

# Highlights of Consolidated Financial Results for the 1st Quarter FY 2016 [IFRS]

Aug. 4, 2015  
ITOCHU Corporation

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

## Financial topics for the 1st Quarter of FY 2016

- "Net profit attributable to ITOCHU" increased by ¥40.6 bil. (50.3%) compared with the same period of the previous fiscal year, to ¥121.5 bil., and achieved the highest record for a quarterly period and progressed 37% toward the outlook for FY2016**
  - "Net profit attributable to ITOCHU" for the Non-Resource Sector increased by ¥16.4 bil. compared with the same period of the previous fiscal year, to ¥79.3 bil., and achieved the highest record for a 1st quarter.
  - Profits and losses from special factors included in "Net profit attributable to ITOCHU" was +¥53.0 bil. (+¥13.0 bil. in the same period of the previous fiscal year).
  - Ordinary profit excluding the profits and losses from special factors increased +¥1.0 bil. compared with the same period of the previous fiscal year to ¥69.0 bil. (¥68.0 bil. → ¥69.0 bil.).
  - The favorable performance in the non-resource sector led by the consumer-related sector covered the decline of the natural resource-related sector.
- "Total shareholders' equity" increased by ¥105.6 bil. (4.3%) to ¥2,538.8 bil. compared with March 31, 2015**
  - "Ratio of shareholders' equity to total assets" was nearly at the same level compared with March 31, 2015, at 28.3%. NET DER slightly increased compared with March 31, 2015 at 1.1 times due to an increase in interest-bearing-debt.
- "Cash flows from operating activities" increased by ¥6.2 bil. compared with the same period of the previous fiscal year, resulting in a Net cash-inflow of ¥71.0 bil.**
  - "Free cash flows" excluding the providing of loan accompanying the acquisition of CITIC Limited shares (including the temporary funding portion for CP Group\*, approximately ¥490.0 bil.) was approximately ¥150.0 bil.
  - \*temporary funding portion for CP Group (approximately ¥250.0 bil.) was collected on Jul. 22, 2015.

	1st Quarter FY 2016	1st Quarter FY 2015	Increase (Decrease)
Non-Resource	79.3	63.0	16.4
Natural Resource /Energy-Related	37.9	16.1	21.9
Others	4.2	1.8	2.4
Total	121.5	80.8	40.6
Non-Resource/ Natural Resource	68%/32%	80%/20%	-12%/+12%

