

## Highlights of Consolidated Financial Results for the 1st-3rd Quarter of FY 2016 (IFRS)

Feb. 4, 2016  
ITOCHU Corporation

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

### Financial topics for the 1st-3rd Quarter of FY 2016

#### 1. "Net profit attributable to ITOCHU" increased by ¥49.6 bil. (21.4%) compared with the same period of the previous fiscal year, to ¥280.9 bil., and achieved the highest record for the 1st-3rd Quarter and progressed 85.1% toward the outlook for FY2016

- "Net profit attributable to ITOCHU" for the Non-Resource Sector increased by ¥45.3 bil. compared with the same period of the previous fiscal year, to ¥235.5 bil., and achieved the highest record for the 1st-3rd quarter.
- Profits and losses from special factors included in "Net profit attributable to ITOCHU" was approximately ¥50.0 bil. (profit) (approximately ¥8.0 bil. (profit) in the same period of the previous fiscal year)
- Ordinary profit excluding the profits and losses from special factors increased by ¥8.0 bil. compared with the same period of the previous fiscal year, to ¥231.0 bil.

The favorable performance in the consumer-related sector, basic industry-related sector, and the income from CITIC Limited covered the decline of the natural resource-related sector.

#### 2. "Total shareholders' equity" increased by ¥81.8 bil. (3.4%), to ¥2,515.0 bil. compared with March 31, 2015

- "Total shareholders' equity" increased due to the increase in "Net profit attributable to ITOCHU", despite the dividend payments, foreign currency translation accompanying the depreciation of the Australian dollar, and the decline in the stock prices of investments.
- NET DER was 1.2 times. NET DER excluding temporary funding portion for CP Group accompanying the acquisition of CITIC Limited shares (interest-bearing-debt of approximately ¥320.0 bil.) was 1.1 times.

#### 3. "Cash flows from operating activities" increased by ¥118.8 bil. compared with the same period of the previous fiscal year, resulting in a Net cash-inflow of ¥253.7 bil.

- "Free cash flows" excluding the investment and loan accompanying the acquisition of CITIC Limited shares, approximately ¥930.0 bil. (including the temporary funding portion for CP Group, approximately ¥320.0 bil.) was approximately ¥400.0 bil. (Refer to "Cash Flows" section below)

	Apr.-Dec. FY 2016	Apr.-Dec. FY 2015	Increase (Decrease)
Non-Resource	235.5	190.2	45.3
Natural Resource /Energy-Related	36.2	30.9	5.2
Others	9.3	10.2	(0.9)
Total	280.9	231.4	49.6
Non-Resource/ Natural Resource	87% / 13%	86% / 14%	+1% / -1%

