FY2020 1st Half

Business Results Summary

ITOCHU Corporation

November 1, 2019

I am One with Infinite Missions

Summary of FY2020 1st Half

Summary of Financial Results for FY2020 1st Half

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** increased by 12%, or ¥31.1 bil., compared with the same period of the previous fiscal year to **¥289.1 bil.** [3rd consecutive year]
  The progress toward the FY2020 Forecast was steady, achieving 58%.
  Profits of the Non-Resource sector increased by ¥13.8 bil., compared with the same period of the previous fiscal year to **¥224.9 bil.** [9th consecutive year]
- **"Core Profit"** (Net profit attributable to ITOCHU after deducting extraordinary gains and losses) increased by approximately ¥10.5 bil., compared with the same period of the previous fiscal year to approximately **¥254.5 bil.** [4th consecutive year]
- **"Profits/Losses of group companies"** was **¥261.2 bil.** [4th consecutive year]
  Shares (%) of group companies reporting profits was 87.2%. [2nd consecutive year]
- **"Core Operating Cash Flows"** was a **net cash-inflow of ¥325.0 bil.** [4th consecutive year]
- **"Basic earnings per share attributable to ITOCHU (EPS)"** was **¥193.04**. [3rd consecutive year]

[]: Number of years renewing the highest record in a row for a 1-2Q result

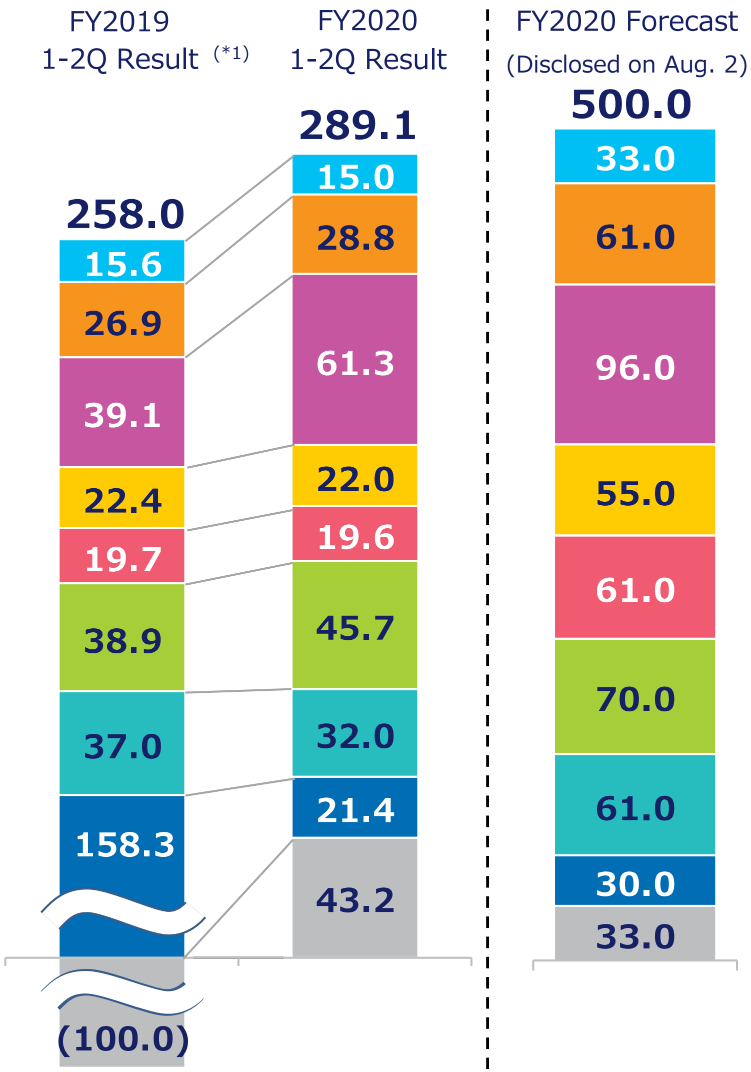
	FY2019 1-2Q Result	FY2020 1-2Q Result	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26)	Progress
Net profit attributable to ITOCHU	**258.0**	＊ **289.1**	**+ 31.1**	**500.0**	**58%**
Extraordinary gains and losses	14.0	34.5	+ 20.5		
Core Profit	approx. 244.0	＊ approx. 254.5	approx. + 10.5		
Profits/Losses of group companies	241.7	＊ 261.2	+ 19.5		
Share (%) of group companies reporting profits	85.6%	＊ 87.2%	Increased 1.6pt		
Core Operating Cash Flows	210.0	＊ 325.0	+ 115.0		
EPS	166.46 yen	＊ 193.04 yen	+ 26.58 yen		

