FY2020 Business Results Summary & FY2021 Management Plan

ITOCHU Corporation

May 8, 2020

I am One with Infinite Missions

Summary of Financial Results for FY2020

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** was **¥501.3 bil.**, which exceeded full year forecast of ¥500.0 bil. for the 2nd consecutive year. [4th consecutive year]
  Profits of the Non-Resource sector was **¥378.3 bil.** [3rd consecutive year]
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥13.5 bil., compared with the previous fiscal year to approximately **¥485.5 bil.** [5th consecutive year]
- **"Profits/Losses of group companies"** was **¥445.2 bil.** [4th consecutive year]
  Shares (%) of group companies reporting profits was 88.6%, maintained high level.
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥602.0 bil.** [4th consecutive year]
- **"Basic earnings per share attributable to ITOCHU (EPS)"** was **¥335.58**. [4th consecutive year]

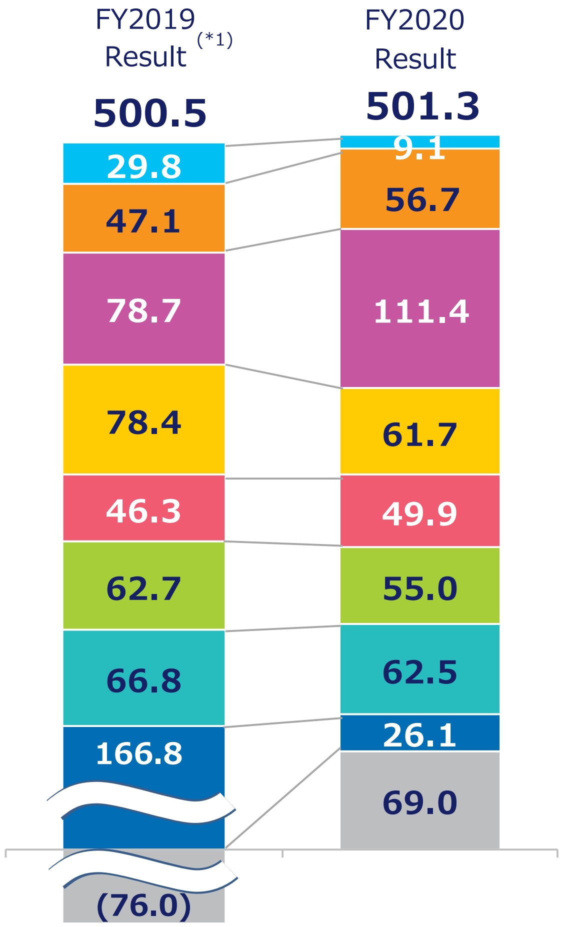
[]: Number of years renewing the highest record in a row

	FY2019 Result	FY2020 Result	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26, 2019)	Achievement
Net profit attributable to ITOCHU	**500.5**	＊ **501.3**	**＋ 0.8**	**500.0**	**100%**
Extraordinary gains and losses	28.5	16.0	(12.5)		
Core Profit	approx. 472.0	＊ approx. 485.5	approx. ＋ 13.5		
Profits/Losses of group companies	437.9	＊ 445.2	＋ 7.3		
Share (%) of group companies reporting profits	90.0%	88.6%	Decreased 1.5pt		
Core Operating Cash Flows	515.0	＊ 602.0	＋ 87.0		
NET DER (times)	0.82	＊ 0.75	Improved 0.07pt		
ROE	17.9%	17.0%	Decreased 0.9pt		
EPS	324.07 yen	＊ 335.58 yen	＋ 11.51 yen		

Dividend Information (Per Share)	
Annual (Planned)	85 yen
Interim (Paid)	42.5 yen

＊ :Record High (NET DER : Best Record)

Net profit attributable to ITOCHU by Segment



	FY2019 Result	FY2020 Result
Non-Resource	378.0	＊ 378.3
Resource	115.5	126.8
Others	7.1	(3.7)
Non-Resource(%) (*2)	77%	75%

＊ : Record High

(*1) Accompanying the establishment of The 8th Company on July 1, 2019 , "FY2019 Result" is presented post reclassification.
(*2) % composition is calculated using the total of Non-Resource and Resource sectors as 100%.

