

FYE 2024 1st Quarter Business Results Summary

ITOCHU Corporation
August 4, 2023



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 FYE 2024 1st Quarter

Summary of Financial Results for FYE 2024 1st Quarter



(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** was **¥213.2 bil.** and the progress toward the FYE 2024 forecast of ¥780.0 bil. was 27%. Made a steady start to certainly achieve the FYE 2024 forecast.
- **“Core profit”** was approximately **¥190.0 bil.**, the 2nd highest following the same period of the previous fiscal year which was the highest record as Q1 results. Even under uncertain economic circumstances, ITOCHU accumulated profit steadily from the stable performance in non-resource sectors mainly in Machinery and The 8th Companies.
- **“Ratio of group companies reporting profits”** was **83.0%**, increased by 2.3 points compared to the same period of the previous fiscal year.
- **“Core operating cash flows”** was **¥172.0 bil.** due to the stable performance in operating revenues.

	FYE 2023 Q1 Results	FYE 2024 Q1 Results	Increase/ Decrease	FYE 2024 Forecast (Disclosed on May 9)	Progress
Net profit attributable to ITOCHU	230.6	213.2	(17.4)	780.0	27%
Extraordinary gains and losses	19.5	23.0	+ 3.5	(20.0)	
Core profit ^(*)	211.0	190.0	(21.0)	800.0	24%
Ratio (%) of group companies reporting profits	80.7%	83.0%	Increased 2.3pt	Dividend information (per share)	
Core operating cash flows	211.0	172.0	(39.0)	Annual (Planned) *	160 yen
				Interim (Planned) *	80 yen

(*) Core profit is shown in round figures.

(*2) Including Forex Impact : + 7.0

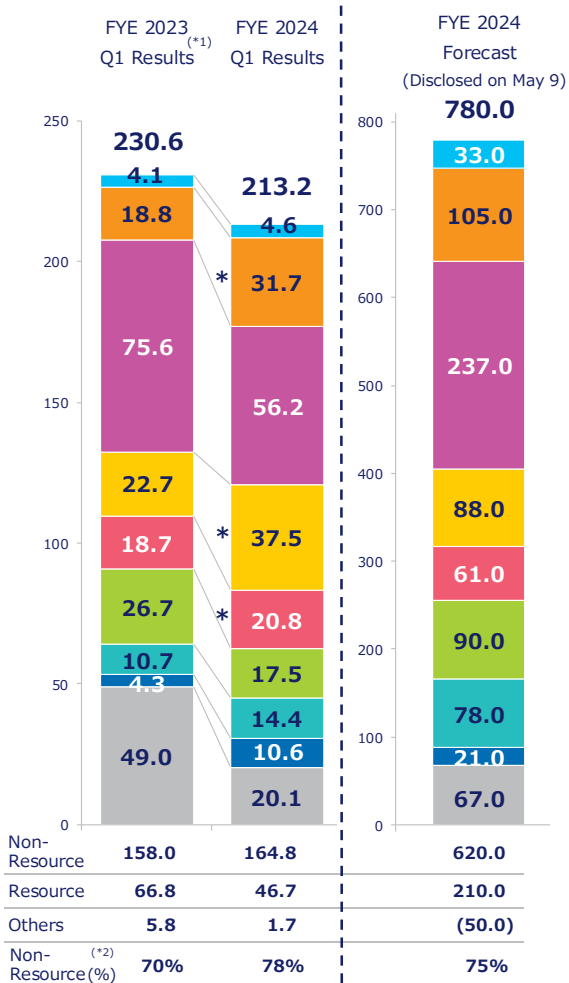
(*1) Including a loss buffer : (50.0)

* : Record High

Net profit attributable to ITOCHU by Segment



(Unit : billion yen)



* : Record High

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

Textile [Inc/(Dec) : ¥0.5 bil.(incl. Extra. G&L. ^{(*)3} : -), Progress : 14%]

Increased due to the stable performance in apparel-related companies resulting from the recovery of retail market because of the alleviation of the impact of COVID-19.

