ITOCHU
I am One with Infinite Missions

# FY2017 1st Half Business Results Summary

November 7, 2016

ITOCHU Corporation
Masahiro Okafuji, President & CEO

# Summary of Net profit attributable to ITOCHU

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(Unit : billion yen)

- **"Net profit attributable to ITOCHU" decreased by ¥10.6 bil. compared with the same period of the previous fiscal year to ¥202.2 bil., and progressed 58% toward the FY2017 Forecast of ¥350.0 bil.**
  "Net profit attributable to ITOCHU" achieved the 2nd highest record for the 1st half result next to the same period of FY2016 due to the contribution from CITIC Limited and the favorable performance in the Food segment, despite the decrease due to a decline in commodity prices, the effect of the appreciation of the yen and the absence of extraordinary gains in the same period of the previous fiscal year.
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥31.0 bil. (profit) in this 1st half result, approximately ¥67.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥25.0 bil. compared with the same period of the previous fiscal year to approximately ¥171.0 bil.** (approximately ¥146.0 bil. in the same period of the previous fiscal year), and **achieved the highest record for a 1st half result.**

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease | FY2017 Forecast (Disclosed on Nov, 2) | Progress |
|---|---|---|---|---|---|
| Net profit attributable to ITOCHU | **212.7** | **202.2** | **(10.6)** | **350.0** | **58%** |
| Gross trading profit | 524.6 | 514.1 | (10.4) | 1,080.0 | 48% |
| Selling, general and administrative expenses | (412.8) | (395.5) | +17.2 | (810.0) | 49% |
| Gains on investments | 52.1 | 38.9 | (13.2) | - | - |
| Equity in earnings of associates and joint ventures | 71.9 | 96.0 | +24.2 | 170.0 | 56% |
| Income tax expense | (25.3) | (48.8) | (23.5) | (103.0) | 47% |

(Reference)

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease |
|---|---|---|---|
| Extraordinary gains and losses | 67.0 | 31.0 | (36.0) |
| Net profit attributable to ITOCHU after deducting extraordinary gains and losses | approx. 146.0 | approx. 171.0 | +25.0 |

| Dividend Information (Per Share) | |
|---|---|
| Annual (Planned) | 55.0 yen (minimum) |
| Interim | 27.5 yen |



Net profit attributable to ITOCHU, or net profit, for the 1st half of FY2017 was 202.2 billion yen. Thanks to an increase such as Food Company, the result is the second highest in ITOCHU history. As a result, we maintained our No.1 position among other Japanese trading houses for this 1st half. Although there is an uncertainty to maintain No.1 position for annual base , our 1st half progress rate of 58% shows that our 1st half figures are extremely strong to achieve the initial annual forecast considering the fact that we normally tend to have more profit in the 2nd half of the year.

Next, net profit deducting extraordinary gains and losses was a historic high of around 171.0 billion yen, an increase of 25.0 billion yen compared with the same period of the previous fiscal year. I am confident that our profitability, especially in subsidiaries and affiliate companies in non-resource segment, has been strengthened, which represents the main strength of ITOCHU. This is the result of steadily implementing the policies "Earn," "Cut" and "Prevent" as a whole ITOCHU group.

In FY2010, the prior year I became CEO, net profit after deducting extraordinary gains and losses of 1st half was 52.1 billion yen, but now it has tripled to 171.4 billion yen. Meanwhile, number of subsidiaries and affiliates has decreased 26% (from 423 to 311), especially number of loss making companies has decreased 60% (from 143 to 57) .On the other hand as the result of organizing and integrating restructuring, number of profit making companies has decreased from 280 to 254 while the profit amount increased from 68.7 billion yen to 182.5 billion yen. As a result profitable company ratio improved from 66.2% to 81.7%.
The other reason of improvement in profitability is to foresee risks and prevent the loss beforehand. Till FY2010, although recognizing certain amount of profit through ordinary business, we were forced to recognize several tens of billion loss which offsets the profit every year. But now, as a result of pursuing "Prevent" although recognizing a loss, the size loss is manageable.

## Summary of Net profit attributable to ITOCHU

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(Unit : billion yen)

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Improvement is steadily paying off. For instance, companies such as Dole, Nippon Access, Prima Meat Packers and subsidiaries of Chemical Company.

First, Dole -- one of the largest pineapple and bananas producers in the world—was affected by the weather in the past few years. As a result of not only withdrew from low efficient business, but also re-look into the entire business such as cutting the cost, improvement in variety and soil, the profit in the 1st half of FY2017 was approximately 6 billion yen a historic high profit thanks to the step-by-step improvements made by them.

For Nippon Access, the first half result was 7.0billion yen, a 1.8 billion yen improve compared with the previous fiscal year, even under a very competitive business environment. Utilizing the new core system installed last year, profit and losses are thoroughly managed. And also, the step-by step improvements such as re-look into the efficiency in operation, cutting the electricity cost, the profitability has improved dramatically.

