



FY2017 1st Half Business Results Summary

November 2, 2016

ITOCHU Corporation



Forward-Looking Statements

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

Summary of Net profit attributable to ITOCHU



I am One with Infinite Missions

(Unit : billion yen)

- **"Net profit attributable to ITOCHU" decreased by ¥10.6 bil. compared with the same period of the previous fiscal year to ¥202.2 bil., and progressed 58% toward the FY2017 Forecast of ¥350.0 bil.**
 "Net profit attributable to ITOCHU" achieved the 2nd highest record for the 1st half result next to the same period of FY2016 due to the contribution from CITIC Limited and the favorable performance in the Food segment, despite the decrease due to a decline in commodity prices, the effect of the appreciation of the yen and the absence of extraordinary gains in the same period of the previous fiscal year.
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥31.0 bil. (profit) in this 1st half result, approximately ¥67.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥25.0 bil. compared with the same period of the previous fiscal year to approximately ¥171.0 bil.** (approximately ¥146.0 bil. in the same period of the previous fiscal year), and **achieved the highest record for a 1st half result.**

	FY2016 1st Half Result	FY2017 1st Half Result	Increase/ Decrease	FY2017 Forecast (Disclosed on Nov, 2)	Progress
Net profit attributable to ITOCHU	212.7	202.2	(10.6)	350.0	58%
Gross trading profit	524.6	514.1	(10.4)	1,080.0	48%
Selling, general and administrative expenses	(412.8)	(395.5)	+17.2	(810.0)	49%
Gains on investments	52.1	38.9	(13.2)	-	-
Equity in earnings of associates and joint ventures	71.9	96.0	+24.2	170.0	56%
Income tax expense	(25.3)	(48.8)	(23.5)	(103.0)	47%

(Reference)

Extraordinary gains and losses	67.0	31.0	(36.0)
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 146.0	approx. 171.0	+25.0

Dividend Information (Per Share)	
Annual (Planned)	55.0 yen (minimum)
Interim	27.5 yen



Net profit attributable to ITOCHU by Segment



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(Unit : billion yen)

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



	FY2016 1st Half Result	FY2017 1st Half Result
Non-Resource	159.1	188.2
Resource	47.1	11.8
Others	6.6	2.2
Non-Resource(%)	77%	94%

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

Textile [Inc/Dec : ¥(4.2) bil., Progress : 36%]

Decrease due to the absence of an extraordinary gain regarding a China-related company in the same period of the previous fiscal year and the unfavorable sales in apparel-related companies, despite the reduction of expenses.

Machinery [Inc/Dec : ¥(1.0) bil., Progress : 43%]

Decrease due to the deterioration in profitability in ship-related business affected by stagnant market conditions, the appreciation of the yen, and the decline in dividends received, despite the gain on sales of a medical-device-related company.

Metals & Minerals [Inc/Dec : ¥(6.4) bil., Progress : 49%]

Decrease due to the decline in coal prices, the appreciation of the yen, and the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year, despite the reduction of costs in the iron ore and coal-related business.

Energy & Chemicals [Inc/Dec : ¥(30.5) bil., Progress : 64%]

Decrease due to the lower energy trading transaction volume, the decline in self-developed crude oil transaction prices, and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the same period of the previous fiscal year.

Food [Inc/Dec : ¥+27.3 bil., Progress : 71%]

Increase due to the improvement in profitability in fresh-food-related and food-distribution-related companies, the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings, and the gain on sales of a dairy-products-related company.

General Products & Realty [Inc/Dec : ¥(23.6) bil., Progress : 45%]

Decrease due to the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year, the decrease in equity in earnings of associates and joint ventures in foreign pulp-related companies, and the appreciation of the yen, despite the favorable performance in apartment/condominium-related companies.

ICT & Financial Business [Inc/Dec : ¥(10.6) bil., Progress : 44%]

Decrease due to the absence of an extraordinary gain regarding a finance-related company in the same period of the previous fiscal year, despite the higher transaction volume in domestic ICT-related companies.

Others, Adjustments & Eliminations [Inc/Dec : ¥+38.4 bil.]

Increase due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year.

* Inc/Dec: Increase/Decrease

Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥162.4 bil.** resulting from the stable performance in operating revenue in the Food, Energy, Metals & Minerals, and ICT sectors. “Cash flows from investing activities” was a net cash-outflow of ¥19.9 bil., and “Free cash flows” resulted a **net cash-inflow of ¥142.5 bil.**

