FY2017 Business Results Summary
FY2018 Management Plan

May 2, 2017

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. 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, financial instruments and financial resources. Therefore, 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 FY2017

Summary of Net profit attributable to ITOCHU

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(Unit : billion yen)

- **"Net profit attributable to ITOCHU" increased by 47% or ¥111.8 bil. compared with the previous fiscal year to ¥352.2 bil., and achieved a record high.**
  "Gross trading profit" reached the highest record of ¥1,093.5 bil., due to the strong earnings in the Metals & Minerals, Food, ICT and Chemical sectors, despite the appreciation of the yen. Net profit attributable to ITOCHU increased significantly compared with the previous fiscal year, due to the contribution from CITIC Limited and the absence of the extraordinary losses in the previous fiscal year, in addition to the above.
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥18.0 bil. loss) was **approximately ¥370.0 bil. and achieved the highest record.**
- **"Profits/Losses of group companies" was ¥328.6 bil., "Share (%) of group companies reporting profits" was 86.4%, both of which achieved the highest record.**
- According to the dividend policy under the medium-term management plan, **we plan to pay a record high annual dividend of ¥ 55 per share**. Making steady progress in cash flow control and strengthening our financial position, we promoted repayment of debt. Resuming the acquisition of treasury stock from November 2016 (¥16.2 bil.), we made a further progress to improve our shareholder returns.

	FY2016 Result	FY2017 Result	Increase/ Decrease	FY2017 Forecast (Disclosed on Nov, 2)	Achievement
Net profit attributable to ITOCHU	**240.4**	**352.2**	**+111.8**	**350.0**	**101%**
Gross trading profit	1,069.7	1,093.5	+ 23.8	1,080.0	101%
Selling, general and administrative expenses	(835.5)	(801.8)	+ 33.7	(810.0)	99%
Losses on property, plant, equipment and intangible assets	(155.1)	(16.7)	+138.4	-	-
Equity in earnings of associates and joint ventures	147.7	185.2	+ 37.4	170.0	109%
Income tax expense	(46.4)	(125.3)	(78.9)	(103.0)	122%

(Reference)

	FY2016 Result	FY2017 Result	Increase/ Decrease
Extraordinary gains and losses	(75.0)	(18.0)	+ 57.0
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 315.0	approx. 370.0	+ 55.0
Profits/Losses of group companies	166.0	328.6	+162.6
Share (%) of group companies reporting profits	81.9%	86.4%	Increased 4.5pt

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

Net profit attributable to ITOCHU by Segment

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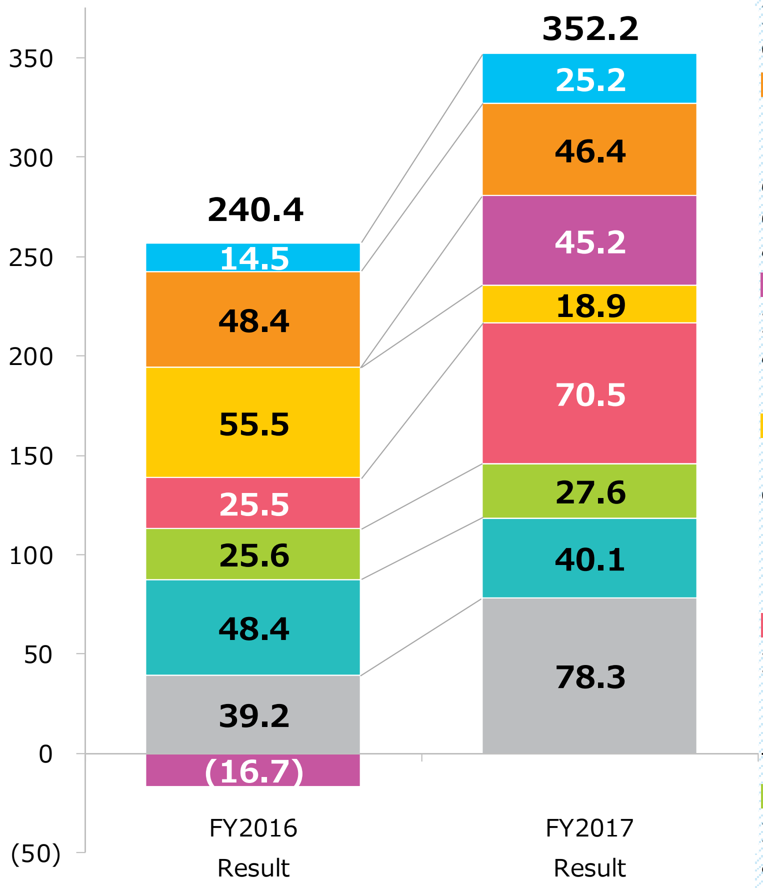

	FY2016 Result	FY2017 Result
Non-Resource	237.3	313.7
Resource	1.8	30.6
Others	1.3	8.0
Non-Resource(%)	99%	91%

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

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

Textile [Inc/Dec : ¥+10.7 bil.]