Machinery [Inc/(Dec) : ¥12.9 bil.(incl. Extra. G&L. : 6.0), Progress : 30%]

Increased due to favorable sales in automobile-related companies, the start of equity pick-up of Hitachi Construction Machinery from the 3rd quarter of the previous fiscal year, and the absence of the losses on aircrafts leased to Russian airlines in a leasing-related company in the same period of the previous fiscal year, partially offset by the decrease in charter income resulting from the decline in shipping market.

Metals & Minerals [Inc/(Dec) : ¥(19.4) bil.(incl. Extra. G&L. : -), Progress : 24%]

Decreased due to lower coal and iron ore prices, etc.

Energy & Chemicals [Inc/(Dec) : ¥14.7 bil.(incl. Extra. G&L. : 18.5), Progress : 43%]

Increased due to the stable performance in electricity transactions and the revaluation gain on a lithium-ion batteries company, partially offset by the impact of lower market prices in oil-exploration-related companies and the absence of favorable performance in chemical-related transactions in the same period of the previous fiscal year.

Food [Inc/(Dec) : ¥2.1 bil.(incl. Extra. G&L. : 1.0), Progress : 34%]

Increased due to the improvement in profitability in provisions-related transactions and food-distribution-related companies, partially offset by the increase in interest expense with higher U.S. dollar interest rates in Dole and lower earnings in a North American meat-products-related company.

General Products & Realty [Inc/(Dec) : ¥(9.3) bil.(incl. Extra. G&L. : 1.5), Progress : 19%]

Decreased due to lower earnings in IFL (European pulp-related company) resulting from lower pulp prices and lower sales volume, in addition to the absence of favorable performance in construction-materials-related business and overseas real estate business in the same period of the previous fiscal year, partially offset by the stable performance in domestic real estate transactions.

ICT & Financial Business [Inc/(Dec) : ¥3.7 bil.(incl. Extra. G&L. : -), Progress : 18%]

Increased due to the stable transactions in ITOCHU Techno-Solutions, the improvement in retail-finance-related companies, higher agency commissions in HOKEN NO MADOGUCHI GROUP, the improvement of remeasurement gains(losses) for fund held investments, and the start of equity pick-up of Gaitame.Com from the 3rd quarter of the previous fiscal year.

The 8th [Inc/(Dec) : ¥6.2 bil.(incl. Extra. G&L. : -), Progress : 50%]

Increased due to the increase in daily sales along with higher number of customers and spend per customer resulting from enhancement of product appeal and sales promotion, and the improvement of impairment losses on stores, partially offset by the increase in various costs caused by changes in external environment and execution of digital measures to strengthen business foundations in FamilyMart.

Others, Adjustments & Eliminations [Inc/(Dec) : ¥(28.9) bil.(incl. Extra. G&L. : (23.5))]

Decreased due to lower earnings in CITIC Limited resulting from the absence of revaluation gain on securities business in the same period of the previous fiscal year, partially offset by the stable performance in comprehensive financial services segment, the increase in interest expense with higher U.S. dollar interest rates, and lower earnings in C.P. Pokphand resulting from lower pork prices.

(*1) As of October 1, 2022, 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. Accordingly, FYE 2023 Q1 Results are reclassified in the same manner.

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

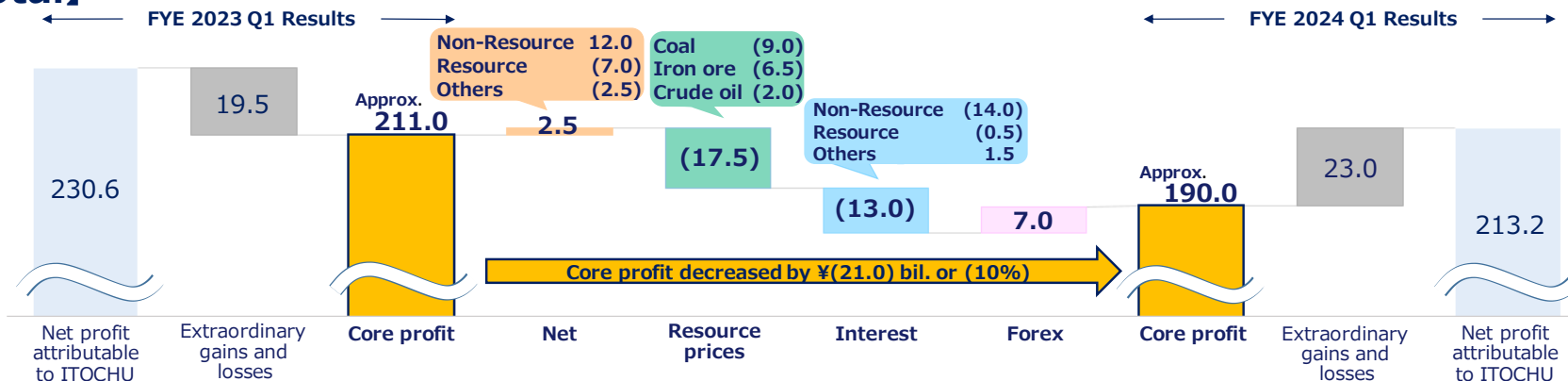
(*3) Extra. G&L. means "Extraordinary Gains and Losses".

