

Highlights of Consolidated Financial Results for the 1st Half of FY 2016 [IFRS]

Nov. 5, 2015
ITOCHU Corporation

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

Financial topics for the 1st Half of FY 2016

- "Net profit attributable to ITOCHU" increased by ¥60.5 bil. (39.8%) compared with the same period of the previous fiscal year, to ¥212.7 bil., and achieved the highest record for a 1st half and progressed 64.5% toward the outlook for FY2016**
 - "Net profit attributable to ITOCHU" for the Non-Resource Sector increased by ¥36.4 bil. compared with the same period of the previous fiscal year, to ¥159.1 bil., and achieved the highest record for a 1st half.
 - Profits and losses from special factors included in "Net profit attributable to ITOCHU" was ¥67.0 bil. (profit) (¥6.0 bil. (profit) in the same period of the previous fiscal year).
 - Ordinary profit excluding the profits and losses from special factors was nearly at the same level compared with the same period of the previous fiscal year of approximately ¥146.0 bil. The favorable performance in the non-resource sector led by the consumer-related sector covered the decline of the natural resource-related sector.
- "Total shareholders' equity" increased by ¥74.2 bil. (3.0%), to ¥2,507.4 bil. compared with March 31, 2015.**
 - "Total shareholders' equity" increased due to the increase in Net profit attributable to ITOCHU, despite the dividend payments, foreign currency translation accompanying the depreciation of the Australian dollar, and the decline in the stock prices of investments.
 - NET DER was 1.3 times. NET DER excluding temporary funding portion for CP Group accompanying the acquisition of CITIC Limited shares (interest-bearing-debt of approximately ¥320.0 bil.) was at the same level as the outlook for FY2016 of 1.1 times.
- "Cash flows from operating activities" increased by ¥9.0 bil. compared with the same period of the previous fiscal year, resulting in a Net cash-inflow of ¥146.7 bil.**
 - "Free cash flows" excluding the investment and loan accompanying the acquisition of CITIC Limited shares, approximately ¥920.0 bil. (including the temporary funding portion for CP Group, approximately ¥320.0 bil.) was approximately ¥170.0 bil. (Refer to "Cash Flows" section below)

	1st Half FY 2016	1st Half FY 2015	Increase (Decrease)
Non-Resource	159.1	122.7	36.4
Natural Resource /Energy-Related	47.1	21.2	25.9
Others	6.6	8.3	(1.8)
Total	212.7	152.2	60.5
Non-Resource/ Natural Resource	77%/23%	85%/15%	-8%/+8%

