

FYE 2023 1st Half

Presentation Material

ITOCHU Corporation

November 4, 2022



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.

FYE2023 1st Half Results /The progress toward Annual Forecast

(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** recorded **¥483.0 bil.** The progress toward the FYE 2023 Initial Forecast of ¥700.0 bil. was 69%. Gross trading profit exceeded ¥1,000.0 bil. for the first time in all the half results and recorded all-time high, along with Trading income.
- **“Core profit”** was approximately **¥430.0 bil.** renewed all-time high for a half year results resulting from the strong progress continued from the 1st quarter and further growth especially in non-resource sector. The progress toward the FYE 2023 Initial Forecast of ¥710.0 bil. was 61%.
- In accordance with the steady growth of core profit, **FYE 2023 Annual Forecast was revised upward** from ¥700.0 bil. to **¥800.0 bil.**, as announced on October 4. The progress toward the FYE 2023 Revised Forecast was 60%. **“Core profit”** is expected to reach the highest record of **¥770.0 bil.**
- ITOCHU revised upward its annual dividend plan to **¥140** per share, an increase of ¥30 per share from the previous fiscal year (an increase of ¥10 per share from the Initial Forecast).

	FYE 2023 Q1-2 Results	FYE 2023 Initial Forecast (Disclosed on May 10)	Progress	FYE 2023 Revised Forecast	Progress			
Net profit attributable to ITOCHU	483.0	700.0	69%	800.0	60%			
Gross trading profit	* 1,084.4	2,020.0	54%	* 2,140.0	51%	Dividend information (per share)	Initial Forecast (Disclosed on May 10)	Revised Forecast
Trading income	* 388.5	590.0	66%	* 700.0	56%	Annual (Planned)	130 yen (minimum)	* 140 yen (minimum)
Equity in earnings of associates and joint ventures	* 185.6	300.0	62%	* 300.0	62%	Interim	65 yen	* 65 yen
Extraordinary gains and losses	53.0	^(*1) (10.0)		^(*2) 30.0				
Core profit ^(*)	* 430.0	710.0	61%	* 770.0	56%			

(*) Core profit is shown in round figures.

(*1) Including a loss buffer : (30.0)

(*2) Including a loss buffer : (20.0)

* : Record High

The 1st Half progress toward the Initial Forecast by Segment / the Initial Forecast vs. the Revised Forecast by Segment



(Unit : billion yen)

