

**FY2020 1<sup>st</sup> Quarter**

# **Business Results Summary**

ITOCHU Corporation

August 2, 2019



I am One with Infinite Missions

#### Forward-Looking Statements

Data and projections contained in these materials are based on the information available at the time of publication, and various factors 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 practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

# Summary of Financial Results for FY2020 1<sup>st</sup> Quarter



(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** increased by 30%, or ¥33.9 bil., compared with the same period of the previous fiscal year to **¥147.3 bil.**, renewed the highest record for a quarter result, and progressed approximately 30% steadily toward the FY2020 Forecast. **Profits of the Non-Resource sector** increased by ¥20.2 bil., compared with the same period of the previous fiscal year to **¥113.2 bil.** [3rd consecutive year]
- **“Core Profit”** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥8.0 bil., compared with the same period of the previous fiscal year to approximately **¥117.0 bil.** [4th consecutive year]
- **“Profits/Losses of group companies”** was **¥126.3 bil.** [3rd consecutive year]  
Shares (%) of group companies reporting profits was 84.9%, remaining at a high level.
- **“Core Operating Cash Flows”** was a **net cash-inflow of ¥148.0 bil.**, renewed the highest record for a 1<sup>st</sup> quarter result.
- **“Basic earnings per share attributable to ITOCHU (EPS)”** was **nearly ¥100 level on a quarterly basis**, renewed the highest record for a quarter result.

[ ]: Number of years renewing the highest record in a row for a 1<sup>st</sup> quarter result

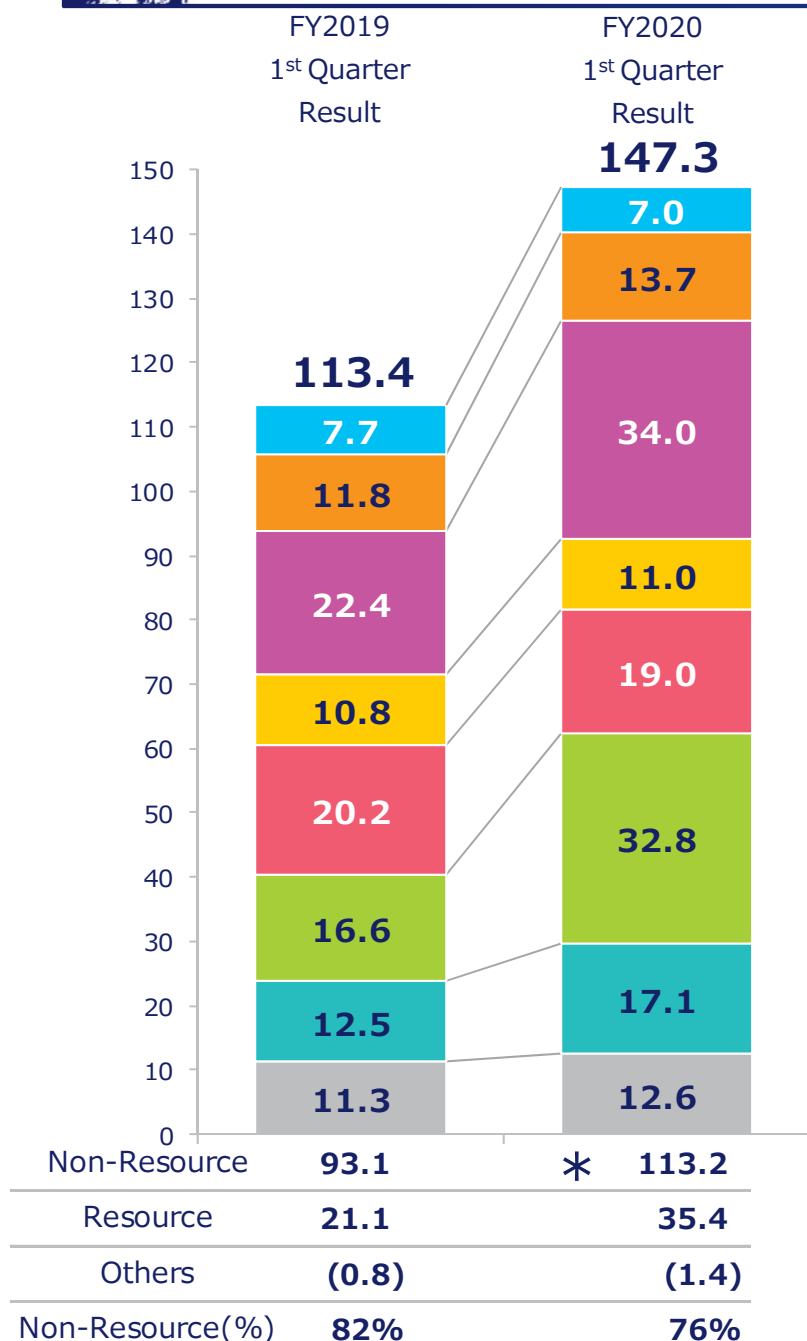
	FY2019 1 <sup>st</sup> Quarter Result	FY2020 1 <sup>st</sup> Quarter Result	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26)	Progress
Net profit attributable to ITOCHU	113.4	* 147.3	+ 33.9	500.0	29%
Extraordinary gains and losses	4.5	30.0	+ 25.5		
Core Profit	approx. 109.0	* approx. 117.0	approx. + 8.0		
Profits/Losses of group companies	110.9	* 126.3	+ 15.4		
Share (%) of group companies reporting profits	84.9%	84.9%	Same level		
Core Operating Cash Flows	89.0	* 148.0	+ 59.0		
EPS	73.14 yen	* 97.88 yen	+ 24.74 yen		
				Dividend Information (Per Share)	
				Annual (Planned)	85.0 yen (minimum)
				Interim (Planned)	42.5 yen

