

**FYE 2022 1<sup>st</sup> Half**

# **Business Results Summary**

**ITOCHU Corporation**

**November 5, 2021**



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 the 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 has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

# Summary of Financial Results for FYE 2022 1<sup>st</sup> Half



(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** was **¥500.6 bil.**, increased by 98%, or ¥248.1 bil., compared to the same period of the previous fiscal year. It significantly exceeded the FYE 2020 1<sup>st</sup> half, which had been the best as a half year results, and renewed the highest record.
- **“Core profit”** was approximately **¥378.5 bil.**, increased by ¥175.5 bil., compared to the same period of the previous fiscal year, and all segments achieved increase. It renewed the highest record as a half year results. The core profit for the Q2 (approx. ¥198.5 bil.) exceeded this Q1 (approx. ¥180.0 bil.), which had been the best in every single quarter’s and renewed all-time high resulting from the well-balanced growth both in non-resource and resource sectors.
- **“Ratio of group companies reporting profits”** was **86.3%**, recovering to the same level as the FYE 2020 1<sup>st</sup> half which is the best as a 1<sup>st</sup> half results.
- **“Core operating cash flows”** was **¥400.0 bil.**, renewed all-time high as a half year results.
- ITOCHU revised upward its annual forecast to **¥750.0 bil.** and annual dividend forecast to **¥110** per share, an increase of ¥22 from FYE 2021 (an increase of ¥16 from the previous forecast).

	FYE 2020	FYE 2021	FYE 2022	Increase/ Decrease	FYE 2022 Forecast		
	Q1-2 Results	Q1-2 Results	Q1-2 Results		Previous Forecast (Disclosed on May 10)	Revised Forecast	Progress
Net profit attributable to ITOCHU	289.1	252.5	* 500.6	+ 248.1	550.0	* 750.0	67%
Extraordinary gains and losses	34.5	49.5	122.0	+ 72.5	50.0	124.0	
Core profit <sup>(*)</sup>	254.5	203.0	* 378.5	+ 175.5	500.0	* 626.0	60%
[Core profit(excluding the impact of COVID-19)] <sup>(*)</sup>	[254.5]	[243.0]	[404.5]	[+ 161.5]			
Ratio (%) of group companies reporting profits	87.2%	76.5%	86.3%	Increased 9.8pt	Dividend information (per share)	Previous Forecast (Disclosed on May 10)	Revised Forecast
					Annual (Planned)	94 yen (minimum)	* 110 yen (minimum)
Core operating cash flows	325.0	266.0	* 400.0	+ 134.0	Interim	47 yen	* 47 yen