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

Consolidated Financial Results of Operations	1st Half FY 2016	1st Half FY 2015	Increase (Decrease)	Summary of changes from the same period of the previous fiscal year	Outlook for FY 2016 (Disclosed on May 1, 2015)	Progress (%)	Operating Segment Information	Net profit attributable to ITOCHU			Summary of changes from the same period of the previous fiscal year	(Reference) Trading Income		
								1st Half FY 2016	1st Half FY 2015	Increase (Decrease)		1st Half FY 2016	1st Half FY 2015	Increase (Decrease)
Revenues	2,519.4	2,721.8	(202.4)	Revenues Textile (+19.9): Mainly due to the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year Food (+18.9): Due to higher transaction volume in food-distribution-related subsidiaries Energy & Chemicals (-226.9): Mainly due to the decline in oil prices in energy trading transactions	5,600.0	45.0%	Textile	16.1	12.2	3.9	Increase due to the gain on remeasurement from the conversion of a China-related company from an associated company to other investments, despite trading income keeping nearly the same level compared with the previous fiscal year	10.9	10.8	0.1
Gross trading profit	524.6	513.9	10.6	Gross trading profit ICT, General Products & Realty (+9.3): Due to the sales of real properties for sale, the favorable performance in European tire-related companies, and the depreciation of the yen, despite the sales of housing-materials-related subsidiaries in the U.S. in this fiscal year	1,100.0	47.7%								
Selling, general and administrative expenses	(412.8)	(390.7)	(22.1)	Energy & Chemicals (+8.8): Due to the favorable performance in the chemicals sector, and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the absence of the favorable performance in crude and fuel oil transactions in the same period of the previous fiscal year	(856.0)	48.2%	Metals & Minerals	21.2	28.1	(6.9)	Decrease due to lower trading income, despite the increase in equity in earnings of associates and joint ventures accompanying the improvement in foreign currency translation in a Brazilian iron ore company, and the absence of the reversal of deferred tax assets regarding MRRT in the same period of the previous fiscal year	9.4	24.6	(15.3)
Provision for doubtful accounts	(3.0)	(1.1)	(1.9)	Food (+7.0): Due to higher transaction volume in food-distribution-related subsidiaries and the stable performance in provisions-related subsidiaries	(4.0)	-								
Gains on investments	52.1	17.5	34.6	Metals & Minerals (-15.5): Due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies	41.0	-	Food	22.0	26.0	(3.9)	Decrease due to the lower equity in earnings of associates and joint ventures from the effect of the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associated companies to other investments, and the absence of the gain on sales of affiliates in the CVS companies in the same period of the previous fiscal year, despite trading income keeping nearly the same level compared with the previous fiscal year	23.9	23.7	0.2
Gains (losses) on property, plant, equipment and intangible assets	(0.3)	2.1	(2.4)	SG&A expenses Increase due to higher expenses in existing subsidiaries and the acquisition of subsidiaries in the previous fiscal year	(19.0)	7.1%								
Other-net	8.5	8.2	0.3	Provision for doubtful accounts Increase in allowance for doubtful accounts in foreign subsidiaries	(9.0)	7.1%	Others, Adjustments & Eliminations	11.4	8.3	3.1	(1.4)	2.2	(3.5)	
Net interest expenses	(1.3)	(6.4)	5.0	Gains on investments Increase due to the gain on sales of housing-materials-related subsidiaries in the U.S. in this fiscal year	24.0	31.4%								Consolidated
Dividends received	7.5	9.5	(1.9)	Net interest expenses Improvement due to the higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares	120.0	59.9%	Total comprehensive income attributable to ITOCHU	125.1	217.7	(92.6)	Trading income	108.8	122.1	
Equity in earnings of associates and joint ventures	71.9	59.7	12.2	Equity in earnings of associates and joint ventures ICT, General Products & Realty (+9.1): Increase due to the contribution of new associated companies, and the improvement in foreign currency translation in foreign pulp-related companies	406.0	60.9%								Adjusted profit
Profit before tax	247.2	212.7	34.5	Energy & Chemicals (+3.2): Improvement due to the absence of the impairment loss in an U.S. oil and gas development company in the same period of the previous fiscal year, despite the effect of scheduled maintenance of methanol-related companies	(58.0)	43.6%	Total comprehensive income attributable to ITOCHU	125.1	217.7	(92.6)	Trading income	108.8	122.1	
Income tax expense	(25.3)	(52.9)	27.7	Metals & Minerals (+2.0): Increase due to the improvement in foreign currency translation in a Brazilian iron ore company, despite the stagnant market conditions and lower demand in steel products-related companies	348.0	63.8%								Net Profit
Net Profit	221.9	159.7	62.1	Food (-5.4): Decrease due to the effect from the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associated companies to other investments, and the absence of the gain on sales of affiliates in the CVS companies in the same period of the previous fiscal year	330.0	64.5%	Net profit attributable to ITOCHU	212.7	152.2	60.5	28.0	23.3	4.8	
Net profit attributable to ITOCHU	212.7	152.2	60.5	Income tax expense Improvement of tax expenses accompanying the disposal of an U.S. oil and gas development company	18.0	50.8%								Net profit attributable to non-controlling interests
Net profit attributable to non-controlling interests	9.1	7.5	1.6		240.0	45.3%	Total comprehensive income attributable to ITOCHU	125.1	217.7	(92.6)	Trading income	108.8	122.1	
Total comprehensive income attributable to ITOCHU	125.1	217.7	(92.6)		369.0	51.4%								Net profit attributable to non-controlling interests
(Reference) Trading income	108.8	122.1	(13.3)				Net profit attributable to non-controlling interests	9.1	7.5	1.6	(1.4)	2.2	(3.5)	
Adjusted profit	189.8	186.0	3.9											Net profit attributable to non-controlling interests

"Trading income" = Gross trading profit + SG&A expenses + Provision for doubtful accounts
"Adjusted profit" = Gross trading profit + SG&A expenses + Net interest expenses + Dividends received + Equity in earnings of associates and joint ventures

