I am One with Infinite Missions

FY2017 3rd Quarter Business Results Summary

February 3, 2017

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. 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, financial instruments and financial resources. Therefore, 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" increased by ¥19.4 bil. compared with the same period of the previous fiscal year to ¥300.3 bil. "Net profit attributable to ITOCHU" reached ¥300.0 bil. for the first time, and renewed a record high for the second consecutive year, as a 1st-3rd quarter result.**
  "Net profit attributable to ITOCHU" increased significantly compared with the same period of the previous fiscal year since the strong earnings in the Food, Metals & Minerals, ICT and Chemical sectors and the contribution from CITIC Limited covered the effect of the decline in selling prices and the appreciation of the yen in Energy, General Products & Realty and Machinery sectors.
- **"Net profit attributable to ITOCHU" progressed 86% toward the FY2017 Forecast of ¥350.0 bil., and is in strong progress to achieve a new record high.**
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥31.5 bil. (profit) in this 1st-3rd quarter, approximately ¥50.0 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥38.0 bil. compared with the same period of the previous fiscal year to approximately ¥269.0 bil.** (approximately ¥231.0 bil. in the same period of the previous fiscal year), and **achieved the highest record for a 1st-3rd quarter result.**
- **Share (%) of group companies reporting profits** was further improved, and **increased by 3.0 points to over 83%** due to the decrease of the number of group companies in low profitability or reporting losses.

	FY2016 1st-3rd Quarter Result	FY2017 1st-3rd Quarter Result	Increase/ Decrease	FY2017 Forecast (Disclosed on Nov, 2)	Progress
Net profit attributable to ITOCHU	**280.9**	**300.3**	**+19.4**	**350.0**	**86%**
Gross trading profit	790.4	792.3	+ 1.9	1,080.0	73%
Selling, general and administrative expenses	(622.5)	(590.6)	+32.0	(810.0)	73%
Gains on investments	66.0	35.4	(30.5)	-	-
Equity in earnings of associates and joint ventures	115.3	142.5	+27.2	170.0	84%
Income tax expense	(36.1)	(78.5)	(42.4)	(103.0)	76%
(Reference)					
Extraordinary gains and losses	50.0	31.5	(18.5)		
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 231.0	approx. 269.0	+38.0		
Share (%) of group companies reporting profits	80.4%	83.3%	Increased 3.0pt		

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

Net profit attributable to ITOCHU by Segment

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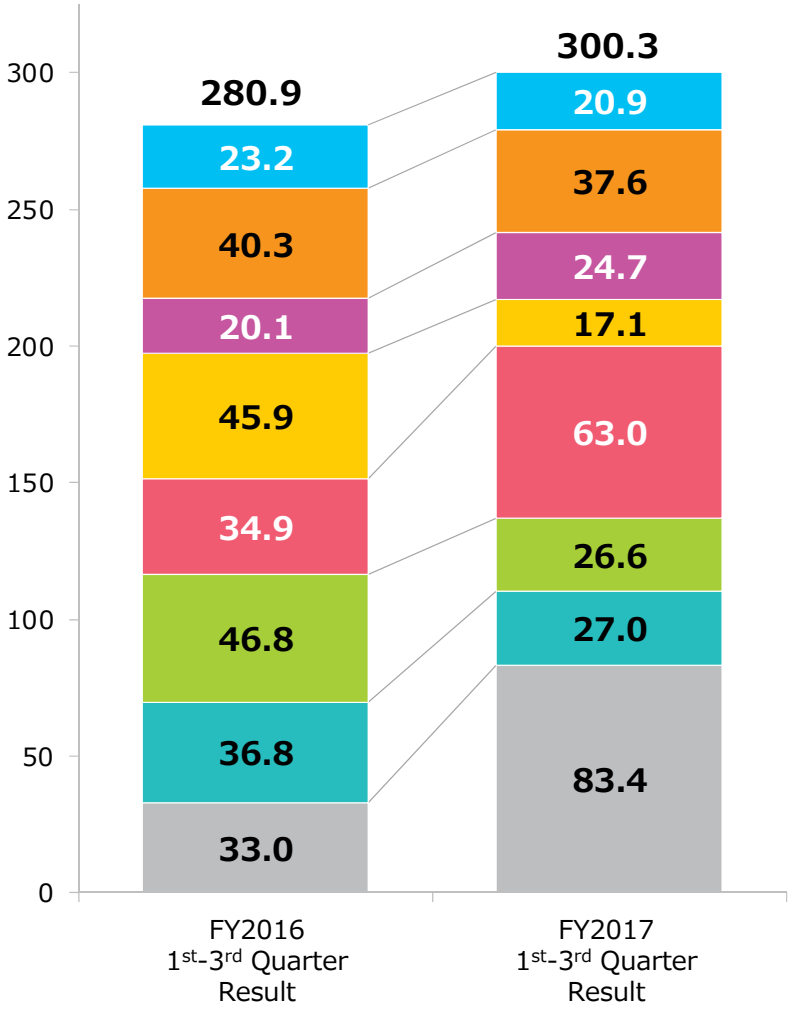
(Unit : billion yen)



