

# FYE 2021 Business Results Summary & FYE 2022–2024 Medium-Term Management Plan

ITOCHU Corporation  
May 10, 2021



I am One with Infinite Missions

#### Forward-Looking Statements

Data and projections contained in these materials are based on the information available at the time of publication, and various factors may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

**President & COO**

**Keita Ishii**

## Summary of Financial Results for FYE 2021



(Unit : billion yen)

■ **“Net profit attributable to ITOCHU”** was **¥401.4 bil.**, achieved the FYE 2021 forecast (disclosed on May 8, 2020) of ¥400.0 bil.

■ **“Core profit”** was approximately **¥452.5 bil.**, steadily increased and recovered quarter by quarter, and the core profit for Q4 renewed all-time high as a 4<sup>th</sup> quarter's, driven by Metals & Minerals, Power & Environmental Solution, Chemicals, and ICT, while COVID-19 significantly affected some businesses.

	FYE 2020 Results	FYE 2021 Results					Increase/ Decrease	FYE 2021 Forecast (Disclosed on May 8, 2020)	Achievement
		Q1	Q2	Q3	Q4	Annual			
Net profit attributable to ITOCHU	<b>501.3</b>	104.8	147.7	111.8	37.1	<b>401.4</b>	<b>(99.9)</b>	<b>400.0</b>	<b>100%</b>
Extraordinary gains and losses	16.0	16.0	33.5	( 6.5)	( 94.0)	( 51.0)	(67.0)		
Core profit <sup>(*1)</sup>	485.5	88.5	114.5	118.5	131.0	452.5	(33.0)		
[Core profit(excluding the impact of COVID-19)] <sup>(*1)</sup>	[490.5]	[108.5]	[134.5]	[125.5]	[140.0]	[508.5]	[+ 18.0]		
<small>(*1)Core profit is shown in round figure.</small>									
Ratio (%) of group companies reporting profits <sup>(*2)</sup>	88.6%	73.4%	76.5%	82.0%	82.4%	82.4%	Decreased 6.1pt		
<small>(*2) Figure of each quarter shows the ratio of cumulative period.</small>									
Core operating cash flows	602.0	96.0	170.0	151.0	157.0	574.0	(28.0)		
NET DER	0.75					0.78	Increased 0.03pt	Dividend information (per share)	
ROE	17.0%					12.7%	Decreased 4.3pt	Annual (Planned)	88 yen
EPS	335.58 yen					269.83 yen	(65.75 yen)	Interim (Paid)	44 yen

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By minimizing the COVID-19 impact, eliminating the management issues and preparing the structure for FYE 2022, we exceeded the consolidated net profit target of JPY400 billion set at the beginning of the year and reached JPY401.4 billion.

Despite a tough business environment where other companies saw major year on year declines in their profits, we showed our strength of our earnings base that is well distributed in terms of the business areas and resistant to the economic changes.

Looking at the balance sheet, NET DER was 0.78 times. We continue to maintain our solid financial position as we execute large-sized investments.

Despite the pandemic, ROE was about 13%, and ratio of profitable Group companies was kept high, above 80%. Our strength, high efficiency management, was effective, and we have steadily implemented commitment-based management even under the rapid changes of the business environment in FYE 2021.

We became the No.1 general trading company in terms of market cap and stock price for the first time in history in FYE 2021, and also No.1 based on the consolidated net profit for the first time in 5 years, winning a triple crown. This is the result of the profit growth of the past 10 years and efforts made by the united team of Group companies. This is the proof of our honest and steady businesses that we have built up as merchants who have customers' perspectives. The most important thing is to continue this modest attitude.

Quantitative  
targets

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

Qualitative  
targets

**Realizing business transformation by shifting to a market-oriented perspective**

**Profit opportunities are shifting downstream**

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

**Enhancing our contribution to and engagement with the SDGs through business activities**

***Sampo-yoshi*\* capitalism**

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

\*"Sampo-yoshi" is our corporate mission and the management philosophy of the merchants of Ohmi (where ITOCHU was founded). This meaningful phrase emphasizes the importance of activities that are "good for the seller, good for the buyer, and good for society." *Sampo-yoshi* can be said to be the roots of today's idea of sustainability.

Our quantitative target is to aim to achieve consolidated net profit of JPY600 billion and growth strategy to realize business transformation by shifting to a market-oriented perspective and to enhance our contribution to and engagement with the SDGs.

Global spread of COVID-19 brought major changes in our society.

Some businesses in consumer-related sector, which is our strength, were significantly impacted. The trend of SDGs is moving faster than our expectations and is starting to influence the state of the business.

We believe ITOCHU Group needs to flexibly respond to the changes in the environment and achieve new growth by promoting business transformation based on the market-oriented perspective and SDGs.

Merchants as water, the essence of the merchants is to be able to change its shape to circle or square like water according to the customer needs. What is essential as a general trading company is to quickly capture changes in the society and to build businesses. I think there are many things that we can challenge and realize because of the major changes happening around us.

# Quantitative Targets



(Billions of yen)

**FYE 2022 profit plan: Consolidated net profit of ¥550.0 billion**

Return to a growth trajectory beyond the pre COVID-19 profit level

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FYE 2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FYE 2021 Result	1.6	22.8	104.1	36.1	25.0	21.3	58.1	21.3	111.1	401.4	292.7	107.9	0.9
FYE 2022 Plan	<b>23.0</b>	<b>58.0</b>	<b>138.0</b>	<b>57.0</b>	<b>58.0</b>	<b>63.0</b>	<b>70.0</b>	<b>33.0</b>	<b>* 50.0</b>	<b>550.0</b>	<b>446.0</b>	<b>142.0</b>	<b>*(38.0)</b>
Increase/Decrease	+21.4	+35.2	+33.9	+20.9	+33.0	+41.7	+11.9	+11.7	(61.1)	+148.6	+153.4	+34.1	(38.9)

\*Includes a loss buffer of ¥30.0 billion

## B/S, CF & Ratio Plan

(FYE)	Brand-new Deal 2020		FYE 2021 Management Plan
	2019	2020	2021
Core operating CFs	515.0	602.0	574.0
Net investment CFs	(20.0)	(290.0)	(755.0)
Core free CFs after deducting shareholder returns	300.0	123.0	(326.0)
	423.0		
NET DER (times)	0.82	0.75	0.78
Shareholders' equity	2.9 tril.	3.0 tril.	3.3 tril.
ROE (%)	17.9	17.0	12.7

