FY2019 3rd Quarter

Business Results Summary

ITOCHU Corporation

February 5, 2019

I am One with Infinite Missions

Summary of FY2019 3rd Quarter

Summary of Net profit attributable to ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU" increased by ¥40.4 bil., compared with the same period of the previous fiscal year to ¥397.6 bil., which renewed the highest record for the fourth consecutive year as a 1st-3rd quarter result**. "Net profit attributable to ITOCHU" increased in all operating segments, compared with the same period of the previous fiscal year. **"Net profit attributable to ITOCHU" progressed 80% steadily toward the FY2019 Forecast of ¥500.0 bil.**
- **"Net profit attributable to ITOCHU after deducting extraordinary gains and losses"** (¥39.5 bil.(profit) in this 1st-3rd quarter, ¥53.5 bil.(profit) in the same period of the previous fiscal year) **increased by approximately ¥54.0 bil., compared with the same period of the previous fiscal year to approximately ¥358.0 bil. and renewed the highest record for the third consecutive year as a 1st-3rd quarter result.**
- **"Profits/Losses of group companies"** was **¥358.3 bil., which renewed the highest record for the third consecutive year as a 1st-3rd quarter result.** Shares (%) of group companies reporting profits was 87.2%.
- **"Core operating cash flows"**, after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥360.0 bil., which renewed the highest record for the third consecutive year as a 1st-3rd quarter result**.

	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result	Increase/ (Decrease)	FY2019 Forecast (Disclosed on Nov, 2)	Progress
Net profit attributable to ITOCHU	**357.1**	＊ **397.6**	**+ 40.4**	＊ **500.0**	**80%**
Gross trading profit	891.6	＊ 1,108.2	+ 216.6	＊ 1,600.0	69%
Selling, general and administrative expenses	(657.3)	(831.4)	(174.2)		
Gains on investments	42.0	215.7	+ 173.7		
Equity in earnings of associates and joint ventures	170.2	48.7	(121.5)	82.0	59%
Income tax expense	(78.7)	(118.6)	(39.9)		

(Reference)

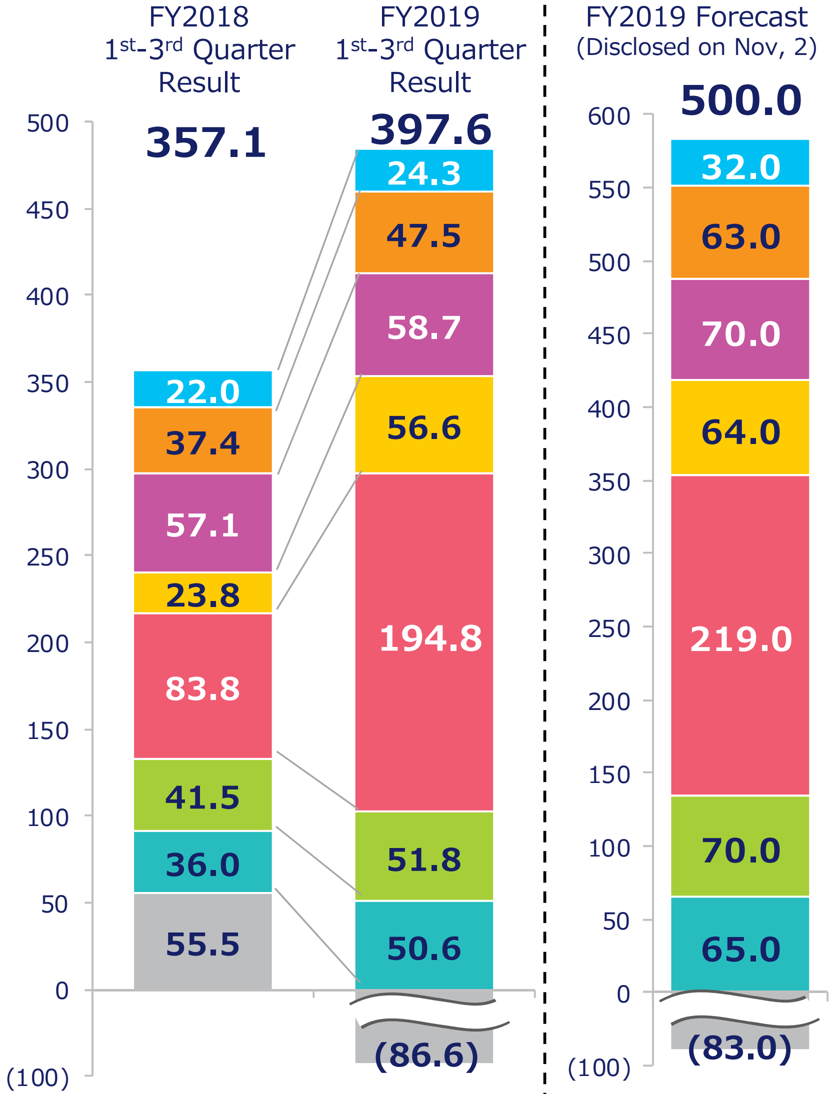
	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result	Increase/ (Decrease)
Extraordinary gains and losses	53.5	39.5	(14.0)
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 304.0	＊ approx. 358.0	approx. + 54.0
Profits/Losses of group companies	352.3	＊ 358.3	+ 5.9
Share (%) of group companies reporting profits	86.4%	＊ 87.2%	Increased 0.8pt