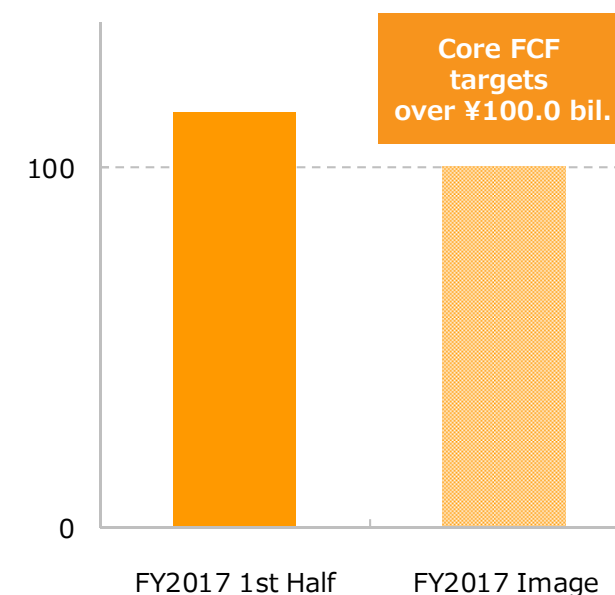
Core Free Cash Flows:

“Core operating cash flows”, after deducting increase and decrease of working capital from “Cash flows from operating activities”, was a **net cash-inflow of ¥175.0 bil.** “Core free cash flows” resulted a **net cash-inflow of ¥115.0 bil., and progressed steadily toward the FY2017 Image of ¥100.0 bil.**

Cash Flows	FY2016 1st Half Result	FY2017 1st Half Result
Cash flows from operating activities	146.7	162.4
Cash flows from investing activities	(892.8)	(19.9)
Free cash flows	(746.1)	142.5
Cash flows from financing activities	676.2	(102.7)

Core Free Cash Flows	FY2016 Result	FY2017 1st Half Result	FY2017 Image
Core operating cash flows ^(Note1)	375.0	175.0	
Net investment cash flows ^(Note2)	35.0	(60.0)	
Core free cash flows	410.0	115.0	Over 100.0
Cash dividends	(75.0)	(39.5)	
Core free cash flows after deduction of dividends	335.0	75.5	Over 20.0

Core Free Cash Flows



Note 1: “Operating Cash Flows” minus “increase/decrease of working capital”

Note 2: Payments and collections for substantive investment and capital expenditure
“Investment Cash Flows” plus “Equity transactions with non-controlling interests” minus “increase/decrease of loan receivables”, etc.
Exclude investment into CITIC Limited

(Unit : billion yen)

■ **Total assets:**

Decreased by ¥379.0 bil., compared with March 31, 2016 to **¥7,657.4 bil.** This decrease was due to the collections of trade receivables in domestic ICT-related and mobile-phone-related companies, and the appreciation of the yen, despite the additional investments and merging transaction relating to FamilyMart and UNY Holdings.

■ **Net interest-bearing debt:**

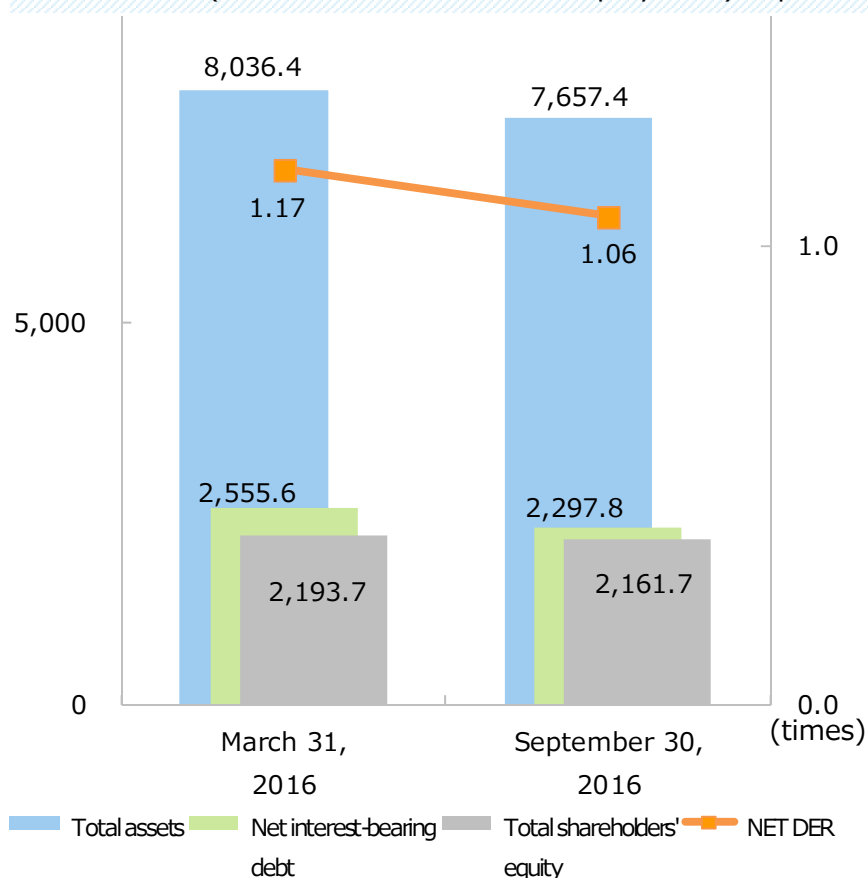
Decreased by ¥257.8 bil., compared with March 31, 2016 to **¥2,297.8 bil.** This decrease was due to the repayment of debt through steady collections and the appreciation of the yen.

