

**FYE 2023 1<sup>st</sup> Quarter**

# **Business Results Summary**

**ITOCHU Corporation**

**August 5, 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.

# Summary of FYE 2023 1<sup>st</sup> Quarter

# Summary of Financial Results for FYE 2023 1<sup>st</sup> Quarter



(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** significantly exceeded our expectations for 1<sup>st</sup> quarter, recorded **¥230.6 bil.**, making strong progress toward the FYE 2023 forecast of ¥700.0 bil., achieving 33%.
- **“Core profit”** was approximately **¥211.0 bil.**, increased by ¥31.0 bil. compared to the same period of the previous fiscal year, and renewed all-time high in every single quarter’s. Renewed all-time high in every single quarter’s, both in non-resource and resource sectors resulting from positive impact of the surge in resource prices and the stable growth in revenue in non-resource sector.
- **“Ratio of group companies reporting profits”** was **80.7%**, the same level as the same period of the previous fiscal year.
- **“Core operating cash flows”** was **¥211.0 bil.**, renewed all-time high in every 1<sup>st</sup> quarter’s.

	FYE 2022 Q1 Results	FYE 2023 Q1 Results	Increase/ Decrease	FYE 2023 Forecast (Disclosed on May 10)	Progress
Net profit attributable to ITOCHU	267.5	230.6	(36.8)	700.0	33%
Extraordinary gains and losses	87.5	19.5	(68.0)	(*1) (10.0)	
Core profit <sup>(*)</sup>	180.0	* 211.0	+ 31.0	* 710.0	30%
[Core profit(excluding the impact of COVID-19)] <sup>(*)</sup> (*) Core profit is shown in round figures.	[193.5]	[217.0]	[+ 23.5]	(*1) Including a loss buffer : (30.0)	
Ratio (%) of group companies reporting profits	81.4%	80.7%	Decreased 0.7pt	Dividend information(per share)	
				Annual (Planned)	* 130 yen
Core operating cash flows	177.0	** 211.0	+ 34.0	Interim (Planned)	* 65 yen

\* : Record High

\*\* : Record High for Q1 Results

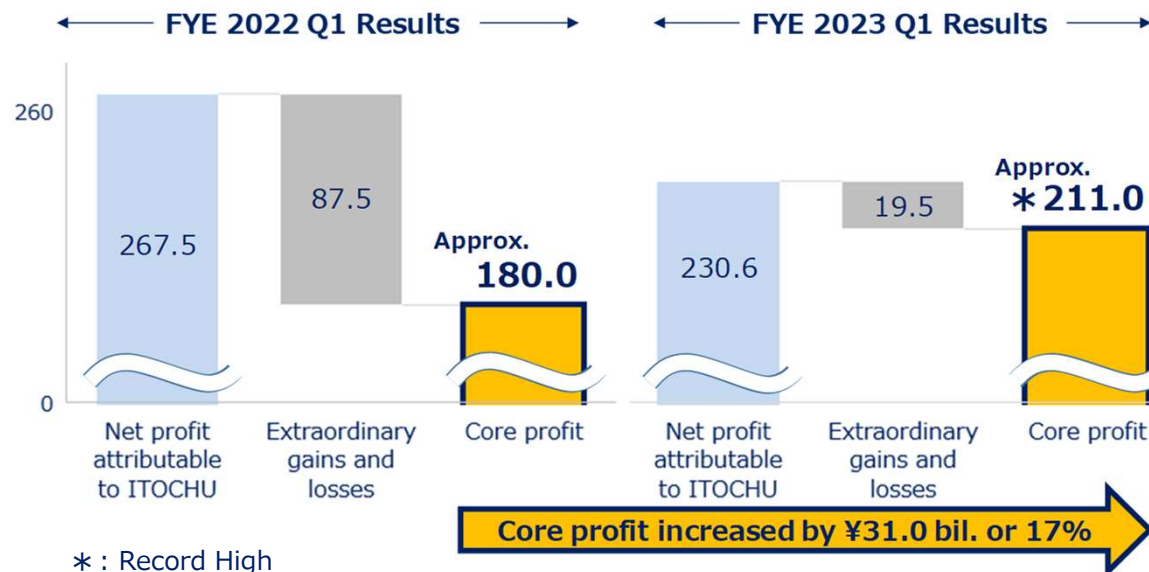
# Core Profit



(Unit : billion yen)