For Chemical, as a result of implementing the "Earn" "Cut" "Prevent" to each relatively mid-small size companies, the first half results were strong, For instance, ITOCHU Retail Link and Sanipac already achieved their annual forecast in the 1st half as a result of implementing the "Earn" "Cut" "Prevent" policy.

As a result of implementing a management to save an unnecessary cost, the companies I just introduced became to main profit contributor of ITOCHU. Rather than forced to make a new investment, I feel focusing on improvement of current existing business is paying off.

Although our 1st half result was extremely strong, due to an uncertain in political and economic situation such as US presidency election, political situation in Korea, we will proceed to the improvement of management actively.

To realize a stable and solid earnings base which will not be affected by a sudden change in business environment or macro economy, ITOCHU will keep focusing on improvement of existing business or companies, rather than relying on resource business.

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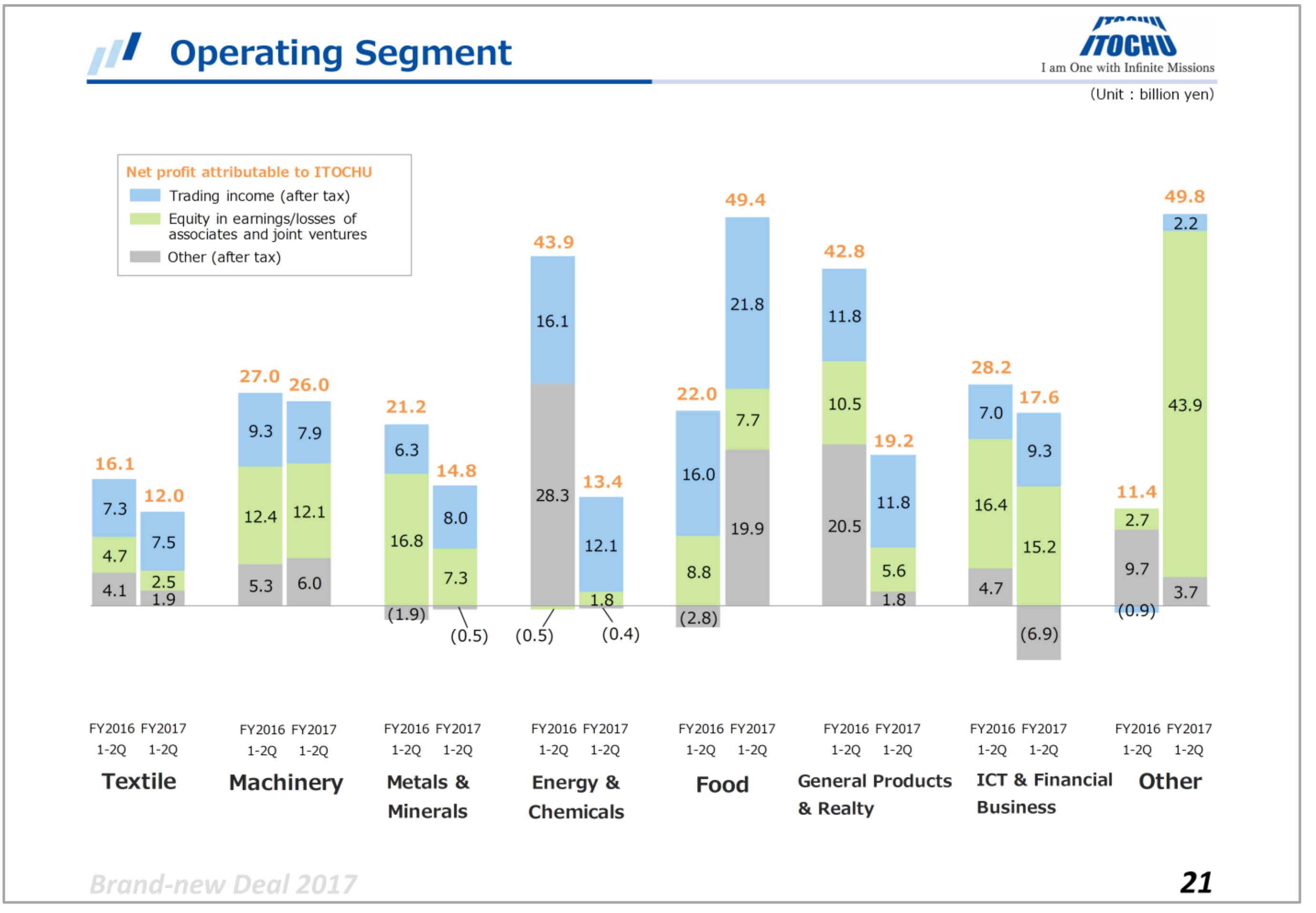
# FY2017 1st Half Business Results Summary

November 7, 2016

ITOCHU Corporation
Mamoru Seki, Executive Officer,
GM, General Accounting Control Division

