FYE 2023 1st Half

Business Results Summary

ITOCHU Corporation

November 4, 2022

I am One with Infinite Missions

Summary of Financial Results for FYE 2023 1st Half

ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** recorded **¥483.0 bil.**, the 2nd highest following the same period of the previous fiscal year which renewed the highest record. The progress toward the FYE 2023 Revised Forecast of ¥800.0 bil announced on October 4 was steady, achieving 60%.
- **"Core profit"** was approximately **¥430.0 bil.** renewed all-time high for a half year results resulting from the strong progress which continued from the 1st quarter and further growth especially in non-resource sector.
- **"Ratio of group companies reporting profits"** was **84.4%** decreased by 1.9 points compared to the same period of the previous fiscal year, improved by 3.7 points compared to the 1st quarter of 80.7%.
- **"Core operating cash flows"** was **¥467.0 bil.**, renewed all-time high for a half year results.
- 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), as announced on October 4.

	FYE 2022 Q1-2 Results	FYE 2023 Q1-2 Results	Increase/ Decrease	FYE 2023 Forecast Initial Forecast (Disclosed on May 10)	FYE 2023 Forecast Revised Forecast	Progress
Net profit attributable to ITOCHU	**500.6**	**483.0**	**(17.6)**	**700.0**	**800.0**	**60%**
Extraordinary gains and losses	122.0	53.0	(69.0)	(*1) (10.0)	(*2) 30.0	
Core profit(*)	378.5	＊ 430.0	＋ 51.5	710.0	＊ 770.0	**56%**
[Core profit(excluding the impact of COVID-19)](*)	[404.5]	[440.0]	[+ 35.5]			
Ratio (%) of group companies reporting profits	86.3%	84.4%	Decreased 1.9pt			
Core operating cash flows	400.0	＊ 467.0	＋ 67.0			

(*) Core profit is shown in round figures.

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

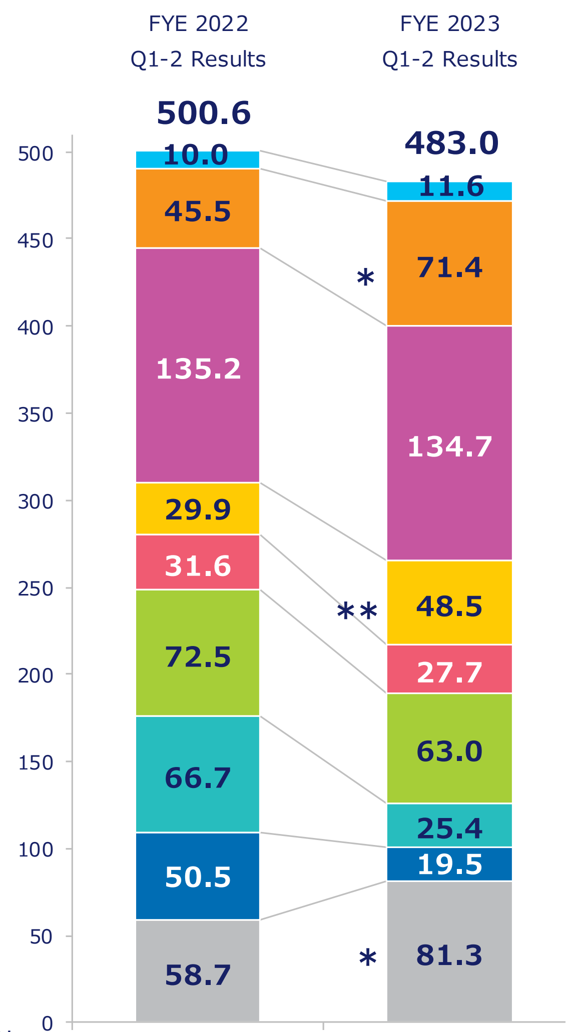
(*2) Including a loss buffer : (20.0)

Dividend information (per share)	Initial Forecast (Disclosed on May 10)	Revised Forecast
Annual (Planned)	130 yen (minimum)	＊ 140 yen (minimum)
Interim	65 yen	＊ 65 yen

＊ : Record High

Net profit attributable to ITOCHU by Segment/1st Half Results

(Unit : billion yen)



	FYE 2022 Q1-2 Results	FYE 2023 Q1-2 Results
Non-Resource	375.1	362.1
Resource	130.5	115.4
Others	(5.0)	5.6
Non-Resource(%) (*1)	74%	76%

*: Record High
**: Record High for a first half year results

Summary of Changes from the Same Period of the Previous Fiscal Year

Textile [Inc / (Dec) : ¥ 1.6 bil.(incl. Extra. G&L. (*2) : (2.5))]
Increased due to the improvement of apparel-related companies resulting from the alleviation of the impact of COVID-19, partially offset by the absence of extraordinary gains in the same period of the previous fiscal year.