Segments	FYE2023 Q1-2 Results	FYE2023 Initial Forecast (Pgst. ^(*) Reclassification)	Progress	The Progress toward the Initial Forecast	FYE2023 Revised Forecast ^(*)	Progress	Summary of Changes from the Initial Forecast
Textile	11.6	26.0	45%	Progressed stably due to the recovery in apparel-related companies and stable performance in overseas-related trading.	26.0	45%	In line with the initial forecast due to the recovery especially in apparel-related companies and extraordinary gains in associates, offset by the impact of high costs such as the surge of raw materials/logistics costs and the depreciation of the yen.
Machinery	*71.4	72.5	98%	Almost achieved the Initial Forecast due to the improvement in profitability in ship-related companies resulting from the favorable shipping market and in YANASE, and the gain on the sale of a North American beverage-equipment-maintenance company.	*100.0	71%	Increased due to the improvement in profitability in North American IPP-related business resulting from the surge of electricity prices and the favorable performance in automobile-related companies and construction machinery companies.
Metals & Minerals	134.7	197.5	68%	Progressed remarkably due to higher earnings in IMEA resulting from higher coal and iron ore prices than expected and the depreciation of the yen in addition to the stable performance in Marubeni-Itochu Steel.	*234.0	58%	Increased due to higher earnings in IMEA resulting from higher coal prices and the depreciation of the yen and the stable performance in Marubeni-Itochu Steel.
Energy & Chemicals	**48.5	86.5	56%	Progressed well due to the favorable performance in trading with the surge of market prices, partially offset by the impact of high costs of raw materials in chemical processing companies and sluggish for cargo movement resulting from the lockdown in China.	*98.0	50%	Increased due to the favorable performance in energy trading resulting from higher market prices, the improvement in profitability in upstream interests, and the stable performance in chemical trading transactions responding to the change in supply chains especially in Europe.
Food	27.7	69.0	40%	Progressed as planned due to the improvement in profitability in North American grain-related companies and the gain on the group reorganization in North American oils and fats companies, offset by the deterioration in profitability in fresh-food-related companies due to the struggles in exports to Japan with the depreciation of the yen and high costs such as the surge of raw materials/distribution costs.	69.0	40%	In line with the initial forecast due to the stable performance in North American grain-related companies and in food-distribution-related companies such as NIPPON ACCESS, and the improvement in group companies resulting from the improvement in profitability and expense reduction, in addition to extraordinary gains in the group reorganization in domestic sugar companies, offset by the impact of high costs such as the surge of raw materials/logistics costs.
General Products & Realty	63.0	72.0	87%	Progressed remarkably due to high remaining pulp prices, the favorable performance in North American construction materials business, and revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary.	94.0	67%	Increased due to high remaining pulp prices, the stable performance in North American construction materials business continuing from the favorable 1 st half results and the revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary, partially offset by the decrease in ETEL (European tire-related company) resulting from the increase in interest rates and worsening economic conditions.
ICT & Financial Business	25.4	86.0	30%	Progressed slowly due to the decline in profit margin in mobile-phone-related business, deterioration of remeasurement gains(losses) for fund held investments resulting from the stagnation of stock market and the change of plan for asset replacement.	64.0	40%	Decreased due to deterioration of remeasurement gains(losses) for fund held investments and the decline in profit margin in mobile-phone-related business, partially offset by the growth in core profit resulting from the stable performance in ITOCHU Techno-Solutions and BELLSYSTEM24 and the recovery from the impact of COVID-19 in Financial & Insurance Business sector.
The 8th	19.5	24.0	81%	Progressed as planned due to the increase in daily sales resulting from product development including high value-added products and sales promotion, efforts for energy saving, and expense reduction.	24.0	81%	In line with the initial forecast due to the increase in daily sales resulting from product development including high value-added products and sales promotion, and expense reduction, offset by the increase in expenses such as franchisee support payments resulting from changes in external environment in FamilyMart.
Others, Adjustments & Eliminations	*81.3	66.5	122%	Progressed remarkably mainly due to revaluation gain on securities business in CITIC Limited.	91.0	89%	Increased due to higher earnings in CITIC Limited resulting from the depreciation of the yen and decrease in the loss buffer.
Total	483.0	700.0	69%		800.0	60%	
Non-Resource	362.1	548.0	66%		*613.0	59%	(*1) As of October 1st, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th Company as minority and the other Division Company as majority, and shares of such group companies are only held by the other Division Company. These changes are reflected from the FYE2023 Q3-4 forecast.
Resource	115.4	190.0	61%		210.0	55%	
Others	5.6	(38.0)	-		(23.0)	-	
Non-Resource(%) ^(*)	76%	74%			74%		(*2) % composition is calculated using the total of Non-Resource and Resource sectors as 100%.

* : Record High

** : Record High for a first half year results

Core Profit/The progress toward the Revised Forecast



(Unit : billion yen)

- With the strong growth primarily in non-resource sector, made stable progress toward the Revised Forecast as well as resource sector.

