FYE 2023 1st Half

Business Results Summary Investor Briefing

ITOCHU Corporation

November 8, 2022

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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.

President & COO
Keita Ishii

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%
Trading income	＊ 388.5	590.0	66%	＊ 700.0	56%
Equity in earnings of associates and joint ventures	＊ 185.6	300.0	62%	＊ 300.0	62%
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

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

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Consolidated net profit for the first-half amounted to a robust ¥483.0 billion, nearly a record high and surpassed only by the all-time best of ¥500.6 billion recorded in the same period of the previous fiscal year.
Our progress against the FYE 2023 initial forecast of ¥700.0 billion now stands at 69%, while progress against the FYE 2023 revised forecast of ¥800.0 billion, announced on October 4, 2022, stands at 60%. Looking at quarterly operating results, consolidated net profit for the first and second quarters stood at ¥230.6 billion and ¥252.4 billion, respectively, suggesting steady growth in our earnings power and ongoing momentum in performance.
In terms of year-on-year comparisons, although the absence of large extraordinary gains recorded in the same period of the previous fiscal year led to a year-on-year decline in consolidated net profit, core profit—an indicator of earnings power excluding one-off effects—came to ¥430.0 billion and thus marked a record high. This also represents progress of 61% against the initial FYE 2023 forecast of around ¥710.0 billion. Moreover, the above results represent progress of 56% against the FYE 2023 revised forecast for core profit of ¥770.0 billion, a record high. In sum, our operating results demonstrate steady growth in ITOCHU's earnings power.

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

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(Unit : billion yen)

Segments	FYE2023 Q1-2 Results	FYE2023 Initial Forecast (Post-Reclassification) (*1)	Progress	The Progress toward the Initial Forecast	FYE2023 Revised Forecast (*1)	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 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	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 planed 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%	
Resource	115.4	190.0	61%		210.0	55%	
Others	5.6	(38.0)	–		(23.0)	–	
Non-Resource(%) (*2)	76%	74%			74%		

*: Record High

**: Record High for a first half year results

(*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%.

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As for the first-half operating results and progress by segment, the Machinery Company and the Energy & Chemicals Company posted record-high consolidated net profit for the first half, while the Metals & Minerals Company and the General Products & Realty Company enjoyed robust results. Meanwhile, operating results for the Textile Company, the Food Company and The 8th Company were on par with the FYE 2023 initial forecast. On the other hand, progress against the FYE 2023 initial forecast was stagnant in the ICT & Financial Business Company. Here, I will explain the first half performance of these companies based on the order of their progress vis-à-vis the FYE 2023 initial forecast.

The Machinery Company: In addition to the robust results of all businesses under its supervision, including ship-related companies and automobile-related business, the Machinery Company has benefitted from such positive factors as extraordinary gains arising from the divestment of the North American maintenance-related business, thereby achieving progress of 98% against the FYE 2023 initial forecast and hitting a record-high consolidated net profit of ¥71.4 billion for the first half .

The General Products & Realty Company: While pulp prices remain higher than estimated, the performance of the North American construction materials business, in which we practice hands-on management, has been robust. Furthermore, a revaluation gain was recorded in connection with the reorganization of the North American engineered wood products company. Reflecting these and other factors, the General Products & Realty Company achieved progress of 87% against the FYE 2023 initial forecast, with consolidated net profit for the first half amounting to ¥63.0 billion.

The 8th Company: Daily sales at the stores of FamilyMart increased, reflecting the success of new product development, high-volume package campaigns and other measures that attracted immense customer attention. In addition, the thorough practice of the “cut” principle, which involved the data-driven optimization of delivery routes and inventory, resulted in cost reductions. These endeavors enabled The 8th Company to achieve consolidated net profit for the first half of ¥19.5 billion, which represents on-par progress of 81% against the FYE 2023 initial forecast. The 8th Company’s progress tends to be particularly high during the first half, as the highest revenue season of the convenience store business is centered around summer.