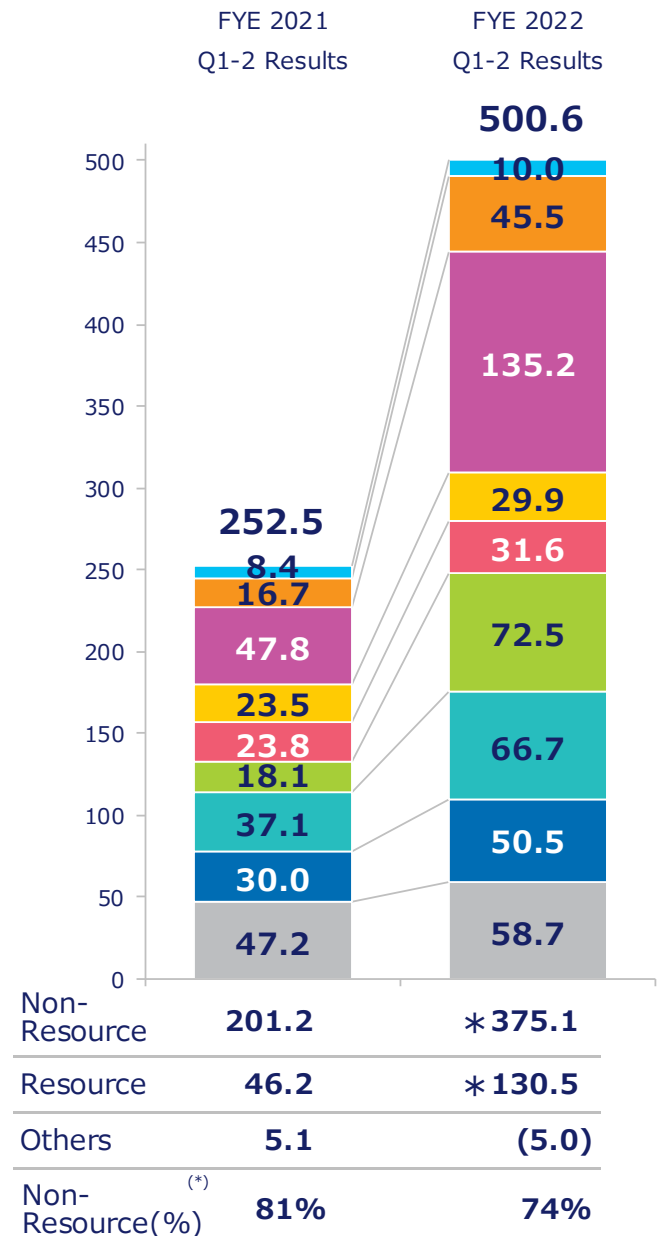
\* :Record High as a half year results

\* :Record High

# Net profit attributable to ITOCHU by Segment / 1<sup>st</sup> Half Results



(Unit : billion yen)



\* :Record High as a half year results

(\*) % 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) : ¥ 1.7 bil.]

Increased due to the continuous expense reduction in apparel-related companies, the improvement of equity in earnings, and the gain on the sale of fixed assets, while the impact of COVID-19 remains to some extent with prolonged self-restraint.

### Machinery [Inc / (Dec) : ¥ 28.9 bil.]

Increased due to the favorable sales in YANASE, the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19, the recovery of the shipping market, the favorable performance in North American IPP-related business, and the gain on the sale of a water utility company in IEI (European water-and-environment-related company).

### Metals & Minerals [Inc / (Dec) : ¥ 87.5 bil.]

Increased due to higher iron ore prices, higher equity in earnings in Marubeni-Itochu Steel, and the realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas.

### Energy & Chemicals [Inc / (Dec) : ¥ 6.4 bil.]

Increased due to the improvement in profitability in CIECO Azer and higher dividends resulting from higher oil prices, and the stable performance in chemical-related companies, partially offset by the absence of the favorable performance in energy trading transactions in the same period of the previous fiscal year.

### Food [Inc / (Dec) : ¥ 7.8 bil.]

Increased due to the improvement in North American grain-related companies, higher transaction volume in NIPPON ACCESS, the improvement in profitability of packaged foods business in Dole, and the stable performance in fresh-food-related and food-distribution-related transactions.

### General Products & Realty [Inc / (Dec) : ¥ 54.4 bil.]

Increased due to the favorable performance in North American construction materials business, the improvement in ETEL (European tire-related company) resulting from the alleviation of the impact of COVID-19, higher equity in earnings in IFL (European pulp-related company) due to higher pulp prices, and the gain on the sale of Japan Brazil Paper & Pulp Resources Development.

### ICT & Financial Business [Inc / (Dec) : ¥ 29.6 bil.]

Increased due to the stable performance in ITOCHU Techno-Solutions, the higher gain on fund operation, and the gain due to the de-consolidation of Paidy, partially offset by the absence of extraordinary gain in the same period of the previous fiscal year.

### The 8th [Inc / (Dec) : ¥ 20.5 bil.]

Increased due to the recovery of daily sales resulting from the alleviation of the impact of COVID-19 and expanding product offerings as well as expense reduction by FamilyMart, the increased ownership percentage in FamilyMart, and the gain on the partial sale of Taiwan FamilyMart, partially offset by the absence of extraordinary gains in the same period of the previous fiscal year.