Summary of changes from the previous fiscal year

(Unit : billion yen)

Textile [Inc / (Dec) : ¥ (20.7) bil.]
Decrease due to unfavorable sales resulting from the effects of warm winter and the new coronavirus in apparel-related companies, the stagnation in overall transactions including textile materials, and the provision for foreign receivables, and the absence of the gain on sales of a foreign apparel-related company in the previous fiscal year.

Machinery [Inc / (Dec) : ¥ +9.6 bil.]
Increase due to the improvement in profitability in YANASE, the stable performance in ship related-transactions, and the absence of losses on North American IPP companies in the previous fiscal year, despite the impairment loss in a foreign company.

Metals & Minerals [Inc / (Dec) : ¥ +32.6 bil.]
Increase due to the higher iron ore prices, the increase in dividends received in a Brazilian iron ore company, and lower tax expenses in natural-resource-projects, despite the lower coal prices.

Energy & Chemicals [Inc / (Dec) : ¥ (16.6) bil.]
Decrease due to the absence of the gain on sales of a North Sea oil fields development company in the previous fiscal year and the lower equity in earnings in petrochemical-related companies as well as Japan South Sakha Oil, despite the increased vessel allocation in CIECO Azer and the gain on sales of fixed assets in C.I. TAKIRON.

Food [Inc / (Dec) : ¥ +3.6 bil.]
Increase due to the stable performance in NIPPON ACCESS and the revaluation gain accompanying the conversion of Prima Meat Packers into a consolidated subsidiary, despite the lower sales prices in fresh products, the increase in costs in packaged products, and impairment losses in Dole in addition to the lower equity in earnings in North American grain-related companies resulting from weather factors.

General Products & Realty [Inc / (Dec) : ¥ (7.6) bil.]
Decrease due to the lower pulp prices, the lower transaction volume in domestic logistics-facility-development-projects, and the impairment loss in Japan Brazil Paper & Pulp Resources Development, despite the improvement in profitability in North American facility-materials-related companies, the stable performance in ETEL(European tire-related company), the extraordinary gains accompanying the partial sales of foreign companies, and the extraordinary gains in ITOCHU LOGISTICS.

ICT & Financial Business [Inc / (Dec) : ¥ (4.3) bil.]
Decrease due to the lower gains on fund operations and the absence of the extraordinary gains in the previous fiscal year, despite the stable performance in ITOCHU Techno-Solutions, the extraordinary gain accompanying the partial sales of a domestic company, and the revaluation gain accompanying the conversion of a domestic insurance-related company into a consolidated subsidiary.

The 8th [Inc / (Dec) : ¥ (140.8) bil.]
Decrease due to the absence of extraordinary gains in the previous fiscal year, the effect of the sale of UNY in the fourth quarter of the previous fiscal year, and the cost for the early retirement plan, despite the stable performance and lower tax expenses in FamilyMart. (*3)

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +145.0 bil.]
Improvement due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the previous fiscal year.

(*3) FamilyMart Co., Ltd. changed its corporate name from FamilyMart UNY Holdings Co., Ltd. on September 1, 2019. In this material, descriptions related to the same period of the previous fiscal year are also referred to as "FamilyMart", which is the current corporate name.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥878.1 bil.**, resulting from the stable performance in operating revenues in The 8th, Metals & Minerals, Energy & Chemicals, and Food Companies. **"Free cash flows"** resulted in a **net cash-inflow of ¥629.4 bil.**, due to the investments in The 8th Company, the underwriting of the third party allocation of new shares implemented by Tokyo Century in Machinery Company, the investment in a North American facility-materials-related company in General Products & Realty Company, and the investment in a software-related company in ICT & Financial Business Company.
- **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 ¥602.0 bil.**, which renewed the highest record for the 4th consecutive year. **"Core Free Cash Flows"** resulted in a **net cash-inflow of ¥312.0 bil**.