## Brand-new Deal 2023

2022-2024

Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation

B/S control appropriate for A ratings  
[NET DER about 0.7 - 0.8 times]

Maintaining high efficiency [ROE of about 13 - 16%]

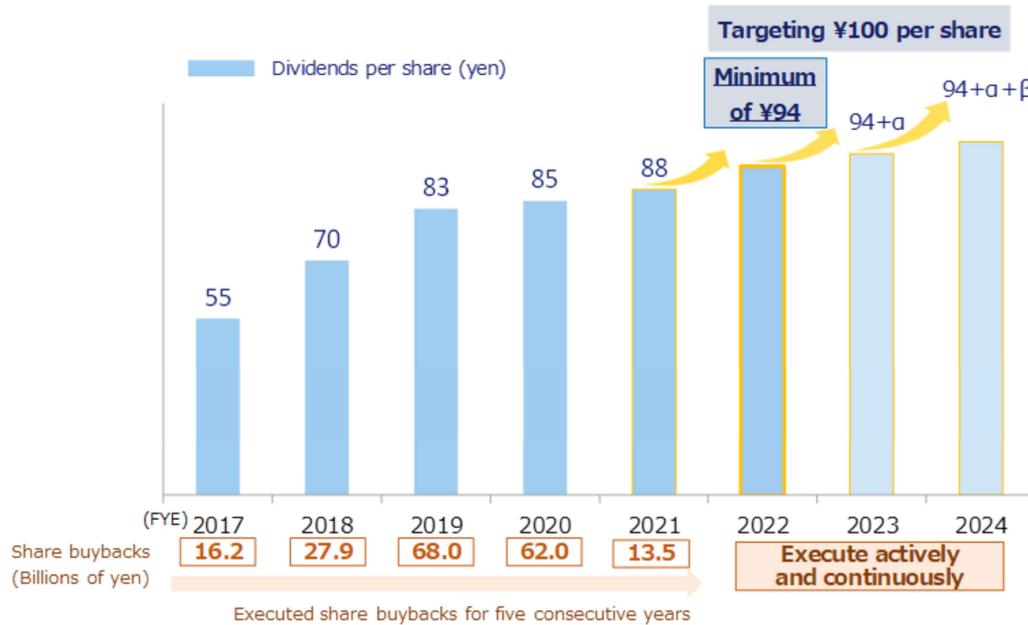
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Our consolidated net profit plan for FYE 2022 is set at a record high of JPY550 billion in order to ensure the return to the growth trajectory beyond the pre-COVID-19 profit level. We will overcome the pandemic and start our journey towards growth once again.

# Shareholder Returns Policy



Shareholder Returns Policy	Dividend	<ul style="list-style-type: none"> <li>We have set a <b>minimum</b> dividends per share of <b>¥94</b> for FYE 2022</li> <li>We will <b>increase the dividend if we revise consolidated net profit upward</b> during FYE 2022</li> <li>We <b>aim to reach a dividend of ¥100 per share</b> during the medium-term management plan</li> </ul>
	Share Buybacks	<ul style="list-style-type: none"> <li>As in the past, we will actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation</li> </ul>



FYE 2021 yearly dividend is JPY88 per share, as announced. As for FYE 2022, through steady increases, we have set a minimum dividend per share of JPY94. We will increase the dividend if we make an upward revision during the FYE 2022. We also aim to reach a dividend of JPY100 per share during the medium-term management plan.

As for share buybacks, we will continue our policy to actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation.

# **Executive Vice President CFO**

## **Tsuyoshi Hachimura**

Looking at the FYE 2021, we needed to take some major accounting measures in relation to the impact of COVID-19 as well as the reduction of GHGs, but we achieved our commitment target.

In the Brand-new Deal 2023, we announced JPY600 billion of net profit for the first time among the trading companies and the fastest GHG reduction as well as the lowest GHG emission by changing the business models. We also announced our plan to keep the current financial policy.

As for the business results for FYE 2021, net profit attributable to ITOCHU was JPY401.4 billion. During the medium-term management plan, we would like to achieve JPY600 billion.

As for FYE 2022, by maximizing our non-resource businesses, we would like to increase the profit by 37% and achieve JPY550 billion of net profit. We also see the upward revision in sight.

The dividend was JPY88 per share in FYE2021. The dividend increased 6 years in a row. During the medium-term management plan, we would like to aim for JPY100 per share. This is not the upper limit, and we will continue with the progressive dividend policy. Based on this year's target, JPY94 per share is the lower limit; that is up by JPY6 per share. If we make the upward revision, we will increase the dividend further.

One of our strengths is ROE. Last year, the share price was higher than our expectations and yen was weaker. As a result of those, ROE was below 13% at 12.7%. But in the medium-term management plan, we believe that the range of 13% to 16% of ROE is possible, and we would like to aim for the upper limit of this range.

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For the FYE2021 net profit attributable to ITOCHU was JPY401.4 billion. As for the core profit, it was JPY452.5 billion. There was minus JPY51 billion of extraordinary gains and losses.

In Q4, there was a JPY94 billion net based extraordinary loss. For the full year, it was JPY51 billion. We have conservatively reevaluated our assets in the long term. For FYE 2022, we expect a v-shaped recovery.

As for the dividend, we complied with the commitment, and we also maintained the financial discipline.

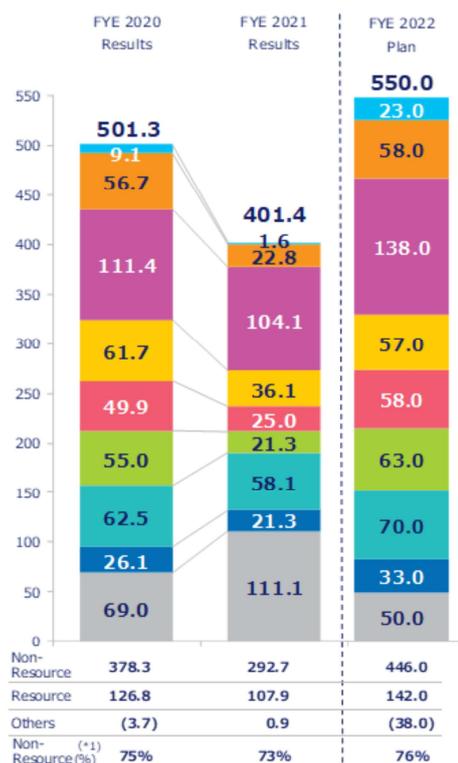
In terms of the net profit attributable to ITOCHU, stock price and market cap, we became No.1 in our segment. And also, we delisted the FamilyMart.