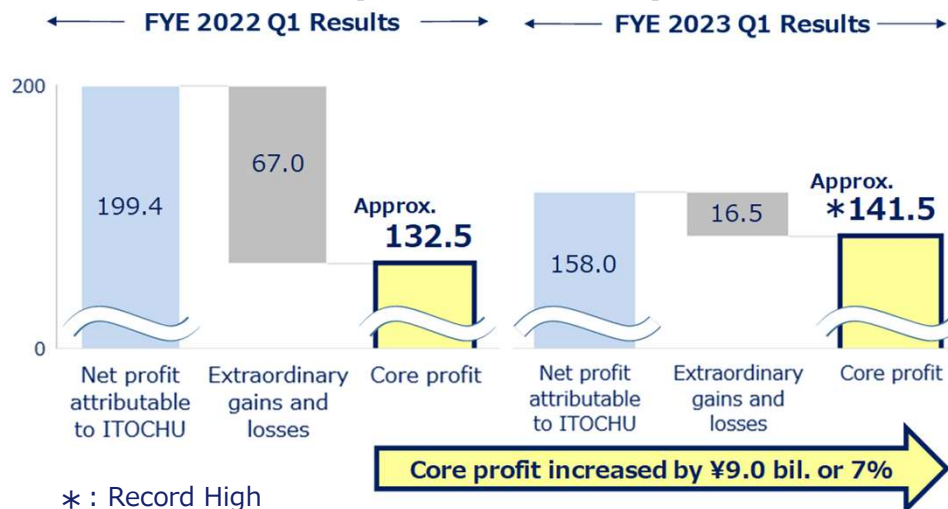
- Renewed all-time high in every single quarter's, both in non-resource and resource sectors resulting from positive impact of the surge in resource prices and the stable growth in revenue in non-resource sector.

