FY2018 1st Half Business Results Summary

November 2, 2017

ITOCHU Corporation

Forward-Looking Statements

This material contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. The expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation: changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources. Therefore, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and further, that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Summary of Net profit attributable to ITOCHU

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(Unit : billion yen)

- **"Net profit attributable to ITOCHU" increased by 20%, or ¥40.3 bil., compared with the same period of the previous fiscal year to ¥242.5 bil., which achieved the highest record for a 1st half result.**
  Due to the strong earnings in the Metals & Minerals, Food, ICT and Forest Products & General Merchandise sectors,
  "Net profit attributable to ITOCHU" progressed 61% toward the FY2018 Forecast of ¥400.0 bil., which is in favorable progress.
  Profits of Non-Resource sector increased by ¥19.1 bil., compared with the same period of the previous fiscal year to ¥207.3 bil., which achieved the highest record for a 1st half result.
- **"Net profit attributable to ITOCHU after deducting extraordinary gains and losses"** (approximately ¥42.0 bil. (profit) in this 1st half, approximately ¥31.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥30.0 bil., compared with the same period of the previous fiscal year to approximately ¥201.0 bil., which achieved the highest record for a 1st half result.**
- **"Profits/Losses of group companies"** was **¥226.8 bil., which achieved the highest record for the second consecutive year as a 1st half result.**
- **"Core operating cash flows"**, after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥210.0 bil., which achieved the highest record for a 1st half result.**
- **Ratio of shareholders' equity to total assets** was **30.1%, which was the highest record. NET DER** was **0.91 times, which was the lowest record**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections.

	FY2017 1st Half Result	FY2018 1st Half Result	Increase/ (Decrease)	FY2018 Forecast (Disclosed on May, 2)	Progress
Net profit attributable to ITOCHU	**202.2**	**＊ 242.5**	**+ 40.3**	**400.0**	**61%**
Gross trading profit	514.1	＊ 579.0	+ 64.8	1,230.0	47%
Selling, general and administrative expenses	(395.5)	(429.6)	(34.1)	(921.0)	47%
Gains on investments	38.9	37.3	(1.6)	-	-
Equity in earnings of associates and joint ventures	96.0	＊ 109.3	+ 13.3	190.0	58%
Income tax expense	(48.8)	(57.2)	(8.4)	(103.0)	55%

(Reference)

	FY2017 1st Half Result	FY2018 1st Half Result	Increase/ (Decrease)
Extraordinary gains and losses	31.0	42.0	+ 11.0
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 171.0	＊ approx. 201.0	+ 30.0
Profits/Losses of group companies	171.4	＊ 226.8	+ 55.4
Share (%) of group companies reporting profits	81.7%	81.3%	nearly same level

Dividend Information (Per Share)	
Annual (Planned)	64.0 yen (minimum)
Interim	32.0 yen