\*The ratio is calculated excluding the [Others] from the [Total] as 100%

Consolidated Financial Results of Operations	1st Quarter FY 2016	1st Quarter FY 2015	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year	Outlook for FY 2016 (Disclosed on May 1, 2015)		Operating Segment Information	Net profit attributable to ITOCHU			(Reference) Trading Income		
					Progress (%)			1st Quarter FY 2016	1st Quarter FY 2015	Increase (Decrease)	1st Quarter FY 2016	1st Quarter FY 2015	Increase (Decrease)
Revenues	1,259.1	1,323.9	(64.8)	<b>Revenues</b> Food (+15.8): Due to the effect of foreign currency translation of fresh food-related subsidiaries, and higher transaction volume in food-distribution-related subsidiaries Textile (+14.1): Mainly due to the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year Energy & Chemicals (-95.2): Due to the decline in oil prices in energy trading transactions, despite the favorable performance in the chemical trading transactions	5,600.0	22.5%	Textile	4.7	5.0	(0.3)	4.0	3.5	0.5
Gross trading profit	253.7	245.9	7.8		1,100.0	23.1%							
Selling, general and administrative expenses	(205.4)	(192.1)	(13.3)		(856.0)	24.0%	Machinery	12.5	12.8	(0.3)	6.3	9.2	(2.9)
Provision for doubtful accounts	(1.6)	(0.5)	(1.1)		(4.0)	-							
Gains on investments	33.0	11.7	21.3	<b>Gross trading profit</b> ICT, General Products & Realty (+6.8): Due to the sales of real properties for sale, the favorable performance in European tire-related companies, and higher transaction volume in domestic ICT-related companies	41.0	-	Metals & Minerals	14.3	18.5	(4.2)	5.0	13.1	(8.2)
Gains (losses) on property, plant, equipment and intangible assets	(0.6)	2.5	(3.1)	Food (+5.2): Due to the improvement in profitability in the packaged food business in fresh food-related subsidiaries, and higher transaction volume in food-distribution-related subsidiaries Textile (+3.8): Mainly due to the income from EDWIN CO., LTD., from the second quarter of the previous fiscal year Metals & Minerals (-8.1): Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, reduction of costs in iron ore and coal-related companies, and the improvement in foreign currency translation									
Other-net	3.1	3.4	(0.3)		(19.0)	8.4%	Energy & Chemicals	32.5	7.7	24.7	7.9	9.8	(1.9)
Net interest expenses	(1.6)	(3.3)	1.7	<b>SG&amp;A expenses</b> Increased due to higher expenses in existing subsidiaries, and the acquisition of subsidiaries in the previous fiscal year	24.0	23.7%							
Dividends received	5.7	5.9	(0.2)	<b>Provision for doubtful accounts</b> Increase in allowance for doubtful accounts in foreign subsidiaries	120.0	31.5%	Food	10.2	15.0	(4.8)	12.4	11.2	1.2
Equity in earnings of associates and joint ventures	37.8	33.5	4.2	<b>Gains on investments</b> Increased due to the gain on sales of housing-materials-related subsidiaries in the U.S., despite the absence of gain on remeasurement accompanying the conversion of an Internet advertising company from associated companies to other investments in the same period of the previous fiscal year	406.0	30.5%							
Profit before tax	124.0	106.9	17.1	<b>Gains (losses) on property, plant, equipment and intangible assets</b> Due to the absence of gains on property, plant, equipment and intangible assets in the same period of the previous fiscal year	(58.0)	-	ICT, General Products & Realty	41.7	20.0	21.7	12.3	7.6	4.7
Income tax expense	3.2	(23.6)	26.9	<b>Net interest expenses</b> Due to the higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares	348.0	36.6%							
Net Profit	127.2	83.3	44.0	<b>Equity in earnings of associates and joint ventures</b> Metals & Minerals (+6.0): Due to the improvement in foreign currency translation in a Brazilian iron ore company, despite the decline in iron ore prices ICT, General Products & Realty (+5.2): Due to the favorable performance of foreign pulp companies, and contribution of new associated companies	330.0	36.8%	Others, Adjustments & Eliminations	5.5	1.8	3.7	(1.2)	(1.1)	(0.0)
Net profit attributable to ITOCHU	121.5	80.8	40.6	<b>Income tax expense</b> Due to the improvement of tax expenses accompanying the disposal of an U.S. oil and gas development company	18.0	32.1%							
Net profit attributable to non-controlling interests	5.8	2.4	3.3		240.0	19.5%	Consolidated	121.5	80.8	40.6	46.7	53.3	(6.6)
Total comprehensive income attributable to ITOCHU	145.3	76.7	68.7		369.0	24.4%							
(Reference) Trading income	46.7	53.3	(6.6)										
Adjusted profit	90.1	89.8	0.3										

"Trading income" = Gross trading profit + SG&A expenses + Provision for doubtful accounts  
"Adjusted profit" = Gross trading profit + SG&A expenses + Net interest expenses + Dividends received + Equity in earnings of associates and joint ventures