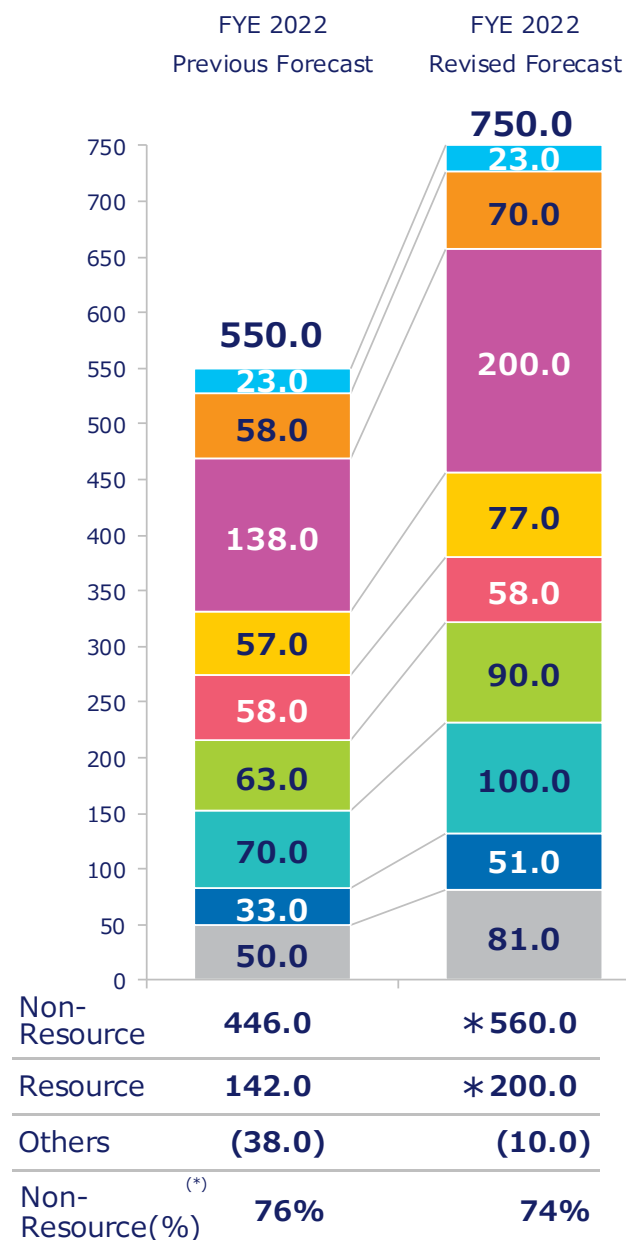
### Others, Adjustments & Eliminations [Inc / (Dec) : ¥ 11.5 bil.]

Increased due to higher equity in earnings in CITIC Limited, partially offset by lower equity in earnings in C.P. Pokphand and higher tax expenses.

# Net profit attributable to ITOCHU by Segment/Annual Forecast



(Unit : billion yen)



## Summary of Changes from the Previous Forecast

### Textile [Inc / (Dec) : ¥ ±0 bil.]

In line with the previous forecast due to expense reduction and promotion of e-commerce business, while the impact of COVID-19 remains to some extent, and it is expected to be bottoming out especially in apparel-related companies.

### Machinery [Inc / (Dec) : ¥ 12.0 bil.]

Increase due to the favorable shipping market, the improvement in profitability in YANASE, and the higher extraordinary gains compared to the previous forecast.

### Metals & Minerals [Inc / (Dec) : ¥ 62.0 bil.]

Increase due to higher mineral resource prices, the stable performance in Marubeni-Itochu Steel, and the realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas.

### Energy & Chemicals [Inc / (Dec) : ¥ 20.0 bil.]

Increase due to the improvement in profitability in upstream interests especially in CIECO Azer resulting from higher oil prices, in addition to the stable performance in chemical-related companies and energy trading transactions.

