

FYE 2023 3rd Quarter Business Results Summary

ITOCHU Corporation
February 3, 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 Financial Results for FYE 2023 3rd Quarter



(Unit : billion yen)

- **“Net profit attributable to ITOCHU”** recorded **¥682.2 bil.**, the highest exceeding the same period of the previous fiscal year which included large amounts of extraordinary gains. [Record High: 2 consecutive years] The progress toward the FYE 2023 Annual Forecast was extremely well, achieving 85%.
- **“Core profit”** was approximately **¥634.0 bil.**, recorded all-time high, resulting from further growth in non-resource sectors mainly in Machinery, Energy & Chemicals and General Products & Realty Companies, and the depreciation of the yen. [Record High: 2 consecutive years] Under uncertain economic circumstances, ITOCHU accumulated profit steadily with stable earnings base which was resistant to economic fluctuations.
- **“Ratio of group companies reporting profits”** was **86.1%**, decreased by 1.0 points compared to the same period of the previous fiscal year. Improved by 1.7 points compared to the 1st half results(84.4%).
- **“Core operating cash flows”** was **¥691.0 bil.** [Record High: 2 consecutive years]

	FYE 2022 Q1-3 Results	FYE 2023 Q1-3 Results	Increase/ Decrease	FYE 2023 Annual Forecast (Disclosed on Nov. 4)	Progress
Net profit attributable to ITOCHU	678.9 *	682.2	+ 3.4	800.0	85%
Extraordinary gains and losses	129.0	48.0	(81.0)	(^{*1}) 30.0	
Core profit ^(*)	550.0 *	634.0	(^{*2}) + 84.0	* 770.0	82%
[Core profit(excluding the impact of COVID-19)] ^(*) (*) Core profit is shown in round figures.	[580.0]	[646.0]	[+ 66.0]	(^{*1}) Including a loss buffer : (20.0)	
			(^{*2}) Including Forex Impact : + 69.0	Dividend information (per share)	
Ratio (%) of group companies reporting profits	87.1%	86.1%	Decreased 1.0pt	Annual (Planned) *	140 yen (minimum)
Core operating cash flows	612.0 *	691.0	+ 79.0	Interim (Paid) *	65 yen

* : Record High (Q1-3 Results/Annual Forecast)

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) : ¥ 2.9 bil.(incl. Extra. G&L. ^(*) : (1.0)), Progress : 75%]

Increased due to the improvement of apparel-related companies resulting from the alleviation of the impact of COVID-19, partially offset by the decrease in extraordinary gains.

Machinery [Inc / (Dec) : ¥ 31.0 bil.(incl. Extra. G&L. : 7.0), Progress : 97%]

Increased due to favorable performance in automobile-related companies and North American business, the start of equity pick-up of Hitachi Construction Machinery, and the gain on the sale of a North American beverage-equipment-maintenance company, partially offset by the losses on aircrafts leased to Russian airlines in a leasing-related company.

Metals & Minerals [Inc / (Dec) : ¥ 17.3 bil.(incl. Extra. G&L. : (22.5)), Progress : 85%]

Increased due to higher coal prices, the stable performance in North American business in Marubeni-Itochu Steel, and the depreciation of the yen, partially offset by lower iron ore prices and the absence of extraordinary gains in the same period of the previous fiscal year.

Energy & Chemicals [Inc / (Dec) : ¥14.5 bil.(incl. Extra. G&L. : (4.0)), Progress : 81%]

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 the stable performance in electricity transactions, partially offset by the decrease in dividends and the absence of extraordinary gains in the same period of the previous fiscal year.

Food [Inc / (Dec) : ¥ (9.6) bil.(incl. Extra. G&L. : 2.5), Progress : 53%]

Decreased due to lower sales volume resulting from decline in demand because of inflation and the increase in logistics cost in Dole, the deterioration in profitability in meat-products-related companies, and the increase in interest expenses resulting from higher U.S. dollar interest rates, 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) : ¥ (5.8) bil.(incl. Extra. G&L. : (23.0)), Progress : 92%]

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), and revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary.