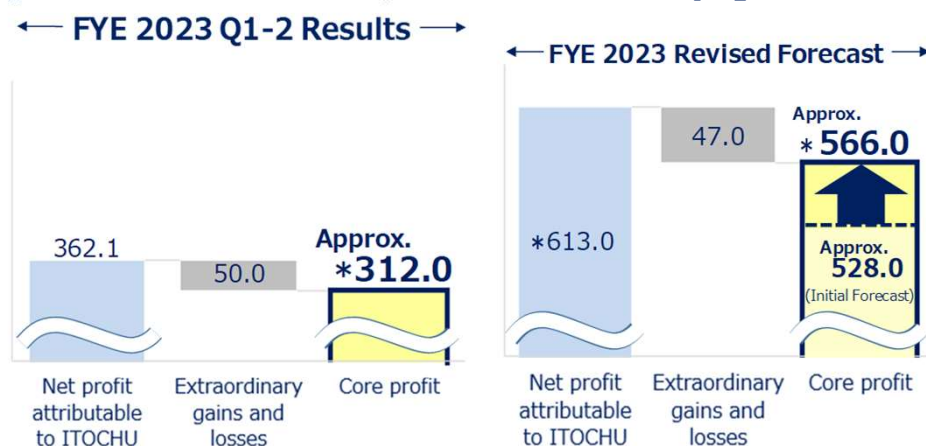
【Total】



* : Record High

The progress in 1st Half Results was 56%

【 Non-Resource (73% →73%^(*1)) 】



* : Record High

The progress in 1st Half Results was 55%

【 Resource (27% →27%^(*1)) 】



The progress in 1st Half Results was 55%

(*1) : Non-resource/resource ratio of core profit

Extraordinary Gains and Losses



(Unit : billion yen)

	FYE 2023 Q1-2 Results	Major items	FYE 2023 Initial Forecast	FYE 2023 Revised Forecast	Increase/ Decrease	Main reasons for changes
Non-Resource	50.0	<ul style="list-style-type: none"> • Gain on the sale of a North American beverage-equipment-maintenance company :22.0 (Machinery) • Revaluation gain on securities business in CITIC Limited :20.5 (Others, Adjustments & Eliminations) • Revaluation gain due to the conversion of a North American engineered wood products company into a consolidated subsidiary :8.5 (General Products & Realty) • Gain on the group reorganization in North American oils and fats companies :3.5 (Food) • Gain on the sale of a vehicle-related company :3.0 (Machinery) • Gains on a specific overseas project and business :2.5 (Machinery) • Impairment losses on aircrafts leased to Russian airlines in a leasing-related company :(8.5) (Machinery) • Impairment loss on sawn timber business in IFL :(1.5) (General Products & Realty) 	20.0	47.0	+ 27.0	<ul style="list-style-type: none"> • Revaluation gain on securities business in CITIC Limited : +20.5 (Others, Adjustments & Eliminations) • Revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary : +8.5 (General Products & Realty)
Resource	—		—	—	—	
Others	3.0	<ul style="list-style-type: none"> • Reversal of allowance for risk assets :3.0 (Others, Adjustments & Eliminations) 	(30.0)	(17.0)	+ 13.0	<ul style="list-style-type: none"> • Loss buffer for unexpected losses : +10.0 (Others, Adjustments & Eliminations)
Total	53.0		(10.0)	30.0	+ 40.0	

(*) Major items and Main reasons are shown in round figures.

Cash Flows and Financial Position



【Cash Flows (FYE 2023 Q1-2 Results)】

- **“Cash flows from operating activities”** was a **net cash-inflow of ¥469.1 bil.**, due to the stable performance in operating revenues.
- **“Free cash flows”** resulted in a **net cash-inflow of ¥162.3 bil.**, due to the stable accumulation of Operating Cash Flows, partially offset by the investment in shares in Hitachi Construction Machinery, the acquisition of a North American engineered wood products business, and the purchase of fixed assets.
- **“Core operating cash flows”** after deducting changes in working capital, etc. from “Cash flows from operating activities” was a **net cash-inflow of ¥467.0 bil.**, and renewed all-time high for a half year results.
- **“Core free cash flows”** resulted in a **net cash-inflow of ¥223.0 bil.**

┃Cash Flows

	FYE 2022 Results	FYE 2023 Q1-2 Results
Cash flows from operating activities	801.2	469.1
Cash flows from investing activities	38.6	(306.8)
<i>Free cash flows</i>	839.8	162.3
Cash flows from financing activities	(846.7)	(176.0)

┃Core Free Cash Flows

	FYE 2022 Results	FYE 2023 Q1-2 Results
Core operating cash flows ^(*1)	790.0	* 467.0
Net investment cash flows ^(*2)	47.0	(244.0)
Core free cash flows	837.0	223.0

* : Record High

(*1) “Operating cash flows” minus “Changes in working capital” plus “Repayments of lease liabilities, etc.”

