

This document is an unofficial translation of the Notice of the 99th Ordinary General Meeting of Shareholders and is provided for your convenience only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original version of the document is the sole official version.

## **Other Items on Electronic Provision Measures Concerning Notice of the 99th Ordinary General Meeting of Shareholders**

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The items of this document have been excluded from the paper-based documents to be delivered to shareholders who requested the delivery of documents stating items subject to measures for electronic provision pursuant to the provisions of laws and regulations and Article 16 of ITOCHU Corporation's Articles of Incorporation.

The Japanese original version of this document (excluding financial statements for reference) is in the scope of the audit by the Corporate Auditors and Independent Auditor in preparing the Audit Reports.

ITOCHE Corporation's website: [https://www.itochu.co.jp/en/ir/shareholder/general\\_meeting/](https://www.itochu.co.jp/en/ir/shareholder/general_meeting/)

### **ITOCHE Corporation**

[Notes to Consolidated Financial Statements]

[Basis of Presenting Consolidated Financial Statements]

1. Basis of Consolidated Financial Statements

The Consolidated Financial Statements of ITOCHU Corporation (the “Company”) have been prepared in conformity with International Financial Reporting Standards (IFRS) pursuant to the provision of paragraph 1, Article 120 of the Ordinance on Company Accounting. Some of the descriptions and notes required under IFRS have been omitted based on the provision of the latter part of the said paragraph of the Ordinance.

2. Scope of Consolidation and Application of Equity Method

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries

Number of Consolidated Subsidiaries: 188 (\*1)

Names of Principal Consolidated Subsidiaries:

|              | Name   |  |
|--------------|--|--|
|              | Domestic   | Overseas   |
| Subsidiaries | Dole International Holdings, Inc.<br>ITOCHU Techno-Solutions Corporation<br>ITOCHU ENEX CO., LTD.<br>FamilyMart Co., Ltd.<br>C.I. TAKIRON Corporation<br>POCKET CARD CO., LTD.<br>ITOCHU Property Development, Ltd.<br>Prima Meat Packers, Ltd.<br>YANASE & CO., LTD.<br>ITOCHU LOGISTICS CORP.<br>ITOCHU-SHOKUHN Co., Ltd.<br>NIPPON ACCESS, INC.<br>Citrus Investment LLC (*2) | ITOCHU International Inc.<br>ITOCHU (CHINA) HOLDING CO., LTD.<br>ITOCHU Hong Kong Ltd.<br>ITOCHU Europe PLC<br>Orchid Alliance Holdings Limited<br>European Tyre Enterprise Limited<br>ITOCHU Minerals & Energy of Australia Pty Ltd<br>ITOCHU FIBRE LIMITED |

(2) Number of equity-method associated companies and names of principal associated companies

Number of Equity-Method Associated Companies: 83 (\*1)

Names of Principal Associated Companies:

|                                    | Name   |                        |
|------------------------------------|--|------------------------|
|                                    | Domestic   | Overseas               |
| Equity-Method Associated Companies | Orient Corporation<br>Tokyo Century Corporation<br>Marubeni-Itochu Steel Inc.<br>FUJI OIL HOLDINGS INC.<br>DESCENTE LTD. | C.P. Pokphand Co. Ltd. |

\*1 Investment companies which are considered as part of the parent company (165 companies) and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (486 companies) are not included in the number of companies.

\*2 Citrus Investment LLC is added as a principal consolidated subsidiary from this fiscal year.

(3) Major changes in the scope of consolidation and application of equity method

New

Subsidiaries: DOME CORPORATION

Equity-Method Associated Companies: ISUZU LEASING SERVICES LIMITED

WELLNEO SUGAR Co., Ltd.

Gaitame.Com Co.,Ltd.

Exclusion

Subsidiaries: ITOCHU SUGAR CO.,LTD.

CONEXIO Corporation

Equity-Method Associated Companies: AYAHA CORPORATION

ISUZU MOTORS SALES LTD.

KUMESHIMA SUGAR CO.,LTD.

3. Significant Accounting Policies

Significant Accounting Policies are described in the “Significant Accounting Policies” notes.

[Notes to Consolidated Statement of Financial Position]

1. Pledged Assets as Collateral and Secured Obligations

| (1) Pledged assets as collateral             | (Millions of Yen) |
|--|-------------------|
| Cash and Time deposits                       | 105               |
| Trade receivables and others                 | 15,416            |
| Inventories                                  | 26,496            |
| Investments and non-current receivables      | 216,202           |
| Property, plant and equipment                | 26,853            |
| Total  | 285,072           |
| (2) Secured obligations                      |                   |
| Short-term borrowings                        | 5,549             |
| Trade payables and others                    | 24,843            |
| Long-term borrowings                         | 8,176             |
| Lease liabilities (short-term and long-term) | 123,480           |
| Total  | 162,048           |

2. Allowance for doubtful accounts directly deducted from assets

|  |                 |
|--|-----------------|
| Allowance for doubtful receivables directly<br>deducted from current assets, including trade receivables           | ¥22,992 million |
| Allowance for doubtful receivables directly<br>deducted from non-current assets, including non-current receivables | ¥34,713 million |

3. Accumulated depreciation and accumulated impairment losses

|                                   |                    |
|-----------------------------------|--------------------|
| for property, plant and equipment | ¥2,025,610 million |
|-----------------------------------|--------------------|

4. Accumulated depreciation and accumulated impairment losses

|                         |                 |
|-------------------------|-----------------|
| for investment property | ¥45,712 million |
|-------------------------|-----------------|

5. Fair value of investment property

¥43,981 million

## 6. Guarantees of Contracts and Others

The maximum potential amount of future payments and the amount of substantial risk of the guarantees for associates, joint ventures and customers of the Company and its subsidiaries at March 31, 2023 were as follows:

The maximum potential amount of future payments represents the amounts that the Company and its subsidiaries could be obliged to pay if there were defaults. The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the maximum potential amount of future payments. The amounts that may be reassured from third parties have been excluded in determining the amount of substantial risk.

(Millions of Yen)

|  | Financial guarantees | Guarantees for performance transactions | Total     |
|--|----------------------|---|-----------|
| Guarantees for associates and joint ventures:    |                      |   |           |
| Maximum potential amount of future payments..... | ¥ 79,565             | ¥ 3,142                                 | ¥ 82,707  |
| Amount of substantial risk.....                  | 69,691               | 3,142                                   | 72,833    |
| Guarantees for customers:                        |                      |   |           |
| Maximum potential amount of future payments..... | 33,010               | 44,673                                  | 77,683    |
| Amount of substantial risk.....                  | 21,952               | 8,360                                   | 30,312    |
| Total:   |                      |   |           |
| Maximum potential amount of future payments..... | ¥ 112,575            | ¥ 47,815                                | ¥ 160,390 |
| Amount of substantial risk.....                  | 91,643               | 11,502                                  | 103,145   |

JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA. (“JBMF”), a subsidiary of the Company, currently holds CSN Mineração S.A. (“CM”) which is recorded in Other investments accompanying the merger of Nacional Minérios S.A. (“NAMISA”), which was a joint venture of the Company, and the Casa de Pedra Mine and railway company shares and port facility usage rights owned by Companhia Siderúrgica Nacional, the major Brazilian steel producer which is the parent company of NAMISA, in November 2015. NAMISA received a tax assessment notice in December 2012 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2009 to 2011 related to the deductibility of the amortization of goodwill for tax purposes over the period from August 2009 to July 2014. CM, which took over this tax assessment, filed suit in Brazilian federal court in September 2017 upon exhausting the administrative appeal procedures. CM received a tax assessment notice in December 2018 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2013 to 2014, and proceeded with the administrative appeal procedures in January 2019. With regards to the tax assessment, the impact on JBMF will be ¥38,982 million in the event that the amortization of goodwill for tax purposes is not deductible. The Company’s proportionate interest related to the tax assessment is ¥27,150 million, including interest and penalties of ¥21,235 million. CM, which took over the tax litigation, recorded no liabilities related to this assessment.

## 7. Impairment of assets

If the recoverable amount of cash-generating units is less than the related carrying amount as a result of impairment tests for assets of the Company and its subsidiaries, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss.

The major impairment losses for the fiscal year ended March 31, 2023 were as follows:

In Dole Food & Beverages Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to decline in demand because of inflation and the increase in logistics cost, an impairment loss of ¥22,997 million was recognized regarding the goodwill and intangible assets of the aforementioned group. Moreover, in the Fresh Produce Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to a reduced production volume of fresh fruits due to unseasonable weather and an inflation-fueled increase in costs for fertilizer and agricultural chemicals, an impairment loss of ¥5,425 million was recognized regarding intangible assets of the aforementioned group.

[Notes to Consolidated Statement of Changes in Equity]

1. The total number of issued shares was 1,584,889,504 shares of common stock as of March 31, 2023.

2. Cash dividends on common stock

Dividends paid were as follows:

| Resolution   | Type of shares | Total cash dividends | Source            | Dividends per share | Dividends record date | Dividends effective date |
|--|----------------|----------------------|-------------------|---------------------|-----------------------|--------------------------|
| Ordinary general meeting of shareholders held on June 24, 2022 | Common stock   | ¥92,715 million      | Retained earnings | ¥63                 | March 31, 2022        | June 27, 2022            |
| Board of Directors meeting held on November 4, 2022            | Common stock   | ¥95,658 million      | Retained earnings | ¥65                 | September 30, 2022    | December 2, 2022         |

Dividend for which the record date is in this fiscal year but the effective date is in the following fiscal year is as follows:

| Resolution (Plan)  | Type of shares | Total cash dividends | Source            | Dividends per share | Dividends record date | Dividends effective date |
|--|----------------|----------------------|-------------------|---------------------|-----------------------|--------------------------|
| Ordinary general meeting of shareholders to be held on June 23, 2023 | Common stock   | ¥109,265 million     | Retained earnings | ¥75                 | March 31, 2023        | June 26, 2023            |

[Financial Instruments]

1. Status of financial instruments

The Company and its subsidiaries hold financial instruments such as trade receivables and payables, loans and guarantees, corporate bonds and borrowings, investments, and derivatives.

The Company and its subsidiaries conduct business transactions and operations in regions around the world, and consequently are exposed to foreign exchange rate risk, interest rate risk, commodity price risk, stock price risk, credit risk, and liquidity risk. The Company and its subsidiaries utilize periodic monitoring and other means to manage these risks.

(1) Foreign exchange rate risk management

The Company and its subsidiaries are exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import/export trading. Therefore, the Company and its subsidiaries work to minimize foreign exchange rate risk through hedge transactions that utilize derivatives, such as foreign exchange forward contracts.

(2) Interest rate risk management

The Company and its subsidiaries are exposed to interest rate risk in both raising and using funds for investing, financing, and operating activities. Among interest insensitive assets, such as investment securities or fixed assets, the portion acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. The Company and its subsidiaries seek to quantify the interest rate risk to better control the fluctuation of gains and losses due to interest rate changes.

In addition, the Company and its subsidiaries periodically track interest rate trends and monitor the amount of influence on interest payments due to interest rate changes, using the Earnings at Risk (EaR).

As the Company and its subsidiaries hold financial instruments in reference to U.S. dollar Libor, the Company and its subsidiaries may be impacted by interest rate benchmarks reform associated with the permanent discontinuation of U.S. dollar Libor. However, negotiations with financial institutions toward the transition to an alternative interest rate benchmarks were mostly completed by the end of the fiscal year ended March 31, 2023.

(3) Commodity price risk management

The Company and its subsidiaries conduct actual demand transactions that are based on the hedge transactions of a variety of commodities. As a result, because it holds long or short positions in light of market prices, in some cases the Company and its subsidiaries are exposed to commodity price fluctuation risk. Therefore, the Company and its subsidiaries analyze inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity, as well as conduct monitoring, management, and periodic reviews.

To reduce commodity price risks, the Company and its subsidiaries use such hedges as futures and forward contracts.