＊ : Record High

Net profit attributable to ITOCHU by Segment

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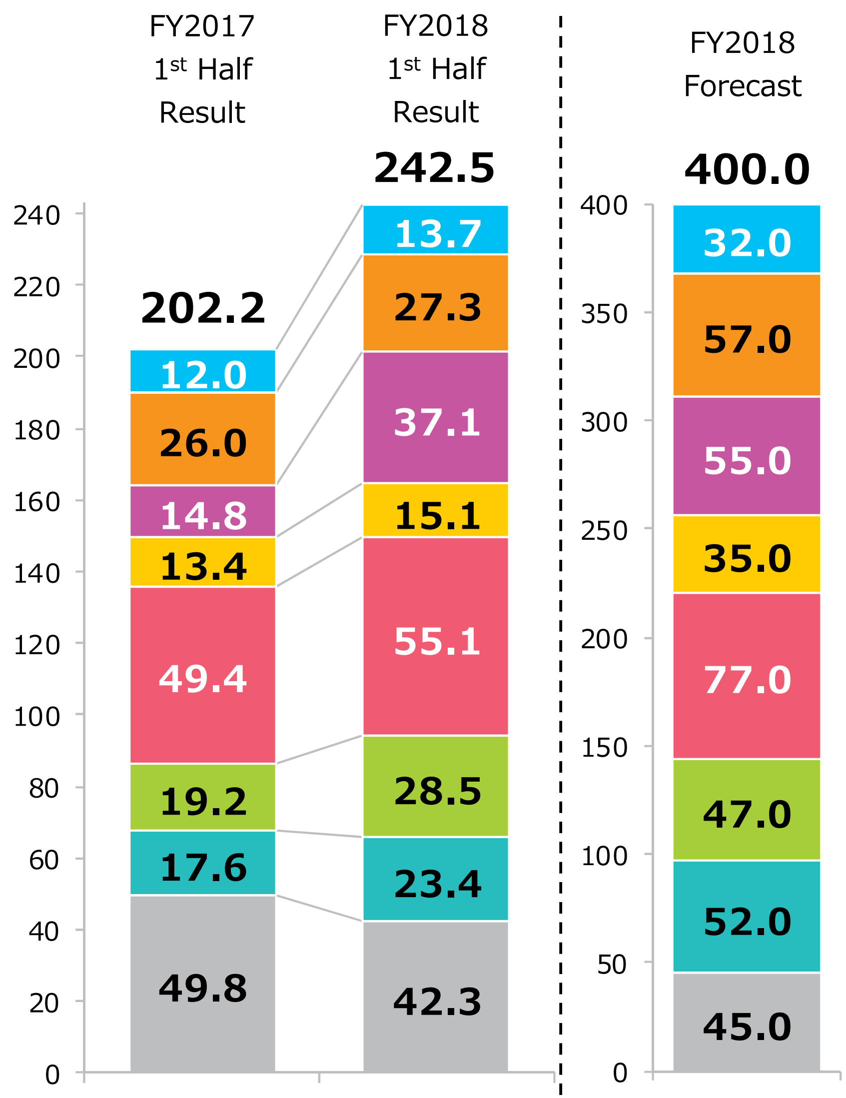

	FY2017 1st Half Result	FY2018 1st Half Result	FY2018 Forecast
Non-Resource	188.2	* 207.3	367.0
Resource	11.8	34.7	51.0
Others	2.2	0.5	(18.0)
Non-Resource(%)	94%	86%	88%

* : Record High

Summary of changes from the same period of the previous fiscal year

Textile [Inc / (Dec) : ¥+1.7 bil., Progress : 43%]
Increase due to lower expenses, higher equity in earnings of associates and joint ventures, and lower tax expenses, despite the unfavorable sales in apparel-related companies.

Machinery [Inc / (Dec) : ¥+1.3 bil., Progress : 48%]
Increase due to the favorable performance in aircraft-related and plant-related companies, and the absence of deterioration in profitability in ship-related business affected by stagnant market conditions in the same period of the previous fiscal year, despite the absence of the gain on sales of a medical-device-related company in the same period of the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥+22.3 bil., Progress : 67%]
Increase due to the higher iron ore and coal prices, the higher sales volume in iron ore-related business, and dividends from coal-related investments.

Energy & Chemicals [Inc / (Dec) : ¥+1.7 bil., Progress : 43%]
Increase due to the favorable performance in plastic-related companies and the gain accompanying the merger of C. I. Kasei and Takiron, despite the absence of extraordinary gains in the same period of the previous fiscal year.

Food [Inc / (Dec) : ¥+5.7 bil., Progress : 72%]
Increase due to the higher transaction volume with FamilyMart UNY Holdings in fresh-food-related and provisions-related transactions, the higher equity in earnings of associates and joint ventures accompanying the merger of FamilyMart and UNY Holdings, and the extraordinary gain accompanying the partial sales of a Chinese fresh-food-related company, despite the absence of extraordinary gains in the same period of the previous fiscal year.

General Products & Realty [Inc / (Dec) : ¥+9.3 bil., Progress : 61%]
Increase due to the higher transaction volume in natural-rubber-related, North American facility-materials-related, and European tire-related companies, the stable performance in foreign pulp-related companies, and extraordinary gains relating to pulp-related and asset-management-related companies.

ICT & Financial Business [Inc / (Dec) : ¥+5.8 bil., Progress : 45%]
Increase due to the higher transaction volume in domestic ICT-related companies, the stable performance in mobile-phone-related and CRO-business-related companies, and the recovery of foreign finance-related companies.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (7.5) bil.]
Decrease due to the lower equity in earnings of C.P. Pokphand, despite the higher equity in earnings of CITIC Limited.

