I am One with Infinite Missions

FY2018 1st Quarter Business Results Summary

August 4, 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

I am One with Infinite Missions

(Unit : billion yen)

- **"Net profit attributable to ITOCHU" increased by ¥35.1 bil. compared with the same period of the previous fiscal year to ¥108.2 bil. "Gross trading profit" and "Trading income" achieved the highest record for a 1st quarter result,** due to the strong earnings in the Food, Metals & Minerals, Energy and ICT sectors. "Net profit attributable to ITOCHU" reached the 2nd highest record for the 1st quarter result next to the same period of FY2016 including many extraordinary gains, due to the favorable performance in all segments except for the Machinery which decreased due to the absence of extraordinary gains, and the contribution from CITIC Limited. **Profits of Non-Resource sector increased by ¥15.1 bil. compared with the same period of the previous fiscal year to ¥89.2 bil., which achieved the highest record for a 1st quarter result. "Net profit attributable to ITOCHU" progressed 27% toward the FY2018 Forecast of ¥400.0 bil., which is in strong progress.**
- **"Net profit attributable to ITOCHU" after deducting extraordinary gains and losses** (approximately ¥7.5 bil. (profit) in this 1st quarter, approximately ¥1.5 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥29.0 bil. compared with the same period of the previous fiscal year** (approximately ¥72.0 bil.) **to approximately ¥101.0 bil.** , and **achieved the highest record for a 1st quarter result.**
- **"Profits/Losses of group companies"** was **¥98.2 bil., which achieved the highest record for a 1st quarter result**.
- **"Cash flows from operating activities"** was a **net cash-inflow of ¥77.5 bil., "Core operating cash flows"**, after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥90.0 bil., both of which achieved the highest record for a 1st quarter result**.

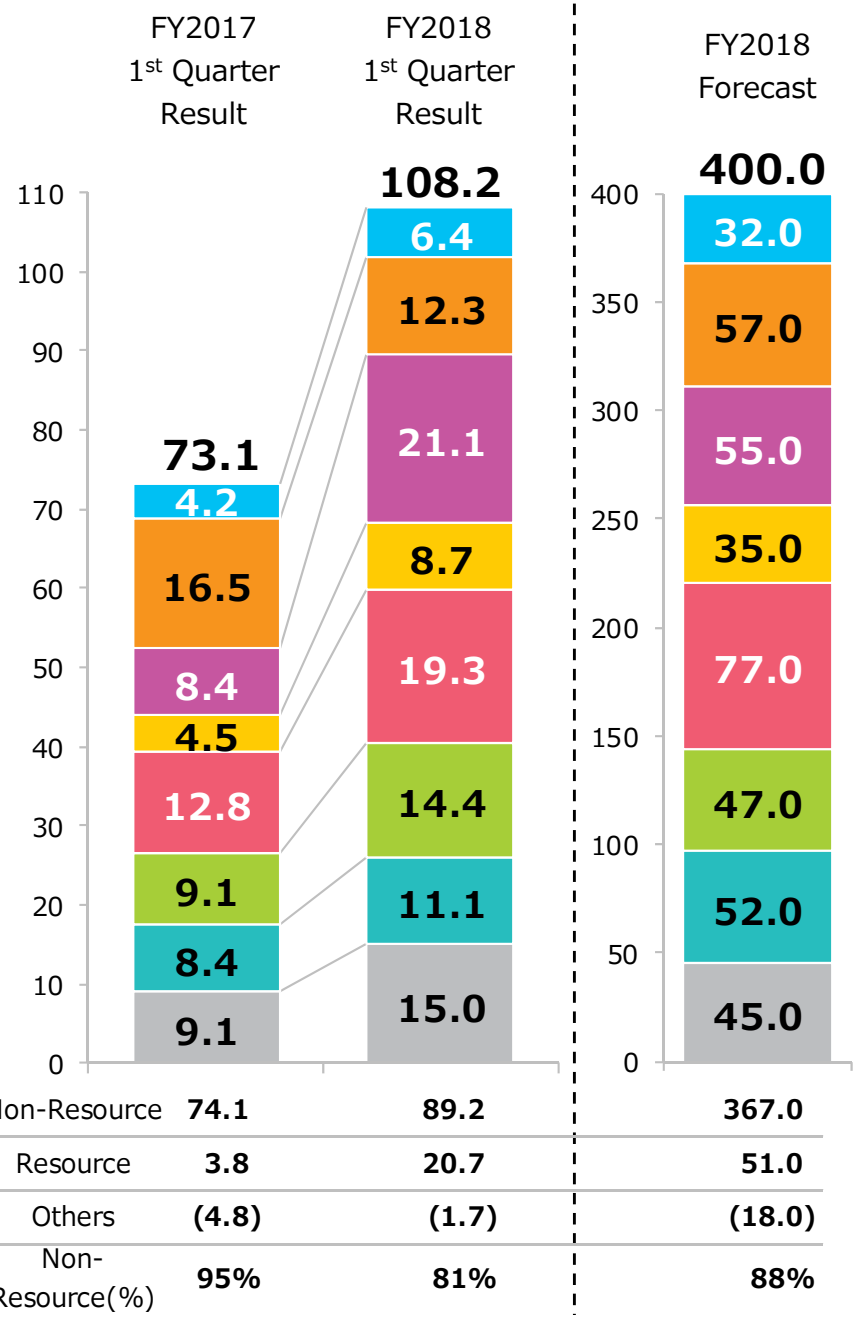
	FY2017 1st Quarter Result	FY2018 1st Quarter Result	Increase/ (Decrease)	FY2018 Forecast (Disclosed on May, 2)	Progress
Net profit attributable to ITOCHU	**73.1**	**108.2**	**+ 35.1**	**400.0**	**27%**
Gross trading profit	248.9	276.3	+ 27.5	1,230.0	22%
Selling, general and administrative expenses	(199.7)	(204.7)	(5.0)	(921.0)	22%
Gains on investments	8.8	6.9	(1.9)	-	-
Equity in earnings of associates and joint ventures	37.1	47.7	+ 10.6	190.0	25%
Income tax expense	(21.4)	(22.9)	(1.6)	(103.0)	22%
(Reference)					
Extraordinary gains and losses	1.5	7.5	+ 6.0		
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 72.0	approx. 101.0	+ 29.0		
Profits/Losses of group companies	70.5	98.2	+ 27.7		
Share (%) of group companies reporting profits	80.0%	78.8%	Decreased 1.2pt		