Looking at the difference between the results and the forecast, as for the FYE 2021 plan, the starting point of the core profit was JPY500 billion, and the commodity evaluation was done conservatively. That was down by JPY55 billion. We expected about 10% of the impact from COVID-19, so that was JPY50 billion. And also, about JPY50 billion of extraordinary gains and JPY50 billion of a buffer were expected. The plan was JPY400 billion.

As for the FYE 2021 results, the commodity price actually was pushed up by JPY10 billion. COVID-19 impact was JPY56 billion, so it was about the same as our plan. Regarding extraordinary gains and losses, with the major accounting measures, the extraordinary losses were minus JPY51 billion. The result of FYE2021 was JPY401.4 billion.

Among the segments, there are some differences of the core profit levels, but natural resource prices are up. By using the buffer, we made a preparation for the FYE 2022 and onwards.

# Net profit attributable to ITOCHU by Segment



## Summary of Changes from the Previous Fiscal Year

(Unit : billion yen)

- Textile [Inc / (Dec) : ¥ (7.5) bil.]**  
Decreased due to the decline in sales in overall transactions, especially from sales in apparel-related companies resulting from COVID-19 and the impairment loss on Sankei, partially offset by expense reduction and the absence of the extraordinary losses in the previous fiscal year.
- Machinery [Inc / (Dec) : ¥ (33.9) bil.]**  
Decreased due to lower sales volume in overseas automobile-related companies, automobile-related transactions and aircraft-related transactions, as well as lower equity in earnings of associates and joint ventures resulting from COVID-19, and the impairment loss on foreign companies, partially offset by expense reduction and sales recovery of YANASE.
- Metals & Minerals [Inc / (Dec) : ¥ (7.3) bil.]**  
Decreased due to lower coal prices, the decline in dividends received from a Brazilian iron ore company, lower equity in earnings of Marubeni-Itochu Steel, the impairment loss in the Australian coal-related business, and the absence of the extraordinary gains in the previous fiscal year, partially offset by higher iron ore prices.
- Energy & Chemicals [Inc / (Dec) : ¥ (25.7) bil.]**  
Decreased due to the deterioration in profitability in oil-exploration-related companies resulting from lower oil prices, the decline in dividends received, the loss from long-term energy contract, and the absence of the extraordinary gains in C.I. TAKIRON in the previous fiscal year, partially offset by a stable performance in chemical-related companies, higher transaction volume in hygiene products and electricity transactions, and expense reduction.
- Food [Inc / (Dec) : ¥ (24.9) bil.]**  
Decreased due to lower transaction volume in business for CVS and food service in NIPPON ACCESS and in provisions-related companies resulting from COVID-19, the impairment loss in a foreign company, and the absence of the extraordinary gain in the previous fiscal year, partially offset by a stable performance in meat-products-related companies and expense reduction.
- General Products & Realty [Inc / (Dec) : ¥ (33.8) bil.]**  
Decreased due to lower sales volume resulting from COVID-19 and the impairment loss in ETEL (European tire-related company), lower pulp prices, temporary expense from the construction of manufacturing lines in IFL (European pulp-related company), and the absence of the extraordinary gains in the previous fiscal year, partially offset by a stable performance in North American construction materials business.
- ICT & Financial Business [Inc / (Dec) : ¥ (4.3) bil.]**  
Decreased due to the impairment loss on Orient Corporation and the absence of the extraordinary gain in the previous fiscal year, partially offset by a stable performance in ICT sector and the gain on the partial sale of eGuarantee.
- The 8th [Inc / (Dec) : ¥ (4.8) bil.]**  
Decreased due to lower daily sales resulting from COVID-19 and the impairment losses on fixed assets, partially offset by the improvement in tax expenses related to FamilyMart, expense reduction, and the absence of the cost for the early retirement plan in the previous fiscal year in FamilyMart.
- Others, Adjustments & Eliminations [Inc / (Dec) : ¥ + 42.2 bil.]**  
Increased due to higher equity in earnings of CITIC Limited as well as the higher equity in earnings of C.P. Pokphand resulting from higher pork prices and the gain on the group reorganization.

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The net profit attributable to ITOCHU by segment, there was a major extraordinary loss booked in Q4. Excluding "Others, Adjustments & Eliminations(including CP and CITIC)", in all segments, profit declined.

The positive core profit increase year on year was shown in the Metals & Minerals, Energy & Chemicals and Others, Adjustments & Eliminations.

**Others, Adjustments & Eliminations:** Concerning CITIC, it was JPY72.5 billion, up 9% year on year. China business was strong, especially in Q4 with the recovery of the economy. The bank business, CITIC Bank, was also strong. As for CPP, there was a reorganization of the China business, so an extraordinary gain of JPY24.5 billion is included and the pork business in Vietnam was strong.

**Metals & Minerals:** Despite the withdrawal from the thermal coal in relation to Colombia and Australia, iron ore price increased significantly. The percentage of the Non-Resource came down to 73% because of extraordinary losses.

**Energy & Chemicals:** With lower oil prices, there was an impairment loss in relation to the long-term contract. However, the trade of the commodity chemical and electricity were positive.

**ICT & Financial Business:** Mobile phones, CTC and ICT-related were strong. In finance, HOKEN NO MADOGUCHI GROUP INC. was positive, but there was an impairment loss of Orient Corporation.