Non-Resource	**235.5**	**263.8**
Resource	**36.2**	**14.1**
Others	**9.3**	**22.5**
Non-Resource(%)	**87%**	**95%**

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 : 63%]
Decrease due to the absence of an extraordinary gain regarding a China-related company in the same period of the previous fiscal year, despite the reduction of expenses in response to the unfavorable sales in apparel-related companies.

Machinery [Inc/Dec : ¥(2.7) bil., Progress : 63%]
Decrease due to the deterioration in profitability in ship-related business affected by stagnant market conditions, the lower transaction volume in automobile-related transactions, the decline in dividends received and the appreciation of the yen, despite the gain on sales of a medical-device-related company.

Metals & Minerals [Inc/Dec : ¥+4.6 bil., Progress : 82%]
Increase due to the higher iron ore and coal prices and the reduction of costs in iron ore and coal-related business, despite an extraordinary loss and the appreciation of the yen.

Energy & Chemicals [Inc/Dec : ¥(28.8) bil., Progress : 81%]
Decrease due to the decline in dividends received 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, despite the absence of the impairment loss in the North Sea oil fields development project in the same period of the previous fiscal year.

Food [Inc/Dec : ¥+28.2 bil., Progress : 90%]
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 : ¥(20.1) bil., Progress : 62%]
Decrease due to the absence of the gain on sales of a housing-materials-related company in the U.S. in the same period of 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 stable performance in apartment/condominium-related companies.

ICT & Financial Business [Inc/Dec : ¥(9.8) bil., Progress : 67%]
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 : ¥+50.3 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

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥232.3 bil.** resulting from the stable performance in operating revenue, and progressed steadily. **"Free cash flows"** resulted a **net cash-inflow of ¥200.5 bil.** due to rigorously selected investments.
- **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 ¥300.0 bil.** resulting from the stable performance in operating revenue in the Food, Metals & Minerals, Energy and ICT sectors. **"Core free cash flows"** resulted a **net cash-inflow of ¥220.0 bil., which is expected to achieve the FY2017 Image of over ¥100.0 bil.**

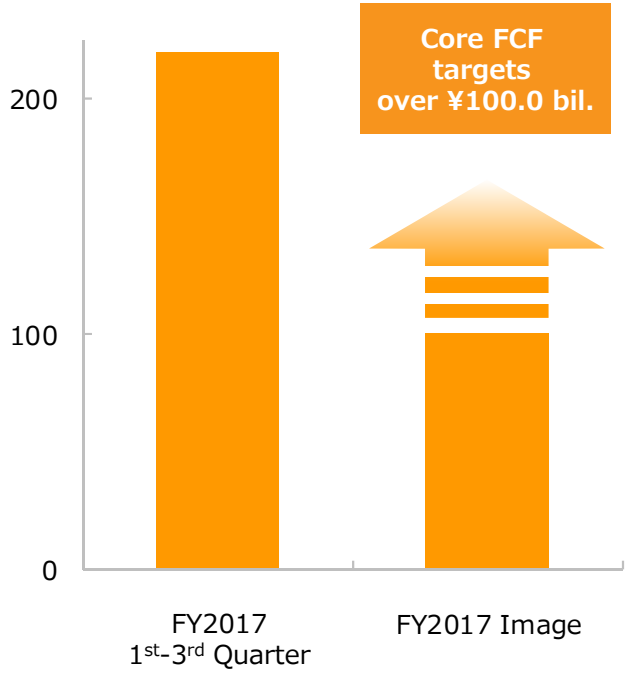
Cash Flows

	FY2016 1st-3rd Quarter Result	FY2017 1st-3rd Quarter Result
Cash flows from operating activities	253.7	232.3
Cash flows from investing activities	(788.2)	(31.8)
Free cash flows	*(534.5)*	*200.5*
Cash flows from financing activities	466.2	(242.6)