Dividend Information (Per Share)	
Annual (Planned)	83.0 yen (minimum)
Interim	37.0 yen

＊ : Record High

Net profit attributable to ITOCHU by Segment

(Unit : billion yen)



	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result	FY2019 Forecast
Non-Resource	301.8	＊ 310.8	＊ 414.0
Resource	53.7	80.4	89.0
Others	1.6	6.4	(3.0)
Non-Resource(%)	85%	79%	82%

＊ : Record High

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) : ¥+2.3 bil., Progress : 76%]
Increase due to the stable performance and the reduction of expenses in apparel-related companies, and the gain on sales of a foreign apparel-related company, despite the absence of lower tax expenses in the same period of the previous fiscal year.

Machinery [Inc / (Dec) : ¥+10.1 bil., Progress : 75%]
Increase due to the stable performance in automobile-related transactions, industrial-machinery-related and medical-equipment-related companies, and the absence of a provision for the specific overseas project, despite the absence of lower tax expenses in the same period of the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥+1.6 bil., Progress : 84%]
Increase due to the higher coal prices and the favorable performance in the steel-products-related companies, despite the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore.

Energy & Chemicals [Inc / (Dec) : ¥+32.8 bil., Progress : 88%]
Increase 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, the stable performance in chemical sector and the gain on sales of a North Sea oil fields development company.

Food [Inc / (Dec) : ¥+111.0 bil., Progress : 89%]
Increase due to the stable performance in FamilyMart UNY Holdings and the revaluation gain accompanying the conversion of the company into a consolidated subsidiary (¥141.2bil.), despite the lower sales prices in packaged foods in fresh-food-related companies and the absence of extraordinary gains in the same period of the previous fiscal year.

General Products & Realty [Inc / (Dec) : ¥+10.3 bil., Progress : 74%]
Increase due to the higher transaction volume in domestic logistics-facility-development-projects and the favorable performance in foreign pulp-related companies resulting from the higher pulp prices, despite the absence of extraordinary gains in the same period of the previous fiscal year.

ICT & Financial Business [Inc / (Dec) : ¥+14.6 bil., Progress : 78%]
Increase due to the favorable performance in finance-related companies, the higher gains on fund operations and the extraordinary lower tax expenses.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (142.1) bil.]
Deterioration due to the impairment loss on investment in CITIC Limited accounted for by the equity method (¥(143.3)bil.).

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥203.8 bil.,** resulting from the stable performance in operating revenues in the Food, Metals & Minerals, ICT and Energy sectors. **"Free cash flows"** resulted in a **net cash-inflow of ¥273.2 bil.,** due to the increase in cash resulting from the conversion of FamilyMart UNY Holdings into a consolidated subsidiary, despite the acquisition of fixed assets in the Food, Metals & Minerals, and Energy sectors.
- **Core Free Cash Flows:**
  "Core operating cash flows", after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥360.0 bil., which renewed the highest record for the third consecutive year as a 1st-3rd quarter result**. **"Core free cash flows"** resulted in a **net cash-inflow of ¥175.0 bil.**
  The revised **FY2019 Image of Core Free Cash Flows** is **¥160.0 bil. + α**.