(4) Stock price risk management

The Company and its subsidiaries hold a variety of marketable equity securities, mainly to strengthen relationships with customers, suppliers, and other parties, and to secure business income, and to increase corporate value through means such as making a wide range of proposals to investees, and consequently are exposed to stock price fluctuation risk. Therefore, the Company and its subsidiaries periodically track and monitor the amount of influence on consolidated shareholders' equity, using the Value at Risk (VaR).

(5) Credit risk management

Through trade receivables, loans, guarantees, and other formats, the Company and its subsidiaries grant credit to their trading partners, both domestically and overseas. The Company and its subsidiaries, therefore, bear credit risk in relation to such receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Company's and its subsidiaries' partners, and in relation to assuming responsibilities to fulfill contracts where an involved party is unable to continue its business and therefore cannot fulfill its obligations under the contracts. Therefore, when granting credit, the Company and its subsidiaries work to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guaranties as needed. At the same time, the Company and its subsidiaries establish an allowance for doubtful accounts by estimating expected credit losses based on the creditworthiness, the status of receivable collection, and the status of receivables in arrears of business partners. The Company and its subsidiaries, having transactions in a broad range of businesses across a wide range of regions, are not exposed to credit risk that is significantly concentrated on any individual counterparty.

(6) Liquidity risk management

The Company and its subsidiaries are exposed to liquidity risk in both raising and using funds for investing, financing, and operating activities, as well as repayments of borrowings. In addition to securing flexibility in fundraising in response to changes in financial conditions and reducing the cost of funds, the Company and its subsidiaries have taken steps to diversify their sources of funds and methods of fundraising.



## 2. Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of March 31, 2023 are as follows:

(Millions of Yen)

|  | Carrying amount | Fair value |
|--|-----------------|------------|
| Financial assets:  |                 |            |
| FVTPL financial assets.....  | ¥ 83,909        | ¥ 83,909   |
| FVTOCI financial assets.....   | 862,650         | 862,650    |
| Derivative assets.....   | 64,367          | 64,367     |
| Non-current receivables and Non-current financial assets<br>other than investments and receivables (excluding<br>derivative assets)..... | 380,743         | 375,991    |
| Financial liabilities:   |                 |            |
| Derivative liabilities.....  | 67,770          | 67,770     |
| Long-term debentures and borrowings and Other non-<br>current financial liabilities (excluding derivative<br>liabilities).....           | 2,396,177       | 2,395,831  |

Note: Of the “Non-current receivables” reflected on the Consolidated Statement of Financial Position, the shareholder loan to Chia Tai Bright Investment Company Limited (“CTB”) accompanying the acquisition of CITIC Limited shares is not included above, and the information concerning the said financial instrument is described in (4) below.

### (1) Valuation techniques for fair values of financial instruments

IFRS 13 “Fair Value Measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following three levels based on its observability of inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for identical assets or liabilities.

The Company and its subsidiaries use the following valuation techniques for assets and liabilities that are measured at fair value on a recurring basis.

The financial instruments classified as FVTPL and FVTOCI financial assets consist of securities and alternative investments. Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are classified as Level 1. In contrast, instruments that are measured at quoted prices in markets in which there are relatively few transactions are classified as Level 2.

Securities that are not listed on exchanges are measured mainly using the discounted cash flow and modified net assets methods based on comprehensive consideration of various inputs that are available to the Company and its subsidiaries, including expectation of future income of the investee, the net asset value of the subject stock, and the actual value of significant assets held by the said investee. If the amount affected by unobservable inputs covers a significant proportion of the fair value, the security is classified as Level 3, and if the amount affected by unobservable inputs does not cover a significant proportion of fair value, the security is classified as Level 2.

On the Consolidated Statement of Financial Position, the financial instruments classified as FVTPL and FVTOCI financial assets are included in “Other current financial assets” and “Other investments”.

Derivative assets and derivative liabilities consist of currency derivatives, interest rate derivatives, and commodity derivatives. The derivative instruments that are traded in the active market are valued at quoted market prices and classified as Level 1. The other derivative instruments that are measured using commonly used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only, are classified as Level 2.

On the Consolidated Statement of Financial Position, derivative assets are included in “Other current financial assets” and “Non-current financial assets other than investments and receivables”, and derivative liabilities are included in “Other current financial liabilities” and “Other non-current financial liabilities”.

The fair values of “Non-current receivables” and “Non-current financial assets other than investments and receivables” (excluding derivative assets) are estimated based on the present value of future cash flows discounted using the current rates of loans or receivables with similar terms, conditions, and maturities being offered to borrowers or customers with similar credit ratings and are classified as Level 2.

“Non-current receivables” and “Non-current financial assets other than investments and receivables”, for which the Company and its subsidiaries recognized an allowance for doubtful accounts, are classified as Level 3.

The fair values of “Long-term debentures and borrowings” and “Other non-current financial liabilities” (excluding derivative liabilities) are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities and are classified as Level 2.

Of the securities included in “Other current financial assets” and “Other investments”, financial assets measured at amortized cost are primarily public and corporate bonds for which the fair values are approximately the same as their carrying amounts.

The carrying amounts of current financial assets and liabilities other than those mentioned above are approximately the same as their fair values mainly because of their short maturities.

Based on the policies and procedures defined by the Company, the Company and its subsidiaries apply the best available valuation techniques and inputs to measure the fair value of assets and liabilities by considering their nature, features, and risk. The assets and liabilities that are classified as Level 3 are mainly measured by the discounted cash flow and modified net assets methods. In addition, the result of the measurement of the fair value has been approved by the appropriate authority in each Division Company.

The fair value of assets and liabilities that are measured by discounted cash flow fluctuates depending on the discount rates that are applied. These discount rates are applied to each financial asset by calculating the risk-free rate, which includes country risk premium (Approximately 7-19%. Meanwhile, for the resource-related investments in Russia, higher discounted rate reflecting rise of the country risk was applied.)

If the unobservable inputs have been changed to reflect reasonably possible alternative assumptions, the effect is expected to be insignificant.

The Company and its subsidiaries recognize transfers of assets or liabilities between levels of the fair value hierarchy at the end of quarter when the transfer occurs.

- (2) The information by level for financial instruments that were measured at fair value on a recurring basis as of March 31, 2023

(Millions of Yen)

|                              | Level 1 | Level 2  | Level 3  | Total    |
|------------------------------|---------|----------|----------|----------|
| Financial assets:            |         |          |          |          |
| FVTPL financial assets.....  | ¥ 2,134 | ¥ 28,503 | ¥ 53,272 | ¥ 83,909 |
| FVTOCI financial assets..... | 542,296 | -        | 320,354  | 862,650  |
| Derivative assets.....       | 3,924   | 60,443   | -        | 64,367   |
| Financial liabilities:       |         |          |          |          |
| Derivative liabilities.....  | 9,828   | 57,942   | -        | 67,770   |

- (3) The changes in Level 3 items for the fiscal year ended March 31, 2023

(Millions of Yen)

|  | FVTPL<br>financial assets | FVTOCI<br>financial assets |
|--|---------------------------|----------------------------|
| Beginning balance.....   | ¥ 67,614                  | ¥ 342,951                  |
| Total gains or losses.....   | 1,975                     | (21,069)                   |
| Included in gains on investments.....  | 1,975                     | -                          |
| Included in other comprehensive income (loss)<br>(FVTOCI financial assets).....  | -                         | (20,414)                   |
| Included in other comprehensive income (loss)<br>(Translation adjustments).....  | -                         | (655)                      |
| Purchases.....   | 14,235                    | 6,684                      |
| Sales.....   | (24,971)                  | (1,387)                    |
| Transfers into Level 3.....  | -                         | 2                          |
| Transfers out of Level 3.....  | (200)                     | (100)                      |
| Others.....  | (5,381)                   | (6,727)                    |
| Ending balance.....  | 53,272                    | 320,354                    |
| The amount of gains (losses) on investments for the fiscal year<br>relating to assets still held as of March 31, 2023..... | ¥ 200                     | ¥ -                        |

\*1 The “Transfers into Level 3” recognized for the fiscal year ended March 31, 2023 were due to the fact that the fair value of equity securities became unobservable resulting from delisting from exchanges.

\*2 The “Transfers out of Level 3” recognized for the fiscal year ended March 31, 2023 were due to the fact that the fair value of equity securities became measurable using the quoted market price resulting from listing on exchanges.

- (4) Shareholder loan to CTB accompanying the acquisition of CITIC Limited shares

CTB, a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 5,818 million CITIC Limited shares, which equates to 20% of that company’s ordinary shares, and CTB applied the equity method. In order for CTB to procure the necessary funds for the acquisition of CITIC Limited shares, the Company provided investment in and a shareholder loan to CTB.

As of March 31, 2023, the balances of the investment and the shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US\$514 million (¥68,593 million) and US\$4,351 million (¥581,028 million) respectively. The balance of the shareholder loan is presented under “Non-current receivables” on the Consolidated Statement of Financial Position.

The closing price of CITIC Limited shares on the Hong Kong Stock Exchange on March 31, 2023 was HK\$9.18 per share, and the value obtained by multiplying the number of CITIC Limited shares that CTB

owns by the said share price is HK\$53,410 million (¥908,510 million). In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership interest in CTB, is HK\$26,705 million (¥454,255 million).

[Per Share Information]

|   |           |
|---|-----------|
| Shareholders' equity per share                    | ¥3,311.78 |
| Basic earnings per share attributable to ITOCHU   | ¥546.10   |
| Diluted earnings per share attributable to ITOCHU | ¥546.10   |

Note: The Company's shares held in the trust account for the benefit share ESOP and the BIP trust account for officer remuneration are treated as treasury stock on the Consolidated Statement of Financial Position and included in the treasury stock that is subtracted in the calculation of the Per Share Information stated above.

[Revenues]

1. Disaggregation of Revenue

The Company has established a system of eight Division Companies organized in line with their respective industries, principal products, and service -Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Under this system, each Division Company has responsibility for business execution in its business field. These Division Companies are the segment units for which the Company's management determines management strategies and the allocation of management resources. Results are managed at the Division Company level in accordance with a number of indicators, such as Revenues and Net profit attributable to ITOCHU.

In consideration of the above, the Company uses the eight Division Companies as its reportable segments.

The disaggregated revenues for the fiscal year ended March 31, 2023 are as follows.

(Millions of Yen)

|                                  | Textile   | Machinery   | Metals & Minerals | Energy & Chemicals | Food        |
|----------------------------------|-----------|-------------|-------------------|--------------------|-------------|
| Revenues from external customers | ¥ 530,138 | ¥ 1,393,501 | ¥ 1,268,056       | ¥ 3,388,985        | ¥ 4,626,264 |
| Intersegment revenues            | 4,446     | 124         | -                 | 41,818             | 14,404      |
| Total revenues                   | ¥ 534,584 | ¥ 1,393,625 | ¥ 1,268,056       | ¥ 3,430,803        | ¥ 4,640,668 |

|                                  | General Products & Realty | ICT & Financial Business | The 8th   | Others, Adjustments & Eliminations | Consolidated Total |
|----------------------------------|---------------------------|--------------------------|-----------|------------------------------------|--------------------|
| Revenues from external customers | ¥ 1,263,457               | ¥ 875,134                | ¥ 467,105 | ¥ 132,993                          | ¥ 13,945,633       |
| Intersegment revenues            | 21,944                    | 14,153                   | 4,051     | (100,940)                          | -                  |
| Total revenues                   | ¥ 1,285,401               | ¥ 889,287                | ¥ 471,156 | ¥ 32,053                           | ¥ 13,945,633       |

Note: Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.

## 2. Contract Balances

(Millions of Yen)

|   | Beginning Balance | Ending Balance |
|---|-------------------|----------------|
| Receivables from Contracts with Customers | ¥ 2,458,991       | ¥ 2,533,297    |
| Contract Assets                           | 27,665            | 32,510         |
| Contract Liabilities                      | 151,027           | 172,314        |

A contract asset is recognized when the Company and its subsidiaries transfer goods or services to a customer on their ordinary activities, but a right to receive the payment is conditional in line with a series of performance related milestones other than the passage of time. Contract assets generally increase when the Company and its subsidiaries transfer goods or services to the customer before the customer pays the consideration or before the payment becomes due and decrease when the Company and its subsidiaries bill the customer. The balance of contract assets increased mainly due to the progress of satisfaction of the performance obligations for the fiscal year ended March 31, 2023.

