FY2020 Business Results Summary & FY2021 Management Plan

ITOCHU Corporation

May 8, 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.

Yoshihisa Suzuki

President & COO

Summary of Financial Results for FY2020

ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** was **¥501.3 bil.**, which exceeded full year forecast of ¥500.0 bil. for the 2nd consecutive year. [4th consecutive year]
  Profits of the Non-Resource sector was **¥378.3 bil.** [3rd consecutive year]
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥13.5 bil., compared with the previous fiscal year to approximately **¥485.5 bil.** [5th consecutive year]
- **"Profits/Losses of group companies"** was **¥445.2 bil.** [4th consecutive year]
  Shares (%) of group companies reporting profits was 88.6%, maintained high level.
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥602.0 bil.** [4th consecutive year]
- **"Basic earnings per share attributable to ITOCHU (EPS)"** was **¥335.58**. [4th consecutive year]

[]: Number of years renewing the highest record in a row

	FY2019 Result		FY2020 Result	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26, 2019)	Achievement
Net profit attributable to ITOCHU	**500.5**	*	**501.3**	**+ 0.8**	**500.0**	**100%**
Extraordinary gains and losses	28.5		16.0	(12.5)		
Core Profit	approx. 472.0	*	approx. 485.5	approx. + 13.5		
Profits/Losses of group companies	437.9	*	445.2	+ 7.3		
Share (%) of group companies reporting profits	90.0%		88.6%	Decreased 1.5pt		
Core Operating Cash Flows	515.0	*	602.0	+ 87.0		
NET DER (times)	0.82	*	0.75	Improved 0.07pt		
ROE	17.9%		17.0%	Decreased 0.9pt		
EPS	324.07 yen	*	335.58 yen	+ 11.51 yen		

Dividend Information (Per Share)	
Annual (Planned)	85 yen
Interim (Paid)	42.5 yen

* : Record High (NET DER : Best Record)

Brand-new Deal 2020

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Consolidated net profit was ¥501.3 billion, marking a record high for the fourth consecutive year. We cleared the plan that we committed to at the beginning of the fiscal year and achieved ¥500 billion level. We steadily promoted consolidation of our foothold to achieve above ¥500 billion net profit.

Core profit increased by ¥13.5 billion to approximately ¥485.5 billion, marking a record high for the fifth consecutive year. Despite tough business environment, we achieved strong financial results with well-diversified and solid earnings base.

Core Operating Cash Flows reached a record high of approximately ¥602 billion.
Cash-generating capability continued to strengthen.
Core Free Cash Flows after deducting shareholder returns was also in the black.

NET DER was 0.75 times, renewing the best record.
ROE was 17%, further promoting highly efficient management.

Overall, we can evaluate these results are the best in ITOCHU's history
as we steadily promote the commitment-based management.

Concept of FY2021 Management Plan

ITOCHU

- ✓ The business environment is undergoing tumultuous changes. We are poised to move into a new management phase in which we must be prepared for economic downturn and global recession.
- ✓ Accomplished and completed the measures set out in our medium-term management plan, "Brand-new Deal 2020," ahead of schedule during FY2019 and FY2020.
- ✓ Setting FY2021 as a year for consolidating our foothold, we formulated a single-year management plan.

(FY)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current	BND 2017			BND 2020			Next medium-term management plan		
New concept	**BND 2017**			**BND 2020**		FY2021 Management Plan	Next medium-term management plan		
	Build solid earnings base to generate ¥400.0 billion level			Entrenched consolidated net profit at the ¥500.0 billion level					
Consolidated Net Profit (billion)	240.4	352.2	400.3	500.5	501.3				
Dividend per share(yen)	50	55	70	83	85				
Share Buybacks (billion)	0.0	16.2	27.9	68.0	62.0				

