

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

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-Unaudited-**Consolidated Financial Results for the First Quarter 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: -

1. Consolidated operating results for the first quarter of the fiscal year 2019 (from April 1, 2018 to June 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 quarter of												
Fiscal Year 2019	2,613,081	114.4	71,696	0.8	141,207	3.2	116,719	2.5	113,364	4.8	125,539	10.7
Fiscal Year 2018	1,218,792	10.1	71,108	46.8	136,875	40.8	113,926	50.2	108,191	48.0	113,409	-

	Basic earnings per share attributable to ITOCHU		Diluted earnings per share attributable to ITOCHU	
	yen		yen	
For the first quarter of				
Fiscal Year 2019	73.14		-	
Fiscal Year 2018	69.46		-	

Equity in earnings of associates and joint ventures (millions of yen) 1st quarter of FY 2019: 59,040 [+ 23.7 %] 1st quarter of FY 2018: 47,715 [+ 28.6%]
 Total comprehensive income (millions of yen) 1st quarter of FY 2019: 129,933 [+ 7.8 %] 1st quarter of FY 2018: 120,516 [- %]

(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
June 30, 2018	8,885,515	3,041,135	2,721,585	30.6	1,755.94
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 quarter of				
Fiscal Year 2019	52,498	(29,038)	(21,703)	437,724
Fiscal Year 2018	77,514	(44,389)	(51,653)	587,844

2. Dividend distribution

	Dividend distribution per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	yen				
Fiscal Year 2018	-	32.00	-	38.00	70.00
Fiscal Year 2019	-				
Fiscal Year 2019 (Planned)		37.00	-	37.00	74.00

(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	450,000	12.4	290.29	

(Note) Revisions to the outlook of consolidated operating results announced most recently: None

(Note) Outlook of consolidated operating results for the first half of fiscal year 2019 is not prepared.

4. Other information

(1) Changes in significant subsidiaries accompanied by changes in the consolidation scope: None

(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 8, "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 quarter of FY 2019	1,662,889,504	Fiscal Year 2018	1,662,889,504
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(b) Number of treasury stock:	1st quarter of FY 2019	112,960,843	Fiscal Year 2018	112,725,195
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(c) Average number of common shares outstanding:	1st quarter of FY 2019	1,550,014,544	1st quarter of FY 2018	1,557,654,470
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[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 110.54 yen = 1 U.S. dollar, the exchange rate prevailing on June 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 three-month period ended June 30, 2018]

(a) General Economic Situation

For the three-month period ended June 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 China, ASEAN and India. However, as trade issues stemming from the U.S. intensify especially with China, there is a concern that the real economy will be adversely affected going forward. Accordingly, attention should be paid to trade-related economic trends. The WTI crude oil price, having been the positive expectation of higher demands accompanying the favorable global economy, rose from the US\$60-65 range at the beginning of April to the mid-US\$70s level at the end of June due to the uncertainty on Iran's oil supply resulting from the U.S. withdrawal from Iran Nuclear Deal.

The Japanese economy returned to a trend of expansion 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 a recovery in exports and an increase in capital investment. The yen depreciated against the U.S. dollar in the middle of May to the ¥110 level due to the rise in the U.S. long-term interest rate on the back of stable economy expansion, and the easing tension on issues related to the North Korea on the decision to hold the U.S. and North Korea summit conference. The yen had remained at the same level around the ¥110 till the end of June. The Nikkei Stock Average, although it had bounced from the ¥21,000 - ¥21,500 level at the beginning of April to the ¥23,000 at the end of May resulting from the recovery in the U.S. stock market and the depreciation of the yen, dropped to the ¥22,000 - ¥22,500 level at the end of June due to concerns on trade issues started by the U.S.. The yield on 10-year Japanese government bonds, although it had increased to 0.06% in the middle of May, dropped to 0.04% due to the fall in stock markets at the end of June.

