FYE 2022 Business Results Summary & FYE 2023 Management Plan Investor Briefing

ITOCHU Corporation

May 12, 2022

ITOCHU

I am One with Infinite Missions

President & COO
Keita Ishii

Summary of Financial Results for FYE 2022

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** was **¥820.3 bil.**, achieved more than twofold results for the previous fiscal year of ¥401.4 bil. [record high]
- **"Core profit"** was approximately **¥690.0 bil.**, increased by ¥237.5 bil., compared to the previous fiscal year. All segments achieved increase resulting from the growth of profit in non-resource sector and higher resource prices in resource sector. [record high]
- **"Ratio of group companies reporting profits"** was **90.9%**, achieved the same level as the FYE 2018 of 91.0% which is the highest.
- **"Core operating cash flows"** was **¥790.0 bil.** [record high]
- **"Earnings per share attributable to ITOCHU (EPS)"** was **¥552.86**. [record high]

	FYE 2020 Results	FYE 2021 Results	FYE 2022 Results	Increase/ Decrease	FYE 2022 Forecast (Disclosed on Feb. 3)	Achievement
Net profit attributable to ITOCHU	**501.3**	**401.4**	∗ **820.3**	+ **418.8**	**820.0**	**100%**
Extraordinary gains and losses	16.0	(51.0)	∗ 130.0	+ 181.0	134.0	
Core profit(*)	485.5	452.5	∗ 690.0	+ 237.5	686.0	101%
[Core profit(excluding the impact of COVID-19)](*)	[490.5]	[508.5]	[727.0]	[+ 218.5]		
Ratio (%) of group companies reporting profits	88.6%	82.4%	90.9%	Increased 8.4pt		
Core operating cash flows	602.0	574.0	∗ 790.0	+ 216.0		
NET DER	0.75	0.78	∗ 0.54	Improved 0.24pt		
ROE	17.0%	12.7%	21.8%	Increased 9.1pt		
EPS	335.58 yen	269.83 yen	∗ 552.86 yen	+ 283.03 yen		

(*)Core profit is shown in round figures.

Dividend information(per share)	
Annual (Planned)	∗ 110 yen
Interim (Paid)	∗ 47 yen

∗ : Record High (NET DER: Best Record)