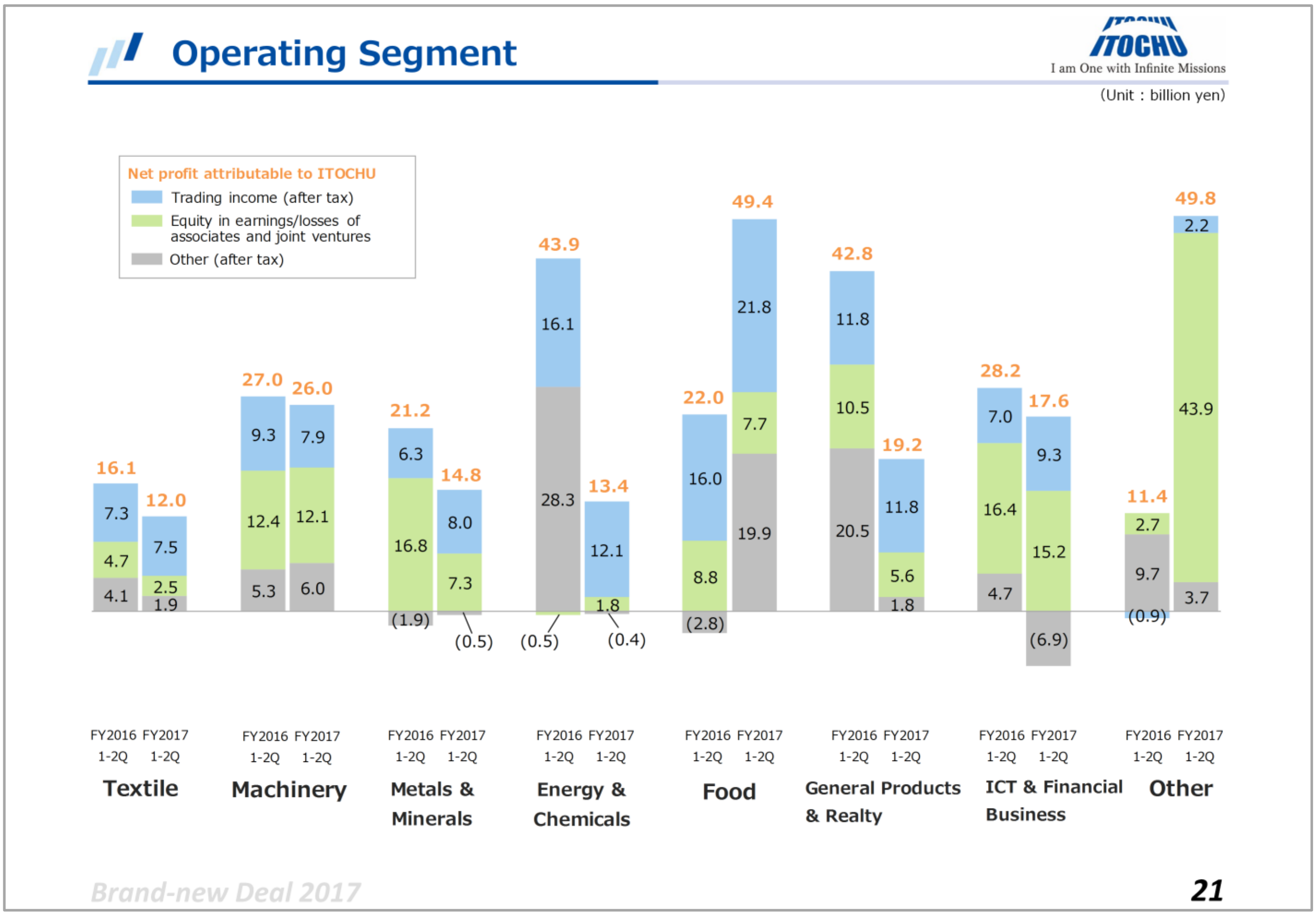



**For the Textile Company,** "trading income" was nearly at the same level due to the reduction of expenses, despite the unfavorable sales of apparel-related companies. "Equity in earnings of associates and joint ventures" decreased mainly due to the discontinued recognition of investments accounted for by the equity method of China-related companies in the previous fiscal year. "Others" decreased due to the absence of an extraordinary gain regarding a China-related company, which was recorded in the same period of the previous fiscal year. As a result, "net profit attributable to ITOCHU" was 12.0 billion yen, down 4.2 billion yen compared with the previous fiscal year.

**For the Machinery Company,** "trading income" decreased due to the deterioration in profitability in the ship-related businesses, which was brought about by stagnant market conditions, and the appreciation of the yen. "Equity in earnings of associates and joint ventures" decreased from the decline of equity pick up from Tokyo Century that resulted from the absence of the one-time profit recorded in the previous fiscal year despite the stable performance of the leasing business. However, "Others" increased due to the gain on sale of a medical-device-related company, despite a decline in dividends received. As a result, "net profit attributable to ITOCHU" was 26.0 billion yen, down 1.0 billion yen compared with the previous fiscal year.

**For the Metals and Minerals Company,** "trading income" increased due to the reduction of costs in the iron ore and coal-related business, despite the decline in coal prices and the appreciation of the yen. "Equity in earnings of associates and joint ventures" decreased due to the discontinued recognition of investments accounted for by the equity method of Namisa in the previous fiscal year. Although the improvement in "Others" the net profit attributable to ITOCHU was 14.8 billion yen, down 6.4 billion yen compared with the previous fiscal year.