(b) Consolidated Operating Results

	Billions of Yen				Millions of
	Apr.-Jun. 2018	Apr.-Jun. 2017	Increase (Decrease)	%	U.S. Dollars Apr.-Jun. 2018
Revenues	2,613.1	1,218.8	1,394.3	114.4%	23,639
Gross trading profit	300.4	276.3	24.0	8.7%	2,717
Selling, general and administrative expenses	(227.5)	(204.7)	(22.8)	11.1%	(2,058)
Gains on investments.....	2.8	6.9	(4.1)	(58.9%)	26
Equity in earnings of associates and joint ventures	59.0	47.7	11.3	23.7%	534
Income tax expense.....	(24.5)	(22.9)	(1.5)	6.7%	(221)
Net profit attributable to ITOCHU.....	113.4	108.2	5.2	4.8%	1,026
(Reference) Trading income.....	71.7	71.1	0.6	0.8%	648

(i) Revenues (from external customers)

Increased by 114.4%, or 1,394.3 billion yen, compared with the same period of the previous fiscal year to 2,613.1 billion yen (23,639 million U.S. dollars).

- Food Company:

Increased by 650.1 billion yen compared with the same period of the previous fiscal year to 937.6 billion yen (8,482 million U.S. dollars), mainly due to the effects of the application of new accounting standards.

- Energy & Chemicals Company:

Increased by 378.6 billion yen compared with the same period of the previous fiscal year to 749.3 billion yen (6,778 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 139.2 billion yen compared with the same period of the previous fiscal year to 239.2 billion yen (2,164 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 105.6 billion yen compared with the same period of the previous fiscal year to 160.4 billion yen (1,451 million U.S. dollars), mainly due to the effects of the application of new accounting standards.

(ii) Gross trading profit

Increased by 8.7%, or 24.0 billion yen, compared with the same period of the previous fiscal year to 300.4 billion yen (2,717 million U.S. dollars).

- Machinery Company:

Increased by 18.5 billion yen compared with the same period of the previous fiscal year to 43.6 billion yen (394 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 and North American construction-machinery-related companies.

- General Products & Realty Company:

Increased by 4.2 billion yen compared with the same period of the previous fiscal year to 40.9 billion yen (370 million U.S. dollars), due to the higher transaction volume in North American facility-materials-related and North American building-materials-related companies.

(iii) Selling, general and administrative expenses

Increased by 11.1%, or 22.8 billion yen, compared with the same period of the previous fiscal year to 227.5 billion yen (2,058 million U.S. dollars), due to the acquisition of subsidiaries including YANASE.

(iv) Gains on investments

Decreased by 58.9%, or 4.1 billion yen, compared with the same period of the previous fiscal year to 2.8 billion yen (26 million U.S. dollars), due to the absence of extraordinary gains in the same period of the previous fiscal year.

(v) Equity in earnings of associates and joint ventures

Increased by 23.7%, or 11.3 billion yen, compared with the same period of the previous fiscal year to 59.0 billion yen (534 million U.S. dollars).

- General Product & Realty Company:
Increased by 3.8 billion yen compared with the same period of the previous fiscal year to 6.8 billion yen (61 million U.S. dollars), due to the rise in the market prices in foreign pulp-related companies.
- ICT & Financial Business Company:
Increased by 3.3 billion yen compared with the same period of the previous fiscal year to 12.1 billion yen (109 million U.S. dollars), due to the favorable performance in finance-related companies.
- Energy & Chemicals Company:
Increased by 2.5 billion yen compared with the same period of the previous fiscal year to 3.1 billion yen (28 million U.S. dollars), due to the higher production volume of crude oil and the increase in shares of an Eastern Siberia oil-exploration-related company, and the higher equity in earnings of petrochemical-related companies.
- Food Company:
Increased by 2.4 billion yen compared with the same period of the previous fiscal year to 8.9 billion yen (81 million U.S. dollars), due to the effects of brand conversion and lower expenses accompanying the closure of non-profitable stores and the extraordinary gain on sales of an overseas affiliate in FamilyMart UNY Holdings.

(vi) Income tax expense

Increased by 6.7%, or 1.5 billion yen, compared with the same period of the previous fiscal year to 24.5 billion yen (221 million U.S. dollars), due to the absence of the decrease in tax expenses in pulp-related companies in the same period of the previous fiscal year.

(vii) Net profit attributable to ITOCHU

Consequently, Net profit attributable to ITOCHU increased by 4.8%, or 5.2 billion yen, compared with the same period of the previous fiscal year to 113.4 billion yen (1,026 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 0.8%, or 0.6 billion yen, compared with the same period of the previous fiscal year to 71.7 billion yen (648 million U.S. dollars).