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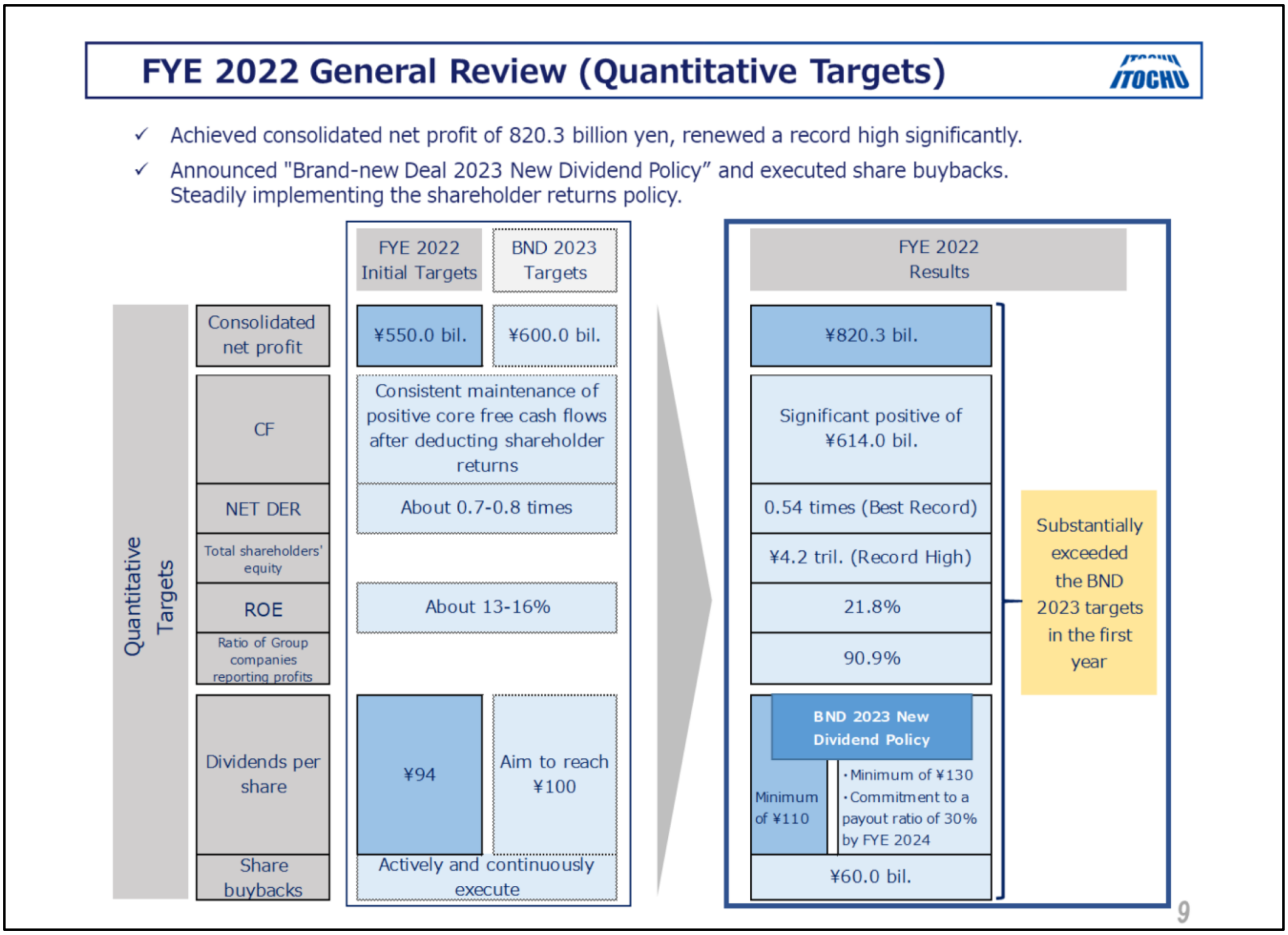
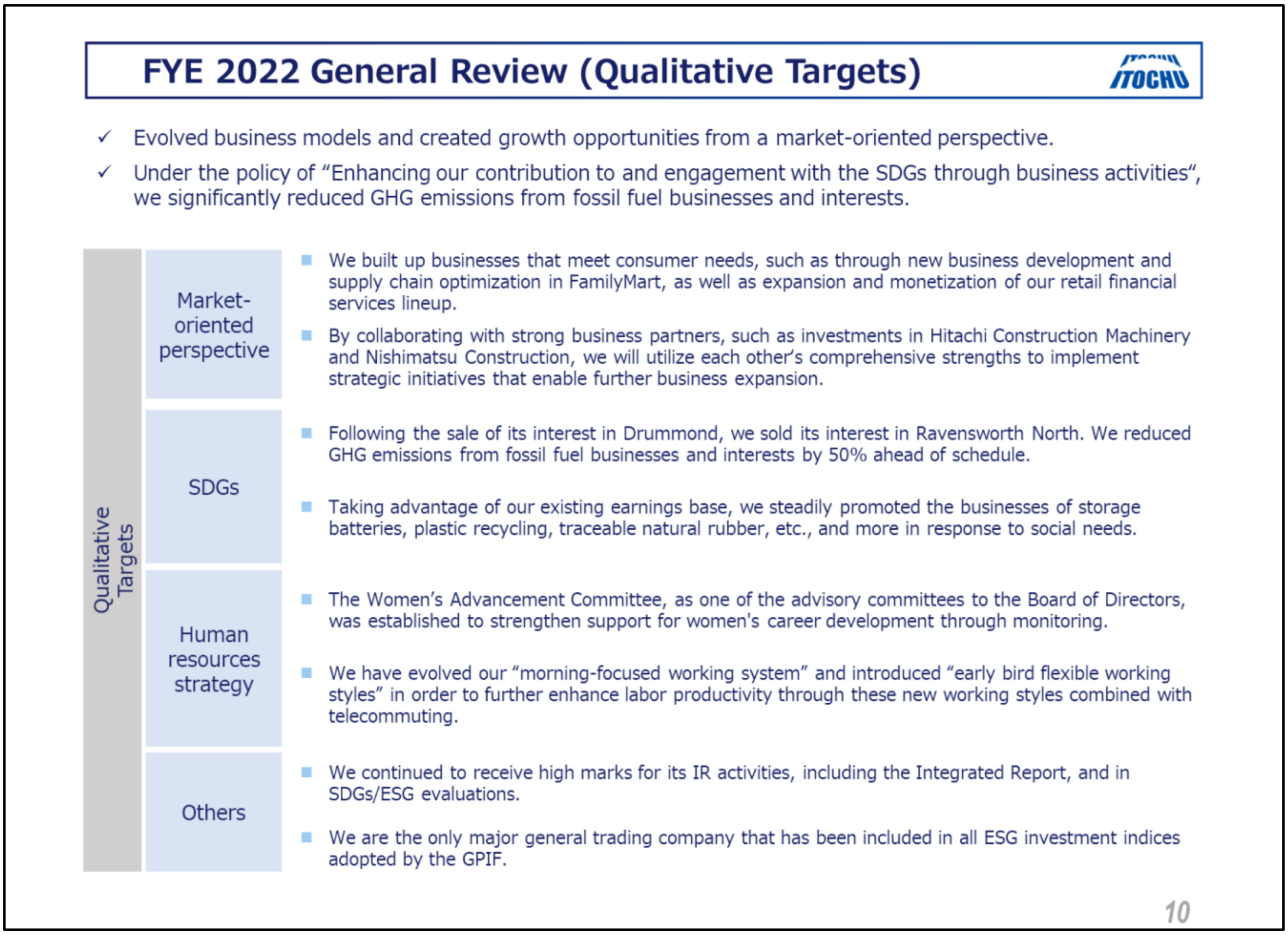
Consolidated net profit in FYE 2022 almost doubled year on year to JPY820.3 billion, shattering the previous record and achieving a historic result. Core profit excluding extraordinary gains and losses increased 1.5 times year on year to around JPY690.0 billion, vastly eclipsing the previous record. All segments achieved profit in excess of initial targets and saw year-on-year increases in core profit.

In addition, new record-high profits were achieved in the five segments of Machinery, Metals & Minerals, Energy & Chemicals, General Products & Realty, and ICT & Financial Business. Amid an unprecedented rise in resource prices and supply chain disruptions due to COVID-19 pandemic, there were such upsides as expanding trade margins in a wide range of fields. ITOCHU's results demonstrated its progress on steadily strengthening its earnings base in all segments without relying on specific revenue streams.



Striving to steadily enhance cash flows and our financial position, we achieved record-best results. The results for FYE2022, the first fiscal year of the medium-term management plan, greatly exceeded the targets for the entire plan period, and we racked up major quantitative achievements.



In review of our qualitative targets, regarding the implementation of our market-oriented perspective, we made progress on optimizing delivery routes and installing automated ordering systems using DX for FamilyMart and NIPPON ACCESS. In addition, we launched new initiatives for FamilyMart, such as a media business using large signage (display panels) and unmanned payment stores.

As for new investments, we invested in companies that will be the core of further growth, including Under Armour, Hitachi Construction Machinery, and Nishimatsu Construction. We aim to strengthen these alliances and seek an expansion of synergy to expand our revenue sources.

We also enhanced initiatives that contribute to the SDGs. We divested from two coal interests, significantly reduced GHG emissions, and promoted initiatives that reduce GHG emissions, such as creating practical applications for environmentally friendly plastics and recycled fiber.