**For the Energy and Chemicals Company,** "trading income decreased due to lower energy trading transaction volume and the decline in self-developed crude oil transaction prices. "Equity in earnings of associates and joint ventures" increased due to the absence of the effect of scheduled maintenance of methanol-related companies, which occurred in the previous fiscal year. "Others" worsened due to the absence of the improvement in tax expenses accompanying the disposal of Samson, which occurred in the same period of the previous fiscal year. As a result, "net profit attributable to ITOCHU" was 13.4 billion yen, down 30.5 billion yen compared with the previous fiscal year.




**For the Food Company,** "trading income" increased due to the improvement in profitability of fresh-food-related company, Dole, and food-distribution-related companies, such as Nippon Access. "Equity in earnings of associates and joint ventures" decreased due to the decrease of the equity pick up from HYLIFE, a company that operates a pork business in North America, that followed the absence of the gain from transfer of assets of the pig genetics business, which occurred in the same period of the previous fiscal year despite the stable transactions to Asian countries. In addition to HYLIFE, equity pick up from grain-related companies also decreased. "Others" increased due to the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings, and also the gain on sale of a dairy-products-related company. As a result, "net profit attributable to ITOCHU" was 49.4 billion yen, an increase of 27.3 billion yen compared with the previous fiscal year.

**For General Products & Realty Company,** "trading income" was nearly at the same level due to the de-consolidation of a housing-materials-related company in U.S. in the previous fiscal year as well as the appreciation of the yen, despite the favorable performance of apartment/condominium-related companies. "Equity in earnings of associates and joint ventures" decreased due to stagnant market conditions and foreign currency translation for foreign pulp-related companies. "Others" decreased due to the absence of the gain on sale of a housing-materials-related company in the U.S., which was recorded in the previous fiscal year. As a result, "net profit attributable to ITOCHU" was 19.2 billion yen, a decrease of 23.6 billion yen compared with the previous fiscal year.

**For ICT & Financial Business Company**, "trading income" increased due to the higher transaction volume of domestic ICT-related companies, such as CTC. "Equity in earnings of associates and joint ventures" decreased due to the decline of equity pick up from call center service business, resulting from the absence of the effect of the amendment to the Japanese tax system, which was carried out in the same period of the previous fiscal year, as well as the decrease in shareholding ratio. "Others" decreased due to the absence of an extraordinary gain accompanying the change of capital structure of a finance-related company, which was recorded in the same period of the previous fiscal year. As a result, "net profit attributable to ITOCHU" was 17.6 billion yen, a decrease of 10.6 billion yen compared with the previous fiscal year.

**For Others,** "net profit attributable to ITOCHU" was 49.8 billion yen, up 38.4 billion yen compared with the previous fiscal year. The main reason for this increase was CITIC Limited's 41.5 billion yen contribution which started an equity pick up from the third quarter of the previous fiscal year.

# Extraordinary Gains and Losses

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(Unit : billion yen)

| | FY2016 1st Half Result | | FY2017 1st Half Result | |
|---|---|---|---|---|
| Gains related to investments | **33.5** | ･Gain on sales of PrimeSource: approx. 20.0 (General Products & Realty), ･Gain accompanying the change of capital structure of a finance-related company: approx. 9.0 (ICT & Financial Business) | **28.0** | ･Merger of FamilyMart and UNY Holdings: approx. 17.0 (Food) |
| Income tax expense | **36.0** | ･Tax effect related to a U.S. oil and gas development company: approx. 34.0 (Energy & Chemicals, and Others, Adjustments & Eliminations) | **–** | |
| Others | **(2.5)** | | **3.0** | ･Gain on disposal of the interest in certain real estate projects in CITIC Limited: approx. 7.0 (Others, Adjustments & Eliminations) |
| Total | **67.0** | | **31.0** | |
| Non-Resource | 31.0 | | 34.5 | |
| Resouce | 33.0 | | (2.5) | |
| Others | 3.0 | | (1.0) | |



Our accumulated extraordinary gains and losses for the 1st half of FY2017 was a gain of 31.0 billion yen.

The breakdown of extraordinary gains and losses is as follows.
“Gains related to investments” totaled 28.0 billion yen. This includes a dilution gain of approx. 17.0 billion yen after tax, accompanying the changes in equity to 33.8% resulting from the merger of FamilyMart and UNY Holdings. Other than this, gains on sale of a dairy-products-related company and a medical-device-related company, and more are included.
“Others” was a gain of approx. 3.0 billion yen for the 1st half, which was a loss of 5.0 billion yen for the 1st quarter, and had a gain of 8.0 billion yen in the 2nd quarter. This includes a gain on disposal of the interest in certain real estate projects at CITIC Limited of approx. 7.0 billion yen. The disposal was completed in September and while this gain will be recognized in the 3rd quarter results of CITIC Limited, ITOCHU treated the gain as a material subsequent event for our 2nd quarter results. Like this case, under ITOCHU’s consolidation rule, if there’s a gap at closing month which is considered material, it is necessary to carry out the adjustment. .
As a procedure of Purchase Price Allocation, gain on disposal of the interest in certain real estate projects at CITIC Limited was divided into the gain as of the date of disposal, and the gain after the date of disposal. As a result, we picked up approx. 7.0 billion yen as profit that corresponds to the gain in real estate prices after the acquisition date.
Including the treatment I’ve just mentioned, through a careful deliberation with our auditor, PPA related to CITIC Limited is fixed now.