- General Product & Realty Company:
Increased by 2.4 billion yen compared with the same period of the previous fiscal year to 11.4 billion yen (103 million U.S. dollars), due to the higher transaction volume in North American facility-materials-related and North American building-materials-related companies.
- Energy & Chemicals Company:
Increased by 1.8 billion yen compared with the same period of the previous fiscal year to 14.6 billion yen (132 million U.S. dollars), due to the higher production volume of crude oil and the stable performance in chemical-related transactions.
- Machinery Company:
Decreased by 3.1 billion yen compared with the same period of the previous fiscal year to 3.1 billion yen (28 million U.S. dollars), due to the unfavorable performance of YANASE, a subsidiary consolidated in the second quarter of the previous fiscal year, despite the stable performance in automobile-related and North American construction-machinery-related companies.

(2) Qualitative Information of the Consolidated Financial Position

(a) Consolidated Financial Position

	Billions of Yen				Millions of U.S. Dollars
	Jun. 2018	Mar. 2018	Increase (Decrease)	%	Jun. 2018
Total assets	8,885.5	8,663.9	221.6	2.6%	80,383
Interest-bearing debt	2,880.7	2,779.5	101.2	3.6%	26,060
Net interest-bearing debt	2,426.4	2,320.4	106.0	4.6%	21,950
Total shareholders' equity	2,721.6	2,669.5	52.1	2.0%	24,621
Ratio of shareholders' equity to total assets	30.6%	30.8%	Decreased 0.2pt		
NET DER (times)	0.89	0.87	Nearly Same level		

(i) Total assets

Increased by 2.6%, or 221.6 billion yen, compared with March 31, 2018 to 8,885.5 billion yen (80,383 million U.S. dollars), due to the increased trade receivables and inventories accompanying seasonal factors in food-distribution-related companies, the acquisition of a Latin American automobile-related subsidiary, and the increase in investments accounted for by the equity method.

(ii) Interest-bearing debt

Increased by 3.6%, or 101.2 billion yen, compared with March 31, 2018 to 2,880.7 billion yen (26,060 million U.S. dollars), due to the additional investments in FamilyMart UNY Holdings, the purchase of property, plant and equipment, 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 4.6%, or 106.0 billion yen, compared with March 31, 2018 to 2,426.4 billion yen (21,950 million U.S. dollars).

(iii) Total shareholders' equity

Increased by 2.0%, or 52.1 billion yen, compared with March 31, 2018 to 2,721.6 billion yen (24,621 million U.S. dollars), due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments and the effects of the application of new accounting standards.

(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 0.2 points compared with March 31, 2018 to 30.6%. NET DER (Net debt-to-shareholders' equity ratio) was nearly at the same level compared with March 31, 2018, at 0.89 times.

(b) Consolidated Cash Flows

	Billions of Yen		Millions of
	Apr.-Jun. 2018	Apr.-Jun. 2017	U.S. Dollars Apr.-Jun. 2018
Cash flows from operating activities	52.5	77.5	475
Cash flows from investing activities	(29.0)	(44.4)	(263)
<i>Free cash flows</i>	23.5	33.1	212
Cash flows from financing activities	(21.7)	(51.7)	(196)

(i) Cash flows from operating activities

Recorded a net cash-inflow of 52.5 billion yen (475 million U.S. dollars), resulting from the stable performance in operating revenues in the Metals & Minerals, ICT and Textile sectors.

(ii) Cash flows from investing activities

Recorded a net cash-outflow of 29.0 billion yen (263 million U.S. dollars), due to the additional investments in FamilyMart UNY Holdings and 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 21.7 billion yen (196 million U.S. dollars), due to dividend payments, despite the increase in borrowings.

Consequently, “Cash and cash equivalents” as of June 30, 2018 increased by 5.6 billion yen compared with March 31, 2018 to 437.7 billion yen (3,960 million U.S. dollars).

2. Summary Information (Notes)

(1) **Changes in significant subsidiaries accompanied by changes in the consolidation scope:** None

(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 three-month period ended June 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 three-month period ended June 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 measured at fair value through 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 three-month period ended June 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 three-month period ended June 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 three-month period ended June 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 three-month period ended June 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 1,225.4 billion yen respectively, for the three-month period ended June 30, 2018.