\* : Record High

# Net profit attributable to ITOCHU by Segment



(Unit : billion yen)



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

### Textile [Inc / (Dec) : ¥ (0.6) bil., Progress : 21%]

Decrease due to the absence of lower tax expenses in the same period of the previous fiscal year, despite the stable performance and the reduction of expenses in apparel-related companies and the gain on sales of fixed assets in EDWIN.

### Machinery [Inc / (Dec) : ¥ +2.0 bil., Progress : 22%]

Increase due to the improvement in profitability in used car sales in YANASE and the stable performance in industrial-machinery-related companies.

### Metals & Minerals [Inc / (Dec) : ¥ +11.5 bil., Progress : 35%]

Increase due to the higher iron ore prices and increase in dividends received in Brazil Japan Iron Ore Corporation.

### Energy & Chemicals [Inc / (Dec) : ¥ +0.2 bil., Progress : 19%]

Increase due to the increased vessel allocation in CIECO Azer, despite the sales of a North Sea oil fields development company in the third quarter of the previous fiscal year and the absence of the extraordinary gain in the same period of the previous fiscal year.

### Food [Inc / (Dec) : ¥ (1.2) bil., Progress : 22%]

Decrease due to the lower equity in earnings of North American grain-related companies resulting from weather factors and the lower sales prices in fresh foods in Dole, despite the stable performance and lower tax expenses in FamilyMart UNY.

### General Products & Realty [Inc / (Dec) : ¥ +16.2 bil., Progress : 47%]

Increase due to the improvement in profitability in North American facility-materials-related companies and the extraordinary gain accompanying partial sales of foreign companies and the extraordinary gain in ITOCHU LOGISTICS, despite the lower equity in earnings in IFL (European pulp-related company) resulting from the lower pulp prices.

### ICT & Financial Business [Inc / (Dec) : ¥ +4.6 bil., Progress : 25%]

Increase due to the stable performance in ITOCHU Techno-Solutions and the extraordinary gains accompanying partial sales of domestic companies.

### Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +1.2 bil.]

Increase due to the higher equity in earnings of CITIC Limited and C.P. Pokphand.

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

\*: Record High



# Cash Flows



(Unit : billion yen)

## Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥153.7 bil.**, resulting from the stable performance in operating revenues in the Food, Metals & Minerals, ICT & Financial Business and General Products & Realty Companies. “Free cash flows” resulted in a **net cash-inflow of ¥117.6 bil.**, due to the acquisition of fixed assets mainly in the Food and Metals & Minerals Companies.