Financial Position	Jun. 2015	Mar. 2015	Increase (Decrease)	Outlook for March 31, 2016	Cash Flows	1st Quarter FY 2016	1st Quarter FY 2015	Group Companies (Net profit attributable to ITOCHU)	1st Quarter FY 2016	1st Quarter FY 2015	Increase (Decrease)	Summary of changes from the previous fiscal year	
Total assets	8,960.3	8,560.7	399.6	9,200.0	Operating activities	71.0	64.8	ITOCHU International Inc. (C)	17.7	2.7	15.0	Increase due to the stable performance in the chemical-related sector, and the gain on sales of housing-materials-related subsidiaries	
Interest-bearing debt	3,413.6	3,092.2	321.4	3,550.0	Investing activities	(410.1)	(20.1)	ITOCHU Minerals & Energy of Australia Pty Ltd (C)	6.8	12.7	(5.8)	Decrease due to the decline in iron ore and coal prices, despite the reduction of costs and improvement in foreign currency translation	
Net interest-bearing debt	2,811.1	2,380.5	430.6	2,900.0	Free cash flows	(339.1)	44.7	Brazil Japan Iron Ore Corporation (C)	5.9	0.3	5.6	Increase mainly due to the improvement in foreign currency translation	
Total shareholders' equity	2,538.8	2,433.2	105.6	2,600.0	Financing activities	226.3	(84.4)	Marubeni-Itochu Steel Inc. (E)	2.4	3.7	(1.3)	Decrease due to the stagnant steel market conditions, and lower energy related demand	
Ratio of shareholders' equity to total assets	28.3%	28.4%	(0.1 pt)	28.3%	Cash and cash equivalents	595.1	611.5	ITOCHU Coal Americas Inc. (C)	(0.6)	0.1	(0.6)	Deterioration due to the absence of dividends from Colombian coal companies (converted from associated companies to other investments in the third quarter of the previous fiscal year) accompanying the decline in coal prices, resulting in recognition of only interest payments and expenses	
Net debt-to-shareholders' equity ratio (times)	1.1	0.98	0.1	1.1	Increase (Decrease)	(105.2)	(42.3)						
Total equity	2,840.3	2,748.3	92.0	2,900.0									
Summary of changes from the previous fiscal year end					Summary of Cash Flows for the 1st Quarter FY 2016								

**Total assets**: Increased by 4.7%, or 399.6 billion yen, compared with March 31, 2015, to 8,960.3 billion yen. This increase was due to the providing of loan accompanying the acquisition of CITIC Limited shares (including the temporary funding portion for CP Group), despite the decrease due to the sales of housing-materials-related subsidiaries in the U.S.

**Net interest-bearing debt**: Increased by 18.1%, or 430.6 billion yen, compared with March 31, 2015, to 2,811.1 billion yen, due to the increase in borrowings accompanying the providing of loan regarding the acquisition of CITIC Limited shares (including the temporary funding portion for CP Group).

**Total shareholders' equity**: Increased by 4.3%, or 105.6 billion yen, compared with March 31, 2015, to 2,538.8 billion yen, due to the increase in Net profit attributable to ITOCHU, despite the dividend payments. Ratio of shareholders' equity to total assets was nearly at the same level compared with March 31, 2015, at 28.3%. NET DER slightly increased compared with March 31, 2015 at 1.1 times due to an increase in interest-bearing-debt.

**Operating**: Net cash-inflow of 71.0 billion yen, resulting from the steady collections of trade receivables in the energy and food sectors, despite the increase in trade receivables and inventories in the general merchandise and chemicals sectors, and the decrease in the trade payables in the ICT sector.

**Investing**: Net cash-outflow of 410.1 billion yen, due to the providing of loan accompanying the acquisition of CITIC Limited shares (including the temporary funding portion for CP Group, approximately 490.0 billion yen), despite the decrease due to the sales of housing-materials-related subsidiaries in the U.S.

**Financing**: Net cash-inflow of 226.3 billion yen, due to the increase in debt, despite the dividend payments.

Dividend Information (Per Share)		Major Indicators		
Annual (Planned)	50.0 yen (minimum)	Foreign exchange (Yen/US\$)	Average	120.21
Interim (Planned)	25.0 yen		Closing	Jun.-15 122.45
		Interest	JPY TIBOR 3M, average	0.171%
			US\$ LIBOR 3M, average	0.280%
		Crude oil (Brent) (US\$/BBL) average		62.76
		Iron ore (US\$/ton)		62
		Hard coking coal (US\$/ton) (*)		110
		Thermal coal (US\$/ton)		68

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

