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# FY2017 1st Half Business Results Summary

November 2, 2016

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. As 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 and financial instruments and financial resources, 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 Net profit attributable to ITOCHU

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(Unit : billion yen)

- **"Net profit attributable to ITOCHU" decreased by ¥10.6 bil. compared with the same period of the previous fiscal year to ¥202.2 bil., and progressed 58% toward the FY2017 Forecast of ¥350.0 bil.**
  "Net profit attributable to ITOCHU" achieved the 2nd highest record for the 1st half result next to the same period of FY2016 due to the contribution from CITIC Limited and the favorable performance in the Food segment, despite the decrease due to a decline in commodity prices, the effect of the appreciation of the yen and the absence of extraordinary gains in the same period of the previous fiscal year.
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥31.0 bil. (profit) in this 1st half result, approximately ¥67.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥25.0 bil. compared with the same period of the previous fiscal year to approximately ¥171.0 bil.** (approximately ¥146.0 bil. in the same period of the previous fiscal year), and **achieved the highest record for a 1st half result.**

| | FY2016 1st Half Result | FY2017 1st Half Result | Increase/ Decrease | FY2017 Forecast (Disclosed on Nov, 2) | Progress |
|---|---|---|---|---|---|
| **Net profit attributable to ITOCHU** | **212.7** | **202.2** | **(10.6)** | **350.0** | **58%** |
| Gross trading profit | 524.6 | 514.1 | (10.4) | 1,080.0 | 48% |
| Selling, general and administrative expenses | (412.8) | (395.5) | +17.2 | (810.0) | 49% |
| Gains on investments | 52.1 | 38.9 | (13.2) | - | - |
| Equity in earnings of associates and joint ventures | 71.9 | 96.0 | +24.2 | 170.0 | 56% |
| Income tax expense | (25.3) | (48.8) | (23.5) | (103.0) | 47% |

(Reference)

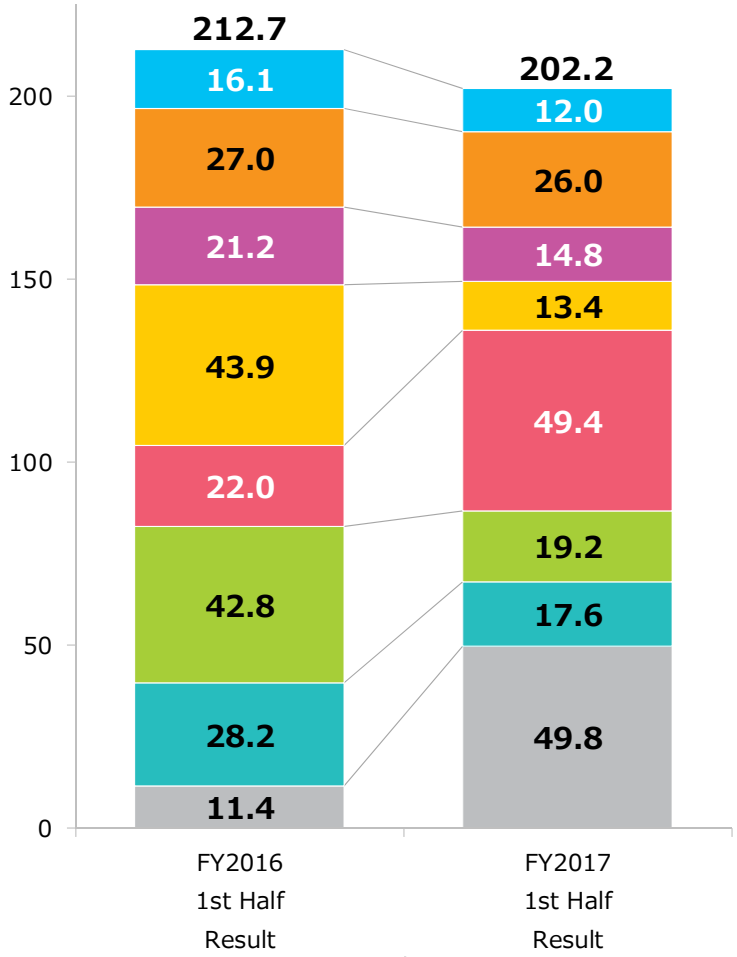
| | | | |
|---|---|---|---|
| Extraordinary gains and losses | 67.0 | 31.0 | (36.0) |
| Net profit attributable to ITOCHU after deducting extraordinary gains and losses | approx. 146.0 | approx. 171.0 | +25.0 |

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

# Net profit attributable to ITOCHU by Segment

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(Unit : billion yen)




| | FY2016 1st Half Result | FY2017 1st Half Result |
|---|---|---|
| Non-Resource | 159.1 | 188.2 |
| Resource | 47.1 | 11.8 |
| Others | 6.6 | 2.2 |
| Non-Resource(%) | 77% | 94% |

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 : ¥(4.2) bil., Progress : 36%]**
Decrease due to the absence of an extraordinary gain regarding a China-related company in the same period of the previous fiscal year and the unfavorable sales in apparel-related companies, despite the reduction of expenses.