A contract liability is recognized when a payment from a customer is already received or due, prior to the Company and its subsidiaries transferring goods or services to the customer on their operating activities. Contract liabilities generally increase when the Company and its subsidiaries receive consideration from a customer prior to the transfer of goods or services to the customer and decrease when the Company and its subsidiaries meet their performance obligations. The balance of contract liabilities increased mainly due to increases in advances from customer for the fiscal year ended March 31, 2023.

Revenues recognized for the fiscal year ended March 31, 2023 include ¥118,137 million, recognized from contract liabilities at the beginning of the fiscal year ended March 31, 2023.

Revenues recognized for the fiscal year ended March 31, 2023 arising from performance obligations fulfilled in past periods are immaterial.

## 3. Remaining Performance Obligations

As of March 31, 2023, the Company and its subsidiaries have total transaction price of ¥1,004,489 million, mainly in energy, iron ore, system development, and ships transactions, allocated to remaining performance obligations. The Company and its subsidiaries expect most of these transactions to take place over the next 3 years, and to be recognized as revenues once the contracts are executed.

The Company and its subsidiaries use the practical expedients, pursuant to IFRS 15, “Revenue from Contracts with Customers,” and only disclose individual transactions with anticipated contract lengths exceeding 1 year.

## 4. Assets Recognized from Costs Incurred to Acquire or Execute Customer Contracts

The amounts of assets or their depreciation arising from costs incurred to acquire or execute customer contracts were immaterial.

## [Significant Accounting Policies]

### 1. Basis of Consolidation

#### (1) Business combinations

The Company and its subsidiaries apply the acquisition method in accordance with IFRS 3 “Business Combinations.” That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree and the liabilities assumed from the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3, such as deferred tax assets, deferred tax liabilities, and assets / liabilities related to employee benefit arrangements, are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest is remeasured at acquisition-date fair value and non-controlling interest is remeasured at acquisition-date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3, exceed the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and any non-controlling interest in the acquiree, the excess amount is recognized as profit in the Consolidated Statement of Comprehensive Income.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments.

In the event that the initial accounting treatment for a business combination is not completed by the end of the period in which the business combination occurs, the items for which the accounting treatment is incomplete are measured at provisional amounts based on best estimates. The period during which these provisional amounts can be revised is the one-year period from the date of acquisition (the measurement period). If new information is obtained during the measurement period and that information would have had an effect on the measurement of amounts recognized as of the date of acquisition, then the provisional amounts recognized as of the date of acquisition are revised retrospectively.

#### (2) Subsidiaries

Subsidiaries are entities that are controlled by the Company. Decisions as to whether or not the Company and its subsidiaries have control over an entity are based on comprehensive consideration of various elements that indicate the possibility of control, including not only the holding of voting rights but also the existence of potential voting rights that are actually exercisable and whether employees dispatched from the Company or its subsidiaries account for a majority of the directors.

The financial statements of subsidiaries are consolidated into the Consolidated Financial Statements of the Company from the date of acquisition of control to the date of loss of control. If the accounting policies of a subsidiary differ from those of the Company, adjustments are made as necessary to bring them into conformity with the accounting policies of the Company.

The Consolidated Financial Statements include the financial statements of certain subsidiaries that have been prepared as of a reporting period end that differs from the Company's reporting period end, because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the impossibility of doing so under the legal codes of regions in which the subsidiaries are located. However, the difference between the end of the reporting period of these subsidiaries and the end of the reporting period of the Company does not exceed three months. If the reporting period end for the financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements differs from the reporting

period end of the Company, adjustments are made to reflect significant transactions or events that occur during the period between the subsidiaries' reporting period-end and the Company's reporting period-end.

Changes in the ownership interest in a subsidiary, such as through increase or disposal of interests, are accounted for as equity transactions if control over the subsidiary is maintained, and any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in shareholders' equity.

(3) Loss of control

If control over a subsidiary is lost, the Company derecognizes the subsidiary's assets and liabilities and the non-controlling interests related to the subsidiary. Interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss on such remeasurement is recognized in profit or loss as well as the gain or loss on disposal of the interest sold.

(4) Business combinations under common control

For business combinations in which all of the parties to the business combination are under the control of the Company or its subsidiaries, both prior to the combination and after the combination, the carrying amounts of the acquiree's assets and liabilities are transferred to the acquirer.

(5) Associates and joint ventures

Associates are companies, other than joint ventures or joint operations, over which the Company and its subsidiaries exercise influence, on such matters as management strategies and financial policies, that is significant but does not reach the level of control. Decisions as to whether or not the Company and its subsidiaries have significant influence over an entity are based on comprehensive consideration of various elements. These elements include the holding of voting rights (if 20% to 50% of the voting rights of the investee company are held directly or indirectly, then there is a presumption of significant influence over the investee company), as well as the existence of potential voting rights that are actually exercisable, and the percentage of directors who have been dispatched from the Company or its subsidiaries.

A joint arrangement is a contractual arrangement in which multiple ventures undertake economic activities under joint control, and all significant operating and financial decisions require unanimous consent of parties sharing control.

A joint venture is a specific type of joint arrangement under which operations are independent from each of the investing companies and the investing companies have rights only to the net assets of the arrangement.

The equity method is applied to investments in associates and joint ventures. These investments are recognized at cost. Subsequent to acquisition, the Company and its subsidiaries recognize, in profit or loss and other comprehensive income, their share of the investee's profit or loss and other comprehensive income, and the carrying amount of the investment is increased or decreased accordingly. The balance of goodwill recognized on acquisition is included in the carrying amount of the investment. Also, dividends received from associates and joint ventures reduce the carrying amounts of the related investments. If the accounting policies of such investee differ from those of the Company, adjustments are made as necessary to bring them into conformity with the accounting policies of the Company.

The Consolidated Financial Statements include investments in associates and joint ventures with reporting period ends that differ from that of the Company because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the existence of a shareholder that has control over the associates or undertakes economic activities under the joint arrangement but has a reporting period that differs from the Company's reporting period, and the impossibility of doing so under the legal codes of regions in which the associates and joint ventures are located. However, the difference between the end of the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events



that result from the difference in the reporting period ends.

If significant influence over associates or joint venture is lost and the application of the equity method is discontinued, gain or loss on disposal of investments in associates and joint ventures is recognized in profit or loss. The remaining interest is remeasured at fair value, and any gain or loss on such remeasurement is recognized in profit or loss as well.

(6) Joint operations

Joint operations are a specific type of joint arrangement in which the participating investors directly have rights to the related assets and obligations for the related liabilities.

The Consolidated Financial Statements include amounts related to joint operations. These are the assets to which the Company and its subsidiaries have rights, the liabilities and expenses for which the Company and its subsidiaries have obligations, and the share of the Company and its subsidiaries in profits that have been earned.

(7) Transactions eliminated on consolidation

Receivable and payable balances and transaction volumes among the Company and its subsidiaries, and unrealized gains and losses resulting from transactions among the Company and its subsidiaries, are eliminated in the preparation of the Consolidated Financial Statements.

Unrealized gains and losses arising from transactions between the Company, its subsidiaries, its associates and joint ventures are eliminated to the extent of the interest in the investee held by the Company and its subsidiaries.

2. Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into functional currencies using the spot foreign exchange rate as of the date of the transaction.

As of the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot foreign exchange rate as of the end of the reporting period. Non-monetary items that are denominated and measured at fair value in foreign currencies are retranslated into functional currencies using the spot foreign exchange rate as of the date on which the fair value was determined.

Exchange differences resulting from retranslation are recognized in profit or loss. However, exchange differences resulting from retranslation of equity instruments which changes in fair value after acquisition are recorded in other comprehensive income and exchange differences resulting from cash flow hedges are recognized as other comprehensive income.

(2) Translation of foreign currency denominated financial statements of foreign subsidiaries, foreign associates and joint ventures

In translating the foreign currency denominated financial statements of foreign subsidiaries, foreign associates and joint ventures (foreign operations), the spot foreign exchange rate as of the end of the reporting period is used to translate assets and liabilities and the periodic average foreign exchange rate for the accounting period is used to translate revenues and expenses.

Differences resulting from the translation of the foreign currency denominated financial statements of foreign operations are recognized in other comprehensive income (Translation adjustments).

When a foreign operation is disposed of, cumulative translation adjustments related to that foreign operation are reclassified to profit or loss at the point when the gain or loss on disposal is recognized. However, the portion of cumulative translation adjustments attributed to non-controlling interest reduces non-controlling interests.



### (3) Hedges of a net investment in foreign operations

For net investment in certain foreign operations, the Company and its subsidiaries apply hedge accounting to exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company.

The effective portion of changes in the fair value of hedging instruments for a net investment in foreign operations is recognized in other comprehensive income (Translation adjustments). The ineffective portion of the hedge is recognized as profit or loss.

When foreign operations are disposed of, the changes in the fair value of the hedging instruments that had been recorded in other comprehensive income are reclassified to profit or loss as part of gains or losses on disposal.

## 3. Financial Instruments

### (1) Financial assets other than derivatives

In accordance with IFRS 9 “Financial Instruments,” the Company and its subsidiaries initially recognize financial assets other than derivatives on the accrual date for trade receivables and other receivables, and on the transaction date for sales and purchase of other financial assets. An overview of the classification and measurement models of financial assets other than derivatives is as follows.

At the point of initial recognition of the financial assets, those that meet both of the two conditions below are categorized as financial assets measured at amortized cost, and others are categorized as financial assets measured at fair value:

- Those assets are held under a business model whose objective is to collect contractual cash flows; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

At the point of recognition, financial assets measured at amortized cost are measured at fair value plus costs directly related to the acquisition. At the end of each reporting period, they are measured at amortized cost using the effective interest method.

Financial assets measured at fair value are further categorized into those for which changes in fair value after initial recognition are recorded in profit or loss (FVTPL financial assets) and those for which changes in fair value after initial recognition are recorded in other comprehensive income (FVTOCI financial assets).

As for equity instruments measured at fair value, those with the objective of obtaining gains on short-term sales are categorized as FVTPL financial assets, and the others, primarily held long-term with the objective of strengthening transaction relationships, are categorized as FVTOCI financial assets. As for debt instruments measured at fair value, those which meet both of the conditions below are categorized as FVTOCI financial assets, and the others are categorized as FVTPL financial assets:

- Those assets are under a business model whose objectives are both collecting contractual cash flows and selling the financial assets; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

Financial assets measured at fair value are measured at fair value at the point of initial recognition. Costs directly attributable to the acquisition are included in the amount initially recognized for FVTOCI financial assets, but for FVTPL financial assets, these costs are recognized in profit or loss when they are incurred and are not included in the initial recognition as an asset.

Financial assets measured at fair value are subsequently measured at fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss for FVTPL financial assets and in other comprehensive income for equity FVTOCI financial assets. For debt FVTOCI financial assets, changes in fair value after deducting foreign exchange gain or loss and impairment loss (and its reversal) are recognized in other comprehensive income. For both FVTPL financial assets and FVTOCI financial

assets, dividends received on equity instruments are recognized in profit or loss.

When an equity FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in other comprehensive income (FVTOCI financial assets), and the accumulated other comprehensive income on the equity FVTOCI financial asset recognized before the derecognition (accumulated FVTOCI financial assets) is reclassified to retained earnings. When a debt FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in profit or loss, and the accumulated other comprehensive income on the debt FVTOCI financial asset before the derecognition (accumulated FVTOCI financial assets) is reclassified to profit or loss.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when the contractual rights to receive cash flows from a financial asset are transferred in such a manner that all of the risks and economic value are effectively transferred.

## (2) Cash equivalents

Cash equivalents include short-term investments (original maturities of three months or less) that are highly liquid, readily convertible, and have only an insignificant risk of change in value, as well as short-term time deposits (original maturities of three months or less).