＊ : Record High

Dividend Information (Per Share)	
Annual (Planned)	85.0 yen (minimum)
Interim	42.5 yen

Net profit attributable to ITOCHU by Segment

(Unit : billion yen)



	FY2019 1-2Q Result	FY2020 1-2Q Result	FY2020 Forecast
Non-Resource	211.2	＊224.9	＊420.0
Resource	41.0	63.1	110.0
Others	5.9	1.1	(30.0)
Non-Resource(%) (*2)	84%	78%	79%

＊: Record High

(*1) Accompanying the establishment of The 8th Company on July 1, "FY2019 1-2Q Result" is presented post reclassification.
(*2) % 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) : ¥ (0.6) bil., Progress : 46%]
Decrease due to the absence of the gain on sales of a foreign apparel-related company in the same period of the previous fiscal year, despite the stable performance and the reduction of expenses in apparel-related companies and the gain on sales of fixed assets in EDWIN.

Machinery [Inc / (Dec) : ¥ +1.8 bil., Progress : 47%]
Increase due to the improvement in profitability in new and used car sales in YANASE and the higher equity in earnings in North American IPP companies, despite the absence of the gain on sales of a foreign company in the same period of the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥ +22.2 bil., Progress : 64%]
Increase due to the higher iron ore prices and increase in dividends received in Brazil Japan Iron Ore Corporation, despite the lower coal prices.

Energy & Chemicals [Inc / (Dec) : ¥ (0.4) bil., Progress : 40%]
Decrease due to the sales of a North Sea oil fields development company in the third quarter of the previous fiscal year and the lower equity in earnings in petrochemical-related companies, despite the increased vessel allocation in CIECO Azer and the stable performance in chemical-related companies.

Food [Inc / (Dec) : ¥ (0.1) bil., Progress : 32%]
Nearly at the same level due to the stable performance in NIPPON ACCESS and lower tax expenses, despite the lower equity in earnings in North American grain-related companies resulting from weather factors and the lower sales prices in fresh foods in Dole.

General Products & Realty [Inc / (Dec) : ¥ +6.8 bil., Progress : 65%]
Increase due to the improvement in profitability in North American facility-materials-related companies, the extraordinary gains accompanying the partial sales of foreign companies, and the extraordinary gains in ITOCHU LOGISTICS, despite the lower equity in earnings in IFL (European pulp-related company) resulting from the lower pulp prices and the lower transaction volume in domestic logistics-facility-development-projects.

ICT & Financial Business [Inc / (Dec) : ¥ (5.0) bil., Progress : 52%]
Decrease due to the lower gains on fund operations and the absence of lower tax expenses in the same period of the previous fiscal year, despite the stable performance in ITOCHU Techno-Solutions and the extraordinary gains accompanying the partial sales of domestic companies.

The 8th [Inc / (Dec) : ¥ (137.0) bil., Progress : 71%]
Decrease due to the absence of the extraordinary gain in the same period of the previous fiscal year, despite the stable performance and lower tax expenses in FamilyMart. (*3)

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +143.2 bil.]
Improvement due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the same period of the previous fiscal year.

(*3) FamilyMart Co., Ltd. changed its corporate name from FamilyMart UNY Holdings Co., Ltd. on September 1. In this material, descriptions related to the same period of the previous fiscal year are also referred to as "FamilyMart", which is the current corporate name.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥485.8 bil.**, resulting from the stable performance in operating revenues in The 8th, Metals & Minerals, and Food Companies. **"Free cash flows"** resulted in a **net cash-inflow of ¥358.3 bil.**, due to the investments and the acquisition of fixed assets in The 8th Company and the acquisition of fixed assets in Metals & Minerals Company.
- **Core Free Cash Flows:**
  "Core Operating Cash Flows", after deducting changes in working capital and excluding the effect of lease accounting from "Cash flows from operating activities", was a **net cash-inflow of ¥325.0 bil.**, which renewed the highest record for a 1st half result.
  "Core Free Cash Flows" resulted in a **net cash-inflow of ¥200.0 bil**.

