

**FY2021 1<sup>st</sup> Quarter**

# **Business Results Summary**

ITOCHU Corporation

August 5, 2020



I am One with Infinite Missions

#### Forward-Looking Statements

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.

# Summary of FY2021 1<sup>st</sup> Quarter

# Summary of Financial Results for FY2021 1<sup>st</sup> Quarter



(Unit : billion yen)

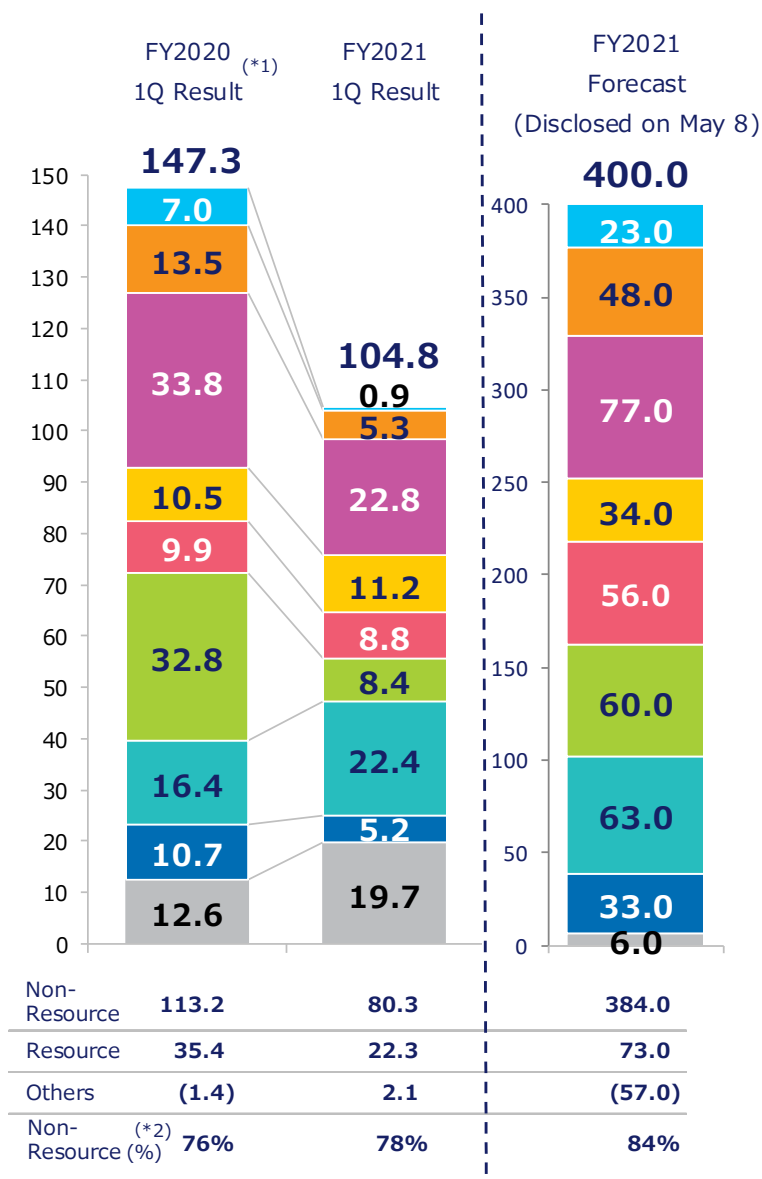
- “Net profit attributable to ITOCHU” significantly exceeded our expectation, recorded **¥104.8 bil.**, toward the FY2021 forecast ¥400.0 bil. (progress: 26%)
- Steadily started toward ¥400.0 bil. with the accumulation of solid earnings in diversified sectors and the effort of reduction of expenses, although COVID-19 greatly affected businesses as expected, mainly in Consumer sector.
- Each item decreased compared with the same period of the previous fiscal year, as the FY2021 forecast for Net profit attributable to ITOCHU is ¥400.0 bil., decreased by ¥100.0 bil. from the FY2020 result due to the unprecedented effects of COVID-19.

