

Highlights of Consolidated Financial Results for the Second Quarter of FY 2014 (U.S. GAAP)
(3 months from July 1, 2013 to September 30, 2013)

November 5, 2013
ITOCHU Corporation
(Unit: billion yen, (losses, decrease))

Financial topics for the 2nd Quarter (3 months) of FY 2014

- “Net income attributable to ITOCHU” increased by ¥16.3 bil. to ¥87.8 bil. which is the highest earnings for a second quarter and the second highest earnings for a single quarter.
- Profits and losses from special factors in the second quarter amounted +¥4.0 bil., comprising of gain on investments and property and equipment (net) of +¥6.0 bil., tax-related improvement of +¥1.0 bil., and equity in earnings of associated companies of -¥3.0 bil.
- For “Net income attributable to ITOCHU” by segment, all segments achieved earnings increases compared with the same period of the previous FY. The earnings of “Metals & Minerals” and “ICT, General Products & Realty” were ¥21.6 bil. and ¥21.1 bil. respectively. “Food”, “Machinery” and “Textile” recorded over ¥10.0 bil. of ¥14.6 bil., ¥10.4 bil. and ¥10.0 bil. respectively. “Energy & Chemicals” generated earnings of ¥7.5 bil.
- The share of the Non-Resource Sector was 74% (earnings of ¥63.2 bil.) and the Natural Resource/Energy-Related Sector was 26% (earnings of ¥22.1 bil.). Compared with the same period of the previous fiscal year, both the Non-Resource Sector and the Natural Resource/Energy-Related Sector increased by ¥9.4 bil. and ¥3.1 bil. respectively.

	2nd Quarter FY 2014	2nd Quarter FY 2013	Increase (Decrease)
Natural Resource /Energy-Related	22.1	19.0	3.1
Non-Resource	63.2	53.8	9.4
Others	2.6	(1.2)	3.8
Non-Resource & Others	65.8	52.6	13.2
Natural Resource/ Non-Resource	26%/74%	26%/74%	-0%/0%

Consolidated Financial Results of Operations	2nd Quarter FY 2014	2nd Quarter FY 2013	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year
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Consolidated Statements of Income

Revenue	1,349.9	1,135.9	214.0
Gross trading profit	253.2	229.9	23.3
Selling, general and administrative expenses	(187.1)	(171.5)	(15.6)
Provision for doubtful receivables	(1.3)	(0.9)	(0.5)
Net interest expenses	(3.5)	(3.6)	0.2
Dividends received	3.3	2.0	1.3
Net financial expenses	(0.1)	(1.6)	1.5
Gain on investments-net	14.1	2.4	11.7
Gain (loss) on property and equipment-net	0.1	(2.2)	2.3
Other-net	3.4	3.4	(0.1)
Total other-expenses	(171.0)	(170.4)	(0.6)
Income before income taxes and equity in earnings of associated companies	82.2	59.5	22.7
Income taxes	(28.4)	(12.5)	(15.9)
Income before equity in earnings of associated companies	53.8	47.0	6.8
Equity in earnings of associated companies	40.6	32.0	8.6
Net income	94.4	79.0	15.4
Less: Net income attributable to the noncontrolling interest	(6.6)	(7.4)	0.8
Net income attributable to ITOCHU	87.8	71.6	16.3