Dividend Information (Per Share)	
Annual (Planned)	64.0 yen (minimum)
Interim(Planned)	32.0 yen

Net profit attributable to ITOCHU by Segment

I am One with Infinite Missions

(Unit : billion yen)



	FY2017 1st Quarter Result	FY2018 1st Quarter Result	FY2018 Forecast
Non-Resource	74.1	89.2	367.0
Resource	3.8	20.7	51.0
Others	(4.8)	(1.7)	(18.0)
Non-Resource(%)	95%	81%	88%

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) : ¥+2.1 bil., Progress : 20%]
Increase due to lower expenses and extraordinary gains, despite the unfavorable sales in apparel-related companies.

Machinery [Inc / (Dec) : ¥(4.2) bil., Progress : 22%]
Decrease due to the lower transaction volume in automobile-related transactions, and the absence of extraordinary gains in the same period of the previous fiscal year, despite the favorable performance in aircraft-related and plant-related companies.

Metals & Minerals [Inc / (Dec) : ¥+12.7 bil., Progress : 38%]
Increase due to the higher iron ore and coal prices, the higher sales volume in iron ore-related business, and dividends from coal-related investments.

Energy & Chemicals [Inc / (Dec) : ¥+4.1 bil., Progress : 25%]
Increase due to the improvement in profitability in energy-related companies, despite the absence of extraordinary gains in the same period of the previous fiscal year.

Food [Inc / (Dec) : ¥+6.5 bil., Progress : 25%]
Increase due to the higher transaction volume and the lower expenses in fresh-food-related companies, the higher prices in fresh-food-related transactions, and the higher equity in earnings of associates and joint ventures accompanying the merger of FamilyMart and UNY Holdings.

General Products & Realty [Inc / (Dec) : ¥+5.3 bil., Progress : 31%]
Increase due to the stable performance in facility-materials-related and building-materials-related companies in North America, and extraordinary gains relating to pulp-related and asset-management-related companies, despite the lower transaction volume in domestic real-estate-related transactions.