Cash Flows

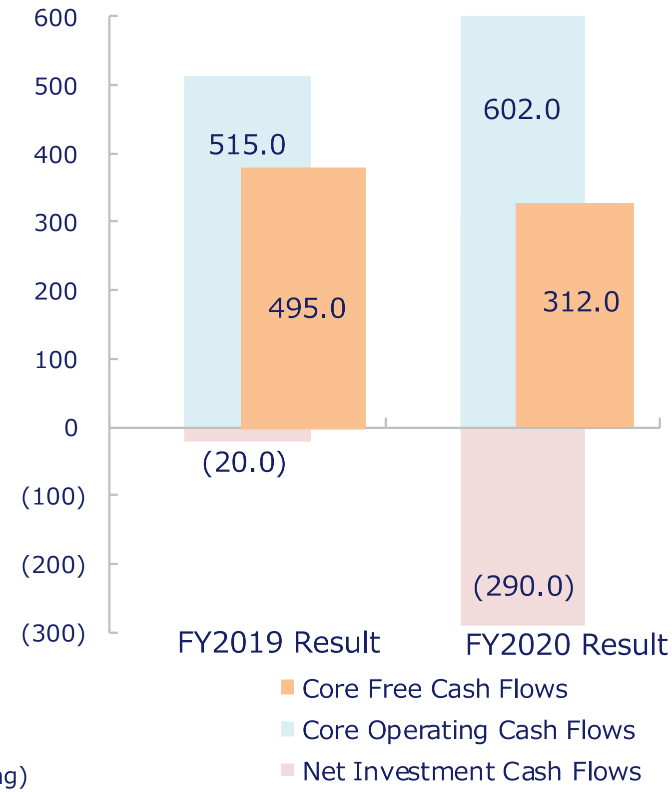
	FY2019 Result	FY2020 Result
Cash flows from operating activities	476.6	* 878.1
Cash flows from investing activities	201.1	(248.8)
Free cash flows	*677.7*	*629.4*
Cash flows from financing activities	(538.3)	(575.5)

Core Free Cash Flows

	FY2019 Result	FY2020 Result
Core Operating Cash Flows (*1)	515.0	* 602.0
Net Investment Cash Flows (*2)	(20.0)	(290.0)
Core Free Cash Flows	495.0	312.0

* : Record High

Core Free Cash Flows



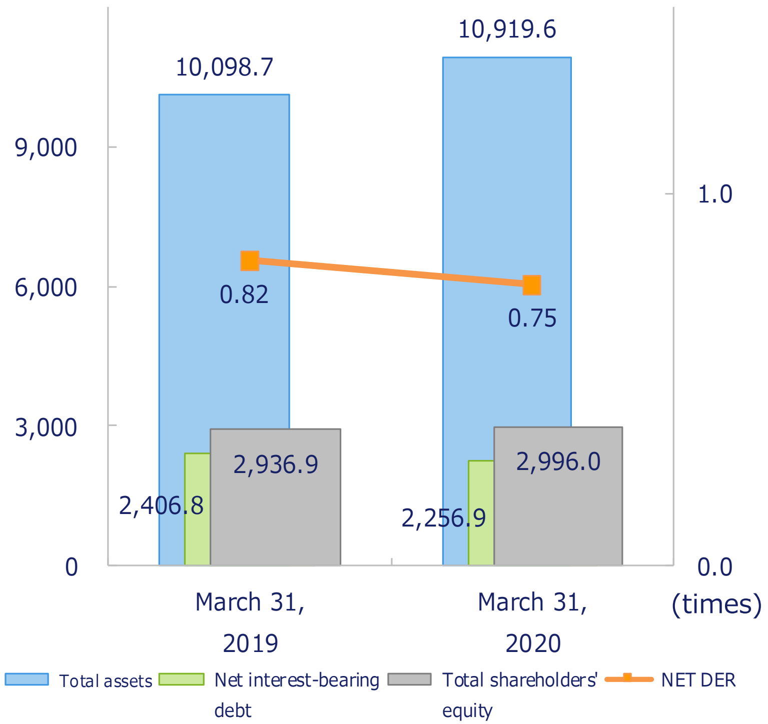
(*1) "Operating Cash Flows" minus "changes in working capital" (excluding the effect of lease accounting)
(*2) Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