Increase due to the reduction of expenses and the improvement of extraordinary gains/losses, despite the unfavorable sales in apparel-related companies.

Machinery [Inc/Dec : ¥(1.9) bil.]

Decrease due to the deterioration in profitability in ship-related business affected by stagnant market conditions, the lower transaction volume in automobile-related transactions, an extraordinary loss in ship-related business, and the appreciation of the yen, despite the gain on sales of a medical-device-related company and the increase in equity in earnings of associates and joint ventures.

Metals & Minerals [Inc/Dec : ¥+61.9 bil.]

Increase due to the higher iron ore and coal prices, and the absence of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business in the previous fiscal year, despite the appreciation of the yen.

Energy & Chemicals [Inc/Dec : ¥(36.6) bil.]

Decrease due to the decline in dividends received, the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the previous fiscal year, and the negative effects of the amendment to Japanese anti-tax haven rules, despite the absence of the impairment loss in the North Sea oil fields development project in the previous fiscal year.

Food [Inc/Dec : ¥+45.0 bil.]

Increase due to the improvement in profitability and the absence of the impairment loss in the previous fiscal year in fresh-food-related companies, the higher transaction volume and the improvement in profitability in food-distribution-related companies, and the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings.

General Products & Realty [Inc/Dec : ¥+2.0 bil.]

Increase due to the less extraordinary loss in European tire-related companies, despite the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year, the negative effects of the amendment to Japanese anti-tax haven rules, the decrease in equity in earnings of associates and joint ventures due to the stagnant market conditions in foreign pulp-related companies, and the appreciation of the yen.

ICT & Financial Business [Inc/Dec : ¥(8.3) bil.]

Decrease due to the absence of an extraordinary gain regarding a finance-related company in the previous fiscal year and the negative effects of the amendment to Japanese anti-tax haven rules, despite the higher transaction volume in domestic ICT-related companies.

Others, Adjustments & Eliminations [Inc/Dec : ¥+39.1 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

Cash Flows

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(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a net cash-inflow of **¥389.7 bil.,** resulting from the stable performance in operating revenue. It was close to ¥400.0 bil. which we had achieved for the third consecutive years until the previous fiscal year, and continued to create ample operating cash flows.
  "Free cash flows" resulted a net cash-inflow of **¥308.4 bil.** due to rigorously selected investments.
- **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 **¥420.0 bil., which was the highest record**. **"Core free cash flows"** resulted a net cash-inflow of **¥300.0 bil., and achieved over ¥100.0 bil. which has been committed in the medium-term management plan.**

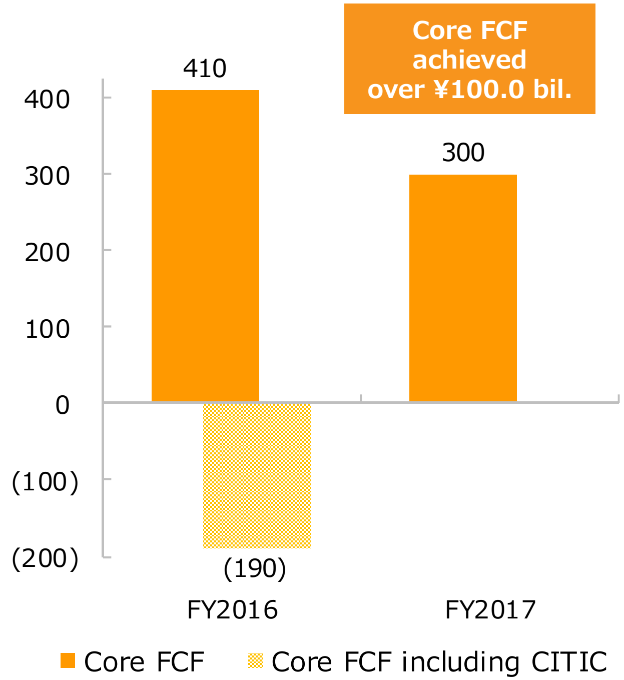
Cash Flows

Cash Flows	FY2016 Result	FY2017 Result
Cash flows from operating activities	419.4	389.7
Cash flows from investing activities	(557.3)	(81.3)
Free cash flows	*(137.9)*	*308.4*
Cash flows from financing activities	81.8	(335.4)

