

FY2021 1st Half

Business Results Summary

ITOCHU Corporation

November 4, 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.

Summary of FY2021 1st Half

Summary of Financial Results for FY2021 1st Half



(Unit : billion yen)

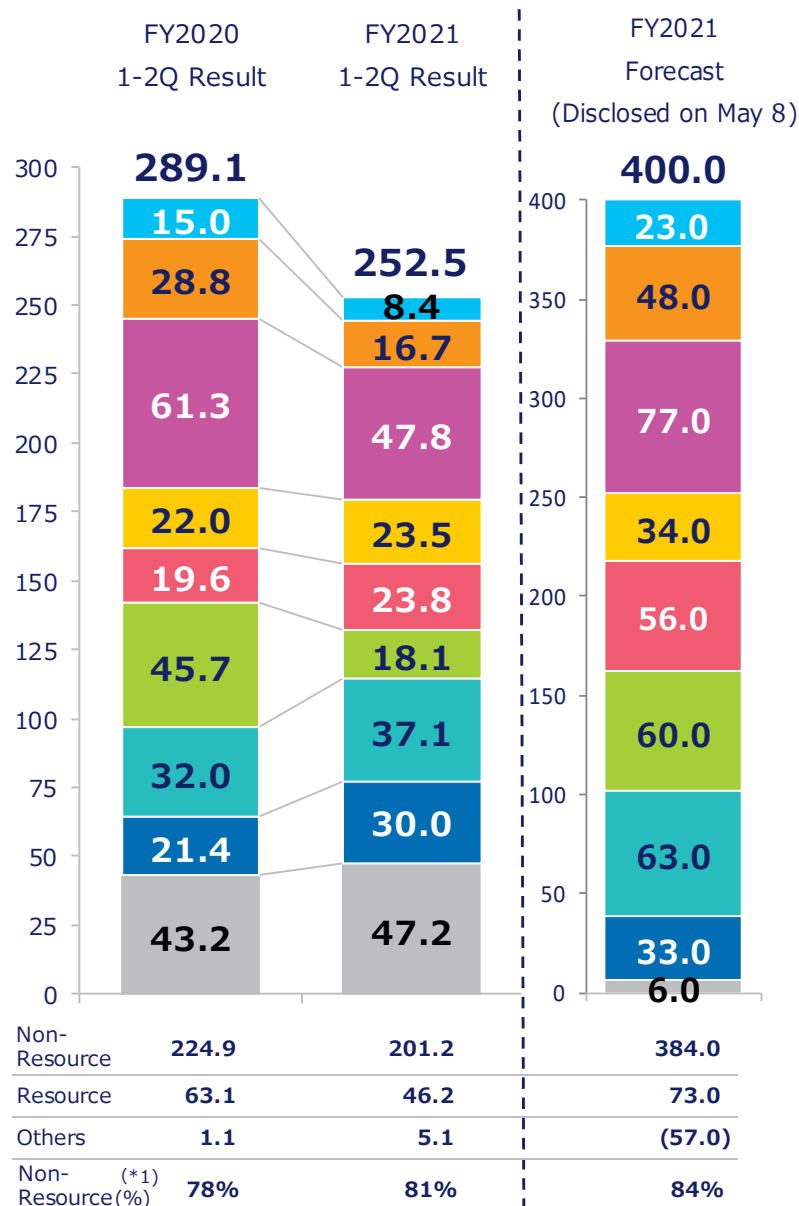
- **“Net profit attributable to ITOCHU”** for the FY2021 1st half was **¥252.5 bil.**, significantly exceeded our expectation. The 2nd quarter result rose to an all-time high as a quarterly result. The progress toward the FY2021 forecast of ¥400.0 bil. was steady, achieving 63%.
- **“Core Profit”** was approximately ¥203.0 bil., with the accumulation of solid earnings in diversified sectors and the effort of reduction of expenses, despite significant effects of COVID-19. The 2nd quarter result increased by approximately 30% compared with the 1st quarter.
- Each item excluding **“Extraordinary gains and losses”** decreased compared with the same period of the previous fiscal year, as the FY2021 forecast for Net profit attributable to ITOCHU is ¥400.0 bil., decreased by ¥100.0 bil. from the FY2020 result due to the unprecedented effects of COVID-19.