*BND= Brand-new Deal

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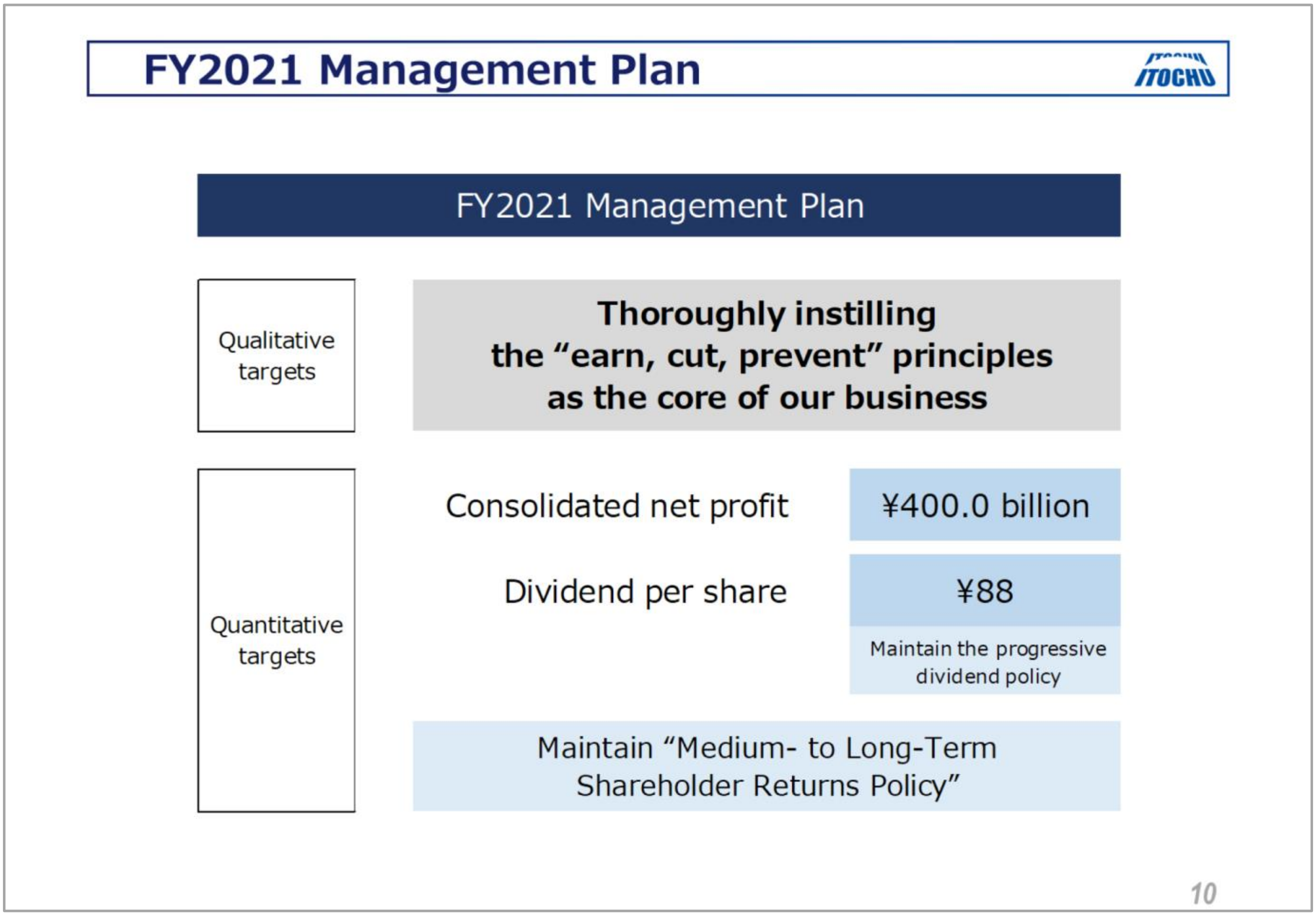
In the past two years, we promoted the medium-term management plan, “Brand-new Deal 2020(BND 2020),” taking measures quantitatively and qualitatively to achieve targets of the profit plans, shareholder returns policy, and reinvention of businesses.

We have achieved all quantitative targets ahead of schedule in the past two yeas, and we have made steady progress in the qualitative targets. As a result, BND 2020 was achieved one year ahead of schedule, with its completion in FY2020.

FY2021 will be a single-year plan and positioned as a year to consolidate our foothold.
It is difficult to foresee the impact of the coronavirus outbreak, but at least the global economy is expected to face a severe recession for the time being. The business environment has significantly changed from the time that we formulated BND 2020; therefore, FY2021 will be the single-year plan to prepare for the global recession as well as the new normal after the pandemic.



The basic policy for FY2021 is to thoroughly instill the “earn, cut, prevent” principles as the core of our business.

By thoroughly managing the inventory and credit, we need to prevent unexpected losses. We will also review expenses that were taken for granted before so that we can have effective use of capital.

As for “earn,” rather than making the major investments, we need to focus on how to avoid the loss of the profit. The focus will be on new sales methods such as online commerce and efforts to develop products and services that meet post-Corona needs. Of course, if there are any great opportunities for the investment, we will do so in the areas of strength.

The consolidated net profit target for FY2021 is ¥400 billion. Many companies refrain from disclosing their financial forecasts; however, our company, which values "commitment-based management," decided to disclose in order to demonstrate its determination to achieve the net profit target of ¥400 billion.

FY2021 Quantitative targets

ITOCHU

(Unit : billion yen)

Profit Plan : Consolidated net profit of ¥400.0 billion

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FY2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FY2021 Plan	**23.0**	**48.0**	**77.0**	**34.0**	**56.0**	**60.0**	**63.0**	**33.0**	***6.0**	**400.0**	**384.0**	**73.0**	*(57.0)
Increase/Decrease	+13.9	(8.7)	(34.4)	(27.7)	+6.1	+5.0	+0.5	+6.9	(63.0)	(101.3)	+5.7	(53.8)	(53.3)

*including a loss buffer of (50.0)

B/S, CF & Ratio Plan (FY)

	Brand-new Deal 2020 2019	2020
Core Operating CFs	515.0	602.0
Net Investment CFs	(20.0)	(290.0)
Core Free CFs after deducting shareholder returns	300.0	123.0
	423.0	
NET DER(times)	0.82	0.75
Shareholders' equity	2.9 tril.	3.0 tril.
ROE(%)	17.9	17.0

FY2021 Management Plan 2021
Actively promote strategic investments in areas of strength and asset replacement in a timely manner
B/S control for maintaining A ratings
Maintain high efficiency