(*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.

(Unit : billion yen)
Brand-new Deal
2023

Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation

【Financial Position (as of September 30, 2022)】

- **Total Assets** increased by ¥1,445.0 bil., compared to March 31, 2022 to **¥13,608.7 bil.**, due to the increase in trade receivables and inventories resulting from the increase of trading transactions and higher market prices, the increase in investments accounted for by the equity method resulting from the investment in shares in Hitachi Construction Machinery, and the depreciation of the yen.
- **Net Interest-bearing Debt** increased by ¥164.7 bil., compared to March 31, 2022 to **¥2,447.7 bil.**, due to the investment in shares in Hitachi Construction Machinery, dividend payments, and the depreciation of the yen, partially offset by the stable performance in operating revenues.
- **Total Shareholders’ Equity** increased by ¥667.8 bil., compared to March 31, 2022 to **¥4,867.1 bil.**, due to net profit attributable to ITOCHU during this fiscal year and the depreciation of the yen, partially offset by dividend payments.
- **Ratio of shareholders’ Equity to Total Assets** increased by 1.2 points compared to March 31, 2022 to **35.8%**. **NET DER** improved by 0.04 point compared to March 31, 2022 to **0.50 times**.

	Mar. 31, 2022	Sep. 30, 2022	Increase/ Decrease	Brand-new Deal 2023
Total assets	12,153.7	* 13,608.7	+ 1,455.0	B/S control appropriate for A ratings
Net interest-bearing debt	2,283.0	2,447.7	+ 164.7	
Total shareholders' equity	4,199.3	* 4,867.1	+ 667.8	
Ratio of shareholders' equity to total assets	34.6%	* 35.8%	Increased 1.2pt	
NET DER (times)	0.54	* 0.50	Improved 0.04pt	about 0.7-0.8 times
ROE	21.8%	—	—	Maintain high efficiency about 13-16%

* : Record High (NET DER: Best Record)

Assumptions for FYE 2023



		FYE 2023	FYE 2023		(Reference)	
		Q1-2 Results	Initial Forecast (Disclosed on May 10)	Revised Forecast	Sensitivities on net profit attributable to ITOCHU for FYE 2023 Q3-4	
Exchange rate (Yen/US\$)	Average	130.45	120	135	1 Yen depreciation against US\$	Approx. +¥1.7 bil.
	Closing	Sep. 2022 144.81	120	140		–
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.1%	0.1%	0.1% increase	Approx. ¥(0.2)bil.
	LIBOR 3M (US\$)	2.29%	2.5%	3.5%		Approx. ¥(0.1)bil.
Crude oil (Brent) (US\$/BBL)		104.63	90	95	±¥0.13 bil. ^(*3)	
Iron ore (CFR China) (US\$/ton)		123 ^(*1)	N.A. ^(*2)	N.A. ^(*2)	±¥0.63 bil. ^(*3)	

(*1) FYE 2023 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 the FYE 2023 Forecast are assumptions made in consideration of general transaction prices based on the market. The actual prices are not presented, as they are 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.