Core Free Cash Flows

Core Free Cash Flows	FY2016 Result	FY2017 Result
Core operating cash flows(Note1)	375.0	420.0
Net investment cash flows(Note2)	35.0	(120.0)
Core free cash flows	410.0	300.0
Shareholder returns (dividend and share buyback)	(75.0)	(99.0)
Core free cash flows after return to shareholders	335.0	201.0

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

Financial Position

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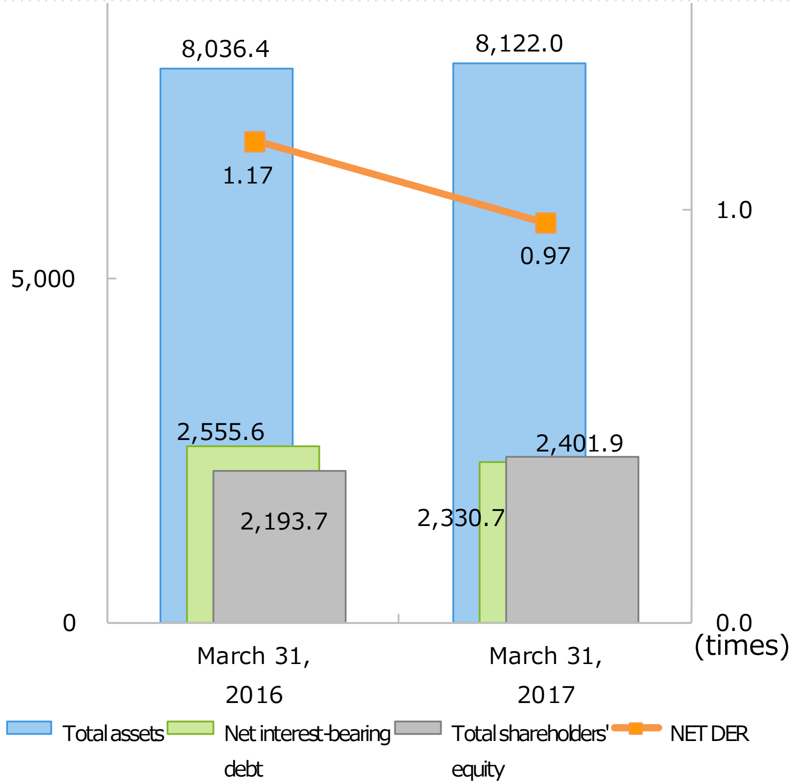
(Unit：billion yen)

- **Making steady progress in further strengthening financial position, all major indicators improved significantly.**
  - ・**Ratio of shareholders' equity to total assets** increased by 2.3 points compared with March 31, 2016 to **29.6%, which was the highest record.**
  - ・**NET DER (Net debt-to-shareholders' equity ratio)** improved compared with both March 31, 2016 and the forecast disclosed on May 6 to **0.97, which was the lowest record.**
  - ・**ROE** increased by 4.9 points compared with the previous fiscal year to **15.3%, which surpassed by far our ROE target of 13% in the medium-term management plan.**
- **Total assets** increased by ¥85.6 bil., compared with March 31, 2016 to **¥8,122.0 bil.** due to the increased trade receivables accompanying the rise in oil prices during the second half towards the end of this fiscal year compared with the same period of the previous fiscal year in energy-related companies and energy trading transactions, and the additional investments and merging transaction relating to FamilyMart and UNY Holdings, despite the effect of foreign currency translation.

  Net interest-bearing debt decreased by ¥225.0 bil., compared with March 31, 2016 to **¥2,330.7 bil.** due to promoting the repayment of debt accompanying the large surplus of free cash flows through the stable performance in operating revenue and steady collections.

  Total shareholders' equity increased by ¥208.2 bil., compared with March 31, 2016 to **¥2,401.9 bil.** due to the increase in Net profit attributable to ITOCHU, despite the dividend payments, the negative effect of foreign currency translation, and the acquisition of treasury stock.