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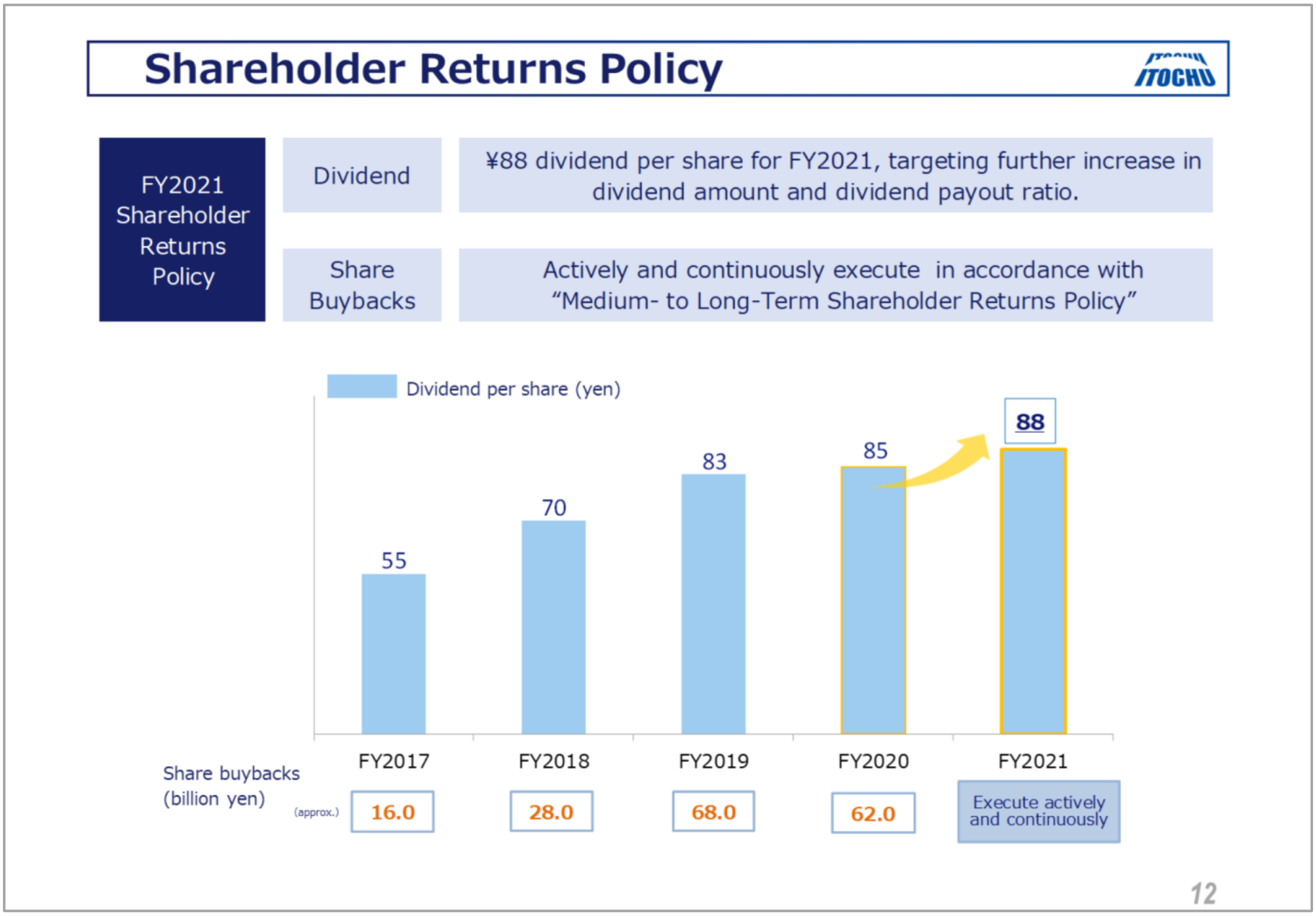
Our consolidated net profit plan of ¥400 billion incorporates the impact of the coronavirus on profits by segment.

Furthermore, by setting up a loss buffer of minus ¥50 billion, which is larger than usual, we will realize "commitment-based management" under any circumstances once again this year.

When we see some clarity into the future, based upon the necessity, we might revise the forecast.



Continuing the progressive dividend, we declared ¥85 per year per share in FY2020 as announced and ¥88 in FY2021.

We execute share buybacks actively and continuously in consideration of cash flow availability. "Medium- to Long-Term Shareholder Returns Policy" is an ongoing policy and will be steadily implemented.

Tsuyoshi Hachimura

Senior Managing Executive Officer
CFO

Summary of Financial Results for FY2020

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(Unit : billion yen)

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2

Consolidated net profit exceeded ¥500 billion for the second consecutive year to reach ¥501.3 billion, marking a record high for the fourth consecutive year.
Core Operating Cash Flows reached a record high of over ¥600 billion.
FY2020 was the year with the strongest quantitative results in the history of ITOCHU.

The target of achieving consolidated net profit of ¥500 billion under the three-year medium-term management plan, "Brand-new Deal 2020," has been achieved for the second consecutive year, and completed one year ahead of schedule.

Net profit attributable to ITOCHU by Segment

(Unit : billion yen)

	FY2019	FY2020
Non-Resource	378.0	＊ 378.3
Resource	115.5	126.8
Others	7.1	(3.7)
Non-Resource(%) (*2)	77%	75%

＊: Record High

(*1) Accompanying the establishment of The 8th Company on July 1, 2019, "FY2019 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 previous fiscal year

Textile [Inc / (Dec) : ¥ (20.7) bil.]
Decrease due to unfavorable sales resulting from the effects of warm winter and the new coronavirus in apparel-related companies, the stagnation in overall transactions including textile materials, and the provision for foreign receivables, and the absence of the gain on sales of a foreign apparel-related company in the previous fiscal year.