Shareholder Returns Policy



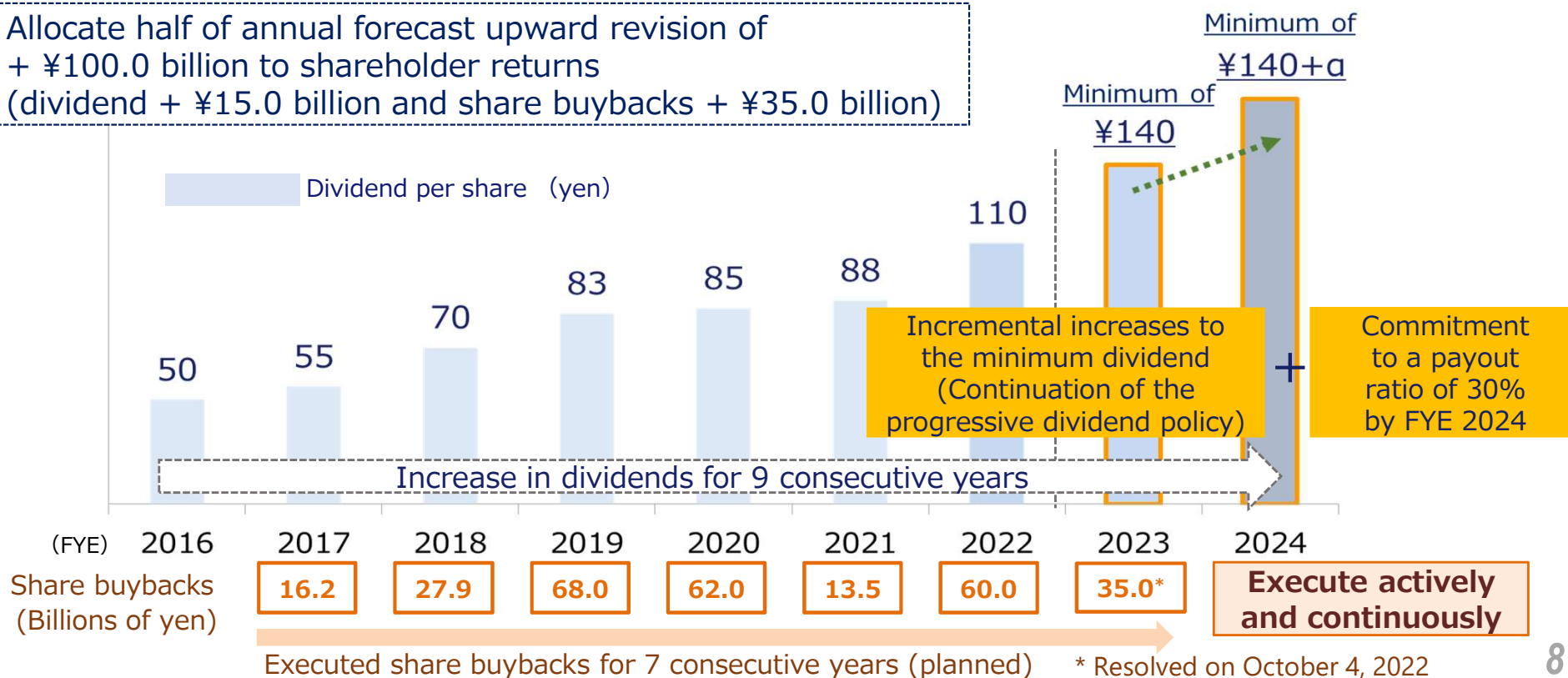
FYE 2023 Dividend

- ✓ Dividend per share increased by ¥30 from FYE 2022 to **minimum of ¥140 per share** (+ ¥10 per share from the Initial Forecast)
- ✓ Implementation of incremental increases to the minimum dividend and commitment to a payout ratio of 30% by FYE 2024 (Continuation of a progressive dividend policy during “Brand-new Deal 2023”)