## 【Total】



\* : Record High

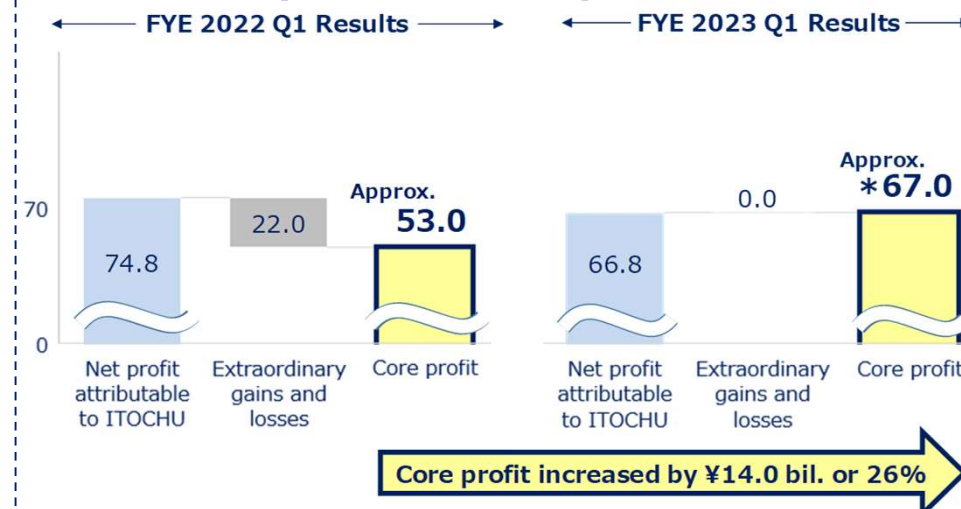
## 【Non-Resource (71%→68%(\*1))】



\* : Record High

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

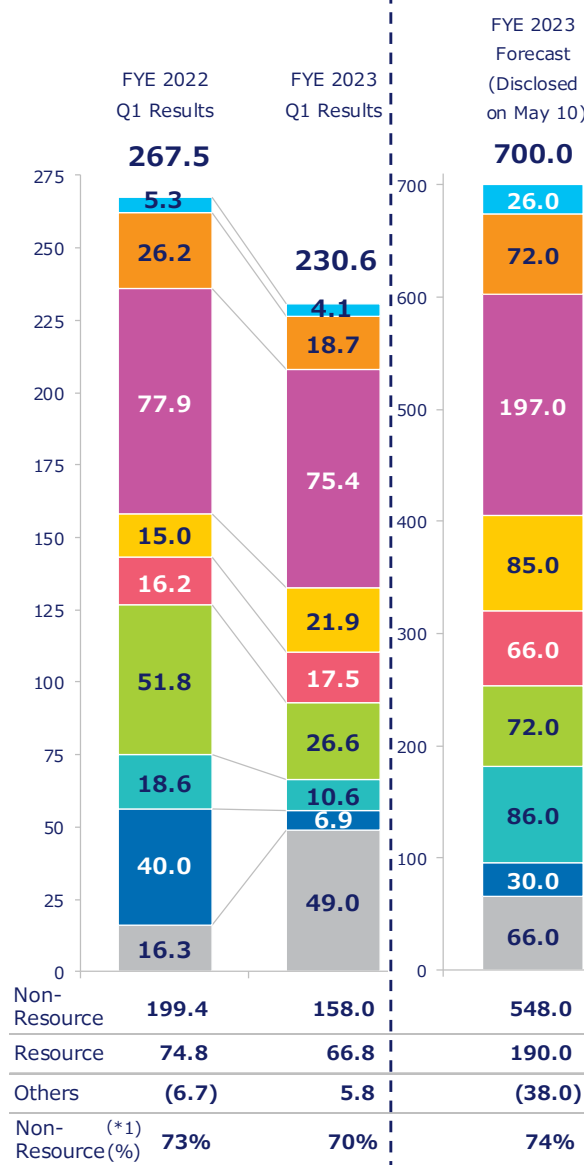
## 【Resource (29%→32%(\*1))】



# Net profit attributable to ITOCHU by Segment



(Unit : billion yen)



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

### Textile [Inc / (Dec) : ¥ (1.2) bil.(incl. Extra. G&L. (\*2) : (2.0)), Progress : 16%]

Decreased due to the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by the improvement of apparel-related companies resulting from the alleviation of the impact of COVID-19.

### Machinery [Inc / (Dec) : ¥ (7.6) bil.(incl. Extra. G&L. : (11.0)), Progress : 26%]

Decreased due to impairment losses on aircrafts leased to Russian airlines in a leasing-related company and the decrease in extraordinary gains compared to the same period of the previous fiscal year, partially offset by charter income resulting from favorable shipping market and increase in dividends from automobile-related investments.

### Metals & Minerals [Inc / (Dec) : ¥ (2.5) bil.(incl. Extra. G&L. : (22.0)), Progress : 38%]

Decreased due to lower iron ore prices and the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by higher coal prices and higher earnings in Marubeni-Itochu Steel resulting from the favorable performance in North American steel pipe business and North American sheet construction materials business.

### Energy & Chemicals [Inc / (Dec) : ¥ 6.9 bil.(incl. Extra. G&L. : -), Progress : 26%]

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, and higher equity in earnings.

### Food [Inc / (Dec) : ¥ 1.2 bil.(incl. Extra. G&L. : 3.5), Progress : 26%]

Increased due to the stable performance in North American grain-related companies and the gain on the group reorganization in North American oils and fats companies, partially offset by the deterioration in profitability in meat-products-related companies and in packaged foods business in Dole.

### General Products & Realty [Inc / (Dec) : ¥ (25.2) bil.(incl. Extra. G&L. : (32.0)), Progress : 37%]

Decreased due to the absence of extraordinary gains in the same period of the previous fiscal year, partially offset by the improvement in profitability in ETEL (European tire-related company), the stable performance in construction materials business and gains on sales of properties in overseas real estate business.

### ICT & Financial Business [Inc / (Dec) : ¥ (8.0) bil.(incl. Extra. G&L. : -), Progress : 12%]

Decreased due to lower sales volume in CONEXIO, lower agency commissions in HOKEN NO MADOGUCHI GROUP and lower gains on fund operations, in addition to the temporary increase in expenses, partially offset by the stable transactions in ITOCHU Techno-Solutions.

### The 8th [Inc / (Dec) : ¥ (33.1) bil.(incl. Extra. G&L. : (29.5)), Progress : 23%]

Decreased due to the increase in expenses resulting from promotion of store renovation, sales promotion and changes in external environment, 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) : ¥ 32.6 bil.(incl. Extra. G&L. : 25.0)]

Increased due to higher earnings in CITIC Limited resulting from the stable performance especially in comprehensive financial business and revaluation gain on securities business, and 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".