Cash Flows

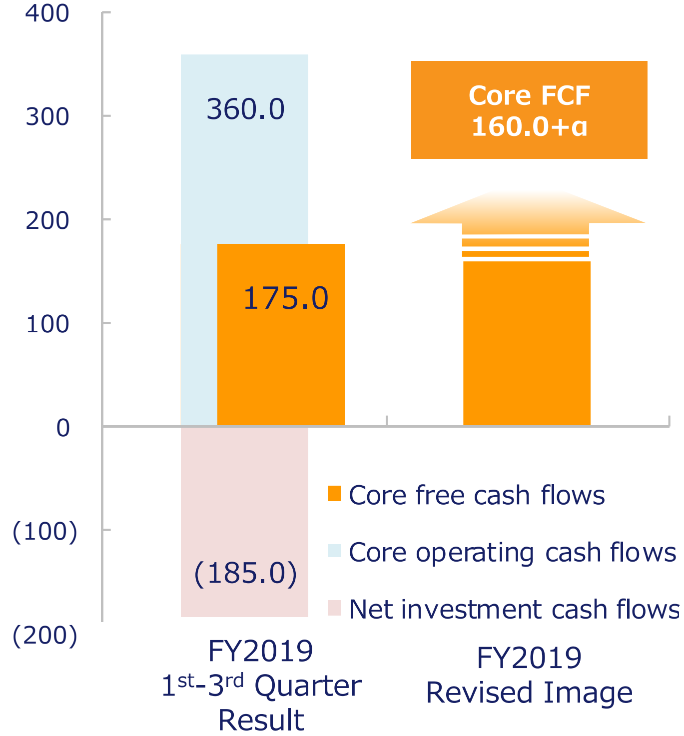
	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result
Cash flows from operating activities	210.0	203.8
Cash flows from investing activities	(99.2)	69.3
Free cash flows	*110.8*	＊ *273.2*
Cash flows from financing activities	(255.2)	(96.9)

Core Free Cash Flows

	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result	FY2019 Previous Image (Disclosed on Nov, 2)	FY2019 Revised Image
Core operating cash flows(Note1)	325.0	＊ 360.0	Over 500.0	Over 500.0
Net investment cash flows(Note2)	(130.0)	(185.0)		
Core free cash flows	195.0	175.0	140.0+α	(Note 3) 160.0+α

＊ : Record High

Core Free Cash Flows

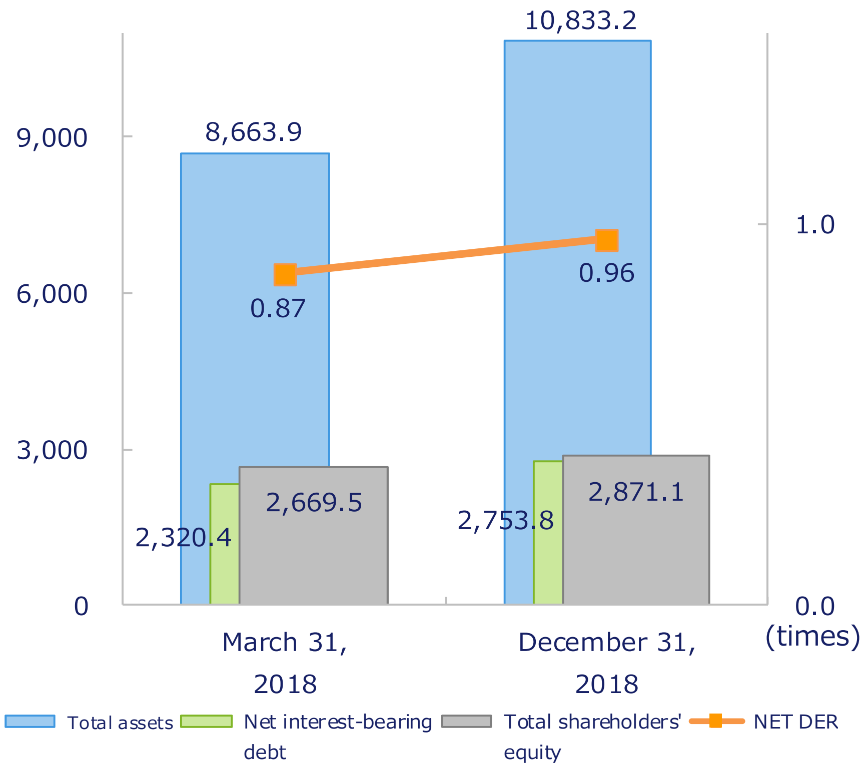


Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.
Note 3: 160.0 = Minimum Dividend(¥83/share)130.0 + Share buyback(executed) 30.0

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥2,169.3 bil., compared with March 31, 2018 to **¥10,833.2 bil.**, due to the conversion of FamilyMart UNY Holdings and a domestic finance-related company into consolidated subsidiaries, the acquisition of a Latin American automobile-related subsidiary, and the increased trade receivables accompanying the seasonal factors in food-distribution-related companies.
- **Net interest-bearing debt:**
  Increased by ¥433.4 bil., compared with March 31, 2018 to **¥2,753.8 bil.**, 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.
- **Total shareholders' equity:**
  Increased by ¥201.6 bil., compared with March 31, 2018 to **¥2,871.1 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments and the repurchase of own shares.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets decreased by 4.3 points compared with March 31, 2018 to **26.5%.**
  NET DER (Net debt-to-shareholders' equity ratio) slightly increased compared with March 31, 2018 to **0.96 times**.



