Highlights of Consolidated Financial Results for FY 2016〔IFRS〕

May 6, 2016
ITOCHU Corporation

〔Financial topics〕

1. "Net profit attributable to ITOCHU" decreased by ¥60.2 bil. (20.0%) compared with the previous fiscal year, to ¥240.4 bil.

・Profits and losses from special factors included in "Net profit attributable to ITOCHU" in this fiscal year was approximately ¥75.0 bil. (losses) (approximately ¥5.0 bil. (losses) in the previous fiscal year)
In the fourth quarter, not only in natural-resource/energy-related sector but also in the non-resource sector, ITOCHU reviewed the assets from the perspective of promoting asset replacement and also from the conservative point of view, recognized the losses in order to reduce future risks.
・Ordinary profit excluding the profits and losses from special factors increased by approximately ¥10.0 bil. compared with the previous fiscal year to approximately ¥315.0 bil. (approximately ¥305.0 bil. in the previous fiscal year),
The favorable performance in the ICT, General Products & Realty sector, Machinery sector, and also the contribution of the income from CITIC Limited covered the decline of the natural resource/energy related sector.

2. "Cash flows from operating activities" increased by ¥15.8 bil. compared with the previous fiscal year, resulting in a Net cash-inflow of ¥419.4 bil, and exceeded ¥400.0 bil. for the third consecutive year.

・"Free cash flows" excluding the investment and loan accompanying the acquisition of CITIC Limited shares, approximately ¥600.0 bil., was approximately ¥460.0 bil. (Refer to "Cash Flows" section)
・There were steady collection of trade receivables in the Energy, Food, Metals and Minerals, and Machinery sectors, and steady collection of investments related to the asset replacement. The temporary funding portion for CP Group, approximately ¥320.0 bil. was all collected by March 24, 2016.
・NET DER was 1.17 times, due to the controlling of the increase of the interest-bearing debt, despite the decrease of the "Total shareholders' equity" from the effect from the appreciation of the yen and the decline in natural resource prices.

3. Steadily promoted "reinforcing our financial position", one of our basic policies under the Medium-Term Management Plan "Brand-new Deal 2017".

・Actively promoted asset replacement strategically, executed the sale of the prime assets and early exits from the low-profit businesses, and in addition, reduced the assets with risks as much as possible by conservative asset valuation of the goodwill, etc. and aimed to further enhance the asset quality and efficiency.

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

	FY 2016	FY 2015	Increase (Decrease)
Non-Resource	237.3	317.2	(79.9)
Natural Resource /Energy Related	1.8	(23.6)	25.4
Others	1.3	7.0	(5.7)
Total	240.4	300.6	(60.2)
Non-Resource/ Natural Resource	99%/ 1%	- %/ - %	- %/ - %

*The ratio is calculated excluding the [Others] from the [Total] as 100%

Consolidated Financial Results of Operations

	FY 2016	FY 2015	Increase (Decrease)	Outlook for FY 2017	Increase (Decrease)
Revenues	5,083.5	5,591.4	(507.9)	5,000.0	(83.5)
Gross trading profit	1,069.7	1,089.1	(19.4)	1,080.0	10.3
Selling, general and administrative expenses	(835.5)	(810.2)	(25.3)	(837.0)	(1.5)
Provision for doubtful accounts	(7.8)	(6.2)	(1.6)	(3.0)	4.8
Gains on investments	72.7	109.9	(37.2)	42.0	130.5
Losses on property, plant, equipment and intangible assets	(155.1)	(4.3)	(150.8)		
Other–net	(6.0)	6.7	(12.7)		
Net interest expenses	(0.4)	(11.4)	11.0	(16.0)	(15.6)
Dividends received	37.5	34.9	2.6	17.0	(20.5)
Equity in earnings of associates and joint ventures	147.7	10.1	137.6	180.0	32.3
Profit before tax	322.7	418.5	(95.8)	463.0	140.3
Income tax expense	(46.4)	(122.9)	76.5	(90.0)	(43.6)
Net Profit	276.4	295.6	(19.3)	373.0	96.6
Net profit attributable to ITOCHU	240.4	300.6	(60.2)	350.0	109.6
Net profit attributable to non-controlling interests	36.0	(4.9)	40.9	23.0	(13.0)
Total comprehensive income attributable to ITOCHU	(144.8)	465.6	(610.4)		
(Reference)					
Adjusted profit	419.0	312.4	106.6	424.0	5.0

"Adjusted profit" = Gross trading profit + SG&A expenses + Net interest expenses
+ Dividends received + Equity in earnings of associates and joint ventures

Summary of changes from the previous fiscal year

・**Revenues**
Energy & Chemicals (-402.8) :Mainly due to the decline in oil prices in energy trading transactions
ICT, General Products & Realty (-108.4) :Due to the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year
Metals & Minerals (-33.4) : Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume
Food (+24.7) :Due to the higher transaction volume in food-distribution-related subsidiaries