Core Profit (YoY Factor Comparison)

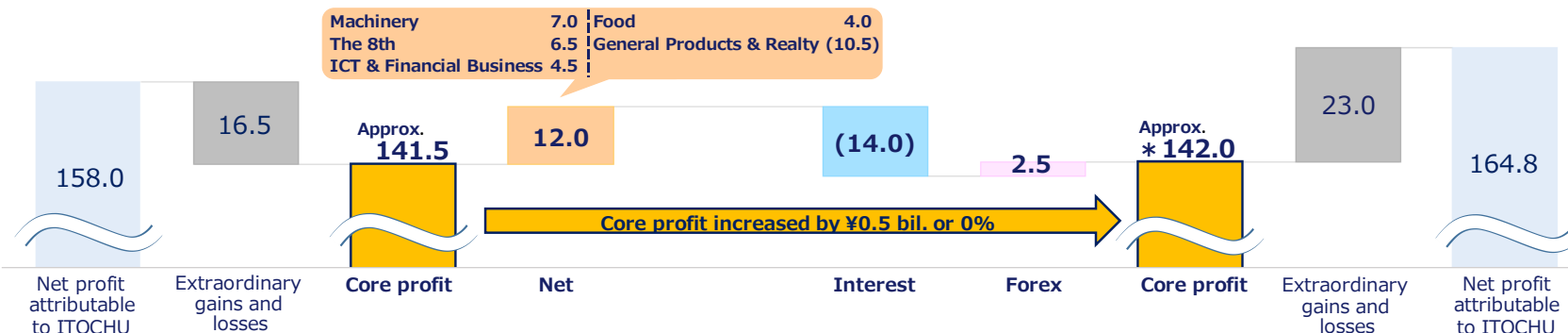


[Total]

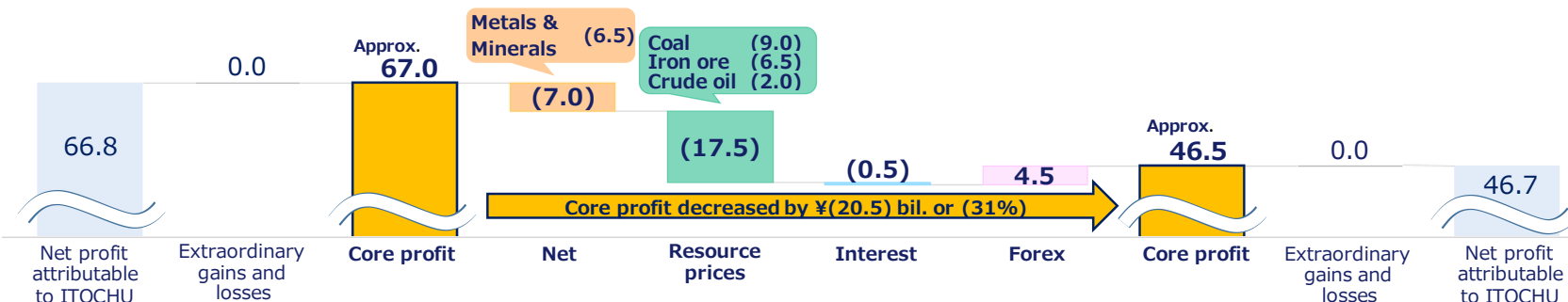
(Unit : billion yen)



[Non-Resource (68% → 75%^(*1))]



