

Highlights of Consolidated Financial Results for the First Quarter of FY 2014 (U.S. GAAP)

August 1, 2013
ITOCHU Corporation

(Unit: billion yen, (losses, decrease))

Financial topics for the First Quarter of FY 2014

• "Net income attributable to ITOCHU" was ¥77.3 bil. which increased by ¥6.6 bil. compared with the same period of the previous FY; highest earnings excluding profits and losses from special factors.
Progress toward Outlook for FY 2014 was 26.6%.

• For "Net income attributable to ITOCHU" by segment, "Machinery," "Food," and "ICT, General Products & Realty" achieved increases compared with the same period of the previous FY.
Although "Textile" and "Metals & Minerals" decreased, "Textile" was substantially the same level and "Metals & Minerals" increased substantially, excluding the absence of unordinary gains for the same period of the previous FY.
"Energy & Chemicals" decreased due to the absence of gain on valuation of derivatives for the same period of the previous FY and deterioration in equity in earnings of associated companies. (Refer to Exhibit A-2)

• The share of the Non-Resource Sector was 79% (earnings of ¥59.0 bil.) and the Natural Resource/Energy-Related Sector was 21% (earnings of ¥15.4 bil.). Furthermore, the Non-Resource Sector increased by ¥19.2 bil., which surpassed ¥11.4 bil. decrease of Natural Resource/Energy-Related Sector.

• "Comprehensive income (loss) attributable to ITOCHU" increased by ¥95.1 bil. to ¥129.8 bil. affected by yen depreciation and higher stock prices, in addition to the contribution of "Net income attributable to ITOCHU."

• "Total ITOCHU stockholders' equity" increased by ¥98.3 bil. from the previous FY end to ¥1,863.8 bil. due to an increase in "Net income attributable to ITOCHU" and an improvement in "Accumulated other comprehensive income (loss)" due to yen depreciation and higher stock prices, which more than compensated for a decrease accompanying dividends payment. "Ratio of ITOCHU stockholders' equity to total assets" rose by 0.6 points from the previous FY end to 25.4%. NET DER was 1.26 times (almost the same level). "Total equity" increased by ¥108.9 bil. to ¥2,221.5 bil. (Refer to Exhibit A-2)

	1st Quarter FY 2014	1st Quarter FY 2013	Increase (Decrease)
Natural Resource /Energy-Related	15.4	26.8	(11.4)
Non-Resource	59.0	39.9	19.2
Others	2.8	4.0	(1.2)
Non-Resource & Others	61.8	43.8	18.0
Natural Resource /Non-Resource	21%/79%	40%/60%	-19%/19%

(Note 1) Petroleum products transaction of Energy was reclassified from "Natural Resource/Energy-Related" into "Non-Resource" since FY 2014.

Consolidated Financial Results of Operations	1st Quarter FY 2014	1st Quarter FY 2013	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year	Outlook for FY 2014 (Disclosed on May 8, 2013)	
					1,000.0	23.1%

Consolidated Statements of Income

	1,242.7	1,036.2	206.5
Revenue	1,242.7	1,036.2	206.5
Gross trading profit	231.5	219.6	11.9
Selling, general and administrative expenses	(175.6)	(167.0)	(8.6)
Provision for doubtful receivables	(1.3)	1.9	(3.2)
Net interest expenses	(3.2)	(3.7)	0.5
Dividends received	5.4	5.6	(0.2)
Net financial income	2.2	1.8	0.3
Gain on investments-net	22.0	9.7	12.3
Gain (loss) on property and equipment-net (*)	0.7	(0.4)	1.1
Other-net	3.0	1.3	1.6
Total other-expenses	(149.1)	(152.6)	3.5
Income before income taxes and equity in earnings of associated companies	82.4	67.0	15.4
Income taxes	(29.1)	(24.0)	(5.0)
Income before equity in earnings of associated companies	53.3	43.0	10.4
Equity in earnings of associated companies	26.3	30.5	(4.2)
Net income	79.7	73.5	6.1
Less: Net income attributable to the noncontrolling interest	(2.4)	(2.9)	0.5
Net income attributable to ITOCHU	77.3	70.7	6.6

- **Revenue:** Higher revenue from the Energy & Chemicals Company, mainly due to higher transaction volume of petroleum products in the U.S. energy-related companies and organic chemicals; higher revenue from the Food Company, reflecting acquisition of Dole business; and higher revenue from the Machinery Company, due to the acquisition of automobile-related companies in the second quarter of the previous fiscal year