	FY2020 1Q Result	FY2021 1Q Result	Increase/ Decrease	FY2021 Forecast (Disclosed on May 8)	Progress
Net profit attributable to ITOCHU	<b>147.3</b>	<b>104.8</b>	<b>(42.5)</b>	<b>400.0</b>	<b>26%</b>
Extraordinary gains and losses	30.0	16.0	(14.0)		
Core Profit	approx. 117.0	approx. 88.5	approx. (28.5)		
Profits/Losses of group companies	126.3	84.9	(41.4)		
Ratio (%) of group companies reporting profits	84.9%	73.4%	Decreased 11.6pt		
Core Operating Cash Flows	148.0	96.0	(52.0)		
				Dividend Information (Per Share)	
				Annual (Planned)	88 yen
				Interim (Planned)	44 yen

# Net profit attributable to ITOCHU by Segment



(Unit : billion yen)



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

### Textile [Inc / (Dec) : ¥ (6.1) bil., Progress : 4%]

Decrease due to the stagnation in overall transactions centering on unfavorable sales in apparel-related companies resulting from the effects of COVID-19, despite the reduction of expenses.

### Machinery [Inc / (Dec) : ¥ (8.2) bil., Progress : 11%]

Decrease due to unfavorable sales in automobile-related companies, the lower automobile-related transaction volume, and the lower equity in earnings of associates and joint ventures, resulting from the effects of COVID-19, despite the reduction of expenses.

### Metals & Minerals [Inc / (Dec) : ¥ (11.0) bil., Progress : 30%]

Decrease due to the decline in dividends received from a Brazilian iron ore company, the lower coal prices, and the lower equity in earnings of Marubeni-Itochu Steel.

### Energy & Chemicals [Inc / (Dec) : ¥ +0.6 bil., Progress : 33%]

Increase due to the improvement in the profitability in energy trading transactions and chemical-related companies, the reduction of expenses, and the higher equity in earnings of Japan South Sakha Oil, despite the deterioration in profitability in CIECO Azer due to the lower oil prices.

### Food [Inc / (Dec) : ¥ (1.1) bil., Progress : 16%]

Decrease due to the increase in the extraordinary loss, although the stable performance in meat-products-related companies and the recoil of the lower equity in earnings of associates and joint ventures in North American grain-related companies in the same period of the previous fiscal year, compensated the lower transaction volume in provisions-related companies and NIPPON ACCESS resulting from the effects of COVID-19.

### General Products & Realty [Inc / (Dec) : ¥ (24.3) bil., Progress : 14%]

Decrease due to the lower pulp prices, the lower sales volume in ETEL (European tire-related company) resulting from the effects of COVID-19, and the absence of the extraordinary gains in the same period of the previous fiscal year, despite the higher transaction volume in real estate for sale and the reduction of expenses.

### ICT & Financial Business [Inc / (Dec) : ¥ +6.1 bil., Progress : 36%]

Increase due to the stable performance in ITOCHU Techno-Solutions and the partial sale of eGuarantee, despite the lower sales volume in CONEXIO and the absence of the extraordinary gain in the same period of the previous fiscal year.

### The 8th [Inc / (Dec) : ¥ (5.5) bil., Progress : 16%]

Decrease due to lower daily sales resulting from the effects of COVID-19 and the absence of lower tax expenses related to group restructuring in FamilyMart in the same period of the previous fiscal year, despite the reduction of expenses and the gain accompanying the sale of a foreign company in FamilyMart.

### Others, Adjustments & Eliminations [Inc / (Dec) : ¥ +7.1 bil.]

Increase due to the higher equity in earnings of C.P. Pokphand, the higher profit related to CITIC Limited, and lower tax expenses.

(\*1) Accompanying the establishment of The 8th Company on July 1, 2019, "FY2020 1Q Result" is presented post reclassification.

(\*2) % composition is calculated using the total of Non-Resource and Resource sectors as 100%.

# Cash Flows



(Unit : billion yen)

## ■ Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥254.1 bil.**, resulting from the stable performance in operating revenues, and the improvement in working capital in The 8th Company. “Free cash flows” resulted in a **net cash-inflow of ¥162.9 bil.**, due to the investments by The 8th Company, additional investments in shares of domestic associated companies by Machinery and Food Companies, and acquisition of fixed assets by The 8th, Food, Metal & Minerals, and Energy & Chemicals Companies.