### Food [Inc / (Dec) : ¥ ±0 bil.]

In line with the previous forecast due to the stable performance in North American grain-related companies and NIPPON ACCESS, offset by the deterioration in profitability in overseas meat-products-related companies due to lower market prices and cost increase.

### General Products & Realty [Inc / (Dec) : ¥ 27.0 bil.]

Increase due to the favorable performance in North American construction materials business, higher equity in earnings in IFL(European pulp-related company) resulting from higher pulp prices, and the improvement in ETEL(European tire-related company).

### ICT & Financial Business [Inc / (Dec) : ¥ 30.0 bil.]

Increase due to the higher gain on fund operation, the stable performance in retail finance business, and the gain relating to the sale of Paidy, which was developed from venture capital investment.

### The 8th [Inc / (Dec) : ¥ 18.0 bil.]

Increase due to the steady recovery of daily sales, continuous expense reduction in FamilyMart, and the increased gain on the partial sale of Taiwan FamilyMart.

### Others, Adjustments & Eliminations [Inc / (Dec) : ¥ 31.0 bil.]

Increase due to the stable performance in CITIC Limited, partially offset by lower equity in earnings in C.P. Pokphand.

\* :Record High

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

# Extraordinary Gains and Losses



(Unit : billion yen)

Segments	FYE 2021 Q1-2 Results		Major items	FYE 2022 Q1-2 Results		Major items
		[Q2]			[Q2]	
Textile	1.5	1.5	[Q2]Gain on the partial sale of a foreign company:1.5	2.5	0.5	[Q1]Gain on the sale of fixed assets in EDWIN:1.0
Machinery	2.0	2.0	[Q2]Gain on the cash collection for a specific overseas project:1.0	7.5	2.5	[Q1]Gain on the sale of a water utility company in IEI:4.0 [Q2]Gain on the conversion of the bond to equity of Spire Global:2.5
Metals & Minerals	–	–		22.0	–	[Q1]Realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas:22.0
Energy & Chemicals	1.0	1.0		–	–	
Food	3.5	4.0	[Q1-2]The loss related to the fire incident of distribution center in NIPPON ACCESS: – [Q1:(0.5), Q2:0.5] [Q2]Gain on the group reorganization in food-distribution-related companies:2.5 Gain on the sale of a foreign company:1.0	1.0	1.0	[Q2]Gain on the partial sale of a domestic company:1.0
General Products & Realty	1.5	1.5	[Q2]Lower tax expenses related to a domestic real estate company:1.5	30.5	–	[Q1]Gain on the sale of Japan Brazil Paper & Pulp Resources Development:32.0 [Q1]Higher tax expenses in ETEL due to U.K. Tax Reform:(1.5)
ICT & Financial Business	11.5	(0.5)	[Q1]Gain on the partial sale of eGuarantee:12.0	30.5	30.5	[Q2]Gain on the de-consolidation of Paidy:30.5
The 8th	25.0	20.5	[Q1]Gain on the sale of a foreign company in FamilyMart:2.0 [Q1-2]The loss related to the fire incident of distribution center in NIPPON ACCESS: – [Q1:(0.5), Q2:0.5] Lower tax expenses related to FamilyMart:35.5 [Q1:3.0, Q2:32.5] [Q2]Impairment losses in FamilyMart:(12.5)	29.5	–	[Q1]Gain on the partial sale of Taiwan FamilyMart:29.5
Others, Adjustments & Eliminations	3.5	3.5	[Q2]Gain on the investment in a group company of CITIC Limited:3.5	(1.5)	–	
Total	49.5	33.5	[Q1-2] Non-Resource:49.5, Resource: –, Others: –	122.0	34.5	[Q1-2] Non-Resource:101.5, Resource:22.0, Others:(1.5)

(\*) Major items are shown in round figures.

# Cash Flows



(Unit : billion yen)

## ■ Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥414.0 bil.**, due to the stable performance in operating revenues in The 8th, Metals & Minerals, Food, and Machinery Companies.