	FY2020 1-2Q Result	FY2021 1-2Q Result	Increase/ Decrease	FY2021 Forecast (Disclosed on May 8)	Progress
Net profit attributable to ITOCHU	289.1	252.5	(36.6)	400.0	63%
Extraordinary gains and losses	34.5	49.5	15.0		
Core Profit	approx. 254.5	approx. 203.0	approx. (51.5)		
Profits/Losses of group companies	261.2	192.4	(68.8)		
Ratio (%) of group companies reporting profits	87.2%	76.5%	Decreased 10.7pt		
Core Operating Cash Flows	325.0	266.0	(59.0)		
				Dividend Information (Per Share)	
				Annual (Planned)	88 yen
				Interim	44 yen

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) : ¥ (6.7) bil., Progress : 36%]

Decrease due to the stagnation in overall transactions centering on unfavorable sales in apparel-related companies resulting from the effects of COVID-19, despite the reduction of expenses.

Machinery [Inc / (Dec) : ¥ (12.1) bil., Progress : 35%]

Decrease due to the lower sales volume in automobile-related companies and automobile-related transactions, and the lower equity in earnings of associates and joint ventures, resulting from the effects of COVID-19, despite the reduction of expenses.

Metals & Minerals [Inc / (Dec) : ¥ (13.5) bil., Progress : 62%]

Decrease due to the decline in dividends received from a Brazilian iron ore company, the lower coal prices, and the lower equity in earnings of Marubeni-Itochu Steel, despite the higher iron ore prices.

Energy & Chemicals [Inc / (Dec) : ¥ +1.4 bil., Progress : 69%]

Increase due to the improvement in profitability in energy trading transactions, the stable performance in chemical-related companies and the higher transaction volume in hygiene products, in addition to the reduction of expenses, despite the deterioration in profitability in CIECO Azer due to the lower oil prices.

Food [Inc / (Dec) : ¥ +4.2 bil., Progress : 43%]

Increase due to the stable performance in meat-products-related companies, the reduction of expenses, and the recoil of the stagnation of North American grain-related companies in the same period of the previous fiscal year, despite the lower transaction volume in provisions-related companies and NIPPON ACCESS resulting from the effects of COVID-19.

General Products & Realty [Inc / (Dec) : ¥ (27.7) bil., Progress : 30%]

Decrease due to the lower pulp prices, the lower sales volume in ETEL (European tire-related company) resulting from the effects of COVID-19, and the absence of the extraordinary gains in the same period of the previous fiscal year, despite the higher transaction volume in real estate for sale and the reduction of expenses.

ICT & Financial Business [Inc / (Dec) : ¥ +5.1 bil., Progress : 59%]

Increase due to the stable performance in ICT sector and the partial sale of eGuarantee, despite the absence of the extraordinary gain in the same period of the previous fiscal year.

The 8th [Inc / (Dec) : ¥ +8.7 bil., Progress : 91%]

Increase due to the reduction of expenses and the improvement in tax expenses related to FamilyMart, despite the lower daily sales resulting from the effects of COVID-19 and the impairment losses on fixed assets in FamilyMart.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +4.0 bil.]

Increase due to the higher equity in earnings of C.P. Pokphand and lower tax expenses, despite the lower equity in earnings of CITIC Limited.

(*1) % 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 ¥459.1 bil.**, resulting from the stable performance in operating revenues in The 8th, Metals & Minerals, General Products & Realty, and Energy & Chemicals Companies.

“Free cash flows” resulted in a **net cash-inflow of ¥321.2 bil.**, due to the additional acquisition of shares in Tokyo Century by Machinery Company and in FUJI OIL HOLDINGS by Food Company, the investments by The 8th Company, and the acquisition of fixed assets by The 8th, Food, Textile, Metals & Minerals, and Energy & Chemicals Companies.

■ 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 ¥266.0 bil.**

“Core Free Cash Flows” resulted in a **net cash-outflow of ¥59.0 bil.**, due to the additional acquisition of shares in FamilyMart.

