

**FY2019 1<sup>st</sup> Quarter**

# **Business Results Summary**

ITOCHU Corporation

August 3, 2018



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#### 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 FY2019 1<sup>st</sup> Quarter

# Summary of Net profit attributable to ITOCHU



(Unit : billion yen)

- **“Net profit attributable to ITOCHU” increased by ¥5.2 bil., compared with the same period of the previous fiscal year to ¥113.4 bil.**  
Due to the strong earnings in the Forest Products & General Merchandise, Financial & Insurance Business and Metals & Minerals sectors, “Net profit attributable to ITOCHU” increased compared with the same period of the previous fiscal year in all segments except for the Machinery.  
**Profits of Non-Resource sector increased by ¥3.9 bil., compared with the same period of the previous fiscal year to ¥93.1 bil. and renewed the highest record for a 1<sup>st</sup> quarter result.**
- **“Net profit attributable to ITOCHU after deducting extraordinary gains and losses”** (¥4.5 bil. (profit) in this 1<sup>st</sup> quarter, ¥7.5 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥8.0 bil., compared with the same period of the previous fiscal year to approximately ¥109.0 bil. and renewed the highest record for the third consecutive year as a 1<sup>st</sup> quarter result.**
- **“Profits/Losses of group companies”** was **¥110.9 bil., which achieved the highest record for a 1<sup>st</sup> quarter result.**
- **“Core operating cash flows”**, after deducting changes in working capital from “Cash flows from operating activities”, was a **net cash-inflow of ¥89.0 bil.,** which remained at the same level as FY2018 which was the highest record for a 1<sup>st</sup> quarter result.

	FY2018 1 <sup>st</sup> Quarter Result	FY2019 1 <sup>st</sup> Quarter Result	Increase/ (Decrease)	FY2019 Forecast (Disclosed on May, 2)	Progress
Net profit attributable to ITOCHU	<b>108.2</b>	<b>113.4</b>	<b>+ 5.2</b>	<b>450.0</b>	<b>25%</b>
Gross trading profit	276.3	* 300.4	+ 24.0	1,593.0	19%
Selling, general and administrative expenses	(204.7)	(227.5)	(22.8)		
Gains on investments	6.9	2.8	(4.1)		
Equity in earnings of associates and joint ventures	47.7	59.0	+ 11.3	214.0	28%
Income tax expense	(22.9)	(24.5)	(1.5)		

(Reference)