# Extraordinary Gains and Losses



(Unit : billion yen)

Segments	FYE 2020 Results		Major extraordinary gains and losses items	FYE 2021 Results		Major extraordinary gains and losses items
		[Q4]			[Q4]	
Textile	(10.5)	(11.5)	[Q1]Gain on the sale of fixed assets in EDWIN: 1.0 [Q4]The provision for foreign receivables: (5.5) Loss in a compensation for vendors: (2.5) Impairment loss in EDWIN: (1.5)	(9.0)	(13.5)	[Q2]Gain on the partial sale of a foreign company:1.5 [Q3]Gain on the group restructuring:3.0 [Q4]Impairment loss on Sankei:(8.5) Restructuring cost in subsidiaries:(3.5)
Machinery	1.0	(2.5)	[Q2-3]Gain on the cash collection for a specific overseas project: 1.5 [Q2:1.0, Q3:0.5] [Q4]Impairment loss on a foreign company: (3.0)	(18.0)	(20.5)	[Q2-3]Gain on the cash collection for a specific overseas project: 1.5 [Q2:1.0, Q3:0.5] [Q4]Impairment loss on foreign companies:(18.5)
Metals & Minerals	3.0	-	[Q2-4]Lower tax expenses related to natural-resource-projects: 6.5 [Q2:1.5, Q3:4.5, Q4:0.5]	(14.0)	(9.5)	[Q3]Higher tax expenses related to a natural-resource-project:(4.0) [Q4]Impairment loss in the Australian coal-related business:(8.5)
Energy & Chemicals	6.5	(3.5)	[Q3]Gain on the sale of fixed assets in C.I. TAKIRON: 4.5 Gain on the reorganization of a pharmaceutical-related company: 2.5 Gain on the sale of a chemical-tank-related company: 2.0 [Q4]The provision in energy tradings: (1.5) Impairment loss in a fertilizer-related company: (1.0) The provision on a heat supply-related company: (1.0)	(22.5)	(23.5)	[Q4]Loss from long-term energy contract:(22.5)
Food	5.0	(4.5)	[Q3]Revaluation gain due to the conversion of Prima Meat Packers into a consolidated subsidiary: 8.0 [Q4]Impairment loss and loss from the withdrawal of unprofitable farm in Dole: (4.5)	(17.5)	(26.5)	[Q1-2]The loss related to the fire incident of distribution center in NIPPON ACCESS: -(Q1:(0.5), Q2:0.5) [Q2]Gain on the group reorganization in food-distribution-related companies:2.5 Gain on the sale of a foreign company:1.0 [Q3]Gain on the sale of North American agricultural insurance business:6.0 [Q4]Impairment loss in a foreign company:(14.5) Impairment loss in Dole:(7.0) Impairment loss in NIPPON ACCESS:(3.0)
General Products & Realty	8.0	(12.0)	[Q1]Gain on the partial sale of foreign companies: 16.0 Gain on the sale of logistics warehouses: 2.5 [Q4]Impairment loss in Japan Brazil Paper & Pulp Resources Development: (11.0)	(9.0)	(10.5)	[Q2]Lower tax expenses related to a domestic real estate company:1.5 [Q4]Impairment loss in ETEL:(4.5) Temporary expense from the construction of manufacturing lines in IFL: (2.5) Impairment loss in a Chinese logistics-related company:(2.0)
ICT & Financial Business	4.5	(3.0)	[Q1]Gain on the partial sale of domestic company: 4.0 [Q3]Revaluation gain due to the conversion of a domestic insurance-related company into a consolidated subsidiary: 3.0	0.5	(11.0)	[Q1]Gain on the partial sale of eGuarantee:12.0 [Q4]Impairment loss on Orient Corporation:(12.0)
The 8th	1.5	(3.5)	[Q1]Lower tax expenses related to the group reorganization in FamilyMart:5.0 [Q4]The cost for the early retirement plan in FamilyMart: (5.5)	11.0	(3.0)	[Q1]Gain on the sale of a foreign company in FamilyMart:(2.0) [Q1-2]The loss related to the fire incident of distribution center in NIPPON ACCESS: -(Q1:(0.5), Q2:0.5) Lower tax expenses related to FamilyMart:35.5 [Q1:3.0, Q2:32.5] [Q2-4]Impairment losses in FamilyMart:(24.5) [Q2:(12.5), Q3:(11.0), Q4:(1.0)] [Q4]Impairment loss in NIPPON ACCESS:(2.0)
Others, Adjustments & Eliminations	(3.0)	(7.5)	[Q2-4]Lower tax expenses related to natural-resource-projects: 4.5 [Q2:1.0, Q3:4.0, Q4:(0.5)] [Q4]Impairment loss in a foreign company: (4.0)	27.5	24.0	[Q2]Gain on the investment in a group company of CITIC Limited:3.5 [Q4]Gain on the group reorganization in C.P. Pokphand:24.5
Total	16.0	(48.0)	[FYE 2020 Results] Non-Resource:16.0, Resource:(3.0), Others:(3.0)	(51.0)	(94.0)	[FYE 2021 Results] Non-Resource:(38.0), Resource:(13.0), Others: -

(\* ) Major extraordinary gains and losses items are shown in round figures. 6

Net extraordinary loss was JPY51 billion. In terms of the gross basis, the loss was JPY156.5 billion. In the Q4, the net number was JPY94 billion. The gross number was JPY125 billion.

In preparation for the business environment with the COVID-19 impact and the reduction of the GHG and the changes of the profit structure, we have conservatively reevaluated our assets at the end of the term. With the goodwill and intangible assets re-evaluated, we believe that we now have more resilient assets.

On a stand-alone basis, extraordinary losses was JPY416.8 billion. As a result, in FYE 2021, for the first time after FYE 2004, we booked a net loss of JPY71.3 billion in accordance with accounting principles generally accepted in Japan. JPY242.7 billion of loss in relation to CITIC and JPY94.8 billion of loss in relation to Drummond are included.

As for the CITIC impairment, based on the stock price as of the end of the fiscal year in accordance with accounting principles generally accepted in Japan, deterioration of the investment was confirmed.

However, for CITIC itself, the profit has been increasing in 6 terms in a row and CITIC Corporation numbers are strong. And also, CITIC Limited in FYE 2022 and onwards, they have the new 5-year plan to double their profit. CITIC share price has started to increase.

No impairment loss is recognized on consolidated financial statements as value in use exceeds the book value.

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In relation to the COVID-19 impact, JPY56 billion was the impact.

The sales of the apparel and lower car trade and also the aircraft business was weaker.

Also, the CVS and restaurants business were impacted. Especially, the 8th Company impact was about JPY20 billion. In Machinery, JPY16 billion was the impact. In Textile, it was JPY8.5 billion.

# Cash Flows



(Unit : billion yen)

## ■ Operating Cash Flows and Free Cash Flows:

“Cash flows from operating activities” was a **net cash-inflow of ¥895.9 bil.**, due to a stable performance in operating revenues in The 8th, Metals & Minerals, ICT & Financial Business, and Energy & Chemicals Companies.

“Free cash flows” resulted in a **net cash-inflow of ¥688.6 bil.**, due to the additional investment in shares in Tokyo Century by Machinery Company and in FUJI OIL HOLDINGS by Food Company, the investments by The 8th Company, and the purchase of fixed assets by The 8th, Food, Energy & Chemicals, and Metals & Minerals Companies.