The Metals & Minerals Company: Iron ore market prices, albeit on a downturn, remained higher in the first half than initially assumed for FYE 2023, while coal prices were consistently strong. These factors, in turn, enabled IMEA to perform robustly. The performance of the steel business similarly remained solid in North America. As a result, the Metals & Minerals Company saw progress of 68% against the FYE 2023 initial forecast, achieving consolidated net profit for the first half of ¥134.7 billion.

The Energy & Chemicals Company: On the back of surging market prices, the overall performance of energy, chemicals and power businesses has been strong. Consequently, the Energy & Chemicals Company’s consolidated net profit for the first half stood at ¥48.5 billion, an all-time high. Its progress against the FYE 2023 initial forecast amounted to 56%, which is pretty high for a company that tends to perform more strongly in the second half.

The Textile Company: DESCENTE has established a well-balanced revenue structure supported by revenue sources in Japan, South Korea and China. Meanwhile, the apparel-related business, including LEILIAN and EDWIN, has benefitted from recovery in demand due to the relaxation of movement restrictions. As a result, the Textile Company saw consolidated net profit for the first half of ¥11.6 billion, which is on par with the FYE 2023 initial forecast, representing an annual progress rate of 45%.

The Food Company: Surges in raw material prices and distribution costs, along with the depreciation of the yen, caused the profitability of fresh-food-related companies in Japan and overseas to deteriorate. However, despite these and other negative factors, the Food Company recorded consolidated net profit for the first half of ¥27.7 billion and achieved an annual progress rate of 40%, almost on par with the FYE 2023 initial forecast, backed by the ongoing robustness of the North American grain-related companies and food distribution businesses in Japan.

The ICT & Financial Business Company: Information technology, BPO and other related businesses performed strongly. On the other hand, stagnant stock market conditions resulted in deterioration in remeasurement gains (losses) for fund held investments, which were robust in the previous year, while the mobile-phone-related business saw a decline in profit. In addition, many of the businesses supervised by this company maintain a revenue structure dependent on revenues in the second half. Reflecting these and other factors, the ICT & Financial Business Company’s consolidated net profit for the first half totaled ¥25.4 billion, with its annual progress rate at 30%.

Others, Adjustments & Eliminations: CITIC achieved a robust rate of progress against the FYE 2023 initial forecast thanks in part to the depreciation of the yen and extraordinary gains on revaluation of the securities business.

Regarding the FYE2023 revised forecasts, as announced at the October 4 briefing, we have raised our initial forecasts for consolidated net profit by ¥100.0 billion. Prior to reaching this decision, we conducted an even closer assessment of the status of all segments and group companies than before in light of the uncertain business environment. The above ¥100.0 billion increase consists of ¥60.0 billion attributable to steady growth in core profit in such areas as non-resource sectors; ¥30.0 billion attributable to an expected increase in extraordinary gains on revaluation of the securities business held by CITIC and other factors; and ¥10.0 billion from a reduction in loss buffer.
We also revised the forecasts for each segment in light of progress in its operating results. Specifically, forecasts for consolidated net profit in the Machinery Company, the Metals & Minerals Company, the Energy & Chemicals Company, and the General Products & Realty Company were upwardly revised by ¥27.5 billion, ¥36.5 billion, ¥11.5 billion and ¥22.0 billion, respectively, with each segment's revised forecast representing a record high consolidated net profit for the full year.
Meanwhile, we have not revised the FYE 2023 initial forecasts made at the beginning of the fiscal year for the Textile Company, the Food Company, or The 8th Company. Lastly, our forecast for the ICT & Financial Business Company has been downwardly revised by ¥22.0 billion.
In addition, until the end of the first half, The 8th Company has mutually held interest in some group companies with the other seven Division Companies. However, we have decided to terminate these mutual holdings from the end of the second quarter of this fiscal year. We now consider The 8th Company to have achieved, to a certain degree, its initial purpose of strengthening FamilyMart-related businesses run by other Division Companies. Looking ahead, The 8th Company will be focused on spearheading the development of new businesses while promoting cross-organizational functions to coordinate relevant activities undertaken by other Division Companies, with FamilyMart at the core, through a market-oriented approach.

