

Medium-Term Management Plan “Brand-new Deal 2023”

Under our current medium-term management plan “Brand-new Deal 2023,” we aim to return to the growth trajectory we were on before the COVID-19 pandemic, achieve consolidated net profit of ¥600.0 billion, and continuously enhance corporate value. To these ends, we will pursue growth strategies founded on our fundamental policies—namely, “Realizing business transformation by shifting to a market-oriented perspective” and “Enhancing our contribution to and engagement with the SDGs through business activities,” and strengthen our financial base by pursuing consistent financial strategies.

Basic Policy

Quantitative targets

Aiming to achieve consolidated net profit of ¥600.0 billion as outlined in the medium-term management plan

Qualitative targets

Realizing business transformation by shifting to a market-oriented perspective
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Profit opportunities are shifting downstream

Profit sources are shifting from upstream to downstream. Breaking down the negative effects caused by silos is an urgent task. We will advance business model evolution and growth opportunity creation.

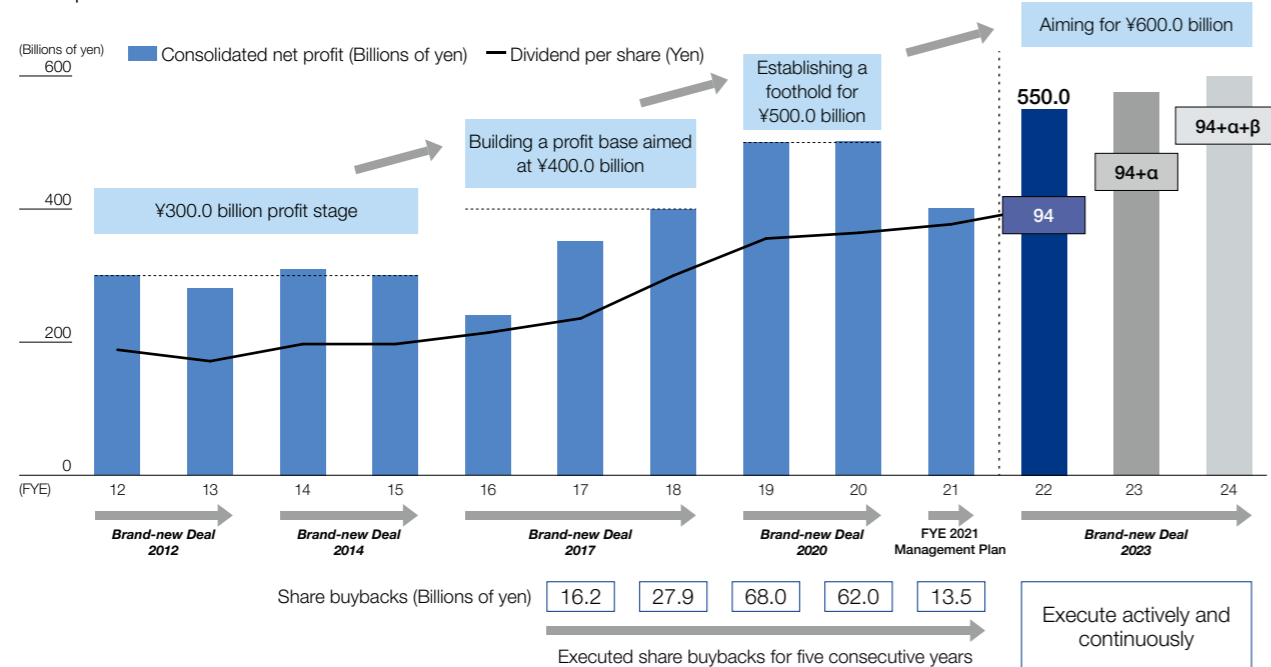
Enhancing our contribution to and engagement with the SDGs through business activities
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Sampo-yoshi capitalism

To realize a sustainable society, we embrace an approach to capitalism with greater emphasis on serving all stakeholders. Through our business activities, we will contribute to the achievement of the SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.