## (3) Financial liabilities other than derivatives

Financial liabilities other than derivatives are measured at fair value less costs directly related to the issuance of the liability, at the point when the contractual liability arises.

Financial liabilities other than derivatives are classified as financial liabilities measured at fair value or financial liabilities measured at amortized cost. Financial liabilities measured at fair value are remeasured at fair value at the end of each reporting period, and changes in fair value are recognized in profit or loss, while those measured at amortized cost are measured at amortized cost based on the effective interest method.

Financial liabilities are derecognized when the obligor pays the obligee and the obligation is discharged, or when the contractual obligation is cancelled or expires.

## (4) Derivative instruments and hedging activities

The Company and its subsidiaries hold derivatives, including foreign exchange forward contracts, interest rate swap contracts, and commodity futures contracts, with the principal objective of hedging risks such as foreign exchange rate risk, interest rate risk, and commodity price risk. Derivatives are recognized at fair value as either assets or liabilities, regardless of the purpose or intent for holding them. The accounting treatment for changes in fair value depends on the intended use of the derivatives and the resulting hedge effectiveness.

- A hedge of the variability of the fair value of a recognized asset or liability, or of an unrecognized firm commitment, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss (or other comprehensive income when equity FVTOCI financial assets are designated as hedges).
- A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. For those designated as cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as

Cash flow hedges. This treatment is continued until the variability in future cash flows arising in relation to the forecasted transactions or the recognized assets or liabilities are realized. The ineffective portion of the hedge is recognized in profit or loss.

- Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in “(3) Hedges of a net investment in foreign operations” of “2. Foreign Currency Translation.”
- Changes in the fair value of derivatives other than those above are recognized in profit or loss.

In applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, in order to assess the economic relationship between the hedged item and the hedging instrument, the Company and its subsidiaries evaluate at the inception of the hedge, and on an ongoing basis, whether or not the derivative will be effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the point at which the hedging relationship no longer meets the qualifying criteria.

#### (5) Presentation of financial assets and liabilities

When both of the following conditions are met, financial assets and financial liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position.

- The Company currently has a legally enforceable right to offset the recognized amounts; and
- The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

### 4. Inventories

Inventories mainly comprise selling products, finished goods, real estate for sale, raw materials, and work in progress.

Inventories held for purposes other than trading are measured at the lower of cost or net realizable value and any change in the carrying amount of inventories due to remeasurement is recognized in cost of sales. Net realizable value is calculated by using the sale value or the estimated selling price in the ordinary course of business less the estimated costs and estimated costs to sell required until completion.

Inventories held for trading purposes are measured at fair value less costs to sell. Any change in fair value is recognized in profit or loss for the period in which it arose.

The cost of inventories is measured using the specific identification method if inventories are not ordinarily interchangeable, or mainly using the weighted average method if inventories are ordinarily interchangeable.

### 5. Property, Plant and Equipment

#### (1) Recognition and measurement

The cost model is applied, and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes estimates of installation cost and cost directly attributable to bringing property, plant and equipment to working condition and cost of dismantling or removing property, plant and equipment and restoring sites on which they are located and includes borrowing costs requiring capitalization pursuant to IAS 23 “Borrowing Costs.”

If multiple differing and significant components of property, plant and equipment can be identified, for each of the components, a residual value, useful life, and depreciation method is determined, and it is accounted for as a separate item of property, plant and equipment.

The difference between the net proceeds from the disposal of an item of property, plant and equipment and the carrying amount of the item is recognized in profit or loss.

## (2) Depreciation

Property, plant and equipment other than right-of-use assets, except for items that are not subject to depreciation, such as land, are mainly depreciated using the straight-line method or the unit-of-production method over their estimated useful lives (buildings and structures: 2-60 years, machinery and vehicles: 2-33 years, fixtures, fittings and office equipment: 2-20 years) from the time when they become available for use. Right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

At the end of each period, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and revised as necessary.

## 6. Investment Property

Investment property is property held either to earn rental income or for gain on resale due to an increase in real estate prices or property held for both purposes. Investment property does not include real estate that is sold in the ordinary course of business or used in the production or supply of goods or services or for administrative purposes.

A cost model is applied, and investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Investment properties other than right-of-use assets, except for items that are not subject to depreciation, such as land, are depreciated mainly using the straight-line method over its estimated useful life (2-50 years) from the time when it becomes available for use. Right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

## 7. Goodwill and Intangible Assets

### (1) Goodwill

Goodwill is not amortized. Impairment tests of goodwill are conducted based on cash-generating units at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

### (2) Intangible assets

A cost model is applied, and intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Further, development expenditures are recognized as intangible assets if development costs can be measured reliably, future economic benefits are probable, and the Company or its subsidiaries intend and have sufficient resources to complete development and use or sell the result of the development.

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly depreciated using the straight-line method over their estimated useful lives (trademarks and other intangible assets: 5-42 years, and software: 3-5 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

At the end of each period, the residual value, useful lives, and depreciation methods of intangible assets are reviewed and revised as necessary.

The Company and its subsidiaries have trademarks and other intangible assets for which the useful life cannot be determined. Intangible assets for which the useful life cannot be determined are not amortized. Impairment tests of intangible assets for which the useful life cannot be determined are conducted based on cash-generating units at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

## 8. Leases

In accordance with IFRS 16 “Leases,” the Company and its subsidiaries decide whether or not a contract is a lease. Determining a contract includes a lease is decided based on examination of the economic nature of transactions, regardless of whether or not a contract’s legal form is that of a lease contract.

### (1) Leases as lessee

If a contract is, or contains a lease, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured using the present value of unpaid lease payments. Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method with finance costs presented in Interest expense in the Consolidated Statement of Comprehensive Income.

The cost model is applied to measure right-of-use assets, and the value, measured at acquisition cost less accumulated depreciation and accumulated impairment losses, is presented in the Consolidated Statement of Financial Position by including it under Property, plant and equipment and Investment property. The acquisition cost includes the initial direct costs and other items in addition to the amount initially measured for the lease liability. Right-of-use assets are depreciated over the underlying asset’s estimated useful life if ownership rights of the underlying asset are transferred to the lessee before the termination of the lease term or if exercise of a bargain purchase option is expected, and in other cases right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

### (2) Leases as lessor

If the contract is a lease or contains a lease, and the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, it is classified as a finance lease and any lease other than finance leases is classified as an operating lease.

For finance leases, net investments in the leases are recognized as lease receivables. Lease payments receivable are allocated to finance income and lease receivables based on the effective interest method with finance income presented in Interest income in the Consolidated Statement of Comprehensive Income. Further, if the main purpose of the finance lease is the sale of goods and the finance lease has been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as Revenues in the Consolidated Statement of Comprehensive Income, and the purchase price of the assets subject to leases is recognized as Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

For operating leases, except in cases where another systematic basis is more representative of the pattern of the lessee’s benefit, lease payments receivable are recognized in profit or loss on a straight-line basis over the lease term.

## 9. Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as non-current assets or disposal groups held for sale when a commitment has been made for the execution of a sale plan and the recovery is expected to arise from the sale rather than continuing use. Such assets are classified as current assets if it is highly probable that the asset will be sold within one year and it is available for immediate sale in its present condition. Non-current assets or disposal groups classified as held for sale are measured using the lower of the carrying amounts, or the fair values less costs to sell.

## 10. Impairment

### (1) Financial assets measured at amortized cost and debt FVTOCI financial assets

For financial assets measured at amortized cost and debt FVTOCI financial assets, an impairment loss is recognized in profit or loss by estimating expected credit losses.

If, at the end of the reporting period, the credit risk on a financial instrument has not increased significantly since its initial recognition, the amount of loss allowance is calculated based on expected credit losses resulting from default that are possible within 12 months after the end of the reporting period (12-month expected credit losses). If at the end of the reporting period the credit risk on a financial instrument has increased significantly since its initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default that are possible over the entire expected life of the instrument (lifetime expected credit losses). The assessment of whether the credit risk has increased significantly is made based on reasonable and supportable information including past-due information as well as whether or not any credit event occurs.

For trade receivables, contract assets, and lease receivables, notwithstanding the foregoing, the amount of loss allowance is always calculated based on the lifetime expected credit losses.

Expected credit losses are estimated based on the difference between the contractual cash flows and the expected amount of recoverable cash flows. In this estimation, past credit loss experience, current financial positions of debtors, and reasonable and supportable information available on future forecasts have been incorporated.

### (2) Property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures

At the end of each quarter, property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures are assessed to determine whether there are any indications of impairment. If it is determined that there are indications of impairment, the impairment tests stated below are conducted. In addition, regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets for which the useful lives cannot be determined are conducted periodically at least once a year.

Impairment tests for each cash-generating unit are conducted. Regarding the identification of cash-generating units, if an individual asset's cash flows independent from those of other assets can be identified, the individual asset is classified as a cash-generating unit. If an individual asset's cash flows independent from those of other assets cannot be identified, assets are grouped together into the smallest group of assets that can be identified as generating independent cash flows, and designated as a cash-generating unit. For goodwill, using units equal to operating segments or smaller units, cash-generating units are determined based on the lowest level at which internal management of goodwill is conducted.

When conducting impairment tests of cash-generating units that include goodwill, impairment tests of assets other than goodwill are first conducted. After any required impairment of the assets other than goodwill has been recognized, impairment tests of goodwill are conducted.

Conducting impairment tests entails estimating the recoverable amount of the cash-generating units. The recoverable amount is the higher of fair value less costs to sell or value in use. Furthermore, the value in use is the total present value of future cash flows expected from the continued use and disposal after use of the cash-generating units.

If the recoverable amount of cash-generating units is less than the related carrying amount, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to cash-generating units. Impairment losses are then allocated to reduce the carrying amount of each asset, excluding goodwill, in cash-generating units on a pro-rata basis.

Because corporate assets do not generate independent cash flows, when conducting impairment tests of corporate assets, a reasonable method is used to allocate the carrying amount of corporate assets to each cash-generating unit. Then, the carrying amount of cash-generating units including the carrying amount of the portion of corporate assets allocated to them, is compared with their recoverable amounts.

If there are indications that the impairment losses recognized in past fiscal years have clearly decreased or may not exist, when the estimated recoverable amount of the assets surpasses the carrying amount, impairment losses are reversed. An upper limit for reversals of impairment losses is set as the carrying amount less amortization or depreciation if impairment losses had not been recognized. However, impairment losses on goodwill are not reversed.

Goodwill relating to the acquisition of associates and joint ventures is not classified separately, but included as part of the carrying amount of the investments. Investments in associates and joint ventures are recognized as undistinguishable assets that are subject to impairment.

## 11. Employee Benefits

### (1) Post-employment defined benefit plans

Post-employment defined benefit plans are benefit plans other than the post-employment defined contribution plans stated in the paragraphs below.

For post-employment defined benefit plans, the present value of defined benefit obligations net of the fair value of plan assets are recognized as either liabilities or assets. To calculate the present value of defined benefit plan obligations and related service cost, in principle, the projected unit credit method is used. The discount rate used to calculate the present value of defined benefit plan obligations, in principle, is determined by referring to market yields on highly rated corporate bonds at the end of the period consistent with the expected life of the defined benefit plan obligations.

Changes in the present value of defined benefit plan obligations related to the service of employees in past periods due to amendment of defined benefit plans are recognized in the period of the amendment in profit or loss.

Further, the Company and its subsidiaries recognize all actuarial gains or losses arising from post-employment defined benefit plans in other comprehensive income (Remeasurement of net defined pension liability) and immediately reclassify them into retained earnings.

### (2) Post-employment defined contribution plans

Post-employment defined contribution plans are benefit plans in which fixed contributions are paid to an independent entity and do not assume legal or constructive obligations for payments that exceed these contributions.

Post-employment defined contribution plans are accounted for, on an accrual basis, and contributions corresponding to the period employees rendered the related services are recognized in profit or loss.

### (3) Multi-employer plans

Certain subsidiaries participate in multi-employer plans. In accordance with the regulations of the plans, multi-employer plans are classified as post-employment defined benefit plans or post-employment defined contribution plans, and an accounting treatment appropriate for each type of post-employment benefit plan is undertaken. However, if sufficient information about multi-employer plans classified as post-employment defined benefit plans cannot be obtained to undertake an accounting treatment appropriate for post-employment defined benefit plans, the accounting treatment appropriate for post-employment defined contribution plans is applied.



