

# Highlights of Consolidated Financial Results for the 1st Half of FY 2015 [IFRS]

November 5, 2014

ITOCHU Corporation

(Unit: billion yen, (losses, decrease))

**[Financial topics]**

- 1. "Net profit attributable to ITOCHU" increased by ¥1.6 bil. to ¥152.2 bil. compared with the same period of the previous FY.**
  - Progressed 51% toward the outlook of ¥300.0 bil. for FY 2015 for "Net profit attributable to ITOCHU".
  - For "Net profit attributable to ITOCHU" by segment, four segments, "ICT, General Products & Realty"(¥38.1 bil.), "Metals & Minerals"(¥28.1 bil.), "Machinery"(¥26.1 bil.), and "Food"(¥26.0 bil.) achieved earnings of over ¥20.0 bil., and two segments, "Energy & Chemicals"(¥13.3 bil.) and "Textile"(¥12.2 bil.) achieved earnings of over ¥10.0 bil.
- 2. The share of the Non-Resource Sector was 85% (earnings of ¥122.7 bil.) and the Natural Resource/Energy-Related Sector was 15% (earnings of ¥21.2 bil.)**
  - The Non-Resource Sector increased by ¥16.0 bil. compared with the same period of the previous FY, which led the increase of "Net profit attributable to ITOCHU".
- 3. "Total shareholders' equity" increased by ¥269.4 bil. to ¥2,315.1 bil. compared with March 31, 2014.**
  - "Total shareholders' equity" increased by ¥269.4 bil. to ¥2,315.1 bil., due to the increase in "Net profit attributable to ITOCHU" and the third-party allotment, despite dividend payments.
  - "Ratio of shareholders' equity to total assets" increased by 1.5 points to 27.8% from March 31, 2014. NET DER improved compared with March 31, 2014, to 1.0 times.

	1st Half FY 2015	1st Half FY 2014	Increase (Decrease)
Natural Resource /Energy-related	21.2	38.2	(17.0)
Non-Resource	122.7	106.7	16.0
Others	8.3	5.6	2.7
Non-Resource & Others	131.0	112.4	18.6
Natural Resource /Non-Resource	15%/85%	26%/74%	-11%/+11%