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# FY2017 1st Half Business Results Summary

November 7, 2016

ITOCHU Corporation

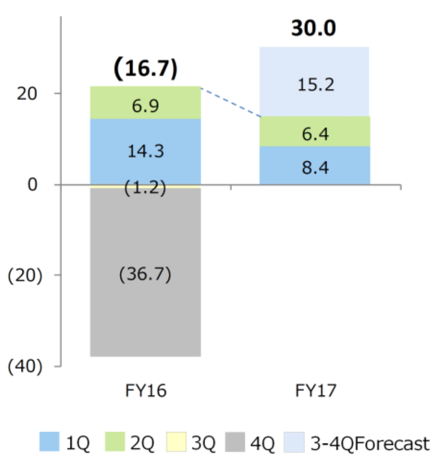
Hitoshi Okamoto, Director,
Senior Managing Executive Officer, CSO・CIO

## Metals & Minerals

(Unit : billion yen)

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease | Summary of changes (Net profit attributable to ITOCHU) | FY2017 Forecast (Nov, 2) | Progress |
|---|---|---|---|---|---|---|
| Gross trading profit | 18.9 | 21.1 | +2.1 | Decrease due to the decline in coal prices, the appreciation of the yen and the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year, despite the reduction of costs in the iron ore and coal-related business. | 52.0 | 40% |
| Equity in earnings of associates and joint ventures | 16.8 | 7.3 | (9.5) | | | |
| **Net profit attributable to ITOCHU** | **21.2** | **14.8** | **(6.4)** | | **30.0** | **49%** |
| | Mar. 2016 Result | Sep. 2016 Result | Increase/ Decrease | | | |
| Total assets | 876.4 | 787.1 | (89.3) | | | |

### Net profit attributable to ITOCHU




### Profits/Losses from Main Group Companies

| | FY2016 1st Half | FY2017 1st Half | FY2016 Annual | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|
| ITOCHU Minerals & Energy of Australia Pty Ltd | 13.1 | 14.1 | (22.6) | 27.7 |
| Iron ore | 16.1 | 14.3 | 24.6 | * |
| Coal | (3.0) | (0.0) | (47.4) | * |
| Brazil Japan Iron Ore Corporation | 4.8 | (0.1) | (0.9) | * |
| ITOCHU Coal Americas Inc. | (1.2) | (1.2) | (2.3) | * |
| Marubeni-Itochu Steel Inc. | 4.6 | 3.6 | 6.6 | * |
| ITOCHU Metals Corporation | 0.9 | 0.5 | 2.0 | 1.4 |

* Due to the relationship with investees and partners, forecast is not presented.



Net profit attributable to ITOCHU in Metals & Minerals Company for the 1st half of FY2017 was 14.8 billion yen, a decrease of 6.4 billion yen from the 1st half of FY2016. This decrease was due to the decline in coal prices, the appreciation of the yen, and the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year, despite the reduction of costs in the iron ore and coal-related business.

Net profit of IMEA Iron Ore was 14.3 billion yen, a decrease of 1.8 billion yen compared with previous fiscal year, due to a decrease in sales volume of 0.5 billion yen and a foreign exchange loss of 1.5 billion yen, which outweighed a 0.5 billion yen improvement in costs.

Net loss of IMEA Coal was around 0 billion yen, an improvement of 2.9 billion yen compared with previous fiscal year. This improvement is due to a 0.5 billion yen improvement in cost and the reversal from the losses in NCA project sold in the previous fiscal year, despite a 1.0 billion yen decrease due to decline in coal prices.

Net loss of Brazil Japan Iron Ore Corporation was 0.1 billion yen, a decrease of 4.9 billion yen compared with previous fiscal year, mainly due to the discontinued recognition of investments accounted for by the equity method of NAMISA in the previous fiscal year.

Net loss of ITOCHU Coal Americas was 1.2 billion yen, remained at the same level with previous fiscal year. This loss was attributable to record interest and general expenses.

Considering the upward swing in commodity prices, the forecast for FY2017 in Metals & Minerals Company, was revised to 30.0 billion yen.