## ■ 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 ¥96.0 bil.**

“Core Free Cash Flows” resulted in a **net cash-inflow of ¥1.0 bil.**

## ■ Cash Flows

	FY2020 1Q Result		FY2021 1Q Result
Cash flows from operating activities	153.7	*	254.1
Cash flows from investing activities	(36.1)		(91.2)
Free cash flows	117.6	*	162.9
Cash flows from financing activities	(169.7)		(111.6)

## ■ Core Free Cash Flows

	FY2020 1Q Result		FY2021 1Q Result
Core Operating Cash Flows <sup>(*1)</sup>	148.0		96.0
Net Investment Cash Flows <sup>(*2)</sup>	(30.0)		(95.0)
Core Free Cash Flows	118.0		1.0

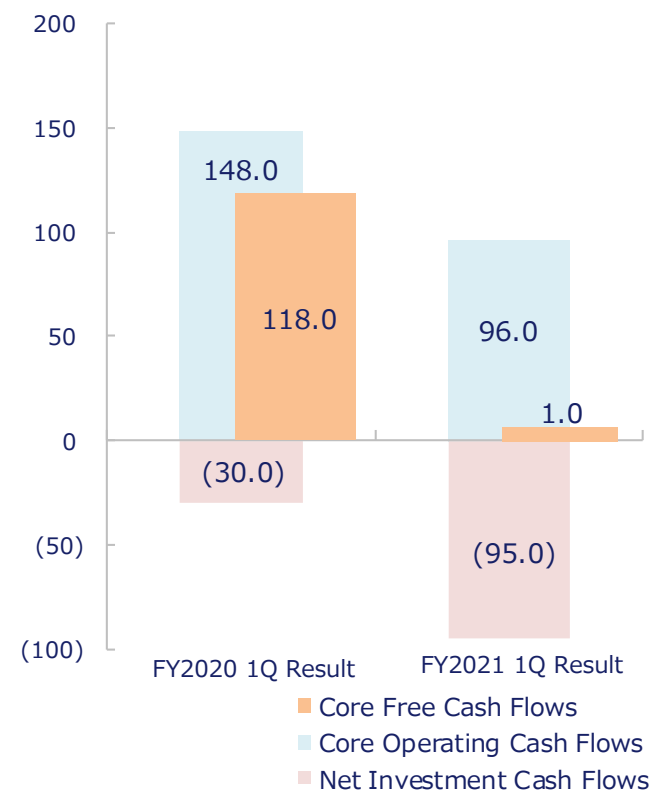
\* : Record High

(\*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.

## ■ Core Free Cash Flows





# Financial Position



(Unit : billion yen)

## ■ Total assets:

Nearly at the same level compared with March 31, 2020 at **¥10,919.8 bil.**, due to the increase accompanying the rise in the fair value of stocks, the increase in Cash and cash equivalents, and additional investments in shares of domestic associated companies, despite the decrease in trade receivables accompanying unfavorable sales resulting from the effects of COVID-19.

## ■ Net interest-bearing debt:

Decreased by ¥29.7 bil., compared with March 31, 2020 to **¥2,227.2 bil.**, due to the stable performance in operating revenues and steady collections, despite dividend payments.

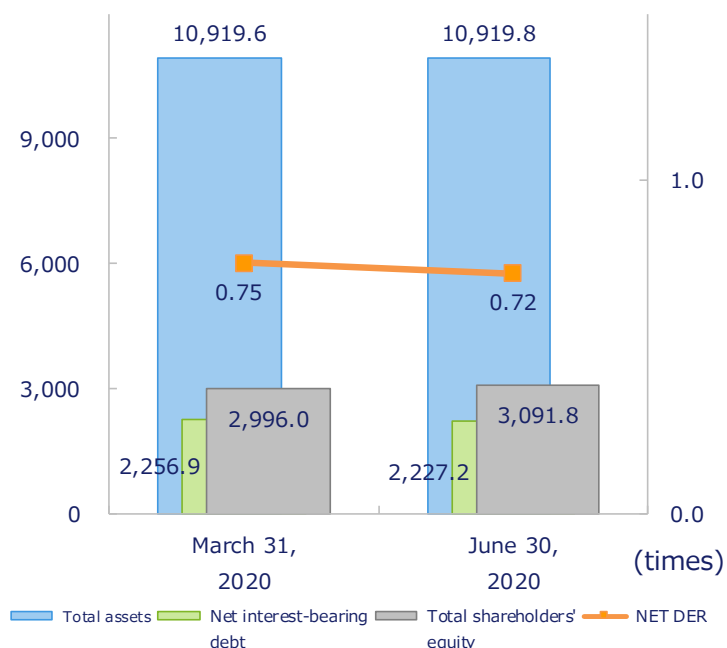
## ■ Total shareholders' equity:

Increased by ¥95.8 bil., compared with March 31, 2020 to **¥3,091.8 bil.**, due to Net profit attributable to ITOCHU during this fiscal year and the increase accompanying the rise in the fair value of stocks, despite dividend payments.