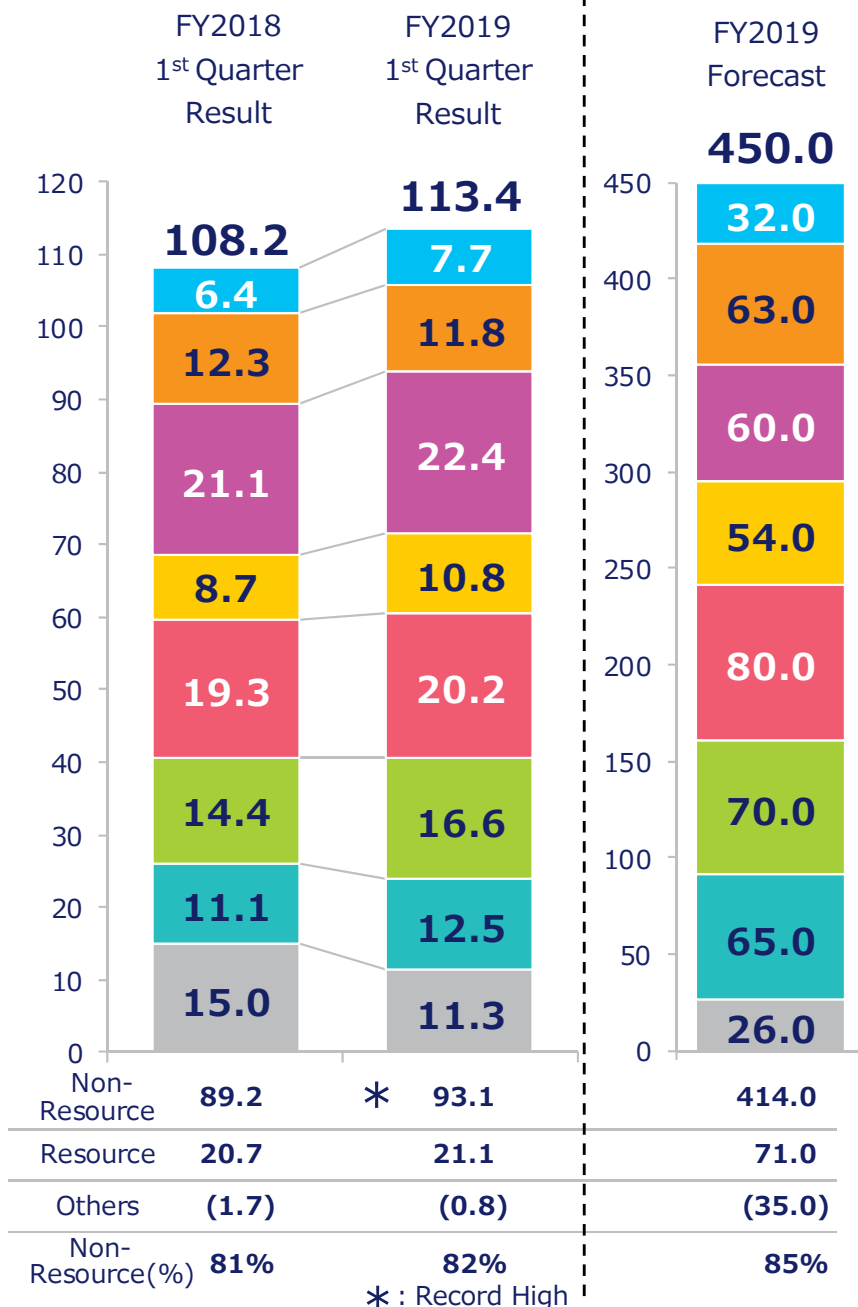
Extraordinary gains and losses	7.5	4.5	(3.0)		
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 101.0	* approx. 109.0	approx. + 8.0	Dividend Information (Per Share)	
Profits/Losses of group companies	98.2	* 110.9	+ 12.7	Annual (Planned)	74.0 yen (minimum)
Share (%) of group companies reporting profits	78.8%	* 84.9%	Increased 6.1pt	Interim (Planned)	37.0 yen

\* : Record High

# Net profit attributable to ITOCHU by Segment



(Unit : billion yen)



## Summary of changes from the same period of the previous fiscal year

- Textile [Inc / (Dec) : ¥+1.3 bil., Progress : 24%]**  
 Increase due to the stable performance and the improvement of expenses in apparel-related companies, and lower tax expenses.
- Machinery [Inc / (Dec) : ¥ (0.5) bil., Progress : 19%]**  
 Decrease due to the unfavorable performance of YANASE, a subsidiary consolidated in the second quarter of the previous fiscal year, despite the stable performance in North American construction-machinery-related companies and aircraft-related companies.
- Metals & Minerals [Inc / (Dec) : ¥+1.4 bil., Progress : 37%]**  
 Increase due to the higher coal prices, the reduction of costs in iron ore and coal business, and favorable performance in the steel-products-related companies, despite the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore.
- Energy & Chemicals [Inc / (Dec) : ¥+2.2 bil., Progress : 20%]**  
 Increase due to the higher production volume of crude oil, the stable performance in chemical-related transactions, and the extraordinary gain accompanying the restructure of European energy-related companies.
- Food [Inc / (Dec) : ¥+0.9 bil., Progress : 25%]**  
 Increase due to the higher equity in earnings of FamilyMart UNY Holdings, despite the lower sales prices in packaged foods and the higher expenses in fresh-food-related companies.
- General Products & Realty [Inc / (Dec) : ¥+2.2 bil., Progress : 24%]**  
 Increase due to the higher transaction volume in North American facility-materials-related and North American building-materials-related companies, and the rise in the market prices in foreign pulp-related companies, despite the absence of extraordinary gains in the same period of the previous fiscal year.
- ICT & Financial Business [Inc / (Dec) : ¥+1.4 bil., Progress : 19%]**  
 Increase due to the stable performance in domestic ICT-related companies and mobile-phone-related companies, and the favorable performance in finance-related companies.
- Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (3.7) bil.]**  
 Decrease due to the lower equity in earnings of CITIC Limited.