Machinery [Inc / (Dec) : ¥ 25.9 bil.(incl. Extra. G&L. : 11.5)]
Increased due to the increase in charter income resulting from favorable shipping market and favorable sales in overseas automobile-related companies, in addition to the gain on the sale of a North American beverage-equipment-maintenance company, partially offset by the impairment losses on aircrafts leased to Russian airlines in a leasing-related company.

Metals & Minerals [Inc / (Dec) : ¥ (0.6) bil.(incl. Extra. G&L. : (22.0))]
Remained consistent due to lower iron ore prices and the absence of extraordinary gains in the same period of the previous fiscal year, offset by higher coal prices, the stable performance in North American business in Marubeni-Itochu Steel, and the depreciation of the yen.

Energy & Chemicals [Inc / (Dec) : ¥18.6 bil.(incl. Extra. G&L. : −)]
Increased due to the improvement in profitability in energy trading transactions and CIECO Azer (Crude oil exploration and production company) resulting from higher market prices, partially offset by the decrease in dividends.

Food [Inc / (Dec) : ¥ (3.9) bil.(incl. Extra. G&L. : 2.5)]
Decreased due to the deterioration in profitability in meat-products-related companies and in packaged foods business in Dole, partially offset by the improvement in profitability in provisions-related transactions and the gain on the group reorganization in North American oils and fats companies.

General Products & Realty [Inc / (Dec) : ¥ (9.5) bil.(incl. Extra. G&L. : (23.5))]
Decreased due to the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by the stable performance in construction materials business, real estate business and IFL(European pulp-related company), in addition to revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary.

ICT & Financial Business [Inc / (Dec) : ¥ (41.3) bil.(incl. Extra. G&L. : (30.5))]
Decreased due to lower sales volume in CONEXIO and the deterioration of remeasurement gains(losses) for fund held investments, in addition to the temporary increase in expenses and the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by the stable transactions in ITOCHU Techno-Solutions.

The 8th [Inc / (Dec) : ¥ (31.0) bil.(incl. Extra. G&L. : (29.5))]
Decreased due to the increase of franchisee support payments resulting from changes in external environment, increase in expenses resulting from promotion of store renovation and structural reform in logistics, in addition to the increase in impairment losses on stores and the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by the increase in daily sales in FamilyMart.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ 22.6 bil.(incl. Extra. G&L. : 25.0)]
Increased due to higher earnings in CITIC Limited resulting from stable performance especially in comprehensive financial business and revaluation gain on securities business even with the impact of lower iron ore prices, in addition to lower tax expenses, partially offset by lower earnings in C.P. Pokphand because of lower pork prices.

