

Consolidated Financial Results for the First Half of the Fiscal Year 2019 ending March 31, 2019

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-Unaudited-**Consolidated Financial Results for the First Half of the Fiscal Year 2019 ending March 31, 2019**

[Prepared in conformity with International Financial Reporting Standards]

Company name: ITOCHU Corporation

Stock exchange code: 8001

<https://www.itochu.co.jp/en/ir/>

President and Chief Operating Officer: Yoshihisa Suzuki

General Manager, Investor Relations Department: Suguru Amano

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The date of payout of dividend: December 3, 2018 (Planned)

1. Consolidated operating results for the first half of the fiscal year 2019 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (Summary)

(%: Changes from the same period of the previous fiscal year)

	Revenues		Trading income (*4)		Profit before tax		Net Profit		Net profit attributable to ITOCHU		Total comprehensive income attributable to ITOCHU	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
For the first half of												
Fiscal Year 2019	5,460,924	111.9	164,547	10.7	357,966	14.1	277,901	8.3	258,002	6.4	287,839	4.6
Fiscal Year 2018	2,577,705	14.7	148,650	27.2	313,831	21.2	256,677	22.1	242,468	19.9	275,152	-

	Basic earnings per share attributable to ITOCHU		Diluted earnings per share attributable to ITOCHU	
	yen		yen	
For the first half of				
Fiscal Year 2019	166.46		-	
Fiscal Year 2018	156.04		-	

Equity in earnings of associates and joint ventures (millions of yen) 1st half of FY 2019: (9,697) [- %] 1st half of FY 2018: 109,280 [+ 13.8%]
 Total comprehensive income (millions of yen) 1st half of FY 2019: 309,814 [+ 6.4%] 1st half of FY 2018: 291,093 [- %]

(2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	millions of yen	millions of yen	millions of yen	%	yen
September 30, 2018	10,652,810	3,545,373	2,882,218	27.1	1,859.58
March 31, 2018	8,663,937	2,984,351	2,669,483	30.8	1,722.06

(3) Consolidated cash flows information

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
For the first half of				
Fiscal Year 2019	167,493	53,325	(48,907)	611,693
Fiscal Year 2018	154,958	(74,761)	(186,407)	502,254

2. Dividend distribution

	Dividend distribution per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	yen	yen	yen	yen	yen
Fiscal Year 2018	-	32.00	-	38.00	70.00
Fiscal Year 2019	-	37.00	-	-	-
Fiscal Year 2019 (Planned)	-	-	-	46.00	83.00

(Note) Revisions to the plan of dividend distribution announced most recently: None

3. Outlook of consolidated operating results for the fiscal year 2019 (from April 1, 2018 to March 31, 2019)

(%: Changes from the previous fiscal year)

	Net profit attributable to ITOCHU		Basic earnings per share attributable to ITOCHU	
	millions of yen	%	yen	
Fiscal Year 2019	500,000	24.9	322.55	

(Note) Revisions to the outlook of consolidated operating results announced most recently: Yes

(Note) For more details, please refer to page 10, "3. Outlook for the Fiscal Year 2019".

4. Other information

(1) Changes in significant subsidiaries accompanied by changes in the consolidation scope: Yes

New company: 1 (FamilyMart UNY Holdings Co.,Ltd.)

Note: For more details, please refer to page 9, "2. (1) Changes in significant subsidiaries accompanied by changes in the consolidation scope".

(2) Changes in accounting policies and accounting estimates

(a) Changes in accounting policies required by IFRS: Yes

(b) Other changes: None

(c) Changes in accounting estimates: None

Note: For more details, please refer to page 9, "2. (2) Changes in accounting policies and accounting estimates".

(3) Number of common shares issued

(a) Number of common shares outstanding: (including the number of treasury stock)	1st half of FY 2019	1,662,889,504	Fiscal Year 2018	1,662,889,504
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(b) Number of treasury stock:	1st half of FY 2019	112,957,866	Fiscal Year 2018	112,725,195
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(c) Average number of common shares outstanding:	1st half of FY 2019	1,549,971,215	1st half of FY 2018	1,553,876,561
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Note: ITOCHU executed to cancel 78,000,000 shares of treasury stock on October 19, 2018.

For more details, please refer to page 18, "4. (7) Material Subsequent Events".

[Note]

*1. This document is an English translation of a statement initially written in Japanese. The original Japanese document should be considered as the primary version.

*2. This document is unaudited by certificated public accountants or audit firms.

*3. 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.

*4. "Trading income" is presented in accordance with Japanese accounting practices.

- "Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts"

*5. The consolidated financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of 113.57 yen = 1 U.S. dollar, the exchange rate prevailing on September 30, 2018. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

*6. "ITOCHU" referred to in the consolidated financial statements represents ITOCHU Corporation.