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

Consolidated Financial Results of Operations	Apr.-Dec. FY 2016	Apr.-Dec. 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		
					Apr.-Dec. FY 2016	Apr.-Dec. FY 2015		Increase (Decrease)	Apr.-Dec. FY 2016	Apr.-Dec. FY 2015	Increase (Decrease)		
Revenues	3,771.9	4,127.5	(355.5)	<b>Revenues</b> <u>Textile (+20.6)</u> : Mainly due to the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year <u>Machinery (+13.9)</u> : Mainly due to the favorable performance in plant-related companies <u>Energy &amp; Chemicals (-313.5)</u> : Mainly due to the decline in oil prices in energy trading transactions <u>ICT, General Products &amp; Realty (-61.1)</u> : Due to the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year, despite the sales of real properties for sale	5,600.0	67.4%	Textile	23.2	21.1	2.1	19.0	20.1	(1.0)
Gross trading profit	790.4	795.2	(4.7)	<b>Gross trading profit</b> <u>Energy &amp; Chemicals (+9.3)</u> : Due to the stable performance in the energy and chemical trading transactions and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the lower profitability in self-developed crude oil transactions accompanying the decline in oil prices <u>Food (+9.2)</u> : Due to the higher transaction volume in food-distribution-related subsidiaries and the stable performance in provisions-related subsidiaries <u>Metals &amp; Minerals (-26.1)</u> : Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies	1,100.0	71.9%	Machinery	40.3	40.2	0.2	22.8	25.1	(2.3)
Selling, general and administrative expenses	(622.5)	(595.8)	(26.8)	<b>SG&amp;A expenses</b> Increase due to the higher expenses in existing subsidiaries and the acquisition of subsidiaries in the previous fiscal year	(856.0)	72.7%	Metals & Minerals	20.1	46.7	(26.6)	9.1	36.2	(27.1)
Provision for doubtful accounts	(5.4)	(3.1)	(2.3)	<b>Provision for doubtful accounts</b> Increase in allowance for doubtful accounts in foreign subsidiaries	(4.0)	-	Energy & Chemicals	45.9	12.9	33.0	35.5	32.1	3.4
Gains on investments	66.0	19.6	46.4	<b>Gains on investments</b> Increase due to the gain on sales of housing-materials-related subsidiaries in the U.S.	41.0	-	Food	34.9	43.8	(9.0)	37.1	37.5	(0.4)
Gains (losses) on property, plant, equipment and intangible assets	(29.3)	2.9	(32.2)	<b>Gains (losses) on property, plant, equipment and intangible assets</b> Deterioration due to the recognition of the impairment loss in the North Sea oil fields development project	(19.0)	4.6%	ICT, General Products & Realty	83.5	56.4	27.1	41.4	38.8	2.6
Other-net	10.0	11.7	(1.7)	<b>Income tax expense</b> Improvement of tax expenses accompanying the disposal of an U.S. oil and gas development company, and the absence of the reversal of deferred tax assets regarding MRRT in the same period of the previous fiscal year	24.0	105.5%	Others, Adjustments & Eliminations	33.0	10.2	22.8	(2.4)	6.5	(9.0)
Net interest expenses	(0.9)	(8.6)	7.7	<b>Net interest expenses</b> Improvement due to the higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares	120.0	96.1%	Consolidated	280.9	231.4	49.6	162.5	196.3	(33.8)
Dividends received	25.3	12.4	13.0	<b>Dividend received</b> Increase due to the higher dividends from the pipeline businesses	406.0	85.9%							
Equity in earnings of associates and joint ventures	115.3	96.0	19.2	<b>Equity in earnings of associates and joint ventures</b> <u>Food (-8.7)</u> : Decrease due to the effect from the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associated companies to other investments, and the absence of the gain on sales of affiliates in the CVS companies in the same period of the previous fiscal year <u>Energy &amp; Chemicals (+10.7)</u> : Improvement due to the absence of the impairment loss in an U.S. oil and gas development company in the same period of the previous fiscal year, despite the effect of the scheduled maintenance of methanol-related companies <u>Others, Adjustments &amp; Eliminations (+20.5)</u> : Increase due to the start of equity pick-up of CITIC Limited, and other factors	(58.0)	62.3%							
Profit before tax	348.9	330.3	18.6	<b>Income tax expense</b> Improvement of tax expenses accompanying the disposal of an U.S. oil and gas development company, and the absence of the reversal of deferred tax assets regarding MRRT in the same period of the previous fiscal year	348.0	89.9%							
Income tax expense	(36.1)	(83.4)	47.2		330.0	85.1%							
Net Profit	312.7	246.9	65.8		18.0	176.6%							
Net profit attributable to ITOCHU	280.9	231.4	49.6		240.0	67.7%							
Net profit attributable to non-controlling interests	31.8	15.6	16.2		369.0	83.4%							
Total comprehensive income attributable to ITOCHU	175.3	423.3	(248.0)										
(Reference) Trading income	162.5	196.3	(33.8)										
Adjusted profit	307.6	299.2	8.4										