Cash Flows and Financial Position

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【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.**

(Unit : billion yen)

Cash Flows	FYE 2022 Results	FYE 2023 Q1-2 Results	Brand-new Deal 2023
Cash flows from operating activities	801.2	469.1	Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns
Cash flows from investing activities	38.6	(306.8)	
Free cash flows	*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	Brand-new Deal 2023
Core operating cash flows(*1)	790.0	∗ 467.0	Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation
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.

【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)

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With the Machinery, Metals & Minerals, and Energy & Chemicals companies accomplishing firm results, core operating cash flows stood at ¥467.0 billion, our all-time best for the first half. Cash flows from operating activities were similarly robust, representing the second-best results in our history. Net investment cash flows in the first half, on the other hand, were net outflows of ¥244.0 billion due to proactive investment in Hitachi Construction Machinery, the North American engineered wood products business and other endeavors.

Our financial position as of the end of September 2022 reflects the results of further strengthening measures. Total shareholders' equity grew approximately ¥670.0 billion to approximately ¥4,870.0 billion, far in excess of our previous record high. We have also set new record highs for many other indicators featured on that page. In addition, with regard to credit ratings, presented on page 9, we have earned high ratings from major rating agencies.

Assumptions for FYE 2023

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		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$)	Average	130.45	120	135	1 Yen depreciation against US$	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.

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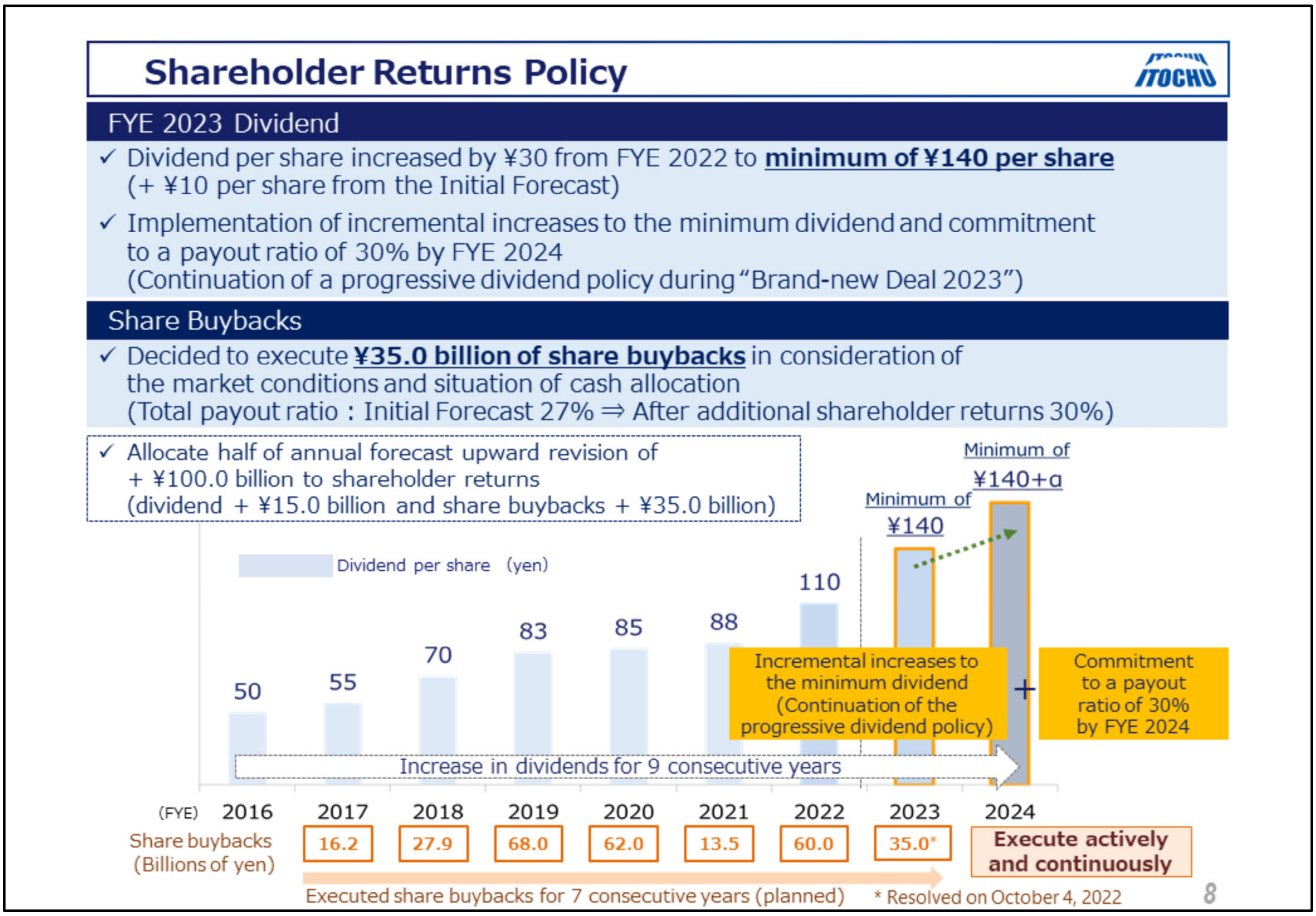
In light of the historic depreciation of the yen, as well as higher resource prices during the first half, we have upwardly revised the assumed foreign exchange rates (Yen/US$) from ¥120 against the U.S. dollar to ¥135 against the U.S. dollar. We also raised the assumed interest rate (US$) to 3.5%, up 1% from the initial assumptions for FYE 2023. Crude oil prices were revised to 95 (US$/BBL). Although iron ore prices cannot be disclosed due to contractual obligations accompanying relevant alliances, we take a conservative approach to formulating assumptions for this and other key items based on current market conditions and will continue to pay close attention to changes in the business environment during the second half.