(b) Other changes: None

(c) Changes in accounting estimates: None

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

ITOCHU Corporation and its Subsidiaries

For the three-month periods ended June 30, 2018 and 2017

	Millions of Yen		Millions of
	Apr.-Jun. 2018	Apr.-Jun. 2017	U.S. Dollars
			Apr.-Jun. 2018
Revenues:			
Revenues from sale of goods.....	¥ 2,419,387	¥ 1,029,246	\$ 21,887
Revenues from rendering of services and royalties.....	193,694	189,546	1,752
Total revenues.....	2,613,081	1,218,792	23,639
Cost:			
Cost of sale of goods.....	(2,165,726)	(796,721)	(19,592)
Cost of rendering of services and royalties.....	(146,994)	(145,734)	(1,330)
Total cost.....	(2,312,720)	(942,455)	(20,922)
Gross trading profit	300,361	276,337	2,717
Other gains (losses):			
Selling, general and administrative expenses.....	(227,464)	(204,711)	(2,058)
Provision for doubtful accounts.....	(1,201)	(518)	(11)
Gains on investments.....	2,835	6,891	26
Gains on property, plant, equipment and intangible assets.....	38	525	0
Other-net.....	3,160	4,680	29
Total other-losses.....	(222,632)	(193,133)	(2,014)
Financial income (loss):			
Interest income.....	8,995	8,396	81
Dividends received.....	7,035	6,466	64
Interest expense.....	(11,592)	(8,906)	(105)
Total financial income.....	4,438	5,956	40
Equity in earnings of associates and joint ventures.....	59,040	47,715	534
Profit before tax.....	141,207	136,875	1,277
Income tax expense.....	(24,488)	(22,949)	(221)
Net Profit.....	116,719	113,926	1,056
Net profit attributable to ITOCHU.....	113,364	108,191	1,026
Net profit attributable to non-controlling interests.....	3,355	5,735	30

	Millions of Yen		Millions of
	Apr.-Jun. 2018	Apr.-Jun. 2017	U.S. Dollars
Other comprehensive income, net of tax:			Apr.-Jun. 2018
Items that will not be reclassified to profit or loss			
FVTOCI financial assets.....	¥ (832)	¥ 3,688	\$ (8)
Remeasurement of net defined pension liability.....	548	(156)	5
Other comprehensive income in associates and joint ventures.....	2,616	3,893	24
Items that will be reclassified to profit or loss			
Translation adjustments.....	6,651	3,933	60
Cash flow hedges.....	(1,023)	(1,030)	(9)
Other comprehensive income in associates and joint ventures.....	5,254	(3,738)	48
Total other comprehensive income, net of tax.....	13,214	6,590	120
Total comprehensive income	129,933	120,516	1,176
Total comprehensive income attributable to ITOCHU	125,539	113,409	1,136
Total comprehensive income attributable to non-controlling interests	4,394	7,107	40

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 three-month periods ended June 30, 2018 and 2017 were 71,696 million yen (648 million U.S. dollars) and 71,108 million yen, respectively.

(2) Consolidated Statement of Financial Position [Condensed]

ITOCHU Corporation and its Subsidiaries

As of June 30, 2018 and March 31, 2018

Assets	Millions of Yen		Millions of U.S. Dollars
	Jun. 2018	Mar. 2018	Jun. 2018
Current assets:			
Cash and cash equivalents.....	¥ 437,724	¥ 432,140	\$ 3,960
Time deposits.....	16,568	26,915	150
Trade receivables.....	2,237,657	2,183,349	20,243
Other current receivables.....	99,104	84,146	897
Other current financial assets.....	34,387	34,329	311
Inventories.....	924,766	870,352	8,365
Advances to suppliers.....	184,231	179,760	1,667
Other current assets.....	129,020	112,370	1,167
Total current assets.....	4,063,457	3,923,361	36,760
Non-current assets:			
Investments accounted for by the equity method.....	1,889,443	1,844,871	17,093
Other investments.....	821,983	816,510	7,436
Non-current receivables.....	631,953	617,719	5,717
Non-current financial assets other than investments and receivables.....	87,078	82,379	788
Property, plant and equipment.....	816,496	813,294	7,386
Investment property.....	18,885	19,134	171
Goodwill and intangible assets.....	395,481	362,571	3,578
Deferred tax assets.....	61,699	62,259	558
Other non-current assets.....	99,040	121,839	896
Total non-current assets.....	4,822,058	4,740,576	43,623
Total assets.....	¥ 8,885,515	¥ 8,663,937	\$ 80,383