Core Free Cash Flows

	FY2016 Result	FY2017 1st-3rd Quarter Result	FY2017 Image
Core operating cash flows(Note1)	375.0	300.0	
Net investment cash flows(Note2)	35.0	(80.0)	
Core free cash flows	410.0	220.0	Over 100.0
Cash dividends	(75.0)	(83.0)	
Core free cash flows after deduction of dividends	335.0	137.0	Over 20.0

Core Free Cash Flows

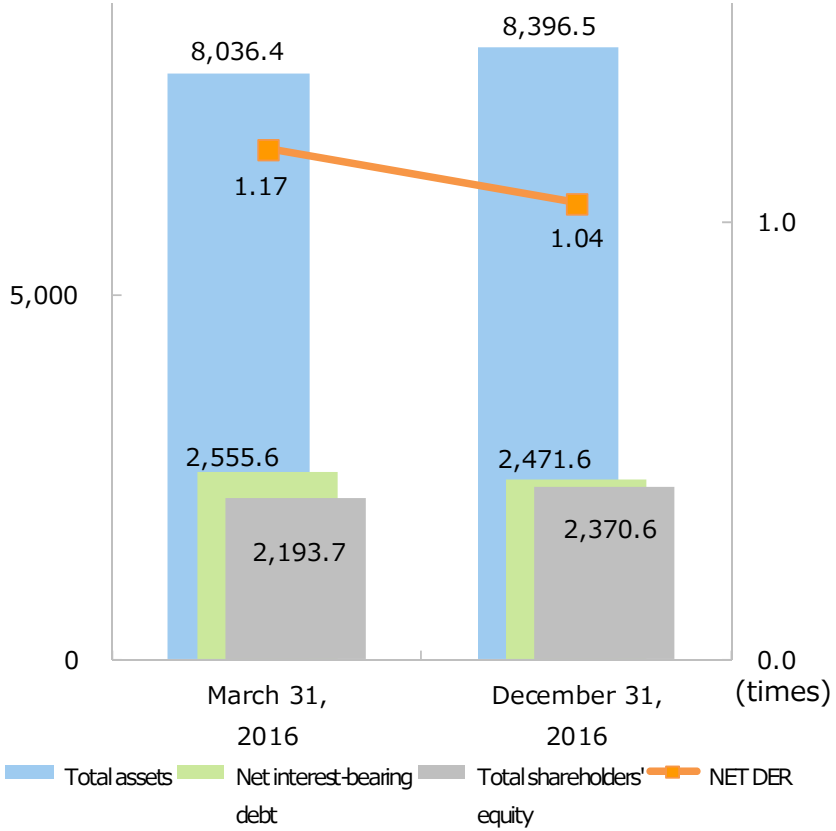


Note 1: "Operating Cash Flows" minus "increase/decrease of working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "increase/decrease of loan receivables", etc.
Exclude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

Financial Position

(Unit : billion yen)

- **Total assets:**
  Increased by ¥360.2 bil., compared with March 31, 2016 to **¥8,396.5 bil.** This increase was due to the increased trade receivables and inventories accompanying the seasonal factors in food-distribution-related companies and the higher oil prices in energy trading transactions, and the additional investments and merging transaction relating to FamilyMart and UNY Holdings.
- **Net interest-bearing debt:**
  Decreased by ¥84.1 bil., compared with March 31, 2016 to **¥2,471.6 bil.** This decrease was due to the repayment of debt accompanying the large surplus of free cash flows through the stable performance in operating revenue and steady collections.
- **Total shareholders' equity:**
  Increased by ¥177.0 bil., compared with March 31, 2016 to **¥2,370.6 bil.** due to the increase in Net profit attributable to ITOCHU during this fiscal year, despite the dividend payments, the effect of foreign currency translation, and the acquisition of treasury stock.
- **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, 2016 to **28.2%**.
  NET DER (Net debt-to-shareholders' equity ratio) improved compared with March 31, 2016 to **1.04 times.**
  Ratio of shareholders' equity to total assets and NET DER progress on schedule toward FY2017 Forecast.



	March 31, 2016	December 31, 2016	Increase/ Decrease	FY2017 Forecast (Disclosed on Nov, 2)
Total assets	8,036.4	8,396.5	+360.2	8,000.0
Net interest-bearing debt	2,555.6	2,471.6	(84.1)	2,350.0
Total shareholders' equity	2,193.7	2,370.6	+177.0	2,350.0
Ratio of shareholders' equity to total assets	27.3%	28.2%	Increased 0.9pt	29.4%
NET DER (times)	1.17	1.04	Improved 0.1pt	1.0
ROE	10.4%	–	–	15.4%