- **Revenue:** Higher revenue from the Energy & Chemicals Company, due to higher transaction volume of petroleum products in the energy-related companies and organic chemicals; higher revenue from the Food Company, reflecting acquisition of the Dole business; higher revenue from the ICT, General Products & Realty Company, due to the favorable performance by housing-material-related companies both in Japan and overseas and expanded business by mobile-phone-related companies; increase in revenue from the Metals & Minerals Company, reflecting higher sales volume of iron ore; and the effect of yen depreciation
- **Gross trading profit:**
 - Textile: -0.7 (32.7 → 32.0): Decrease mainly due to the conversion of fashion e-commerce-related subsidiary into equity-method associated company in the fourth quarter of the previous fiscal year
 - Machinery: +2.3 (23.1 → 25.4): Increase due to higher automobile-related, construction-machinery-related and plant-related transaction volume and effect of yen depreciation
 - Metals & Minerals: +7.1 (15.2 → 22.3): Increase due to higher sales volume of iron ore, higher transaction volume of nonferrous metal products, and effect of yen depreciation, despite falling iron ore and coal prices
 - Energy & Chemicals: +0.4 (39.1 → 39.5): Overall increase due to improved profitability of energy trading transactions despite reduced vessel allocation for transactions of exploration and production of crude oil and decrease in profit accompanying the sale of U.K. North Sea energy rights in the fourth quarter of the previous fiscal year
 - Food: +7.2 (54.4 → 61.7): Increase mainly due to the acquisition of Dole business
 - ICT, General Products & Realty: +6.4 (62.9 → 69.3): Overall increase due to favorable performance by housing-material-related companies both in Japan and overseas, effect of yen depreciation and expanded business by mobile-phone-related companies, despite lower profitability by domestic ICT-related companies due to increasingly stringent competition
- **SG & A:** Increase due to the inclusion of new consolidated subsidiaries, including the acquisition of the Dole business and the effect of yen depreciation
- **Net financial expenses:** Improvement due to lower debt cost and increase in dividends, despite increase in interest-bearing debt
- **Gain on investments-net:** Net of impairment losses and remeasuring gains on investments +6.6 (-2.1 → 4.5), Net gain on sales of investments +5.4 (4.3 → 9.7), Losses on business disposals and others -0.3 (0.1 → -0.1)
- **Gain (loss) on property and equipment-net:** Net gain (loss) on sales of property and equipment +1.3 (-0.3 → 1.0), Improvement in impairment losses on property and equipment +1.2 (-2.4 → -1.2)
- **Other-net:** Almost the same level
- **Equity in earnings of assoc. co.:**
 - Textile: +0.9 (2.6 → 3.4): Gain on sales of investments in equity-method associated companies
 - Machinery: +3.0 (3.6 → 6.6): Increase in equity in earnings of leasing and ship-related companies
 - Metals & Minerals: +0.6 (14.5 → 15.1): Increase in equity in earnings of Australian mineral-resources-related companies, despite deterioration in equity in earnings of Colombian coal-related companies due to a decline in coal prices and the impact of a strike
 - Energy & Chemicals: +1.6 (-0.4 → 1.2): Improvement in equity in earnings of U.S. oil-and-gas-development-related companies, despite the impact of prolonged scheduled maintenance of methanol-related companies
 - Food: -0.3 (5.1 → 4.8): Decrease in transaction volume in U.S. food-material-related companies which resulted from a drought
 - ICT, General Products & Realty: +2.1 (7.5 → 9.6): Increase in pulp prices in overseas pulp-related companies, improvement in provision for doubtful receivables in finance-related companies

(Reference)			
Total trading transactions	3,643.4	3,079.8	563.6
Gross trading profit ratio	6.9%	7.5%	(0.5%)
Adjusted profit	106.6	88.7	17.8

Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies

Consolidated Statements of Comprehensive Income

Net income	94.4	79.0	15.4
Other comprehensive income (loss) (net of tax)			
Foreign currency translation adjustments	(7.5)	(46.4)	38.8
Pension liability adjustments	0.8	0.6	0.2
Unrealized holding losses on securities	(2.7)	(6.4)	3.8
Unrealized holding gains on derivative instruments	2.4	1.0	1.4
Total other comprehensive income (loss) (net of tax)	(6.9)	(51.1)	44.2
Comprehensive income (loss)	87.5	27.8	59.6
Comprehensive income (loss) attributable to the noncontrolling interest	(1.8)	4.5	(6.3)
Comprehensive income (loss) attributable to ITOCHU	85.7	32.4	53.3

Operating Segment Information	Net income attributable to ITOCHU			[Net income attributable to ITOCHU] Summary of changes from the same period of the previous fiscal year
	2nd Quarter FY 2014	2nd Quarter FY 2013	Increase (Decrease)	

Textile	10.0	9.5	0.5	Increase due to higher dividends received, increase in gain (loss) on investments-net and equity in earnings of associated companies, despite increase in SG&A
Machinery	10.4	8.8	1.5	Increase due to rise in gross trading profit and increase in equity in earnings of associated companies, despite absence of tax effects recognized in the same period of the previous fiscal year in the North American business
Metals & Minerals	21.6	18.4	3.3	Increase due to higher sales volume of iron ore, despite the deterioration in equity in earnings of Colombian coal-related companies which resulted from the decline in coal prices and the impact of a strike and the deterioration of the effective tax rate compared with the same period of the previous fiscal
Energy & Chemicals	7.5	6.7	0.9	Increase due to gain on sales of investments and improvement in equity in earnings of U.S. oil-and-gas-development-related companies, despite decrease in profit accompanying the sale of U.K. North Sea energy rights in the fourth quarter of the previous fiscal year
Food	14.6	14.4	0.2	Slight overall increase due to the acquisition of Dole business, despite lower earnings from food-distribution-related companies and decrease in equity in earnings of associated companies
ICT, General Products & Realty	21.1	15.0	6.2	Increase due to gain on revaluation accompanying the conversion of mobile-phone-related equity-method associated company into consolidated subsidiary, gain on sales of property and equipment, and increase in equity in earnings of associated companies, despite lower profitability by domestic ICT-related companies due to increasingly stringent competition
Others, Adjustments & Eliminations	2.6	(1.2)	3.8	Improvement due to higher transaction volume of equipment materials in North America, improvement in SG&A, and the absence of impairment losses on property and equipment for the same period of the previous fiscal year
Total	87.8	71.6	16.3	