■ **Total shareholders' equity:**

Decreased by ¥31.9 bil., compared with March 31, 2016 to **¥2,161.7 bil.** due to the dividend payments and the effect of the appreciation of the yen, despite Net profit attributable to ITOCHU during this fiscal year.

Ratio of shareholders' equity to total assets increased by 0.9 points compared with March 31, 2016 to **28.2%**.

NET DER (Net debt-to-shareholders' equity ratio) improved compared with March 31, 2016 to **1.06 times**.



	March 31, 2016	September 30, 2016	Increase/Decrease	FY2017 Forecast (Disclosed on Nov, 2)
Total assets	8,036.4	7,657.4	(379.0)	8,000.0
Net interest-bearing debt	2,555.6	2,297.8	(257.8)	2,350.0
Total shareholders' equity	2,193.7	2,161.7	(31.9)	2,350.0
Ratio of shareholders' equity to total assets	27.3%	28.2%	Increased 0.9pt	29.4%
NET DER (times)	1.17	1.06	Improved 0.1	1.0
ROE	10.4%	–	–	15.4%

	FY2016 1st Half Result	FY2017 1st Half Result	FY2017 Forecast (Disclosed on Nov, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2017 2nd half against forecast
Exchange rate (YEN / US\$) average	121.87	106.93	105	Approx. ¥(1.0) bil. (1 yen appreciation against US\$)
Exchange rate (YEN / US\$) closing	Mar. 2016 112.68	Sep. 2016 101.12	105	-
Interest JPY TIBOR 3M, average	0.171%	0.065%	0.10%	Approx. ¥(2.0) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	56.53	47.01	45	±¥0.02 bil.
Iron ore (CFR China) (US\$/ton)	55*	55*	N.A.**	±¥0.63 bil.
Hard coking coal (FOB Australia) (US\$/ton)	101*	89*	N.A.**	±¥0.17 bil.
Thermal coal (FOB Australia) (US\$/ton)	67.8*	61.6*	N.A.**	

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

* FY2016 1st half and FY2017 1st half prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

** In the prices for iron ore, hard coking coal and thermal coal used in the FY2017 forecast, the prices for FY2017 1st half are assumed based on the prices that major suppliers and customers have agreed on regarding shipments and current spot prices, and the prices for FY2017 2nd half are assumed based on the prices agreed on the 1st half. However, the actual sales prices are decided based on negotiations with each customer, ore type and coal type.

(Unit : billion yen)

< Consolidated >	FY2017 Forecast (Disclosed on Nov, 2)	FY2017 Forecast (Disclosed on May, 6)	FY2016 Result
Revenues	4,600.0	5,000.0	5,083.5
Gross trading profit	1,080.0	1,080.0	1,069.7
Selling, general and administrative expenses, etc.	(815.0)	(840.0)	(843.3)
Trading income	265.0	240.0	226.4
Other-net	40.0	43.0	(51.4)
Equity in earnings of associates and joint ventures	170.0	180.0	147.7
Profit before tax	475.0	463.0	322.7
Income tax expense	(103.0)	(90.0)	(46.4)
Net profit attributable to ITOCHU	350.0	350.0	240.4
Net profit attributable to non-controlling interests	22.0	23.0	36.0
Total assets	8,000.0	8,200.0	8,036.4
Net interest-bearing debt	2,350.0	2,500.0	2,555.6
Total shareholders' equity	2,350.0	2,400.0	2,193.7
NET DER (times)	1.0	1.0	1.17

< Segments >	FY2017 Forecast (Disclosed on Nov, 2)	FY2017 Forecast (Disclosed on May, 6)	1st Half Progress
Textile	33.0	33.0	36%
Machinery	60.0	60.0	43%
Metals & Minerals	30.0	13.0	49%
Energy & Chemicals	21.0	21.0	64%
Food	70.0	60.0	71%
General Products & Realty	43.0	43.0	45%
ICT & Financial Business	40.0	52.0	44%
Others, Adjustments & Eliminations	53.0	68.0	—
Total	350.0	350.0	58%

	FY2017 Forecast (Disclosed on Nov, 2)	FY2017 Forecast (Disclosed on May, 6)	FY2016 Result
Exchange rate (YEN / US\$) average	105	110	120.65
Crude oil (Brent) (US\$/BBL)	45	35	48.73

(Note) The exchange rate, crude oil (Brent) data above are on a fiscal year basis (April to March).