ICT & Financial Business [Inc / (Dec) : ¥ (50.3) bil.(incl. Extra. G&L. : (33.5)), Progress : 60%]

Decreased due to prior expenses for securing personnel even with the stable transactions in ITOCHU Techno-Solutions, the deterioration of remeasurement gains(losses) for fund held investments, lower earnings in mobile-phone-related business, and the absence of extraordinary gains in the same period of the previous fiscal year.

The 8th [Inc / (Dec) : ¥ (26.5) bil.(incl. Extra. G&L. : (29.5)), Progress : 110%]

Decreased due to the absence of extraordinary gains in the same period of the previous fiscal year, whereas the positive impact by the increase in daily sales along with higher number of customers/spend per customer with enhancement of product appeal and sales promotion exceeded the cost increase of franchisee support payments resulting from external environment, store renovation, and logistics restructuring in FamilyMart.

Others, Adjustments & Eliminations [Inc / (Dec) : ¥ 29.9 bil.(incl. Extra. G&L. : 23.0)]

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

(*) 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. These changes are reflected from the FYE 2023 Q3 results and accordingly FYE 2022 Q3 results are reclassified in the same manner.

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

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

Core Profit of Q1-3 Results/YoY Factor Comparison

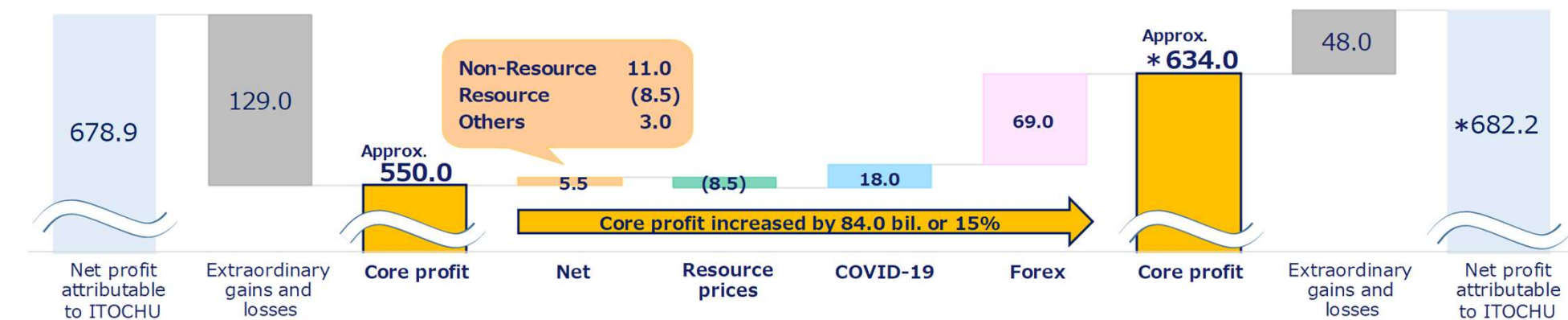


(Unit : billion yen)