Moreover, we established ITOCHU SDGs STUDIO as a base for communicating information on SDGs initiatives across society in April 2021. In addition to its own initiatives, ITOCHU aims to continue contributing to a sustainable society by supporting SDGs-related initiatives around the world.

Quantitative Targets

(Unit : billion yen)

FYE 2023 Profit Plan: Consolidated net profit of **¥700.0 billion**

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FYE 2021 Results	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 Results	25.1	80.0	226.0	89.6	59.0	105.2	104.3	49.0	82.0	820.3	610.3	221.6	(11.6)
FYE 2023 Plan	**26.0**	**72.0**	**197.0**	**85.0**	**66.0**	**72.0**	**86.0**	**30.0**	**66.0**	**700.0**	**548.0**	**190.0**	*(38.0)
Increase/Decrease	+0.9	(8.0)	(29.0)	(4.6)	+7.0	(33.2)	(18.3)	(19.0)	(16.0)	(120.3)	(62.3)	(31.6)	(26.5)

*Includes a loss buffer of ¥30.0 billion

B/S, CF & Ratio Plan

<table>
<tr><th>(FYE)</th><th colspan="2">Brand-new Deal 2020</th><th>FYE 2021 Management Plan</th><th colspan="2">Brand-new Deal 2023</th></tr>
<tr><th></th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023-2024</th></tr>
<tr><td>Core operating CFs</td><td>515.0</td><td>602.0</td><td>574.0</td><td>790.0</td><td>Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns</td></tr>
<tr><td>Net investment CFs</td><td>(20.0)</td><td>(290.0)</td><td>(755.0)</td><td>47.0</td><td rowspan="2">Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation</td></tr>
<tr><td>Core free CFs after deducting shareholder returns</td><td>300.0
423.0</td><td>123.0</td><td>(326.0)</td><td>614.0</td></tr>
<tr><td>NET DER (times)</td><td>0.82</td><td>0.75</td><td>0.78</td><td>0.54</td><td rowspan="2">B/S control appropriate for A ratings
[NET DER about 0.7 - 0.8 times]</td></tr>
<tr><td>Shareholders' equity</td><td>2.9 tril.</td><td>3.0 tril.</td><td>3.3 tril.</td><td>4.2 tril.</td></tr>
<tr><td>ROE(%)</td><td>17.9</td><td>17.0</td><td>12.7</td><td>21.8</td><td>Maintaining high efficiency [ROE of about 13 - 16%]</td></tr>
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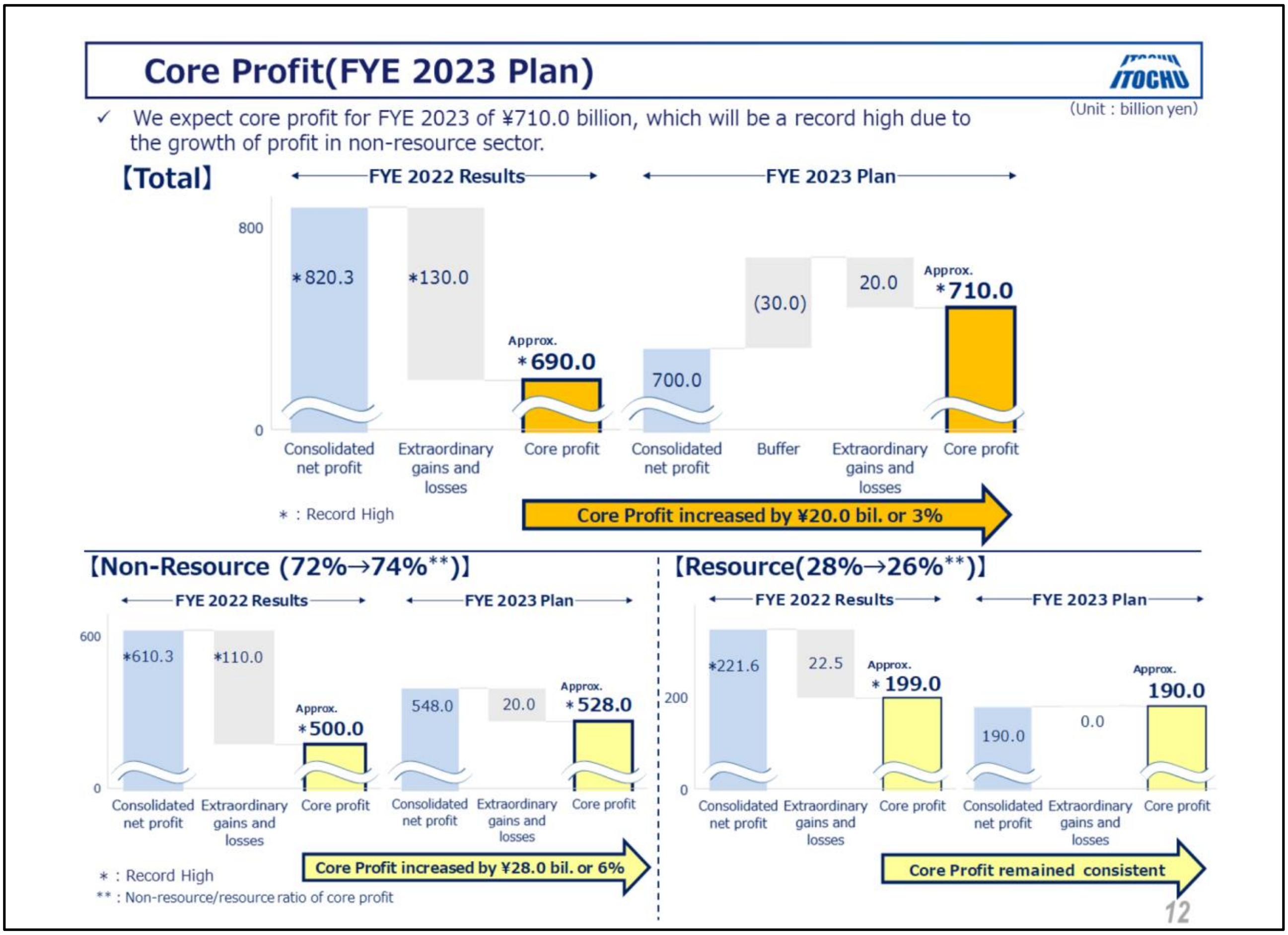
The FYE 2023 consolidated net profit target is JPY700.0 billion.
In comparison with FYE 2022, due in part to the absence of extraordinary gains from earlier divestment through asset replacement, we expect profit to decrease.