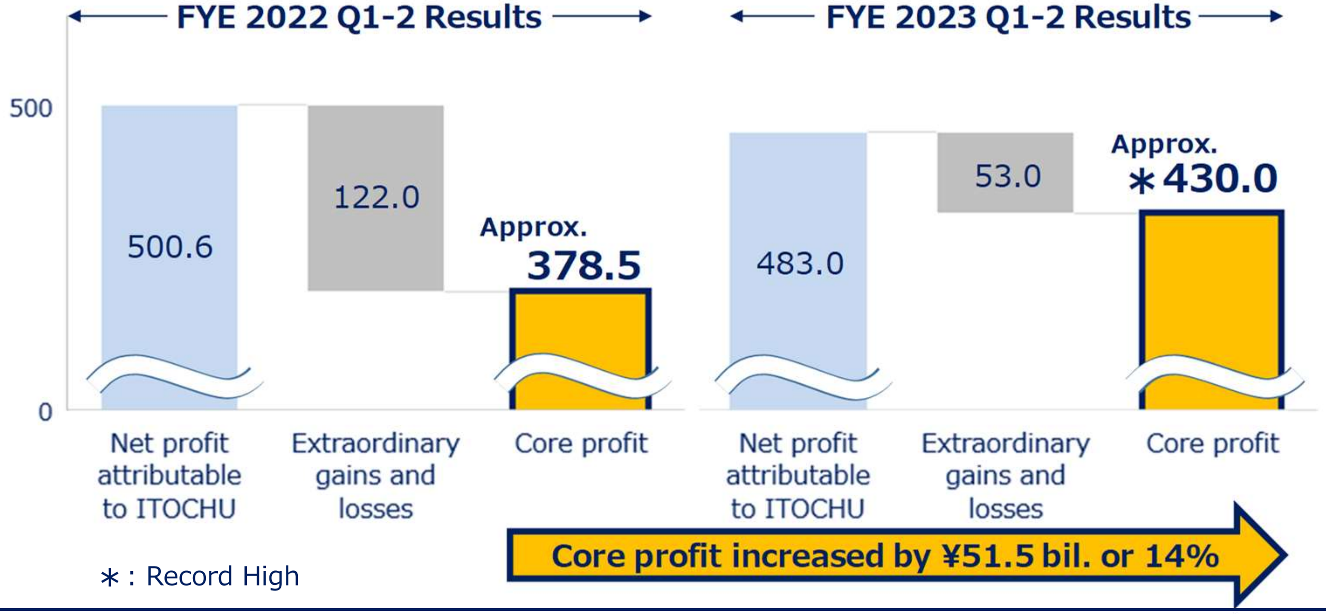
(*1) % composition is calculated using the total of Non-Resource and Resource sectors as 100%.
(*2) Extra. G&L. means "Extraordinary Gains and Losses".

Core Profit/1st Half Results

(Unit : billion yen)

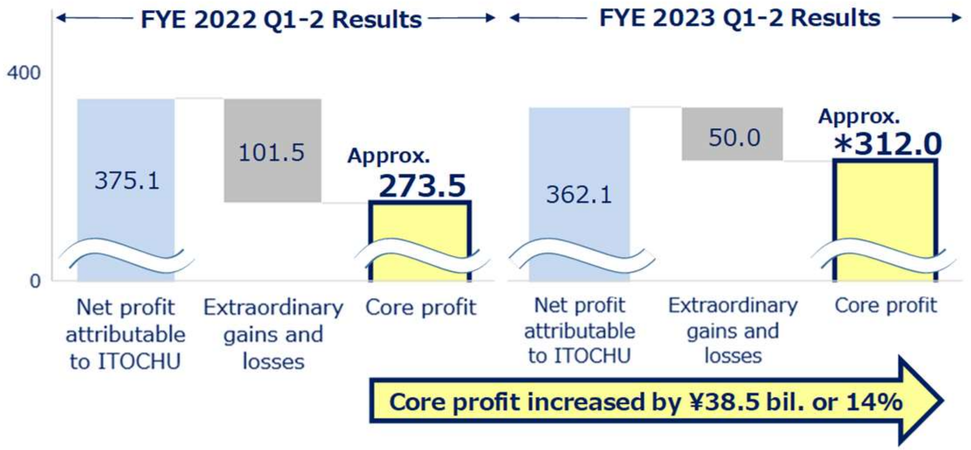
■ The strong progress continued from the 1st quarter and renewed all-time high for a half year results, especially resulting from further growth in non-resource sector.