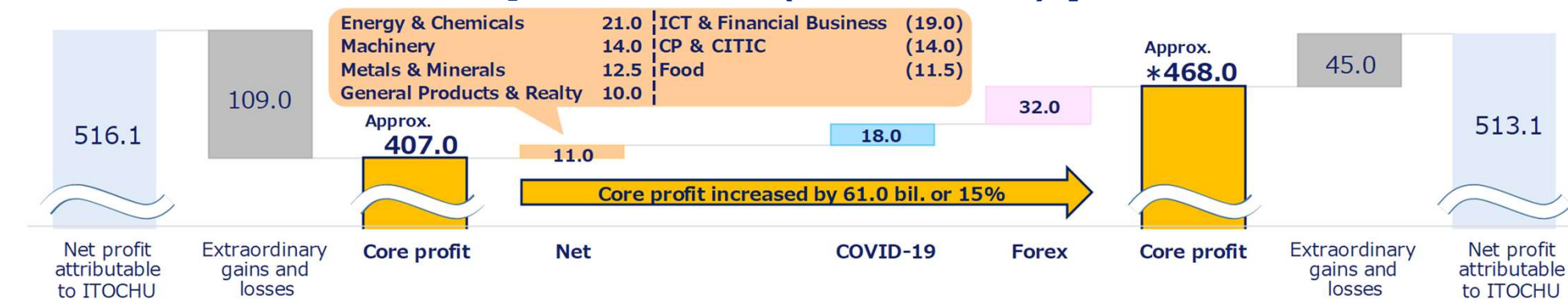
← FYE 2022 Q1-3 Results →

[Total]

← FYE 2023 Q1-3 Results →

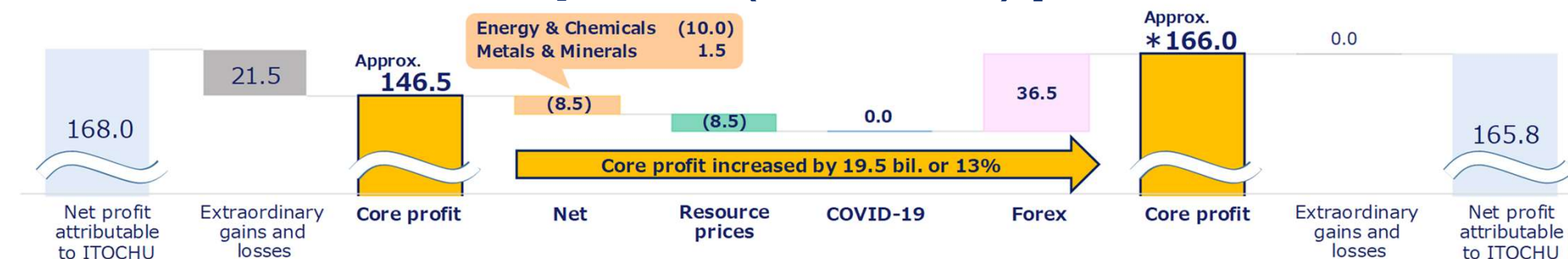


[Non-Resource (74% → 74%^(*1))]



Energy & Chemicals	21.0	ICT & Financial Business	(19.0)
Machinery	14.0	CP & CITIC	(14.0)
Metals & Minerals	12.5	Food	(11.5)
General Products & Realty	10.0		

[Resource (26% → 26%^(*1))]



Energy & Chemicals	(10.0)
Metals & Minerals	1.5

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

Extraordinary Gains and Losses



(Unit : billion yen)

Segments	FYE 2022 Q1-3 Results		Major items	FYE 2023 Q1-3 Results		Major items
		[Q3]			[Q3]	
Textile	3.0	0.5	[Q1]Gain on the sale of fixed assets in EDWIN:1.0	2.0	2.0	[Q3]Gain on the partial sale of an industrial-material-related company:1.0
Machinery	7.5	–	[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	14.5	(4.5)	[Q1, Q3]Losses on aircrafts leased to Russian airlines in a leasing-related company:(14.0) [Q1:(8.5), Q3:(5.5)] [Q1, Q3]Gains on a specific overseas project and business:3.5 [Q1:2.5, Q3:1.0] [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	22.5	0.5	[Q1]Realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas:22.0	–	–	
Energy & Chemicals	4.0	4.0	[Q3]Gain from change in ownership ratio of a lithium-ion batteries company:2.0 [Q3]Revaluation gain due to the conversion of mega-solar companies into consolidated subsidiaries in ITOCHU ENEX:1.5	–	–	
Food	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	29.5	(1.0)	[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)	6.5	(0.5)	[Q1]Impairment loss on sawn timber business in IFL:(1.5) [Q2]Revaluation gain resulting from the conversion of a North American engineered wood products company into a consolidated subsidiary:8.5
ICT & Financial Business	33.5	3.0	[Q2]Gain on the de-consolidation of Paidy:30.5 [Q3]Gain on the sale of fixed assets in ITOCHU Techno-Solutions:1.5	–	–	
The 8th	29.5	–	[Q1]Gain on the partial sale of Taiwan FamilyMart:29.5	–	–	
Others, Adjustments & Eliminations	(1.5)	–		21.5	(2.0)	[Q1]Revaluation gain on securities business in CITIC Limited:20.5 [Q1]Reversal of allowance for risk assets:3.0 [Q3]Impairment loss on CTEI:(2.0)
Total	129.0	7.0	[Q1-3] Non-Resource:109.0, Resource:21.5, Others:(1.5)	48.0	(5.0)	[Q1-3] Non-Resource:45.0, 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 ¥636.2 bil.**, due to the stable performance in operating revenues in Metals & Minerals, The 8th, and Energy & Chemicals Companies. [Record High]