	March 31, 2018	December 31, 2018	Increase/ (Decrease)	FY2019 Forecast (Disclosed on Nov, 2)
Total assets	8,663.9	＊ 10,833.2	+ 2,169.3	10,300.0
Net interest-bearing debt	2,320.4	2,753.8	+ 433.4	2,550.0
Total shareholders' equity	2,669.5	＊ 2,871.1	+ 201.6	＊ 3,000.0
Ratio of shareholders' equity to total assets	30.8%	26.5%	Decreased 4.3pt	29.1%
NET DER (times)	0.87	0.96	Increased 0.09pt	＊ 0.85
ROE	15.8%	–	–	17.6%

＊: Record High (NET DER : Record Low)

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2018 1st-3rd Quarter Result		FY2019 1st-3rd Quarter Result	
Gains(Losses) related to investments	**25.5**	・Gain related to partial sales of a Chinese fresh-food-related company: approx. 18.0 (Food) ・Merger of Takiron and C. I. Kasei: approx. 3.0 (Energy & Chemicals) ・Gain on sales of an asset-management -related company:approx. 2.0 (General Products & Realty)	**171.5**	・The revaluation gain accompanying the conversion of FamilyMart UNY Holdings into a consolidated subsidiary: 141.2 (Food) ・Gain on sales of a North Sea oil fields development company: approx. 19.5 (Energy & Chemicals) ・Gain on sales of a foreign textile-related company: approx. 2.5 (Textile) ・Gain on sales of foreign machinery-related companies: approx. 2.5 (Machinery) ・The revaluation gain accompanying the conversion of a domestic finance-related company into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business 2.5, Food (1.5)) ・Gain accompanying the restructure of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ・The impairment loss on Chia Tai Enterprises International Limited: approx. (2.5) (Others, Adjustments & Eliminations)
Equity in earnings (losses) related to associates and joint ventures	**15.0**	・Gain on investments in related companies in CITIC Limited: approx. 8.0 (Others, Adjustments & Eliminations) ・Decrease in tax expenses in FamilyMart and UNY Holdings: approx. 6.0 (Food)	**(139.5)**	・Gain on sales of a foreign GMS company in FamilyMart UNY Holdings: approx. 1.0 (Food) ・The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations)
Income tax expense, Others	**13.0**	・U.S. Tax Reform: approx. 10.5 (Machinery, Food, etc.) ・Decrease in tax expenses relating to pulp-related companies: approx. 5.5 (General Products & Realty) ・Provision for specific overseas project: approx. (11.0) (Machinery)	**7.5**	・Decrease in tax expenses relating to foreign finance-related companies: approx. 5.0 (ICT & Financial Business) ・Decrease in tax expenses relating to apparel-related companies: approx. 1.5 (Textile)
Total	**53.5**		**39.5**	

	FY2018	FY2019
Non-Resource	56.0	18.0
Resource	2.0	21.5
Others	(4.5)	–

Major Indicators

	FY2018 1st-3rd Quarter Result	FY2019 1st-3rd Quarter Result	FY2019 Forecast (Disclosed on Nov, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2019 4th quarter against forecast
Exchange rate (YEN / US$) average	111.57	110.45	110	Approx. ¥(0.6) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2018 106.24	Dec. 2018 111.00	110	-
Interest JPY TIBOR 3M, average	0.060%	0.069%	0.10%	Approx. ¥(1.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	54.79	73.13	70	±¥0.00 bil.
Iron ore (CFR China) (US$/ton)	66*	68*	N.A.**	±¥0.14 bil.
Hard coking coal (FOB Australia) (US$/ton)	195*	200*	N.A.**	±¥0.03 bil.
Thermal coal (FOB Australia) (US$/ton)	91*	109*	N.A.**	

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

* FY2018 1st-3rd quarter and FY2019 1st-3rd quarter 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 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.