#### (4) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and recognized in profit or loss as benefits expected to be paid as compensation for service that employees render during the accounting period. Estimated bonus payments are recognized in liabilities, if the Company or its subsidiaries have legal or constructive obligations for which they should make payments, and if the obligations can be estimated reliably.

### 12. Provisions

Provisions are recognized if the Company and its subsidiaries have present obligations (legal or constructive obligations) as a result of past events, if it is probable that settling the obligations will require outflows of resources embodying economic benefits, and if the obligations can be estimated reliably.

If the effect of the time value of money is significant, provisions are measured as the present value of payments expected to be required to settle the obligations. To calculate the present value, a pre-tax risk-free discount rate corresponding to the period in which future cash flows will arise is used. In estimates of future cash flows, the uncertainty of the occurrence of events subject to provisions is reflected.

#### (1) Provisions for asset retirement obligations

The estimated cost of dismantling or removing property, plant and equipment and restoring sites on which they are located is recognized as a provision for asset retirement obligations, if there are legal or contractual obligations to dismantle or remove property, plant and equipment and restore sites on which they are located, or if it has been stated that in accordance with industry practices, published policies, or written statements that obligations to dismantle or remove property, plant and equipment and restore sites on which they are located will be fulfilled, or if it is presumed that outside third parties expect the obligations to be fulfilled.

#### (2) Restructuring provisions

If there is a detailed formal plan, restructuring provisions are recognized when implementation of a restructuring plan has begun or when a plan is announced. For the provision, only the following direct expenditures that arise from restructuring are subject to recognition:

- Items necessarily entailed by the restructuring
- Items not associated with the ongoing activities of the entity

#### (3) Provisions for losses on lawsuits

For provisions for losses due to payment of compensation for damages that could arise as a result of lawsuits, the estimated loss resulting from the payment of compensation for damages is recognized, if it is probable that compensation for damages to an outside third party will have to be paid.

#### (4) Provisions for losses on guarantees

Regarding provisions for losses that could be incurred as a result of fulfilling debt guarantees or other contracts, the expected credit loss is recognized relating to a contract in which there is a promise to repay the debt or to provide monetary compensation if the guaranteed party has defaulted on a specified debt, or the estimated loss is recognized if it is probable that the costs of meeting the contractual obligation arising prior to the end of the fiscal year exceed the economic benefits expected to be received under the contract.

#### (5) Levies

Levies are outflows of resource embodying economic benefits, which governments levy on companies in accordance with laws and regulations, and the estimated amount of payments for levies is recognized when the obligation to pay arises.



### 13. Equity

Common stock is classified as equity. Incidental expenses related to the issuance of common stock (net of tax) are deducted from equity.

Treasury stock is recognized as a deduction from equity. If treasury stock is acquired, the consideration paid and incidental expenses (net of tax) are deducted from equity. If treasury stock is sold, the consideration received is recognized as an addition to equity.

### 14. Revenues

The Company and its subsidiaries recognize revenue in accordance with the following five-step model based on IFRS 15 “Revenue from Contracts with Customers.”

Step 1: Identify the contract

Step 2: Identify performance obligations

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when or as a performance obligation is satisfied

Revenue on product sales transactions and Revenue on rendering of services and royalty transactions are recognized when performance obligations in contracts with customers are satisfied, i.e., at a point of time when control of goods or services provided by the Company and its subsidiaries is transferred to customers.

Consideration for goods or services does not include a significant financing arrangements if the period between payment from customers and the transfer of goods or services to customers would be one year or less, as a practical expedient. In addition, if the consideration includes a variable amount, the consideration is included in the transaction price to the extent that it is highly probable that there will be no significant reversal in the cumulative amount of revenue recognized. The specific criteria for revenue recognition for each type of transaction are as follows:

#### (1) Product sales transactions

Revenues from product sales transactions include wholesale, retail sales, manufactured product sales, and processed product sales by eight operating segments: Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Performance obligations for these transactions are satisfied and revenues are recognized at a point in time when the delivery conditions agreed to with customers on contracts are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. Revenues from contract work transactions in Machinery and software development in ICT & Financial Business and others are recognized in accordance with the progress of satisfaction of the performance obligations, since performance obligations are satisfied over a period of time of the contract work or production to order. Revenues are recognized on a measurement of the progress based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total costs if the total costs required until completion can be estimated reliably, while if the total costs required until completion cannot be estimated reliably, revenues equivalent to the portion of costs incurred that are determined to be recoverable are recognized.

#### (2) Rendering of services and royalty transactions

Revenues from rendering of services include software maintenance in ICT & Financial Business and other services. Revenues from software maintenance are mainly recognized over a period of time of maintenance contract by allocating the consideration agreed with customer on the contracts. Revenues from other services include agent businesses in import / export trades in Machinery, General Products & Realty and others, which are recognized at a point of time when the delivery of services is completed. Revenues from royalty transactions include royalty transactions on franchise contract in The 8th, mainly recognized over a period of time of franchise contract by a method calculating gross margin multiplied by a certain percentage.

### (3) Presentation of revenue (gross basis versus net basis)

With regards to the presentation of revenue on a gross or a net basis, revenue from transactions with a customer in which the control of goods or services is obtained by the Company and its subsidiaries before the goods or services are transferred to the customer, are presented on a gross basis.

## 15. Finance Income and Costs

Finance income comprises interest income and dividend income. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Company and its subsidiaries to receive payment is established. Finance costs comprise interest expense. Interest expense is recognized when it is incurred according to the effective interest method.

## 16. Income Taxes

Income taxes comprise current taxes and deferred taxes, which reflect changes in deferred tax assets and liabilities. Income taxes are recognized in profit or loss, except in the following cases:

- Income taxes that relate to items that are recognized in other comprehensive income or directly in equity;
- Deferred taxes arising from the recognition of identifiable assets and liabilities in business combinations are recognized and included in the amount of goodwill arising from the business combinations.

Current taxes are measured based on taxes payable on taxable income or taxes refundable on taxable loss of the period. These tax amounts are calculated based on tax rates enacted, or substantially enacted, at the end of the period.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases. Deferred tax assets for items that will mitigate the tax burden of future tax returns, such as deductible temporary differences, tax loss carryforwards and tax credit carryforwards, and foreign tax credit carryforwards, are recognized to the extent that it is probable that future taxable income will be available against which they can be used. Meanwhile, deferred tax liabilities for taxable temporary differences are recognized. However, deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences:

- Deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill in a business combination;
- No deferred tax assets or deferred tax liabilities are recognized for differences that arise from the initial recognition of assets or liabilities in transactions other than business combinations where such temporary differences at the time of the transaction affect neither accounting profit nor taxable income.

Taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures are not recognized as deferred tax liabilities if the Company and its subsidiaries are able to control the timing of the reversal of the temporary differences, and it is probable that the taxable temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures, if the deductible temporary differences will reverse in the foreseeable future and only to the extent that it is probable that future taxable income will be available against which they can be used.

Deferred tax assets and liabilities are calculated pursuant to statutory laws and regulations for income taxes in force, or substantially in force, at the end of the period and based on the tax rates that are expected to apply in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset and recognized in the Consolidated Statement of Financial Position, if the Company and its subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities, and if the same taxation authority levies income taxes either on the same taxable entity, or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis or to realize the current tax assets and current tax liabilities simultaneously.

## 17. Earnings per Share

Basic earnings (losses) per share are calculated by dividing Net profit attributable to ITOCHU by the weighted-average number of common shares (excluding treasury stock) outstanding during the reporting period. Diluted earnings per share are calculated by adjusting for the effects of dilutive potential common shares.

## 18. Mining Operations

Among expenditures incurred during the exploration and evaluation phases of mining projects, expenditures for the acquisition of assets used for exploration and evaluation are recognized in non-current assets, and other expenditures are in principle recognized when they are incurred in profit or loss.

For expenditures incurred during the development phase, projects proven as commercially viable are recognized in Property, plant and equipment or Intangible assets, according to the nature of the expenses, and then amortized using the unit-of-production method from the time production begins. During the production phase, stripping costs are capitalized and amortized using the unit-of-production method, if salable minerals have not been extracted in the period under review, but it is probable that as a result of stripping activities, the economic benefits associated with specific mineral deposits will flow to the Company and costs can be measured reliably. Stripping costs associated with salable minerals are recognized in the period under review as cost of inventory.

## 19. Agriculture

In principle, agricultural produce is measured at fair value less costs to sell at the point of harvest. Accumulated cost until the point of harvest is recognized in cost of sales for the period in which it arose.

If the fair value of biological assets excluding bearer plants can be reliably measured, the fair value less costs to sell are measured at initial recognition and at the end of each period. The change in fair value resulting from this accounting is recognized in profit or loss. Meanwhile, if the fair value of biological assets cannot be reliably measured, they are measured at cost less accumulated depreciation and accumulated impairment losses.

For bearer plants which are classified as property, plant and equipment, the cost model is applied, and bearer plants are measured at cost less accumulated depreciation and accumulated impairment losses.

## 20. Significant Accounting Estimates

To prepare the Consolidated Financial Statements, the Company and its subsidiaries make a variety of estimates and assumptions. These estimates and assumptions affect disclosures of amounts recognized for assets, liabilities, revenues, and expenses.

Estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods affected.

With regards to the impact from the Russia-Ukraine situation, ITOCHU Group has exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of the end of this fiscal year. As a result of appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets in this fiscal year, we do not expect a material impact on our operating results and financial position.

Estimates and assumptions that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows:

- Measurement of the fair value of unlisted equity instruments

Among financial assets measured at fair value, the fair value of unlisted equity instruments is measured using the market comparable method, with reference to published information about listed stocks that belong to the same industry as the investee's industry, or by using the discounted cash flow method, which calculates the fair value by discounting the estimates of future cash flows related to dividends from investees to their

present value. Changes in uncertain future economic conditions may affect the multiple applied for the market comparable method or the estimates of future cash flows and the discount rate applied for the discounted cash flow method. Accordingly, there are risks that such changes could result in material adjustments to the measurements of fair value of unlisted equity instruments in the future accounting periods.

- Estimates of expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in future accounting periods.

- Recoverable amounts of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures measured through impairment tests

In impairment tests of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. The recoverable amounts used in impairment tests of goodwill and intangible assets are based on the value in use calculated with the support of independent appraisers. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures in the future accounting periods.

The balance of goodwill and intangible assets as of March 31, 2023 was ¥1,079,253 million including goodwill of ¥216,393 million, trademarks of ¥288,913 million, and customer relationships and other intangible assets of ¥108,932 million, which were recognized in conjunction with the conversion of FamilyMart Co., Ltd. into a subsidiary. For the impairment test of this goodwill and intangible assets, the assumptions that have the greatest impact on the calculation of the value in use are the assumptions of maintaining the number of stores, increasing trading income through raising daily sales and bolstering operational efficiency. These assumptions reflect past results, industry trends and the expected effect of improvement measures on store profitability. The business plan for the impairment test covers a period of three years. Although we were hit by sudden changes in the external environment, such as inflation resulting from the actualization of geopolitical risks for the fiscal year ended March 31, 2023, with agile responses to changes and the subsidence of the impact of COVID-19, daily sales recovered to the same level of the fiscal year ended March 31, 2020. For the impairment test conducted in the fiscal year ended March 31, 2023, we expect to maintain the number of stores from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026. Also, while continuing to take into account the impact of inflation, we expect a moderate increase in daily sales. In addition, through bolstering operational efficiency, we expect increasing trading income and growth in its subsidiaries for the fiscal year ending March 31, 2026. The growth rate of future cash flows beyond the target period of the business plan, after the fiscal year ending March 31, 2027, is taken to be zero. These growth rates are calculated by considering the

long-term growth rate of the markets and countries to which the cash-generating unit belongs. In the event that the assumed numbers of the stores were significantly decreased, the assumed increase in the percentage of daily sales were to be revised significantly downward, or the discount rate were to be revised significantly upward, the value in use could fall below the carrying amount.