However, we expect core profit to steadily grow, especially in the non-resource sector, which is resilient to market conditions. In addition to a JPY30.0 billion loss buffer, we accounted for effects of the Russia-Ukraine and COVID-19 to a certain degree.

Assumptions for FYE 2023

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		FYE 2021 Results	FYE 2022 Results	FYE 2023 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FYE 2023	
Exchange rate (Yen/US$)	Average	105.97	111.54	120	1 yen appreciation against US$	Approx. ¥(3.5)bil.
	Closing	110.71	122.39	120		–
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.06%	0.1%	0.1% increase	Approx. ¥(0.4)bil.
	LIBOR 3M (US$)	0.32%	0.24%	2.5%		Approx. ¥(0.2)bil.
Crude oil (Brent) (US$/BBL)		45.75	79.92	90	±¥0.4 bil.(*3)	
Iron ore (CFR China) (US$/ton)		127(*1)	154(*1)	N.A.(*2)	± ¥1.2 bil.(*3)	

(*1) FYE 2021 and FYE 2022 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.

(*2) The prices of iron ore used in the FYE 2023 Plan are assumptions made in consideration of general transaction prices based on the market. The actual prices are not presented, as they are subject to negotiation with individual customers and vary by ore type.

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

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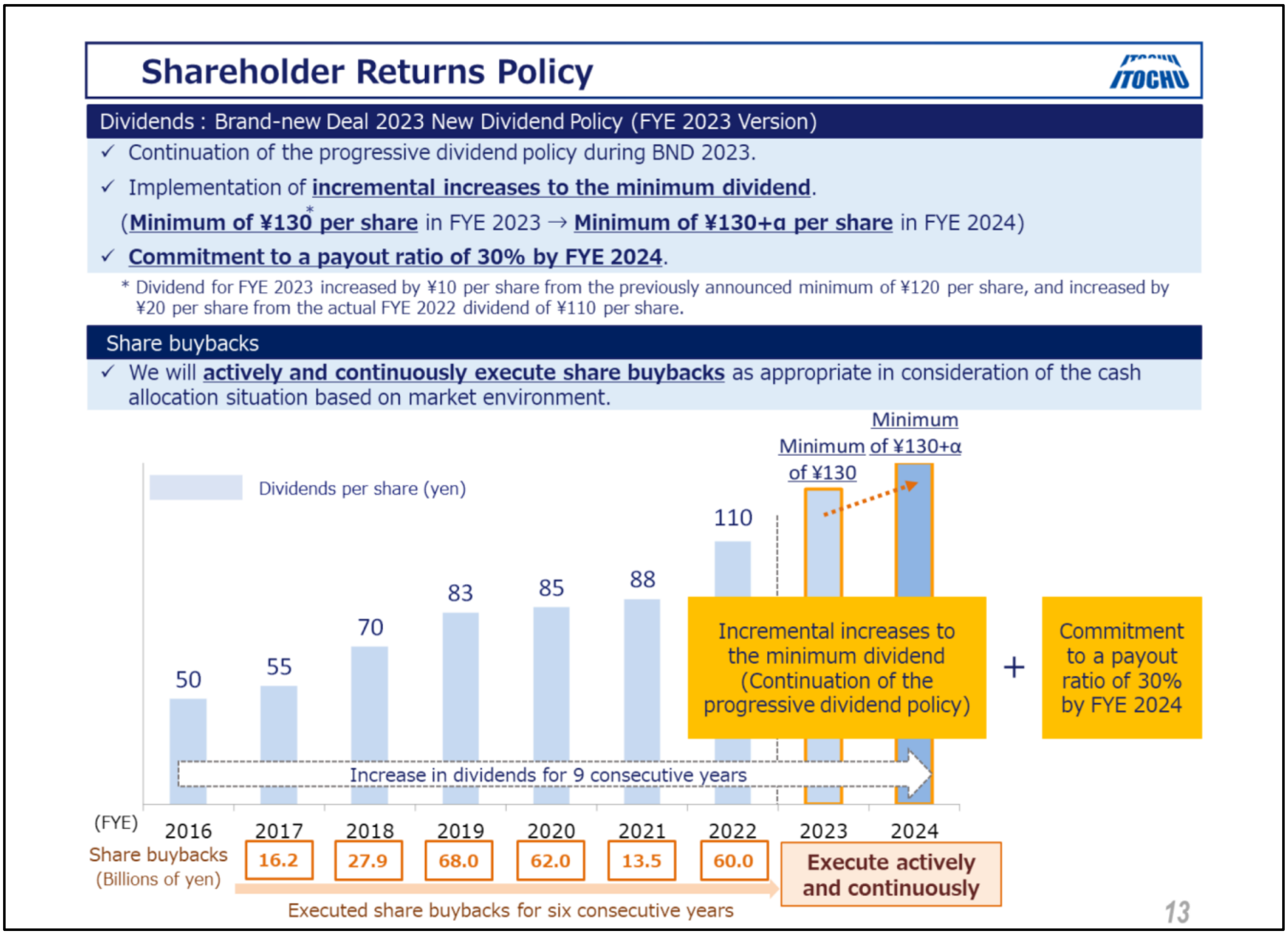
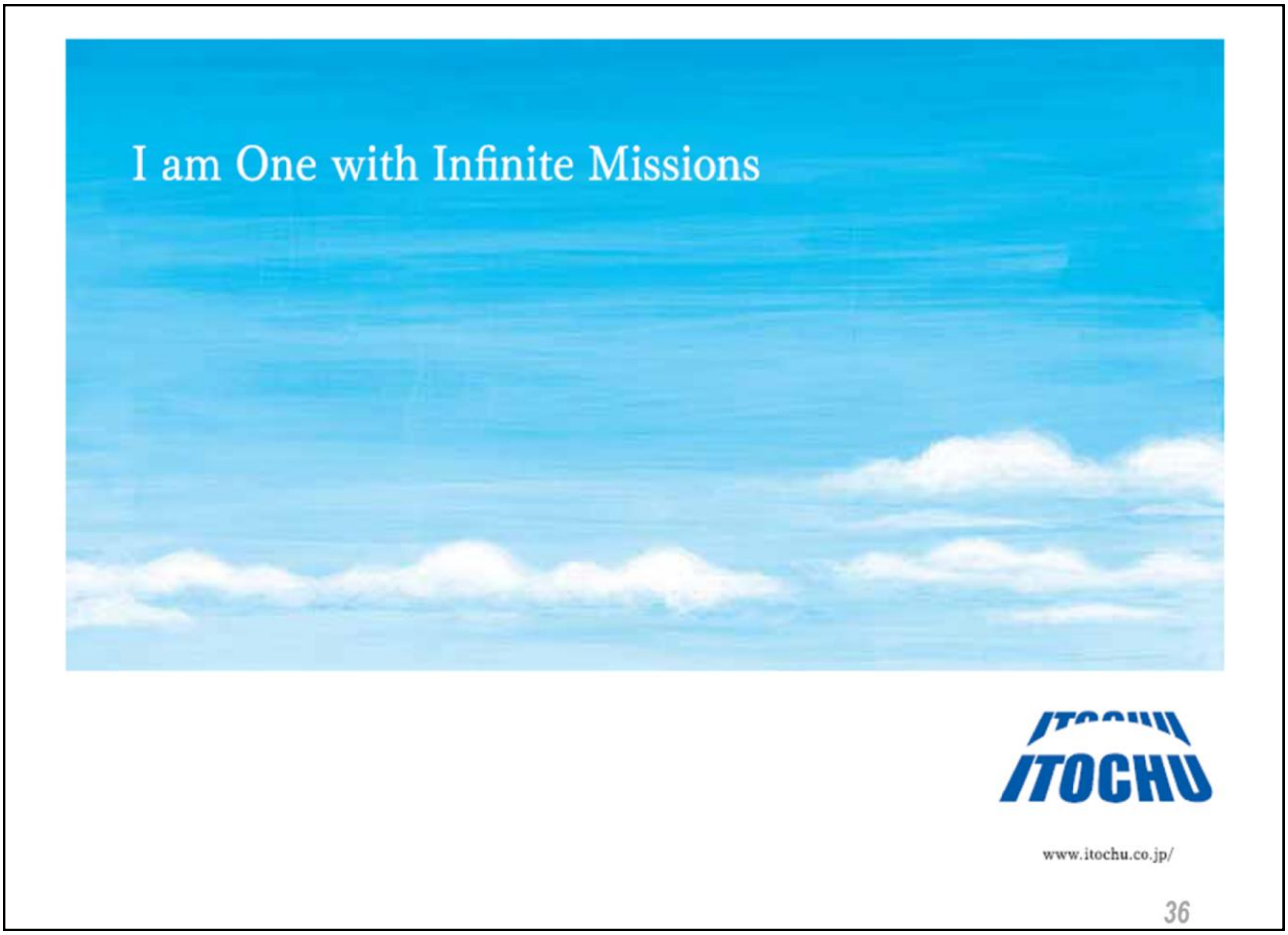
In addition, assumptions regarding exchange rates and resource prices were conservatively set, and we feel that the target figures are fully achievable.



Regarding shareholder returns, we will increase dividends in FYE 2023 by JPY20 from the FYE 2022 result of JPY110 per share and by JPY10 from the JPY120 per share minimum, which was already announced, to JPY130 per share minimum. We will continue the progressive dividend policy in FYE 2024, with the minimum set as JPY130+α, and will realize a dividend payout ratio of 30% by FYE 2024.

