

# Highlights of Consolidated Financial Results for the 1st Quarter of FY 2017 [IFRS]

Aug 2, 2016  
ITOCHU Corporation

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

## Financial topics for the 1st Quarter of FY 2017

- "Net profit attributable to ITOCHU" decreased by ¥48.4 bil. (39.8%) compared with the same period of the previous fiscal year, to ¥73.1 bil., due to the absence of profit from special factors.**
  - "Net profit attributable to ITOCHU" increased in the Machinery, Food, and Others, Adjustments & Eliminations segments. On the other hand, Energy & Chemicals, General Products & Realty, and Metals & Minerals segments decreased, due to the absence of profit from special factors in the same period of the previous fiscal year. Machinery (¥16.5 bil.) and Food (¥12.8 bil.) segments achieved earnings of over ¥10.0 bil.
  - "Net profit attributable to ITOCHU" excluding special factors (approximately ¥1.5 bil. (profit) in this fiscal year, approximately ¥53.0 bil. (profit) in the same period of the previous fiscal year) increased by approximately ¥3.0 bil. compared with the same period of the previous fiscal year to approximately ¥72.0 bil. (approximately ¥69.0 bil. in the same period of the previous fiscal year). The increase was due to the contribution from CITIC Limited and the favorable performance in the Food segment, despite the decrease due to the effect of the appreciation of the yen.
- "Cash flows from operating activities" was a Net cash-inflow of ¥56.9 bil. "Free cash flows" was a Net cash-inflow of ¥48.0 bil.**
  - "Cash flows from operating activities" was a Net cash-inflow of ¥56.9 bil. resulting from in operating revenue and the steady collections in the Metals & Minerals, Energy, and Machinery sectors.
  - After deducting "Cash flows from investing activities" (Net cash-outflow of ¥8.9 bil.), "Free cash flows" was a Net cash-inflow of ¥48.0 bil. As there was a providing of loan accompanying the acquisition of CITIC Limited shares, and the sale of a housing-materials-related company in the U.S. in the same period of the previous fiscal year, Net cash-inflow after deducting the increase and decrease in working capital, and special factors from "Free cash flows", increased compared with the same period of the previous fiscal year.
- "NET DER" (Net debt-to-shareholders' equity ratio) was nearly at the same level compared with March 31, 2016, at 1.16 times.**
  - "NET DER" was nearly at the same level compared with March 31, 2016, due to the decrease both in "Total shareholders' equity", mainly due to the effect of foreign currency translation accompanying the appreciation of the yen, and in "Net interest-bearing debt".

	1st Quarter FY 2017	1st Quarter FY 2016	Increase (Decrease)
Non-Resource	74.1	79.3	(5.2)
Natural Resource /Energy Related	3.8	37.9	(34.1)
Others	(4.8)	4.2	(9.0)
<b>Total</b>	<b>73.1</b>	<b>121.5</b>	<b>(48.4)</b>
Non-Resource/Natural Resource	95%/5%	68%/32%	+27%/-27%

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

Consolidated Financial Results of Operations	1st Quarter FY 2017	1st Quarter FY 2016	Increase (Decrease)
Revenues	1,106.6	1,259.1	(152.4)
Gross trading profit	248.9	253.7	(4.8)
Selling, general and administrative expenses	(199.7)	(205.4)	5.7
Provision for doubtful accounts	(0.7)	(1.6)	0.8
Gains on investments	8.8	33.0	(24.2)
Losses on property, plant, equipment and intangible assets	(0.0)	(0.6)	0.6
Other-net	(2.3)	3.1	(5.4)
Net interest expenses	(0.1)	(1.6)	1.5
Dividends received	5.3	5.7	(0.4)
Equity in earnings of associates and joint ventures	37.1	37.8	(0.7)
Profit before tax	97.2	124.0	(26.8)
Income tax expense	(21.4)	3.2	(24.6)
Net Profit	75.8	127.2	(51.4)
Net profit attributable to ITOCHU	73.1	121.5	(48.4)
Net profit attributable to non-controlling interests	2.8	5.8	(3.0)
Total comprehensive income attributable to ITOCHU	(66.3)	145.3	(211.6)

