I am One with Infinite Missions

FY2018 3rd Quarter Business Results Summary

February 2, 2018

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%, or ¥56.8 bil., compared with the same period of the previous fiscal year to ¥357.1 bil., which achieved the highest record for a 1st-3rd quarter result.**
  Due to the strong earnings in the Forest Products & General Merchandise, ICT, Food and Metals & Minerals sectors, **"Net profit attributable to ITOCHU" progressed 89% toward the FY2018 Forecast of ¥400.0 bil. Profits of Non-Resource sector increased by ¥38.0 bil., compared with the same period of the previous fiscal year to ¥301.8 bil., which achieved the highest record for a 1st-3rd quarter result.**
- **"Net profit attributable to ITOCHU after deducting extraordinary gains and losses"** (approximately ¥53.5 bil. (profit) in this 1st-3rd quarter, approximately ¥31.5 bil. (profit) in the same period of the previous fiscal year) **increased by approximately ¥35.0 bil., compared with the same period of the previous fiscal year to approximately ¥304.0 bil., which achieved the highest record for a 1st-3rd quarter result.**
- **"Profits/Losses of group companies"** was **¥352.3 bil.,** and **"Share (%) of group companies reporting profits"** was **86.4%, both of which achieved the highest record for a 1st-3rd quarter result.**
- **"Core operating cash flows"**, after deducting changes in working capital from "Cash flows from operating activities", was a **net cash-inflow of ¥315.0 bil., which achieved the highest record for a 1st-3rd quarter result.**
- **Ratio of shareholders' equity to total assets** was **30.5%, which was the highest record**. **NET DER** was **0.87 times, which was the lowest record**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections.

	FY2017 1st-3rd Quarter Result		FY2018 1st-3rd Quarter Result	Increase/ (Decrease)	FY2018 Forecast (Disclosed on Feb, 2)	Progress
Net profit attributable to ITOCHU	**300.3**	＊	**357.1**	**+ 56.8**	**400.0**	**89%**
Gross trading profit	792.3	＊	891.6	+ 99.3	1,230.0	72%
Selling, general and administrative expenses	(590.6)		(657.3)	(66.7)	(921.0)	71%
Gains on investments	35.4		42.0	+ 6.6	-	-
Equity in earnings of associates and joint ventures	142.5	＊	170.2	+ 27.7	190.0	90%
Income tax expense	(78.5)		(78.7)	(0.1)	(103.0)	76%

(Reference)

Extraordinary gains and losses	31.5		53.5	+ 22.0		
Net profit attributable to ITOCHU after deducting extraordinary gains and losses	approx. 269.0	＊	approx. 304.0	+ 35.0		
Profits/Losses of group companies	255.6	＊	352.3	+ 96.8		
Share (%) of group companies reporting profits	83.3%	＊	86.4%	Increased 3.1pt		

Dividend Information (Per Share)	
Annual (Planned)	70.0 yen (minimum)
Interim	32.0 yen