・**Gross trading profit**
Food (+16.1) :Due to the higher transaction volume in food-distribution-related subsidiaries and the stable performance in provisions-related subsidiaries
Energy & Chemicals (+8.3) :Due to the stable performance in the energy and chemical trading transactions and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the lower profitability in self-developed crude oil transactions accompanying the decline in oil prices
Metals & Minerals (-34.5) :Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies
Textile (-3.2) :Due to the unfavorable sales in apparel-related companies and inventory revaluation loss, despite the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year

・**SG&A expenses** Increase due to the higher expenses in existing subsidiaries and from the acquisition of subsidiaries in the previous fiscal year

・**Provision for doubtful accounts** Increase in allowance for doubtful accounts in foreign subsidiaries

・**Gains on investments**
Decrease due to absence of unordinary gain regarding the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. to other investments in the previous fiscal year, despite the gain on sales of housing-materials-related subsidiaries in the U.S.

・**Losses on property, plant, equipment and intangible assets**
Deterioration due to the recognition of the impairment loss and the loss accompanying the sale of certain assets in Australian coal-related business, and impairment loss in European tire-related companies, the North Sea oil fields development project, and fresh food-related subsidiaries

・**Other-net** Deterioration due to the restructuring related expense in subsidiaries in this fiscal year

・**Net interest expenses** Improvement due to the higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares

・**Dividends received** Increase due to the higher dividends from the pipeline businesses, despite the lower dividends from oil and LNG projects

・**Equity in earnings of associates and joint ventures**
Metals & Minerals (+65.2) :
Improvement due to the absence of the impairment loss in a Brazilian iron ore business in the previous fiscal year, despite the decrease in equity earnings of Australian iron ore and coal business, and stagnant market conditions and the lower demand in steel products-related companies
Energy & Chemicals (+39.3) :
Improvement due to the absence of the impairment loss in an U.S. oil and gas development company in the previous fiscal year, despite the effect of the scheduled maintenance of methanol-related companies
Others, Adjustments &Eliminations (+37.6) :
Increase due to the start of equity pick-up of CITIC Limited from the third quarter of this fiscal year, and other factors

・**Income tax expense**
Improvement of tax expenses accompanying the disposal of an U.S. oil and gas development company, and the absence of the reversal of deferred tax assets regarding MRRT in the previous fiscal year

Financial Position

	Mar. 2016	Mar. 2015	Increase (Decrease)	Outlook for March 31, 2017
Total assets	8,036.4	8,560.7	(524.3)	8,200.0
Interest-bearing debt	3,196.2	3,092.2	104.0	3,150.0
Net interest-bearing debt	2,555.6	2,380.5	175.1	2,500.0
Total shareholders' equity	2,193.7	2,433.2	(239.5)	2,400.0
Ratio of shareholders' to total assets	27.3%	28.4%	(1.1pt)	29.3%
Net debt-to-shareholders' equity ratio (times)	1.17	0.98	0.19	1.0
Total equity	2,452.1	2,748.3	(296.2)	2,700.0

Summary of changes from the previous fiscal year end

・Total assets :
Decreased by 6.1%, or 524.3 billion yen, compared with March 31, 2015, to 8,036.4 billion yen (71,321 million U.S. dollars). This decrease was due to the return of investment regarding the merger of assets related to Brazilian iron ore business, the de-consolidation of housing-materials-related subsidiaries in the U.S., decline in the stock price of investments and natural resource prices, and the effect from the appreciation of the yen, despite the increase from the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 600.0 billion yen.

・Net interest-bearing debt:
Increased by 7.4%, or 175.1 billion yen, compared with March 31, 2015, to 2,555.6 billion yen (22,681 million U.S. dollars). This increase was due to the increase in borrowings regarding the investment and loan accompanying the acquisition of CITIC Limited shares, despite the repayment of debt accompanying the steady collections of trade receivables and investments related to asset replacement, and the effect from the appreciation of the yen.

・Total shareholders'equity:
Decreased by 9.8%, or 239.5 billion yen, compared with March 31, 2015, to 2,193.7 billion yen (19,468 million U.S. dollars). This decrease was due to the dividend payments, decline in the stock price of investments and natural resource prices, and the effect from the appreciation of the yen, despite the increase in Net profit attributable to ITOCHU. Ratio of shareholders' equity to total assets decreased by 1.1 points to 27.3% compared with March 31, 2015. NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2015 to 1.17 times.

Cash Flows

	FY 2016	FY 2015
Operating activities	419.4	403.6
Investing activities	(557.3)	(276.1)
Free cash flows (*)	*(137.9)*	*127.5*
Financing activities	81.8	(97.9)
Cash and cash equivalents	632.9	700.3
Increase (Decrease)	(67.4)	46.6

(*)"Free cash flows" excluding the investment & loan (approx. ¥600.0 bil.) accompanying acquisition of CITIC Ltd. shares: approx. ¥460.0 bil.

Summary of Cash Flows for FY 2016

・Operating:
Recorded a net cash-inflow of 419.4 billion yen (3,722 million U.S. dollars), resulting from the steady collections in the energy, food, metals and minerals, and machinery sectors, despite the increase in inventories in the construction, realty & logistics sector.