(Reference)	1st Quarter FY 2017	1st Quarter FY 2016	Increase (Decrease)
Adjusted profit	91.4	90.1	1.3

\*Adjusted profit = Gross trading profit + SG&A expenses + Net interest expenses + Dividends received + Equity in earnings of associates and joint ventures

Summary of changes from the same period of the previous fiscal year	Outlook for FY 2017 (Disclosed on May 6, 2016)	Progress (%)
Revenues	5,000.0	22.1%
Energy & Chemicals (-83.8): Due to the lower sales volume in energy trading transactions, the decline in oil prices, and the appreciation of the yen	1,080.0	23.0%
General Products & Realty (-23.8): Due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year, and the appreciation of the yen	(837.0)	23.9%
Metals & Minerals (-11.2): Mainly due to the decline in iron ore and coal prices	(3.0)	—
Textile (-10.6): Due to the unfavorable sales in apparel-related companies	42.0	—
Gross trading profit	(16.0)	0.9%
Food (-3.4): Due to the improvement in profitability in food-distribution-related and fresh-food-related companies	17.0	31.0%
Energy & Chemicals (-4.3): Due to the lower transaction volume in crude oil, fuel oil, and self-developed crude oil transactions, and the decline in oil prices, despite the stable performance in chemical trading transactions	180.0	20.6%
General Products & Realty (-3.9): Due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year, and the appreciation of the yen	463.0	21.0%
SG&A expenses: Decrease due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and lower expenses in foreign companies accompanying the appreciation of the yen	(90.0)	23.7%
Provision for doubtful accounts: Decrease due to the conversion of an automobile-related subsidiary to investments accounted for by the equity method	373.0	20.3%
Gains on investments	350.0	20.9%
Decrease due to the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year, despite the gain on sales of a medical-device-related company	23.0	12.0%
Other-net: Deterioration due to the decline in foreign currency translation from the appreciation of the yen	424.0	21.6%
Net interest expenses: Improvement due to lower interest rate of yen-denominated debt		
Equity in earnings of associates and joint ventures		
Metals & Minerals (-10.0): Decrease due to the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year		
General Products & Realty (-3.8): Decrease due to the stagnant market conditions and foreign currency translation in foreign pulp-related companies		
Others, Adjustments & Eliminations (+12.9): Increase due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year, and other factors		
Income tax expense: Deterioration due to the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the same period of the previous fiscal year		

Financial Position	Jun. 2016	Mar. 2016	Increase (Decrease)	Outlook for FY 2017 (Disclosed on May 6, 2016)
Total assets	7,664.5	8,036.4	(371.9)	8,200.0
Interest-bearing debt	3,075.4	3,196.2	(120.8)	3,150.0
Net interest-bearing debt	2,424.9	2,555.6	(130.7)	2,500.0
Total shareholders' equity	2,088.3	2,193.7	(105.4)	2,400.0
Ratio of shareholders' equity to total assets	27.2%	27.3%	(0.1pt)	29.3%
Net debt-to-shareholders' equity ratio (times)	1.16	1.17	nearly same level	1.0
Total equity	2,339.9	2,452.1	(112.2)	2,700.0

Summary of changes from the previous fiscal year end	Jun. 2016	Mar. 2016	Increase (Decrease)	Outlook for FY 2017 (Disclosed on May 6, 2016)
Total assets:				
Decreased by 4.6%, or 371.9 billion yen, compared with March 31, 2016, to 7,664.5 billion yen (74,478 million U.S. dollars). This decrease was due to the collections of trade receivables in domestic ICT-related and mobile-phone-related companies, and the appreciation of the yen.				
Net interest-bearing debt:				
Decreased by 5.1%, or 130.7 billion yen, compared with March 31, 2016, to 2,424.9 billion yen (23,564 million U.S. dollars). This decrease was due to the appreciation of the yen.				
Total shareholders' equity:				
Decreased by 4.8%, or 105.4 billion yen, compared with March 31, 2016, to 2,088.3 billion yen (20,292 million U.S. dollars), due to the dividend payments and the effect of the appreciation of the yen, despite the increase in Net profit attributable to ITOCHU.				
Ratio of shareholders' equity to total assets slightly decreased by 0.1 points to 27.2% compared with March 31, 2016. NET DER (Net debt-to-shareholders' equity ratio) was nearly at the same level compared with March 31, 2016, at 1.16 times.				