## ■ Ratio of shareholders' equity to total assets and NET DER:

**Ratio of shareholders' equity to total assets** increased by 0.9 points compared with March 31, 2020 to **28.3%**.

**NET DER** improved compared with March 31, 2020 to **0.72 times**.



	March 31, 2020	June 30, 2020	Increase/ Decrease	FY2021 Plan (Disclosed on May 8)
Total assets	10,919.6	10,919.8	+ 0.2	B/S control for maintaining A ratings
Net interest-bearing debt	2,256.9	2,227.2	(29.7)	
Total shareholders' equity	2,996.0	* 3,091.8	+ 95.8	
Ratio of shareholders' equity to total assets	27.4%	28.3%	Increased 0.9pt	
NET DER (times)	0.75	* 0.72	Improved 0.03pt	
ROE	17.0%	–	–	Maintain high efficiency

\*: Record High (NET DER: Best Record)

# Extraordinary Gains and Losses



(Unit : billion yen)

	FY2020 1Q Result		FY2021 1Q Result	
Gains (Losses) related to investments	<b>20.0</b>	<ul style="list-style-type: none"> <li>•Gains on partial sales of foreign companies: approx. 16.0 (General Products &amp; Realty)</li> <li>•Gain on the partial sale of a domestic company: approx. 4.0 (ICT &amp; Financial Business)</li> </ul>	<b>14.0</b>	<ul style="list-style-type: none"> <li>•Gain on the partial sale of eGuarantee: approx. 12.0 (ICT &amp; Financial Business)</li> <li>•Gain on sales of a foreign company in FamilyMart: approx. 2.0 (The 8th)</li> </ul>
Gains (Losses) related to property, plant, equipment and intangible assets, Equity in earnings (losses) related to associates and joint ventures, Income tax expense, and Others	<b>10.0</b>	<ul style="list-style-type: none"> <li>•Lower tax expenses related to group restructuring in FamilyMart: approx. 5.0 (The 8th)<sup>(*)</sup></li> <li>•Gains on sales of logistics warehouses: approx. 2.5 (General Products &amp; Realty)</li> <li>•Gain on sales of fixed assets in EDWIN: approx. 1.0 (Textile)</li> </ul>	<b>2.0</b>	<ul style="list-style-type: none"> <li>•Lower tax expenses in FamilyMart: approx. 3.0 (The 8th)</li> <li>•The loss related to the fire incident of distribution center in NIPPON ACCESS: approx. (1.0) [Food: approx. (0.5), The 8th: approx. (0.5)]</li> </ul>
Total	<b>30.0</b>		<b>16.0</b>	
Non-Resource	30.5		16.0	
Resource	-		-	
Others	(0.5)		-	

(\*) Accompanying the establishment of The 8th Company on July 1, 2019, "FY2020 1Q Result" is presented post reclassification.

# Major Indicators



	FY2020 1Q Result	FY2021 1Q Result	FY2021 Forecast (Disclosed on May 8)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2021 2Q - 4Q
Exchange rate (YEN/US\$) average	110.96	107.68	105.00	Approx. ¥(1.8) bil. (1 yen appreciation against US\$)
Exchange rate (YEN/US\$) closing	Mar. 2020 108.83	Jun. 2020 107.74	105.00	-
Interest (%) USD LIBOR 3M	2.51%	0.60%	1.00%	Approx. ¥(0.5) bil. (1% increase)
Crude oil (Brent) (US\$/BBL)	68.47	33.39	30	±¥0.14 bil.
Iron ore (CFR China) (US\$/ton)	98 <sup>(*1)</sup>	92 <sup>(*1)</sup>	N.A. <sup>(*2)</sup>	±¥0.53 bil.
Hard coking coal (FOB Australia) (US\$/ton)	203 <sup>(*1)</sup>	119 <sup>(*1)</sup>	N.A. <sup>(*2)</sup>	±¥0.13 bil.
Thermal coal (FOB Australia) (US\$/ton)	80 <sup>(*1)</sup>	55 <sup>(*1)</sup>	N.A. <sup>(*2)</sup>	

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

(\*1) FY2020 1Q and FY2021 1Q 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 "FY2021 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.