1. Qualitative Information

(1) Qualitative Information of the Consolidated Operating Results

[For the six-month period ended September 30, 2018]

(a) General Economic Situation

For the six-month period ended September 30, 2018, the global economy maintained an overall trend of expansion reflecting continued stable growth of the U.S. economy due to the improvements in domestic employment and income levels, the European economies' smooth expansion despite certain concerns on Brexit, and favorable emerging countries' economies, centered in Asian countries, such as ASEAN and India, despite the slight slowdown in China. However, as trade conflicts between the U.S. and China intensify and the progress of the talks over Brexit, coming up next March, is not going smoothly, there is uncertainty for the global economy going forward. Accordingly, attention should be continuously paid to trade-related economic trends. The WTI crude oil price, having been the positive expectation of higher demands accompanying the stable global economy, rose from the US\$60-65 range at the beginning of April, and remained at its current highest level around the US\$70 after May onwards due to the uncertainty on Iran's oil supply resulting from the U.S. withdrawal from Iran Nuclear Deal.

The Japanese economy returns to a trend of expansion and shows stable growth after coming to a temporary standstill due to stagnation in consumer spending and exports in the beginning of the year. This return was due to an increase in capital investment and moderate recovery in consumer spending. The yen continuously depreciated against the U.S. dollar from the ¥106 level at the beginning of April to the ¥113 level at the end of September on the back of the easing tension on issues related to the North Korea and the rise in the U.S. long-term interest rate. The Nikkei Stock Average rose to the ¥24,000 level at the end of September from the ¥21,000 - ¥21,500 level at the beginning of April resulting from the rise in the U.S. stock market and the depreciation of the yen. The yield on 10-year Japanese government bonds rose to 0.13% at the end of September from 0.04% at the beginning of April due to the depreciation of the yen and the expansion of the economy.

(b) Consolidated Operating Results

	Billions of Yen				Millions of
	Apr.-Sep. 2018	Apr.-Sep. 2017	Increase (Decrease)	%	U.S. Dollars Apr.-Sep. 2018
Revenues	5,460.9	2,577.7	2,883.2	111.9%	48,084
Gross trading profit	619.6	579.0	40.7	7.0%	5,456
Selling, general and administrative expenses	(452.6)	(429.6)	(23.0)	5.3%	(3,985)
Gains on investments.....	192.2	37.3	154.9	414.8%	1,693
Equity in earnings of associates and joint ventures	(9.7)	109.3	(119.0)	-	(86)
Income tax expense.....	(80.1)	(57.2)	(22.9)	40.1%	(705)
Net profit attributable to ITOCHU.....	258.0	242.5	15.5	6.4%	2,272
(Reference) Trading income.....	164.5	148.7	15.9	10.7%	1,449

(i) Revenues (from external customers)

Increased by 111.9%, or 2,883.2 billion yen, compared with the same period of the previous fiscal year to 5,460.9 billion yen (48,084 million U.S. dollars). The result includes the effects of the application of new accounting Standards (IFRS 15), 2,568.6 billion yen.

- Food Company:
Increased by 1,361.4 billion yen compared with the same period of the previous fiscal year to 1,930.7 billion yen (17,000 million U.S. dollars), mainly due to the effects of the application of new accounting standards.
- Energy & Chemicals Company:
Increased by 816.7 billion yen compared with the same period of the previous fiscal year to 1,567.9 billion yen (13,806 million U.S. dollars), due to the effects of the application of new accounting standards and the higher sales prices in energy-related companies.
- Machinery Company:
Increased by 230.4 billion yen compared with the same period of the previous fiscal year to 525.4 billion yen (4,626 million U.S. dollars), due to the effects of the application of new accounting standards and the conversion of YANASE into a consolidated subsidiary in the second quarter of the previous fiscal year.
- Metals & Minerals Company:
Increased by 220.6 billion yen compared with the same period of the previous fiscal year to 328.3 billion yen (2,891 million U.S. dollars), mainly due to the effects of the application of new accounting standards.

(ii) Gross trading profit

Increased by 7.0%, or 40.7 billion yen, compared with the same period of the previous fiscal year to 619.6 billion yen (5,456 million U.S. dollars).

- Machinery Company:
Increased by 16.8 billion yen compared with the same period of the previous fiscal year to 91.7 billion yen (807 million U.S. dollars), due to the conversion of YANASE into a consolidated subsidiary in the second quarter of the previous fiscal year, and the stable performance in automobile-related transactions.
- General Products & Realty Company:
Increased by 14.0 billion yen compared with the same period of the previous fiscal year to 88.2 billion yen (776 million U.S. dollars), due to the higher transaction volume in domestic logistics-facility-development-projects.
- Energy & Chemicals Company:
Increased by 10.0 billion yen compared with the same period of the previous fiscal year to 109.5 billion yen (964 million U.S. dollars), due to the higher production volume of crude oil, the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices, and the stable performance in chemical-related transactions.

(iii) Selling, general and administrative expenses

Increased by 5.3%, or 23.0 billion yen, compared with the same period of the previous fiscal year to 452.6 billion yen (3,985 million U.S. dollars), due to the effects of the conversion of YANASE into a consolidated subsidiary in the second quarter of the previous fiscal year.