“Free cash flows” resulted in a **net cash-inflow of ¥199.1 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, the investment in iron ore business in Canada by Metals & Minerals Company, and the purchase of fixed assets by Food, The 8th, Machinery, Energy & Chemicals, and Metals & Minerals 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 ¥691.0 bil.** [Record High: 2 consecutive years]

“Core free cash flows” resulted in a **net cash-inflow of ¥305.0 bil.**

Cash Flows	FYE 2022 Q1-3 Results	FYE 2023 Q1-3 Results
Cash flows from operating activities	572.0	* 636.2
Cash flows from investing activities	56.0	(437.1)
Free cash flows	628.0	199.1
Cash flows from financing activities	(761.0)	(289.1)

Core Free Cash Flows	FYE 2022 Q1-3 Results	FYE 2023 Q1-3 Results
Core operating cash flows ^(*1)	612.0	* 691.0
Net investment cash flows ^(*2)	73.0	(386.0)
Core free cash flows	685.0	305.0

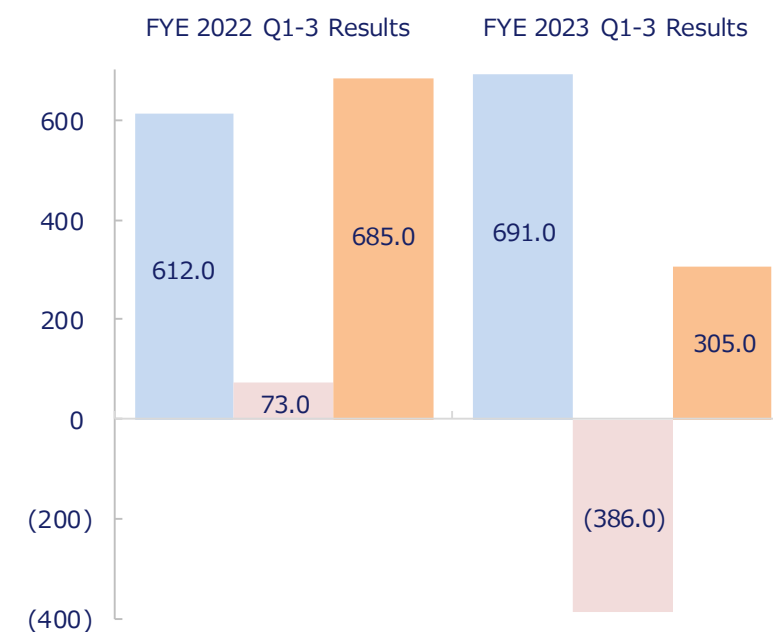
* : Record High

(*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.

■ Core Free Cash Flows



■ Core operating cash flows
■ Net investment cash flows
■ Core free cash flows

Financial Position



(Unit : billion yen)

■ Total Assets:

Increased by ¥1,445.5 bil., compared to March 31, 2022 to **¥13,599.2 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 ¥266.6 bil., compared to March 31, 2022 to **¥2,549.6 bil.**, due to dividend payments and share buybacks, the investment in shares in Hitachi Construction Machinery, and the depreciation of the yen, partially offset by the stable performance in operating revenues.

