metals & Minerals, Energy & Chemicals, and Food Companies. **"Free cash flows"** resulted in a **net cash-inflow of ¥468.1 bil.**, due to the investments in The 8th Company, the investment in a North American facility-materials-related company in General Products & Realty Company, and the investment in a software-related company in ICT & Financial Business Company, despite the increase in cash resulting from the conversion of Prima Meat Packers and HOKEN NO MADOGUCHI into consolidated subsidiaries.
- **Core Free Cash Flows:**
  "Core Operating Cash Flows," after deducting changes in working capital and excluding the effect of lease accounting from "Cash flows from operating activities," was a **net cash-inflow of ¥452.0 bil.**, which renewed the highest record for a 1st -3rd quarter result. **"Core Free Cash Flows"** resulted in a **net cash-inflow of ¥267.0 bil**.

Cash Flows

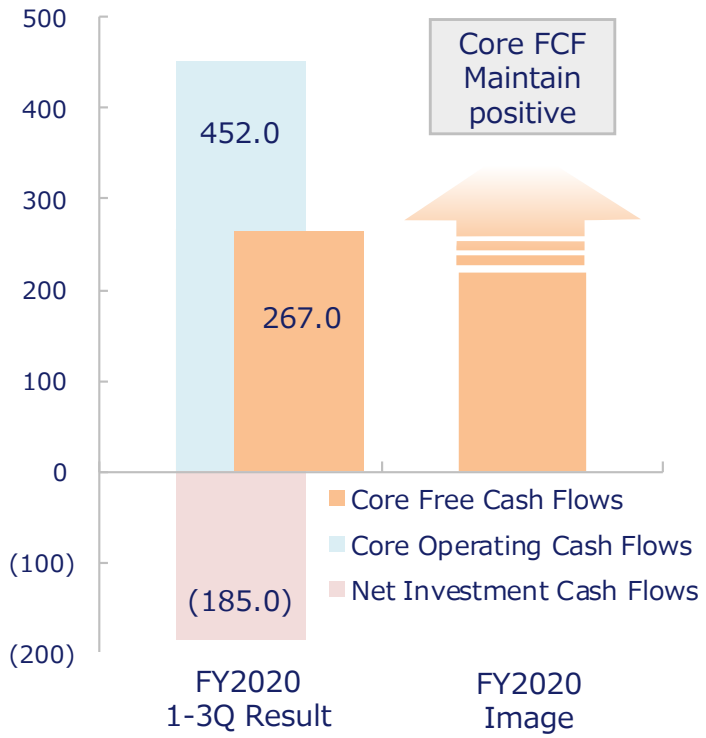
	FY2019 1-3Q Result		FY2020 1-3Q Result
Cash flows from operating activities	203.8	∗	619.8
Cash flows from investing activities	69.3		(151.7)
Free cash flows	*273.2*	∗	*468.1*
Cash flows from financing activities	(96.9)		(450.5)

Core Free Cash Flows

	FY2019 1-3Q Result		FY2020 1-3Q Result	FY2020 Image
Core Operating Cash Flows (*1)	360.0	∗	452.0	Over 580.0
Net Investment Cash Flows (*2)	(185.0)		(185.0)	
Core Free Cash Flows	175.0	∗	267.0	Maintain positive