Cash Flows	1st Quarter FY 2017	1st Quarter FY 2016
Operating activities	56.9	71.0
Investing activities	(8.9)	(410.1)
Free cash flows	48.0	(339.1)
Financing activities	(22.2)	226.3
Cash and cash equivalents	641.6	595.1
Increase (Decrease)	8.7	(105.2)

### Summary of Cash Flows for the 1st Quarter FY 2017

- Operating:** Recorded a net cash-inflow of 56.9 billion yen (553 million U.S. dollars), resulting from the stable performance in operating revenue and the steady collections in the Metals & Minerals, Energy, and Machinery sectors, despite the increase in trade receivables in the Food sector and the decrease in trade payables in the Construction, Realty & Logistics sector.
- Investing:** Recorded a net cash-outflow of 8.9 billion yen (87 million U.S. dollars), due to the additional investment in a CVS company.
- Financing:** Recorded a net cash-outflow of 22.2 billion yen (215 million U.S. dollars), due to the dividend payments, despite the increase in debt.

Operating Segment Information	Net profit attributable to ITOCHU		
	1st Quarter FY 2017	1st Quarter FY 2016	Increase (Decrease)
Textile	4.2	4.7	(0.5)
Machinery	16.5	12.5	4.0
Metals & Minerals	8.4	14.3	(5.9)
Energy & Chemicals	4.5	32.5	(27.9)
Food	12.8	10.2	2.6
General Products & Realty	9.1	32.3	(23.2)
ICT & Financial Business	8.4	9.5	(1.0)
Others, Adjustments & Eliminations	9.1	5.5	3.6
Consolidated	73.1	121.5	(48.4)

Summary of changes from the same period of the previous fiscal year
Decrease due to the discontinued recognition of investments accounted for by the equity method of China-related companies in the previous fiscal year, despite higher trading income
Increase due to the gain on sales of a medical-device-related company, despite trading income remaining nearly at the same level compared with the previous fiscal year
Decrease due to the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year, despite higher trading income
Decrease due to lower trading income, and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the same period of the previous fiscal year
Increase due to higher trading income and the increase in equity in earnings of associates and joint ventures in fresh-food-related companies
Decrease due to lower trading income and the decrease in equity in earnings of associates and joint ventures in foreign pulp-related companies, and the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year
Decrease due to the decrease in equity in earnings of associates and joint ventures, despite higher trading income
Increase due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year, despite the deterioration in foreign currency translation

Group Companies (Net profit attributable to ITOCHU)	1st Quarter FY 2017	1st Quarter FY 2016	Increase (Decrease)
Orchid Alliance Holdings Limited (C)	12.6	0.3	12.4
ITOCHU Minerals & Energy of Australia Pty Ltd (C)	6.9	6.8	0.0
Dole International Holdings, Inc. (C)	3.0	2.1	0.8
ITOCHU International Inc. (C)	2.6	17.7	(15.0)
ITOCHU Oil Exploration (Azerbaijan) Inc. (C)	(1.9)	0.7	(2.6)

Dividend Information (Per Share)	Annual (Planned)	55.0 yen (minimum)
	Interim (Planned)	27.5 yen

Major Indicators	1st Quarter FY 2017	1st Quarter FY 2016	Variance
Foreign exchange (Yen/US\$) Average Closing	110.38	120.21	(9.83)
	Jun. 16 102.91	Mar. 16 112.68	(9.77)
Interest JPY TIBOR 3M, average	0.070%	0.171%	(0.101%)
US\$ LIBOR 3M, average	0.643%	0.280%	0.364%
Crude oil (Brent) (US\$/BBL) average	47.03	62.76	(15.73)
Iron ore (US\$/ton)	39	62	(23)
Hard coking coal (US\$/ton) (*)	84	110	(26)
Thermal coal (US\$/ton)	61.6	67.8	(6.2)

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