Note:% composition is calculated using the total of Non-Resource and Resource sectors as 100%.

Cash Flows

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(Unit : billion yen)

■ **Operating Cash Flows and Free Cash Flows:**
"Cash flows from operating activities" was a **net cash-inflow of ¥155.0 bil.,** resulting from the stable performance in operating revenues. **"Free cash flows"** resulted a **net cash-inflow of ¥80.2 bil.,** due to the additional investments in FamilyMart UNY Holdings.

■ **Core Free Cash Flows:**
"Core operating cash flows", after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥210.0 bil.** and **achieved the highest record for a 1st half result. "Core free cash flows"** resulted a **net cash-inflow of ¥105.0 bil. and progressed stably toward the FY2018 Image of over ¥100.0 bil.+ α.**

Cash Flows

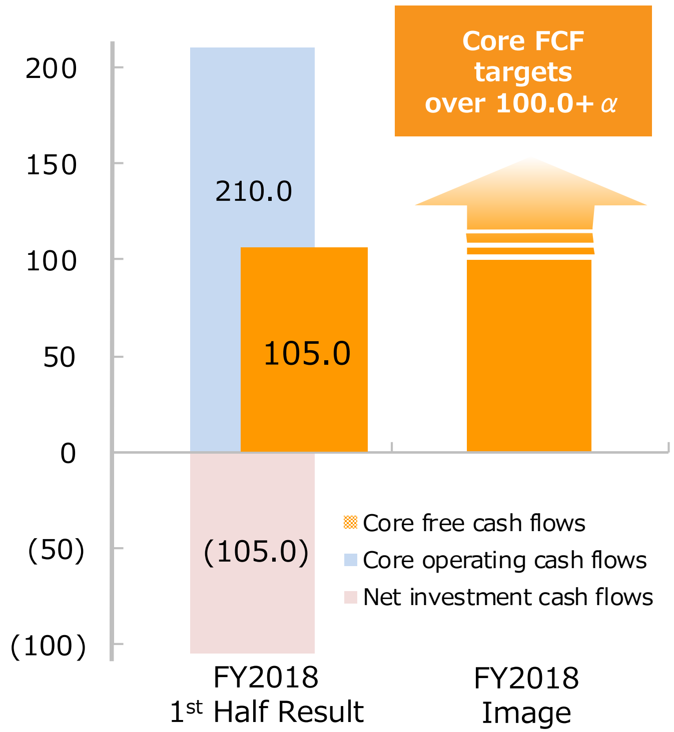
	FY2017 1st Half Result	FY2018 1st Half Result
Cash flows from operating activities	162.4	155.0
Cash flows from investing activities	(19.9)	(74.8)
Free cash flows	*142.5*	*80.2*
Cash flows from financing activities	(102.7)	(186.4)

Core Free Cash Flows

	FY2017 1st Half Result	FY2018 1st Half Result	FY2018 Image
Core operating cash flows(Note1)	175.0	＊ 210.0	approx. 400.0
Net investment cash flows(Note2)	(60.0)	(105.0)	
Core free cash flows	115.0	105.0	Over 100.0+ α
Shareholder returns (dividend and share buyback)	(39.5)	(71.0)	