Consolidated Financial Results of Operations	1st Half FY 2015	1st Half FY 2014	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year	Outlook for FY2015 (Disclosed on Nov 5, 2014)		Operating Segment Information	Net profit attributable to ITOCHU			Summary of changes from the same period of the previous fiscal year																																
						Progress (%)		1st Half FY 2015	1st Half FY 2014	Increase (Decrease)																																	
Revenues	2,721.8	2,647.8	74.0	<ul style="list-style-type: none"> <li>• <b>Revenues</b>  <b>Energy &amp; Chemicals (+34.0):</b> Mainly due to the acquisition of subsidiaries in energy-related companies  <b>Machinery (+23.9):</b> Due to the favorable performance in plant-related companies, and higher transaction volume in automobile-related transactions  <b>ICT, General Products &amp; Realty Company (+17.3):</b> Due to higher transaction volume in domestic ICT-related companies, and the depreciation of the yen mainly against the Great Britain Pound  <b>Metals &amp; Minerals (-34.0):</b> Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume  <b>Gross trading profit</b>  <b>ICT, General Products &amp; Realty (+9.9):</b> Due to higher transaction volume in domestic ICT-related companies, and the depreciation of the yen mainly against the Great Britain Pound  <b>Machinery (+7.4):</b> Due to the favorable performance in plant-related companies, and higher transaction volume in automobile-related transactions  <b>Energy &amp; Chemicals (+5.8):</b> Due to the stable transactions in the energy trading in the first quarter, and the acquisition of subsidiaries in energy-related companies  <b>Metals &amp; Minerals (-14.2):</b> Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume and improvement of cost in iron ore and coal-related companies  <b>SG&amp;A expenses:</b> Due to higher expenses in existing subsidiaries and the increase accompanying the acquisition of subsidiaries  <b>Provision for doubtful accounts:</b> Decrease in allowance for doubtful accounts  <b>Gains on PPE and intangible assets:</b> Net gain on sales of PPE and intangible assets(+1.1)  <b>Other-net:</b> Mainly due to the improvement in foreign currency translation  <b>Net financial income:</b> Improvement in borrowing conditions, lower debt cost, and increase in dividends  <b>Other financial income:</b> Mainly due to the decrease in gain on valuation of derivatives  <b>Equity in earnings of associates and joint ventures</b>  <b>Metals &amp; Minerals (-9.5):</b> Due to the decline in iron ore prices in Brazil iron ore operations and decline in foreign currency translation  <b>Food (+5.9):</b> Due to higher equity in earnings of associated companies resulting from the gain on sales of affiliates in the CVS companies and the increase due to the favorable performance in fresh food-related companies  <b>Gains on disposal and remeasurement of investments in affiliates:</b> Increased mainly due to the gain on remeasurement from the conversion of an Internet advertising company from an associated company to other investments                 </li> </ul>	1,110.0	46.3%	<table border="1"> <thead> <tr> <th>Operating Segment</th> <th>1st Half FY 2015</th> <th>1st Half FY 2014</th> <th>Increase (Decrease)</th> </tr> </thead> <tbody> <tr> <td>Textile</td> <td>12.2</td> <td>14.2</td> <td>(2.0)</td> </tr> <tr> <td>Machinery</td> <td>26.1</td> <td>20.5</td> <td>5.6</td> </tr> <tr> <td>Metals &amp; Minerals</td> <td>28.1</td> <td>42.6</td> <td>(14.5)</td> </tr> <tr> <td>Energy &amp; Chemicals</td> <td>13.3</td> <td>10.3</td> <td>3.0</td> </tr> <tr> <td>Food</td> <td>26.0</td> <td>23.7</td> <td>2.3</td> </tr> <tr> <td>ICT, General Products &amp; Realty</td> <td>38.1</td> <td>33.6</td> <td>4.5</td> </tr> <tr> <td>Others, Adjustments &amp; Eliminations</td> <td>8.3</td> <td>5.6</td> <td>2.7</td> </tr> <tr> <td>Consolidated</td> <td>152.2</td> <td>150.6</td> <td>1.6</td> </tr> </tbody> </table>	Operating Segment	1st Half FY 2015	1st Half FY 2014	Increase (Decrease)	Textile	12.2	14.2	(2.0)	Machinery	26.1	20.5	5.6	Metals & Minerals	28.1	42.6	(14.5)	Energy & Chemicals	13.3	10.3	3.0	Food	26.0	23.7	2.3	ICT, General Products & Realty	38.1	33.6	4.5	Others, Adjustments & Eliminations	8.3	5.6	2.7	Consolidated	152.2	150.6	1.6
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Gross trading profit	513.9	497.6	16.4		(824.0)	47.4%		Decrease due to lower sales in domestic apparel-related businesses and unfavorable in European apparel manufacturing and wholesale-related companies, decrease in received dividends, and the absence of the gain on sales of affiliates in the same period of the previous fiscal year																																			
Selling, general and administrative expenses	(390.7)	(371.5)	(19.2)		(6.0)	-			Increase due to higher gross trading profit, increase in received dividends, despite the absence of the gain on sales of IPP-related business in North America in the same period of the previous fiscal year																																		
Provision for doubtful accounts	(1.1)	(2.6)	1.5		(*)	-																																					
Gains on property, plant, equipment and intangible assets	2.1	0.5	1.7		(*)	-																																					
Other-net	7.6	6.1	1.5		(18.0)	35.4%																																					
Net interest expenses	(6.4)	(7.6)	1.2	28.0	33.8%																																						
Dividends received	9.5	8.8	0.7	10.0	30.8%																																						
Net financial income	3.1	1.2	1.9	(*)	-																																						
Other financial income	0.5	2.3	(1.7)	130.0	45.9%																																						
Equity in earnings of associates and joint ventures	59.7	65.8	(6.2)	(*)total 18.0	(*)																																						
Gains on disposal and remeasurement of investments in affiliates	17.6	10.8	6.8	438.0	48.6%																																						
Profit before tax	212.7	210.0	2.6	(115.0)	46.0%																																						
Income tax expense	(52.9)	(50.3)	(2.6)	323.0	49.5%																																						
Net Profit	159.7	159.7	0.0	300.0	50.7%																																						
Net profit attributable to ITOCHU	152.2	150.6	1.6	23.0	32.7%																																						
Net profit attributable to non-controlling interests	7.5	9.1	(1.6)																																								
Total comprehensive income attributable to ITOCHU	217.7	208.8	9.0																																								
(Reference)																																											
Adjusted profit	186.0	193.0	(7.1)																																								