## ■ Core Free Cash Flows:

“Core operating cash flows” after deducting changes in working capital and excluding the effect of lease accounting from

“Cash flows from operating activities” was a **net cash-inflow of ¥574.0 bil.**

“Core free cash flows” resulted in a **net cash-outflow of ¥181.0 bil.**, due to the additional investment in shares in FamilyMart.

### ■ Cash Flows

	FYE 2020 Results		FYE 2021 Results
Cash flows from operating activities	878.1	*	895.9
Cash flows from investing activities	(248.8)		(207.3)
Free cash flows	629.4	*	688.6
Cash flows from financing activities	(575.5)		(728.8)

### ■ Core Free Cash Flows

	FYE 2020 Results		FYE 2021 Results
Core operating cash flows <sup>(*1)</sup>	602.0		574.0
Net investment cash flows <sup>(*2)</sup>	(290.0)	*	(755.0)
Core free cash flows	312.0		(181.0)

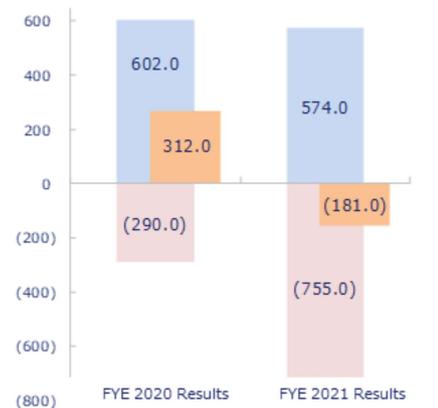
\* : Record High

(\*1) “Operating cash flows” minus “changes in working capital” (excluding the effect of lease accounting)

(\*2) Payments and collections for substantive investment and capital expenditure.

“Investment cash flows” plus “equity transactions with non-controlling interests” minus “changes in loan receivables”, etc.

### ■ Core Free Cash Flows



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

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Cash flows from operating activities were JPY895.9 billion, which is the record high. With the delisting of FamilyMart, on a net basis, there was an outflow of JPY516.9 billion.

Net investment cash flow was minus JPY755 billion, which is a record high number.

After the shareholder return, we would like to turn the core free cash flow positive. Although we had the negative number in the previous year, we did not make the major investments in FYE2019 and FYE2020.

## Core Free Cash Flows and EPS



(Unit : billion yen)

	FYE 2019 Results	FYE 2020 Results	FYE 2021 Results	FYE 2022 Plan	
a				Actively promote strategic investments in a timely manner and accelerated asset replacement through business transformation	
	Core operating cash flows <sup>(*1)</sup>	515.0	602.0		574.0
	Net investment cash flows <sup>(*2)</sup>	(20.0)	(290.0)		(755.0)
	Core free cash flows	approx. 495.0	approx. 312.0	approx. (181.0)	
b				Annual ¥94/share Minimum Dividend (Increase the dividend if we revise consolidated net profit upward during FYE 2022)	
	Shareholder returns				
	Dividend <sup>(*3)</sup>	Annual ¥83/share (127.5)	Annual ¥85/share (126.9)	Annual ¥88/share (131.0)	
	Share buybacks	(68.0)	(62.0)	(13.5)	
a+b	Core free cash flows after deducting shareholder returns	approx. 300.0	approx. 123.0	approx. (326.0)	Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Positive approx. ¥100.0 bil. over a three-year period in FYE 2019-2021 results

(\*1) "Operating cash flows" minus "changes in working capital" (excluding the effect of lease accounting)

(\*2) Payments and collections for substantive investment and capital expenditure.

"Investment cash flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

(\*3) The sum of the interim dividend and the year-end dividend each year.

EPS	324 yen	336 yen	270 yen
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In relation to the shareholder returns, although the free cash flow was negative, we made major investments, and we increased the dividend payment by JPY3 per share to JPY88 per share. The dividend has been increasing in the past 6 years in a row.

With investments and higher dividend and high stock price, the share buyback was 5.2 million shares and JPY13.5 billion.

Our target is to spend JPY200 billion to buy back 100 million shares, and the progress is 71%.

# Investments



(Unit : billion yen)

## FYE 2020 Results

### Major New Investments

Consumer-related Sector	<ul style="list-style-type: none"> <li>Investment in PPIH by FamilyMart</li> <li>Fixed asset purchase by FamilyMart / Dole</li> <li>Additional investment in WingArc1st / Paidy</li> <li>North American facility-materials-related company</li> </ul> etc.	290.0
Basic Industry-related Sector	<ul style="list-style-type: none"> <li>Underwriting of the third party allocation of new shares implemented by Tokyo Century</li> <li>Fixed asset purchase by ITOCHU ENEX / C.I. TAKIRON</li> </ul> etc.	145.0
<b>Non-Resource</b>		<b>435.0</b>
Resource-related Sector	<ul style="list-style-type: none"> <li>Capital expenditure by IMEA</li> <li>Capital expenditure by CIECO Azer</li> </ul> etc.	35.0
<b>Resource</b>		<b>35.0</b>
<b>Total of Major New Investments</b>		<b>470.0</b>
EXIT		(180.0)
<b>Net Investment Amount <sup>(*)2</sup></b>		<b>290.0</b>

## FYE 2021 Results

### Major New Investments [Quarter Mainly Invested In] [Q4]

Consumer-related sector	<ul style="list-style-type: none"> <li>Additional investment in FamilyMart [Q2,Q4]</li> <li>Additional investment in PPIH by FamilyMart [Q1-4]</li> <li>Additional investment in FUJI OIL HOLDINGS [Q1-2]</li> <li>Fixed asset purchase by FamilyMart / Prima Meat Packers / Dole [Q1-4]</li> <li>North American facility-materials-related company [Q3]</li> </ul> etc.	730.0	[395.0]
Basic industry-related sector	<ul style="list-style-type: none"> <li>Additional investment in Tokyo Century [Q1-2]</li> <li>Fixed asset purchase by ITOCHU ENEX / C.I. TAKIRON [Q1-4]</li> </ul> etc.	85.0	[15.0]
<b>Non-Resource</b>		<b>815.0</b>	<b>[410.0]</b>
Resource-related sector	<ul style="list-style-type: none"> <li>Capital expenditure by IMEA [Q1-4]</li> <li>Capital expenditure by CIECO Azer [Q1-4]</li> </ul> etc.	35.0	[5.0]
<b>Resource</b>		<b>35.0</b>	<b>[5.0]</b>
<b>Total of Major New Investments</b>		<b>850.0</b>	<b>[415.0]</b>
EXIT		(95.0)	[(40.0)]
<b>Net Investment Amount <sup>(*)2</sup></b>		<b>755.0</b>	<b>[375.0]</b>

(\*)1 The above figures are approximate values.