The balance of investments accounted under the equity method as of March 31, 2023 was ¥2,825,102 million. Regarding the investment in CITIC Limited, the Company conducts assessments of equity method investment in order to determine whether an impairment indicator exists and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment. In the fiscal year ended March 31, 2023, the Company determined that there was an indication of impairment due to the decline in the stock price and measured the recoverable amount based on future cash flows with the assistance of an independent appraiser, taking into account future profitability and regulations, etc. As a result, the recoverable amount exceeded the carrying amount of the investments accounted for by the equity method, and therefore no impairment loss was recognized.

- Measurement of fair value of defined benefit plan liabilities and assets in post-employment defined benefit plans

For post-employment defined benefit plans, the fair value of defined benefit plan liabilities net of assets is recognized as liabilities or assets. Defined benefit plan liabilities are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan liabilities and assets in future accounting periods.

- Measurement of provisions

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods.

- Estimates of income taxes

To calculate income taxes, estimates and judgments about a variety of factors have to be made, including interpretation of tax regulations and the experience of past tax audits. Therefore, the income taxes that are estimated at the end of each period and the income taxes actually paid may differ. Such estimates and judgments could materially affect income taxes recognized from the next accounting period onward.

Further, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Company and its subsidiaries. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods.

21. Judgments made in the process of applying the accounting policies

Accounting areas where the judgment on the application of accounting policies significantly affects the amounts of assets, liabilities, revenues, and expenses are mainly as follows:

- Scope of subsidiaries or associates and joint ventures
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives
- Judgments regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor
- Judgments about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions

[Notes to Non-Consolidated Financial Statements]

[Significant Accounting Policies]

1. Basis and Method of Valuation for Assets

(1) Securities

Held-to-maturity debt securities

Stated at amortized cost

Investments in subsidiaries' and associates' equity securities

Stated at cost, determined by the moving-average cost method

Available-for-sale securities

Other than equity securities without quoted market prices

Stated at fair value with unrealized gains and losses, net of applicable taxes, stated in a separate component of equity. Cost of sales for other than equity securities without quoted market prices is determined by the moving-average cost method.

Equity securities without quoted market prices

Stated at cost, determined by the moving-average cost method

(2) Derivative financial instruments

Stated at fair value

(3) Inventories

Substantially all inventories are stated at the lower of cost, determined by the specific identification method, or net selling value. Certain inventories are stated at the lower of cost, determined by the average method, or net selling value.

2. Depreciation and Amortization

(1) Property, plant and equipment (except for leased assets)

Straight-line method

The useful life of buildings and structures, which are major assets, is 6 to 50 years.

(2) Intangible assets (except for leased assets)

Straight-line method

Internal-use software development costs are amortized by the straight-line method over 5 years. Mining rights are amortized using the unit-of-production method based upon estimated proved reserves.

(3) Leased assets

Leased assets for finance leases that were deemed to transfer ownership of the leased property to the lessee

Straight-line method, same as for the Company owned non-current assets

Leased assets for finance leases other than those which deem to transfer ownership of the leased property to the lessee

Straight-line method, over the term of the lease with a residual value of zero

(4) Long-term prepaid expenses

Straight-line method, over the estimated usage period



### 3. Basis for Allowance and Provision

#### (1) Allowance for doubtful receivables

Allowance for doubtful receivables is provided for losses on bad debts and stated at amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

#### (2) Allowance for loss on investments

Allowance for loss on investments is provided for the impairment losses of the investment in subsidiaries and associated companies and stated at amounts considered to be appropriate based on an evaluation of subsidiaries' or associated companies' financial conditions.

#### (3) Provision for retirement benefits for employees

Provision for retirement benefits for employees is provided for the payment of employees' retirement benefits and stated in amounts based on projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains or losses are amortized beginning with the next fiscal year using the straight-line method over the average remaining service period (14-15 years). Prior service cost is amortized using the straight-line method over the average remaining service period (14 years).

The difference between benefit obligations less the portion corresponding to unrecognized actuarial gains or losses and unrecognized prior service cost and plan assets was recorded as provision for retirement benefits for employees or prepaid pension cost in the balance sheet.

#### (4) Provision for stock benefits

Provision for stock benefits is provided for the delivery of shares of the Company to employees in accordance with stock benefit rules and for the delivery of shares of the Company to directors and executive officers in accordance with stock delivery rules and is stated in amounts based on projected stock benefit obligations at the balance sheet date.

#### (5) Provision for retirement benefits for directors, corporate auditors, and executive officers

The Company resolved (1) to terminate the original policy of retirement benefits for directors, corporate auditors and executive officers at the ordinary general meeting of shareholders held in June 2005 and (2) that the retirement benefits accumulated during their service period up to the date of the termination of the policy will be paid when they resign. The provision for retirement benefits for directors, corporate auditors and executive officers is stated at the amount calculated based on the above resolution at the balance sheet date.

#### (6) Provision for loss on guarantees

In order to reserve for losses from contingent liabilities arising from guarantees for subsidiaries and associated companies, and from contracts entered into prior to this fiscal year, the Company records an amount considered to be appropriate, taking into consideration the financial condition of the guaranteed party and the possibility of losses arising from the future performance of the contract.



#### 4. Basis for Revenues and Costs

The Company recognizes revenue in accordance with the following five-step model based on “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant ASBJ guidance.

Step 1: Identify the contract

Step 2: Identify performance obligations

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when or as a performance obligation is satisfied

The Company mainly recognizes revenue from wholesale by eight operating segments: Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Performance obligations for these transactions are satisfied and revenues are recognized at a point in time when the delivery conditions agreed to with customers on contracts are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate.

With regards to the presentation of revenue on a gross or a net basis, revenue from transactions with a customer in which the control of goods or services is obtained by a company before the goods or services are transferred to the customer, are presented on a gross basis.

#### 5. Other Significant Basis of Financial Statements

##### (1) Deferred assets

Stock issuance costs and bond issuance costs are charged to expense as incurred.

##### (2) Hedge accounting

###### Method for hedge accounting

Measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gains or losses on derivatives under hedge accounting in a separate component of equity. The foreign currency forward contracts and the currency swaps are utilized to hedge foreign currency exposures of short-term and long-term receivables and payables denominated in foreign currencies. These receivables and payables are translated at the contracted rates if the forward contracts qualify for simplified hedge accounting. Interest rate swaps are utilized to hedge interest rate exposure of short-term and long-term debt and bonds. These swaps which qualify for special hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

###### Hedging instruments and hedged items

Hedging instruments include foreign currency forward contracts, currency swaps, interest rate swaps, commodity futures contracts, commodity forward contracts, deposits with banks and short-term and long-term debts denominated in foreign currencies. Hedged items include assets or liabilities which are exposed to market risks.

###### Hedging policy

The Company uses derivative financial instruments as a means of hedging exposure to market risks associated with assets and liabilities, in accordance with the Company's internal policies.

Assessment of hedge effectiveness

Based on the assessment method established depending upon the characteristics of each transaction, hedge accounting is applied when the hedges effectiveness requirements are met.

(3) The Company applies the group tax sharing system.

[Significant Accounting Estimates]

Valuation of Investments and Loans in Subsidiaries and Associated Companies

| 1. Amount Recorded in the Financial Statements   | (Millions of Yen) |
|--|-------------------|
| Investments in subsidiaries' and associated companies' equity securities   | 1,593,312 (*)     |
| Investments in subsidiaries' and associated companies' securities other than equity securities and corporate bonds | 16,494            |
| Investments in subsidiaries' and associated companies' equity interests  | 221,183           |
| Short-term loans receivable and long-term loans receivable from subsidiaries and associated companies              | 88,560            |
| Guarantees for indebtedness of subsidiaries and associated companies   | 1,979,129         |
| (*) The amounts below are included in this amount  |                   |
| Investments in subsidiaries' equity securities without quoted market prices  | 1,065,425         |
| Investments in associated companies' equity securities without quoted market prices                                | 243,181           |

Of the above, investment in subsidiaries' and associated companies' equity interests of ¥103,901 million is recorded as an investment in Retail Investment Company, LLC ("RIC"), which is a wholly owned subsidiary of the Company. RIC is a holding company that owns a portion of the shares of FamilyMart Co., Ltd., a subsidiary of the Company. The Company has guaranteed ¥416,500 million of RIC's borrowings.

2. Other Information that Contributes to Users of Financial Statements Understanding of Estimates

In valuing investments and loans in subsidiaries and associated companies, for equity securities without quoted market prices, the Company recognizes impairment losses, or provisions, on investments and provisions for loans or guarantees, etc., when the substantial value of the investment has declined significantly due to the deterioration in the financial position of the company concerned, unless recoverability is substantiated by sufficient evidence. In the event of a significant decline in the substantial value of an investment, the recoverability of the investment is determined based on the business plan and other factors.

In assessing the investment and loans or guarantees in RIC, the Company calculated the substantial value of FamilyMart Co., Ltd. reflecting its excess earning power and examined whether that substantial value had declined significantly. In relation to that excess earning power, the goodwill arising from the acquisition of FamilyMart Co., Ltd. has been tested for impairment in accordance with IFRS in the consolidated financial statements [Please refer to "Significant Accounting Policies 20. Significant Accounting Estimates" for consolidated financial statements].

As a result of the consideration above, the substantial value of FamilyMart Co., Ltd. has not declined significantly, and the Company has determined that it is not necessary to recognize impairment losses, or provisions, on investments and provisions for loans or guarantees, etc. in this fiscal year. However, significant assumptions of maintaining the number of stores and increasing trading income through raising daily sales and bolstering operational efficiency are used in the calculation of the substantial value, and if it becomes necessary to revise these assumptions, the Company may recognize impairment losses, or provisions, on investments and provisions for loans or guarantees, etc., in the next fiscal year.

[Notes to Non-Consolidated Balance Sheet]

1. Pledged Assets as Collateral and Secured Obligations

(1) Pledged assets as collateral (Millions of Yen)

|  |        |
|--|--------|
| Investments in subsidiaries' and associated companies' equity securities | 28,486 |
| Long-term loans receivable from subsidiaries and associated companies    | 17,669 |

In addition to the above, investments in securities amounting to ¥710 million are pledged as substitutes for deposits.

(2) Secured obligations

There are no obligations corresponding to the above.

Pledged assets represent the Company's assets which are pledged as collateral for the borrowings made by subsidiaries and associated companies.

2. Accumulated Depreciation of Property, Plant and Equipment ¥37,209 million

3. Contingent Liabilities

(1) Guarantees

The Company issues various guarantees for indebtedness of other companies including bank loans.

(Millions of Yen)

[Subsidiaries and associated companies]

|                                       |           |
|---------------------------------------|-----------|
| ITOCHU Treasury Corporation (*1)      | 651,467   |
| Retail Investment Company, LLC        | 416,500   |
| Orchid Alliance Holdings Limited (*2) | 373,855   |
| ITOCHU FOOD INVESTMENT, LLC           | 78,555    |
| ITOCHU TAIWAN INVESTMENT CORPORATION  | 59,895    |
| Itochu Automobile Investment LLC.     | 45,260    |
| BS Investment Corporation             | 42,200    |
| Citrus Investment LLC                 | 41,100    |
| ITOCHU FIBRE LIMITED                  | 40,437    |
| Others                                | 229,860   |
| Subtotal                              | 1,979,129 |

[The companies, not included in the consolidation group of the Company]

|                   |        |
|-------------------|--------|
| HCJ Holdings Ltd. | 41,053 |
| Others            | 21,212 |
| Subtotal          | 62,265 |

|                                       |          |           |
|---------------------------------------|----------|-----------|
| Subsidiaries and associated companies | Subtotal | 1,979,129 |
|---------------------------------------|----------|-----------|

|   |          |        |
|---|----------|--------|
| The companies, not included in the consolidation group of the Company | Subtotal | 62,265 |
|---|----------|--------|

|       |           |
|-------|-----------|
| Total | 2,041,394 |
|-------|-----------|

The amounts stated above are the Company's portion of the contingent liabilities that have been incurred jointly with other guarantors.