(iv) Gains on investments

Increased by 414.8%, or 154.9 billion yen, compared with the same period of the previous fiscal year to 192.2 billion yen (1,693 million U.S. dollars), due to the revaluation gain accompanying the conversion of FamilyMart UNY Holdings into a consolidated subsidiary, despite the absence of the gain accompanying the partial sales of a Chinese fresh-food-related company and the gain accompanying the merger of C. I. Kasei and Takiron in the same period of the previous fiscal year.

(v) Equity in earnings of associates and joint ventures

Decreased by 119.0 billion yen, compared with the same period of the previous fiscal year to 9.7 billion yen (losses) (86 million U.S. dollars).

• Others, Adjustments & Eliminations: (*)

Decreased by 147.5 billion yen compared with the same period of the previous fiscal year to 104.6 billion yen (losses) (921 million U.S. dollars), due to the impairment loss on investment in CITIC Limited.

• General Product & Realty Company:

Increased by 10.8 billion yen compared with the same period of the previous fiscal year to 17.7 billion yen (155 million U.S. dollars), due to the rise in the market prices in foreign pulp-related companies.

• ICT & Financial Business Company:

Increased by 6.1 billion yen compared with the same period of the previous fiscal year to 24.3 billion yen (214 million U.S. dollars), due to the favorable performance in finance-related companies.

• Energy & Chemicals Company:

Increased by 5.2 billion yen compared with the same period of the previous fiscal year to 6.4 billion yen (56 million U.S. dollars), due to the higher production volume of crude oil and the rise in oil prices in an Eastern Siberia oil-exploration-related company, the increase in shares of the company, and the higher equity in earnings of petrochemical-related companies.

(*) "Others, Adjustments & Eliminations" includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. For more details, please refer to page 17, " 4. (5) Operating Segment Information ".

(vi) Income tax expense

Increased by 40.1%, or 22.9 billion yen, compared with the same period of the previous fiscal year to 80.1 billion yen (705 million U.S. dollars), due to the increase resulting from the revaluation gain accompanying the conversion of FamilyMart UNY Holdings into a consolidated subsidiary, despite the decrease in finance-related companies.

(vii) Net profit attributable to ITOCHU

Consequently, Net profit attributable to ITOCHU increased by 6.4%, or 15.5 billion yen, compared with the same period of the previous fiscal year to 258.0 billion yen (2,272 million U.S. dollars).

(Reference) Trading Income

“Trading Income” in accordance with Japanese accounting practices (“Trading income” = “Gross trading profit” + “Selling, general and administrative expenses” + “Provision for doubtful accounts”) increased by 10.7%, or 15.9 billion yen, compared with the same period of the previous fiscal year to 164.5 billion yen (1,449 million U.S. dollars).

- Energy & Chemicals Company:
Increased by 11.3 billion yen compared with the same period of the previous fiscal year to 32.8 billion yen (289 million U.S. dollars), due to the higher production volume of crude oil, the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices, and the stable performance in chemical-related transactions.
- General Product & Realty Company:
Increased by 10.7 billion yen compared with the same period of the previous fiscal year to 29.3 billion yen (258 million U.S. dollars), due to the higher transaction volume in domestic logistics-facility-development-projects.
- Machinery Company:
Decreased by 6.2 billion yen compared with the same period of the previous fiscal year to 11.2 billion yen (99 million U.S. dollars), due to the temporary deterioration of profitability in used car sales in YANASE, a subsidiary consolidated in the second quarter of the previous fiscal year, despite the stable performance in automobile-related transactions.

(2) Qualitative Information of the Consolidated Financial Position

(a) Consolidated Financial Position

	Billions of Yen				Millions of U.S. Dollars
	Sep. 2018	Mar. 2018	Increase (Decrease)	%	Sep. 2018
Total assets	10,652.8	8,663.9	1,988.9	23.0%	93,800
Interest-bearing debt	3,441.3	2,779.5	661.8	23.8%	30,301
Net interest-bearing debt	2,816.6	2,320.4	496.2	21.4%	24,801
Total shareholders' equity	2,882.2	2,669.5	212.7	8.0%	25,379
Ratio of shareholders' equity to total assets	27.1%	30.8%	Decreased 3.8pt		
NET DER (times)	0.98	0.87	Increased 0.1pt		

(i) Total assets

Increased by 23.0%, or 1,988.9 billion yen, compared with March 31, 2018 to 10,652.8 billion yen (93,800 million U.S. dollars), due to the conversion of FamilyMart UNY Holdings and a finance-related company into consolidated subsidiaries, the acquisition of a Latin American automobile-related subsidiary, and the effect of the depreciation of the yen.

(ii) Interest-bearing debt

Increased by 23.8%, or 661.8 billion yen, compared with March 31, 2018 to 3,441.3 billion yen (30,301 million U.S. dollars), due to the conversion of FamilyMart UNY Holdings and a finance-related company into consolidated subsidiaries, and the effect of the depreciation of the yen. Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 21.4%, or 496.2 billion yen, compared with March 31, 2018 to 2,816.6 billion yen (24,801 million U.S. dollars).

(iii) Total shareholders' equity

Increased by 8.0%, or 212.7 billion yen, compared with March 31, 2018 to 2,882.2 billion yen (25,379 million U.S. dollars), due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments.