(\*)2 Payments and collections for substantive investment and capital expenditure.  
 "Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

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The total major new investments were JPY850 billion based on the growth, and a net investment amount of JPY755 billion in FYE2020. And out of this, about 86%, are in the consumer-related sector.

The major ones are JPY516.9 billion of the additional investments to FamilyMart, JPY165 billion of the CAPEX in different segments, the additional investments in the listed company such as Tokyo Century and Fuji Oil, and an additional investment in PPIH by FamilyMart.

As for EXIT, we have conducted asset replacement and about half of the JPY95 billion was in the consumer-related sector.

## Financial Position



(Unit : billion yen)

### ■ Total Assets:

Increased by ¥258.8 bil., compared to March 31, 2020 to **¥11,178.4 bil.**, due to the increase resulting from the effect accompanying the depreciation of the yen at the end of the fiscal year, and the increase in investments accounted for by the equity method, partially offset by the decrease in property, plant and equipment.

### ■ Net Interest-bearing Debt:

Increased by ¥344.5 bil., compared to March 31, 2020 to **¥2,601.4 bil.**, due to the additional investment in shares in FamilyMart and dividend payments, partially offset by a stable performance in operating revenues.

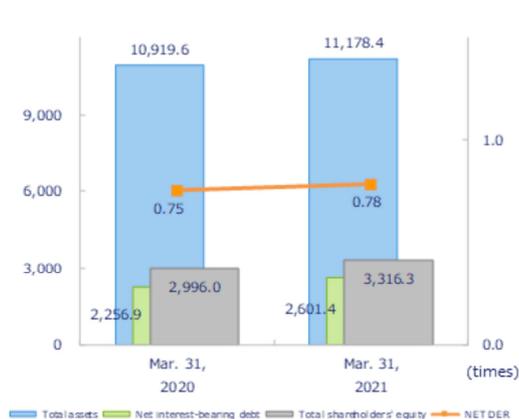
### ■ Total Shareholders' Equity:

Increased by ¥320.3 bil., compared to March 31, 2020 to **¥3,316.3 bil.**, due to net profit attributable to ITOCHU during this fiscal year and the effect accompanying the depreciation of the yen at the end of the fiscal year, partially offset by the decrease of capital surplus due to the additional investment in shares in FamilyMart and dividend payments.

### ■ Ratio of Shareholders' Equity to Total Assets and NET DER:

**Ratio of shareholders' equity to total assets** increased by 2.2 points compared to March 31, 2020 to **29.7%**.

**NET DER** slightly increased compared to March 31, 2020 to **0.78 times**.



	Mar. 31, 2020	Mar. 31, 2021	Increase/Decrease
Total assets	10,919.6	* 11,178.4	+ 258.8
Net interest-bearing debt	2,256.9	2,601.4	+ 344.5
Total shareholders' equity	2,996.0	* 3,316.3	+ 320.3
Ratio of shareholders' equity to total assets	27.4%	29.7%	Increased 2.2pt
NET DER (times)	0.75	0.78	Increased 0.03pt
ROE	17.0%	12.7%	Decreased 4.3pt

\* : Record High,

(Total assets record high as fiscal year end)

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We did have a major impairment loss, but we maintained the financial health.

As for some of the challenges, we would like to increase the shareholders' equity further, and we have taken measures for the goodwill and intangible assets. But in our balance sheet, we need to continuously watch the goodwill and intangible assets.

Total shareholders' equity is about JPY3.3 trillion, and this is a record high number.

This is up by more than JPY300 billion, and this includes a JPY170 billion impact from the weaker yen. Although there are the loss in relation to Drummond and additional investments of FamilyMart, higher net profit and higher stock price is contributed to an increase of the shareholders' equity.

ROE is 12.7%, it is slightly below 13%.

Quantitative  
targets

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

Qualitative  
targets

**Realizing business transformation by shifting to a market-oriented perspective**

**Profit opportunities are shifting downstream**

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

**Enhancing our contribution to and engagement with the SDGs through business activities**

***Sampo-yoshi*\* capitalism**

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

\*"Sampo-yoshi" is our corporate mission and the management philosophy of the merchants of Ohmi (where ITOCHU was founded). This meaningful phrase emphasizes the importance of activities that are "good for the seller, good for the buyer, and good for society." Sampo-yoshi can be said to be the roots of today's idea of sustainability.

After achieving the record high net profit number in FYE2022, we aim to achieve the consolidated net profit of JPY600 billion during the mid-term business plan.

At the same time, we set a goal to attain 0 GHG emission in advance to the global target in 2030 & 2050.

To accomplish this, we will transform our business model through two major targets: realizing the business transformation by shifting to a market-oriented perspective and enhancing our contribution to and engagement with the SDGs through business activities

As for the GHGs, if we depend on the businesses where there is a lot of emissions, we will need to find the alternative profit source, and that will be very challenging to do.

Since our strength is in the consumer-related sector, we would like to take the preemptive measures to reduce the GHGs.

In the consumer-related sector, we would like to take advantage of our strengths so that we can reduce the GHGs in the supply chain that is in Scope 3.