ITOCHU

(Unit : billion yen)

- **Total assets:**
  Increased by ¥820.9 bil., compared with March 31, 2019 to **¥10,919.6 bil.**, due to the effects of the application of new accounting standards ("Leases") and the conversion of Prima Meat Packers into a consolidated subsidiary, despite the effect accompanying the appreciation of the yen and the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend.
- **Net interest-bearing debt:**
  Decreased by ¥149.9 bil., compared with March 31, 2019 to **¥2,256.9 bil.**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, despite dividend payments and the repurchase of own shares.
- **Total shareholders' equity:**
  Increased by ¥59.0 bil., compared with March 31, 2019 to **¥2,996.0 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease resulting from dividend payments, the repurchase of own shares, the effect accompanying the appreciation of the yen, and the decline in the fair value of stocks.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets decreased by 1.6 points compared with March 31, 2019 to **27.4%**.
  NET DER improved compared with March 31, 2019 to **0.75 times**.



	March 31, 2019	March 31, 2020	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26, 2019)
Total assets	10,098.7	＊ 10,919.6	+ 820.9	
Net interest-bearing debt	2,406.8	2,256.9	(149.9)	approx. 2,400.0 +α
Total shareholders' equity	2,936.9	＊ 2,996.0	+ 59.0	Increase shareholders' equity (approx. 3,300.0)
Ratio of shareholders' equity to total assets	29.1%	27.4%	Decreased 1.6pt	Improve the ratio of shareholders' equity
NET DER (times)	0.82	＊ 0.75	Improved 0.07pt	Gradually decrease
ROE	17.9%	17.0%	Decreased 0.9pt	approx. 16%

＊ : Record High, compared with other March 31 (NET DER : Best Record)

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2019 Full year		FY2020 Full year	FY2020 4Q	
Gains (Losses) related to investments	**160.5**	・The revaluation gain accompanying the conversion of FamilyMart into a consolidated subsidiary: 141.2 (The 8th) ・Gain on sales of a North Sea oil fields development company: approx. 19.5 (Energy & Chemicals) ・Gains/Losses on sales of foreign companies: approx. 7.0 (Textile: approx. 2.5, Machinery: approx. 2.5, Metals & Minerals: approx. 2.0) ・The revaluation gain accompanying the conversion of POCKET CARD into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business: approx. 2.0, The 8th: approx. (1.0)) ・Gain accompanying the restructuring of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ・Losses on North American IPP companies: approx. (8.0) (Machinery) ・Losses in machinery-related companies: approx. (4.0) (Machinery) ・The impairment loss on CTEI: approx. (3.5) (Others, Adjustments & Eliminations)	**32.5**	**(5.5)**	・Gains on partial sales of foreign companies: approx. 16.0 (General Products & Realty) ・The revaluation gain accompanying the conversion of Prima Meat Packers into a consolidated subsidiary: approx. 8.0 (Food) ・Gain on partial sales of a domestic company: approx. 4.0 (ICT & Financial Business) ・The revaluation gain accompanying the conversion of a domestic insurance-related company into a consolidated subsidiary: approx. 3.0 (ICT & Financial Business) ・Gain accompanying the restructuring of a pharmaceutical-related company: approx. 2.5 (Energy & Chemicals) ・Gain on sales of a chemical-tank-related company: approx. 2.0 (Energy & Chemicals) ・The impairment loss in a foreign company: approx. (4.0) (Others, Adjustments & Eliminations) ・The impairment loss in a fertilizer-related company: approx. (1.0) (Energy & Chemicals)
Income tax expense	**11.5**	・Decrease in tax expenses relating to foreign finance-related companies: approx. 5.0 (ICT & Financial Business) ・Decrease in tax expenses relating to apparel-related companies: approx. 3.0 (Textile)	**18.0**	**(0.5)**	・Decrease in tax expenses relating to natural-resource-projects: approx. 11.0 (Metals & Minerals: approx. 6.5, Others, Adjustments & Eliminations: approx. 4.5) ・Decrease in tax expenses relating to group restructuring in FamilyMart: approx. 5.0 (The 8th)
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures, and Others	**(143.5)**	・Gain on sales of a foreign GMS company in FamilyMart: approx. 1.0 (The 8th) ・The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations) ・Impairment losses in apparel-related companies: approx. (4.0) (Textile)	**(34.5)**	**(42.0)**	・The impairment loss in Japan Brazil Paper & Pulp Resources Development: approx. (11.0) (General Products & Realty) ・The provision for foreign receivables: approx. (5.5) (Textile) ・The cost for the early retirement plan in FamilyMart: approx. (5.5) (The 8th) ・The impairment loss and loss from the withdrawal of unprofitable farm in Dole: approx. (4.5) (Food) ・The impairment loss in a foreign company: approx. (3.0) (Machinery) ・Loss in a compensation for vendors: approx. (2.5) (Textile) ・The impairment loss in EDWIN: approx. (1.5) (Textile) ・The provision in energy tradings: approx. (1.5) (Energy & Chemicals) ・The provision in a heat supply-related company: approx. (1.0) (Energy & Chemicals) ・Gain on sales of fixed assets in C.I. TAKIRON: approx. 4.5 (Energy & Chemicals) ・Gains on sales of logistics warehouses: approx. 2.5 (General Products & Realty) ・Gain on cash collection for a specific overseas project: approx. 1.5 (Machinery) ・Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)
Total	**28.5**		**16.0**	**(48.0)**	