[Resource (32% → 25%^(*1))]



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

Extraordinary Gains and Losses



(Unit : billion yen)

Segments	FYE 2023 Q1 Results	Major items	FYE 2024 Q1 Results	Major items
Textile	–		–	
Machinery	(6.0)	Impairment losses on aircrafts leased to Russian airlines in a leasing-related company:(8.5) Gains on a specific overseas project and business:2.5	–	
Metals & Minerals	–		–	
Energy & Chemicals	–		18.5	Revaluation gain on a lithium-ion batteries company:16.5 Gain on the sale of fixed assets in ITOCHU ENEX:2.0
Food	3.5	Gain on the group reorganization in North American oils and fats companies:3.5	4.5	Gain on the sale of fixed assets in a North American oils and fats company:4.5
General Products & Realty	(1.5)	Impairment loss on sawn timber business in IFL:(1.5)	–	
ICT & Financial Business	–		–	
The 8th	–		–	
Others, Adjustments & Eliminations	23.5	Revaluation gain on securities business in CITIC Limited:20.5 Reversal of allowance for risk assets:3.0	–	
Total	19.5	Non-Resource:16.5, Resource: – , Others:3.0	23.0	Non-Resource:23.0, Resource: – , Others: –

(*) 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 ¥214.0 bil.**, due to the stable performance in operating revenues in General Products & Realty and The 8th Companies and dividends received from equity method investments in Metals & Minerals Company.

“Cash flows from investing activities” was a net cash-outflow of ¥49.0 bil., due to the acquisition of equity method investments in Metals & Minerals Company and the purchase of fixed assets in The 8th, Food, and Energy & Chemicals Companies.

As a result, “Free cash flows” was a **net cash-inflow of ¥165.0 bil.**

■ 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 ¥172.0 bil.**

“Core free cash flows” resulted in a **net cash-inflow of ¥121.0 bil.**

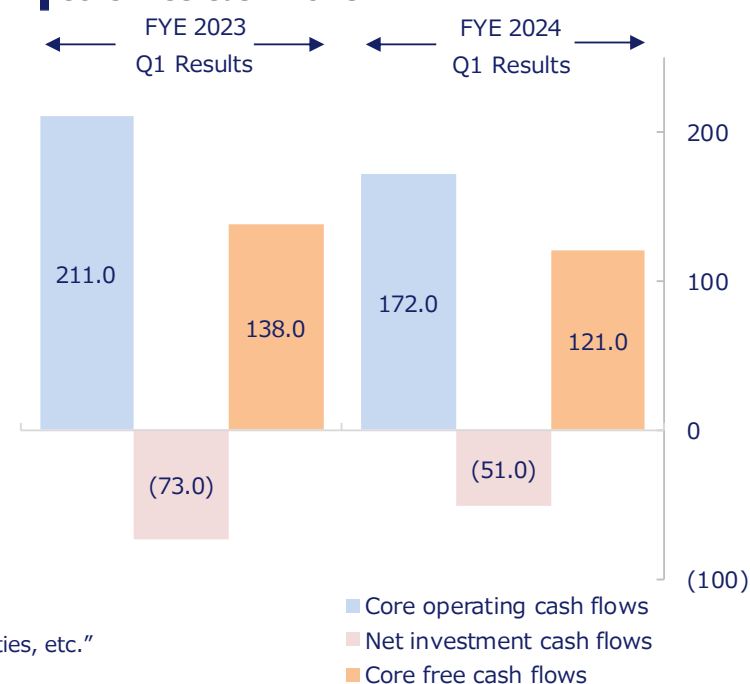
Cash Flows

	FYE 2023 Q1 Results	FYE 2024 Q1 Results
Cash flows from operating activities	236.0	214.0
Cash flows from investing activities	(55.7)	(49.0)
<i>Free cash flows</i>	<i>180.3</i>	<i>165.0</i>
Cash flows from financing activities	(155.3)	(167.5)

Core Free Cash Flows

	FYE 2023 Q1 Results	FYE 2024 Q1 Results
Core operating cash flows ^(*1)	211.0	172.0
Net investment cash flows ^(*2)	(73.0)	(51.0)
Core free cash flows	138.0	121.0

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 ¥530.7 bil., compared to March 31, 2023 to **¥13,642.4 bil.**, due to the increase in investments accounted for by the equity method, the increase in trade receivables resulting from the increase of trading transactions, and the depreciation of the yen.