# Extraordinary Gains and Losses



(Unit : billion yen)

	FYE 2022 Q1 Results	Major items	FYE 2023 Q1 Results	Major items
Textile	<b>2.0</b>	Gain on the sale of fixed assets in EDWIN: 1.0	–	
Machinery	<b>5.0</b>	Gain on the sale of a water utility company in IEI: 4.0	<b>(6.0)</b>	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	<b>22.0</b>	Realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas: 22.0	–	
Energy & Chemicals	–		–	
Food	–		<b>3.5</b>	Gain on the group reorganization in North American oils and fats companies:3.5
General Products & Realty	<b>30.5</b>	Gain on the sale of Japan Brazil Paper & Pulp Resources Development:32.0 Higher tax expenses in ETEL due to U.K. Tax Reform:(1.5)	<b>(1.5)</b>	Impairment loss on sawn timber business in IFL:(1.5)
ICT & Financial Business	–		–	
The 8th	<b>29.5</b>	Gain on the partial sale of Taiwan FamilyMart:29.5	–	
Others, Adjustments & Eliminations	<b>(1.5)</b>		<b>23.5</b>	Revaluation gain on securities business in CITIC Limited:20.5 Reversal of allowance for risk assets:3.0
Total	<b>87.5</b>	Non-Resource:67.0, Resource:22.0, Others:(1.5)	<b>19.5</b>	Non-Resource:16.5, 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 ¥236.0 bil.**, due to the stable performance in operating revenues in Metals & Minerals, The 8th and General Products & Realty Companies.

“Free cash flows” resulted in a **net cash-inflow of ¥180.3 bil.**, due to the stable accumulation of Operating Cash Flows, partially offset by the purchase of fixed assets by Food, The 8th and Machinery 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 ¥211.0 bil.** and renewed all-time high in every 1<sup>st</sup> quarter’s.

“Core free cash flows” resulted in a **net cash-inflow of ¥138.0 bil.**

### Cash Flows

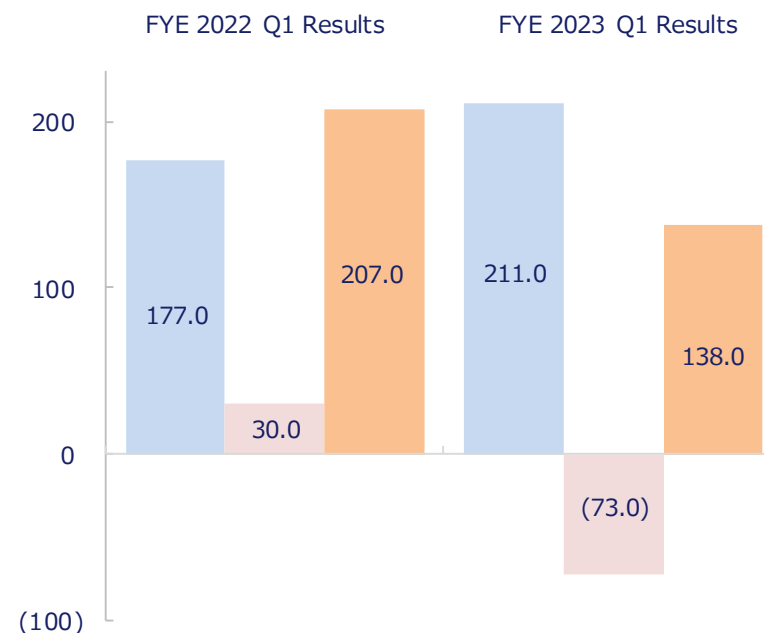
	FYE 2022 Q1 Results	FYE 2023 Q1 Results
Cash flows from operating activities	181.7	236.0
Cash flows from investing activities	1.5	(55.7)
Free cash flows	183.2	180.3
Cash flows from financing activities	(281.4)	(155.3)

### Core Free Cash Flows

	FYE 2022 Q1 Results	FYE 2023 Q1 Results
Core operating cash flows <sup>(*1)</sup>	177.0	** 211.0
Net investment cash flows <sup>(*2)</sup>	30.0	(73.0)
Core free cash flows	207.0	138.0

\*\* : Record High for Q1 Results

### 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 ¥880.5 bil., compared to March 31, 2022 to **¥13,034.1 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, and the impact of the depreciation of the yen.