As for share buybacks, we will review the cash allocation situation as appropriate and dynamically, and continually execute share buybacks. We will continue to promote shareholder returns to meet market expectations.



We assume FYE 2023 will be full of volatility, but, in our strong retail field, we expect consumer activity to restart, due to falling COVID-19 cases, and in-bound demand to recover because of a weaker yen.We also anticipate further growth due mainly to continued robust digital investments by companies seeking to adapt to a new society and the utilization of renewable energy Power Purchase Agreements (PPAs) and energy storage systems (ESS) to address tightening electric power supply and demand.

Our partnership with Hitachi Construction Machinery and Nishimatsu Construction will help us expand peripheral business fields. Moreover, we will push ahead with developing the DX business involving the ICT & Financial Business Company while promoting proposals of decentralized EMS, including those for the mobility field. In these and other ways, we will create a new multifaceted earnings pillar in a manner unique to ITOCHU.
We will develop businesses that will become "pillars of the future" from a medium- to long-term perspective after identifying the core fields and projects of each Division Company.

In addition, ITOCHU considers recent geopolitical upheaval as a good opportunity for future economic activity and for us to enter new businesses, such as switching to new supply chains that especially consider economic alliances and security pacts. We will continue to leverage our strengths to develop earnings unique to ITOCHU.