\*1 The Company provided guarantees for loans from financial institutions of ¥929,956 million for ITOCHU Treasury Corporation. Excluding the amounts below, ¥651,467 million is recognized as the amount guaranteed to ITOCHU Treasury Corporation by the Company.

• The guarantees for loans include a long-term loan of ¥76,578 million to Orchid Alliance Holdings

Limited. Since the Company also provided a guarantee for the long-term loan of Orchid Alliance Holdings Limited, this amount is excluded from the amount of the guarantees for ITOCHU Treasury Corporation.

- The guarantees for loans include loans arising from ITOCHU Treasury Corporation's assumption of obligations without specific liabilities for the Company's assumed import bills. Of these, ¥201,911 million was unpaid by the Company at the time the obligation was assumed. Since this corresponds to the recorded balance of other payable to ITOCHU Treasury Corporation, it is excluded from the amount of the guarantees.

\*2 The Company provided guarantees for loans from financial institutions of ¥430,176 million for Orchid Alliance Holdings Limited. Since the provision for loss on guarantees of ¥56,321 million is recorded for the guarantees, ¥373,855 million excluded from the provision is recognized as the amount guaranteed to Orchid Alliance Holdings Limited by the Company.

(2) Discounted trade notes receivable

Amounts of export bills discounted ¥18,494 million

4. Receivables from and Payables to Subsidiaries and Associated Companies (Millions of Yen)

Receivables from subsidiaries and associated companies:

Current 394,626

Non-current 43,479

Payables to subsidiaries and associated companies:

Current 390,782

Non-current 5,419

The above includes short-term loans receivable from subsidiaries and associated companies and long-term loans receivable from subsidiaries and associated companies that are presented separately on the balance sheet.

5. Investments in Subsidiaries' and Associated Companies' Equity Securities

(Millions of Yen)

|   | Carrying amount | Fair value | Difference |
|---|-----------------|------------|------------|
| Investment in subsidiaries' equity securities         | 143,275         | 640,727    | 497,452    |
| Investment in associated companies' equity securities | 141,431         | 315,429    | 173,998    |
| Total   | 284,706         | 956,156    | 671,450    |

Note: Carrying amount of equity securities without quoted market prices excluded from the above table

(Millions of Yen)

|   | Carrying amount |
|---|-----------------|
| Investment in subsidiaries' equity securities         | 1,065,425       |
| Investment in associated companies' equity securities | 243,181         |

6. Payables to Directors

¥1,825 million

In addition to the above, ¥381 million is recorded for the projected amount of special bonus payments in past fiscal years, and ¥497 million is recorded for the projected amount of share price-linked bonuses as other non-current liabilities.

[Notes to Non-Consolidated Statement of Income]

| 1. Transactions with Subsidiaries and Associated Companies  | (Millions of Yen) |
|---|-------------------|
| Sales to subsidiaries and associated companies(*)   | 1,480,248         |
| Purchases from subsidiaries and associated companies  | 539,994           |
| Other transactions with subsidiaries and associated companies   | 547,185           |
| (*)The total transaction volume of sales transactions with subsidiaries and associated companies is provided. |                   |

2. Gain on reversal of provision for long-term energy contracts

The ¥19,712 million gain on reversal of provision for long-term energy contracts is recorded as cost.

[Notes to Non-Consolidated Statement of Changes in Equity]

1. Number of shares of common stock issued was 1,584,889,504 as of March 31, 2023.

2. The following summarizes the description and number of shares of treasury stock.

| (Thousands of Shares) |                        |          |          |                         |
|-----------------------|------------------------|----------|----------|-------------------------|
| Type of shares        | As of April 1,<br>2022 | Increase | Decrease | As of March 31,<br>2023 |
| Common Stock          | 113,229                | 14,790   | 0        | 128,019                 |

Note: The 597 thousand shares of the Company held in the trust account for the benefit share ESOP and the 981 thousand shares of the Company held in the BIP trust account for officer remuneration are treated as treasury stock on the balance sheet; however, as they are not owned by the Company, they are not included in the table of shares of treasury stock above.

<Reason for increase or decrease>

- (1) The increase in the number of shares of treasury stock is due to the purchase of 8,611 thousand shares of treasury stock in accordance with the resolution of the Board of Directors on October 4, 2022, the purchase of 6,169 thousand shares of treasury stock in accordance with the resolution of the Board of Directors on February 3, 2023, and the purchase of 9 thousand shares, which is less than one share unit.
- (2) The decrease in the number of shares of treasury stock is due to the disposal of 0 thousand shares, which is less than one share unit.

3. The Increase due to Company Split

The Company conducted an absorption-type company split with no issue or allocation of new shares or other form of compensation, in which the Company became the splitting company and Ito Ippeki Management Service Co., Ltd. became the succeeding company, with an effective date of February 1, 2023. This company split is conducted as a transaction under the common control, and therefore the equivalent amount of shareholder's equity associated with transferred business was recognized as an increase in retained earnings.

[Notes to Income Taxes]

The tax effects of temporary differences that give rise to the significant components of deferred tax assets and liabilities were as follows:

|  | (Millions of Yen) |
|--|-------------------|
| Deferred tax assets:   |                   |
| Allowance for doubtful receivables                               | 16,837            |
| Provision for loss on guarantees                                 | 18,152            |
| Loss on devaluation of investments in securities                 | 131,046           |
| Provision for retirement benefits for employees                  | 27,196            |
| Write-down of land and other properties held for sale            | 740               |
| Loss on impairment of long-lived assets                          | 3,397             |
| Others   | 43,898            |
| Subtotal   | 241,266           |
| Less valuation allowance   | (191,475)         |
| Deferred tax assets  | 49,791            |
| Deferred tax liabilities:  |                   |
| Gain on contribution from securities to retirement benefit trust | (25,471)          |
| Unrealized gain on available-for-sale securities                 | (32,317)          |
| Others   | (2,954)           |
| Deferred tax liabilities   | (60,742)          |
| Net deferred tax assets (liabilities)                            | (10,951)          |

Note: The Company has transitioned from the consolidated taxation system to the group tax sharing system from this fiscal year. Accordingly, the income taxes and local income taxes as well as tax effect accounting procedures and disclosure conform with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

[Related Party Transactions]

(Millions of Yen)

| Category   | Name of Company                      | Voting Rights (Ownership)                  | Relationship with Related Party                    | Description of Transactions   | Amount  | Account Name  | As of March 31, 2023          |
|------------|--------------------------------------|--|--|---|---------|---|-------------------------------|
| Subsidiary | NIPPON ACCESS, INC.                  | Holding directly 100.00%                   | Sales of foods, liquors and sundry items, etc.     | Sales of foods (*1)   | 453,132 | Trade accounts receivable<br>Other payable<br>Accrued expenses<br>Other non-current liabilities | 79,047<br>1,292<br>931<br>150 |
| Subsidiary | ITOCHU Treasury Corporation          | Holding directly 100.00%                   | General entrustment of trade finance capital, etc. | General entrustment agreement regarding export bills (*2)             | —       | Other receivable  | 87,845                        |
|            |                                      |  |  | Agreement for assumption of obligations for assumed import bills (*2) | —       | Other payable   | 201,911                       |
|            |                                      |  |  | Payment of interest (*2)  | 6,362   | —   | —                             |
|            |                                      |  | Deposit of funds                                   | Deposit of funds (*3)   | —       | Deposits received   | 79,932                        |
|            |                                      |  |  | Payment of interest (*3)  | 151     | —   | —                             |
|            |                                      |  | Lending of funds                                   | Lending of funds (*4)   | —       | Short-term loans receivable from subsidiaries and associated companies                          | 66,765                        |
|            |                                      |  |  | Receipt of interest (*4)  | 1,706   | —   | —                             |
| Subsidiary | Orchid Alliance Holdings Limited     | Holding directly 100.00%                   | Guarantees   | Borrowing of funds (*3)   | —       | Short-term debt   | 16,713                        |
|            |                                      |  |  | Payment of interest (*3)  | 90      | —   | —                             |
| Subsidiary | Retail Investment Company, LLC       | Holding directly 100.00%                   | Guarantees   | Guarantees (*5) (*6)  | 929,956 | —   | —                             |
|            |                                      |  |  | Receipt of guarantee commission (*5)                                  | 1,866   | —   | —                             |
| Subsidiary | Citrus Investment LLC                | Holding directly 100.00%                   | Guarantees   | Guarantees (*5) (*7)  | 430,176 | —   | —                             |
|            |                                      |  |  | Receipt of guarantee commission (*5)                                  | 441     | —   | —                             |
| Subsidiary | ITOCHU FOOD INVESTMENT, LLC          | Holding directly 90.00%, indirectly 10.00% | Guarantees   | Guarantees (*5)   | 416,500 | —   | —                             |
|            |                                      |  |  | Receipt of guarantee commission (*5)                                  | 521     | —   | —                             |
| Subsidiary | ITOCHU TAIWAN INVESTMENT CORPORATION | Holding directly 100.00%                   | Guarantees   | Capital increase  | 50,399  | —   | —                             |
|            |                                      |  |  | Guarantees (*5)   | 41,100  | —   | —                             |
| Subsidiary | ITOCHU TAIWAN INVESTMENT CORPORATION | Holding directly 100.00%                   | Guarantees   | Receipt of guarantee commission (*5)                                  | 26      | —   | —                             |
|            |                                      |  |  | Guarantees (*5)   | 78,555  | —   | —                             |
| Subsidiary | ITOCHU TAIWAN INVESTMENT CORPORATION | Holding directly 100.00%                   | Guarantees   | Receipt of guarantee commission (*5)                                  | 96      | —   | —                             |
|            |                                      |  |  | Guarantees (*5)   | 59,895  | —   | —                             |
| Subsidiary | ITOCHU TAIWAN INVESTMENT CORPORATION | Holding directly 100.00%                   | Guarantees   | Receipt of guarantee commission (*5)                                  | 61      | —   | —                             |
|            |                                      |  |  | Guarantees (*5)   | —       | —   | —                             |

| Category   | Name of Company                   | Voting Rights (Ownership)                  | Relationship with Related Party | Description of Transactions          | Amount | Account Name | As of March 31, 2023 |
|------------|-----------------------------------|--|---------------------------------|--------------------------------------|--------|--------------|----------------------|
| Subsidiary | Itochu Automobile Investment LLC. | Holding directly 90.00%, indirectly 10.00% | Guarantees                      | Guarantees (*5)                      | 45,260 | —            | —                    |
|            |                                   |  |                                 | Receipt of guarantee commission (*5) | 47     | —            | —                    |
| Subsidiary | BS Investment Corporation         | Holding directly 100.00%                   | Guarantees                      | Guarantees (*5)                      | 42,200 | —            | —                    |
|            |                                   |  |                                 | Receipt of guarantee commission (*5) | 53     | —            | —                    |
| Subsidiary | ITOCHU FIBRE LIMITED              | Holding directly 75.00%, indirectly 25.00% | Guarantees                      | Guarantees (*5)                      | 40,437 | —            | —                    |
|            |                                   |  |                                 | Receipt of guarantee commission (*5) | 39     | —            | —                    |

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

- \*1 Conditions of sales to this company are determined by considering the market prices by negotiating the prices periodically.
- \*2 The Company has entered into agreements including a general entrustment agreement with this company related to trade finance capital. The agreements were entered into in order for the Company to use trade financing on documentary bills, such as export bill discounting, as a method for raising foreign currency. For foreign currency-denominated export bills, this company is entrusted with the capital recovery services with discretionary authority over early payment discounts. Of the amounts that are subject to early payment discounts by this company based on this discretionary authority, the Company recognizes the balance of uncollected payments as other receivable. Moreover, regarding assumed import bills, the Company entered into an agreement of assumption of obligations without specific liabilities with this company where this company assumes the obligations of the Company's assumed import bills as notes payable to banks. In addition, upon the assumption of these obligations, the Company records the unpaid balances against this company as other payable, and the interest rate pertaining to the payables is determined by considering market rates.
- \*3 The deposits received and borrowings from this company are made on the basis of the Group Financial System, and interest rates are determined by considering market rates.
- \*4 The interest rate pertaining to the lending is determined by considering market rates.
- \*5 The Company provided these companies with guarantees, including for bank loans, loans from ITOCHU Treasury Corporation and overseas treasury centers. The rates of the guarantee premiums are determined by considering the creditworthiness and other factors of these companies.
- \*6 The Company also provided a guarantee for long-term loans of ITOCHU Treasury Corporation of ¥76,578 million for Orchid Alliance Holdings Limited which is a part of the above loans guaranteed. Furthermore, the guaranteed borrowings of this company include bank loans arising from assumption of obligations by ITOCHU Treasury Corporation related to the Company's assumed import bills. Of these, ¥201,911 million corresponds to the unpaid balances recorded as other payable against ITOCHU Treasury Corporation upon this assumption of obligations (See \*2). Excluding these amounts, the amount of the guarantee that the Company provided for ITOCHU Treasury Corporation is ¥651,467 million.
- \*7 Regarding these guarantees, the Company recorded a provision for loss on guarantees of ¥56,321 million.
- \*8 The Company made an additional investment of ¥50,399 million in this company.