■ Net Interest-bearing Debt:

Increased by ¥96.1 bil., compared to March 31, 2023 to **¥2,487.2 bil.**, due to dividend payments and the depreciation of the yen, partially offset by the stable performance in operating revenues.

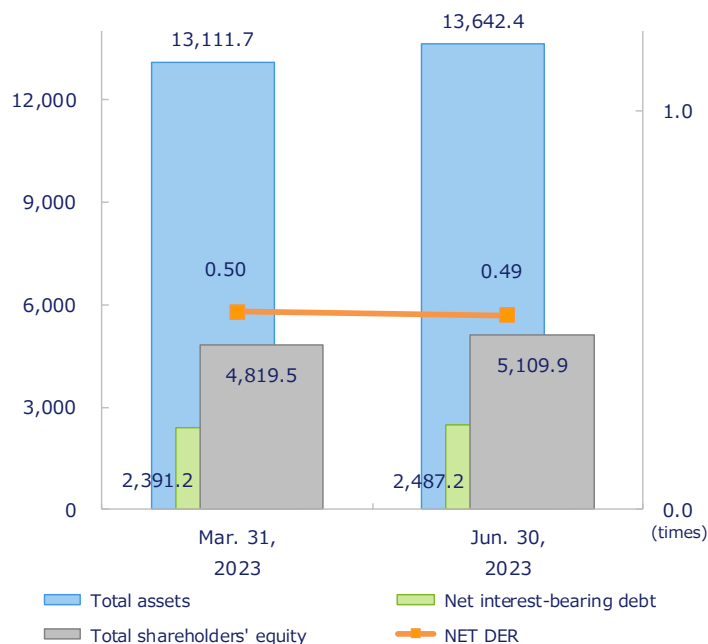
■ Total Shareholders' Equity:

Increased by ¥290.4 bil., compared to March 31, 2023 to **¥5,109.9 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 0.7 points compared to March 31, 2023 to **37.5%**.

NET DER improved compared to March 31, 2023 to **0.49 times**.



	Mar. 31, 2023	Jun. 30, 2023	Increase/Decrease	Brand-new Deal 2023
Total assets	13,111.7	* 13,642.4	+ 530.7	B/S control appropriate for A ratings
Net interest-bearing debt	2,391.2	2,487.2	+ 96.1	
Total shareholders' equity	4,819.5	* 5,109.9	+ 290.4	
Ratio of shareholders' equity to total assets	36.8%	* 37.5%	Increased 0.7pt	
NET DER (times)	0.50	* 0.49	Improved 0.01pt	
ROE	17.8%	—	—	Maintain high efficiency about 13-16%

* :Record High (NET DER: Best Record)

