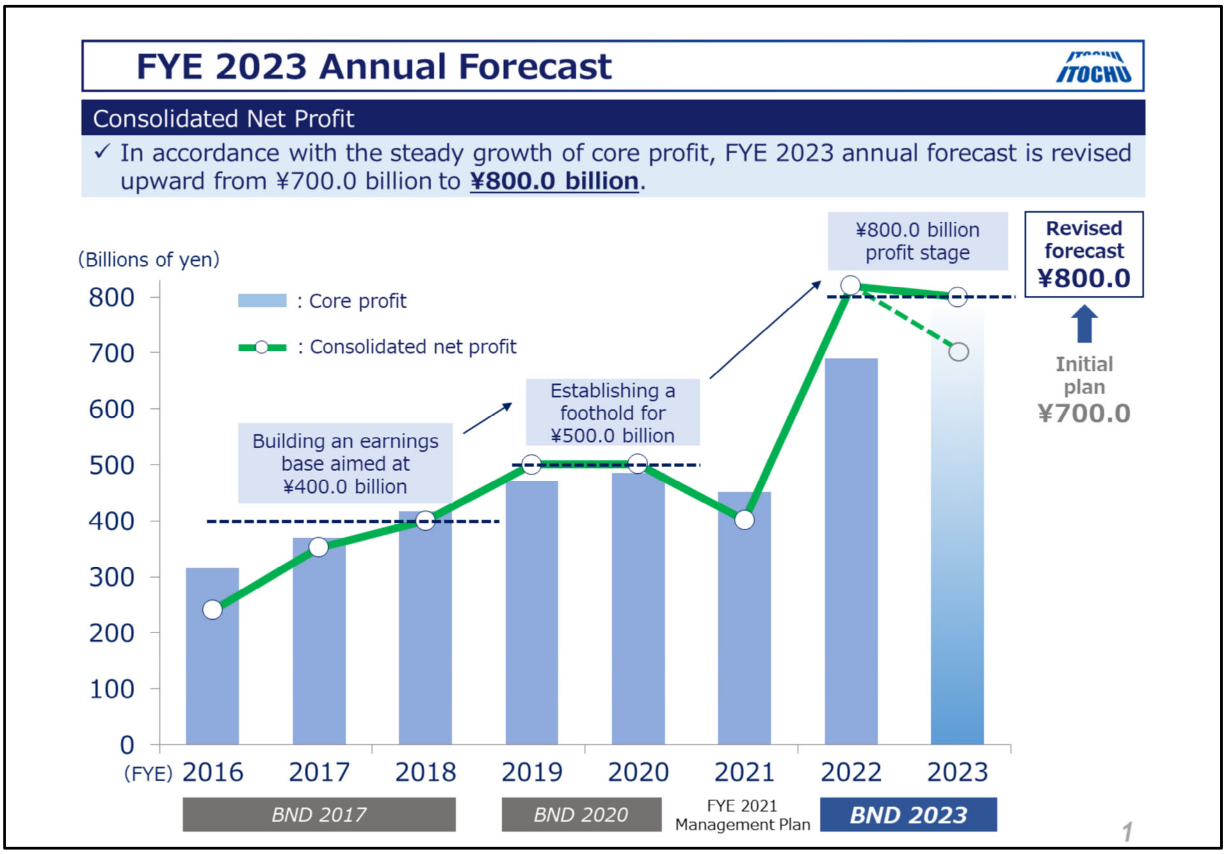


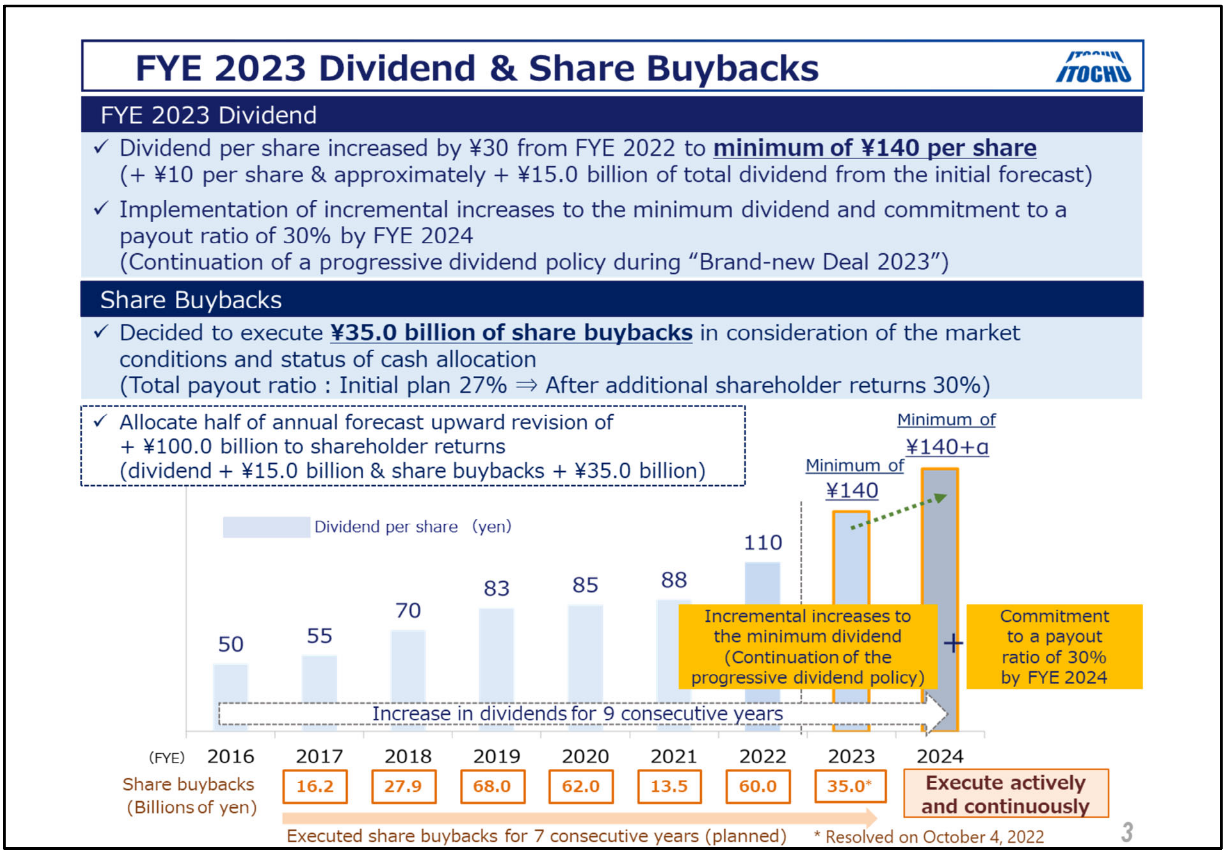
I will explain what led to our announcement of the upward revision of our FYE 2023 forecast for consolidated net profit (¥700.0 billion → ¥800.0 billion), dividend increase (¥130 minimum per share → ¥140 minimum per share), and share buybacks (¥35.0 billion).