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



# Cash Flows



(Unit : billion yen)

## Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥52.5 bil.**, resulting from the stable performance in operating revenues in the Metals & Minerals, ICT and Textile sectors. “Free cash flows” resulted a **net cash-inflow of ¥23.5 bil.**, due to the additional investments in FamilyMart UNY Holdings and the acquisition of fixed assets mainly in the Metals & Minerals, Food 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 ¥89.0 bil.**, which remained at the same level as FY2018 which was the highest record for a 1<sup>st</sup> quarter result. “Core free cash flows” resulted a **net cash-inflow of ¥44.0 bil.** and progressed stably toward the FY2019 Image of over ¥120.0 bil.

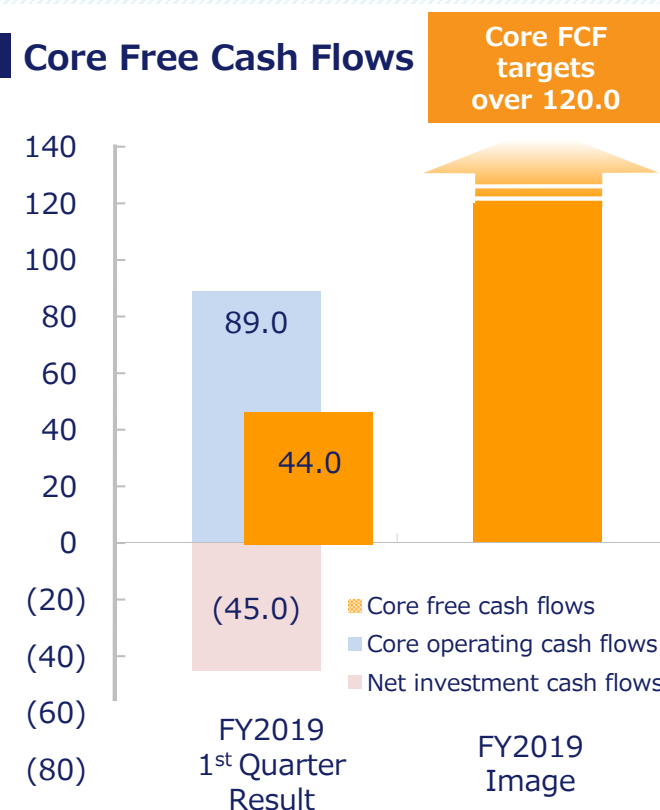
## Cash Flows

	FY2018 1 <sup>st</sup> Quarter Result	FY2019 1 <sup>st</sup> Quarter Result
Cash flows from operating activities	77.5	52.5
Cash flows from investing activities	(44.4)	(29.0)
Free cash flows	33.1	23.5
Cash flows from financing activities	(51.7)	(21.7)

## Core Free Cash Flows

	FY2018 1 <sup>st</sup> Quarter Result	FY2019 1 <sup>st</sup> Quarter Result	FY2019 Image
Core operating cash flows <sup>(Note1)</sup>	90.0	89.0	approx. 500.0
Net investment cash flows <sup>(Note2)</sup>	(65.0)	(45.0)	
Core free cash flows	25.0	44.0	Over 120.0
Shareholder returns (dividend and share buyback)	(71.0)	(59.0)	

## 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 ¥221.6 bil., compared with March 31, 2018 to **¥8,885.5 bil.**, due to the increased trade receivables and inventories accompanying seasonal factors in food-distribution-related companies, the acquisition of a Latin American automobile-related subsidiary, and the increase in investments accounted for by the equity method.

## ■ Net interest-bearing debt:

Increased by ¥106.0 billion., compared with March 31, 2018 to **¥2,426.4 bil.**, due to the additional investments in FamilyMart UNY Holdings, the purchase of property, plant and equipment, and the effect of the depreciation of the yen.