## Core Free Cash Flows:

“Core Operating Cash Flows”, after deducting changes in working capital and excluding the effect of lease accounting from “Cash flows from operating activities”, was a **net cash-inflow of ¥148.0 bil.**, which renewed the highest record for a 1<sup>st</sup> quarter result. “Core Free Cash Flows” resulted in a **net cash-inflow of ¥118.0 bil.**

## Cash Flows

	FY2019 1 <sup>st</sup> Quarter Result	FY2020 1 <sup>st</sup> Quarter Result
Cash flows from operating activities	52.5	* 153.7
Cash flows from investing activities	(29.0)	(36.1)
Free cash flows	23.5	* 117.6
Cash flows from financing activities	(21.7)	(169.7)

## Core Free Cash Flows

	FY2019 1 <sup>st</sup> Quarter Result	FY2020 1 <sup>st</sup> Quarter Result	FY2020 Image
Core Operating Cash Flows <sup>(*1)</sup>	89.0	* 148.0	Over 580.0
Net Investment Cash Flows <sup>(*2)</sup>	(45.0)	(30.0)	
Core Free Cash Flows	44.0	* 118.0	Maintain positive

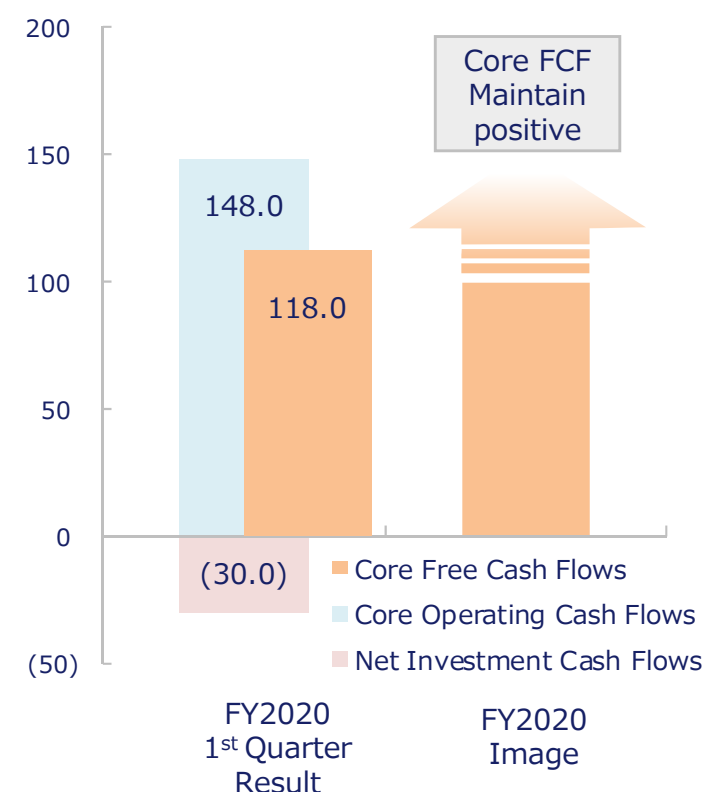
\* : Record High

(\*1) “Operating Cash Flows” minus “changes in working capital” (excluding the effect of lease accounting)

(\*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.

## Core Free Cash Flows



# Financial Position



(Unit : billion yen)

## ■ Total assets:

Increased by ¥845.7 bil., compared with March 31, 2019 to **¥10,944.4 bil.**, due to the effects of the application of new accounting standards (IFRS 16), despite the effect of the appreciation of the yen.

## ■ Net interest-bearing debt:

Increased by ¥43.9 bil., compared with March 31, 2019 to **¥2,450.7 bil.**, due to dividend payments and the repurchase of own shares, despite the repayment of borrowings accompanying stable performance in operating revenues and steady collections, and the effect of the appreciation of the yen.