Profit Growth under “Brand-New Deal 2023”

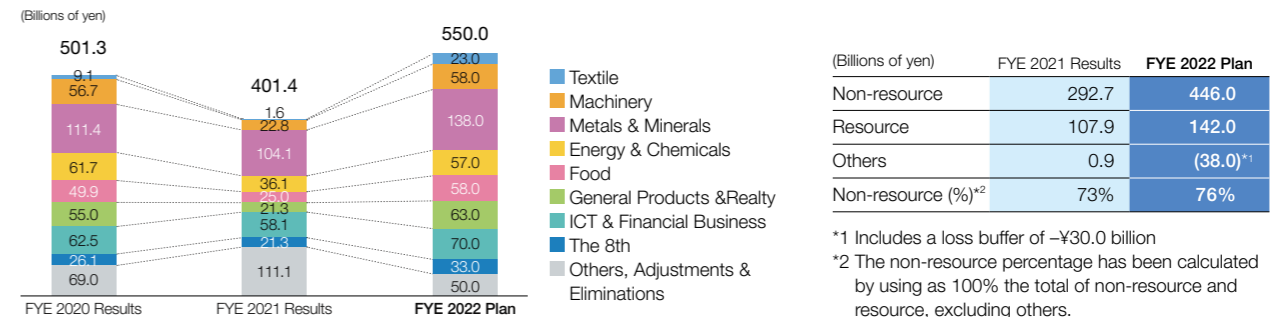
Realizing profit growth by focusing on a market-oriented perspective and SDG initiatives, and aiming for consolidated net profit of ¥600.0 billion



Quantitative Targets

The FYE 2022 consolidated net profit target is ¥550.0 billion. We will return to a growth trajectory that takes us above profit levels prior the COVID-19 pandemic.

Consolidated Net Profit by Segment



(Billions of yen)	FYE 2021 Results	FYE 2022 Plan
Non-resource	292.7	446.0
Resource	107.9	142.0
Others	0.9	(38.0) ^{*1}
Non-resource (%) ^{*2}	73%	76%

^{*1} Includes a loss buffer of -¥30.0 billion
^{*2} The non-resource percentage has been calculated by using as 100% the total of non-resource and resource, excluding others.

Financial Position, Cash Flows, and Ratio Plan

(FYE)	2019	2020	2021
Core operating cash flows (Billions of yen)	515.0	602.0	574.0
Net investment cash flows (Billions of yen)	(20.0)	(290.0)	(755.0)
Core free cash flows after deducting shareholder returns (Billions of yen)	300.0	123.0	(326.0)
NET DER (Times)	0.82	0.75	0.78
Shareholders' equity (Trillions of yen)	2.9	3.0	3.3
ROE (%)	17.9	17.0	12.7

Brand-new Deal 2023

2022-2024

- Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns
- Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation
- B/S control appropriate for A ratings [NET DER about 0.7-0.8 times]
- Maintaining high efficiency [ROE of about 13-16%]

Financial Strategy

Strengthen our financial foundation to support new growth stages while maintaining consistency in our financial strategies.

Financial Policy

B/S control appropriate for A ratings

- Continue to balance three factors: growth investments, shareholder returns, and control of interest-bearing debt
- Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Sustained Enhancement of Corporate Value

- Maintaining high efficiency (high ROE)
- Sustained EPS growth

Shareholder Returns Policy

Dividend

- We have set a minimum dividends per share of ¥94 for FYE 2022
- We will increase the dividend if we revise consolidated net profit upward during FYE 2022
- We aim to reach a dividend of ¥100 per share during the medium-term management plan

Share Buybacks

- As in the past, we will actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation

Assumptions Used for FYE 2020 and FYE 2021 Results and FYE 2022 Plan	FYE 2020 Results	FYE 2021 Results	FYE 2022 Plan	(Reference) Sensitivities on consolidated net profit for FYE 2022
Exchange rate (Yen/US\$ Average)	109.16	105.97	105	Approx. ¥(2.6) billion (1 yen appreciation against US\$)
Exchange rate (Yen/US\$ Closing)	108.83	110.71	105	—
Interest rate (%) TIBOR 3M (¥)	0.07%	0.07%	0.1%	Approx. ¥(0.7) billion (0.1% increase)
Interest rate (%) LIBOR 3M (US\$)	2.04%	0.32%	0.3%	Approx. ¥(0.2) billion (0.1% increase)
Crude oil (Brent) (US\$/BBL)	60.95	45.75	60	±¥0.5 billion ^{*3}
Iron ore (CFR China) (US\$/ton)	95 ^{*1}	127 ^{*1}	N.A. ^{*2}	± ¥1.2 billion ^{*3}

^{*1} FYE 2020 and FYE 2021 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.
^{*2} The price of iron ore used in the FYE 2022 Plan is assumptions made in consideration of general transaction price based on the market. The actual price is not presented, as this is 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.