	FY2019 Full year	FY2020 Full year	FY2020 4Q
Non-Resource	0.5	16.0	(41.0)
Resource	24.5	3.0	0.5
Others	3.5	(3.0)	(7.5)

(*) Accompanying the establishment of The 8th Company on July 1, 2019, FY2019 Full year and FY2020 1Q Result are presented post reclassification.

FY2021 Management Plan

ITOCHU Corporation
May 8, 2020

I am One with Infinite Missions

Concept of FY2021 Management Plan

ITOCHU

- ✓ The business environment is undergoing tumultuous changes. We are poised to move into a new management phase in which we must be prepared for economic downturn and global recession.
- ✓ Accomplished and completed the measures set out in our medium-term management plan, "Brand-new Deal 2020," ahead of schedule during FY2019 and FY2020.
- ✓ Setting FY2021 as a year for consolidating our foothold, we formulated a single-year management plan.

(FY)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current	BND 2017			BND 2020			Next medium-term management plan		
New concept	**BND 2017**			**BND 2020**		FY2021 Management Plan	Next medium-term management plan		
	Build solid earnings base to generate ¥400.0 billion level			Entrenched consolidated net profit at the ¥500.0 billion level					

*BND= Brand-new Deal

	2016	2017	2018	2019	2020
Consolidated Net Profit (billion)	240.4	352.2	400.3	500.5	501.3
Dividend per share(yen)	50	55	70	83	85
Share Buybacks (billion)	0.0	16.2	27.9	68.0	62.0

General Review of Brand-new Deal 2020

✓ Accomplished quantitative targets and advanced qualitative targets steadily in our medium-term management plan during FY2019 and FY2020.