**Machinery [Inc/Dec : ¥(1.0) bil., Progress : 43%]**
Decrease due to the deterioration in profitability in ship-related business affected by stagnant market conditions, the appreciation of the yen, and the decline in dividends received, despite the gain on sales of a medical-device-related company.

**Metals & Minerals [Inc/Dec : ¥(6.4) bil., Progress : 49%]**
Decrease due to the decline in coal prices, the appreciation of the yen, and the discontinued recognition of investments accounted for by the equity method of a Brazilian iron ore company in the previous fiscal year, despite the reduction of costs in the iron ore and coal-related business.

**Energy & Chemicals [Inc/Dec : ¥(30.5) bil., Progress : 64%]**
Decrease due to the lower energy trading transaction volume, the decline in self-developed crude oil transaction prices, and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the same period of the previous fiscal year.

**Food [Inc/Dec : ¥+27.3 bil., Progress : 71%]**
Increase due to the improvement in profitability in fresh-food-related and food-distribution-related companies, the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings, and the gain on sales of a dairy-products-related company.

**General Products & Realty [Inc/Dec : ¥(23.6) bil., Progress : 45%]**
Decrease due to the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year, the decrease in equity in earnings of associates and joint ventures in foreign pulp-related companies, and the appreciation of the yen, despite the favorable performance in apartment/condominium-related companies.

**ICT & Financial Business [Inc/Dec : ¥(10.6) bil., Progress : 44%]**
Decrease due to the absence of an extraordinary gain regarding a finance-related company in the same period of the previous fiscal year, despite the higher transaction volume in domestic ICT-related companies.

**Others, Adjustments & Eliminations [Inc/Dec : ¥+38.4 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 ¥162.4 bil.** resulting from the stable performance in operating revenue in the Food, Energy, Metals & Minerals, and ICT sectors. "Cash flows from investing activities" was a net cash-outflow of ¥19.9 bil., and **"Free cash flows"** resulted a **net cash-inflow of ¥142.5 bil.**
- **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 ¥175.0 bil. "Core free cash flows"** resulted a **net cash-inflow of ¥115.0 bil., and progressed steadily toward the FY2017 Image of ¥100.0 bil.**

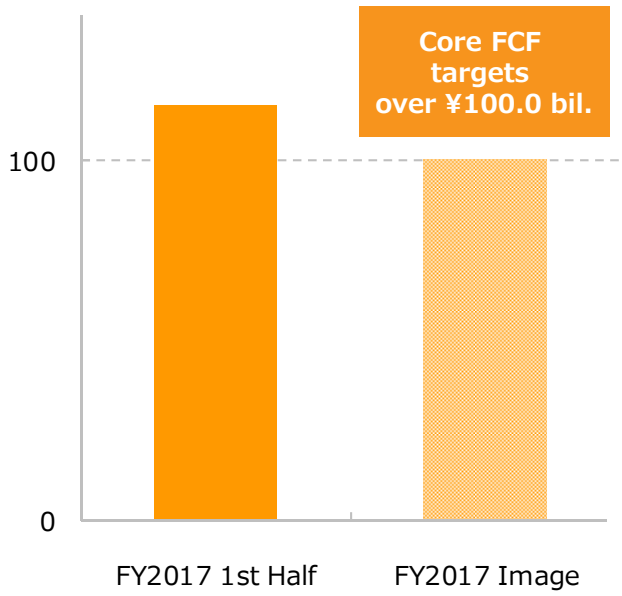
## Cash Flows

| | FY2016 1st Half Result | FY2017 1st Half Result |
|---|---|---|
| Cash flows from operating activities | 146.7 | 162.4 |
| Cash flows from investing activities | (892.8) | (19.9) |
| *Free cash flows* | *(746.1)* | *142.5* |
| Cash flows from financing activities | 676.2 | (102.7) |