(iv) Ratio of shareholders' equity to total assets and NET DER (Net debt-to-shareholders' equity ratio)

Ratio of shareholders' equity to total assets decreased by 3.8 points compared with March 31, 2018 to 27.1%. NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2018 to 0.98 times.

(b) Consolidated Cash Flows

	Billions of Yen		Millions of U.S. Dollars
	Apr.-Sep. 2018	Apr.-Sep. 2017	Apr.-Sep. 2018
Cash flows from operating activities	167.5	155.0	1,475
Cash flows from investing activities	53.3	(74.8)	470
<i>Free cash flows</i>	220.8	80.2	1,945
Cash flows from financing activities	(48.9)	(186.4)	(431)

(i) Cash flows from operating activities

Recorded a net cash-inflow of 167.5 billion yen (1,475 million U.S. dollars), resulting from the stable performance in operating revenues in the Food, Metals & Minerals, Energy and ICT sectors.

(ii) Cash flows from investing activities

Recorded a net cash-inflow of 53.3 billion yen (470 million U.S. dollars), due to the increase in cash resulting from the conversion of FamilyMart UNY Holdings into a consolidated subsidiary, despite the acquisition of fixed assets mainly in the Metals & Minerals, Food and Energy sectors.

(iii) Cash flows from financing activities

Recorded a net cash-outflow of 48.9 billion yen (431 million U.S. dollars), due to dividend payments, despite the increase in borrowings.

Consequently, “Cash and cash equivalents” as of September 30, 2018 increased by 179.6 billion yen compared with March 31, 2018 to 611.7 billion yen (5,386 million U.S. dollars).

2. Summary Information (Notes)

(1) Changes in significant subsidiaries accompanied by changes in the consolidation scope:

ITOCHU RETAIL INVESTMENT, LLC, a wholly-owned subsidiary of ITOCHU, acquired the common shares of FamilyMart UNY Holdings Co.,Ltd. by way of tender offer from July 17, 2018 to August 16, 2018. As a result of the tender offer, FamilyMart UNY Holdings Co.,Ltd. became a significant subsidiary of ITOCHU.

(2) Changes in accounting policies and accounting estimates:

(a) Changes in accounting policies required by IFRS:

IFRS 9 “Financial Instruments (revised July 2014)”

ITOCHU Group previously applied IFRS 9 “Financial Instruments (revised November 2013)”. From the six-month period ended September 30, 2018, ITOCHU Group has applied IFRS 9 “Financial Instruments (revised July 2014)”. ITOCHU Group recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the six-month period ended September 30, 2018 in accordance with the transitional method provided by the standard.

The standard revised the provisions related to classification and measurement of financial assets and to impairment of financial assets. For financial assets measured at amortized cost and debt instrument assets for which changes in fair value after acquisition are recorded in other comprehensive income, the standard requires a loss allowance for expected credit losses on a financial asset to be recognized in profit and loss.

As a result of applying the standard, at the beginning of the six-month period ended September 30, 2018, the opening balance of Retained earnings decreased by 13.8 billion yen.

IFRS 15 “Revenue from Contracts with Customers”

ITOCHU Group has applied IFRS 15 “Revenue from Contracts with Customers”, from the six-month period ended September 30, 2018. ITOCHU Group recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the six-month period ended September 30, 2018 in accordance with the transitional method provided by the standard.

The standard is based on the principle that revenue should be recognized at the time when control of goods or services is transferred to a customer, and provides a five-step model with requirements at each step for revenue-recognition. The application of the standard resulted in a decrease in the opening balance of Retained earnings of the six-month period ended September 30, 2018, the amount of which is immaterial.

In addition, the standard also revised the provision for gross/net presentation of revenue. The previous accounting standard provides that revenue from transaction which involves no significant risks and no economical exposures related to transferring goods or services to a customer should be presented on a net basis. The new standard requires that if an entity obtains control of goods or services before transferring goods or services to a customer, the entity presents revenue on a gross basis with transaction amounts. In accordance with the standard, the transactions wherein ITOCHU Group obtains control of goods or services before transferring goods or services to a customer are now presented on a gross basis, even if ITOCHU Group is exposed to limited risks related to transferring goods or services in the transaction.

As a result of applying the standard, Revenues and Cost increased by 2,568.6 billion yen respectively, for the six-month period ended September 30, 2018.

(b) Other changes: None

(c) Changes in accounting estimates: None

3. Outlook for the Fiscal Year 2019

Looking ahead to the second half of the fiscal year ending March 31, 2019, we assume that the global economy will continuously remain stable, despite a slight slowdown due to the effect of trade conflicts between the U.S. and China, and the effect of interest rate hikes in the U.S. In Japan, the economy is expected to remain moderate expansion due to the increase in consumer expenditures accompanying the improvement in income environment, although export activities may stagnate.

Under these economical circumstances, ITOCHU revised upward its forecast of "Net profit attributable to ITOCHU" to 500 billion yen for the fiscal year ending March 31, 2019, in accordance with steady core earnings momentums.