Machinery [Inc / (Dec) : ¥ +9.6 bil.]
Increase due to the improvement in profitability in YANASE, the stable performance in ship related-transactions, and the absence of losses on North American IPP companies in the previous fiscal year, despite the impairment loss in a foreign company.

Metals & Minerals [Inc / (Dec) : ¥ +32.6 bil.]
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) : ¥ (16.6) bil.]
Decrease due to the absence of the gain on sales of a North Sea oil fields development company in the previous fiscal year and the lower equity in earnings in petrochemical-related companies as well as Japan South Sakha Oil, despite the increased vessel allocation in CIECO Azer and the gain on sales of fixed assets in C.I. TAKIRON.

Food [Inc / (Dec) : ¥ +3.6 bil.]
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 sales prices in fresh products, the increase in costs in packaged products, and impairment losses in Dole in addition to the lower equity in earnings in North American grain-related companies resulting from weather factors.

General Products & Realty [Inc / (Dec) : ¥ (7.6) bil.]
Decrease due to the lower pulp prices, the lower transaction volume in domestic logistics-facility-development-projects, and the impairment loss in Japan Brazil Paper & Pulp Resources Development, despite the improvement in profitability in North American facility-materials-related companies, the stable performance in ETEL(European tire-related company), the extraordinary gains accompanying the partial sales of foreign companies, and the extraordinary gains in ITOCHU LOGISTICS.

ICT & Financial Business [Inc / (Dec) : ¥ (4.3) bil.]
Decrease due to the lower gains on fund operations and the absence of the extraordinary gains in the previous fiscal year, despite the stable performance in ITOCHU Techno-Solutions, 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) : ¥ (140.8) bil.]
Decrease due to the absence of extraordinary gains in the previous fiscal year, the effect of the sale of UNY in the fourth quarter of the previous fiscal year, and the cost for the early retirement plan, despite the stable performance and lower tax expenses in FamilyMart. (*3)

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +145.0 bil.]
Improvement due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the previous fiscal year.

(*3) FamilyMart Co., Ltd. changed its corporate name from FamilyMart UNY Holdings Co., Ltd. on September 1, 2019. 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.

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■Division Companies that increased profits
Metals & Minerals: Increased by ¥32.6 billion YOY to ¥111.4 billion due to higher iron ore prices and higher dividend received. Although the non-resource ratio was down 2 points to 75%, non-resource profit marked a new record high of ¥378.3 billion.
Machinery: Increased by ¥9.6 billion YOY to ¥56.7 billion due to the absence of an extraordinary loss in IPP business in North America in the previous fiscal year, improvement of earnings at Yanase, and favorable leasing and shipping transactions.
Food: Increased by ¥3.6 billion YOY to ¥49.9 billion, mainly due to the consolidation of Prima Meat Packers into a consolidated subsidiary and strong result of NIPPON ACCESS.

■Division Companies that increased profits
Textile: Decreased by ¥20.7 billion YOY to ¥9.1 billion due to extraordinary losses through close examination of assets in addition to the impact of warm winter and the coronavirus.
Energy & Chemicals: Decreased due to the absence of an extraordinary gain on sales of North Sea oil field development company in the previous fiscal year.
General Products & Realty: Decreased due to a decline in the pulp market, impairment loss in Japan Brazil Paper & Pulp, and a decrease in logistics facility development projects.
ICT & Financial Business: Decreased due to the absence of extraordinary gains in the previous fiscal year.
The 8th: Decreased due to the absence of extraordinary gains in the previous fiscal year.

Others, Adjustments & Eliminations: CITIC performed well, mainly in the financial sector, with the profit of ¥66.4 billion increased by ¥8 billion from ¥58.3 excluding impairment losses in FY2019. Dividends received by ITOCHU in FY2020 increased by ¥2 billion to about ¥18 billion.

The impact of the coronavirus on FY2020 was approximately minus ¥5 billion in the fourth quarter, mainly for Textile. However, the impact from the fourth quarter of FY2020 to the first quarter of FY2021 and beyond is expected to be even greater.

Core profit rose by ¥13.5 billion YOY to a record high of approximately ¥485.5 billion, making us the number one in our industry.

Extraordinary Gains and Losses

ITOCHU

(Unit : billion yen)