## Core Free Cash Flows

| | FY2016 Result | FY2017 1st Half Result | FY2017 Image |
|---|---|---|---|
| Core operating cash flows(Note1) | 375.0 | 175.0 | |
| Net investment cash flows(Note2) | 35.0 | (60.0) | |
| Core free cash flows | 410.0 | 115.0 | Over 100.0 |
| Cash dividends | (75.0) | (39.5) | |
| Core free cash flows after deduction of dividends | 335.0 | 75.5 | Over 20.0 |

## Core Free Cash Flows

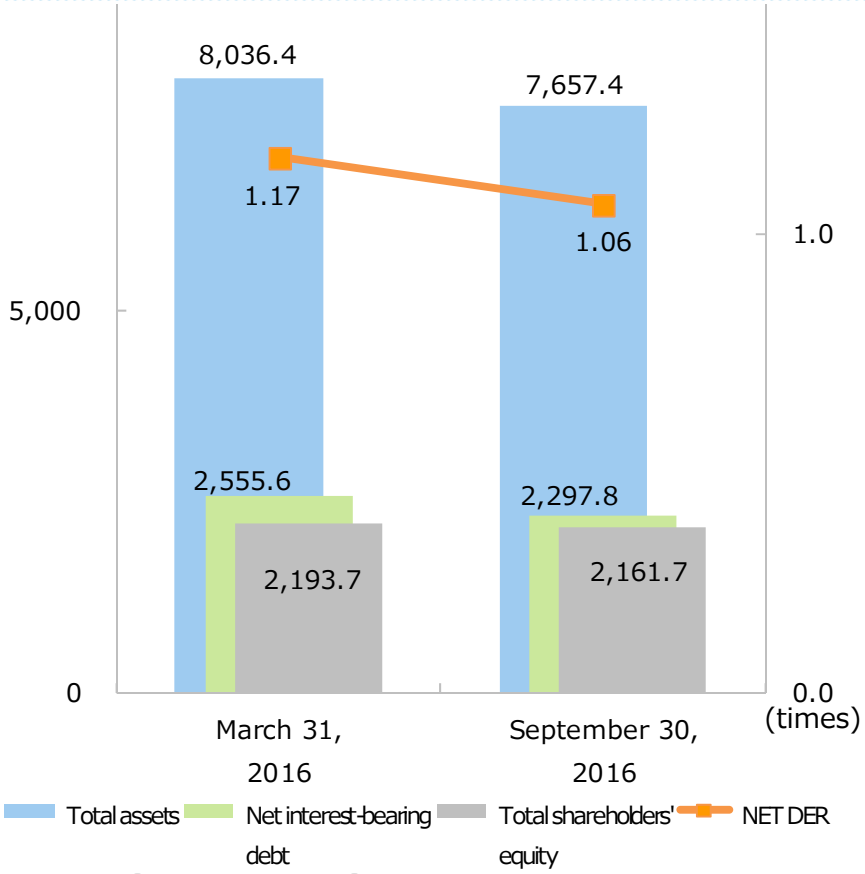



Note 1: "Operating Cash Flows" minus "increase/decrease of working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "increase/decrease of loan receivables", etc.
Exclude investment into CITIC Limited

# Financial Position

(Unit : billion yen)

- **Total assets:**
  Decreased by ¥379.0 bil., compared with March 31, 2016 to **¥7,657.4 bil.** This decrease was due to the collections of trade receivables in domestic ICT-related and mobile-phone-related companies, and the appreciation of the yen, despite the additional investments and merging transaction relating to FamilyMart and UNY Holdings.
- **Net interest-bearing debt:**
  Decreased by ¥257.8 bil., compared with March 31, 2016 to **¥2,297.8 bil.** This decrease was due to the repayment of debt through steady collections and the appreciation of the yen.
- **Total shareholders' equity:**
  Decreased by ¥31.9 bil., compared with March 31, 2016 to **¥2,161.7 bil.** due to the dividend payments and the effect of the appreciation of the yen, despite Net profit attributable to ITOCHU during this fiscal year.
  **Ratio of shareholders' equity to total assets** increased by 0.9 points compared with March 31, 2016 to **28.2%**.
  **NET DER** (Net debt-to-shareholders' equity ratio) improved compared with March 31, 2016 to **1.06 times.**




| | March 31, 2016 | September 30, 2016 | Increase/ Decrease | FY2017 Forecast (Disclosed on Nov, 2) |
|---|---|---|---|---|
| Total assets | 8,036.4 | 7,657.4 | (379.0) | 8,000.0 |
| Net interest-bearing debt | 2,555.6 | 2,297.8 | (257.8) | 2,350.0 |
| Total shareholders' equity | 2,193.7 | 2,161.7 | (31.9) | 2,350.0 |
| Ratio of shareholders' equity to total assets | 27.3% | 28.2% | Increased 0.9pt | 29.4% |
| NET DER (times) | 1.17 | 1.06 | Improved 0.1 | 1.0 |
| ROE | 10.4% | – | – | 15.4% |