Consolidated	Results	Forecast	Previous Forecast (Disclosed on May 2)	Results
	1st half of FY2019	FY2019	FY2019	FY2018
Gross trading profit	619.6	1,600.0	1,593.0	1,210.4
Trading income	164.5	383.0	377.0	316.9
Equity in earnings of associates and joint ventures	(9.7)	82.0	214.0	216.2
Net profit attributable to ITOCHU	258.0	500.0	450.0	400.3
(Unit: billion yen)				
Basic earnings per share attributable to ITOCHU	166.46 yen	322.55 yen	290.29 yen	257.94 yen
Total assets	10,652.8	10,300.0	10,600.0	8,663.9
Interest-bearing debt	3,441.3	3,150.0	2,950.0	2,779.5
Net interest-bearing debt	2,816.6	2,550.0	2,450.0	2,320.4
Total shareholders' equity	2,882.2	3,000.0	3,000.0	2,669.5

(Major Indicators)	Results 1st half of FY2019	Forecast	Previous Forecast (Disclosed on May 2)	Results FY2018
Exchange rate (Yen/US\$ Average)	109.44	110	105	111.30
Crude oil (Brent) (US\$/BBL)	75.40	70	55	57.85
Iron ore (CFR China) (US\$/ton)	66 (*1)	N.A. (*2)	N.A. (*2)	68 (*1)
Hard coking coal (FOB Australia) (US\$/ton)	189 (*1)	N.A. (*2)	N.A. (*2)	204 (*1)
Thermal coal (FOB Australia) (US\$/ton)	111 (*1)	N.A. (*2)	N.A. (*2)	94 (*1)

(*1) FY2019 1st half and FY2018 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 FY2019 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.

Distribution of the current fiscal year's profit

For the interim dividend of the current fiscal year, ITOCHU Corporation has decided to pay 37.0 yen per share. At present, as announced on October 1, 2018, for the dividend at the end of the current fiscal year, ITOCHU Corporation intends to pay 83.0 yen per share (minimum) including the interim dividend, an increase of 9.0 yen compared with the previous forecast of 74.0 yen.

4. Quarterly Consolidated Financial Statements [Condensed]**(1) Consolidated Statement of Comprehensive Income [Condensed]**

ITOCHU Corporation and its Subsidiaries

For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of
	Apr.-Sep. 2018	Apr.-Sep. 2017	U.S. Dollars
			Apr.-Sep. 2018
Revenues:			
Revenues from sale of goods.....	¥ 5,063,654	¥ 2,186,632	\$ 44,586
Revenues from rendering of services and royalties.....	397,270	391,073	3,498
Total revenues.....	5,460,924	2,577,705	48,084
Cost:			
Cost of sale of goods.....	(4,543,636)	(1,703,099)	(40,007)
Cost of rendering of services and royalties.....	(297,669)	(295,649)	(2,621)
Total cost.....	(4,841,305)	(1,998,748)	(42,628)
Gross trading profit	619,619	578,957	5,456
Other gains (losses):			
Selling, general and administrative expenses.....	(452,569)	(429,609)	(3,985)
Provision for doubtful accounts.....	(2,503)	(698)	(22)
Gains on investments.....	192,237	37,345	1,693
Gains on property, plant, equipment and intangible assets.....	162	972	1
Other-net.....	5,391	9,540	48
Total other-losses.....	(257,282)	(382,450)	(2,265)
Financial income (loss):			
Interest income.....	19,735	16,541	174
Dividends received.....	11,666	10,102	103
Interest expense.....	(26,075)	(18,599)	(230)
Total financial income.....	5,326	8,044	47
Equity in earnings of associates and joint ventures.....	(9,697)	109,280	(86)
Profit before tax.....	357,966	313,831	3,152
Income tax expense.....	(80,065)	(57,154)	(705)
Net Profit.....	277,901	256,677	2,447
Net profit attributable to ITOCHU.....	258,002	242,468	2,272
Net profit attributable to non-controlling interests.....	19,899	14,209	175

	Millions of Yen		Millions of
	Apr.-Sep. 2018	Apr.-Sep. 2017	U.S. Dollars
Other comprehensive income, net of tax:			Apr.-Sep. 2018
Items that will not be reclassified to profit or loss			
FVTOCI financial assets.....	¥ 12,006	¥ (5,343)	\$ 106
Remeasurement of net defined pension liability.....	537	(271)	5
Other comprehensive income in associates and joint ventures.....	6,660	3,227	59
Items that will be reclassified to profit or loss			
Translation adjustments.....	26,677	24,262	235
Cash flow hedges.....	(2,337)	(165)	(21)
Other comprehensive income in associates and joint ventures.....	(11,630)	12,706	(103)
Total other comprehensive income, net of tax.....	31,913	34,416	281
Total comprehensive income	309,814	291,093	2,728
Total comprehensive income attributable to ITOCHU	287,839	275,152	2,534
Total comprehensive income attributable to non-controlling interests	21,975	15,941	194

Note 1 : The gains and losses on disposal and remeasurement of equity financial instruments, of which the changes in fair value are recorded in "Other comprehensive income", are recognized in "FVTOCI financial assets".