【Total】



* : Record High

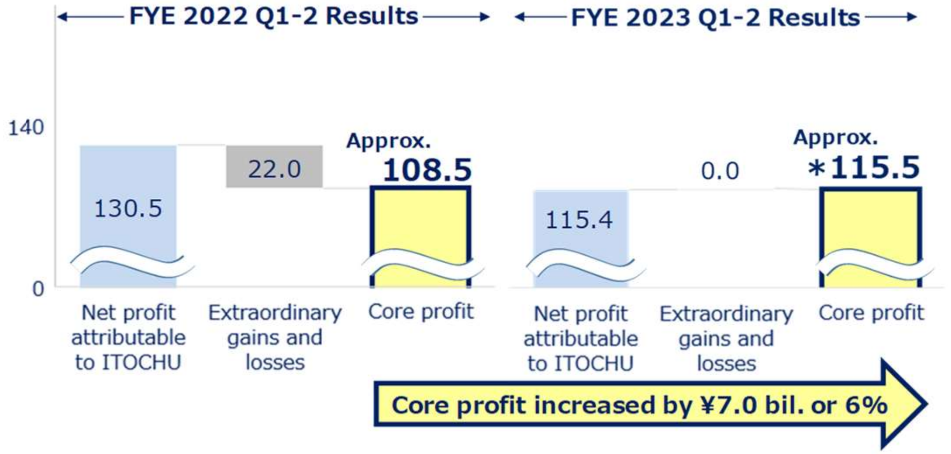
【Non-Resource (72%→73%(*1))】



* : Record High

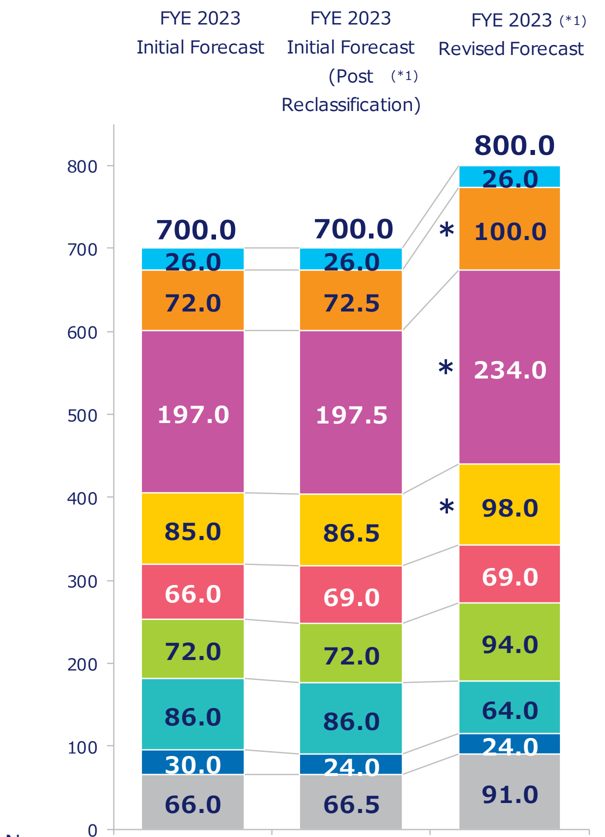
(*1) Non-resource/resource ratio of core profit

【Resource (28%→27%(*1))】



Net profit attributable to ITOCHU by Segment/Annual Forecast

(Unit : billion yen)



	FYE 2023 Initial Forecast	FYE 2023 Initial Forecast (Post Reclassification)	FYE 2023 Revised Forecast
Non-Resource	548.0	548.0	* 613.0
Resource	190.0	190.0	210.0
Others	(38.0)	(38.0)	(23.0)
Non-Resource(%) (*2)	74%	74%	74%

* : Record High

(*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.

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

Summary of Changes from the Initial Forecast (Post Reclassification)

Textile [Inc / (Dec) : ¥ ±0 bil.]
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 [Inc / (Dec) : ¥ 27.5 bil.]
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 [Inc / (Dec) : ¥ 36.5 bil.]
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 [Inc / (Dec) : ¥ 11.5 bil.]
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 [Inc / (Dec) : ¥ ±0 bil.]
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 [Inc / (Dec) : ¥ 22.0 bil.]
Increased due to high remaining pulp prices, the stable performance in North American construction materials business continuing from the favorable 1st 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 [Inc / (Dec) : ¥ (22.0) bil.]
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 [Inc / (Dec) : ¥ ±0 bil.]
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 [Inc / (Dec) : ¥ 24.5 bil.]
Increased due to higher earnings in CITIC Limited resulting from the depreciation of the yen and decrease in the loss buffer.