[Per Share Information]

|                             |           |
|-----------------------------|-----------|
| Equity per common share     | ¥1,078.47 |
| Net profit per common share | ¥422.77   |

Note: The Company's shares held in the trust account for the benefit share ESOP and the BIP trust account for officer remuneration are treated as treasury stock in the balance sheet and included in the treasury stock that is subtracted in the calculation of the Per Share Information stated above.

[Notes to Concerning Revenue Recognition]

For details on Revenue Recognition, please refer to "Significant Accounting Policies 14. Revenues" for Notes to Consolidated Financial Statements.

**(Reference)****Consolidated Statement of Cash Flows**

ITOCHU Corporation and its Subsidiaries

Fiscal years ended March 31, 2023 and 2022

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

|  | Millions of Yen |                  |
|--|-----------------|------------------|
|  | 2023            | 2022             |
| <b>Cash flows from operating activities:</b>   |                 |                  |
| Net profit..... ¥  | 844,681         | ¥ 878,973        |
| Adjustments to reconcile net profit to net cash provided by operating activities:  |                 |                  |
| Depreciation and amortization.....   | 409,962         | 404,184          |
| (Gains) losses on investments.....   | (67,157)        | (211,851)        |
| (Gains) losses on property, plant, equipment and intangible assets...  | 50,118          | 17,601           |
| Financial (income) loss.....   | (52,172)        | (72,177)         |
| Equity in earnings of associates and joint ventures.....   | (320,666)       | (291,435)        |
| Income tax expense.....  | 262,180         | 271,056          |
| Provision for doubtful accounts and other provisions.....  | (3,338)         | (2,836)          |
| Changes in assets and liabilities, other-net.....  | (183,718)       | (241,650)        |
| Proceeds from interest.....  | 35,029          | 19,706           |
| Proceeds from dividends.....   | 233,884         | 201,532          |
| Payments for interest.....   | (57,855)        | (29,807)         |
| Payments for income taxes.....   | (212,890)       | (142,133)        |
| Net cash provided by (used in) operating activities.....   | 938,058         | 801,163          |
| <b>Cash flows from investing activities:</b>   |                 |                  |
| Net change in investments accounted for by the equity method.....  | (294,890)       | 67,043           |
| Net change in other investments.....   | 22,937          | 83,344           |
| Net change in loans receivable.....  | (20,035)        | 15,672           |
| Net change in property, plant, equipment and intangible assets.....  | (165,721)       | (124,883)        |
| Net change in time deposits.....   | 3,903           | (2,539)          |
| Net cash provided by (used in) investing activities.....   | (453,806)       | 38,637           |
| <b>Cash flows from financing activities:</b>   |                 |                  |
| Net change in debentures and loans payable.....  | (16,476)        | (349,350)        |
| Repayments of lease liabilities.....   | (261,271)       | (266,974)        |
| Cash dividends.....  | (188,372)       | (135,356)        |
| Net change in treasury stock.....  | (60,181)        | (60,036)         |
| Other.....   | 26,219          | (34,990)         |
| Net cash provided by (used in) financing activities.....   | (500,081)       | (846,706)        |
| <b>Net change in cash and cash equivalents.....</b>  | <b>(15,829)</b> | <b>(6,906)</b>   |
| <b>Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position).....</b> | <b>611,715</b>  | <b>544,009</b>   |
| <b>Reclassification of cash and cash equivalents included in assets held for sale in the opening balance.....</b>                        | <b>-</b>        | <b>44,331</b>    |
| <b>Cash and cash equivalents at the beginning of the year.....</b>   | <b>611,715</b>  | <b>588,340</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents.....</b>   | <b>10,116</b>   | <b>30,281</b>    |
| <b>Cash and cash equivalents at the end of the year..... ¥</b>   | <b>606,002</b>  | <b>¥ 611,715</b> |

Note: ITOCHU Corporation prepared the Consolidated Statement of Cash Flows in conformity with IFRS.

(Reference)

**Operating Segment Information**

ITOCHU Corporation and its Subsidiaries

Fiscal years ended March 31, 2023 and 2022

The Company and its subsidiaries conduct trading, finance, and logistics involving a wide variety of products, as well as project planning and coordination. The Company and its subsidiaries also have cultivated a diverse range of functions and expertise through investments in resource development and other projects. By leveraging these comprehensive capabilities and via global networks spanning eight Division Companies, the Company and its subsidiaries operate in a wide range of industries. The Consumer-Related Sector covers textiles, food, general products & realty, and ICT & financial business; the Basic Industry-Related Sector includes machinery, chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes metal and energy resources.

The Company implements diverse business activities across a broad span of industries. To engage in these diverse business activities, the Company has established a system of eight Division Companies organized in line with their respective industries, principal products, and service -Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Under this system, each Division Company has responsibility for business execution in its business field. These Division Companies are the segment units for which the Company's management determines management strategies and the allocation of management resources. Results are managed at the Division Company level in accordance with a number of indicators, such as Net profit attributable to ITOCHU.

In consideration of the above, the Company uses the eight Division Companies as its reportable segments, and the reportable segment information for 2023 and 2022 is as follows.

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

| Millions of Yen   |           |             |                   |                    |             |                           |                          |             |                                    |                    |
|---|-----------|-------------|-------------------|--------------------|-------------|---------------------------|--------------------------|-------------|------------------------------------|--------------------|
| 2023  |           |             |                   |                    |             |                           |                          |             |                                    |                    |
|   | Textile   | Machinery   | Metals & Minerals | Energy & Chemicals | Food        | General Products & Realty | ICT & Financial Business | The 8th     | Others, Adjustments & Eliminations | Consolidated total |
| Revenues:   |           |             |                   |                    |             |                           |                          |             |                                    |                    |
| Revenues from external customers .....                    | ¥ 530,138 | ¥ 1,393,501 | ¥ 1,268,056       | ¥ 3,388,985        | ¥ 4,626,264 | ¥ 1,263,457               | ¥ 875,134                | ¥ 467,105   | ¥ 132,993                          | ¥13,945,633        |
| Intersegment revenues .....                               | 4,446     | 124         | -                 | 41,818             | 14,404      | 21,944                    | 14,153                   | 4,051       | (100,940)                          | -                  |
| Total revenues  | ¥ 534,584 | ¥ 1,393,625 | ¥ 1,268,056       | ¥ 3,430,803        | ¥ 4,640,668 | ¥ 1,285,401               | ¥ 889,287                | ¥ 471,156   | ¥ 32,053                           | ¥13,945,633        |
| Gross trading profit                                      | ¥ 116,523 | ¥ 234,822   | ¥ 222,009         | ¥ 315,356          | ¥ 330,913   | ¥ 225,024                 | ¥ 286,125                | ¥ 383,845   | ¥ 15,286                           | ¥ 2,129,903        |
| Equity in earnings of associates and joint ventures ..... | ¥ 5,362   | ¥ 44,749    | ¥ 61,955          | ¥ 8,621            | ¥ 4,431     | ¥ 38,486                  | ¥ 40,480                 | ¥ 327       | ¥ 116,255                          | ¥ 320,666          |
| Net profit attributable to ITOCHU .....                   | ¥ 25,477  | ¥ 107,088   | ¥ 246,852         | ¥ 114,256          | ¥ 16,454    | ¥ 94,831                  | ¥ 64,399                 | ¥ 23,047    | ¥ 108,115                          | ¥ 800,519          |
| Total assets at March 31, 2023 ...                        | ¥ 457,659 | ¥ 1,664,644 | ¥ 1,274,803       | ¥ 1,552,638        | ¥ 2,146,794 | ¥ 1,223,292               | ¥ 1,308,118              | ¥ 1,906,655 | ¥ 1,577,049                        | ¥13,111,652        |

| Millions of Yen   |           |             |                   |                    |             |                           |                          |             |                                    |                    |
|---|-----------|-------------|-------------------|--------------------|-------------|---------------------------|--------------------------|-------------|------------------------------------|--------------------|
| 2022  |           |             |                   |                    |             |                           |                          |             |                                    |                    |
|   | Textile   | Machinery   | Metals & Minerals | Energy & Chemicals | Food        | General Products & Realty | ICT & Financial Business | The 8th     | Others, Adjustments & Eliminations | Consolidated total |
| Revenues:   |           |             |                   |                    |             |                           |                          |             |                                    |                    |
| Revenues from external customers .....                    | ¥ 444,750 | ¥ 1,193,976 | ¥ 1,043,071       | ¥ 2,864,111        | ¥ 4,293,543 | ¥ 1,036,990               | ¥ 863,997                | ¥ 457,920   | ¥ 94,990                           | ¥12,293,348        |
| Intersegment revenues .....                               | 13        | 84          | —                 | 38,624             | 11,886      | 21,883                    | 13,077                   | 1,942       | (87,509)                           | —                  |
| Total revenues  | ¥ 444,763 | ¥ 1,194,060 | ¥ 1,043,071       | ¥ 2,902,735        | ¥ 4,305,429 | ¥ 1,058,873               | ¥ 877,074                | ¥ 459,862   | ¥ 7,481                            | ¥12,293,348        |
| Gross trading profit                                      | ¥ 96,775  | ¥ 205,799   | ¥ 178,957         | ¥ 253,050          | ¥ 320,437   | ¥ 190,338                 | ¥ 295,876                | ¥ 387,588   | ¥ 8,345                            | ¥ 1,937,165        |
| Equity in earnings of associates and joint ventures ..... | ¥ 4,464   | ¥ 42,439    | ¥ 47,167          | ¥ 12,444           | ¥ 16,679    | ¥ 30,289                  | ¥ 43,504                 | ¥ 797       | ¥ 93,652                           | ¥ 291,435          |
| Net profit attributable to ITOCHU .....                   | ¥ 25,142  | ¥ 80,265    | ¥ 226,498         | ¥ 90,627           | ¥ 61,773    | ¥ 105,411                 | ¥ 104,426                | ¥ 44,175    | ¥ 81,952                           | ¥ 820,269          |
| Total assets at March 31, 2022 ...                        | ¥ 436,807 | ¥ 1,302,692 | ¥ 1,285,258       | ¥ 1,489,260        | ¥ 1,979,520 | ¥ 1,126,171               | ¥ 1,350,414              | ¥ 1,813,769 | ¥ 1,369,767                        | ¥12,153,658        |

Notes: 1. ITOCHU Corporation prepared the Operating Segment Information in conformity with IFRS.

2. [Others, Adjustments & Eliminations] includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments.

The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.

3. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.
4. As of October 1, 2022, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th segment as minority and the other segment as majority, and shares of such group companies are only held by the other segment. These changes are reflected from the results for the third and fourth quarters of the fiscal year ended March 31, 2023 and the results for the first and second quarters of the fiscal year ended March 31, 2023 are not affected by these changes. According to the above, the results for the third and fourth quarters of the fiscal year ended March 31, 2022 are reclassified in the same manner.