# Energy & Chemicals

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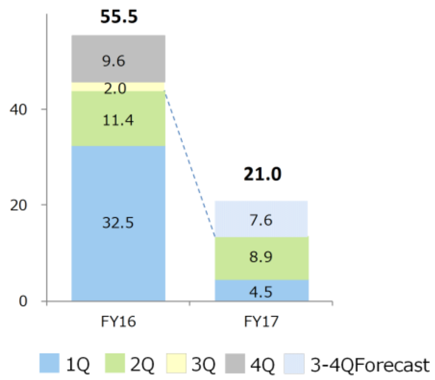
(Unit : billion yen)

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease | Summary of changes (Net profit attributable to ITOCHU) | FY2017 Forecast (Nov, 2) | Progress |
|---|---|---|---|---|---|---|
| Gross trading profit | 93.1 | 84.8 | (8.3) | Decrease due to the lower energy trading transaction volume, the decline in self-developed crude oil transaction prices, and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the same period of the previous fiscal year. | 181.0 | 47% |
| Energy | 55.6 | 48.7 | (6.9) | | 105.0 | 46% |
| Chemical | 37.5 | 36.1 | (1.4) | | 76.0 | 48% |
| Equity in earnings of associates and joint ventures | (0.5) | 1.8 | +2.2 | | | |
| **Net profit attributable to ITOCHU** | **43.9** | **13.4** | **(30.5)** | | **21.0** | **64%** |
| Energy | 35.3 | 1.4 | (33.9) | | 0.0 | – |
| Chemical | 8.6 | 12.0 | +3.4 | | 21.0 | 57% |

| | Mar. 2016 Result | Sep. 2016 Result | Increase/ Decrease |
|---|---|---|---|
| Total assets | 1,077.1 | 1,019.1 | (58.0) |
| Energy | 622.8 | 589.1 | (33.7) |
| Chemical | 454.3 | 429.9 | (24.4) |

## Net profit attributable to ITOCHU




## Profits/Losses from Main Group Companies

| | FY2016 1st Half | FY2017 1st Half | FY2016 Annual | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|
| ITOCHU Oil Exploration (Azerbaijan) Inc. | 4.3 | 0.3 | 5.0 | 0.6 |
| ITOCHU PETROLEUM CO.,(SINGAPORE) PTE. LTD | 1.1 | 0.8 | 2.3 | 1.9 |
| ITOCHU ENEX CO., LTD. | 1.8 | 2.0 | 4.1 | 5.4** |
| Dividend from LNG Projects | 0.3 | 0.1 | 4.8 | 2.8 |
| ITOCHU CHEMICAL FRONTIER Corporation | 1.6 | 1.3 | 3.1 | 3.3 |
| ITOCHU PLASTICS INC. | 2.0 | 1.7 | 3.5 | 3.8 |
| C.I. Kasei Company, Limited | 0.7 | 3.0 | 1.3 | 3.3 |
| Takiron Co., Ltd. | 0.3 | * | 0.9 | 1.1** |

* Not disclosed because the financial results not yet announced.
** The figure is the company's forecasts multiplied by ITOCHU shares, excluding IFRS adjustment.



Net profit attributable to ITOCHU in Energy Division was 1.4 billion yen, a decrease of 33.9 billion yen compared with previous fiscal year. Out of 33.9 billion yen, 25.5 billion yen is due to the absence of the improvement in tax expenses accompanying the disposal of Samson in previous fiscal year, and 4.0 billion yen is due to the decline in ACG project , following the lower price of crude oil.

Although we foresee an increase of profit in projects such as ACG etc, due to the upward movement in crude oil prices compared with the initial plan, and considering the tendency to record a higher level of profit in the 2nd half year, the forecast for FY2017 remains unchanged, at 0 billion yen. This is due to the one-time loss of about 6.0 billion yen that we expect will accompany an internal tax adjustment in 2nd half of FY2017.

## Major Indicates

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| | FY2016 1st Half Result | FY2017 1st Half Result | FY2017 Forecast (Disclosed on Nov, 2) | (Reference) Sensitivities on net profit attributable to ITOCHU for FY2017 2nd half against forecast |
|---|---|---|---|---|
| Exchange rate (YEN / US$) average | 121.87 | 106.93 | 105 | Approx. ¥(1.0) bil. (1 yen appreciation against US$) |
| Exchange rate (YEN / US$) closing | Mar. 2016 112.68 | Sep. 2016 101.12 | 105 | - |
| Interest JPY TIBOR 3M, average | 0.171% | 0.065% | 0.10% | Approx. ¥(2.0) bil. (1% increase) |
| Crude oil (Brent) (US$/BBL) | 56.53 | 47.01 | 45 | ±¥0.02 bil. |
| Iron ore (CFR China) (US$/ton) | 55* | 55* | N.A.** | ±¥0.63 bil. |
| Hard coking coal (FOB Australia) (US$/ton) | 101* | 89* | N.A.** | ±¥0.17 bil. |
| Thermal coal (FOB Australia) (US$/ton) | 67.8* | 61.6* | N.A.** | |

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

* FY2016 1st half and FY2017 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.

** In the prices for iron ore, hard coking coal and thermal coal used in the FY2017 forecast, the prices for FY2017 1st half are assumed based on the prices that major suppliers and customers have agreed on regarding shipments and current spot prices, and the prices for FY2017 2nd half are assumed based on the prices agreed on the 1st half. However, the actual sales prices are decided based on negotiations with each customer, ore type and coal type.