## ■ Net Interest-bearing Debt:

Increased by ¥106.8 bil., compared to March 31, 2022 to **¥2,389.8 bil.**, due to dividend payments and the impact of the depreciation of the yen, partially offset by the stable performance in operating revenues.

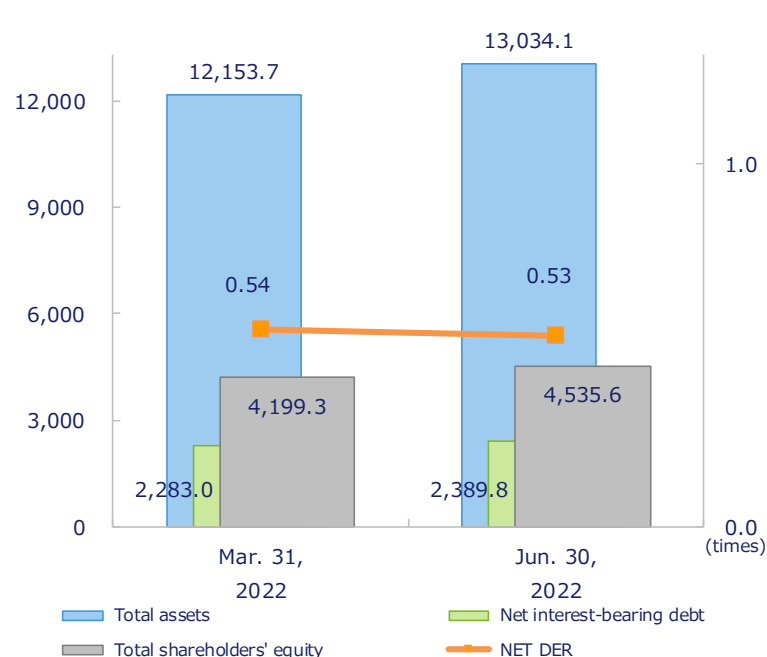
## ■ Total Shareholders' Equity:

Increased by ¥336.2 bil., compared to March 31, 2022 to **¥4,535.6 bil.**, due to net profit attributable to ITOCHU during this fiscal year and the impact of 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 0.2 points compared to March 31, 2022 to **34.8%**.

**NET DER** improved compared to March 31, 2022 to **0.53 times**.



	Mar. 31, 2022	Jun. 30, 2022	Increase/Decrease	Brand-new Deal 2023
Total assets	12,153.7	* 13,034.1	+ 880.5	B/S control appropriate for A ratings
Net interest-bearing debt	2,283.0	2,389.8	+ 106.8	
Total shareholders' equity	4,199.3	* 4,535.6	+ 336.2	
Ratio of shareholders' equity to total assets	34.6%	* 34.8%	Increased 0.2pt	
NET DER (times)	0.54	* 0.53	Improved 0.02pt	
ROE	21.8%	—	—	Maintain high efficiency about 13-16%

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



# Assumptions for FYE 2023



		FYE 2022 Q1 Results	FYE 2023 Q1 Results	FYE 2023 Forecast (Disclosed on May 10)	(Reference) Sensitivities on net profit attributable to ITOCHU for FYE 2023 Q2-4	
Exchange rate (Yen/US\$)	Average	108.93	124.89	120	1 Yen depreciation against US\$	Approx. +¥2.6 bil.
	Closing	Mar. 2022 122.39	Jun. 2022 136.68	120		—
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.07%	0.1%	0.1% increase	Approx. ¥(0.3)bil.
	LIBOR 3M (US\$)	0.16%	1.53%	2.5%		Approx. ¥(0.2)bil.
Crude oil (Brent) (US\$/BBL)		69.08	111.77	90	±¥0.17 bil. <sup>(*3)</sup>	
Iron ore (CFR China) (US\$/ton)		197 <sup>(*1)</sup>	142 <sup>(*1)</sup>	N.A. <sup>(*2)</sup>	±¥0.95 bil. <sup>(*3)</sup>	

(\*1) FYE 2022 Q1 and FYE 2023 Q1 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.

# Credit Ratings