	FY2019 Full year		FY2020 Full year	FY2020 4Q	
Gains (Losses) related to investments	160.5	・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) ・Gains/Losses on sales of foreign companies: approx. 7.0 (Textile: approx. 2.5, Machinery: approx. 2.5, Metals & Minerals: approx. 2.0) ・The revaluation gain accompanying the conversion of POCKET CARD into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business: approx. 2.0, The 8th: approx. (1.0)) ・Gain accompanying the restructuring of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ・Losses on North American IPP companies: approx. (8.0) (Machinery) ・Losses in machinery-related companies: approx. (4.0) (Machinery) ・The impairment loss on CTEI: approx. (3.5) (Others, Adjustments & Eliminations)	32.5	(5.5)	・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) ・The impairment loss in a foreign company: approx. (4.0) (Others, Adjustments & Eliminations) ・The impairment loss in a fertilizer-related company: approx. (1.0) (Energy & Chemicals)
Income tax expense	11.5	・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. 3.0 (Textile)	18.0	(0.5)	・Decrease in tax expenses relating to natural-resource-projects: approx. 11.0 (Metals & Minerals: approx. 6.5, Others, Adjustments & Eliminations: approx. 4.5) ・Decrease in tax expenses relating to group restructuring in FamilyMart: approx. 5.0 (The 8th)
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures, and Others	(143.5)	・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) ・Impairment losses in apparel-related companies: approx. (4.0) (Textile)	(34.5)	(42.0)	・The impairment loss in Japan Brazil Paper & Pulp Resources Development: approx. (11.0) (General Products & Realty) ・The provision for foreign receivables: approx. (5.5) (Textile) ・The cost for the early retirement plan in FamilyMart: approx. (5.5) (The 8th) ・The impairment loss and loss from the withdrawal of unprofitable farm in Dole: approx. (4.5) (Food) ・The impairment loss in a foreign company: approx. (3.0) (Machinery) ・Loss in a compensation for vendors: approx. (2.5) (Textile) ・The impairment loss in EDWIN: approx. (1.5) (Textile) ・The provision in energy tradings: approx. (1.5) (Energy & Chemicals) ・The provision in a heat supply-related company: approx. (1.0) (Energy & Chemicals) ・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 cash collection for a specific overseas project: approx. 1.5 (Machinery) ・Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)
Total	28.5		16.0	(48.0)	
Non-Resource	0.5		16.0	(41.0)	
Resource	24.5		3.0	0.5	
Others	3.5		(3.0)	(7.5)	

(*) Accompanying the establishment of The 8th Company on July 1, 2019, FY2019 Full year and FY2020 1Q Result are presented post reclassification.

Brand-new Deal 2020 6

The cumulative extraordinary gain was ¥64 billion up to the third quarter. In the fourth quarter, a net loss of ¥48 billion was posted due to the weak performance in consumer-related sector, the impact of the coronavirus, and the impairment losses through conservative reviews of assets. As a result, extraordinary gain for FY2020 was ¥16 billion.

Major items posted in the fourth quarter:
Investment-related: ¥5.5 billion loss (impairment in a foreign company and a fertilizer-related company)
Fixed asset-related: ¥42 billion loss (impairment in Japan Brazil Paper & Pulp Resources, heat supply-related company, and other seven items)

Cash Flows

ITOCHU

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥878.1 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 ¥629.4 bil.**, due to the investments in The 8th Company, the underwriting of the third party allocation of new shares implemented by Tokyo Century in Machinery 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.
- **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 ¥602.0 bil.**, which renewed the highest record for the 4th consecutive year. **"Core Free Cash Flows"** resulted in a **net cash-inflow of ¥312.0 bil.**

Cash Flows

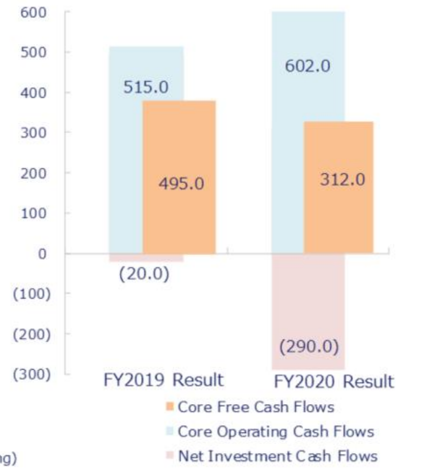
Cash Flows	FY2019 Result	FY2020 Result
Cash flows from operating activities	476.6	＊ 878.1
Cash flows from investing activities	201.1	(248.8)
Free cash flows	*677.7*	*629.4*
Cash flows from financing activities	(538.3)	(575.5)

Core Free Cash Flows

Core Free Cash Flows	FY2019 Result	FY2020 Result
Core Operating Cash Flows (*1)	515.0	＊ 602.0
Net Investment Cash Flows (*2)	(20.0)	(290.0)
Core Free Cash Flows	495.0	312.0

＊ : 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.

Brand-new Deal 2020 4

Cash flows from operating activities increased by approximately ¥400 billion YOY to a record high of ¥878.1 billion.

The impact of making FamilyMart a consolidated subsidiary was approximately ¥170 billion, and the increase in iron ore business was approximately ¥60 billion. In addition, an increase in operating profit from each Division Company contributed to the increase.

Core Operating Cash Flows hit a record high for the fourth consecutive year, exceeding ¥600 billion for the first time.
Net Investment Cash Flows was minus ¥290 billion.
Core Free Cash Flows was ¥312 billion.

Core Free Cash Flows and EPS

ITOCHU

(Unit : billion yen)

		FY2018 Result	FY2019 Result	FY2020 Result	FY2021 Plan
	Core Operating Cash Flows (*1)	460.0	515.0	＊ 602.0	Actively promote strategic investments in areas of strength and asset replacement in a timely manner
	Net Investment Cash Flows (*2)	(285.0)	(20.0)	(290.0)	
a	Core Free Cash Flows	approx. 175.0	approx. 495.0	approx. 312.0	
b	Shareholder Returns — Dividend (*3)	Annual ¥70/share (108.7)	Annual ¥83/share (127.5)	Annual ¥85/share (126.9)	**Maintained "Medium- to Long-Term Shareholder Returns Policy"** (Annual dividend ¥88/share)
	Shareholder Returns — Share buybacks	(27.9)	(68.0)	(62.0)	
a+b	Core Free Cash Flows after deducting Shareholder Returns	approx. 40.0	approx. 300.0	approx. 123.0	Cash allocation based on more conservative side

Positive more than ¥420.0 bil. over a two-year period

(*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.
(*3) The sum of the interim dividend and the year-end dividend each year.