In line with the additional shareholder return measures disclosed in conjunction with the October 4 announcement of the revised full-year forecasts, we have decided to pay cash dividends of ¥140 per share for FYE 2023, up ¥10 per share from the initial forecast of ¥130 per share. This represents an increase of ¥30 per share from cash dividends of ¥110 per share in the previous fiscal year.

With regard to share buybacks, we decided to execute buybacks of up to ¥35.0 billion for the seventh consecutive year. As disclosed on November 1, 2022, we have already executed share buybacks worth approximately 30% of the above budget as of the end of October 2022.

Also, we once again declare our commitment to implement incremental increases in the minimum dividend over the course of the period of the Brand-new Deal 2023, our medium-term management plan, and to raising our dividend payout ratio to 30% by the end of FYE 2024, the final year of said plan. Going forward, we will also remain diligent in heeding voices from the market while assessing the status of progress in financial results, aiming to live up to expectations of our investors. To that end, we will continuously practice an approach of translating shareholder return measures into improvement in our corporate value over the medium to long term.

Having embarked on the second half of the fiscal year, we now see that the circumstances surrounding ITOCHU are remarkably different from those we have experienced during the past few years. In light of economic policies to be enforced by major countries, the global economy may well fall into a severe recession going forward. However, we are determined to achieve steady profit growth, especially in rapidly changing times like these, by taking full advantage of ITOCHU's unique strength deriving from the practice of lean management, as well as by steadily building up business irrespective of market conditions. Through these endeavors, we will demonstrate the solidity of our earnings base and thereby achieve ¥800.0 billion in consolidated net profit over the course of FYE 2023. We are confident that ITOCHU will be evaluated favorably based on the success of these goals.