“Free cash flows” resulted in a **net cash-inflow of ¥474.6 bil.**, due to the cash-inflows from operating activities and the partial sale of Pan Pacific International Holdings Corporation and the sale of Japan Brazil Paper & Pulp Resources Development, partially offset by the purchase of fixed assets by The 8th, Food, and Machinery Companies, and the decrease in cash as the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary accompanying the partial sale. It renewed the highest record as a 1<sup>st</sup> half results.

## ■ 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 ¥400.0 bil.**, renewed the highest record as a half year results.

“Core free cash flows” resulted in a **net cash-inflow of ¥482.0 bil.** It renewed the highest record as a 1<sup>st</sup> half results.

### Cash Flows

	FYE 2021 Q1-2 Results	FYE 2022 Q1-2 Results
Cash flows from operating activities	459.1	414.0
Cash flows from investing activities	(138.0)	60.6
Free cash flows	321.2	** 474.6
Cash flows from financing activities	(264.6)	(555.6)

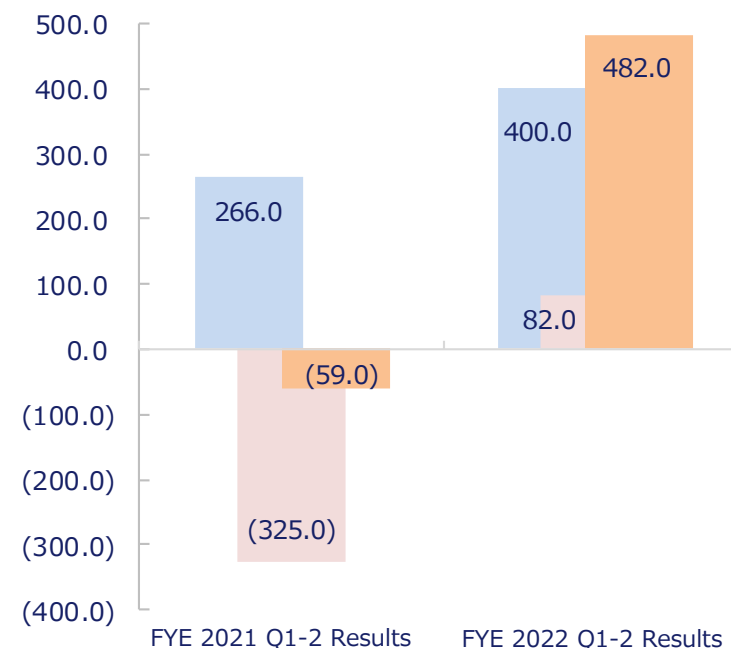
### Core Free Cash Flows

	FYE 2021 Q1-2 Results	FYE 2022 Q1-2 Results
Core operating cash flows <sup>(*1)</sup>	266.0	* 400.0
Net investment cash flows <sup>(*2)</sup>	(325.0)	82.0
Core free cash flows	(59.0)	** 482.0

\* : Record High as a half year results

\*\* : Record High as a 1<sup>st</sup> half results

### Core Free Cash Flows



(\*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 operating cash flows  
■ Net investment cash flows  
■ Core free cash flows

# Financial Position



(Unit : billion yen)

## ■ Total Assets:

Increased by ¥64.9 bil., compared to March 31, 2021 to **¥11,243.4 bil.**, due to the increase in inventories and investments accounted for by the equity method, partially offset by the decrease due to the partial sale of Taiwan FamilyMart.

## ■ Net Interest-bearing Debt:

Decreased by ¥295.5 bil., compared to March 31, 2021 to **¥2,305.8 bil.**, due to the stable performance in operating revenues, partially offset by dividend payments.