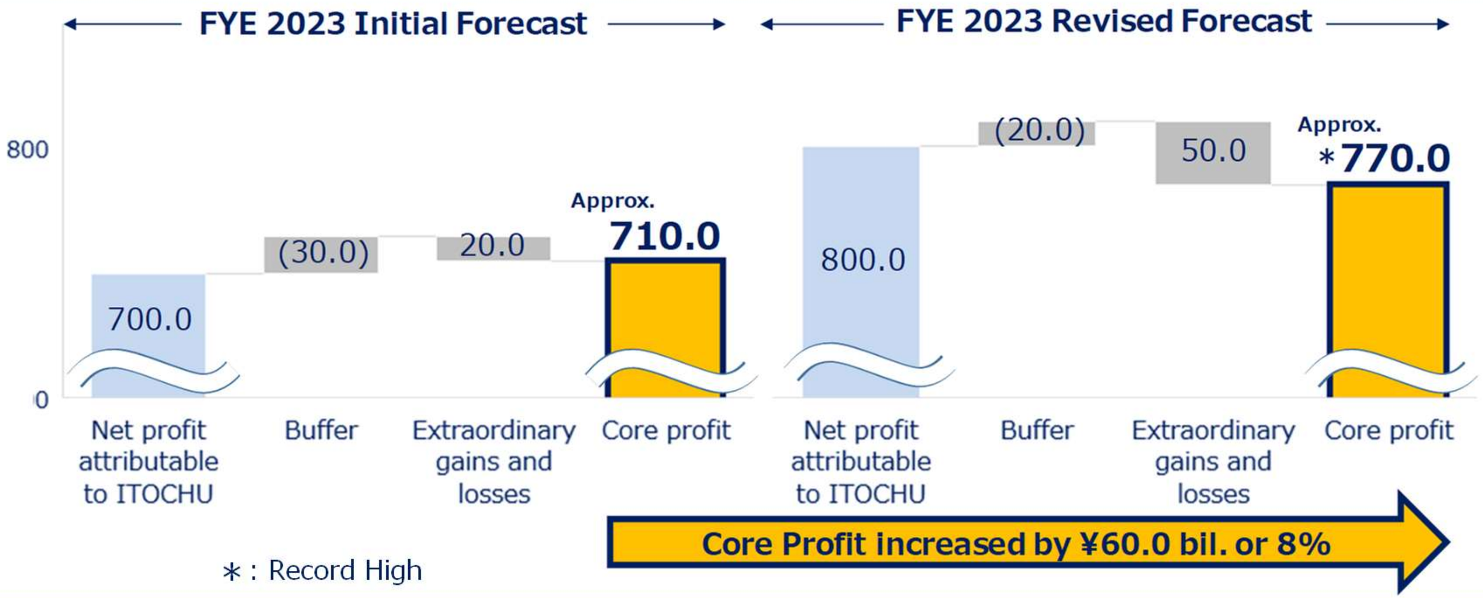
Core Profit/Annual Forecast

ITOCHU

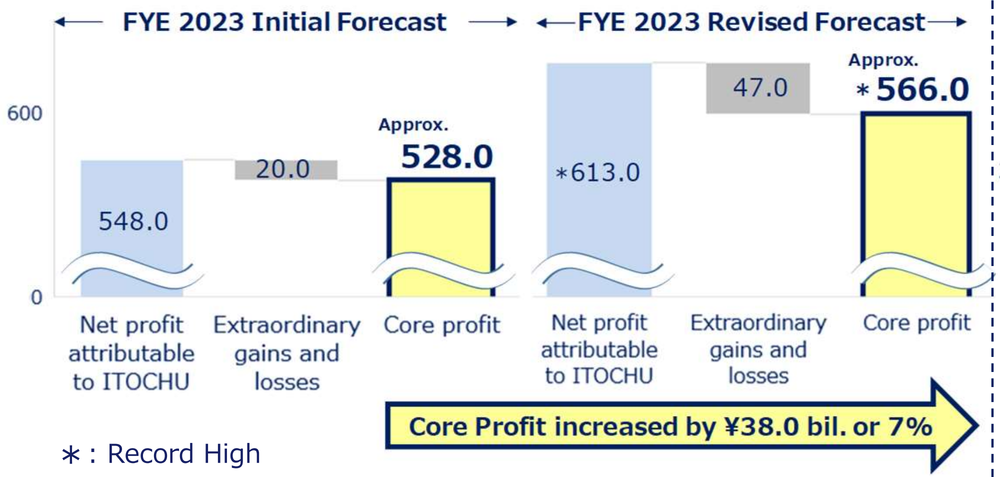
(Unit : billion yen)

■ Core profit of FYE 2023 is expected to achieve the highest record of approximately 770.0 bil., resulting from growth both in non-resource and resource sectors.