	FY2018	FY2019	FY2020
EPS	258 yen	324 yen	＊ 336 yen

＊ : Record High

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Core Free Cash Flows was ¥312 billion. The dividend payment per year was ¥85 per share and the share buybacks was ¥62 billion, totaling approximately ¥190 billion of shareholder returns. Core Free Cash Flows after deducting shareholder returns was approximately ¥123 billion.

Despite the dividend increase every year, including ¥300 billion in FY2020, cash flows of ¥420 billion was kept over two years, enabling us to enhance the shareholders' equity as well as repayment of interest-bearing debt

Unfortunately, out of the 100 million share buybacks as part of our Medium- to Long-Term Shareholder Returns Policy, the buyback of up to ¥70 billion/40 million shares with the deadline of June 11, 2020, is not progressing as the share price has repeatedly risen to new highs, but we plan to continue to execute.

Investments

ITOCHU

(Unit : billion yen)

FY2019 Result

	Major New Investments	
Consumer-related Sector	◆ Acquisition of FamilyMart ◆ FamilyMart / Dole fixed asset investment ◆ Investment in Taipei Financial Center Corporation ◆ DESCENTE additional investment etc.	385.0
Basic Industry-related Sector	◆ North America Hickory Run gas thermal power generation business additional investment ◆ ITOCHU ENEX / C.I. TAKIRON fixed asset investment etc.	80.0
Non-Resource		**465.0**
Resource-related Sector	◆ IMEA capital expenditure ◆ ACG capital expenditure etc.	
Resource		**35.0**
Total of Major New Investments		**500.0**
EXIT		**(480.0)**
Net Investment Amount (*2)		**20.0**

FY2020 Result

	Major New Investments		[4Q]
Consumer-related Sector	◆ FamilyMart investment in PPIH ◆ FamilyMart / Dole fixed asset investment ◆ WingArc1st / Paidy additional investment ◆ North American facility-materials-related company etc.	290.0	70.0
Basic Industry-related Sector	◆ ITOCHU ENEX / C.I. TAKIRON fixed asset investment ◆ Underwriting of the third party allocation of new shares implemented by Tokyo Century etc.	145.0	65.0
Non-Resource		**435.0**	**135.0**
Resource-related Sector	◆ IMEA capital expenditure ◆ ACG capital expenditure etc.		
Resource		**35.0**	**5.0**
Total of Major New Investments		**470.0**	**140.0**
EXIT		**(180.0)**	**(35.0)**
Net Investment Amount (*2)		**290.0**	**105.0**

(*1) The above figures are approximate.
(*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.

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Out of the approximately ¥470 billion in gross investment in FY2020, capital expenditure in existing businesses such as fixed assets was approximately ¥200 billion.

Major items in the fourth quarter were FamilyMart's investment in PPIH (Pan Pacific International Holdings) and capital expenditure, underwriting of the third party allocation of new shares implemented by Tokyo Century, additional investment in Paidy, an on-line after-payment settlement service company, totaled approximately ¥140 billion.

Exits in the fourth quarter were the sale of shares held by FamilyMart and the sale of fixed assets in each of company, totaled ¥35 billion.

For the full year, the total was ¥180 billion; a little less than 2/3 was for the consumer-related and 1/3 was for the basic industry-related sector. There were few exits in the resource sector.

As a result of the above, net investment amounted to approximately ¥290 billion, and in FY2020, the Core Free Cash Flows after deducting shareholder returns was positive, achieving positive cash flow for the fourth consecutive year.

At the beginning of FY2020, we planned to allocate cash on high-quality investment opportunities in order to promote future growth, combining a ¥300 billion carry-over from FY2019. However, due to the increasing uncertainty in the business environment, we set the policy of thoroughly implementing a lean management that emphasizes to "cut" and "prevent" and became more selective in the investment. Additionally, few investment opportunities that could be profitable were found, which is another factor.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥820.9 bil., compared with March 31, 2019 to **¥10,919.6 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 effect accompanying the appreciation of the yen and the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend.
- **Net interest-bearing debt:**
  Decreased by ¥149.9 bil., compared with March 31, 2019 to **¥2,256.9 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 ¥59.0 bil., compared with March 31, 2019 to **¥2,996.0 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease resulting from dividend payments, the repurchase of own shares, the effect accompanying the appreciation of the yen, and the decline in the fair value of stocks.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets decreased by 1.6 points compared with March 31, 2019 to **27.4%**.
  NET DER improved compared with March 31, 2019 to **0.75 times**.

	March 31, 2019	March 31, 2020	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26, 2019)
Total assets	10,098.7	＊ 10,919.6	+ 820.9	
Net interest-bearing debt	2,406.8	2,256.9	(149.9)	approx. 2,400.0 +α
Total shareholders' equity	2,936.9	＊ 2,996.0	+ 59.0	Increase shareholders' equity (approx. 3,300.0)
Ratio of shareholders' equity to total assets	29.1%	27.4%	Decreased 1.6pt	Improve the ratio of shareholders' equity
NET DER (times)	0.82	＊ 0.75	Improved 0.07pt	Gradually decrease
ROE	17.9%	17.0%	Decreased 0.9pt	approx. 16%

＊ :Record High, compared with other March 31 (NET DER : Best Record)

Brand-new Deal 2020

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Total assets increased by approximately ¥970 billion due to the application of lease accounting, by approximately ¥140 billion due to the conversion of Prima Meat Packers into a consolidated subsidiary, and by approximately ¥40 billion due to the conversion of HOKEN NO MADOGUCHI into a consolidated subsidiary. On the other hand, decreased by approximately ¥160 billion due to the appreciation of the yen.