Cash Flows

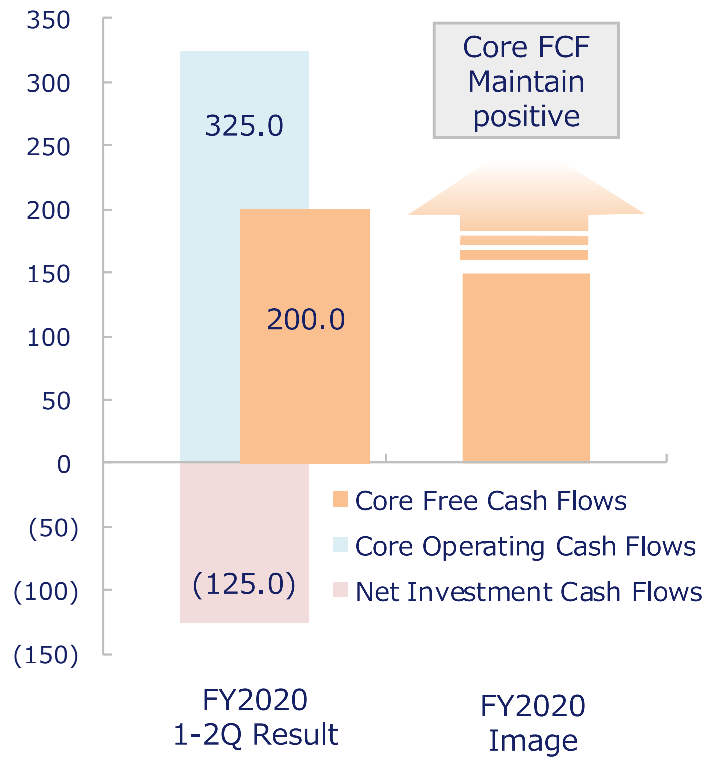
	FY2019 1-2Q Result	FY2020 1-2Q Result
Cash flows from operating activities	167.5	＊ 485.8
Cash flows from investing activities	53.3	(127.5)
Free cash flows	*220.8*	＊ *358.3*
Cash flows from financing activities	(48.9)	(296.6)

Core Free Cash Flows

	FY2019 1-2Q Result	FY2020 1-2Q Result	FY2020 Image
Core Operating Cash Flows (*1)	210.0	＊ 325.0	Over 580.0
Net Investment Cash Flows (*2)	(225.0)	(125.0)	
Core Free Cash Flows	(15.0)	＊ 200.0	Maintain positive

＊ : Record High

Core Free Cash Flows

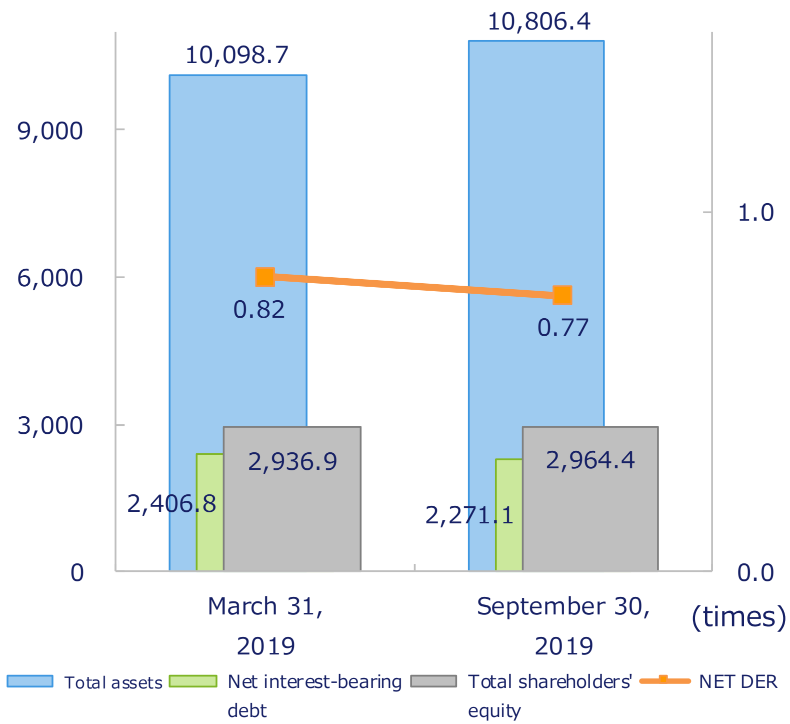


(*1) "Operating Cash Flows" minus "changes in working capital" (excluding the effect of lease accounting)
(*2) Payments and collections for substantive investment and capital expenditure.
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥707.7 bil., compared with March 31, 2019 to **¥10,806.4 bil.**, due to the effects of the application of new accounting standards (Leases), despite the effect accompanying the appreciation of the yen and the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend.
- **Net interest-bearing debt:**
  Decreased by ¥135.7 bil., compared with March 31, 2019 to **¥2,271.1 bil.**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, and the effect accompanying the appreciation of the yen, despite dividend payments and the repurchase of own shares.
- **Total shareholders' equity:**
  Increased by ¥27.5 bil., compared with March 31, 2019 to **¥2,964.4 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite the effect accompanying the appreciation of the yen, 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 1.7 points compared with March 31, 2019 to **27.4%**.
  NET DER improved compared with March 31, 2019 to **0.77 times**.