【Total】

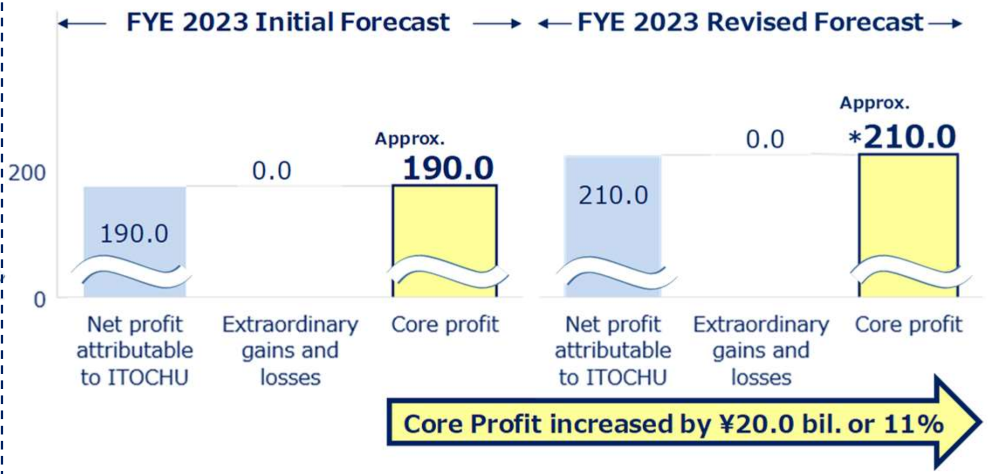


【Non-Resource (74%→73%(*1))】



＊: Record High

【Resource (26%→27%(*1))】



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

Extraordinary Gains and Losses

ITOCHU

(Unit : billion yen)

Segments	FYE 2022 Q1-2 Results	[Q2]	Major items	FYE 2023 Q1-2 Results	[Q2]	Major items
Textile	**2.5**	***0.5***	[Q1]Gain on the sale of fixed assets in EDWIN:1.0	**－**	**－**	
Machinery	**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	**19.0**	***25.0***	[Q1]Impairment losses on aircrafts leased to Russian airlines in a leasing-related company:(8.5) [Q1]Gains on a specific overseas project and business:2.5 [Q2]Gain on the sale of a North American beverage-equipment-maintenance company:22.0 [Q2]Gain on the sale of a vehicle-related company:3.0
Metals & Minerals	**22.0**	**－**	[Q1]Realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas:22.0	**－**	**－**	
Energy & Chemicals	**－**	**－**		**－**	**－**	
Food	**1.0**	***1.0***	[Q2]Gain on the partial sale of a domestic company:1.0	**3.5**	**－**	[Q1]Gain on the group reorganization in North American oils and fats companies:3.5
General Products & Realty	**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)	**7.0**	***8.5***	[Q1]Impairment loss on sawn timber business in IFL:(1.5) [Q2]Revaluation gain resulting from to the conversion of a North American engineered wood products company into a consolidated subsidiary:8.5
ICT & Financial Business	**30.5**	***30.5***	[Q2]Gain on the de-consolidation of Paidy:30.5	**－**	**－**	
The 8th	**29.5**	**－**	[Q1]Gain on the partial sale of Taiwan FamilyMart:29.5	**－**	**－**	
Others, Adjustments & Eliminations	**(1.5)**	**－**		**23.5**	**－**	[Q1]Revaluation gain on securities business in CITIC Limited:20.5 [Q1]Reversal of allowance for risk assets:3.0
Total	**122.0**	***34.5***	[Q1-2] Non-Resource:101.5, Resource:22.0, Others:(1.5)	**53.0**	***33.5***	[Q1-2] Non-Resource:50.0, Resource: － , Others:3.0

(*) 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 ¥469.1 bil.**, due to the stable performance in operating revenues in Metals & Minerals, The 8th, Energy & Chemicals and Machinery Companies.
"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 by Machinery Company, the acquisition of a North American engineered wood products business by General Products & Realty Company, and the purchase of fixed assets by Food, The 8th, Machinery and Energy & Chemicals Companies.