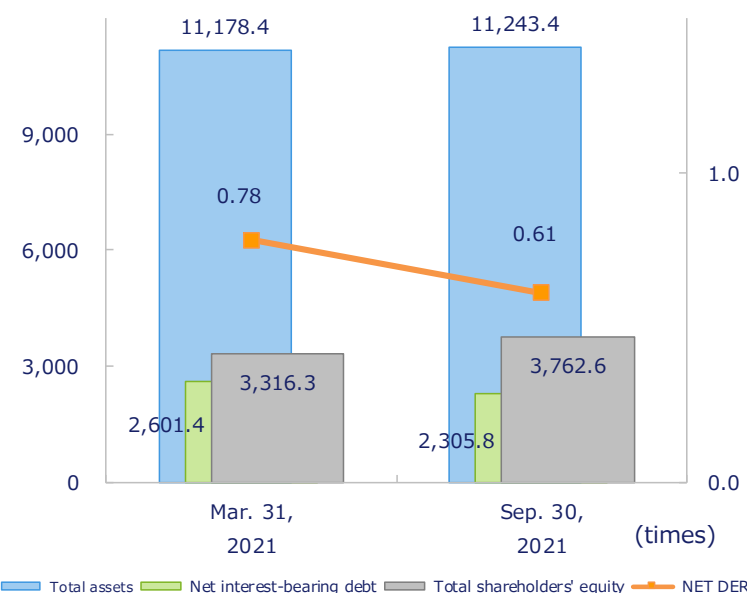
## ■ Total Shareholders' Equity:

Increased by ¥446.3 bil., compared to March 31, 2021 to **¥3,762.6 bil.**, due to net profit attributable to ITOCHU during this fiscal year, partially offset by dividend payments.

## ■ Ratio of Shareholders' Equity to Total Assets and NET DER:

**Ratio of shareholders' equity to total assets** increased by 3.8 points compared to March 31, 2021 to **33.5%**.

**NET DER** improved by 0.17 points compared to March 31, 2021 to **0.61 times**.



	Mar. 31, 2021	Sep. 30, 2021	Increase/Decrease	FYE 2022 Plan (Disclosed on May 10)
Total assets	11,178.4	11,243.4	+ 64.9	B/S control appropriate for A ratings  about 0.7-0.8 times
Net interest-bearing debt	2,601.4	2,305.8	(295.5)	
Total shareholders' equity	3,316.3	* 3,762.6	+ 446.3	
Ratio of shareholders' equity to total assets	29.7%	* 33.5%	Increased 3.8pt	
NET DER (times)	0.78	* 0.61	Improved 0.17pt	
ROE	12.7%	-	-	Maintain high efficiency about 13-16%

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

# Assumptions for FYE 2022



		FYE 2021	FYE 2022	FYE 2022		(Reference)	
		Q1-2 Results	Q1-2 Results	Previous Forecast (Disclosed on May 10)	Revised Forecast	Sensitivities on net profit attributable to ITOCHU for FYE 2022 Q3-4	
Exchange rate (Yen/US\$)	Average	107.20	109.51	105	110	1 yen appreciation against US\$	Approx. ¥(1.3)bil.
	Closing	Mar. 2021 110.71	Sep. 2021 111.92	105	110		–
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.06%	0.1%	0.1%	0.1% increase	Approx. ¥(0.3)bil.
	LIBOR 3M (US\$)	0.42%	0.14%	0.3%	0.5%		Approx. ¥(0.1)bil.
Crude oil (Brent) (US\$/BBL)		38.44	71.19	60	75	±¥0.15 bil. (*3)	
Iron ore (CFR China) (US\$/ton)		105 <sup>(*1)</sup>	183 <sup>(*1)</sup>	N.A. (*2)	N.A. (*2)	±¥0.46 bil. (*3)	

(\*1) FYE 2021 Q1-2 and FYE 2022 Q1-2 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.

(\*2) The prices of iron ore used in "FYE 2022 Forecast" are assumptions made in consideration of general transaction price based on the market. The actual price is not presented, as this is subject to negotiation with individual customers and vary by ore type.