Financial Position	Sep. 2015	Mar. 2015	Increase (Decrease)	Outlook for FY2016 (Disclosed on May 1, 2015)	Cash Flows	1st Half FY 2016	1st Half FY 2015	Group Companies (Net profit attributable to ITOCHU)	1st Half FY 2016	1st Half FY 2015	Increase (Decrease)	Summary of changes from the previous fiscal year	
Total assets	9,194.6	8,560.7	633.9	9,200.0	Operating activities	146.7	137.8	ITOCHU International Inc. (C)	20.7	5.5	15.1	Increase due to the stable performance in the chemical-related sector, and the gain on sales of housing-materials-related subsidiaries	
Interest-bearing debt	3,817.0	3,092.2	724.8	3,550.0	Investing activities	(892.8)	(201.7)	ITOCHU Minerals & Energy of Australia Pty Ltd (C)	13.1	19.0	(5.9)	Decrease due to the decline in iron ore and coal prices, despite the reduction of costs, the improvement in foreign currency translation and the absence of the reversal of deferred tax assets regarding MRRT in the same period of the previous fiscal year	
Net interest-bearing debt	3,177.2	2,380.5	796.7	2,900.0	Free cash flows *	(746.1)	(64.0)	NIPPON ACCESS, INC. (C)	5.0	4.9	0.1	Nearly at the same level due to higher transaction volume and the improvement in profitability, despite the increase in distribution costs, and expenses accompanying the implementation of a new system	
Total shareholders' equity	2,507.4	2,433.2	74.2	2,600.0	Financing activities	676.2	33.8	FamilyMart Co., Ltd. (E)	4.9	7.3	(2.3)	Decrease due to the absence of the gain on sales of affiliates in Korea in the same period of the previous fiscal year, despite the increase in trading income due to the favorable domestic business	
Ratio of shareholders' equity to total assets	27.3%	28.4%	(1.2 pt)	28.3%	Cash and cash equivalents	630.8	629.5	ITOCHU Coal Americas Inc. (C)	(1.2)	0.9	(2.1)	Deterioration due to the absence of dividends from Colombian coal companies (converted from associated companies to other investments in the third quarter of the previous fiscal year) accompanying the decline in coal prices, resulting in recognition of only interest payments and expenses	
Net debt-to-shareholders' equity ratio (times)	1.3	0.98	0.3	1.1	Increase (Decrease)	(69.5)	(24.2)						
Total equity	2,816.9	2,748.3	68.6	2,900.0									
Summary of changes from the previous fiscal year end					Summary of Cash Flows for the 1st Half of FY 2016								

* Free cash flows* excluding the investment & loan (approx. ¥920.0 bil.) accompanying acquisition of CITIC Ltd. shares; approx. ¥170.0 bil.

Total assets: Increased by 7.4%, or 633.9 billion yen, compared with March 31, 2015, to 9,194.6 billion yen (76,647 million U.S. dollars). This increase was due to the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 920.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite the decrease in trade receivables and the sales of housing-materials-related subsidiaries in the U.S.

Net interest-bearing debt: Increased by 33.5%, or 796.7 billion yen, compared with March 31, 2015, to 3,177.2 billion yen (26,485 million U.S. dollars), due to the increase in borrowings regarding the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 920.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite repayment of debt accompanying the steady collections of trade receivables.

Total shareholders' equity: Increased by 3.0%, or 74.2 billion yen, compared with March 31, 2015, to 2,507.4 billion yen (20,902 million U.S. dollars), due to the increase in Net profit attributable to ITOCHU, despite the dividend payments, foreign currency translation accompanying the depreciation of the Australian dollar, and the decline in the stock prices of investments. Ratio of shareholders' equity to total assets decreased by 1.2 point to 27.3% compared with March 31, 2015. NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2015 to 1.3 times.

Operating: Net cash-inflow of 146.7 billion yen (1,223 million U.S. dollars), resulting from the steady collections of trade receivables in the food and energy sectors, the stable performance in operating revenue in the metals sector, despite the decrease in trade payable in the construction, realty & logistics sector and finance & insurance business sector, and the increase in inventories in the ICT sector.

Investing: Net cash-outflow of 892.8 billion yen (7,443 million U.S. dollars), due to the investment and loan accompanying the acquisition of CITIC Limited shares, approximately 920.0 billion yen (including the temporary funding portion for CP Group, approximately 320.0 billion yen), despite the sales of housing-materials-related subsidiaries in the U.S., approximately 100.0 billion yen.

Financing: Net cash-inflow of 676.2 billion yen (5,637 million U.S. dollars), due to the increase in debt, despite the dividend payments.

Dividend Information (Per Share)	Annual (Planned)	Interim	Major Indicators	1st Half FY 2016	1st Half FY 2015	Variance	
	50 yen (minimum)	25 yen	Foreign exchange (Yen/US\$)	Average	121.87	102.11	19.76
				Closing	Sep.-15 119.96	Mar.-15 120.17	(0.21)
			Interest	JPY TIBOR 3M, average	0.171%	0.210%	(0.039%)
				US\$ LIBOR 3M, average	0.297%	0.231%	+ 0.066%
			Crude oil (Brent) (US\$/BBL) average	56.53	106.57	(50.04)	
			Iron ore (US\$/ton)	57	109	(52)	
			Hard coking coal (US\$/ton)	(*) 101	120	(19)	
			Thermal coal (US\$/ton)	68	82	(14)	

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