	March 31, 2019	September 30, 2019	Increase/ Decrease	FY2020 Forecast (Disclosed on Apr. 26)
Total assets	10,098.7	10,806.4	+ 707.7	
Net interest-bearing debt	2,406.8	2,271.1	(135.7)	approx. 2,400.0 +α
Total shareholders' equity	2,936.9	＊ 2,964.4	+ 27.5	Increase shareholders' equity (approx. 3,300.0)
Ratio of shareholders' equity to total assets	29.1%	27.4%	Decreased 1.7pt	Improve the ratio of shareholders' equity
NET DER (times)	0.82	＊ 0.77	Improved 0.05pt	Gradually decrease
ROE	17.9%	–	–	approx. 16%

＊ :Record High (NET DER : Best Record)

Extraordinary Gains and Losses

(Unit : billion yen)

	FY2019 1-2Q Result		FY2020 1-2Q Result	
Gains (Losses) related to investments	**149.0**	･The revaluation gain accompanying the conversion of FamilyMart into a consolidated subsidiary: 141.2 (The 8th) ･Gain on sales of a foreign textile-related company: approx. 2.5 (Textile) ･Gain on sales of a foreign machinery-related company: approx. 1.5 (Machinery) ･The revaluation gain accompanying the conversion of POCKET CARD into a consolidated subsidiary: approx. 1.0 (ICT & Financial Business 2.0, The 8th (1.0)) ･Gain accompanying the restructure of European-energy-related companies: approx. 1.0 (Energy & Chemicals) ･The impairment loss on CTEI: approx. (2.5) (Others, Adjustments & Eliminations)	**22.0**	･Gains on partial sales of foreign companies: approx. 16.0 (General Products & Realty) ･Gains on partial sales of domestic companies: approx. 4.0 (ICT & Financial Business)
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures	**(141.0)**	･Gain on sales of a foreign GMS company in FamilyMart: approx. 1.0 (The 8th) ･The impairment loss on investment in CITIC Limited accounted for by the equity method: (143.3) (Others, Adjustments & Eliminations)	**4.0**	･Gains on sales of logistics warehouses: approx. 2.5 (General Products & Realty) ･Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)
Income tax expense, Others	**6.0**	･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)	**8.5**	･Decrease in tax expenses relating to group restructuring in FamilyMart: approx. 5.0 (The 8th) ･Decrease in tax expenses relating to natural-resource-projects: approx. 2.5 (Metals & Minerals 1.5, Others, Adjustments & Eliminations 1.0) ･Gain on cash collection for specific overseas project: approx. 1.0 (Machinery)
Total	**14.0**		**34.5**	

	FY2019 1-2Q Result	FY2020 1-2Q Result
Non-Resource	13.5	33.0
Resource	0.5	1.0
Others	−	0.5

(*) Accompanying the establishment of The 8th Company on July 1, "FY2019 1-2Q Result" and "FY2020 1-2Q Result" are presented post reclassification.

Major Indicators

	FY2019 1-2Q Result	FY2020 1-2Q Result	FY2020 Forecast (Disclosed on Apr. 26)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2020 2nd Half against forecast
Exchange rate (YEN / US$) average	109.44	109.23	110.00	Approx. ¥(1.3) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2019 110.99	Sep. 2019 107.92	110.00	-
Interest (%) USD LIBOR 3M	2.34%	2.35%	3.20%	Approx. ¥(2.5) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	75.40	65.20	65	±¥0.09 bil.
Iron ore (CFR China) (US$/ton)	66 (*1)	100 (*1)	N.A.(*2)	±¥0.41 bil.
Hard coking coal (FOB Australia) (US$/ton)	189 (*1)	181 (*1)	N.A.(*2)	±¥0.08 bil.
Thermal coal (FOB Australia) (US$/ton)	111 (*1)	74 (*1)	N.A.(*2)	

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

(*1) FY2019 1-2Q and FY2020 1-2Q prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

(*2) The prices for iron ore, hard coking coal and thermal coal used in the FY2020 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.