ICT & Financial Business [Inc / (Dec) : ¥+2.6 bil., Progress : 21%]
Increase due to the higher transaction volume in domestic ICT-related companies, the higher equity in earnings of associates and joint ventures accompanying the recovery of foreign finance-related companies, and extraordinary gains.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥+5.9 bil.]
Increase due to the higher equity in earnings of CITIC Limited.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥77.5 bil.** resulting from the stable performance in operating revenue. **"Free cash flows"** resulted a **net cash-inflow of ¥33.1 bil.** due to the additional investment in FamilyMart UNY Holdings.
- **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 ¥90.0 bil.** and **achieved the highest record for a 1st quarter result. "Core free cash flows"** resulted a **net cash-inflow of ¥25.0 bil., which is a solid start to achieve the FY2018 Image of over ¥100.0 bil.+α.**

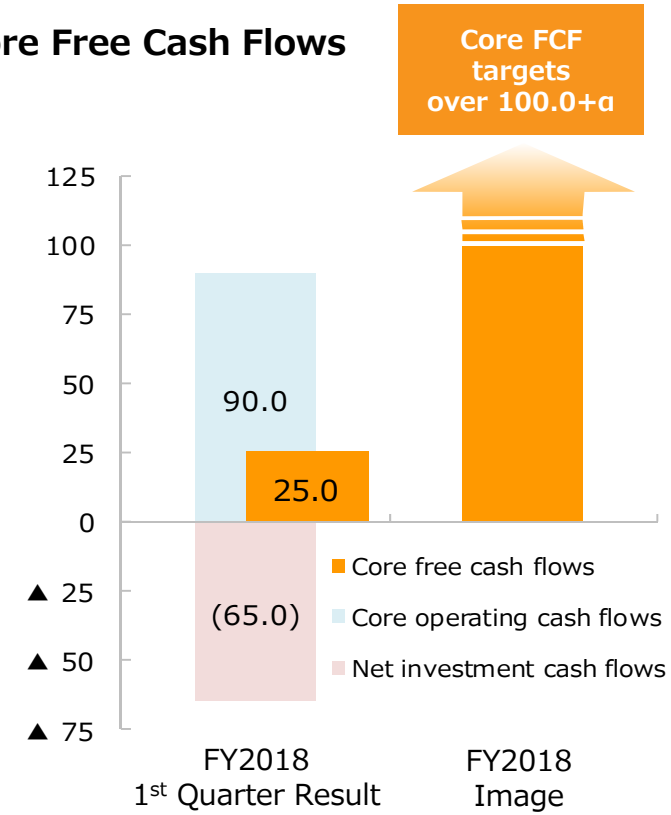
Cash Flows

	FY2017 1st Quarter Result	FY2018 1st Quarter Result
Cash flows from operating activities	56.9	77.5
Cash flows from investing activities	(8.9)	(44.4)
Free cash flows	*48.0*	*33.1*
Cash flows from financing activities	(22.2)	(51.7)

Core Free Cash Flows

	FY2017 1st Quarter Result	FY2018 1st Quarter Result	FY2018 Image
Core operating cash flows(Note1)	60.0	90.0	approx. 400.0
Net investment cash flows(Note2)	(20.0)	(65.0)	
Core free cash flows	40.0	25.0	Over 100.0+α
Shareholder returns (dividend and share buyback)	(39.5)	(71.0)	