- **Gross trading profit:**

- Textile** +2.1 (28.5→30.7): Increase due to the acquisition of European apparel manufacturing and wholesale-related companies in the second quarter of the previous fiscal year, rise in textile material transactions for China, and introduction of new brands
- Machinery** +4.4 (19.7→24.1): Increase due to the acquisition of automobile-related companies in the second quarter of the previous fiscal year and effect of yen depreciation
- Metals & Minerals** +2.2 (23.9→26.0): Increase due to higher sales volume of iron ore and effect of yen depreciation, despite falling iron ore and coal prices
- Energy & Chemicals** -1.1 (40.5→39.4): Decrease due to absence of gain on valuation of derivatives related to transactions of exploration and production of crude oil for the same period of the previous fiscal year, despite improved profitability of energy trading transactions
- Food** +10.9 (47.9→58.7): Increase due to the acquisition of Dole business and improved profitability of fresh food transactions
- ICT, General Products & Realty** -3.0 (56.5→53.6): Decrease due to the absence of domestic ICT-related companies' large-scale project in the same period of the previous fiscal year and the conversion of mobile-phone-related subsidiary into equity-method associated company in the third quarter of the previous fiscal year, despite favorable performance of pulp transactions and housing-materials-related companies

- **SG & A:** Increase due to the acquisition of subsidiaries

- **Provision for doubtful receivables:** Deteriorated due to the absence of the gain on reversal of allowance for doubtful receivables in the same period of the previous fiscal year

- **Net financial income:** Improvement due to improved capital efficiency, despite increase in interest-bearing debt

- **Gain on investments-net:** Net gain on sales of investments +9.8 (12.8→22.6),
Net of impairment losses and remeasuring gains on investments +1.9 (-2.5→-0.6),
Losses on business disposals and others +0.6 (-0.6→-0.0)

- **Gain (loss) on property and equipment-net:** Net gain (loss) on sales of property and equipment +0.8 (-0.4→0.4),
Decrease in impairment losses on property and equipment +0.3 (-0.3→0.0)

- **Other-net:** Increased due to an improvement in foreign currency translation

- **Equity in earnings of assoc. co.:** Equity-method associated companies of JD Rockies Resources Limited -3.3 (0.2→-3.1),
Equity-method associated companies of China Foods Investment Corp. -1.2 (2.2→1.0),
Equity-method associated companies of ITOCHU Coal Americas Inc. -0.9 (1.6→0.7),
Orient Corporation (Note 2) +1.3 (0.5→1.8),
Equity-method associated companies of ITOCHU FIBRE LIMITED +0.9 (0.2→1.1)

(Note 2) Income tax effect is not included.

(Reference)

	3,316.1	3,035.7	280.3
Total trading transactions	3,316.1	3,035.7	280.3
Gross trading profit ratio	7.0%	7.2%	(0.3%)
Adjusted profit	84.4	85.0	(0.7)

*Adjusted profit = Gross trading profit + SG&A expenses + Net financial income

+ Equity in earnings of associated companies

Consolidated Statements of Comprehensive Income

	79.7	73.5	6.1
Net income	79.7	73.5	6.1
Other comprehensive income (loss) (net of tax)			
Foreign currency translation adjustments	54.1	(15.2)	69.3
Pension liability adjustments	0.9	1.7	(0.8)
Unrealized holding gains (losses) on securities	12.4	(15.4)	27.8
Unrealized holding losses on derivative instruments	(3.8)	(0.8)	(3.0)
Total other comprehensive income (loss) (net of tax)	63.5	(29.7)	93.2
Comprehensive income (loss)	143.2	43.8	99.4
Comprehensive (income) loss attributable to the noncontrolling interest	(13.3)	(9.1)	(4.2)
Comprehensive income (loss) attributable to ITOCHU	129.8	34.7	95.1

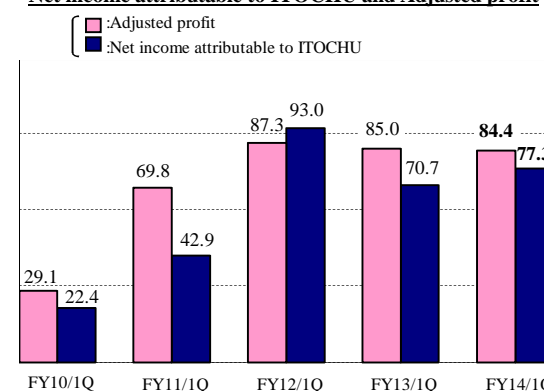
Components of Net income attributable to ITOCHU