Cash Flows

	FY2020 1-2Q Result	FY2021 1-2Q Result
Cash flows from operating activities	485.8	459.1
Cash flows from investing activities	(127.5)	(138.0)
Free cash flows	358.3	321.2
Cash flows from financing activities	(296.6)	(264.6)

Core Free Cash Flows

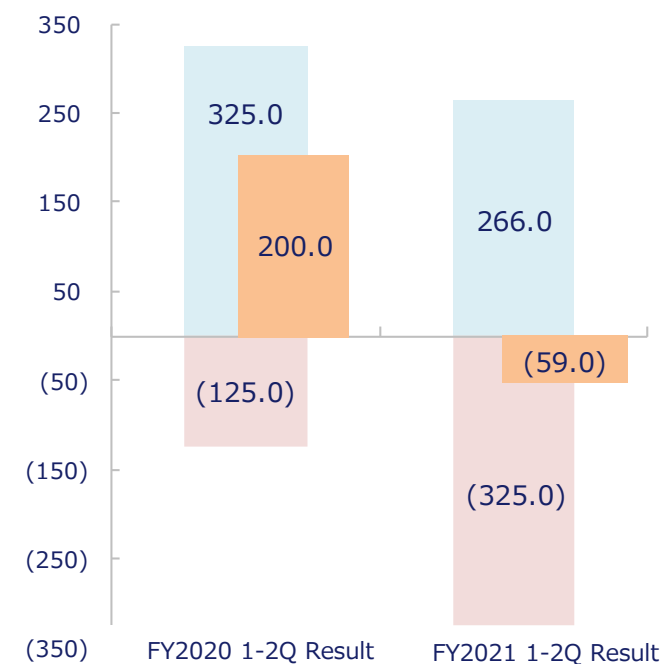
	FY2020 1-2Q Result	FY2021 1-2Q Result
Core Operating Cash Flows ^(*1)	325.0	266.0
Net Investment Cash Flows ^(*2)	(125.0)	(325.0)
Core Free Cash Flows	200.0	(59.0)

(*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.

Core Free Cash Flows



■ Core Free Cash Flows
■ Core Operating Cash Flows
■ Net Investment Cash Flows

Financial Position



(Unit : billion yen)

■ Total assets:

Remained consistent as compared with March 31, 2020 at **¥10,905.4 bil.**, due to the decrease in trade receivables accompanying the lower transaction volume resulting from the effects of COVID-19, despite the increase accompanying the rise in the fair value of stocks and the additional acquisition of shares in Tokyo Century by Machinery Company and in FUJI OIL HOLDINGS by Food Company.

■ Net interest-bearing debt:

Increased by ¥97.1 bil., compared with March 31, 2020 to **¥2,354.0 bil.**, due to the additional acquisition of shares in FamilyMart and dividend payments, despite the stable performance in operating revenues.

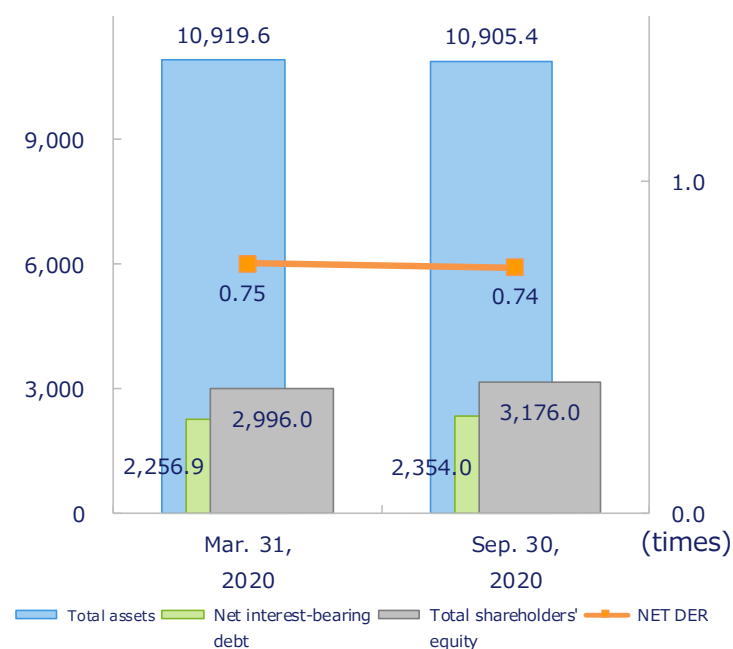
■ Total shareholders' equity:

Increased by ¥180.1 bil., compared with March 31, 2020 to **¥3,176.0 bil.**, due to Net profit attributable to ITOCHU during this fiscal year and the increase accompanying the rise in the fair value of stocks, despite the decrease of Capital surplus due to the additional acquisition of shares in FamilyMart and dividend payments.