	Commitments in BND 2020		Achievements
Quantitative targets	Entrenched consolidated net profit at the ¥500.0 billion level	**Accomplished**	Recorded consolidated net profit of more than ¥500.0 billion for the second consecutive year. Further reinforced an earnings base that is resilient to economic fluctuations.
	Positive Core Free Cash Flows after deducting shareholder returns		Achieved substantial positive Core Free Cash Flows after deducting shareholder returns more than ¥420.0 billion over a two-year period. Secured ample surplus funds for future growth investments.
	Progressive dividend policy (Record-high dividend levels each year)		¥83 per share for FY2019 / ¥85 per share for FY2020 Steadily promoted record-high dividend levels each year
	Actively promoted share buybacks		Implemented share buybacks of ¥130.0 billion over a two-year period. Responded flexibly in accordance with our Medium- to Long-Term Shareholder Returns Policy
	Sustainable EPS growth		Set new target for EPS growth. Leveraged share buybacks to steadily improve EPS growth.
	Medium- to Long-Term Shareholder Returns Policy		
Qualitative targets	Reinvention of Business	**Progressed steadily**	Drove forward the conversion of FamilyMart into a subsidiary, established The 8th Company, and created the Power & Environmental Solution Division for next-generation power business. Going forward, we will enter into a new phase in which we work to ensure profitability in each Division Company.
	Smart & No. 1 Health Management		Exhaustively improved operational efficiency by leveraging IT and reducing paper use. Promoted unique health management measures, including Support Measures for Balancing Cancer Care and Work.
	Sustainability / ESG		Revised the corporate mission of the ITOCHU Group (*Sampo-yoshi*) and formulated and unveiled a corporate governance policy for listed subsidiaries

FY2021 Management Plan

Qualitative targets	**Thoroughly instilling the "earn, cut, prevent" principles as the core of our business**

Quantitative targets	Consolidated net profit	¥400.0 billion
	Dividend per share	¥88 Maintain the progressive dividend policy
	Maintain "Medium- to Long-Term Shareholder Returns Policy"	

FY2021 Quantitative targets

ITOCHU

(Unit : billion yen)

Profit Plan ： Consolidated net profit of ¥400.0 billion

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FY2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FY2021 Plan	**23.0**	**48.0**	**77.0**	**34.0**	**56.0**	**60.0**	**63.0**	**33.0**	*6.0	**400.0**	**384.0**	**73.0**	*(57.0)
Increase/Decrease	+13.9	(8.7)	(34.4)	(27.7)	+6.1	+5.0	+0.5	+6.9	(63.0)	(101.3)	+5.7	(53.8)	(53.3)