	1st Quarter FY 2014	1st Quarter FY 2013	Increase (Decrease)
Parent company	79.3	65.3	14.0
Group companies	56.5	56.2	0.3
Overseas trading subsidiaries	8.8	6.1	2.7
Consolidation adjustments	(67.3)	(56.9)	(10.3)
Net income attributable to ITOCHU	77.3	70.7	6.6

	40.7	35.1	5.6
Earnings from overseas businesses	40.7	35.1	5.6
Share of earnings from overseas businesses	53%	50%	

*"Earnings from overseas businesses" is the total of Net income attributable to ITOCHU of overseas trading subsidiaries and overseas group companies, plus Net income attributable to ITOCHU of overseas branches of parent company and the companies established in Japan for specific overseas business whose sources of revenue are in overseas.

Net income attributable to ITOCHU and Adjusted profit



Dividend Information (Per Share)

Annual (Planned)	42.0yen
Interim (Planned)	21.0yen

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Operating Segment Information	Net income attributable to ITOCHU			[Net income attributable to ITOCHU] Summary of changes from the same period of the previous fiscal year
	1st Quarter FY 2014	1st Quarter FY 2013	Increase (Decrease)	
Textile	6.3	8.5	(2.2)	Decrease due to the absence of unordinary gain on equity in earnings of associated companies for the same period of the previous fiscal year, despite increase in gross trading profit and gain on sales of investments
Machinery	13.8	5.9	7.8	Increase due to rise in gross trading profit, improvement in gain (loss) on investments-net, and increase in equity in earnings of associated companies
Metals & Minerals	20.4	24.6	(4.3)	Decrease due to the absence of gain on sales of investments for the same period of the previous fiscal year, despite increase in gross trading profit
Energy & Chemicals	4.0	8.3	(4.3)	Decrease due to lower gross trading profit and lower equity in earnings of associated companies due to impairment losses in U.S. oil-and-gas-development-related company resulting from falling crude oil prices and scheduled maintenance of methanol companies
Food	11.4	10.9	0.4	Increase due to the acquisition of Dole business and improved profitability of fresh food transactions, despite decrease in gain (loss) on investments-net and decrease in equity in earnings of associated companies
ICT, General Products & Realty	18.7	8.4	10.3	Increase due to rise in gain (loss) on investments-net, and increase in equity in earnings of associated companies, despite lower gross trading profit
Others, Adjustments & Eliminations	2.8	4.0	(1.2)	Decrease due to increase in income tax expenses as a result of reduction in foreign tax credit, despite increase in gain (loss) on investments-net
Total	77.3	70.7	6.6	

P/L of Group Companies Reporting Profits/Losses	1st Quarter FY 2014	1st Quarter FY 2013	Increase (Decrease)	Group Companies (Major Group Companies) (C): Consolidated subsidiary, (E): Equity-method associated company	1st Quarter FY 2014	1st Quarter FY 2013	Summary of changes from the same period of the previous fiscal year
Group companies reporting profits	64.4	60.5	3.9	ITOCHU Minerals & Energy of Australia Pty Ltd (C)	18.8	16.1	For iron ore, increase due to higher sales volume and effect of yen depreciation, despite falling iron ore prices, as for coal, decrease due to falling prices
Overseas trading subsidiaries reporting profits	8.8	6.1	2.7	Marubeni-Itochu Steel Inc. (E)	3.6	2.9	Increase due to favorable performance of companies in U.S. and effect of yen depreciation
Group co. reporting losses	(7.9)	(4.3)	(3.6)	ITOCHU International Inc. (C)	2.7	2.5	Increase due to stable performances of IPP-related companies and housing-materials-related companies and yen depreciation, despite lower earnings of solar-related companies
Group companies reporting losses	(7.9)	(4.3)	(3.6)	Dole International Holdings, Inc. (C)	2.1	-	Acquisition of Dole business
Overseas trading subsidiaries reporting losses	(0.0)	(0.0)	(0.0)	JD Rockies Resources Limited (C)	(3.2)	0.1	Deterioration mainly due to the recognition of impairment losses on oil and gas properties of U.S. oil-and-gas-development-related company as a result of falling crude oil prices
Total	65.2	62.3	2.9				
Share of group co. reporting profits	76.5%	74.7%	1.8%				
Number of group co. reporting profits (Note 3)	270	274	(4)				
Total number of group co. reporting (Note 3)	353	367	(14)				

(Note 3) The number of companies directly invested by ITOCHU and its Overseas trading subsidiaries are shown above.