・Investing:
Recorded a net cash-outflow of 557.3 billion yen (4,946 million U.S. dollars), due to the investment and loan accompanying the acquisition of CITIC Limited shares (approximately 600.0 billion yen), despite the return of investment accompanying the merger of assets related to Brazilian iron ore business, approximately 130.0 billion yen(*) and the sales of housing-materials-related subsidiaries in the U.S., approximately 110.0 billion yen.

・Financing:
Recorded a net cash-inflow of 81.8 billion yen (726 million U.S. dollars), due to increase in debt, despite the dividend payments, and the distribution to non-controlling interests of approximately 60.0 billion yen(*) accompanying the return of investment regarding the Brazilian iron ore business mentioned above.

(*) ITOCHU's portion of net cash-inflow is approximately 70.0 billion yen.

Operating Segment Information

	Net profit attributable to ITOCHU FY 2016	FY 2015	Increase (Decrease)	Summary of changes from the previous fiscal year
Textile	14.5	32.0	(17.5)	Decrease due to the lower trading income and the impairment loss in apparel-related companies, despite the gain on remeasurement from the conversion of a China-related company from an associated company to other investments
Machinery	48.4	54.6	(6.2)	Decrease due to the losses on investment and deterioration of tax expense, despite the trading income remaining nearly at the same level compared with the previous fiscal year and the increase in equity in earnings of associates and joint ventures
Metals & Minerals	(16.7)	11.2	(27.9)	Deterioration due to the lower trading income, and recognition of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business, despite the absences of the impairment loss in a Brazilian iron ore business and reversal of deferred tax assets regarding MRRT in the previous fiscal year
Energy & Chemicals	55.5	2.4	53.1	Increase due to the higher trading income, the absence of the impairment loss in an U.S. oil and gas development company in the previous fiscal year, and improvement in tax expenses accompanying its disposal in this fiscal year, despite the impairment loss in the North Sea oil fields development project
Food	25.5	114.4	(88.9)	Decrease due to the absence of unordinary gain regarding the shares of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. in the previous fiscal year and the impairment loss in fresh food-related subsidiaries, despite the higher trading income
ICT, General Products & Realty	74.0	79.0	(5.0)	Decrease due to the impairment loss in European tire-related companies, despite the increase in trading income, equity in earnings of associates and joint ventures, and the gain on sales of housing-materials-related subsidiaries in the U.S.
Others, Adjustments & Eliminations	39.2	7.0	32.2	Increase due to the start of equity pick-up of CITIC Limited from the third quarter of this fiscal year, and other factors
Consolidated	240.4	300.6	(60.2)	

Group Companies (Net profit attributable to ITOCHU)

(C): Consolidated subsidiary

		FY 2016	FY 2015	Increase (Decrease)	Summary of changes from the previous fiscal year
ITOCHU International Inc.	(C)	21.9	12.2	9.6	Increase due to the favorable performance in the machinery-related sector and chemical-related sector, and the gain on sales of housing-materials-related subsidiaries, despite the lower profit in the food-related sector
ITOCHU Techno-Solutions Corporation	(C)	10.4	10.2	0.3	Increase due to the improvement in tax expenses, despite the higher selling, general and administrative expenses
NIPPON ACCESS, INC.	(C)	8.9	8.6	0.4	Increase due to the higher transaction volume and the improvement in profitability, despite the impairment in fixed assets and increase in logistic costs, and expenses accompanying the implementation of a new system
European Tyre Enterprise Limited	(C)	(29.9)	4.7	(34.6)	Deterioration due to the impairment loss, despite the higher profit from premium tires and strengthening of related services
ITOCHU Minerals & Energy of Australia Pty Ltd	(C)	(22.6)	42.3	(64.9)	Deterioration due to the decline in iron ore and coal prices, and the impairment loss and the loss accompanying the sale of certain assets in the coal-related business, despite the absence of the reversal of deferred tax assets regarding MRRT in the previous fiscal year

Dividend Information (Per Share)

FY 2016	
Annual (Planned)	Interim (Paid)
50.0 yen (minimum)	25.0 yen
FY 2017	
Annual (Planned)	Interim (Planned)
55.0 yen (minimum)	27.5 yen

Major Indicates

		FY 2016	FY 2015	Variance
Foreign exchange (Yen/US$)	Average	120.65	108.28	12.37
	Closing	Mar. 16 112.68	Mar. 15 120.17	(7.49)
Interest	JPY TIBOR 3M, average	0.160%	0.196%	(0.036%)
	US$ LIBOR 3M, average	0.406%	0.240%	0.166%
Crude oil (Brent) (US$/BBL) average		48.73	86.12	(37.39)
Iron ore (US$/ton)	(*)	53	93	(40)
Hard coking coal (US$/ton)	(*)	93	119	(26)
Thermal coal (US$/ton)	(*)	67.8	81.8	(14.0)

(*) The Company recognizes these prices as common transaction prices based on market information.

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