Core Free Cash Flows



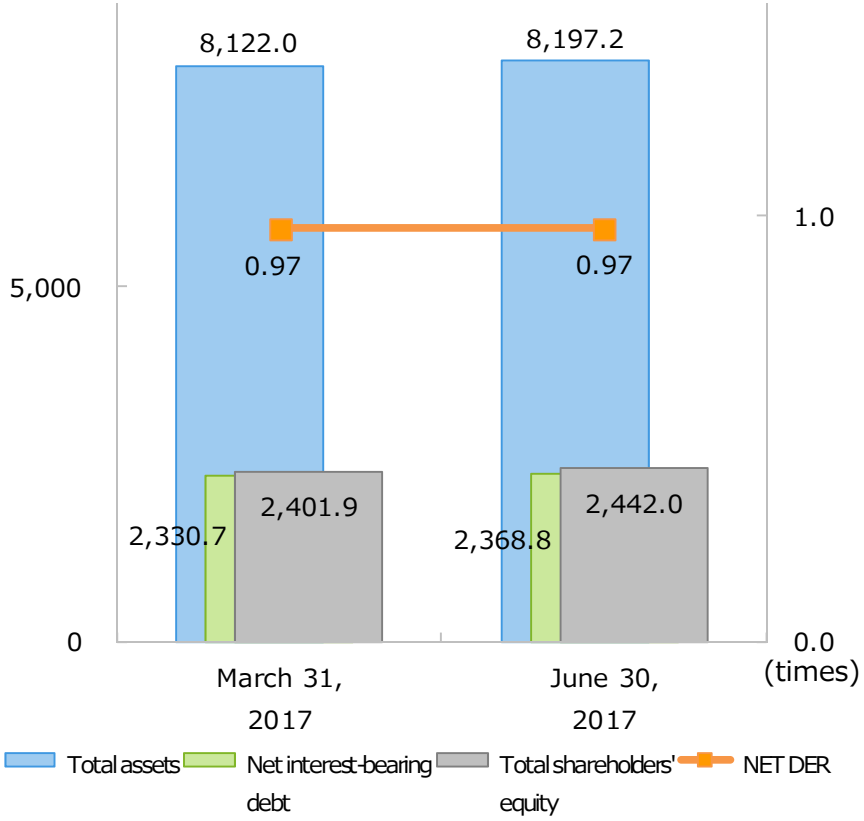
Note 1: "Operating Cash Flows" minus "changes in working capital"
Note 2: Payments and collections for substantive investment and capital expenditure
"Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

Financial Position

I am One with Infinite Missions

(Unit : billion yen)

- **Total assets:**
  Increased by ¥75.2 bil., compared with March 31, 2017 to **¥8,197.2 bil.**, due to the conversion of Takiron into a consolidated subsidiary as a result of its merger with C. I. Kasei, the investments in IPP-related companies, and the additional investment in FamilyMart UNY Holdings, despite the collections of trade receivables in energy-related, domestic ICT-related, and mobile-phone-related companies.
- **Net interest-bearing debt:**
  Increased by ¥38.2 bil., compared with March 31, 2017 to **¥2,368.8 bil.**, due to the increase in borrowings accompanying the additional investment in FamilyMart UNY Holdings and the investments in IPP-related companies.
- **Total shareholders' equity:**
  Increased by ¥40.1 bil., compared with March 31, 2017 to **¥2,442.0 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, despite dividend payments and acquisition of treasury stock.
- **Ratio of shareholders' equity to total assets and NET DER:**
  Ratio of shareholders' equity to total assets increased by 0.2 points compared with March 31, 2017 to **29.8%**.
  NET DER (Net debt-to-shareholders' equity ratio) was at the same level compared with March 31, 2017, at **0.97 times**.



	March 31, 2017	June 30, 2017	Increase/ (Decrease)	FY2018 Forecast (Disclosed on May, 2)
Total assets	8,122.0	8,197.2	+ 75.2	8,600.0
Net interest-bearing debt	2,330.7	2,368.8	+ 38.2	2,350.0
Total shareholders' equity	2,401.9	2,442.0	+ 40.1	2,650.0
Ratio of shareholders' equity to total assets	29.6%	29.8%	Increased 0.2pt	30.8%
NET DER (times)	0.97	0.97	same level	0.9
ROE	15.3%	–	–	15.8%