FYE 2024 Shareholder Returns Policy



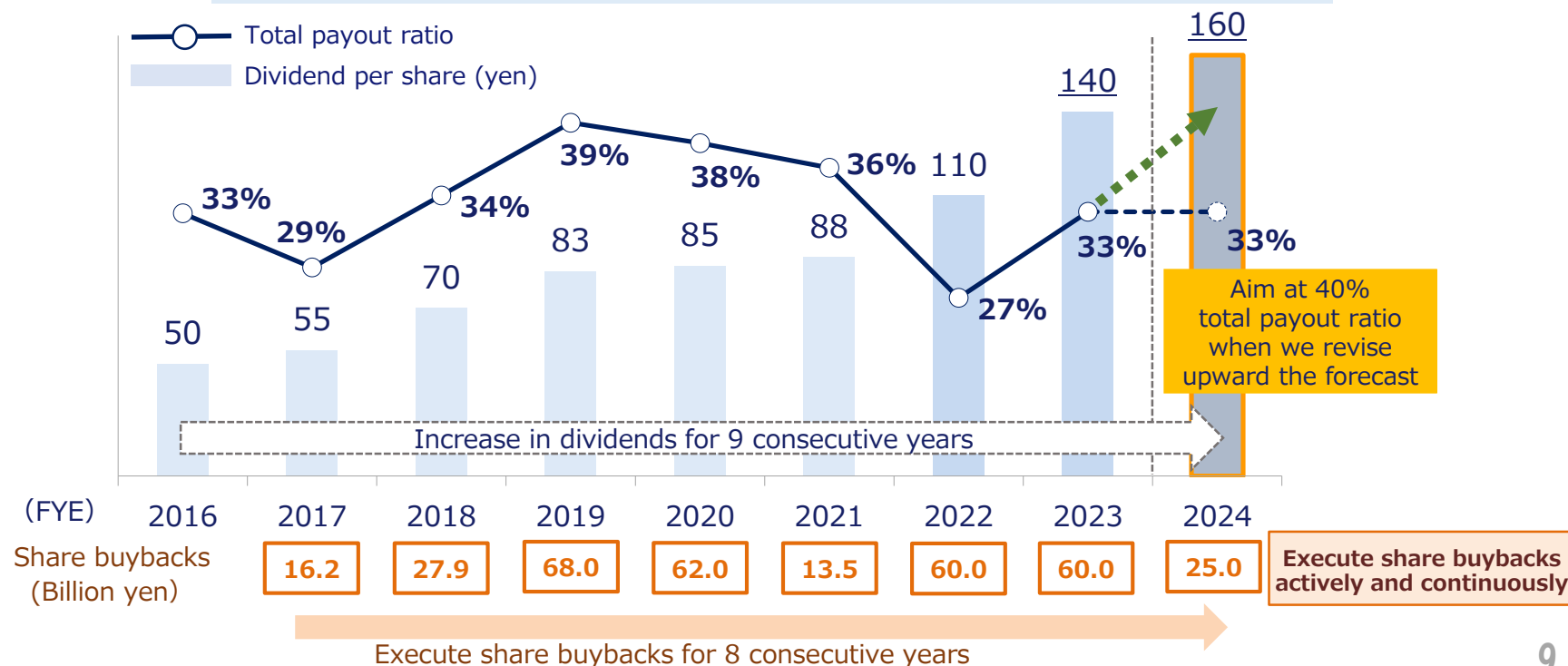
Dividends

- ✓ Dividend per share is **¥160 per share**, an increase of ¥20 from the previous fiscal year.
Achieving the progressive dividend policy (consecutive increase in dividends) and 30% payout ratio.

Share buybacks

- ✓ **Decided to execute ¥25.0 billion of share buybacks** in consideration of the market conditions and situation of cash allocation.
(Total payout ratio : **Forecast after additional shareholder returns 33%**)

Based on our conservative initial profit plan, we **will execute additional shareholder returns, aiming at 40% total payout ratio** when we revise upward the forecast during the fiscal year.



Assumptions



		FYE 2023	FYE 2024	FYE 2024	(Reference)	
		Q1 Results	Q1 Results	Forecast (Disclosed on May 9)	Sensitivities on net profit attributable to ITOCHU for FYE 2024 Q2-4	
Exchange rate (Yen/US\$)	Average	124.89	134.64	130	1 Yen fluctuation against US\$	
	Closing	Mar. 2023 133.53	Jun. 2023 144.99	125		Approx. ±¥2.5 bil. (*1) —
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.07%	0.1%	0.1% fluctuation of interest rate	
	LIBOR 3M (US\$) (*2)	1.53%	—	—		Approx. ±¥0.3 bil. (*3) —
	SOFR 3M (US\$) (*2)	—	5.13%	5.0%		Approx. ±¥0.3 bil. (*3)
Crude oil (Brent) (US\$/BBL)		111.77	77.73	75	±¥0.18 bil. (*6)	
Iron ore (CFR China) (US\$/ton)		142 ^(*4)	112 ^(*4)	N.A. ^(*5)	±¥1.11 bil. (*6)	

- (*1) The impact in case the average exchange rate during FYE 2024 Q2-4 depreciated(increase)/appreciated(decrease) is shown.
- (*2) Due to the cessation of LIBOR publication in June 2023, the US\$ benchmark interest rate has been changed to Term SOFR.
- (*3) In addition to changes in interest income/expense, the impact of interest rate fluctuation on the transaction prices are included.
- (*4) FYE 2023 Q1 and FYE 2024 Q1 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.
- (*5) The prices of iron ore used in the FYE 2024 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.
- (*6) The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.