Note 2 : "Trading income" is presented in accordance with Japanese accounting practices.
("Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts")
Trading income for the six-month periods ended September 30, 2018 and 2017 were 164,547 million yen (1,449 million U.S. dollars) and 148,650 million yen, respectively.

(2) Consolidated Statement of Financial Position [Condensed]

ITOCHU Corporation and its Subsidiaries

As of September 30, 2018 and March 31, 2018

Assets	Millions of Yen		Millions of U.S. Dollars
	Sep. 2018	Mar. 2018	Sep. 2018
Current assets:			
Cash and cash equivalents.....	¥ 611,693	¥ 432,140	\$ 5,386
Time deposits.....	13,000	26,915	114
Trade receivables.....	2,553,597	2,183,349	22,485
Other current receivables.....	178,423	84,146	1,571
Other current financial assets.....	68,851	34,329	606
Inventories.....	1,002,818	870,352	8,830
Advances to suppliers.....	144,408	179,760	1,272
Other current assets.....	168,856	112,370	1,487
Total current assets.....	4,741,646	3,923,361	41,751
Non-current assets:			
Investments accounted for by the equity method.....	1,549,032	1,844,871	13,640
Other investments.....	856,430	816,510	7,541
Non-current receivables.....	643,838	617,719	5,669
Non-current financial assets other than investments and receivables.....	310,227	82,379	2,732
Property, plant and equipment.....	1,225,262	813,294	10,789
Investment property.....	151,856	19,134	1,337
Goodwill and intangible assets.....	955,255	362,571	8,411
Deferred tax assets.....	104,189	62,259	917
Other non-current assets.....	115,075	121,839	1,013
Total non-current assets.....	5,911,164	4,740,576	52,049
Total assets.....	¥ 10,652,810	¥ 8,663,937	\$ 93,800

Liabilities and Equity	Millions of Yen		Millions of U.S. Dollars
	Sep. 2018	Mar. 2018	Sep. 2018
Current liabilities:			
Short-term debentures and borrowings.....	¥ 730,003	¥ 526,867	\$ 6,428
Trade payables.....	2,134,775	1,825,859	18,797
Other current payables.....	218,087	79,200	1,920
Other current financial liabilities.....	45,777	26,791	403
Current tax liabilities.....	43,518	53,241	383
Advances from customers.....	123,749	157,167	1,089
Other current liabilities.....	365,982	319,777	3,223
Total current liabilities	3,661,891	2,988,902	32,243
Non-current liabilities:			
Long-term debentures and borrowings.....	2,711,314	2,252,606	23,873
Other non-current financial liabilities.....	268,080	114,627	2,361
Non-current liabilities for employee benefits.....	118,348	97,955	1,042
Deferred tax liabilities.....	177,423	129,579	1,563
Other non-current liabilities.....	170,381	95,917	1,500
Total non-current liabilities	3,445,546	2,690,684	30,339
Total liabilities	7,107,437	5,679,586	62,582
Equity:			
Common stock:			
Authorized: 3,000,000,000 shares; issued: 1,662,889,504 shares.....	253,448	253,448	2,232
Capital surplus.....	158,782	160,271	1,398
Retained earnings.....	2,428,751	2,324,766	21,386
Other components of equity:			
Translation adjustments.....	146,841	136,729	1,293
FVTOCI financial assets.....	37,377	(61,484)	329
Cash flow hedges.....	7,737	5,961	68
Total other components of equity.....	191,955	81,206	1,690
Treasury stock.....	(150,718)	(150,208)	(1,327)
Total shareholders' equity.....	2,882,218	2,669,483	25,379
Non-controlling interests.....	663,155	314,868	5,839
Total equity.....	3,545,373	2,984,351	31,218
Total liabilities and equity.....	¥ 10,652,810	¥ 8,663,937	\$ 93,800

(3) Consolidated Statement of Changes in Equity [Condensed]