＊ : Record High

Net profit attributable to ITOCHU by Segment

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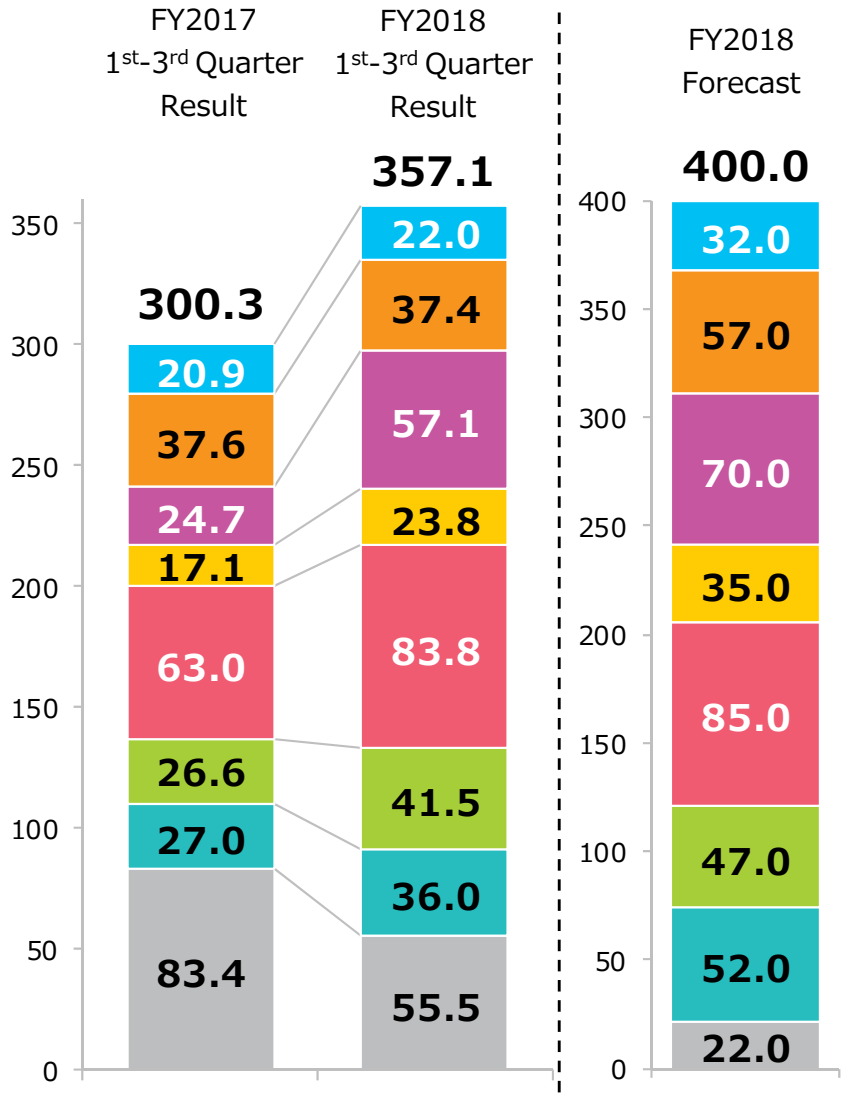


	FY2017 1st-3rd Quarter Result		FY2018 1st-3rd Quarter Result	FY2018 Forecast
Non-Resource	263.8	＊	301.8	375.0
Resource	14.1		53.7	66.0
Others	22.5		1.6	(41.0)
Non-Resource(%)	95%		85%	85%

＊: Record High

Note:% composition is calculated using the total of Non-Resource and Resource sectors as 100%.

Note:FY2018 Forecast by Segment has been updated.

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

(Unit : billion yen)

Textile [Inc / (Dec) : ¥+1.1 bil., Progress : 69%]
Increase due to lower expenses, higher equity in earnings of associates and joint ventures, and lower tax expenses, despite the unfavorable sales in apparel-related companies.

Machinery [Inc / (Dec) : ¥ (0.2) bil., Progress : 66%]
Nearly at the same level due to the absence of the gain on sales of a medical-device-related company in the same period of the previous fiscal year, despite the favorable performance in aircraft-related and plant-related companies, and the absence of deterioration in profitability in ship-related business affected by stagnant market conditions in the same period of the previous fiscal year.

Metals & Minerals [Inc / (Dec) : ¥+32.4 bil., Progress : 82%]
Increase due to the higher iron ore and coal prices, the higher sales volume in iron ore-related business, and dividends from a coal-related investment.

Energy & Chemicals [Inc / (Dec) : ¥+6.7 bil., Progress : 68%]
Increase due to the favorable performance in plastic-related companies, the gain accompanying the merger between C. I. Kasei and Takiron, and improvement in tax expenses, despite the deterioration in profitability in energy trading transactions.

Food [Inc / (Dec) : ¥+20.8 bil., Progress : 99%]
Increase due to the higher transaction volume with FamilyMart UNY Holdings in fresh-food-related and provisions-related transactions, the higher equity in earnings of associates and joint ventures accompanying the merger of FamilyMart and UNY Holdings, and an extraordinary gain accompanying the partial sales of a Chinese fresh-food-related company, despite the absence of extraordinary gains in the same period of the previous fiscal year.

General Products & Realty [Inc / (Dec) : ¥+14.9 bil., Progress : 88%]
Increase due to the higher transaction volume in natural-rubber-related, North American facility-materials-related, and European tire-related companies, the stable performance in foreign pulp-related companies, lower tax expenses, and the gain accompanying the partial sales of an asset-management-related company.