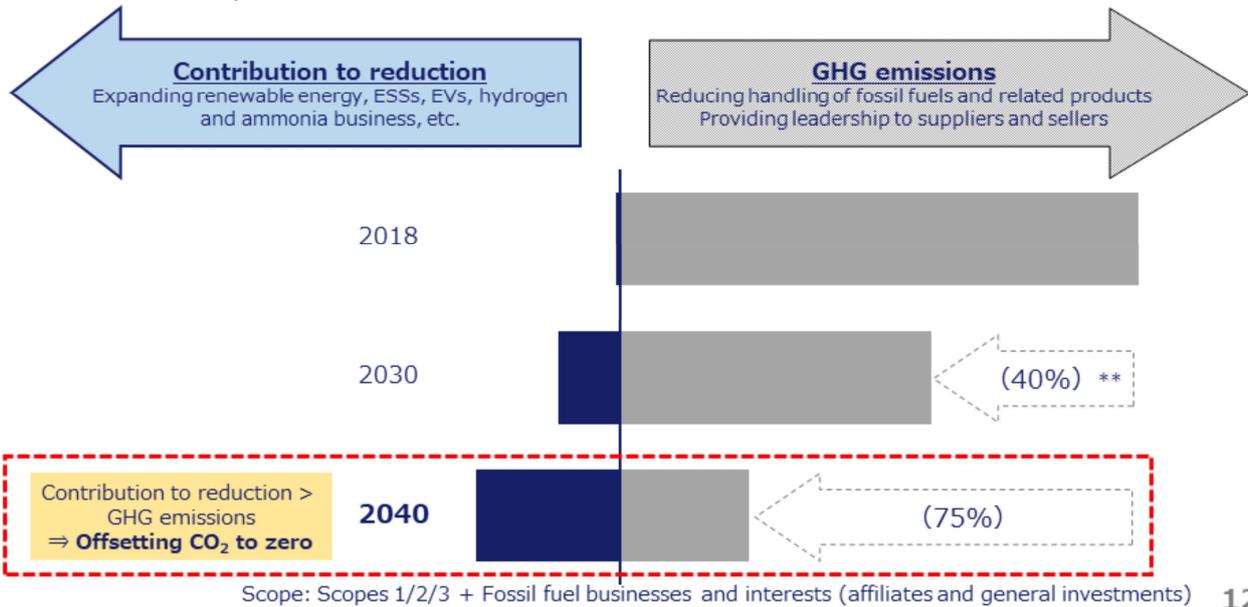
By doing so, our stakeholders will evaluate our efforts and we can differentiate ourselves from our peers.

## GHG Emissions Reduction and Offset Targets



\*Greenhouse Gas

- ✓ Achieving **net zero GHG\* emissions by 2050** to comply with the Japanese government's target. In addition, aiming to **offset CO<sub>2</sub> to zero by 2040** by actively promoting businesses that contribute to the reduction of GHG emissions.
- ✓ Complying with the Japanese government's interim target by achieving a 40% reduction from 2018 levels by 2030.
  - \*\*The Japanese government's target of a "46% reduction" from the 2013 level by 2030 is a "39% reduction" based on the year 2018.



As for the GHG emission reduction, this is the road map in achieving the net 0 GHG emission by 2050 to comply with the Japanese government target to reduce it by 40% in 2030 and reduce it by 75% by 2040.

Now, the highlight here is that the GHG emissions of the ITOCHU Corporation, in addition to Scope 1, 2 and 3, we asked a third-party to calculate our fossil fuel interest of affiliates and general investments' GHG emissions.

We would completely withdraw from the thermal coal business in FYE 2024. We would like to achieve the fastest GHG reduction and also, we would like to be the lowest emission company.

And here, on this page, it shows offsetting CO<sub>2</sub> to 0 by 2040. This means that the reduction effect compared with the emission volume in terms of the net, the contribution should be higher.

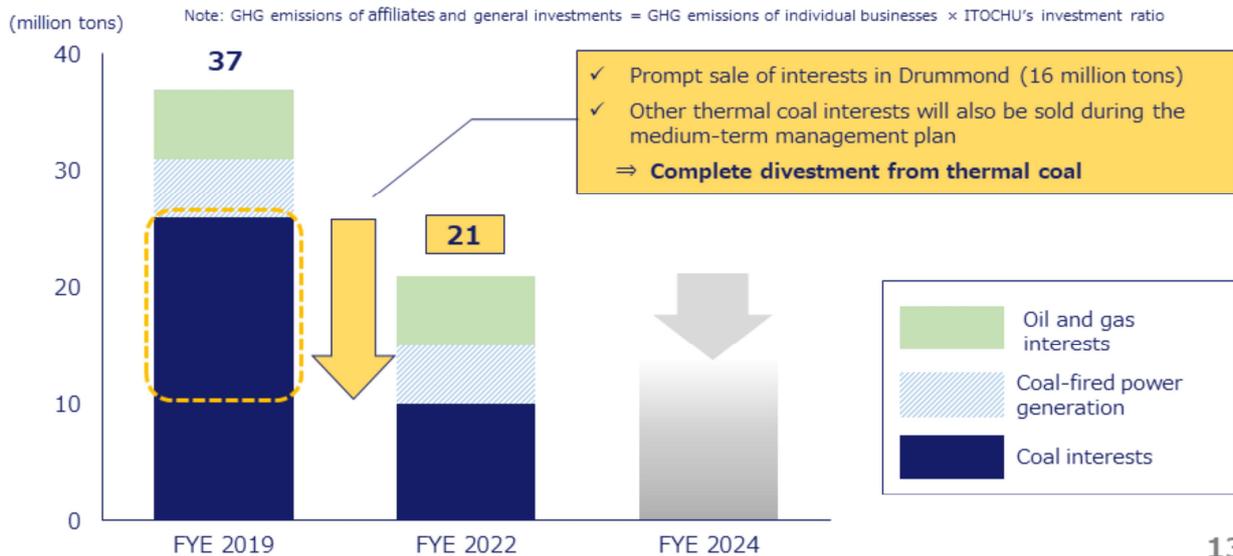
This would include the renewable energy used in the power generation, replacement of products with decarbonized products and the use of the hydrogen, ammonia, clean energy in the storage battery.

## Efforts to Reduce GHG Emissions from Fossil Fuel Businesses and Interests

- ✓ GHG emissions from all Group fossil fuel businesses and interests\* totaled 37 million tons.
- ✓ Through the sale of Drummond interests, we were able to reduce GHG emissions to 21 million tons, taking the initiative in implementing concrete measures toward the shared societal goal of decarbonization.
- ✓ We will actively promote efforts to reduce environmental impact while fulfilling our responsibility to ensure a stable supply of resources and energy.

\*Fossil fuel businesses and interests (consolidated subsidiaries, affiliates, and general investments): (1) Coal interests (thermal and coking coal), (2) Coal-fired power generation, (3) Oil and gas interests

### GHG emissions from fossil fuel businesses and interests



The GHG emission in FYE2019 was 37 million tons. With the withdrawal from Drummond, we could reduce the emission by 16 million tons.

21 million tons of the GHG emission in FYE 2022 includes the emission from customers' incineration, in which half of the emission comes from coal portfolio, including coking coal.