■ **Core Free Cash Flows:**
"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

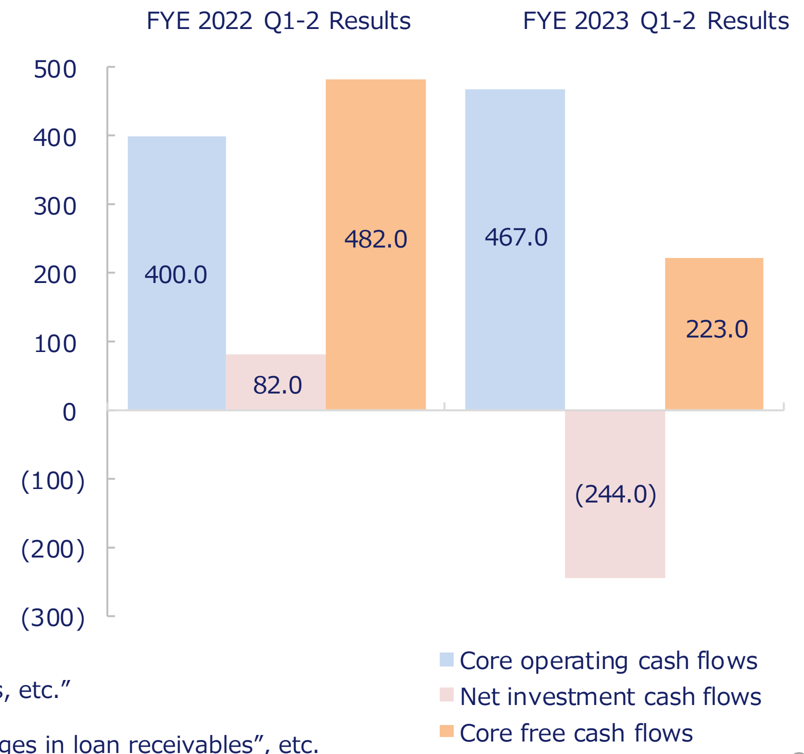
	FYE 2022 Q1-2 Results	FYE 2023 Q1-2 Results
Cash flows from operating activities	414.0	469.1
Cash flows from investing activities	60.6	(306.8)
Free cash flows	*474.6*	*162.3*
Cash flows from financing activities	(555.6)	(176.0)

Core Free Cash Flows

	FYE 2022 Q1-2 Results	FYE 2023 Q1-2 Results
Core operating cash flows(*1)	400.0	＊ 467.0
Net investment cash flows(*2)	82.0	(244.0)
Core free cash flows	482.0	223.0

＊ : Record High

Core Free Cash Flows



(*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.

Financial Position

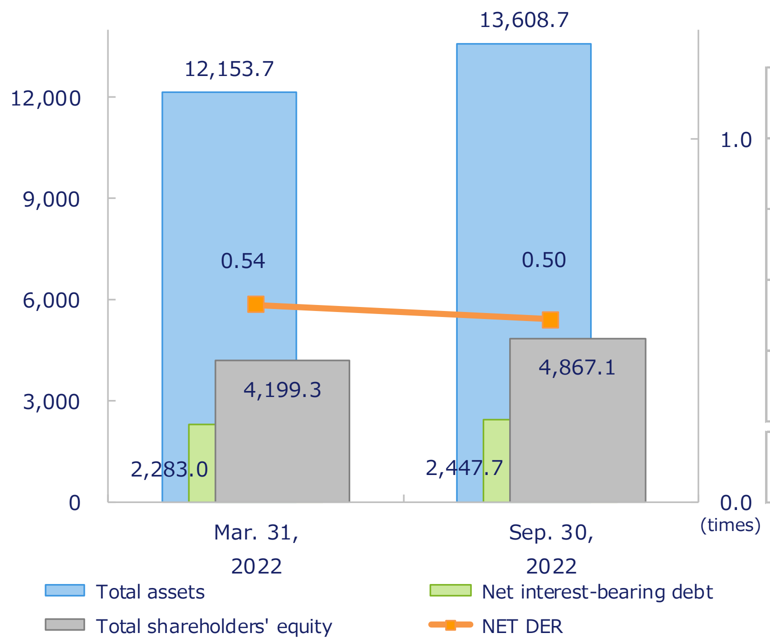
(Unit : billion yen)