Major Indicates

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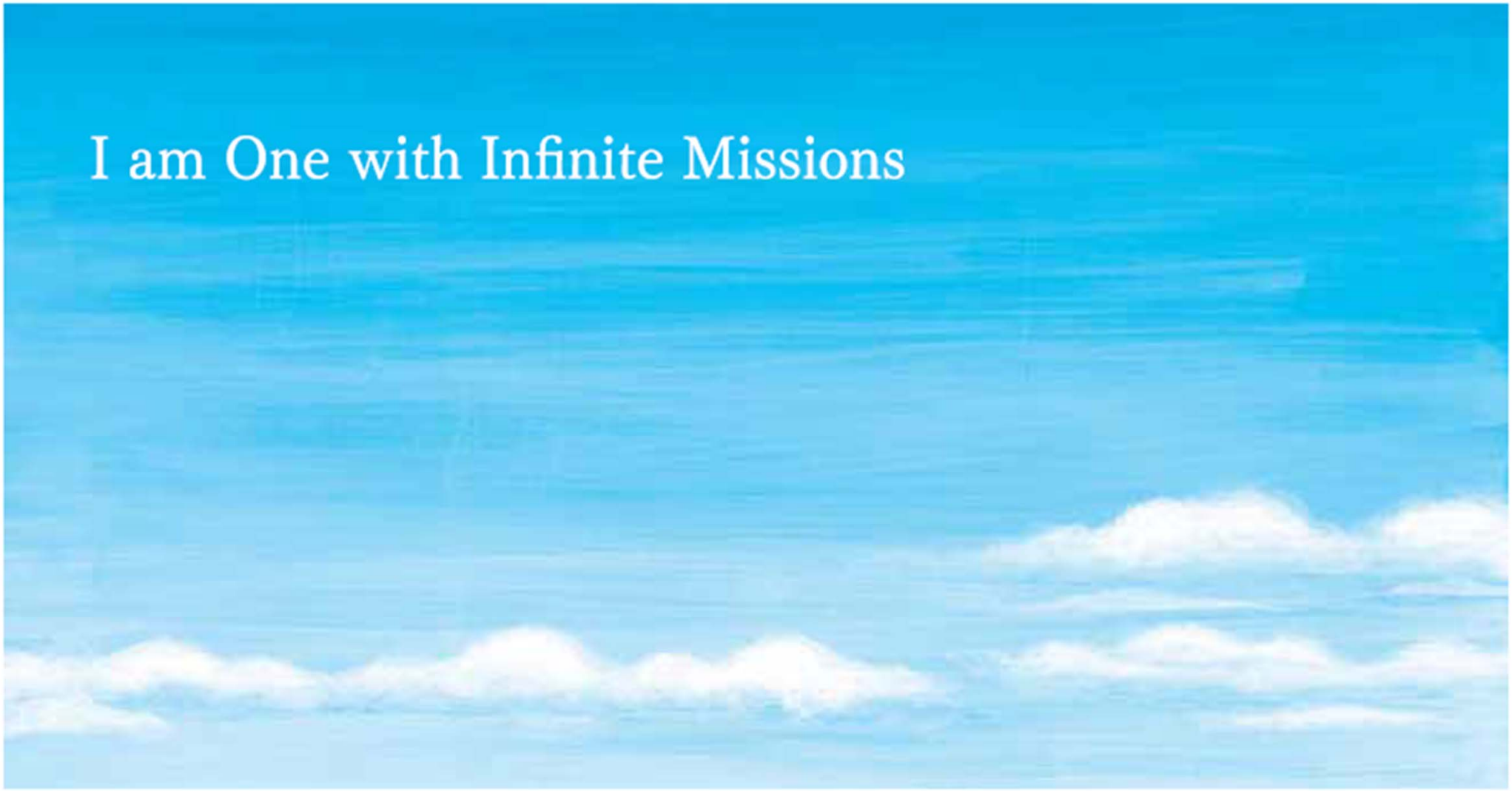
	FY2016 1st-3rd Quarter Result	FY2017 1st-3rd Quarter Result	FY2017 Forecast (Disclosed on Nov, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2017 4th quarter against forecast
Exchange rate (YEN / US$) average	121.60	106.27	105	Approx. ¥(0.5) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2016 112.68	Dec. 2016 116.49	105	-
Interest JPY TIBOR 3M, average	0.171%	0.062%	0.10%	Approx. ¥(1.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	53.13	48.34	45	±¥0.01 bil.
Iron ore (CFR China) (US$/ton)	53*	60*	N.A.**	±¥0.19 bil.
Hard coking coal (FOB Australia) (US$/ton)	97*	126*	N.A.**	±¥0.05 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-3rd quarter and FY2017 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 FY2017 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.



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