ITOCHU Corporation and its Subsidiaries

For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	Apr.-Sep. 2018	Apr.-Sep. 2017	Apr.-Sep. 2018
Common stock:			
Balance at the beginning of the period.....	¥ 253,448	¥ 253,448	\$ 2,232
Balance at the end of the period.....	¥ 253,448	¥ 253,448	\$ 2,232
Capital surplus:			
Balance at the beginning of the period.....	¥ 160,271	¥ 162,038	\$ 1,411
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	(1,489)	(2,881)	(13)
Balance at the end of the period.....	¥ 158,782	¥ 159,157	\$ 1,398
Retained earnings:			
Balance at the beginning of the period.....	¥ 2,324,766	¥ 2,020,018	\$ 20,470
Cumulative effects of the application of new accounting standards	(14,097)	-	(124)
Net profit attributable to ITOCHU.....	258,002	242,468	2,272
Transfer from other components of equity.....	(80,925)	(2,722)	(713)
Cash dividends.....	(58,995)	(43,165)	(519)
Balance at the end of the period.....	¥ 2,428,751	¥ 2,216,599	\$ 21,386
Other components of equity:			
Balance at the beginning of the period.....	¥ 81,206	¥ 88,729	\$ 715
Other comprehensive income attributable to ITOCHU.....	29,837	32,684	262
Transfer to retained earnings.....	80,925	2,722	713
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	(13)	81	(0)
Balance at the end of the period.....	¥ 191,955	¥ 124,216	\$ 1,690
Treasury stock:			
Balance at the beginning of the period.....	¥ (150,208)	¥ (122,340)	\$ (1,323)
Net change in treasury stock.....	(510)	(27,850)	(4)
Balance at the end of the period.....	¥ (150,718)	¥ (150,190)	\$ (1,327)
Total shareholders' equity.....	¥ 2,882,218	¥ 2,603,230	\$ 25,379
Non-controlling interests:			
Balance at the beginning of the period.....	¥ 314,868	¥ 260,918	\$ 2,772
Cumulative effects of the application of new accounting standards	5	-	0
Net profit attributable to non-controlling interests.....	19,899	14,209	175
Other comprehensive income attributable to non-controlling interests.....	2,076	1,732	19
Cash dividends to non-controlling interests.....	(7,462)	(6,089)	(66)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	333,769	40,870	2,939
Balance at the end of the period.....	¥ 663,155	¥ 311,640	\$ 5,839
Total equity.....	¥ 3,545,373	¥ 2,914,870	\$ 31,218

(4) Consolidated Statement of Cash Flows [Condensed]**-Unaudited-**

ITOCHU Corporation and its Subsidiaries

For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	<u>Apr.-Sep. 2018</u>	<u>Apr.-Sep. 2017</u>	<u>Apr.-Sep. 2018</u>
Cash flows from operating activities:			
Net profit	¥ 277,901	¥ 256,677	\$ 2,447
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	62,980	53,213	555
(Gains) losses on investments.....	(192,237)	(37,345)	(1,693)
(Gains) losses on property, plant, equipment and intangible assets.....	(162)	(972)	(1)
Financial (income) loss.....	(5,326)	(8,044)	(47)
Equity in earnings of associates and joint ventures	9,697	(109,280)	86
Income tax expense	80,065	57,154	705
Provision for doubtful accounts and other provisions	1,953	728	17
Changes in assets and liabilities, other-net	(41,811)	(52,629)	(368)
Proceeds from interest.....	17,990	14,659	158
Proceeds from dividends.....	59,478	50,832	523
Payments for interest.....	(27,264)	(18,816)	(240)
Payments for income taxes.....	(75,771)	(51,219)	(667)
Net cash provided by (used in) operating activities	<u>167,493</u>	<u>154,958</u>	<u>1,475</u>
Cash flows from investing activities:			
Net change in investments accounted for by the equity method	(102,750)	(61,529)	(905)
Net change in other investments	173,046	11,922	1,524
Net change in loans receivable	13,151	11,744	116
Net change in property, plant, equipment and intangible assets	(44,444)	(39,301)	(391)
Net change in time deposits	14,322	2,403	126
Net cash provided by (used in) investing activities	<u>53,325</u>	<u>(74,761)</u>	<u>470</u>
Cash flows from financing activities:			
Net change in debentures and loans payable	29,677	(110,821)	261
Cash dividends	(58,995)	(43,165)	(519)
Net change in treasury stock	(681)	(27,874)	(6)
Other	(18,908)	(4,547)	(167)
Net cash provided by (used in) financing activities	<u>(48,907)</u>	<u>(186,407)</u>	<u>(431)</u>
Net change in cash and cash equivalents	<u>171,911</u>	<u>(106,210)</u>	<u>1,514</u>
Cash and cash equivalents at the beginning of the period	432,140	605,589	3,805
Effect of exchange rate changes on cash and cash equivalents	7,642	2,875	67
Cash and cash equivalents at the end of the period	<u>¥ 611,693</u>	<u>¥ 502,254</u>	<u>\$ 5,386</u>

(Note) From the forth quarter of the previous fiscal year, "Provision for doubtful accounts and other provisions" reflects the changes of other provisions in addition to "Provision for doubtful accounts" which was previously disclosed. Accompanying this change, the amounts for the same period of the previous fiscal year has been reclassified in the same way.

(5) Operating Segment Information

ITOCHU Corporation and its Subsidiaries

For the six-month periods ended September 30, 2018 and 2017

Information concerning operations in different operating segments for the six-month periods ended September 30, 2018 and 2017 is as follows:

	For the six-month period ended September 30, 2018 (April 1, 2018 -September 30, 2018)								Millions of Yen
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Consolidated
Revenues:									
Revenues from external customers	¥ 292,689	¥ 525,377	¥ 328,271	¥ 1,567,902	¥ 1,930,697	¥ 457,809	¥ 315,658	¥ 42,521	¥ 5,460,924
Intersegment revenues.....	4	61	-	16,670	223	12,952	3,257	(33,167)	-
Total revenues.....	292,693	525,438	328,271	1,584,572	1,930,920	470,761	318,915	9,354	5,460,924
Gross trading profit	56,514	91,666	43,999	109,460	140,754	88,171	83,387	5,668	619,619
Trading income	9,932	11,231	34,716	32,779	29,236	29,338	15,492	1,823	164,547
Net profit attributable to ITOCHU.....	15,584	27,260	39,403	23,642	174,912	39,052	38,141	(99,992)	258,002
[Equity in earnings of associates and joint ventures].....	[4,031]	[13,334]	[10,816]	[6,375]	[18,410]	[17,658]	[24,311]	[(104,632)]	[(9,697)]
Total assets at September 30, 2018	492,040	1,281,440	865,731	1,398,613	3,674,969	1,003,845	1,022,120	914,052	10,652,810

	For the six-month period ended September 30, 2017 (April 1, 2017 -September 30, 2017)								Millions of Yen
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Consolidated
Revenues:									
Revenues from external customers	¥ 253,438	¥ 294,981	¥ 107,686	¥ 751,242	¥ 569,310	¥ 283,343	¥ 309,871	¥ 7,834	¥ 2,577,705
Intersegment revenues.....	26	8	-	590	235	6,597	3,557	(11,013)	-
Total revenues.....	253,464	294,989	107,686	751,832	569,545	289,940	313,428	(3,179)	2,577,705
Gross trading profit	61,189	74,907	44,417	99,452	141,606	74,167	80,890	2,329	578,957
Trading income	8,557	17,452	35,588	21,433	33,600	18,646	15,969	(2,595)	148,650
Net profit attributable to ITOCHU.....	13,688	27,267	37,086	15,063	55,113	28,508	23,401	42,342	242,468
[Equity in earnings of associates and joint ventures].....	[3,414]	[12,193]	[9,440]	[1,185]	[15,086]	[6,906]	[18,184]	[42,872]	[109,280]
Total assets at September 30, 2017	503,556	1,161,789	903,074	1,261,650	1,981,361	924,463	696,318	1,212,224	8,644,435
Total assets at March 31, 2018.....	474,856	1,218,556	850,295	1,355,712	1,962,169	978,777	766,159	1,057,413	8,663,937

	For the six-month period ended September 30, 2018 (April 1, 2018 -September 30, 2018)								Millions of U.S. Dollars
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Consolidated
Revenues:									
Revenues from external customers	\$ 2,577	\$ 4,626	\$ 2,891	\$ 13,806	\$ 17,000	\$ 4,031	\$ 2,779	\$ 374	\$ 48,084
Intersegment revenues.....	0	0	-	147	2	114	29	(292)	-
Total revenues.....	2,577	4,626	2,891	13,953	17,002	4,145	2,808	82	48,084
Gross trading profit	498	807	388	964	1,239	776	734	50	5,456
Trading income	88	99	306	289	257	258	136	16	1,449
Net profit attributable to ITOCHU.....	137	240	347	208	1,540	344	336	(880)	2,272
[Equity in earnings of associates and joint ventures].....	[36]	[117]	[95]	[56]	[162]	[155]	[214]	[(921)]	[(86)]
Total assets at September 30, 2018	4,333	11,283	7,623	12,315	32,359	8,839	9,000	8,048	93,800

Note 1 : "Equity in earnings of associates and joint ventures" is included in "Net profit attributable to ITOCHU".

Note 2 : "Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts"

Note 3 : "Others, Adjustments & Eliminations" includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments.

The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.

(6) Assumption for Going Concern: None

(7) Material Subsequent Events

Planned Commencement of Tender Offer and Transfer of Shares Accompanying Change in Subsidiaries by a Subsidiary

FamilyMart UNY Holdings Co., Ltd., a subsidiary of ITOCHU, decided at a meeting of its board of directors held on October 11, 2018 in relation to (i) a fully-owned subsidiary of FamilyMart UNY Holdings acquiring the shares of common stock of Don Quijote Holdings Co., Ltd. (hereinafter referred to as "Don Quijote HD") by tender offer (hereinafter referred to as the "Tender Offer") in accordance with the Financial Instruments and Exchange Act and (ii) the execution of the share purchase agreement for the transfer of all shares (hereinafter referred to as the "Transfer") of UNY CO., LTD., a subsidiary of FamilyMart UNY Holdings, to Don Quijote HD. On the same day, the share purchase agreement, planning to execute the Transfer in January, 2019 and other matters, has been made. The estimated price of the Transfer is 28,200 million yen.

For more details of the Tender Offer and the Transfer, please refer to "Announcement in Relation to Planned Commencement of Tender Offer and Transfer of Shares Accompanying Change in Subsidiary", which ITOCHU released on October 11, 2018.

Cancellation of Treasury Stock

ITOCHU resolved at a meeting of its board of directors held on October 1, 2018 to cancel treasury stock pursuant to Article 178 of the Companies Act of Japan, and executed as follows:

1. Class of shares cancelled:
Common shares of ITOCHU
2. Number of shares cancelled:
78,000,000 shares
(4.69% of the total number of shares before the cancellation)
3. The execution date of the cancellation:
October 19, 2018
4. The total number of issued shares after the cancellation:
1,584,889,504 shares