Executive Vice President
CFO
Tsuyoshi Hachimura

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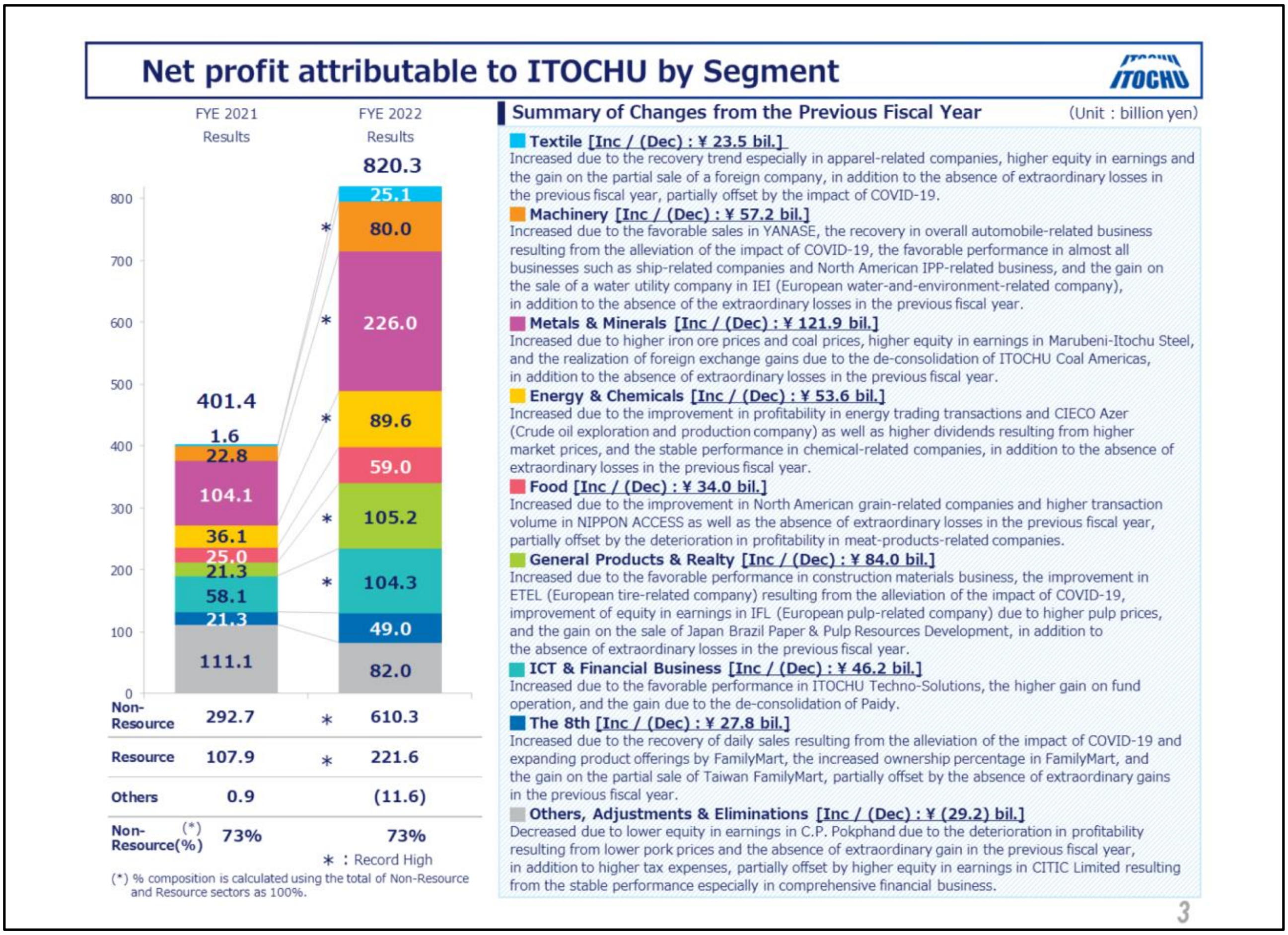
2

Consolidated net profit in FYE 2022 was JPY820.3 billion, more than twice as large as that for the previous fiscal year, with the all eight segments enjoying increases in profit. In particular, the five segments of the Machinery, the Metals & Minerals, the Energy & Chemicals, the General Products & Realty and the ICT & Financial Business each achieved record-high profit.

With regard to extraordinary gains, ITOCHU posted a record-high of JPY130.0 billion. Similarly, core profit, excluding extraordinary gains, stood at approximately JPY690.0 billion, far in excess of JPY485.5 billion, our previous record high achieved in FYE 2020.

Ratio of Group companies reporting profits now surpasses 90%. Thus, around 25% of 274 Group companies renewed their profit records. Also, nearly 60% of them are small- and medium-size businesses, with each commanding a profit of up to JPY2.0 billion. This means that these Group companies, widely dispersed in various fields, together continued to serve as a solid foundation supporting ITOCHU's business management even amid "bubble"-like resource price surges.



Looking at results by segment, the most significant profit contributor was the Metals & Minerals. In descending order, based on the degree of their contribution, the General Products & Realty, the ICT & Financial Business, the Energy & Chemicals, the Machinery, the Food, the 8th and the Textile. In sum, we have realized profit growth in all the segments.

As mentioned earlier, ITOCHU's business management has been solidly supported by small- and medium-size Group companies. On the other hand, in terms of profit, the collective contribution of our 10 major Group companies accounted for more than half of consolidated net profit. These included ITOCHU Minerals & Energy of Australia(IMEA), which achieved JPY158.7 billion in profit; Orchid Alliance Holdings Limited(JPY96.4 billion: CITIC-related profit), FamilyMart (JPY44.7 billion); Marubeni-Itochu Steel Inc.(JPY31.3 billion: record high); North American construction materials business (JPY22.6 billion); ITOCHU Techno-Solutions Corporation (CTC: JPY20.7 billion); the mobile phone-related business (JPY17.9 billion); ITOCHU FIBRE LIMITED (JPY17.8 billion); and NIPPON ACCESS, INC (JPY17.1 billion). Furthermore, some major Group companies, whose profit attributable to ITOCHU did not reach JPY10.0 billion, still achieved significant improvement in operating results. These included YANASE & CO., LTD. (JPY9.7 billion: up JPY5.1 billion year on year); ITOCHU Oil Exploration (Azerbaijan) Inc. (JPY8.9 billion: up JPY7.1 billion year on year); Dole International Holdings, Inc. (JPY8.4 billion: up JPY11.7 billion year on year); and I-ENVIRONMENT INVESTMENT LIMITED (JPY7.5 billion: up JPY6.9 billion).