Financial Position	Jun. 2013	Mar. 2013	Increase (Decrease)	Summary of changes from the previous fiscal year end	Outlook for March 31, 2014
Total assets	7,336.4	7,117.4	219.0	- Total assets: Increased by 3.1%, or 219.0 billion yen, compared with March 31, 2013, to 7,336.4 billion yen (74,414 million U.S. dollars), due to increases in Inventories, Property and equipment, and Other assets due to the acquisition of Dole business and the effect of yen depreciation which offset significant decrease in Cash and cash equivalents and Time deposits.	7,500.0
Interest-bearing debt	2,830.0	2,762.5	67.5		3,150.0
Net interest-bearing debt	2,347.4	2,185.6	161.8		2,650.0
Total ITOCHU stockholders' equity	1,863.8	1,765.4	98.3	- Total ITOCHU stockholders' equity: Total ITOCHU stockholders' equity rose by 5.6%, or 98.3 billion yen, compared with March 31, 2013, to 1,863.8 billion yen (18,904 million U.S. dollars), due to an increase in Net income attributable to ITOCHU and an improvement in Accumulated other comprehensive income (loss) due to yen depreciation and higher stock prices, which more than compensated for a decrease accompanying dividends payment. The Ratio of stockholders' equity to total assets rose by 0.6 points to 25.4% from March 31, 2013. NET DER was 1.26 times (almost the same level). Total equity, or the sum of Total ITOCHU stockholders' equity and Noncontrolling interest, increased by 5.2%, or 108.9 billion yen to 2,221.5 billion yen (22,533 million U.S. dollars).	1,900.0
Ratio of stockholders' equity to total assets (Note 4)	25.4%	24.8%	0.6%		25.3%
Net debt-to-equity ratio (times) (Note 4)	1.26	1.24	Almost the same level		1.4
Total equity	2,221.5	2,112.6	108.9		2,230.0

(Note 4) "Stockholders' equity" is equivalent to "ITOCHU stockholders' equity" and used in calculating these ratios.

Cash Flows	1st Quarter FY 2014	1st Quarter FY 2013	Summary of Cash Flows for the 1st Quarter of FY 2014	Major Indicators		Variance		
				1st Quarter FY 2014	1st Quarter FY 2013			
Operating activities	38.9	9.0	- Operating: Net cash-inflow of 38.9 billion yen (395 million U.S. dollars), resulting from the stable performance in operating revenue in the overseas natural resources and collections of trade receivables in the energy and ICT sectors, despite an increase in inventories in ICT and construction & realty sectors.	Foreign exchange (Yen/US\$)	Average (Apr.-Jun.) Closing (Jun.)	98.89 98.59	81.37 94.05	17.52 4.54
Investing activities	(132.1)	(110.8)	- Investing: Net cash-outflow of 132.1 billion yen (1,340 million U.S. dollars), mainly due to the acquisition of the Dole business.	Interest	JPY TIBOR 3M, average (Apr.-Jun.) US\$ LIBOR 3M, average (Apr.-Jun.)	0.232% 0.275%	0.336% 0.466%	(0.104%) (0.191%)
Financing activities	2.2	(19.6)	- Financing: Net cash-inflow of 2.2 billion yen (23 million U.S. dollars), due to an increase of debt accompanying new investments exceeding dividends payment.	Crude oil (Brent) (US\$/BBL) Average (Apr.-Jun.)		103.35	108.90	(5.55)
Cash and cash equivalents	475.8	388.6		Iron ore, fine (US\$/ton) (Note 5)		137	131	6
Increase (Decrease)	(94.0)	(124.9)		Coking coal (US\$/ton) (Note 5)		172	206	(34)
				Thermal coal (US\$/ton) (Note 5)		95	115	(20)

(Note 5) These are provisional prices which major suppliers and customers have agreed regarding shipments in the first quarter of FY 2014.