	March 31, 2016	March 31, 2017	Increase/ Decrease	FY2017 Forecast (Disclosed on Nov, 2)
Total assets	8,036.4	8,122.0	+ 85.6	8,000.0
Net interest-bearing debt	2,555.6	2,330.7	(225.0)	2,350.0
Total shareholders' equity	2,193.7	2,401.9	+208.2	2,350.0
Ratio of shareholders' equity to total assets	27.3%	29.6%	Increased 2.3pt	29.4%
NET DER (times)	1.17	0.97	Improved 0.2pt	1.0
ROE	10.4%	15.3%	Increased 4.9pt	15.4%

FY2018 Management Plan

Medium-Term Management Plan

Brand-new Deal 2017

Infinite Missions
Transcending Growth

Basic Policies

Strengthen Our Financial Position

Accelerate Asset Replacement | **Stringent Cash Flow Management**

- Continue asset replacement and rigorous investment selection to further improve quality and efficiency of assets.
- Maintain positive Free Cash Flow after dividend payout by strengthening cash generation capacity and adhering to stringent investment disciplines.
- Thoroughly implement management control to front lines with focus on cost of capital and cash flow management.

Build Solid Earning Base to Generate ¥400 billion Level Net Income

Enhance Progress Cooperation with Strategic Partners | **Further Reinforcement of the Non-Resource Sector**

- Establish operating capabilities and business areas in China and the Asian region utilizing the strategic alliance with CITIC and CP Group.
- Further strengthen our earnings platform utilizing the superiority and competitive edge in the non-resource sector.
- Expand the fundamental earning power by thoroughly practicing the “Earn”, “Cut”, and “Prevent” principles.

FY2018 Quantitative Plan

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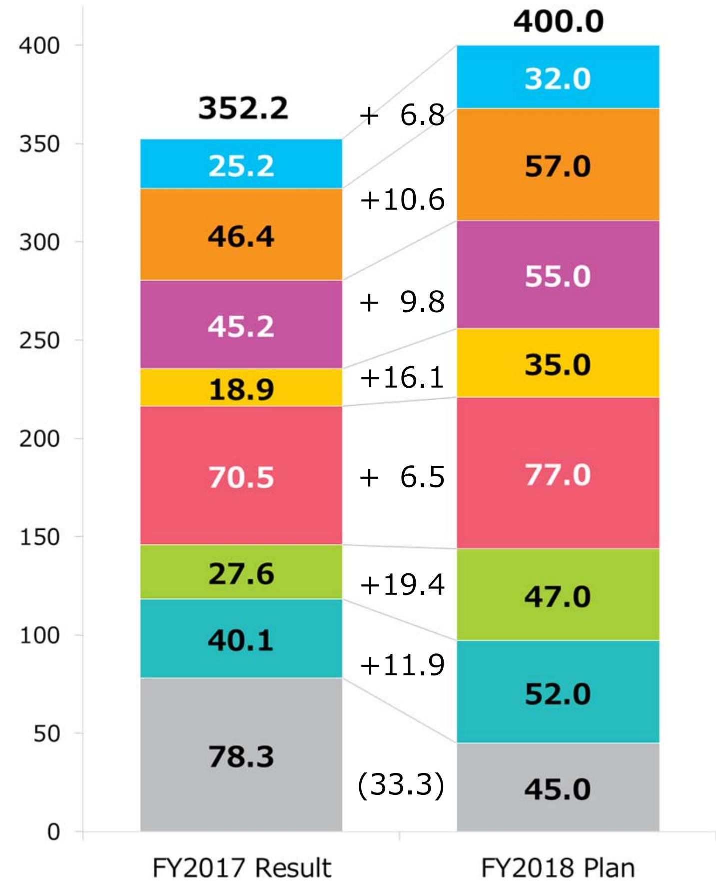
(Unit : billion yen)

P/L Plan

	FY2017 Result	FY2018 Plan	Increase/ Decrease
Net profit attributable to ITOCHU	**352.2**	**400.0**	**+47.8**
Gross trading profit	1,093.5	1,230.0	+136.5
Selling, general and administrative expenses	(801.8)	(921.0)	(119.2)
Equity in earnings of associates and joint ventures	185.2	190.0	+4.8
Income tax expense	(125.3)	(103.0)	+22.3