ICT & Financial Business [Inc / (Dec) : ¥+9.1 bil., Progress : 69%]
Increase due to the higher transaction volume in domestic ICT-related companies, the stable performance in mobile-phone-related and CRO-business-related companies, and the recovery of foreign finance-related companies.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ (27.9) bil.]
Decrease due to the deterioration in equity in earnings of C.P. Pokphand, the attribution of the internal tax, and foreign currency translation.

Cash Flows

(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥210.0 bil.,** resulting from the stable performance in operating revenues. **"Free cash flows"** resulted a **net cash-inflow of ¥110.8 bil.,** due to the additional investments 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 ¥315.0 bil.** and **achieved the highest record for a 1st-3rd quarter result**. **"Core free cash flows"** resulted a **net cash-inflow of ¥185.0 bil. and progressed stably for the FY2018 Image of over ¥100.0 bil.+α.**

Cash Flows

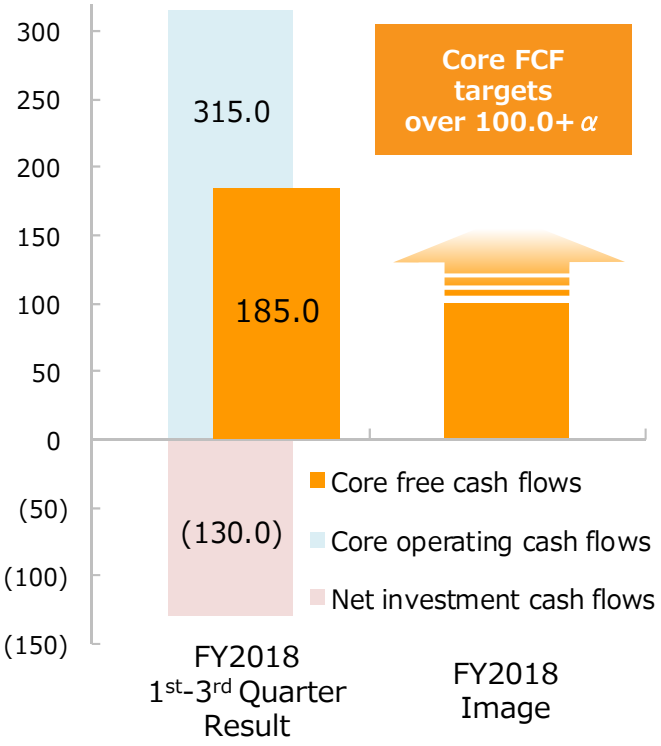
	FY2017 1st-3rd Quarter Result	FY2018 1st-3rd Quarter Result
Cash flows from operating activities	232.3	210.0
Cash flows from investing activities	(31.8)	(99.2)
Free cash flows	*200.5*	*110.8*
Cash flows from financing activities	(242.6)	(255.2)

Core Free Cash Flows

	FY2017 1st-3rd Quarter Result	FY2018 1st-3rd Quarter Result	FY2018 Image
Core operating cash flows(Note1)	300.0	＊ 315.0	approx. 400.0
Net investment cash flows(Note2)	(80.0)	(130.0)	
Core free cash flows	220.0	185.0	Over 100.0+α
Shareholder returns (dividend and share buyback)	(99.2)	(120.7)	