In FYE 2022, ITOCHU earned profit of JPY610.3 billion and JPY221.6 billion in non-resource and resource sectors, respectively, achieving record highs in both. Even amid surges in resource prices, the ratio of non-resource sector profit stood at 73%, similar to the ratio in FYE 2021, demonstrating the remarkable robustness of our operating results in the non-resource sector.

Extraordinary Gains and Losses

(Unit : billion yen)

	FYE 2021 Results	[Q4]	Major items	FYE 2022 Results	[Q4]	Major items
Textile	(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)	7.0	*4.0*	[Q1]Gain on the sale of fixed assets in EDWIN:1.0 [Q4]Gain on the partial sale of a foreign company:2.5
Machinery	(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)	7.5	–	[Q1]Gain on the sale of a water utility company in IEI:4.0 [Q2]Gain on the conversion of the bond to equity of Spire Global:2.5
Metals & Minerals	(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)	23.5	*1.0*	[Q1]Realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas:22.0
Energy & Chemicals	(22.5)	*(23.5)*	[Q4]Loss from long-term energy contract:(22.5)	4.5	*0.5*	[Q3]Gain from change in ownership ratio of a lithium-ion batteries company:2.0 Revaluation gain due to the conversion of mega-solar companies into consolidated subsidiaries in ITOCHU ENEX:1.5
Food	(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)	4.5	*3.5*	[Q2]Gain on the partial sale of a domestic company:1.0 [Q4]Gain on the sale of packaging box and label printing business in Dole:3.0
General Products & Realty	(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)	29.5	–	[Q1]Gain on the sale of Japan Brazil Paper & Pulp Resources Development:32.0 Higher tax expenses in ETEL due to U.K. Tax Reform:(1.5)
ICT & Financial Business	0.5	*(11.0)*	[Q1]Gain on the partial sale of eGuarantee:12.0 [Q4]Impairment loss on Orient Corporation:(12.0)	31.0	*(2.5)*	[Q2]Gain on the de-consolidation of Paidy:30.5 [Q3]Gain on the sale of fixed assets in ITOCHU Techno-Solutions:1.5 [Q4]Impairment losses in ITOCHU Techno-Solutions:(2.0)
The 8th	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)	26.0	*(3.5)*	[Q1]Gain on the partial sale of Taiwan FamilyMart:29.5 [Q4]Impairment losses in FamilyMart:(3.5)
Others, Adjustments & Eliminations	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	(3.5)	*(2.0)*	[Q4]Impairment loss on CTEI:(1.0)
Total	(51.0)	*(94.0)*	[FYE 2021 Results]Non-Resource:(38.0), Resource:(13.0), Others: –	∗ 130.0	*1.0*	[FYE 2022 Results]Non-Resource:110.0, Resource:22.5, Others:(2.5)

(*) Major items are shown in round figures.

∗ : Record High

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Extraordinary gains recorded in FYE 2022 amounted to a record-high JPY130.0 billion. Major sources included Brazil Paper and Pulp Resources Development, Paidy, Taiwan FamilyMart, and ITOCHU Coal Americas. Extraordinary gains recorded by these companies had already been recognized by the third quarter. In the fourth quarter alone, extraordinary gains totaled JPY1.0 billion in net.

Cash Flows

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(Unit : billion yen)

- **Operating Cash Flows and Free Cash Flows:**
  "Cash flows from operating activities" was a **net cash-inflow of ¥801.2 bil.**, due to the stable performance in operating revenues in The 8th, Metals & Minerals, Energy & Chemicals and Food Companies.
  "Free cash flows" resulted in a **net cash-inflow of ¥839.8 bil.**, due to the cash-inflows from operating activities and the partial sale of Pan Pacific International Holdings Corporation, the sale of Japan Brazil Paper & Pulp Resources Development and Paidy, partially offset by the purchase of fixed assets by Food, The 8th and Machinery Companies, and the decrease in cash as the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary accompanying the partial sale. [record high]
- **Core Free Cash Flows:**
  "Core operating cash flows" after deducting changes in working capital, etc. from "Cash flows from operating activities" was a **net cash-inflow of ¥790.0 bil.** [record high]
  "Core free cash flows" resulted in a **net cash-inflow of ¥837.0 bil.** [record high]

Cash Flows

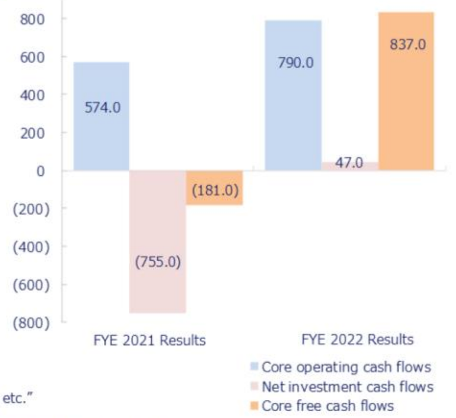
	FYE 2021 Results		FYE 2022 Results
Cash flows from operating activities	895.9		801.2
Cash flows from investing activities	(207.3)		38.6
Free cash flows	*688.6*	∗	*839.8*
Cash flows from financing activities	(728.8)		(846.7)

Core Free Cash Flows

	FYE 2021 Results		FYE 2022 Results
Core operating cash flows(*1)	574.0	∗	790.0
Net investment cash flows(*2)	(755.0)		47.0
Core free cash flows	(181.0)	∗	837.0

∗ : Record High

Core Free Cash Flows



(*1) "Operating cash flows" minus "Changes in working capital" plus "Repayments of lease liabilities, etc."
(*2) Payments and collections for substantive investment and capital expenditure.
"Investment cash flows" plus "Equity transactions with non-controlling interests" minus "Changes in loan receivables", etc.