B/S Plan

	March 31, 2017 Result	March 31, 2018 Plan	Increase/ Decrease
Total assets	8,122.0	8,600.0	+478.0
Net interest-bearing debt	2,330.7	2,350.0	+19.3
Total shareholders' equity	2,401.9	2,650.0	+248.1
Ratio of shareholders' equity to total assets	29.6%	30.8%	Increase 1.2pt
NET DER (times)	0.97	0.9	Improve 0.1pt
ROE	15.3%	15.8%	Increase 0.5pt



	FY2017 Result	FY2018 Plan
Non-Resource	**313.7**	**367.0**
Resource	**30.6**	**51.0**
Others	**8.0**	**(18.0)**
Non-Resource(※)	**91%**	**88%**

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

Textile　Machinery　Metals & Minerals　Energy & Chemicals　Food
General Products & Realty　ICT & Financial Business　Others, Adjustment & Eliminations

Sustainable Positive Core Free Cash Flow

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Core Free Cash Flow "Core FCF"

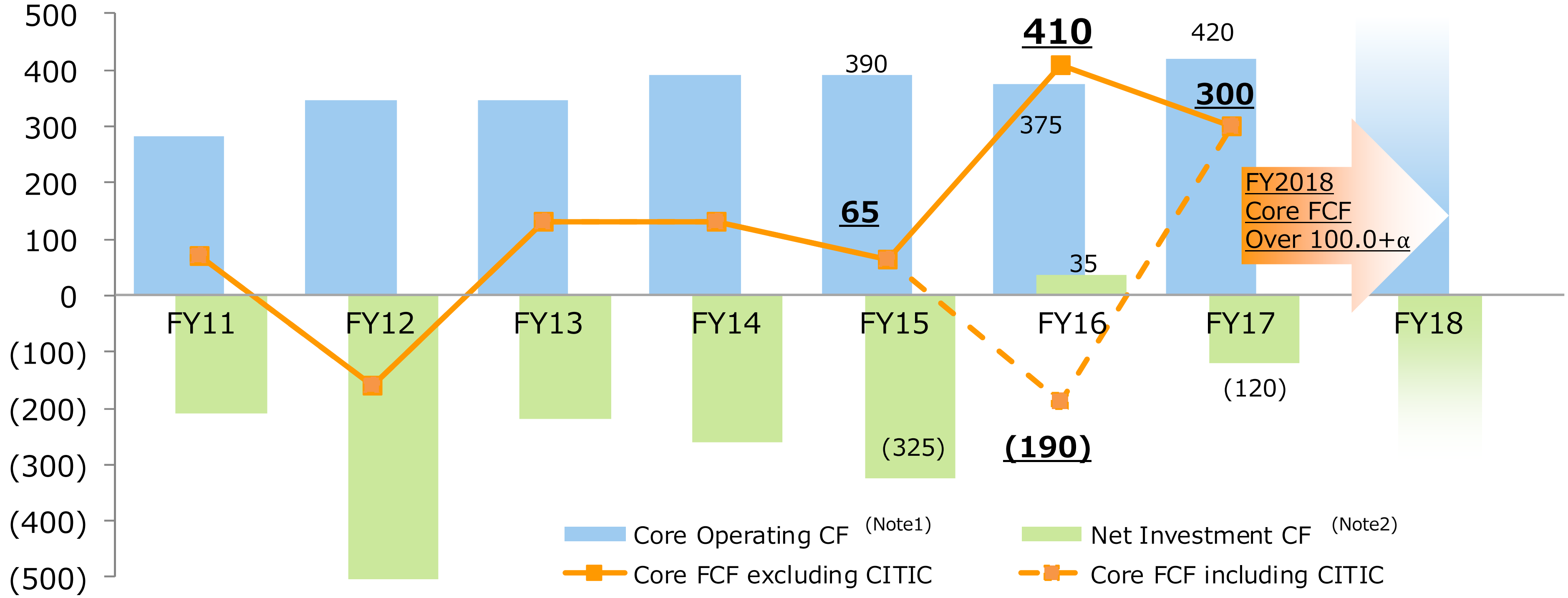
Core Operating CF (Note1) **−** **Net Investment CF** (Note2) **−** **Dividend /Share buyback** **=** **Generate in excess**

New Investments /EXIT

Increase shareholder returns

Loan Repayment

Trend of Core FCF



(Unit : billion yen)

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"Investment Cash Flows" plus "Equity transactions with non-controlling interests " minus" increase/decrease of loan receivables", etc.
Exclude investment into CITIC Limited