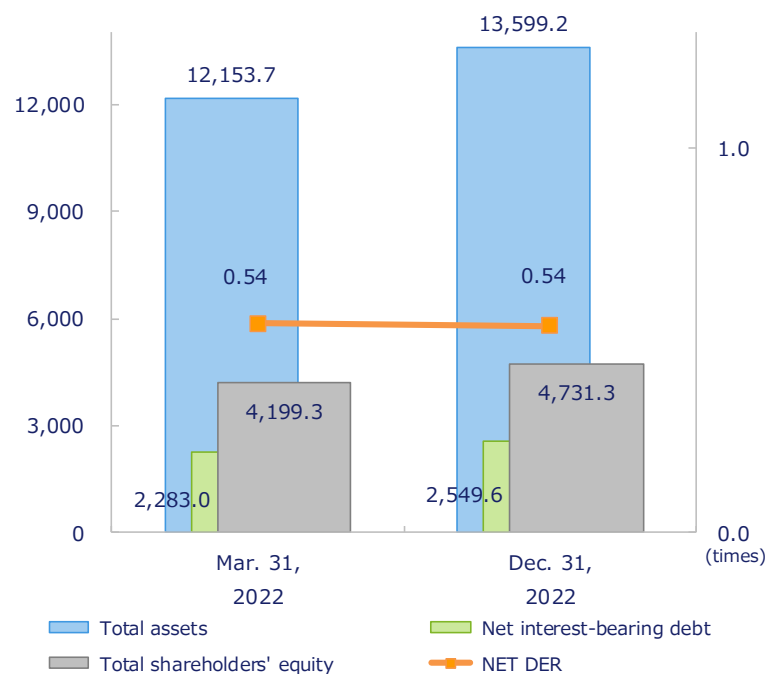
■ Total Shareholders' Equity:

Increased by ¥532.0 bil., compared to March 31, 2022 to **¥4,731.3 bil.**, due to net profit attributable to ITOCHU during this fiscal year and the depreciation of the yen, partially offset by dividend payments and share buybacks.

■ 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 was at the same level compared to March 31, 2022 as **0.54 times**.



	Mar. 31, 2022	Dec. 31, 2022	Increase/Decrease	Brand-new Deal 2023
Total assets	12,153.7	13,599.2	+ 1,445.5	B/S control appropriate for A ratings
Net interest-bearing debt	2,283.0	2,549.6	+ 266.6	
Total shareholders' equity	4,199.3	4,731.3	+ 532.0	
Ratio of shareholders' equity to total assets	34.6%	34.8%	Increased 0.2pt	about 0.7-0.8 times
NET DER (times)	0.54	0.54	same level	
ROE	21.8%	—	—	Maintain high efficiency about 13-16%

Assumptions for FYE 2023



		FYE 2022	FYE 2023	FYE 2023	(Reference)	
		Q1-3	Q1-3	Forecast	Sensitivities on net profit	
		Results	Results	(Disclosed on Nov. 4)	attributable to ITOCHU for	
					FYE 2023 Q4	
Exchange rate (Yen/US\$)	Average	110.55	135.08	135	1 Yen depreciation against US\$	Approx. +¥0.8 bil.
	Closing	Mar. 2022 122.39	Dec. 2022 132.70	140		—
Interest rate (%)	TIBOR 3M (¥)	0.06%	0.06%	0.1%	0.1% increase	Approx. ¥(0.1)bil.
	LIBOR 3M (US\$)	0.15%	3.04%	3.5%		Approx. ¥(0.1)bil.
Crude oil (Brent) (US\$/BBL)		74.04	99.35	95	±¥0.07 bil. (*3)	
Iron ore (CFR China) (US\$/ton)		158 ^(*1)	115 ^(*1)	N.A. (*2)	±¥0.19 bil. (*3)	

(*1) FYE 2022 Q1-3 and FYE 2023 Q1-3 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.