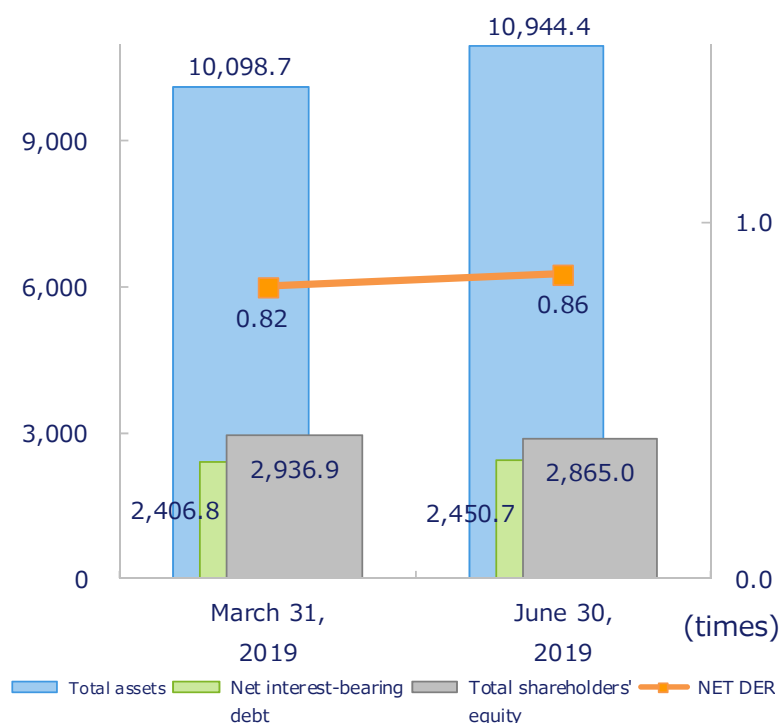
## ■ Total shareholders' equity:

Decreased by ¥71.9 bil., compared with March 31, 2019 to **¥2,865.0 bil.**, due to dividend payments, the repurchase of own shares and the effects of the appreciation of the yen, despite Net profit attributable to ITOCHU during this fiscal year.

## ■ Ratio of shareholders' equity to total assets and NET DER:

**Ratio of shareholders' equity to total assets** decreased by 2.9 points compared with March 31, 2019 to **26.2%**.

**NET DER** slightly increased compared with March 31, 2019 to **0.86 times**.



	March 31, 2019	June 30, 2019	Increase/Decrease	FY2020 Forecast (Disclosed on Apr. 26)
Total assets	10,098.7	* 10,944.4	+ 845.7	
Net interest-bearing debt	2,406.8	2,450.7	+ 43.9	approx. 2,400.0 +a
Total shareholders' equity	2,936.9	2,865.0	(71.9)	Increase shareholders' equity (approx. 3,300.0)
Ratio of shareholders' equity to total assets	29.1%	26.2%	Decreased 2.9pt	Improve the ratio of shareholders' equity
NET DER (times)	0.82	0.86	Increased 0.04pt	Gradually decrease
ROE	17.9%	—	—	approx. 16%

\* : Record High

# Extraordinary Gains and Losses



(Unit : billion yen)

	FY2019 1 <sup>st</sup> Quarter Result		FY2020 1 <sup>st</sup> Quarter Result	
Gains (Losses) related to investments	1.5	<ul style="list-style-type: none"> <li>Gain accompanying the restructure of European energy-related companies: approx. 1.0 (Energy &amp; Chemicals)</li> </ul>	20.0	<ul style="list-style-type: none"> <li>Gains on partial sales of foreign companies: approx. 16.0 (General Products &amp; Realty)</li> <li>Gains on partial sales of domestic companies: approx. 4.0 (ICT &amp; Financial Business)</li> </ul>
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures	1.0	<ul style="list-style-type: none"> <li>Gain on sales of a foreign GMS company in FamilyMart UNY: approx. 1.0 (Food)</li> </ul>	4.0	<ul style="list-style-type: none"> <li>Gains on sales of logistics warehouses: approx. 2.5 (General Products &amp; Realty)</li> <li>Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)</li> </ul>
Income tax expense, Others	2.0	<ul style="list-style-type: none"> <li>Decrease in tax expenses relating to apparel-related companies: approx. 1.5 (Textile)</li> </ul>	6.0	<ul style="list-style-type: none"> <li>Decrease in tax expenses relating to group restructuring in FamilyMart UNY: approx. 5.0 (Food)</li> </ul>
<b>Total</b>	<b>4.5</b>		<b>30.0</b>	
Non-Resource	5.5		30.5	
Resource	0.5		-	
Others	(1.5)		(0.5)	