Major Indicates

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	FY2016 Result	FY2017 Result	FY2018 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU
Exchange rate (YEN / US$) average	120.65	108.37	110	Approx. ¥(1.8) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	112.68	112.19	110	-
Interest JPY TIBOR 3M, average	0.160%	0.061%	0.10%	Approx. ¥(4.5) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	48.73	49.88	50	±¥0.34 bil.
Iron ore (CFR China) (US$/ton)	51*	66*	N.A.**	±¥1.23 bil.
Hard coking coal (FOB Australia) (US$/ton)	93*	165*	N.A.**	±¥0.34 bil.
Thermal coal (FOB Australia) (US$/ton)	55*	74*	N.A.**	

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

* FY2016 and FY2017 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 FY2018 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.

Dividend Policy

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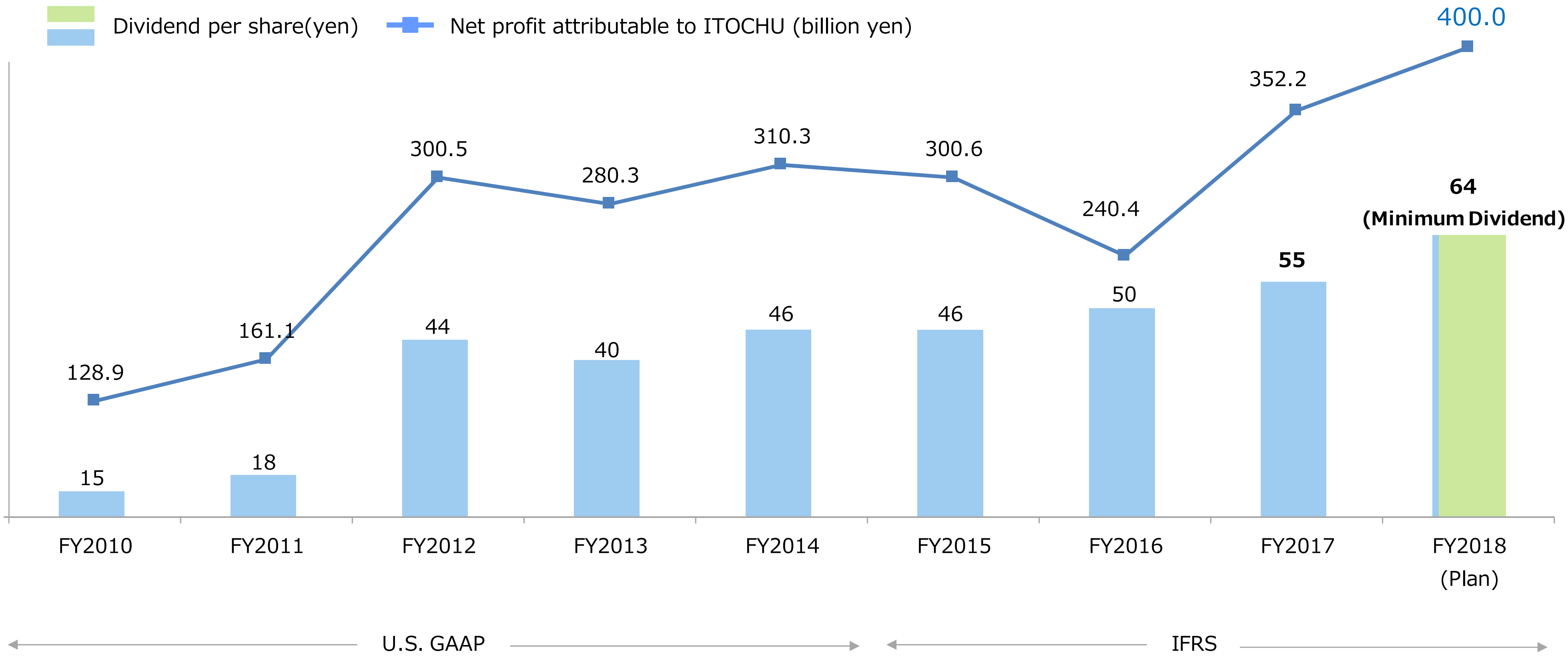