＊: Record High

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

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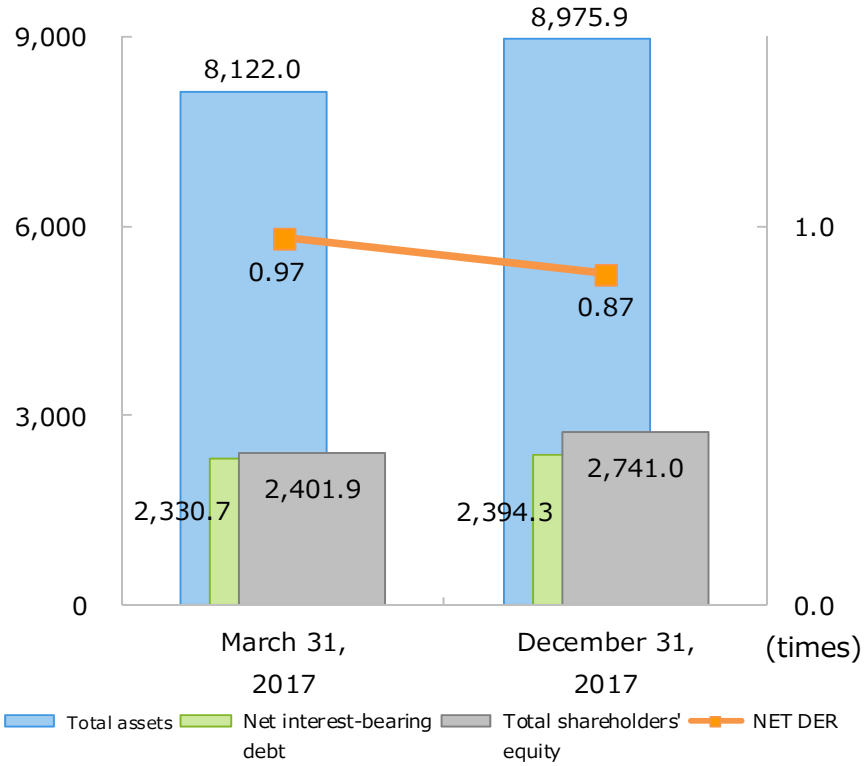
(Unit : billion yen)

- **Total assets:**
  Increased by ¥853.9 bil., compared with March 31, 2017 to **¥8,975.9 bil.**, due to the conversion of YANASE into a consolidated subsidiary, the conversion of Takiron into a consolidated subsidiary as a result of its merger with C. I. Kasei, the increased trade receivables accompanying the higher transaction volume and the seasonal factors in food-distribution-related companies, the increased trade receivables accompanying the rise in oil prices in energy-related companies and energy trading transactions, and the increase in investments accounted for by the equity method.
- **Net interest-bearing debt:**
  Nearly at the same level compared with March 31, 2017, of **¥2,394.3 bil.**, due to the repayment of borrowings accompanying stable performance in operating revenues and steady collections, despite the conversion of YANASE into a consolidated subsidiary, the investments in IPP-related companies, and the additional investments in FamilyMart UNY Holdings and a provisions-related company.
- **Total shareholders' equity:**
  Increased by ¥339.1 bil., compared with March 31, 2017 to **¥2,741.0 bil.**, due to Net profit attributable to ITOCHU during this fiscal year, the effect of foreign currency translation, and the rise in the fair value of stocks, 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 1.0 points compared with March 31, 2017 to **30.5%**.
  NET DER (Net debt-to-shareholders' equity ratio) improved by 0.1 points compared with March 31, 2017 to **0.87 times**.



	March 31, 2017	December 31, 2017	Increase/ (Decrease)	FY2018 Forecast (Disclosed on Feb, 2)
Total assets	8,122.0	8,975.9	+ 853.9	8,600.0
Net interest-bearing debt	2,330.7	2,394.3	+ 63.6	2,350.0
Total shareholders' equity	2,401.9	✳ 2,741.0	+ 339.1	2,650.0
Ratio of shareholders' equity to total assets	29.6%	✳ 30.5%	Increased 1.0pt	30.8%
NET DER (times)	0.97	✳ 0.87	Improved 0.1pt	0.9
ROE	15.3%	–	–	15.8%

✳ : Record High (NET DER : Record Low)