We would completely withdraw from the thermal coal business, and these 37 million tons can be halved by FYE2023.

During the 3 years of the Brand-new Deal 2023, there are uncertainties, including the COVID-19 impact, the ESG cost and also the risk of bursting of the resource bubble.

However, we would like to make sure that we achieve the target of JPY600 billion of the net profit and JPY100 per share dividend payment during the 3 years.

# Quantitative Targets



(Billions of yen)

**FYE 2022 profit plan: Consolidated net profit of ¥550.0 billion**

Return to a growth trajectory beyond the pre COVID-19 profit level

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FYE 2020 Result	9.1	56.7	111.4	61.7	49.9	55.0	62.5	26.1	69.0	501.3	378.3	126.8	(3.7)
FYE 2021 Result	1.6	22.8	104.1	36.1	25.0	21.3	58.1	21.3	111.1	401.4	292.7	107.9	0.9
FYE 2022 Plan	<b>23.0</b>	<b>58.0</b>	<b>138.0</b>	<b>57.0</b>	<b>58.0</b>	<b>63.0</b>	<b>70.0</b>	<b>33.0</b>	<b>* 50.0</b>	<b>550.0</b>	<b>446.0</b>	<b>142.0</b>	<b>*(38.0)</b>
Increase/Decrease	+21.4	+35.2	+33.9	+20.9	+33.0	+41.7	+11.9	+11.7	(61.1)	+148.6	+153.4	+34.1	(38.9)

\*Includes a loss buffer of ¥30.0 billion

## B/S, CF & Ratio Plan

(FYE)	Brand-new Deal 2020		FYE 2021 Management Plan
	2019	2020	2021
Core operating CFs	515.0	602.0	574.0
Net investment CFs	(20.0)	(290.0)	(755.0)
Core free CFs after deducting shareholder returns	300.0	123.0	(326.0)
	423.0		
NET DER (times)	0.82	0.75	0.78
Shareholders' equity	2.9 tril.	3.0 tril.	3.3 tril.
ROE (%)	17.9	17.0	12.7

## Brand-new Deal 2023

### 2022-2024

Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation

B/S control appropriate for A ratings  
[NET DER about 0.7 - 0.8 times]

Maintaining high efficiency [ROE of about 13 - 16%]

15

By increasing the profit of Non-Resources, we would like to achieve the 37% profit increase to achieve the JPY550 billion profit. If we are to make the upward revision during the year, we will be increasing the dividend payment from the minimum level of JPY94 per share.

## Assumptions for FYE 2022



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

\*1 FYE 2020 and FYE 2021 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.

\*2 The price of iron ore used in the FYE 2022 Plan is assumptions made in consideration of general transaction price based on the market.  
The actual price is not presented, as this is subject to negotiation with individual customers and vary by ore type.

\*3 The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.

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We have some assumptions. The exchange rate of JPY105 to USD1, and crude oil Brent is USD60 per barrel.

As for the iron ore price, we have a conservative view, and there is a strong demand for iron ore in China and crude still is very brisk. But since the government is controlling the supply and demand strongly. We expect some increase in the supply from Vale in Brazil. Gradually, we expect some loosening of the balance between the demand and the supply. This is a very conservative view.

This impact is plus/minus JPY1.2 billion per USD1/ton.

Now, unless the iron ore price comes down drastically, probably there will be some additional contribution from the Resource business, but the percentage of Non-Resource will remain at around 3/4.

## Quantitative Targets



(Billions of yen)

**FYE 2022 profit plan: Consolidated net profit of ¥550.0 billion**

Return to a growth trajectory beyond the pre COVID-19 profit level

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
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\*Includes a loss buffer of ¥30.0 billion

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### Brand-new Deal 2023

#### 2022-2024

Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation

B/S control appropriate for A ratings  
[NET DER about 0.7 - 0.8 times]

Maintaining high efficiency [ROE of about 13 - 16%]

15

There was more than JPY50 billion in extraordinary losses last year so that the core profit in FYE2022 started with JPY450 billion, and we expect about a JPY60 billion increase.

In Metals & Minerals, approximately JPY19 billion; Food, approximately JPY11 billion; ICT & Finance, approximately JPY8 billion; Textile, approximately JPY7 billion; Machinery, approximately JPY7 billion; and the 8th Company, approximately JPY6 billion.

Those are the breakdowns of the JPY60 billion core profit increase. And based on the higher commodity price, probably about half of the JPY60 billion comes from that, including the iron ore, coal, oil, gas, pulp, and others.

In addition, there is a JPY50 billion of extraordinary gain expected in the General Products & Realty as well as the 8th Company.

As for the COVID-19 impact, we expect a similar level of the impact in FYE 2022. Last year, it was JPY56 billion, and we expect about JPY20 billion of improvement. The plan also includes the buffer of JPY30 billion and consolidated net profit of JPY550 billion is our plan.

As for other quantitative targets concerning the balance sheet and cash flows, during the medium-term management plan, our image or the concept is to turn the core free cash flows positive after deducting the shareholder returns.

By increasing the operating cash flow steadily, we believe that we can turn the free cash flow to positive. But a similar level of the gross or net investments are expected, and we would accelerate the replacement of the assets in FYE 2022. Even after the dividend increase, this JPY3.3 trillion shareholders' equity, we expect it will continue to increase. NET DER will be lower. As for ROE, we believe that a higher limit of this ROE can be achieved.

# Shareholder Returns Policy



Shareholder Returns Policy	Dividend	<ul style="list-style-type: none"> <li>• We have set a <b>minimum</b> dividends per share of <b>¥94</b> for FYE 2022</li> <li>• We will <b>increase the dividend if we revise consolidated net profit upward</b> during FYE 2022</li> <li>• We <b>aim to reach a dividend of ¥100 per share</b> during the medium-term management plan</li> </ul>
	Share Buybacks	<ul style="list-style-type: none"> <li>• As in the past, we will actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation</li> </ul>



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As for the shareholder returns, JPY94 per share; that is up by JPY6 per share compared to FYE 2021. If we make the upward revision during the year, we will increase this. In fact, we have made an upward revision 3 times in the past 10 years, and each time we increased the dividend payment.

We would like to realize the increase of the dividend payment 7 years in a row. During the medium-term management plan, we would like to realize the JPY100 per share. This is not the upper limit, and we will make sure that we continue to have a progressive dividend payment.

We would like to focus on the higher dividend as well as the sustainable growth of the EPS.