Considering the upward trend in commodity prices, assumption prices for the 2nd half of FY2017 has been revised to reflect the current trend. Although the assumptions for Iron Ore and Coal prices are not disclosed, revision has also been made.

## ITOCHU's Equity Share (Sales Result)

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| | FY2016 1Q | FY2016 2Q | FY2016 1st Half (a) | FY2016 3Q | FY2016 4Q | FY2016 Full Year | FY2017 1Q | FY2017 2Q | FY2017 1st Half (b) | 1st Half Increase/ Decrease (b)-(a) | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Oil & Gas (1,000BBL/day*)** | | | | | | **30** | | | | | **33** |
| **Iron ore (million t)** | **5.0** | **5.2** | **10.2** | **5.1** | **4.7** | **20.0** | **5.3** | **5.6** | **10.9** | **+0.7** | **21.6** |
| IMEA | 4.9 | 5.0 | 9.9 | 4.7 | 4.6 | 19.2 | 4.8 | 4.9 | 9.6 | (0.2) | 19.0 |
| Brazil Iron Ore Corporation** | 0.1 | 0.2 | 0.3 | 0.3 | 0.2 | 0.8 | 0.5 | 0.7 | 1.2 | +0.9 | 2.5 |
| **Coal (million t)** | **3.0** | **3.3** | **6.3** | **3.3** | **3.8** | **13.4** | **2.8** | **3.0** | **5.7** | **(0.6)** | **12.4** |
| IMEA | 1.7 | 2.0 | 3.7 | 1.7 | 2.1 | 7.5 | 1.3 | 1.4 | 2.6 | (1.0) | 6.0 |
| ICA | 1.3 | 1.4 | 2.6 | 1.6 | 1.7 | 5.9 | 1.5 | 1.6 | 3.1 | +0.5 | 6.4 |

* Natural Gas converted to crude oil is equivalent to 6,000cf =1BBL

** Figures are the sales results of NAMISA in FY2016, CM in FY2017

【Reference】IMEA Profit Result

| | FY2016 1Q | FY2016 2Q | FY2016 1st Half (a) | FY2016 3Q | FY2016 4Q | FY2016 Full Year | FY2017 1Q | FY2017 2Q | FY2017 1st Half (b) | 1st Half Increase/ Decrease (b)-(a) | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **IMEA (billion yen)** | **6.8** | **6.3** | **13.1** | **2.8** | **(38.5)** | **(22.6)** | **6.9** | **7.2** | **14.1** | **+1.0** | **27.7** |
| Iron ore | 8.0 | 8.1 | 16.1 | 4.7 | 3.9 | 24.6 | 7.2 | 7.1 | 14.3 | (1.8) | N.A. |
| Coal | (1.2) | (1.8) | (3.0) | (1.9) | (42.5) | (47.4) | (0.1) | 0.1 | (0.0) | +2.9 | N.A. |

※ IMEA : ITOCHU Minerals & Energy of Australia Pty Ltd
CM : CONGONHAS MINÉRIOS S.A.
ICA : ITOCHU Coal Americas Inc.



The volume of equity share of IMEA iron ore project is at the same level as it was in FY2016. Brazil iron ore project is expecting an increase of sales volume compared with the previous fiscal year.

For coal, the volume from IMEA coal project decreased due to the sale of NCA, and sales volume increase is expected from the Drummond project.

## Others, Adjustments & Eliminations

ITOCHU
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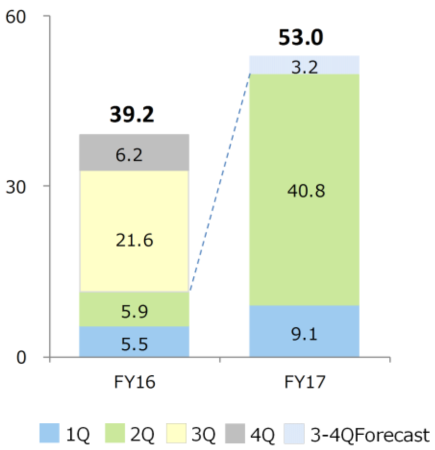
(Unit : billion yen)

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease | Summary of changes (Net profit attributable to ITOCHU) | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|---|
| Gross trading profit | 5.6 | 7.5 | +1.9 | Increase due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year. | 10.0 |
| Equity in earnings of associates and joint ventures | 2.7 | 43.9 | +41.2 | | |
| **Net profit attributable to ITOCHU** | **11.4** | **49.8** | **+38.4** | | **53.0** |
| | Mar. 2016 Result | Sep. 2016 Result | Increase/ Decrease | | |
| Total assets | 1,361.7 | 1,274.4 | (87.3) | | |

### Net profit attributable to ITOCHU




### Profits/Losses from Main Group Companies

| | FY2016 1st Half | FY2017 1st Half | FY2016 Annual | FY2017 Forecast (Nov, 2) |
|---|---|---|---|---|
| Orchid Alliance Holdings Limited * | 3.0 | 41.5 | 40.4 | 63.0 |
| C.P. Pokphand Co. Ltd. | 2.2 | 3.2 | 5.0 | ** |

* Figures are "CITIC related profit" which includes related tax effects etc.
** Forecast is not disclosed by the company therefore the forecast above is not presented.