# Major Indicates

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| | FY2016 1st Half Result | FY2017 1st Half Result | FY2017 Forecast (Disclosed on Nov, 2) | (Reference) Sensitivities on net profit attributable to ITOCHU for FY2017 2nd half against forecast |
|---|---|---|---|---|
| Exchange rate (YEN / US$) average | 121.87 | 106.93 | 105 | Approx. ¥(1.0) bil. (1 yen appreciation against US$) |
| Exchange rate (YEN / US$) closing | Mar. 2016 112.68 | Sep. 2016 101.12 | 105 | - |
| Interest JPY TIBOR 3M, average | 0.171% | 0.065% | 0.10% | Approx. ¥(2.0) bil. (1% increase) |
| Crude oil (Brent) (US$/BBL) | 56.53 | 47.01 | 45 | ±¥0.02 bil. |
| Iron ore (CFR China) (US$/ton) | 55* | 55* | N.A.** | ±¥0.63 bil. |
| Hard coking coal (FOB Australia) (US$/ton) | 101* | 89* | N.A.** | ±¥0.17 bil. |
| Thermal coal (FOB Australia) (US$/ton) | 67.8* | 61.6* | N.A.** | |

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

* FY2016 1st half and FY2017 1st half prices for iron ore, hard coking coal and thermal coal are prices that ITOCHU regards as general transaction prices based on the market.

** In the prices for iron ore, hard coking coal and thermal coal used in the FY2017 forecast, the prices for FY2017 1st half are assumed based on the prices that major suppliers and customers have agreed on regarding shipments and current spot prices, and the prices for FY2017 2nd half are assumed based on the prices agreed on the 1st half. However, the actual sales prices are decided based on negotiations with each customer, ore type and coal type.

# FY2017 Forecast

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(Unit : billion yen)

| < Consolidated > | FY2017 Forecast (Disclosed on Nov, 2) | FY2017 Forecast (Disclosed on May, 6) | FY2016 Result |
|---|---|---|---|
| Revenues | **4,600.0** | 5,000.0 | 5,083.5 |
| Gross trading profit | **1,080.0** | 1,080.0 | 1,069.7 |
| Selling, generals and administrative expenses, etc. | **(815.0)** | (840.0) | (843.3) |
| Trading income | **265.0** | 240.0 | 226.4 |
| Other-net | **40.0** | 43.0 | (51.4) |
| Equity in earnings of associates and joint ventures | **170.0** | 180.0 | 147.7 |
| Profit before tax | **475.0** | 463.0 | 322.7 |
| Income tax expense | **(103.0)** | (90.0) | (46.4) |
| Net profit attributable to ITOCHU | **350.0** | **350.0** | **240.4** |
| Net profit attributable to non-controlling interests | **22.0** | 23.0 | 36.0 |

| < Segments > | FY2017 Forecast (Disclosed on Nov, 2) | FY2017 Forecast (Disclosed on May, 6) | 1st Half Progress |
|---|---|---|---|
| Textile | **33.0** | 33.0 | 36% |
| Machinery | **60.0** | 60.0 | 43% |
| Metals & Minerals | **30.0** | 13.0 | 49% |
| Energy & Chemicals | **21.0** | 21.0 | 64% |
| Food | **70.0** | 60.0 | 71% |
| General Products & Realty | **43.0** | 43.0 | 45% |
| ICT & Financial Business | **40.0** | 52.0 | 44% |
| Others, Adjustments & Eliminations | **53.0** | 68.0 | – |
| Total | **350.0** | 350.0 | 58% |

| | | | |
|---|---|---|---|
| Total assets | **8,000.0** | 8,200.0 | 8,036.4 |
| Net interest-bearing debt | **2,350.0** | 2,500.0 | 2,555.6 |
| Total shareholders' equity | **2,350.0** | 2,400.0 | 2,193.7 |
| NET DER (times) | **1.0** | 1.0 | 1.17 |

| | FY2017 Forecast (Disclosed on Nov, 2) | FY2017 Forecast (Disclosed on May, 6) | FY2016 Result |
|---|---|---|---|
| Exchange rate (YEN / US$) average | 105 | 110 | 120.65 |
| Crude oil (Brent) (US$/BBL) | 45 | 35 | 48.73 |

(Note) The exchange rate, crude oil (Brent) data above are on a fiscal year basis (April to March).