＊ : Record High

Core Free Cash Flows

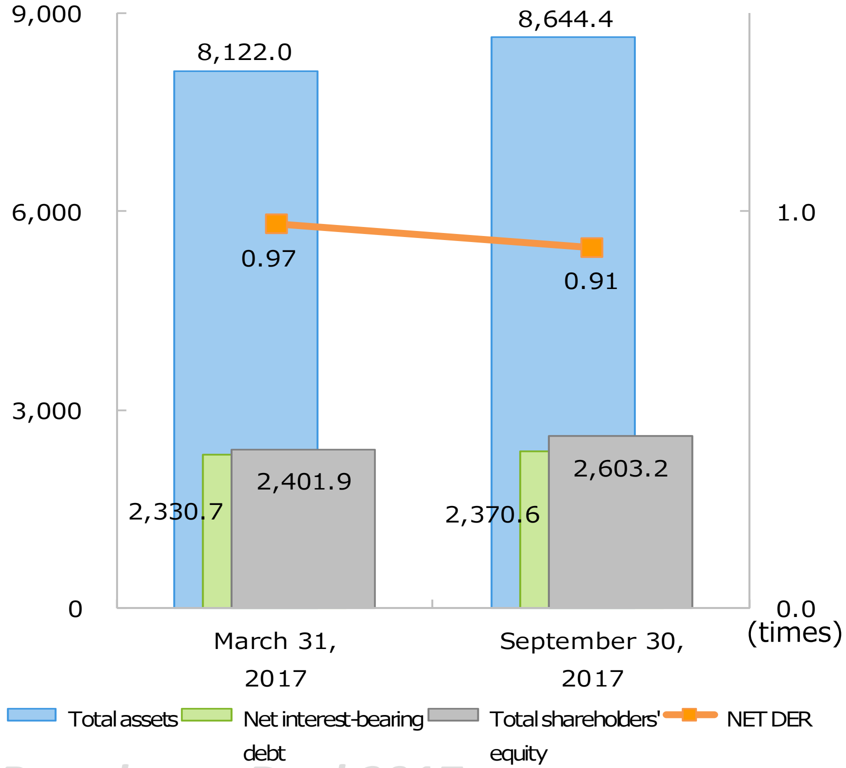


Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥522.4 bil., compared with March 31, 2017 to **¥8,644.4 bil.**, due to the conversion of YANASE into a consolidated subsidiary, the conversion of Takiron into a consolidated subsidiary as a result of its merger with C. I. Kasei, the increased trade receivables accompanying the seasonal factors in food-distribution-related companies, and the increase in investments accounted for by the equity method.
- **Net interest-bearing debt:**
  Interest-bearing debt decreased by ¥54.6 bil., compared with March 31, 2017 to ¥2,890.1 bil., due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, despite the conversion of YANASE into a consolidated subsidiary, the investments in IPP-related companies, and the additional investments in FamilyMart UNY Holdings and a provisions-related company. Whereas, **Net interest-bearing debt** (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by ¥39.9 bil., compared with March 31, 2017 to **¥2,370.6 bil.**, due to the decrease in Cash and cash equivalents.
- **Total shareholders' equity:**
  Increased by ¥201.3 bil., compared with March 31, 2017 to **¥2,603.2 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite dividend payments and acquisition of treasury stock.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets increased by 0.5 points compared with March 31, 2017 to **30.1%.**
  NET DER (Net debt-to-shareholders' equity ratio) improved by 0.1 points compared with March 31, 2017 to **0.91 times**.



	March 31, 2017	September 30, 2017	Increase/ (Decrease)	FY2018 Forecast (Disclosed on May, 2)
Total assets	8,122.0	8,644.4	+ 522.4	8,600.0
Net interest-bearing debt	2,330.7	2,370.6	+ 39.9	2,350.0
Total shareholders' equity	2,401.9	＊ 2,603.2	+ 201.3	2,650.0
Ratio of shareholders' equity to total assets	29.6%	＊ 30.1%	Increased 0.5pt	30.8%
NET DER (times)	0.97	＊ 0.91	Improved 0.1pt	0.9
ROE	15.3%	–	–	15.8%

＊: Record High (NET DER : Record Low)