∗ : Record High

Core Free Cash Flows

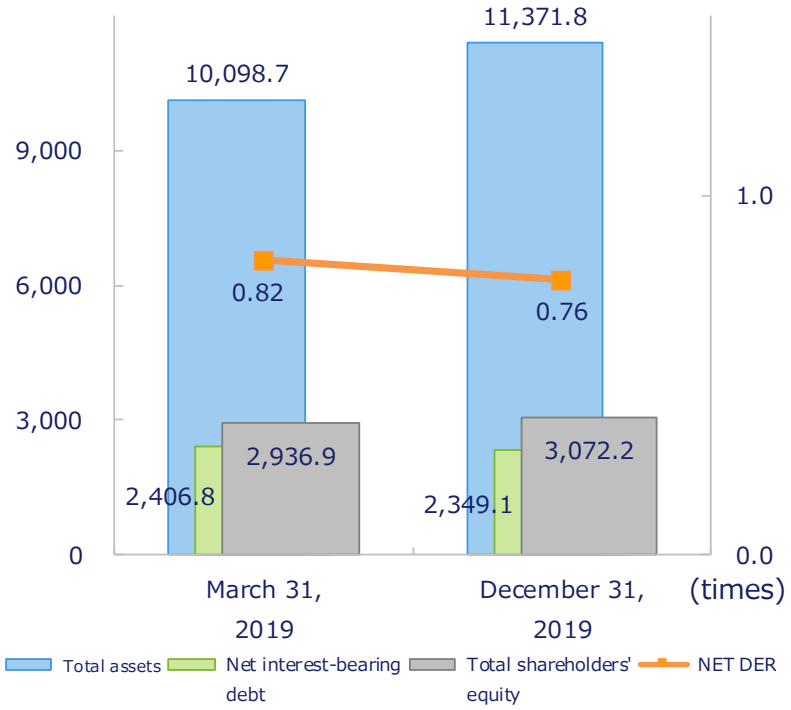


(*1) "Operating Cash Flows" minus "changes in working capital" (excluding the effect of lease accounting)
(*2) Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥1,273.1 bil., compared with March 31, 2019 to **¥11,371.8 bil.**, due to the effects of the application of new accounting standards (“Leases”) and the conversion of Prima Meat Packers into a consolidated subsidiary, despite the decrease resulting from the effect accompanying the appreciation of the yen.
- **Net interest-bearing debt:**
  Decreased by ¥57.7 bil., compared with March 31, 2019 to **¥2,349.1 bil.**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, despite dividend payments and the repurchase of own shares.
- **Total shareholders’ equity:**
  Increased by ¥135.3 bil., compared with March 31, 2019 to **¥3,072.2 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease resulting from dividend payments, the repurchase of own shares, and the effect accompanying the appreciation of the yen.
- **Ratio of shareholders’ equity to total assets and NET DER:**
  Ratio of shareholders’ equity to total assets decreased by 2.1 points compared with March 31, 2019 to **27.0%**.
  NET DER improved compared with March 31, 2019 to **0.76 times**.



	March 31, 2019	December 31, 2019	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26)
Total assets	10,098.7	∗ 11,371.8	+ 1,273.1	
Net interest-bearing debt	2,406.8	2,349.1	(57.7)	approx. 2,400.0 +α
Total shareholders' equity	2,936.9	∗ 3,072.2	+ 135.3	Increase shareholders' equity (approx. 3,300.0)
Ratio of shareholders' equity to total assets	29.1%	27.0%	Decreased 2.1pt	Improve the ratio of shareholders' equity
NET DER (times)	0.82	∗ 0.76	Improved 0.05pt	Gradually decrease
ROE	17.9%	–	–	approx. 16%

∗ : Record High (NET DER : Best Record)

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2019 1-3Q Result		FY2020 1-3Q Result	
Gains (Losses) related to investments	**171.5**	・The revaluation gain accompanying the conversion of FamilyMart into a consolidated subsidiary: 141.2 (The 8th) ・Gain on sales of a North Sea oil fields development company: approx. 19.5 (Energy & Chemicals) ・Gain on sales of a foreign textile-related company: approx. 2.5 (Textile) ・Gain on sales of foreign machinery-related companies: approx. 2.5 (Machinery) ・The revaluation gain accompanying the conversion of POCKET CARD into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business 2.0, The 8th (1.0)) ・Gain accompanying the restructuring of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ・The impairment loss on CTEI: approx. (2.5) (Others, Adjustments & Eliminations)	**38.0**	・Gains on partial sales of foreign companies: approx. 16.0 (General Products & Realty) ・The revaluation gain accompanying the conversion of Prima Meat Packers into a consolidated subsidiary: approx. 8.0 (Food) ・Gain on partial sales of a domestic company: approx. 4.0 (ICT & Financial Business) ・The revaluation gain accompanying the conversion of a domestic insurance-related company into a consolidated subsidiary: approx. 3.0 (ICT & Financial Business) ・Gain accompanying the restructuring of a pharmaceutical-related company: approx. 2.5 (Energy & Chemicals) ・Gain on sales of a chemical-tank-related company: approx. 2.0 (Energy & Chemicals)
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures	**(139.5)**	・Gain on sales of a foreign GMS company in FamilyMart: approx. 1.0 (The 8th) ・The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations)	**9.5**	・Gain on sales of fixed assets in C.I. TAKIRON: approx. 4.5 (Energy & Chemicals) ・Gains on sales of logistics warehouses: approx. 2.5 (General Products & Realty) ・Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)
Income tax expense, Others	**7.5**	・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. 1.5 (Textile)	**16.5**	・Decrease in tax expenses relating to natural-resource-projects: approx. 11.0 (Metals & Minerals 6.0, Others, Adjustments & Eliminations 5.0) ・Decrease in tax expenses relating to group restructuring in FamilyMart: approx. 5.0 (The 8th) ・Gain on cash collection for a specific overseas project: approx. 1.5 (Machinery)
Total	**39.5**		**64.0**	

Non-Resource	18.0	57.0
Resource	21.5	2.5
Others	–	4.5

(*) Accompanying the establishment of The 8th Company on July 1, "FY2019 1-3Q Result" and "FY2020 1Q Result" are presented post reclassification.

Major Indicators

	FY2019 1-3Q Result	FY2020 1-3Q Result	FY2020 Forecast	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2020 4th quarter against forecast
Exchange rate (YEN / US$) average	110.45	108.94	110.00	Approx. ¥(0.6) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2019 110.99	Dec. 2019 109.56	110.00	-
Interest (%) USD LIBOR 3M	2.43%	2.21%	2.20%	Approx. ¥(1.5) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	73.13	64.27	65	±¥0.01 bil.
Iron ore (CFR China) (US$/ton)	68 (*1)	96 (*1)	N.A.(*2)	±¥0.12 bil.
Hard coking coal (FOB Australia) (US$/ton)	200 (*1)	167 (*1)	N.A.(*2)	±¥0.03 bil.
Thermal coal (FOB Australia) (US$/ton)	109 (*1)	72 (*1)	N.A.(*2)	

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

(*1) FY2019 1-3Q and FY2020 1-3Q prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

(*2) The prices for iron ore, hard coking coal and thermal coal used in the FY2020 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.