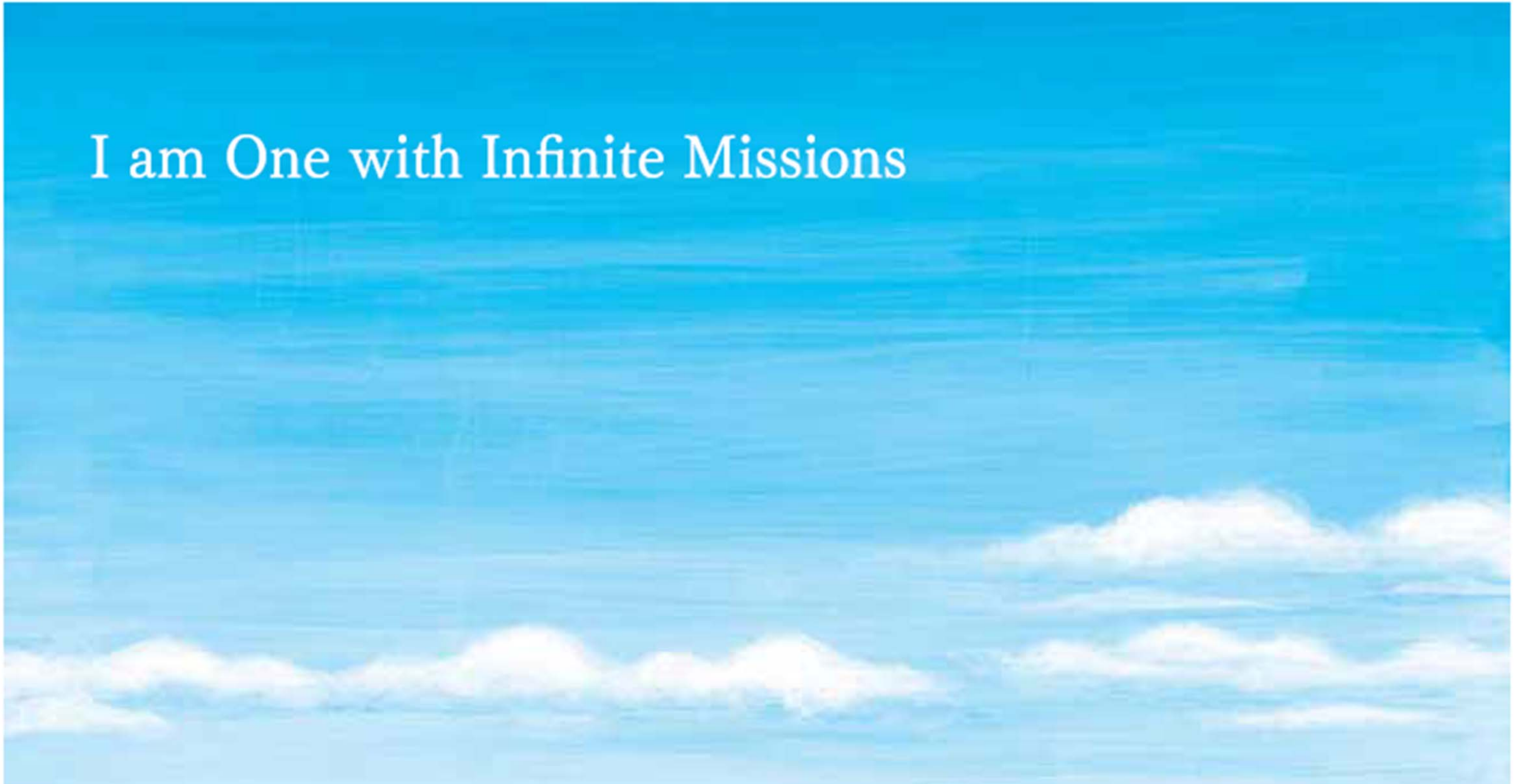
FY2018 Dividend Policy remains unchanged from Brand-new Deal 2017 dividend policy, as below.

- For FY2018, with the intention of increasing shareholder returns, based on the high probability of achievement of business plan and expected cash flow, we will guarantee a minimum dividend per share of ¥64, our record high dividend.
- FY2018 Dividend Policy remains unchanged from Brand-new Deal 2017 dividend policy(*), and we will continue to make our best efforts to share the growth and generated profit with our shareholders and to increase shareholder returns.

(*)Brand-new Deal 2017 dividend policy
Payout ratio of 20% for Net profit attributable to ITOCHU up to ¥200.0 billion and approx. 30% on the portion of Net profit attributable to ITOCHU exceeding ¥200.0 billion.





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