Major Indicates

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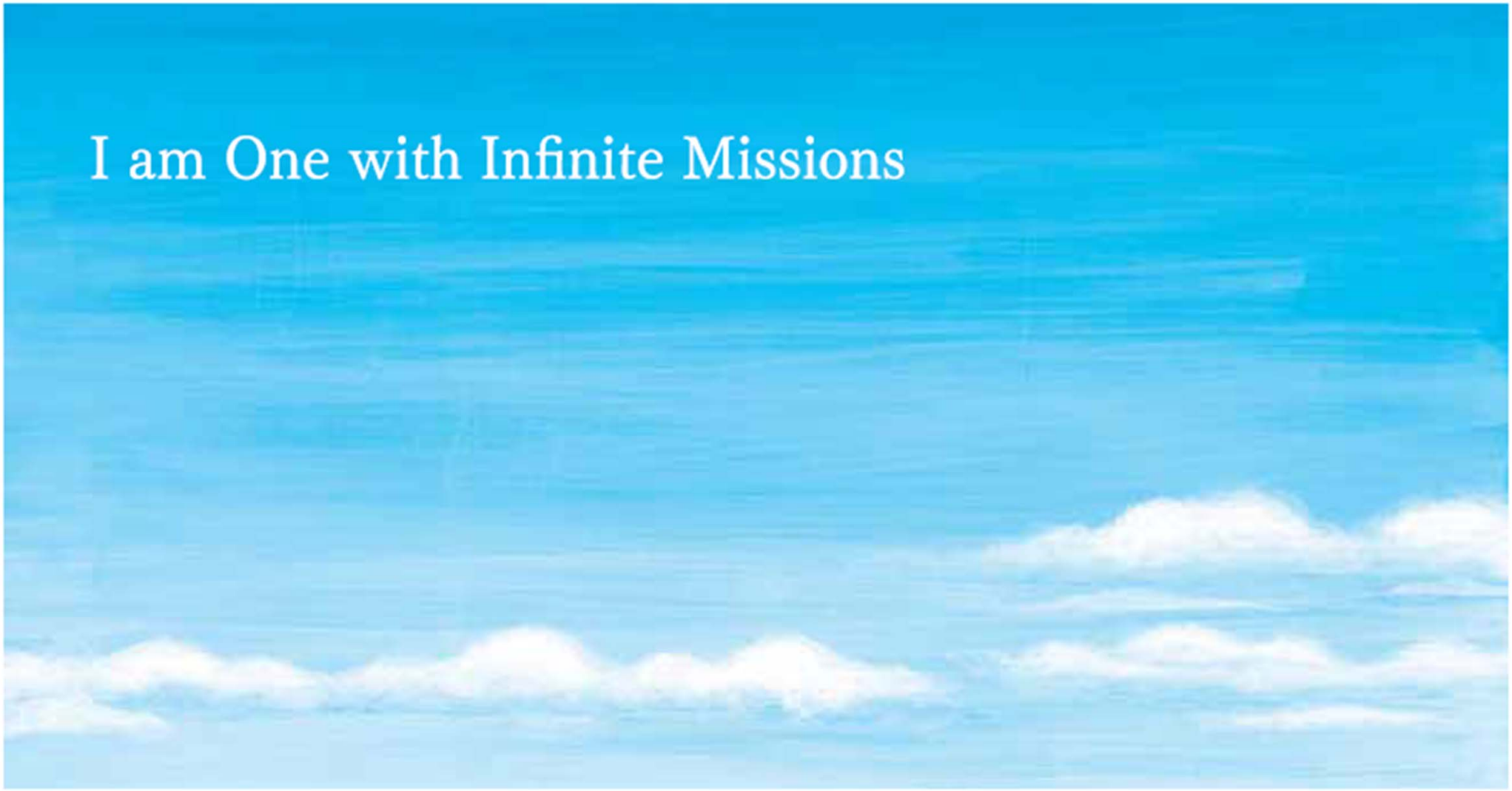
	FY2017 1st-3rd Quarter Result	FY2018 1st-3rd Quarter Result	FY2018 Forecast (Disclosed on Feb, 2)	(Reference) Sensitivities on net profit attributable to ITOCHU for FY2018 4th quarter against forecast
Exchange rate (YEN / US$) average	106.27	111.57	110	Approx. ¥(0.4) bil. (1 yen appreciation against US$)
Exchange rate (YEN / US$) closing	Mar. 2017 112.19	Dec. 2017 113.00	110	-
Interest JPY TIBOR 3M, average	0.062%	0.060%	0.10%	Approx. ¥(1.0) bil. (1% increase)
Crude oil (Brent) (US$/BBL)	48.34	54.79	55	±¥0.01 bil.
Iron ore (CFR China) (US$/ton)	60*	66*	N.A.**	±¥0.15 bil.
Hard coking coal (FOB Australia) (US$/ton)	126*	195*	N.A.**	±¥0.04 bil.
Thermal coal (FOB Australia) (US$/ton)	71*	91*	N.A.**	

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

* FY2017 1st-3rd quarter and FY2018 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 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.



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