Net interest-bearing debt, NET DER, and ROE were higher than expected.
Shareholders' equity and ratio of shareholders' equity to total assets decreased due to the unexpected impact such as a decrease in foreign currency translation adjustments of approximately ¥120 billion and a decrease in the value of assets of approximately ¥90 billion.
However, shareholders' equity reached a record high of approximately ¥3 trillion.

The impact of adopting IFRS lease accounting was an increase of approximately ¥210 billion in cash flows from operating activities and an increase of approximately ¥970 billion in total assets.

The impact of the appreciation of the yen due to exchange rate fluctuations resulted in a decrease in consolidated net income of approximately ¥9 billion, a decrease in total assets of approximately ¥160 billion, a decrease in net interest-bearing debt by approximately ¥20 billion, and a decreased in shareholders' equity by approximately ¥120 billion.

FY2021 Quantitative targets

ITOCHU

(Unit : billion yen)

Profit Plan : Consolidated net profit of ¥400.0 billion

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	**Total**	Non-Resource	Resource	Others
FY2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FY2021 Plan	**23.0**	**48.0**	**77.0**	**34.0**	**56.0**	**60.0**	**63.0**	**33.0**	***6.0**	**400.0**	**384.0**	**73.0**	*(57.0)
Increase/Decrease	+13.9	(8.7)	(34.4)	(27.7)	+6.1	+5.0	+0.5	+6.9	(63.0)	(101.3)	+5.7	(53.8)	(53.3)

*including a loss buffer of (50.0)

B/S, CF & Ratio Plan (FY)

	Brand-new Deal 2020 2019	2020
Core Operating CFs	515.0	602.0
Net Investment CFs	(20.0)	(290.0)
Core Free CFs after deducting shareholder returns	300.0	123.0
	423.0	
NET DER(times)	0.82	0.75
Shareholders' equity	2.9 tril.	3.0 tril.
ROE(%)	17.9	17.0

FY2021 Management Plan

2021

Actively promote strategic investments in areas of strength and asset replacement in a timely manner

B/S control for maintaining A ratings

Maintain high efficiency

Brand-new Deal 2020

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Consolidated net profit plan for FY2021 is ¥400 billion, including a loss buffer of ¥50 billion. Although we expect a decrease in profits, we will continue to pay progressive dividend in line with our Medium- to Long-Term Shareholder Returns Policy based on our sound financial position. Dividend per share for FY2021 increases by ¥3 to ¥88.

Even in a situation where global economy is expected to be divided by the coronavirus and the economy is expected to stagnate, we believe it is our responsibility as a leading company to disclose our forecast for the current fiscal year with the best estimate.

As for the coronavirus, we assumed that there would be a significant impact in the first quarter, a slight improvement in the second quarter, and a certain degree of improvement in the second half but not V-shaped recovery. If the situations are improved, we will review the consolidated net profit target of ¥400 billion.

Starting from the net profit of ¥500 billion for FY2020, the impact of the changes of assumptions for foreign exchange and commodity prices is estimated approximately negative ¥50 billion and plus, and the impact of the coronavirus is expected to reduce about 10% of profit. As a result, the total would be ¥450 billion.
In addition to the above, considering the uncertain business environment, the consolidated net income plan for FY2021 includes a loss buffer of minus ¥500 billion.

The impact of the coronavirus is expected to be about 10% from the consolidated net profit.
<u>Textile</u>: Decrease in apparel sales due to department store closure and supply chain disruption
<u>Machinery</u>: Decrease in automobile-related profit due to weak consumer mind and production stoppage, and decrease in construction and industrial machinery due to curbing capital investment
<u>Metals & Minerals</u>: Reduced demand for steel due to a drop in production and demand for automobiles, etc.

FY2021 Quantitative targets

ITOCHU

(Unit : billion yen)

Profit Plan : Consolidated net profit of ¥400.0 billion

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	**Total**	Non-Resource	Resource	Others
FY2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FY2021 Plan	**23.0**	**48.0**	**77.0**	**34.0**	**56.0**	**60.0**	**63.0**	**33.0**	***6.0**	**400.0**	**384.0**	**73.0**	*(57.0)
Increase/Decrease	+13.9	(8.7)	(34.4)	(27.7)	+6.1	+5.0	+0.5	+6.9	(63.0)	(101.3)	+5.7	(53.8)	(53.3)

*including a loss buffer of (50.0)

B/S, CF & Ratio Plan

(FY)	Brand-new Deal 2020: 2019	Brand-new Deal 2020: 2020	FY2021 Management Plan: 2021
Core Operating CFs	515.0	602.0	**Actively promote strategic investments in areas of strength and asset replacement in a timely manner**
Net Investment CFs	(20.0)	(290.0)	
Core Free CFs after deducting shareholder returns	300.0	123.0	
	423.0		
NET DER(times)	0.82	0.75	**B/S control for maintaining A ratings**
Shareholders' equity	2.9 tril.	3.0 tril.	
ROE(%)	17.9	17.0	**Maintain high efficiency**