Financial Position	Sep. 2014	Mar. 2014	Increase (Decrease)	Outlook for March 31, 2015 (Disclosed on Nov 5, 2014)	Cash Flows		Group Companies (Net profit attributable to Itochu)	1st Half FY 2015	1st Half FY 2014	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year						
					1st Half FY 2015	1st Half FY 2014											
Total assets	8,339.0	7,783.8	555.2	8,200.0	Operating activities	137.8	133.6	ITOCHU Minerals & Energy of Australia Pty Ltd (C)	19.0	33.4	(14.4)	Decrease due to the decline in iron ore and coal prices and the reversal of deferred tax assets accompanying the amendment of the Australian tax system, despite the increase in iron ore sales volume, improvement of cost in iron ore and coal-related companies, and improvement in foreign currency translation					
Interest-bearing debt	2,999.3	2,893.4	106.0	3,100.0	Investing activities	(201.7)	(241.2)	Marubeni-Itochu Steel Inc. (E)	7.5	6.3	1.2		Increase due to the stable domestic transactions and the contribution from new group companies				
Net interest-bearing debt	2,358.4	2,232.0	126.4	2,500.0	Financing activities	33.8	119.5	FamilyMart Co., Ltd. (E)	7.3	4.4	2.9			Increase due to the gain on sales of affiliates in Korea despite higher expenses from increase in stores			
Total shareholders' equity	2,315.1	2,045.7	269.4	2,300.0	Cash and cash equivalents	629.5	578.3	ITOCHU International Inc. (C)	5.5	4.5	1.0				Increase due to the stable performance by the construction machinery-related companies and the food-related companies		
Ratio of shareholders' equity to total assets	27.8%	26.3%	+ 1.5 pt	28.0%	Increase (Decrease)	(24.2)	8.0	JD Rockies Resources Limited (C)	(6.2)	(1.8)	(4.4)					Deterioration due to the increase in the impairment losses in the U.S. oil and gas development companies and regular transactions	
Net debt-to-shareholders' equity ratio (times)	1.0	1.1	Improved 0.1	1.1													
Total equity	2,699.1	2,399.5	299.5	2,700.0													
Summary of changes from the previous fiscal year end					Summary for the 1st Half of FY 2015												
<ul style="list-style-type: none"> <li>• <b>Total assets:</b> Increased by 7.1%, or 555.2 billion yen, compared with March 31, 2014, to 8,339.0 billion yen. This increase was attributable to the increase accompanying the acquisition of EDWIN CO., LTD. in the Textile Company, subsidiaries in energy-related companies, investment in C.P. Pokphand Co. Ltd. and domestic broadcasting and communication-related companies, and the depreciation of the yen.</li> <li>• <b>Net interest-bearing debt:</b> Increased by 5.7%, or 126.4 billion yen, compared with March 31, 2014, to 2,358.4 billion yen, mainly due to the depreciation of the yen, and decrease in Cash and cash equivalents and Time deposits.</li> <li>• <b>Total shareholders' equity:</b> Increased by 13.2%, or 269.4 billion yen, compared with March 31, 2014, to 2,315.1 billion yen, due to the increase in Net profit attributable to ITOCHU and the third-party allotment, despite dividend payments. Ratio of shareholders' equity to total assets increased by 1.5 points to 27.8% from March 31, 2014. NET DER (Net debt-to-shareholders' equity ratio) improved compared with March 31, 2014, to 1.0 times.</li> </ul>					<ul style="list-style-type: none"> <li>• <b>Operating:</b> Net cash-inflow of 137.8 billion yen, resulting from the stable performance in operating revenue in the metals and food-related transactions, and the steady collections of trade receivables in the energy and other sectors, despite the increase in trade receivables and the payments of account payable in chemicals and constructions sector.</li> <li>• <b>Investing:</b> Net cash-outflow of 201.7 billion yen, due to the investment in C.P. Pokphand Co. Ltd. and additional investments in the natural resource development sector.</li> <li>• <b>Financing:</b> Net cash-inflow of 33.8 billion yen, due to the third-party allotment, despite dividend payments.</li> </ul>												

Dividend Information (Per Share)	Annual (Planned)	Interim	Major Indicators				
			1st Half FY 2015	1st Half FY 2014	Variance		
Annual (Planned)	46.0 yen	23.0 yen	Foreign exchange (Yen/US\$)	Average	102.11	98.44	3.67
			Closing	Sep.-14 109.45	Mar.-14 102.92	6.53	
Interim	23.0 yen	23.0 yen	Interest	JPY TIBOR 3M, average	0.210%	0.231%	(0.021%)
				US\$ LIBOR 3M, average	0.231%	0.268%	(0.037%)
			Crude oil (Brent) (US\$/BBL) Average	106.57	106.55	0.02	
			Iron ore, fine (US\$/ton)	109	132	(23)	
			Coking coal (US\$/ton)	(*) 120	159	(39)	
			Thermal coal (US\$/ton)	82	95	(13)	

(\*) The Company recognizes these prices as common transaction prices based on market information.