# Major Indicators



	FY2019 1 <sup>st</sup> Quarter Result	FY2020 1 <sup>st</sup> Quarter Result	FY2020 Forecast (Disclosed on Apr. 26)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2020 2 <sup>nd</sup> - 4 <sup>th</sup> quarter against forecast
Exchange rate (YEN / US\$) average	107.86	110.96	110.00	Approx. ¥(1.9) bil. (1 yen appreciation against US\$)
Exchange rate (YEN / US\$) closing	Mar. 2019 110.99	Jun. 2019 107.79	110.00	-
Interest (%) USD LIBOR 3M	2.34%	2.51%	3.20%	Approx. ¥(2.5) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	74.97	68.47	65	±¥0.28 bil.
Iron ore (CFR China) (US\$/ton)	65*	98*	N.A.**	±¥0.61 bil.
Hard coking coal (FOB Australia) (US\$/ton)	191*	203*	N.A.**	±¥0.15 bil.
Thermal coal (FOB Australia) (US\$/ton)	105*	80*	N.A.**	

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

\* FY2019 1<sup>st</sup> quarter and FY2020 1<sup>st</sup> quarter 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 FY2020 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.

# FY2020 Annual Forecast



(Unit : billion yen)

- To meet diverse business environment and consumer needs, ITOCHU has gathered the businesses in The 8th Company, adopting a "market-oriented perspective" and taking full advantage of its wide range of business foundations with strength in the consumer sector.

## Net profit attributable to ITOCHU

	FY2020 Previous Forecast <small>(Disclosed on Apr. 26)</small>	FY2020 Revised Forecast <small>(Disclosed on Aug. 2)</small>	Increase/ Decrease
	a	b	b-a
Textile	33.0	<b>33.0</b>	-
Machinery	62.0	<b>61.0</b>	(1.0)
Metals & Minerals	96.0	<b>96.0</b>	-
Energy & Chemicals	57.0	<b>55.0</b>	(2.0)
Food	85.0	<b>61.0</b>	(24.0)
General Products & Realty	70.0	<b>70.0</b>	-
ICT & Financial Business	69.0	<b>61.0</b>	(8.0)
The 8th	-	<b>30.0</b>	+30.0
Others, Adjustments & Eliminations	28.0	<b>33.0</b>	+5.0
<b>Consolidated</b>	<b>500.0</b>	<b>500.0</b>	-

## Gross trading profit <sup>(\*1)</sup>

	FY2020 Previous Forecast <small>(Disclosed on Apr. 26)</small>	FY2020 Revised Forecast <small>(Disclosed on Aug. 2)</small>	Increase/ Decrease
	a	b	b-a
Food	817.0	<b>342.0</b>	(475.0)
The 8th	-	<b>475.0</b>	+475.0
<b>Consolidated</b>	<b>1,864.0</b>	<b>1,864.0</b>	-

## Net profit attributable to ITOCHU <sup>(\*1)</sup>

	FY2020 Previous Forecast <small>(Disclosed on Apr. 26)</small>	FY2020 Revised Forecast <small>(Disclosed on Aug. 2)</small>	Increase/ Decrease
	a	b	b-a
Energy & Chemicals	57.0	<b>55.0</b>	(2.0)
Energy	29.0	<b>29.0</b>	-
Chemicals	28.0	<b>26.0</b>	(2.0)
ICT & Financial Business	69.0	<b>61.0</b>	(8.0)
ICT	46.0	<b>43.0</b>	(3.0)
Financial & Insurance Business	23.0	<b>18.0</b>	(5.0)

(\*1) Only the segments revised from the previous forecast as of Apr. 26 are described.