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Energy & Chemicals: Decrease in chemical products for industrial use
Food: Slow fruit consumption and reduced inbound consumption
General Products & Realty: Decline in construction materials and real estate business in Japan and overseas due to decrease in housing starts
ICT & Financial Business: Decrease in domestic and overseas consumer finance business due to sluggish personal consumption and increase in allowance for doubtful accounts

Supplemental by Segment:

- Reflecting the decline in iron ore and crude oil prices, Metals & Minerals and Energy & Chemicals decline significantly from FY2020. As a result, the non-resource ratio in FY2021 will be 84%, up 9% from FY2020.
- The domestic information industry-related and consumer-related sectors are strong as defensive sectors. The 8th, Food, General Products & Realty, and ICT & Financial Business are expected to increase in profits, as CTC, FamilyMart, NIPPON ACCESS, Dole, etc. plan to increase profits.
- Textile is expected to return to its core profit level after extraordinary losses in FY2020.
- Others, Adjustments & Eliminations includes a loss buffer of minus ¥50 billion and the profit from CITIC of ¥62 billion. Although CITIC Limited does not disclose its annual budget or 1Q results, CITIC Corp, which accounts for about 90% of CITIC's profit, announced its net profit for the 1Q (January-March 2020) was approximately ¥160 billion, our shares to be ¥16 billion, with steady performance.

B/S and CF Plan is not quantified and is expressed qualitatively.
Amid a decline in Core Operating Cash Flows along with a decline in consolidated net profit of ¥100 billion from FY2020, we will return to the core of our business, the "earn, cut, prevent" principles, as implementation of a lean-management.

On the other hand, foreseeing post-corona, we will actively promote growth investments in the area of strength when we meet investment opportunities with significantly reduced valuations due to the coronavirus market.

Assumptions for FY2021

	FY2019 Result	FY2020 Result	FY2021 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2021
Exchange rate (YEN/US$) average	110.56	109.16	105.00	Approx. ¥(2.4) bil. (1 yen appreciation against US$)
Exchange rate (YEN/US$) closing	110.99	108.83	105.00	-
Interest (%) USD LIBOR 3M	2.50%	2.04%	1.00%	Approx. ¥(2.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	70.86	60.95	30	±¥0.61 bil.
Iron ore (CFR China) (US$/ton)	71 (*1)	95 (*1)	N.A.(*2)	±¥1.23 bil.
Hard coking coal (FOB Australia) (US$/ton)	202 (*1)	164 (*1)	N.A.(*2)	±¥0.22 bil.
Thermal coal (FOB Australia) (US$/ton)	106 (*1)	71 (*1)	N.A.(*2)	

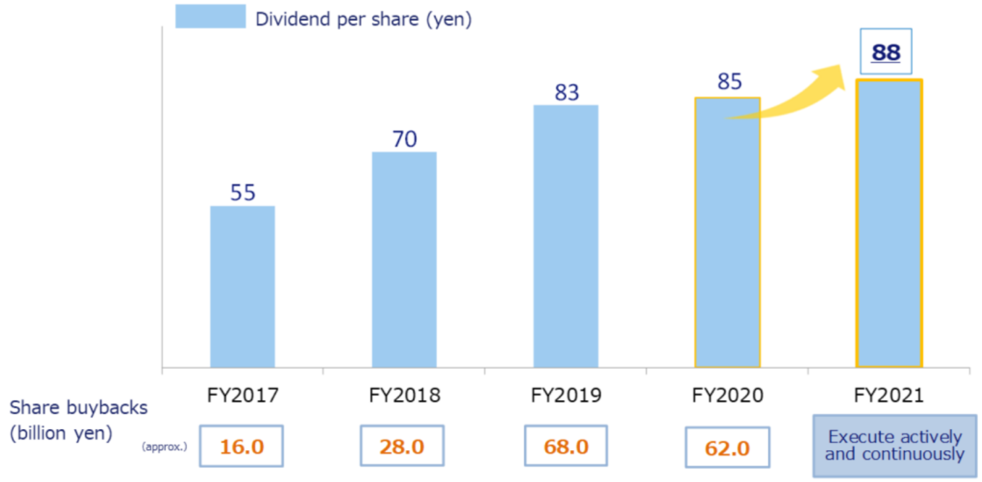
(The above effect varies according to changes in sales volume, foreign exchange rates and production costs.)

(*1) FY2019 and FY2020 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 FY2021 Plan 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.

Assumptions are more conservative than current market levels.
Although the prices of iron ore and coal cannot be disclosed because of confidentiality obligations with partners, conservative assumptions are used based on the current situation same as pulp prices.

Shareholder Returns Policy

FY2021 Shareholder Returns Policy	Dividend	¥88 dividend per share for FY2021, targeting further increase in dividend amount and dividend payout ratio.
	Share Buybacks	Actively and continuously execute in accordance with "Medium- to Long-Term Shareholder Returns Policy"



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We increase dividend by ¥3 to ¥88 per share, paying a progressive dividend even though profits declined.

Based on the current business environment, we plan to first execute share buybacks of up to ¥70 billion/40 million shares in line with "Medium- to Long-Term Shareholder Returns Policy" that announced to execute approximately 100 million shares of buybacks.