FYE 2023 Shareholder Returns Policy



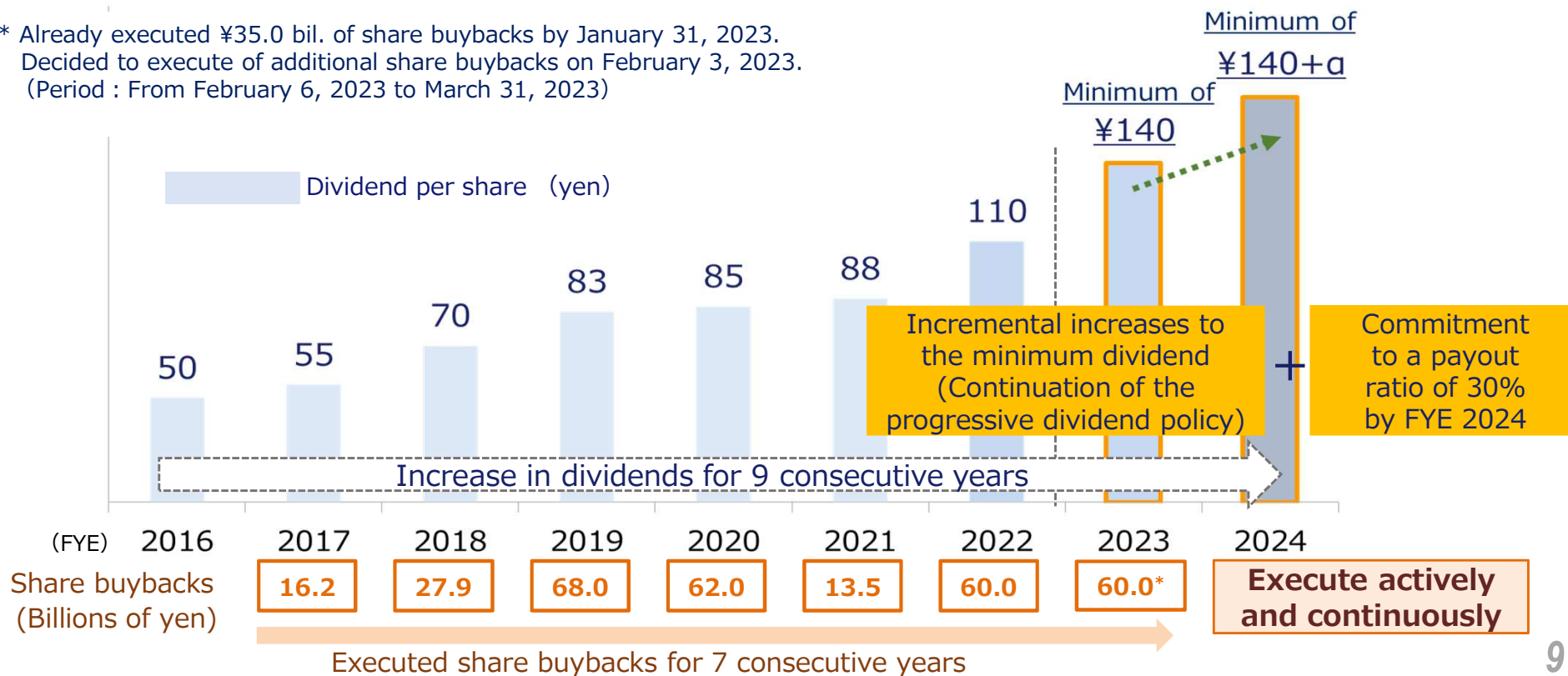
FYE 2023 Dividend

- ✓ 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 **¥25.0 bil. of additional share buybacks (Annual Total:¥60.0 bil.*)** in consideration of the market conditions and situation of cash allocation (Total payout ratio : Initial Forecast 27% ⇒ After additional shareholder returns 33%)

* Already executed ¥35.0 bil. of share buybacks by January 31, 2023.
Decided to execute of additional share buybacks on February 3, 2023.
(Period : From February 6, 2023 to March 31, 2023)



Credit Ratings