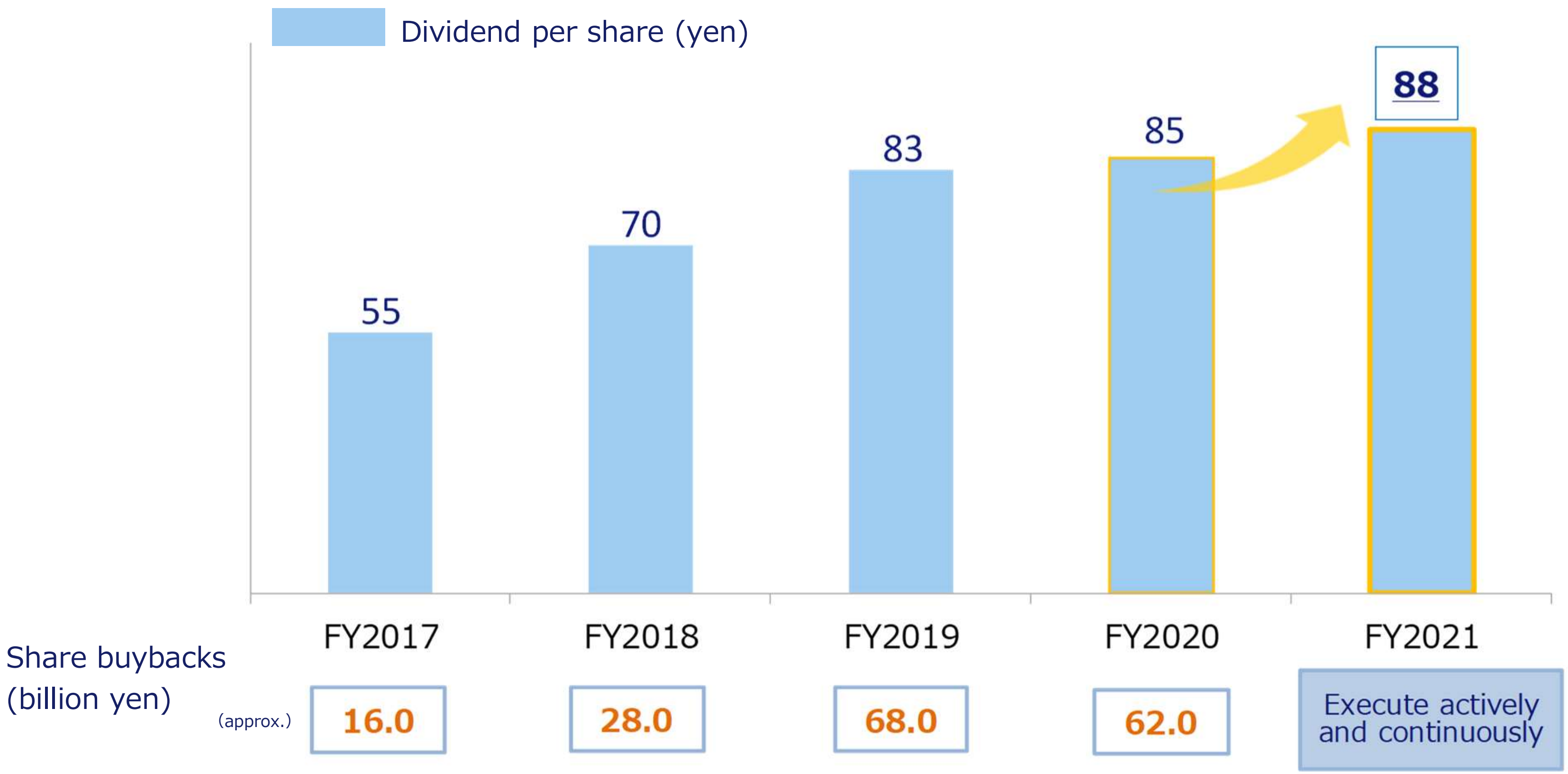
*including a loss buffer of (50.0)

B/S, CF & Ratio Plan

(FY)	Brand-new Deal 2020: 2019	Brand-new Deal 2020: 2020	FY2021 Management Plan: 2021
Core Operating CFs	515.0	602.0	**Actively promote strategic investments in areas of strength and asset replacement in a timely manner**
Net Investment CFs	(20.0)	(290.0)	
Core Free CFs after deducting shareholder returns	300.0	123.0	
	423.0		
NET DER(times)	0.82	0.75	**B/S control for maintaining A ratings**
Shareholders' equity	2.9 tril.	3.0 tril.	
ROE(%)	17.9	17.0	**Maintain high efficiency**

Shareholder Returns Policy

FY2021 Shareholder Returns Policy		
	Dividend	¥88 dividend per share for FY2021, targeting further increase in dividend amount and dividend payout ratio.
	Share Buybacks	Actively and continuously execute in accordance with "Medium- to Long-Term Shareholder Returns Policy"