First of all, of our initial annual plan of ¥700.0 billion, we achieved 33% in the first quarter through steady growth in core profit, especially in the non-resource sector. Regarding the second quarter, we confirmed that the strength of the first quarter had largely continued. We plan to release the details on November 4, 2022.

The upwardly revised ¥800.0 billion annual forecast still includes a ¥20.0 billion buffer. The ¥100.0 billion increase from the initial plan of ¥700.0 billion amounts to roughly 15% upward revision so we wanted to disclose this information as soon as possible.

General trading companies have displayed strong performance in FYE 2022 and 2023 with soaring resource prices. Paying close attention to whether our corporate value is underestimated in the market due to the impression that we enjoy limited benefit from soaring resource prices, we have continued holding dialogue with market participants.

In FYE 2023, management has held more in-depth discussions than usual. Management meetings are usually held only in April and October, but in FYE 2023, important meetings were also held in August and September.
Management debated medium- to long-term management strategies, conducted first-half reviews, and reassessed the business environment for the second half, in addition to discussing and sharing information about reactions and evaluations from shareholders and investors. As a result, it was determined that we should disclose the upward revision and additional shareholder returns as quickly as possible to the market.
In the CEO message of the annual report released at the end of August, there is a section entitled, “Decision Aligning Our Aims with the Market.” As expressed there, we continue to consider how we can effectively meet market expectations. In line with the Medium- to Long-Term Shareholder Returns Policy released in October 2018, we have just announced the best set of three measures we can consider, comprising an upward revision, a dividend increase, and share buybacks.



We will allocate ¥50.0 billion, which corresponds to 50% of the ¥100.0 billion upward revision, to shareholder returns, with ¥15.0 billion going to a dividend increase and the remaining ¥35.0 billion to share buybacks over four months.
Although shareholders and investors frequently question the Company's stance on shareholder returns, ITOCHU will unwaveringly maintain balance for three factors (growth investments, shareholder returns, and control of interest-bearing debt).
Considering the Company's current earning power, we determined that allocating 50% of the upward revision to shareholder returns would not negatively affect our financial discipline or opportunities for future growth investments.
Of course, we are aware of the credit rating agencies, our key stakeholders, which have placed us on a positive outlook. As we currently aim to raise our credit ratings, we made this decision after full consideration to ensure that the scale of the increase in shareholder returns would not have an adverse impact on our credit ratings.
The dividend payout ratio in our initial FYE 2023 plan was 27%, a milestone set to meet our commitment to a payout ratio of 30% by FYE 2024. With the increased dividends and share buybacks, the total dividend payout ratio in FYE 2023 is now 30% so we believe we have achieved this goal ahead of schedule.
This announcement of additional shareholder returns follows our review of the first half of FYE 2023. Going forward, we will continue to consider additional returns based on the progress of investments and the status of excess cash at the end of each quarter.

However, we do not hold an optimistic view of the business environment. The strength in the first quarter, which was attributable to the growth of core profit in the non-resource sector, has largely persisted in the second quarter. In the second half, however, the effects of yen depreciation and rising energy prices will not necessarily have a positive impact on consumption, and we will need to keep an eye on the North American business, which has been strong.
Although iron ore prices, which have a large impact on ITOCHU, are falling; the price of resources such as crude oil and thermal coal, as well as pulp prices, have stayed high for longer than expected, and we need to carefully consider how long that will last.
Amid this situation, as for the Group companies, we think we can expect a certain level of profit contribution in the second half by steadily practicing not just the “earn” principle, but also the “cut and prevent” principles.
Conditions in Japan also require caution. Prices of various products have risen since October. Key points will revolve on to what extent consumers can accept the price hikes and how costs can be passed to prices. As electricity and fuel prices rise, the manufacturing industry is also grappling with whether the cost increases can be absorbed. We intend to monitor each individual business carefully.