Liabilities and Equity	Millions of Yen		Millions of U.S. Dollars
	Jun. 2018	Mar. 2018	Jun. 2018
Current liabilities:			
Short-term debentures and borrowings.....	¥ 523,433	¥ 526,867	\$ 4,735
Trade payables.....	1,883,771	1,825,859	17,042
Other current payables.....	88,755	79,200	803
Other current financial liabilities.....	30,635	26,791	277
Current tax liabilities.....	41,141	53,241	372
Advances from customers.....	168,254	157,167	1,522
Other current liabilities.....	318,674	319,777	2,883
Total current liabilities	3,054,663	2,988,902	27,634
Non-current liabilities:			
Long-term debentures and borrowings.....	2,357,284	2,252,606	21,325
Other non-current financial liabilities.....	109,479	114,627	990
Non-current liabilities for employee benefits.....	99,784	97,955	903
Deferred tax liabilities.....	127,014	129,579	1,149
Other non-current liabilities.....	96,156	95,917	870
Total non-current liabilities	2,789,717	2,690,684	25,237
Total liabilities	5,844,380	5,679,586	52,871
Equity:			
Common stock:			
Authorized: 3,000,000,000 shares; issued: 1,662,889,504 shares.....	253,448	253,448	2,293
Capital surplus.....	160,439	160,271	1,451
Retained earnings.....	2,365,731	2,324,766	21,402
Other components of equity:			
Translation adjustments.....	147,912	136,729	1,338
FVTOCI financial assets.....	(61,084)	(61,484)	(552)
Cash flow hedges.....	5,860	5,961	53
Total other components of equity.....	92,688	81,206	839
Treasury stock.....	(150,721)	(150,208)	(1,364)
Total shareholders' equity.....	2,721,585	2,669,483	24,621
Non-controlling interests.....	319,550	314,868	2,891
Total equity.....	3,041,135	2,984,351	27,512
Total liabilities and equity.....	¥ 8,885,515	¥ 8,663,937	\$ 80,383

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

ITOCHU Corporation and its Subsidiaries

For the three-month periods ended June 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	<u>Apr.-Jun. 2018</u>	<u>Apr.-Jun. 2017</u>	<u>Apr.-Jun. 2018</u>
Common stock:			
Balance at the beginning of the period.....	¥ 253,448	¥ 253,448	\$ 2,293
Balance at the end of the period.....	<u>¥ 253,448</u>	<u>¥ 253,448</u>	<u>\$ 2,293</u>
Capital surplus:			
Balance at the beginning of the period.....	¥ 160,271	¥ 162,038	\$ 1,450
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	168	(2,270)	1
Balance at the end of the period.....	<u>¥ 160,439</u>	<u>¥ 159,768</u>	<u>\$ 1,451</u>
Retained earnings:			
Balance at the beginning of the period.....	¥ 2,324,766	¥ 2,020,018	\$ 21,031
Cumulative effects of the application of new accounting standards	(14,097)	-	(127)
Net profit attributable to ITOCHU.....	113,364	108,191	1,026
Transfer from other components of equity.....	693	102	6
Cash dividends.....	(58,995)	(43,165)	(534)
Balance at the end of the period.....	<u>¥ 2,365,731</u>	<u>¥ 2,085,146</u>	<u>\$ 21,402</u>
Other components of equity:			
Balance at the beginning of the period.....	¥ 81,206	¥ 88,729	\$ 735
Other comprehensive income attributable to ITOCHU.....	12,175	5,218	110
Transfer to retained earnings.....	(693)	(102)	(6)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	-	(2)	-
Balance at the end of the period.....	<u>¥ 92,688</u>	<u>¥ 93,843</u>	<u>\$ 839</u>
Treasury stock:			
Balance at the beginning of the period.....	¥ (150,208)	¥ (122,340)	\$ (1,359)
Net change in treasury stock.....	(513)	(27,845)	(5)
Balance at the end of the period.....	<u>¥ (150,721)</u>	<u>¥ (150,185)</u>	<u>\$ (1,364)</u>
Total shareholders' equity.....	<u>¥ 2,721,585</u>	<u>¥ 2,442,020</u>	<u>\$ 24,621</u>
Non-controlling interests:			
Balance at the beginning of the period.....	¥ 314,868	¥ 260,918	\$ 2,848
Cumulative effects of the application of new accounting standards	5	-	0
Net profit attributable to non-controlling interests.....	3,355	5,735	30
Other comprehensive income attributable to non-controlling interests.....	1,039	1,372	10
Cash dividends to non-controlling interests.....	(7,413)	(5,768)	(67)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests.....	7,696	30,363	70
Balance at the end of the period.....	<u>¥ 319,550</u>	<u>¥ 292,620</u>	<u>\$ 2,891</u>
Total equity.....	<u>¥ 3,041,135</u>	<u>¥ 2,734,640</u>	<u>\$ 27,512</u>