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

Ratio of shareholders' equity to total assets increased by 1.7 points compared with March 31, 2020 to **29.1%**.

NET DER improved compared with March 31, 2020 to **0.74 times**.



	Mar. 31, 2020	Sep. 30, 2020	Increase/ Decrease	FY2021 Plan (Disclosed on May 8)
Total assets	10,919.6	10,905.4	(14.2)	B/S control for maintaining A ratings
Net interest-bearing debt	2,256.9	2,354.0	+ 97.1	
Total shareholders' equity	2,996.0	* 3,176.0	+ 180.1	
Ratio of shareholders' equity to total assets	27.4%	29.1%	Increased 1.7pt	
NET DER (times)	0.75	0.74	Improved 0.01pt	
ROE	17.0%	-	-	Maintain high efficiency

*: Record High

Extraordinary Gains and Losses



(Unit : billion yen)

	FY2020 1-2Q Result		FY2021 1-2Q Result	
Gains (Losses) related to investments	22.0	<ul style="list-style-type: none"> • Gains on partial sales of foreign companies: approx. 16.0 (General Products & Realty) • Gain on the partial sale of a domestic company: approx. 4.0 (ICT & Financial Business) 	18.5	<ul style="list-style-type: none"> • Gain on the partial sale of eGuarantee: approx. 12.0 (ICT & Financial Business) • Gain on the group restructuring in food-distribution-related companies: approx. 2.5 (Food) • Gain on sales of a foreign company in FamilyMart: approx. 2.0 (The 8th) • Gain on partial sale of a foreign company: approx. 1.5 (Textile) • Gain on sale of a foreign company: approx. 1.0 (Food)
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures	4.0	<ul style="list-style-type: none"> • Gains on sales of logistics warehouses: approx. 2.5 (General Products & Realty) • Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile) 	(8.0)	<ul style="list-style-type: none"> • Impairment losses in FamilyMart: approx. (12.5) (The 8th) • Gain related to the investment in a group company of CITIC: approx. 3.5 (Others, Adjustments & Eliminations)
Income tax expense, and Others	8.5	<ul style="list-style-type: none"> • Lower tax expenses related to group restructuring in FamilyMart: approx. 5.0 (The 8th) • Lower tax expenses related to natural-resource-projects: approx. 2.5 (Metals & Minerals 1.5, Others, Adjustments & Eliminations 1.0) • Gain on cash collection for specific overseas project: approx. 1.0 (Machinery) 	39.0	<ul style="list-style-type: none"> • Lower tax expenses related to FamilyMart: approx. 35.5 (The 8th) • Lower tax expenses related to domestic real estate company: approx. 1.5 (General Products & Realty) • Gain on cash collection for specific overseas project: approx. 1.0 (Machinery)
Total	34.5		49.5	
Non-Resource	33.0		49.5	
Resource	1.0		-	
Others	0.5		-	

Major Indicators



	FY2020 1-2Q Result	FY2021 1-2Q Result	FY2021 Forecast (Disclosed on May 8)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2021 3-4Q
Exchange rate (YEN/US\$) average	109.23	107.20	105.00	Approx. ¥(1.2) bil. (1 yen appreciation against US\$)
Exchange rate (YEN/US\$) closing	Mar. 2020 108.83	Sep. 2020 105.80	105.00	-
Interest (%) USD LIBOR 3M	2.35%	0.42%	1.00%	Approx. ¥(0.3) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	65.20	38.44	30	±¥0.10 bil. ^(*3)
Iron ore (CFR China) (US\$/ton)	100 ^(*1)	105 ^(*1)	N.A. ^(*2)	±¥0.27 bil. ^(*3)
Hard coking coal (FOB Australia) (US\$/ton)	181 ^(*1)	116 ^(*1)	N.A. ^(*2)	±¥0.06 bil. ^(*3)
Thermal coal (FOB Australia) (US\$/ton)	74 ^(*1)	53 ^(*1)	N.A. ^(*2)	

(*1) FY2020 1-2Q and FY2021 1-2Q 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 "FY2021 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.

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