■ **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 and NET DER:**
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 points 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 2022 Q1-2 Results	FYE 2023 Q1-2 Results	FYE 2023 Initial Forecast (Disclosed on May 10)	FYE 2023 Revised Forecast	(Reference) Sensitivities on net profit attributable to ITOCHU for FYE 2023 Q3-4	
Exchange rate (Yen/US$)	Average	109.51	130.45	120	135	1 Yen depreciation against US$	Approx. +¥1.7 bil.
	Closing	Mar. 2022 122.39	Sep. 2022 144.81	120	140		–
Interest rate (%)	TIBOR 3M (¥)	0.06%	0.07%	0.1%	0.1%	0.1% increase	Approx. ¥(0.2)bil.
	LIBOR 3M (US$)	0.14%	2.29%	2.5%	3.5%		Approx. ¥(0.1)bil.
Crude oil (Brent) (US$/BBL)		71.19	104.63	90	95	±¥0.13 bil.(*3)	
Iron ore (CFR China) (US$/ton)		183(*1)	123(*1)	N.A.(*2)	N.A.(*2)	±¥0.63 bil.(*3)	

(*1) FYE 2022 Q1-2 and 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

ITOCHU

FYE 2023 Dividend

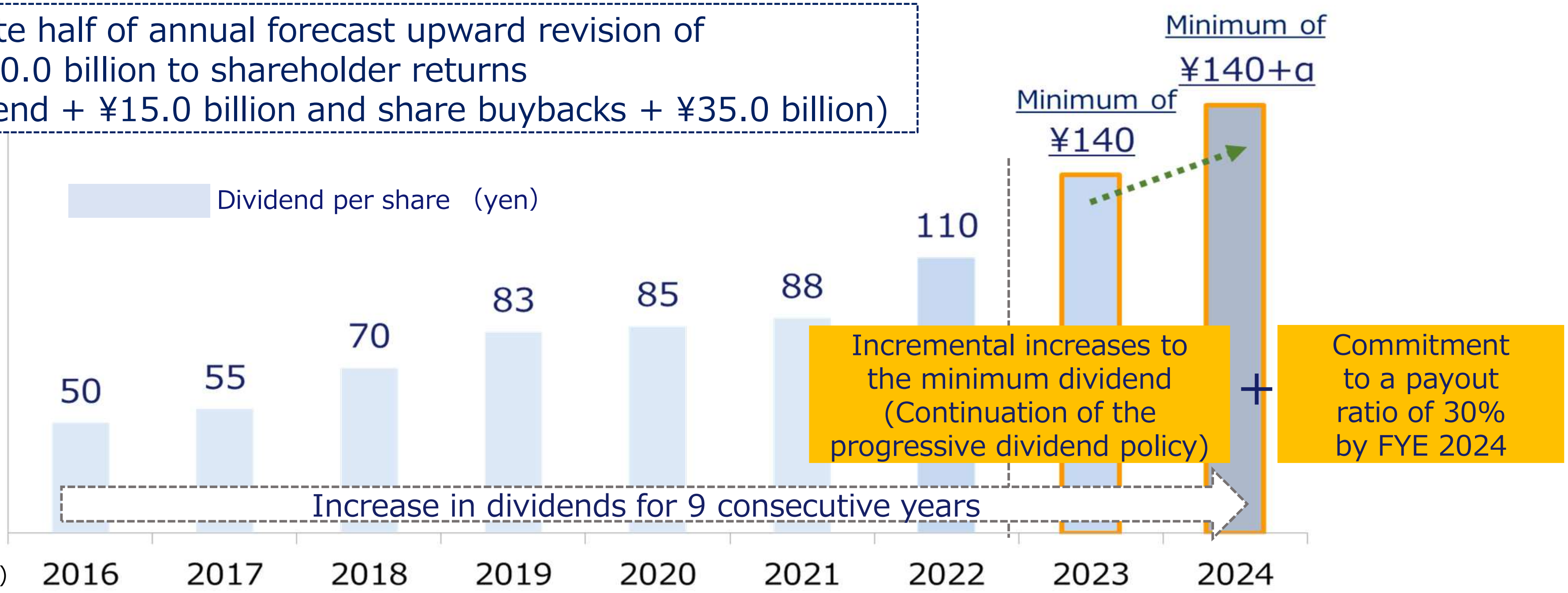
✓ Dividend per share increased by ¥30 from FYE 2022 to **<u>minimum of ¥140 per share</u>**
(+ ¥10 per share from the Initial Forecast)

✓ 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 **<u>¥35.0 billion of share buybacks</u>** 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)



(FYE)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Share buybacks (Billions of yen)		16.2	27.9	68.0	62.0	13.5	60.0	35.0*	**Execute actively and continuously**

Executed share buybacks for 7 consecutive years (planned)

* Resolved on October 4, 2022

Credit Ratings