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

ITOCHU Corporation and its Subsidiaries

For the three-month periods ended June 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	<u>Apr.-Jun. 2018</u>	<u>Apr.-Jun. 2017</u>	<u>Apr.-Jun. 2018</u>
Cash flows from operating activities:			
Net profit	¥ 116,719	¥ 113,926	\$ 1,056
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	30,306	26,015	274
(Gains) losses on investments.....	(2,835)	(6,891)	(26)
(Gains) losses on property, plant, equipment and intangible assets.....	(38)	(525)	(0)
Financial (income) loss.....	(4,438)	(5,956)	(40)
Equity in earnings of associates and joint ventures	(59,040)	(47,715)	(534)
Income tax expense	24,488	22,949	221
Provision for doubtful accounts and other provisions	651	241	6
Changes in assets and liabilities, other-net	(36,288)	(12,190)	(328)
Proceeds from interest.....	7,040	6,983	64
Proceeds from dividends.....	30,092	32,451	272
Payments for interest.....	(6,791)	(5,975)	(61)
Payments for income taxes.....	(47,368)	(45,799)	(429)
Net cash provided by (used in) operating activities	<u>52,498</u>	<u>77,514</u>	<u>475</u>
Cash flows from investing activities:			
Net change in investments accounted for by the equity method	(15,950)	(43,871)	(144)
Net change in other investments	(7,508)	6,339	(68)
Net change in loans receivable	6,992	7,933	63
Net change in property, plant, equipment and intangible assets	(23,076)	(16,773)	(209)
Net change in time deposits	10,504	1,983	95
Net cash provided by (used in) investing activities	<u>(29,038)</u>	<u>(44,389)</u>	<u>(263)</u>
Cash flows from financing activities:			
Net change in debentures and loans payable	51,207	24,917	464
Cash dividends	(58,995)	(43,165)	(534)
Net change in treasury stock	(675)	(27,866)	(6)
Other	(13,240)	(5,539)	(120)
Net cash provided by (used in) financing activities	<u>(21,703)</u>	<u>(51,653)</u>	<u>(196)</u>
Net change in cash and cash equivalents	<u>1,757</u>	<u>(18,528)</u>	<u>16</u>
Cash and cash equivalents at the beginning of the period	432,140	605,589	3,909
Effect of exchange rate changes on cash and cash equivalents	3,827	783	35
Cash and cash equivalents at the end of the period	<u>¥ 437,724</u>	<u>¥ 587,844</u>	<u>\$ 3,960</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 three-month periods ended June 30, 2018 and 2017

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

For the three-month period ended June 30, 2018 (April 1, 2018 -June 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	¥ 135,074	¥ 239,233	¥ 160,380	¥ 749,280	¥ 937,565	¥ 217,892	¥ 152,923	¥ 20,734	¥ 2,613,081
Intersegment revenues.....	1	28	-	7,936	107	6,459	1,520	(16,051)	-
Total revenues.....	<u>135,075</u>	<u>239,261</u>	<u>160,380</u>	<u>757,216</u>	<u>937,672</u>	<u>224,351</u>	<u>154,443</u>	<u>4,683</u>	<u>2,613,081</u>
Gross trading profit	<u>27,247</u>	<u>43,560</u>	<u>24,586</u>	<u>52,687</u>	<u>69,207</u>	<u>40,855</u>	<u>39,208</u>	<u>3,011</u>	<u>300,361</u>
Trading income	<u>4,534</u>	<u>3,107</u>	<u>20,166</u>	<u>14,605</u>	<u>14,988</u>	<u>11,365</u>	<u>5,085</u>	<u>(2,154)</u>	<u>71,696</u>
Net profit attributable to ITOCHU.....	<u>7,678</u>	<u>11,790</u>	<u>22,446</u>	<u>10,809</u>	<u>20,188</u>	<u>16,599</u>	<u>12,507</u>	<u>11,347</u>	<u>113,364</u>
[Equity in earnings of associates and joint ventures].....	<u>[2,410]</u>	<u>[6,980]</u>	<u>[6,397]</u>	<u>[3,126]</u>	<u>[8,930]</u>	<u>[6,769]</u>	<u>[12,074]</u>	<u>[12,354]</u>	<u>[59,040]</u>
Total assets at June 30, 2018	<u>467,376</u>	<u>1,258,190</u>	<u>866,369</u>	<u>1,409,106</u>	<u>2,056,055</u>	<u>989,524</u>	<u>723,622</u>	<u>1,115,273</u>	<u>8,885,515</u>