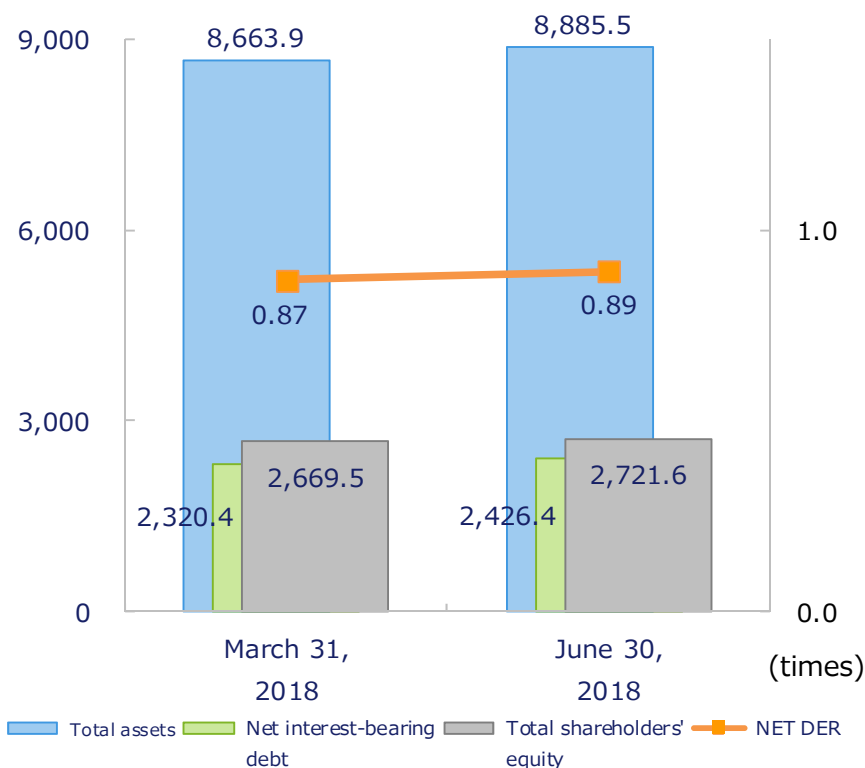
## ■ Total shareholders' equity:

Increased by ¥52.1 bil., compared with March 31, 2018 to **¥2,721.6 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments and the effects of the application of new accounting standards.

## ■ Ratio of shareholders' equity to total assets and NET DER:

**Ratio of shareholders' equity to total assets** decreased by 0.2 points compared with March 31, 2018 to **30.6%**.

**NET DER** (Net debt-to-shareholders' equity ratio) was nearly at the same level compared with March 31, 2018 at **0.89 times**.



	March 31, 2018	June 30, 2018	Increase/ (Decrease)	FY2019 Forecast (Disclosed on May, 2)
Total assets	8,663.9	8,885.5	+ 221.6	10,600.0
Net interest-bearing debt	2,320.4	2,426.4	+ 106.0	2,450.0
Total shareholders' equity	2,669.5	2,721.6	+ 52.1	3,000.0
Ratio of shareholders' equity to total assets	30.8%	30.6%	(0.2pt)	28.3%
NET DER (times)	0.87	0.89	nearly same level	0.82
ROE	15.8%	-	-	15.9%

# Major Indicators



	FY2018 1 <sup>st</sup> Quarter Result	FY2019 1 <sup>st</sup> Quarter Result	FY2019 Forecast (Disclosed on May, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2019 2 <sup>nd</sup> - 4 <sup>th</sup> quarter against forecast
Exchange rate (YEN / US\$) average	111.46	107.86	105	Approx. ¥(1.7) bil. (1 yen appreciation against US\$)
Exchange rate (YEN / US\$) closing	Mar. 2018 106.24	Jun. 2018 110.54	105	-
Interest JPY TIBOR 3M, average	0.057%	0.069%	0.10%	Approx. ¥(3.5) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	50.79	74.97	55	±¥0.15 bil.
Iron ore (CFR China) (US\$/ton)	63*	65*	N.A.**	±¥0.68 bil.
Hard coking coal (FOB Australia) (US\$/ton)	190*	191*	N.A.**	±¥0.19 bil.
Thermal coal (FOB Australia) (US\$/ton)	80*	105*	N.A.**	

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

- \* FY2018 1<sup>st</sup> quarter and FY2019 1<sup>st</sup> quarter 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 FY2019 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.