(\*3) The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.



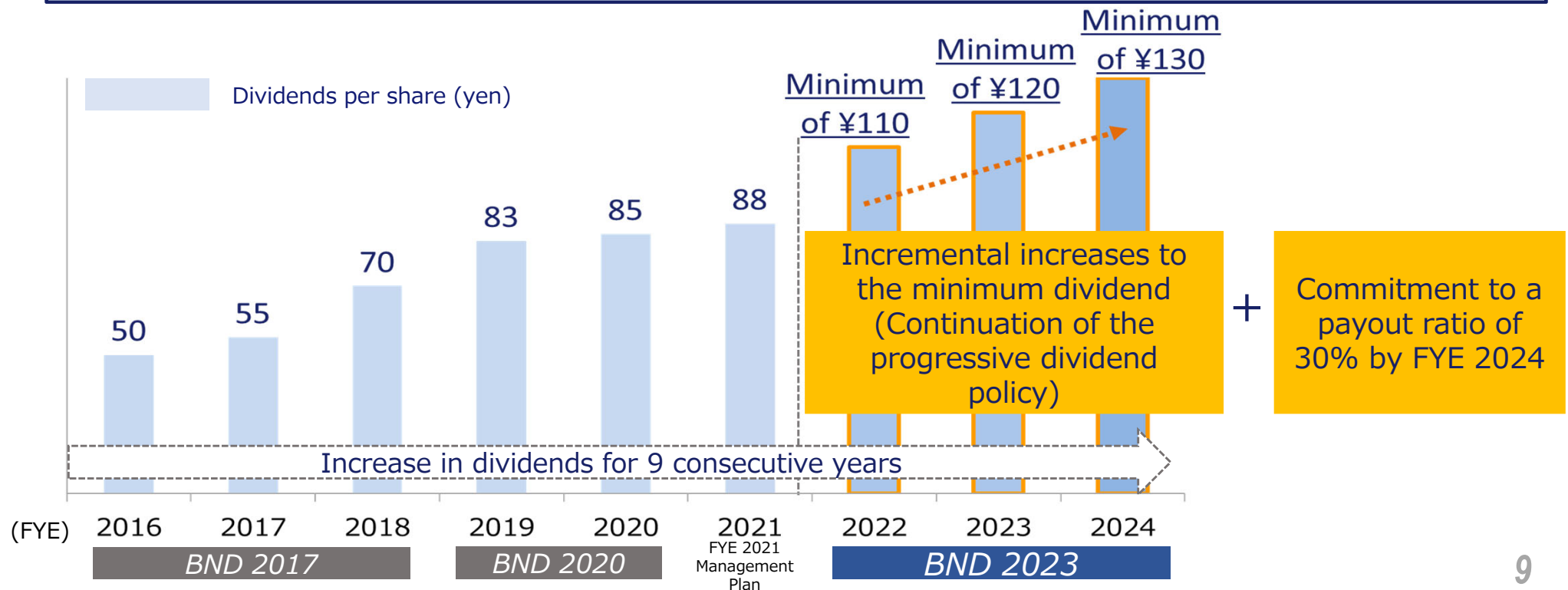
# FYE 2022 Annual Forecast and Dividends/BND2023 New Dividend Policy

## FYE 2022 Annual Forecast and Dividends

- ✓ In FYE 2022, we revised upward “Net profit attributable to ITOCHU” from ¥550.0 bil. to **¥750.0 bil.**
- ✓ Dividends per share increased by ¥22 from FYE 2021 to a **minimum of ¥110 per share** (increased by ¥16 from the previous forecast).

## Brand-new Deal 2023 New Dividend Policy

- ✓ **Continuation of the progressive dividend policy** during BND 2023.
- ✓ Reintroduction of **incremental increases to the minimum dividend.**  
(**¥120 per share** in FYE 2023 → **¥130 per share** in FYE 2024)
- ✓ **Commitment to a payout ratio of 30% by FYE 2024.**



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