For the three-month period ended June 30, 2017 (April 1, 2017 -June 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	¥ 117,547	¥ 100,057	¥ 54,795	¥ 370,685	¥ 287,440	¥ 140,115	¥ 144,400	¥ 3,753	¥ 1,218,792
Intersegment revenues.....	14	-	-	253	112	3,091	1,764	(5,234)	-
Total revenues.....	<u>117,561</u>	<u>100,057</u>	<u>54,795</u>	<u>370,938</u>	<u>287,552</u>	<u>143,206</u>	<u>146,164</u>	<u>(1,481)</u>	<u>1,218,792</u>
Gross trading profit	<u>29,952</u>	<u>25,030</u>	<u>24,423</u>	<u>51,597</u>	<u>69,902</u>	<u>36,646</u>	<u>37,412</u>	<u>1,375</u>	<u>276,337</u>
Trading income	<u>3,979</u>	<u>6,194</u>	<u>20,146</u>	<u>12,800</u>	<u>17,465</u>	<u>8,919</u>	<u>5,272</u>	<u>(3,667)</u>	<u>71,108</u>
Net profit attributable to ITOCHU.....	<u>6,351</u>	<u>12,335</u>	<u>21,096</u>	<u>8,651</u>	<u>19,270</u>	<u>14,384</u>	<u>11,090</u>	<u>15,014</u>	<u>108,191</u>
[Equity in earnings of associates and joint ventures].....	<u>[1,478]</u>	<u>[5,434]</u>	<u>[4,813]</u>	<u>[587]</u>	<u>[6,510]</u>	<u>[2,999]</u>	<u>[8,762]</u>	<u>[17,132]</u>	<u>[47,715]</u>
Total assets at June 30, 2017	<u>488,553</u>	<u>1,002,012</u>	<u>867,346</u>	<u>1,168,953</u>	<u>1,841,639</u>	<u>870,372</u>	<u>679,763</u>	<u>1,278,593</u>	<u>8,197,231</u>
Total assets at March 31, 2018.....	<u>474,856</u>	<u>1,218,556</u>	<u>850,295</u>	<u>1,355,712</u>	<u>1,962,169</u>	<u>978,777</u>	<u>766,159</u>	<u>1,057,413</u>	<u>8,663,937</u>

For the three-month period ended June 30, 2018 (April 1, 2018 -June 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	\$ 1,222	\$ 2,164	\$ 1,451	\$ 6,778	\$ 8,482	\$ 1,971	\$ 1,383	\$ 188	\$ 23,639
Intersegment revenues.....	0	0	-	72	1	58	14	(145)	-
Total revenues.....	<u>1,222</u>	<u>2,164</u>	<u>1,451</u>	<u>6,850</u>	<u>8,483</u>	<u>2,029</u>	<u>1,397</u>	<u>43</u>	<u>23,639</u>
Gross trading profit	<u>246</u>	<u>394</u>	<u>222</u>	<u>477</u>	<u>626</u>	<u>370</u>	<u>355</u>	<u>27</u>	<u>2,717</u>
Trading income	<u>41</u>	<u>28</u>	<u>182</u>	<u>132</u>	<u>135</u>	<u>103</u>	<u>46</u>	<u>(19)</u>	<u>648</u>
Net profit attributable to ITOCHU.....	<u>69</u>	<u>107</u>	<u>203</u>	<u>98</u>	<u>183</u>	<u>150</u>	<u>113</u>	<u>103</u>	<u>1,026</u>
[Equity in earnings of associates and joint ventures].....	<u>[22]</u>	<u>[63]</u>	<u>[58]</u>	<u>[28]</u>	<u>[81]</u>	<u>[61]</u>	<u>[109]</u>	<u>[112]</u>	<u>[534]</u>
Total assets at June 30, 2018	<u>4,228</u>	<u>11,382</u>	<u>7,838</u>	<u>12,748</u>	<u>18,600</u>	<u>8,952</u>	<u>6,546</u>	<u>10,089</u>	<u>80,383</u>

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