\*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	Dec. 2015	Mar. 2015	Increase (Decrease)	Outlook for FY2016 (Disclosed on May 1, 2015)	Cash Flows	Apr.-Dec. FY 2016	Apr.-Dec. FY 2015	Group Companies (Net profit attributable to ITOCHU)			Summary of changes from the previous fiscal year	
								Apr.-Dec. FY 2016	Apr.-Dec. FY 2015	Increase (Decrease)		
Total assets	9,234.7	8,560.7	674.0	9,200.0	Operating activities	253.7	134.9	ITOCHU International Inc. (C)	23.2	8.1	15.0	Increase due to the favorable performance in the chemical-related sector and machinery-related sector, and the gain on sales of housing-materials-related subsidiaries, despite the lower profit in food-related sector
Interest-bearing debt	3,708.3	3,092.2	616.1	3,550.0	Investing activities	(788.2)	(254.2)	ITOCHU Minerals & Energy of Australia Pty Ltd (C)	15.9	30.9	(15.0)	Decrease due to the decline in iron ore and coal prices, despite the reduction of costs, the improvement in foreign currency translation, and the absence of the reversal of deferred tax assets regarding MRRT in the same period of the previous fiscal year
Net interest-bearing debt	3,065.9	2,380.5	685.4	2,900.0	Free cash flows (*)	(534.5)	(119.3)	NIPPON ACCESS, INC. (C)	7.3	6.7	0.5	Increase due to the higher transaction volume and the improvement in profitability, despite the increase in distribution costs, and expenses accompanying the implementation of a new system
Total shareholders' equity	2,515.0	2,433.2	81.8	2,600.0	Financing activities	466.2	195.6	Marubeni-Itochu Steel Inc. (E)	7.0	11.1	(4.1)	Decrease due to the stagnant steel market conditions and lower energy related demand
Ratio of shareholders' equity to total assets	27.2%	28.4%	( 1.2 pt )	28.3%	Cash and cash equivalents	632.3	749.2	CIECO Exploration and Production (UK) Limited (C)	(18.2)	(0.3)	(17.9)	Deterioration due to the impairment loss in the North Sea oil fields development project
Net debt-to-shareholders' equity ratio (times)	1.2	0.98	0.2	1.1	Increase (Decrease)	(68.0)	95.5					
Total equity	2,781.0	2,748.3	32.7	2,900.0								

(\*) "Free cash flows" excluding the investment & loan (approx. ¥930.0 bil.) accompanying acquisition of CITIC Ltd. shares: approx. ¥400.0 bil.

Summary of changes from the previous fiscal year end				Summary of Cash Flows for Apr.-Dec. of FY 2016					
<p>• <b>Total assets</b>: Increased by 7.9%, or 674.0 billion yen, compared with March 31, 2015, to 9,234.7 billion yen. This increase was due to the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 930.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite the return of investment accompanying the merger of assets related to Brazilian iron ore business and the de-consolidation of housing-materials-related subsidiaries in the U.S.</p> <p>• <b>Net interest-bearing debt</b>: Increased by 28.8%, or 685.4 billion yen, compared with March 31, 2015, to 3,065.9 billion yen, due to the increase in borrowings regarding the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 930.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite the repayment of debt accompanying the steady collections of trade receivables and investments.</p> <p>• <b>Total shareholders' equity</b>: Increased by 3.4%, or 81.8 billion yen, compared with March 31, 2015, to 2,515.0 billion yen, due to the increase in Net profit attributable to ITOCHU, despite the dividend payments, the foreign currency translation accompanying the depreciation of the Australian dollar, and the decline in the stock prices of investments. Ratio of shareholders' equity to total assets decreased by 1.2 points to 27.2% compared with March 31, 2015. NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2015 to 1.2 times.</p>				<p>• <b>Operating</b>: Net cash-inflow of 253.7 billion yen, resulting from the steady collections in the energy, food, and machinery sectors, despite the decrease in trade payables in the construction, realty &amp; logistics sector.</p> <p>• <b>Investing</b>: Net cash-outflow of 788.2 billion yen, due to the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 930.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite the return of investment accompanying the merger of assets related to Brazilian iron ore business, approximately 130.0 billion yen(*) and the sales of housing-materials-related subsidiaries in the U.S., approximately 110.0 billion yen.</p> <p>• <b>Financing</b>: Net cash-inflow of 466.2 billion yen, due to increase in debt, despite the dividend payments, and the distribution to non-controlling interests of approximately 60.0 billion yen(*) accompanying the return of investment regarding the Brazilian iron ore business mentioned above.</p> <p>(*) ITOCHU's portion of net cash-inflow is approximately 70.0 billion yen.</p>					
Dividend Information (Per Share)		Major Indicators		Apr.-Dec. FY 2016		Apr.-Dec. FY 2015		Variance	
Annual (Planned)	50 yen (minimum)	Foreign exchange (Yen/US\$)	Average	121.60	104.85	16.75			
Interim (Paid)	25 yen		Closing	Dec.-15 120.61	Mar.-15 120.17	0.44			
		Interest	JPY TIBOR 3M, average	0.171%	0.204%	(0.033%)			
			US\$ LIBOR 3M, average	0.334%	0.233%	0.101%			
		Crude oil (Brent) (US\$/BBL) average		53.13	96.71	(43.58)			
		Iron ore (US\$/ton)		55	101	(46)			
		Hard coking coal (US\$/ton) (*)		97	120	(23)			
		Thermal coal (US\$/ton)		68	82	(14)			

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

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