Major Indicates

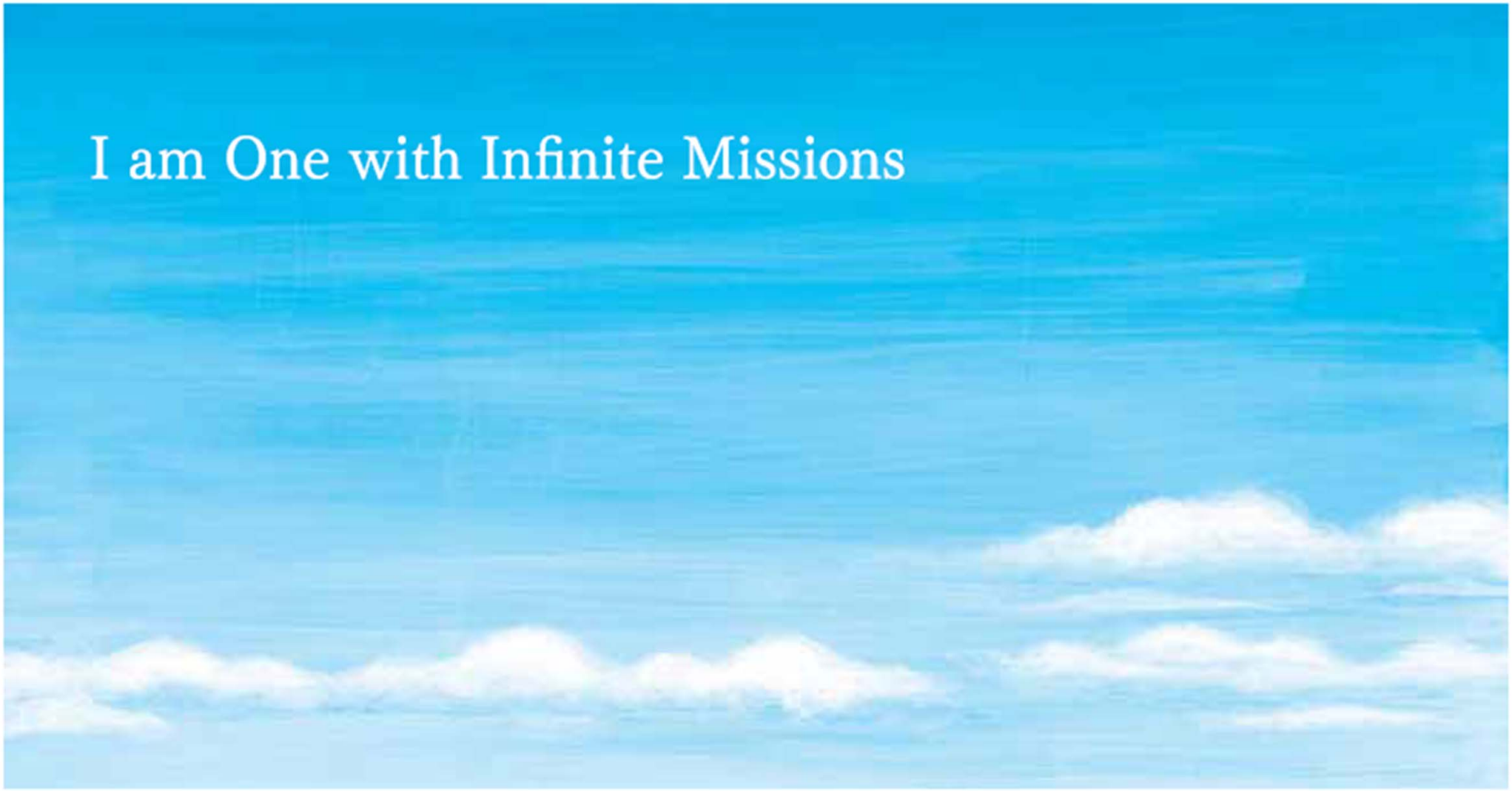
ITOCHU
I am One with Infinite Missions

	FY2017 1st Quarter Result	FY2018 1st Quarter Result	FY2018 Forecast (Disclosed on May, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2018 2nd - 4th quarter against forecast
Exchange rate (YEN / US$) average	110.38	111.46	110	Approx. ¥(1.4) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2017 112.19	Jun. 2017 112.00	110	-
Interest JPY TIBOR 3M, average	0.070%	0.057%	0.10%	Approx. ¥(3.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	47.03	50.79	50	±¥0.19 bil.
Iron ore (CFR China) (US$/ton)	54*	63*	N.A.**	±¥0.88 bil.
Hard coking coal (FOB Australia) (US$/ton)	84*	190*	N.A.**	±¥0.21 bil.
Thermal coal (FOB Australia) (US$/ton)	52*	80*	N.A.**	

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

* FY2017 1st quarter and FY2018 1st 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 FY2018 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.



ITOCHU

www.itochu.co.jp/