Major Indicates

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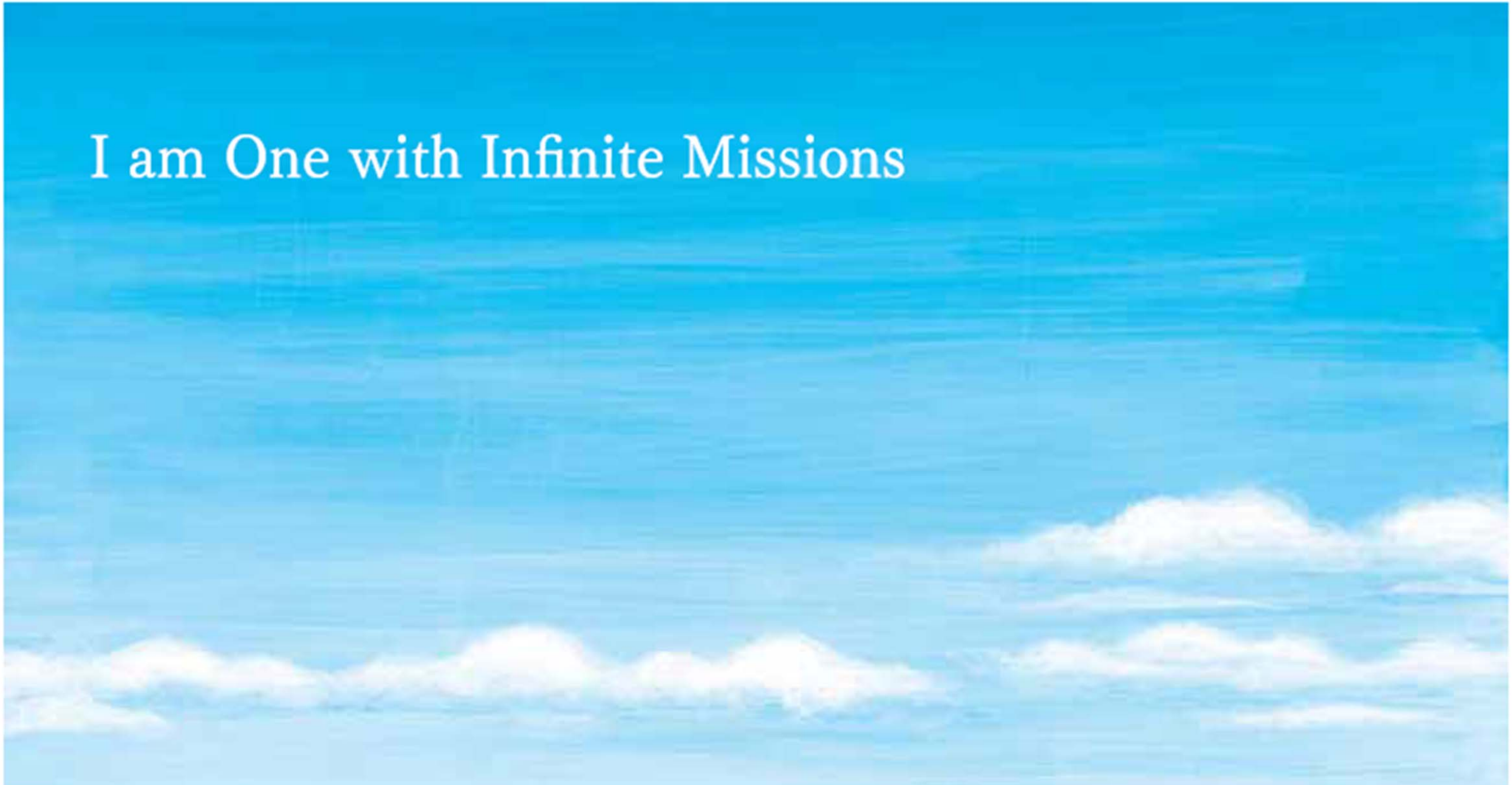
	FY2017 1st Half Result	FY2018 1st Half Result	FY2018 Forecast (Disclosed on May, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2018 2nd half against forecast
Exchange rate (YEN / US$) average	106.93	111.25	110	Approx. ¥(0.9) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2017 112.19	Sep. 2017 112.73	110	-
Interest JPY TIBOR 3M, average	0.065%	0.057%	0.10%	Approx. ¥(2.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	47.01	51.49	50	±¥0.13 bil.
Iron ore (CFR China) (US$/ton)	55*	67*	N.A.**	±¥0.35 bil.
Hard coking coal (FOB Australia) (US$/ton)	89*	190*	N.A.**	±¥0.11 bil.
Thermal coal (FOB Australia) (US$/ton)	59*	87*	N.A.**	

(The above effect varies according to changes in sales volume, foreign exchange rates and production costs.)

* FY2017 1st half and FY2018 1st half prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

** The prices for iron ore, hard coking coal and thermal coal used in the FY2018 forecast are assumed in consideration for general transaction prices based on the market. The figures are not presented since the actual sales prices are decided based on negotiations with each customer, ore type and coal type.



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