### Updates on Business Alliance with CITIC Group and CP Group

- To generate synergies between CITIC & CP Group in various fields, tri-party discussion about potential trades and investment opportunities continues among all levels of each company.
- Started a joint feasibility study with CITIC Medical & Health Group Co., for the establishment of a joint venture to invest in the administration/management of hospitals and the medical and health-related businesses. In addition to investment, both parties also agreed to start discussing optimization of hospital management through consolidation of business surrounding hospitals and the implementation of advanced medical technologies from Japan.
- Based on the MOU signed between CITIC Resources Holdings in the Oil and Gas development sector, specific potential joint acquisition projects are currently being discussed.



Final topic of this presentation is the equity pick up and updates of the business alliance with CITIC Group and CP Group.

For the 1st half of Fiscal year 2017, ITOCHU recorded 41.5 billion yen in CITIC-related profit.
In addition to the equity pick up from CITIC Limited, this result reflects such factors as PPA treatment and interest expense. Furthermore, part of the profit from sales of residential real estate projects (7.0 billion yen), which were concluded on March 14 and carried out on September 15, is also included in this result.

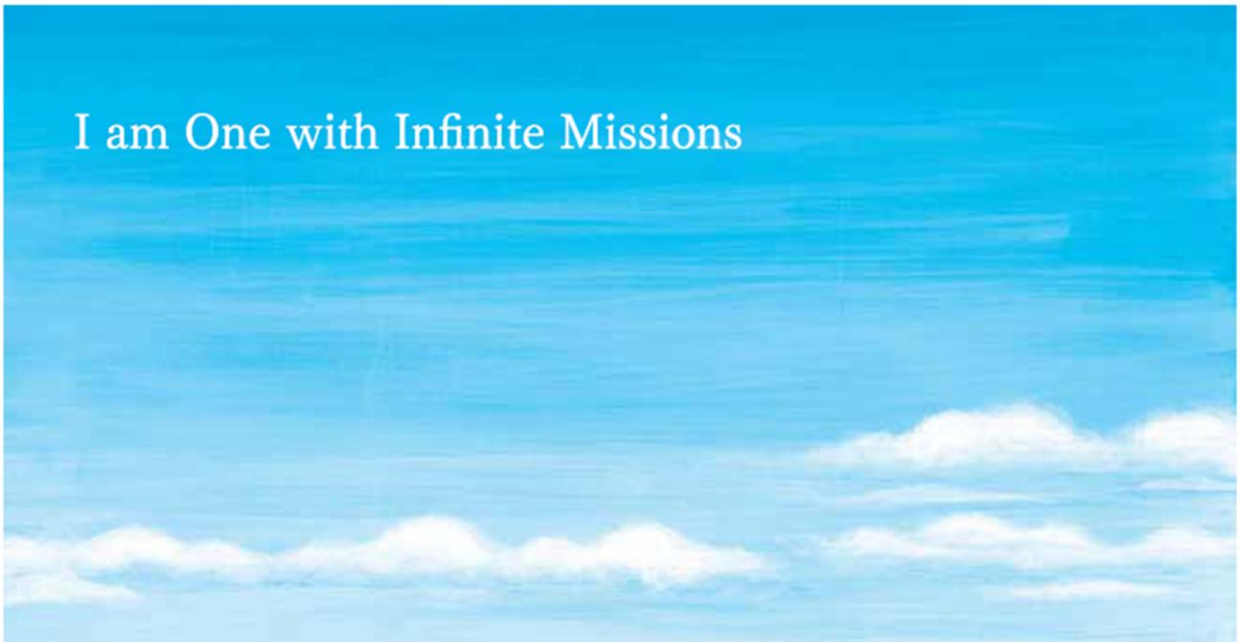
For the annual forecast of CITC-related profit, figures are revised from 70 billion yen to 63billion yen from conservative point of view. Although CITIC Limited does not disclose their annual forecast, considering the possibility that CITIC may allot their profit from the sales of certain residential real estate projects to achieve our initial target, we excluded the portion that was not recognized as profit in our financial statement from our annual forecast.

To generate synergies between CITIC and CP Group in various fields, we continue to hold tri-party discussions about potential trades and investment opportunities at all levels of each company.

For specific projects, the Letter of Intent was signed on September 19th with CITIC Medical & Health Group Co., for the establishment of a joint venture in medical and health-related businesses. Based on this Letter of Intent, both parties started a joint feasibility study and are also discussing the business content and plan in detail. The feasibility study is scheduled to be finalized by the end of this year, with procedures to set up the joint venture commencing next year.

Based on the MOU in the oil and gas development sector signed between CITIC Resources in June this year, a task force has been organized for frequent discussion at all levels of each company . Currently specific potential joint acquisition projects are discussed.

Finally, the 350 million yen loan to CP Group had been collected by the end of October as scheduled.

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