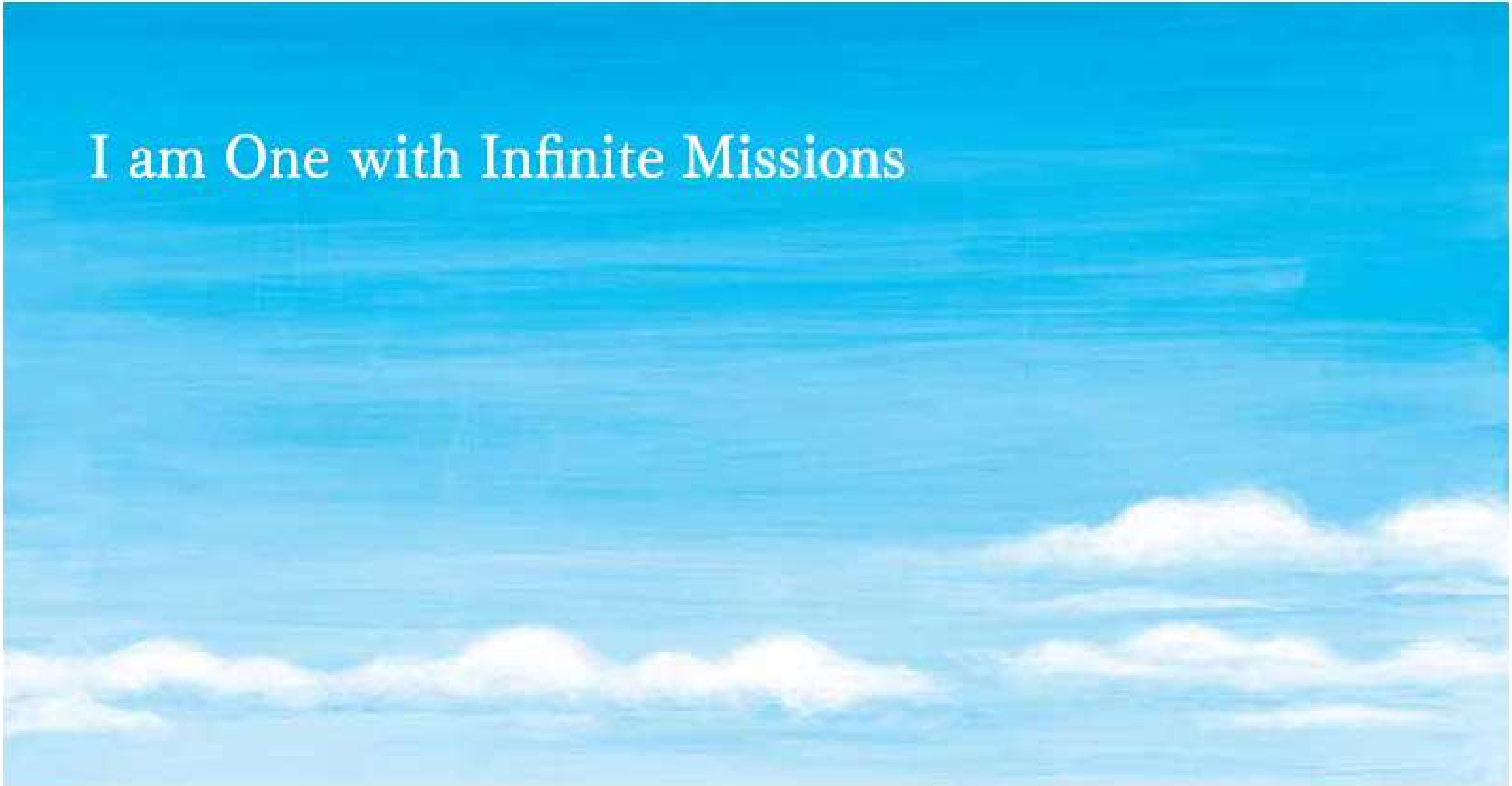
Assumptions for FY2021

	FY2019 Result	FY2020 Result	FY2021 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2021
Exchange rate (YEN/US$) average	110.56	109.16	105.00	Approx. ¥(2.4) bil. (1 yen appreciation against US$)
Exchange rate (YEN/US$) closing	110.99	108.83	105.00	-
Interest (%) USD LIBOR 3M	2.50%	2.04%	1.00%	Approx. ¥(2.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	70.86	60.95	30	±¥0.61 bil.
Iron ore (CFR China) (US$/ton)	71 (*1)	95 (*1)	N.A.(*2)	±¥1.23 bil.
Hard coking coal (FOB Australia) (US$/ton)	202 (*1)	164 (*1)	N.A.(*2)	±¥0.22 bil.
Thermal coal (FOB Australia) (US$/ton)	106 (*1)	71 (*1)	N.A.(*2)	

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

(*1) FY2019 and FY2020 prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

(*2) The prices for iron ore, hard coking coal and thermal coal used in the FY2021 Plan 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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