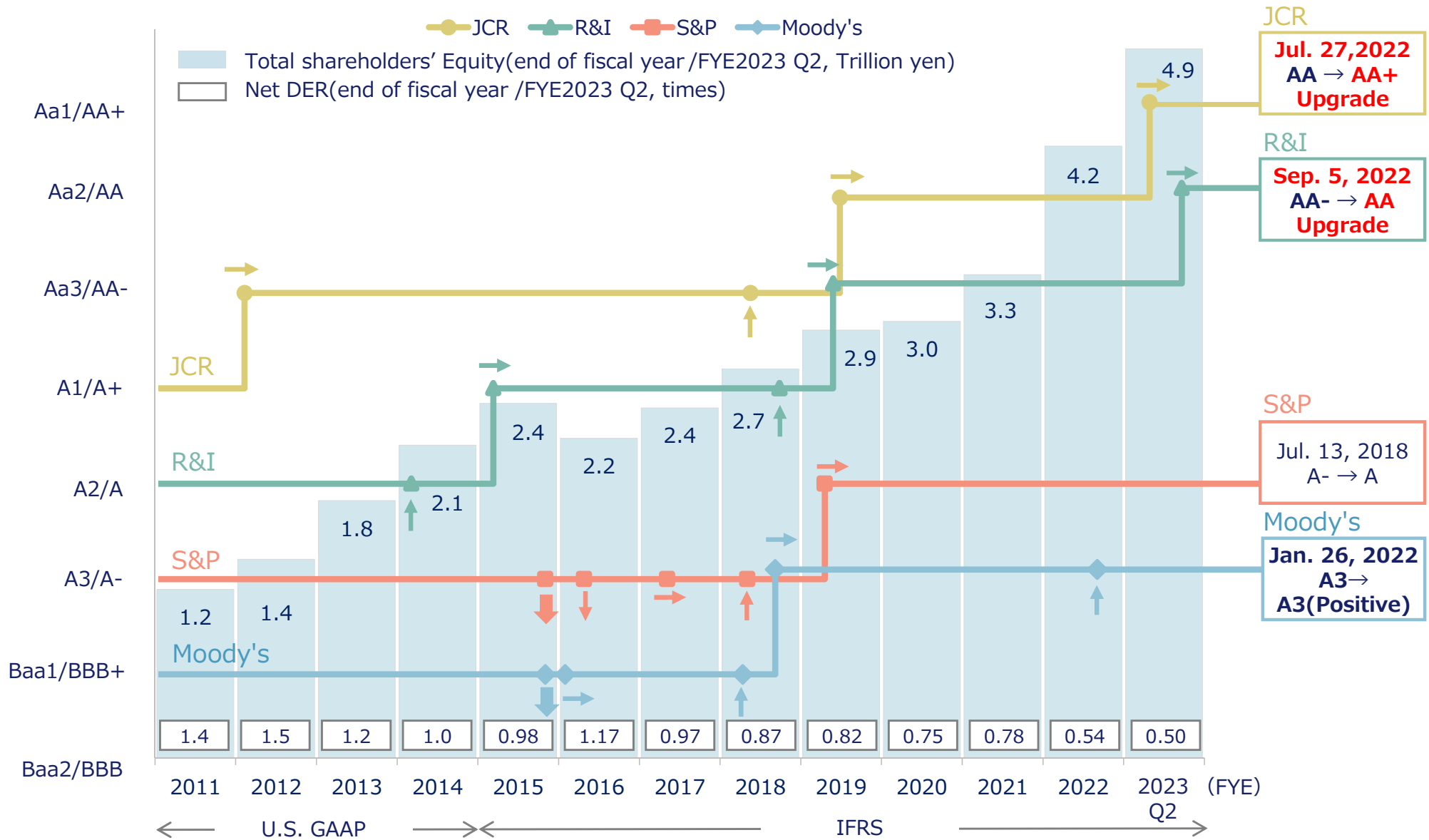
Share Buybacks

- ✓ Decided to execute **¥35.0 billion of share buybacks** in consideration of the market conditions and situation of cash allocation (Total payout ratio : Initial Forecast 27% ⇒ After additional shareholder returns 30%)

- ✓ Allocate half of annual forecast upward revision of + ¥100.0 billion to shareholder returns (dividend + ¥15.0 billion and share buybacks + ¥35.0 billion)



Credit Ratings



↑↓ Short-term rating outlook (Positive/Negative)
 ↑↓→ Medium- to long-term rating outlook (Positive/Negative/Stable)

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