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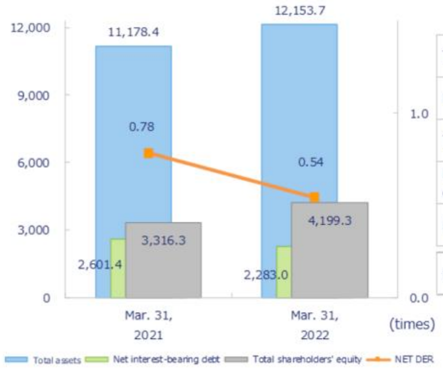
We have also renewed record highs in a number of cash flow items.
Operating cash flows amounted to JPY801.2 billion in FYE 2022. This was short of JPY895.9 billion—our record high achieved in FYE 2021—due to growth in working capital in step with the invigoration of sales activities in each segment on the back of economic recovery. Excluding this factor, core operating cash flows totaled JPY790.0 billion, a record high.

Financial Position

(Unit : billion yen)

- **Total Assets:**
  Increased by ¥975.2 bil., compared to March 31, 2021 to **¥12,153.7 bil.,** due to the impact of the depreciation of the yen, the increase in trade receivables and inventories resulting from the increase of trading transactions and higher market prices, and the increase in investments accounted for by the equity method, partially offset by the decrease due to the partial sale of Taiwan FamilyMart.
- **Net Interest-bearing Debt:**
  Decreased by ¥318.4 bil., compared to March 31, 2021 to **¥2,283.0 bil.,** due to the stable performance in operating revenues and sales of investments, partially offset by dividend payments and share buybacks.
- **Total Shareholders' Equity:**
  Increased by ¥883.0 bil., compared to March 31, 2021 to **¥4,199.3 bil.,** due to net profit attributable to ITOCHU during this fiscal year and the impact of the depreciation of the yen, partially offset by dividend payments and share buybacks.
- **Ratio of Shareholders' Equity to Total Assets and NET DER:**
  Ratio of shareholders' equity to total assets increased by 4.9 points compared to March 31, 2021 to **34.6%.**
  NET DER improved by 0.24 points compared to March 31, 2021 to **0.54 times.**



	Mar. 31, 2021	Mar. 31, 2022	Increase/ Decrease	FYE 2022-2024 Plan
Total assets	11,178.4	* 12,153.7	+ 975.2	B/S control appropriate for A ratings
Net interest-bearing debt	2,601.4	2,283.0	(318.4)	
Total shareholders' equity	3,316.3	* 4,199.3	+ 883.0	
Ratio of shareholders' equity to total assets	29.7%	* 34.6%	Increased 4.9pt	
NET DER (times)	0.78	* 0.54	Improved 0.24pt	about 0.7-0.8 times
ROE	12.7%	21.8%	Increased 9.1pt	Maintain high efficiency about 13-16%

* : Record High (NET DER: Best Record)

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Similarly, shareholders' equity rose to JPY4.2 trillion, surpassing JPY4 trillion for the first time. Although net interest-bearing debt amounted to approximately JPY2,283.0 billion, gross interest-bearing debt was down more than by JPY300.0 billion from the end of the previous fiscal year to approximately JPY2,900.0 billion. Structurally, foreign currency-denominated debt accounts for around one third of ITOCHU's interest-bearing debt. Giving due consideration to future needs for fundraising, which may be influenced by the current trend toward hikes in U.S. dollar-interest rates, we have striven to accurately control the balance of interest-bearing debt. Ratio of shareholders' equity to total assets amounted to 34.6%, and NET DER was 0.54 times. These indicators attest to further improvement in our financial position. We have also achieved ROE of 21.8%, which is notably high, thanks to robust operating results for FYE 2022. Considering that we aim for NET DER of 0.7 to 0.8 times and ROE of 13% to 16% as part of medium-term management plan targets, we have concluded that our FYE 2022 operating results were quite favorable.

Investments

ITOCHU

(Unit : billion yen)

FYE 2021 Results

	Major New Investments [Quarter Mainly Invested In]	
Consumer-related Sector	◆ Additional investment in FamilyMart [Q2,Q4] ◆ Additional investment in PPIH by FamilyMart [Q1-4] ◆ Additional investment in FUJI OIL HOLDINGS [Q1-2] ◆ North American facility-materials-related company [Q3] ◆ Fixed asset purchase by FamilyMart / Prima Meat Packers / Dole [Q1-4] etc.	730.0
Basic Industry-related Sector	◆ Additional investment in Tokyo Century [Q1-2] ◆ Fixed asset purchase by ITOCHU ENEX / C.I. TAKIRON [Q1-4] etc.	85.0
Non-Resource		**815.0**
Resource-related Sector	◆ Capital expenditure by IMEA [Q1-4] ◆ Capital expenditure by CIECO Azer [Q1-4] etc.	
Resource		**35.0**
Total of Major New Investments		**850.0**
EXIT		**(95.0)**
Net Investment Amount (*2)		**755.0**

FYE 2022 Results

	Major New Investments [Quarter Mainly Invested In]		[Q4]
Consumer-related sector	◆ Investment in NISHIMATSU CONSTRUCTION [Q3] ◆ Additional investment in HOKEN NO MADOGUCHI GROUP [Q1] ◆ Fixed asset purchase by FamilyMart / Prima Meat Packers / Dole [Q1-4] etc.	171.0	[35.0]
Basic industry-related sector	◆ Overseas machinery-related company [Q1] ◆ Fixed asset purchase by ITOCHU ENEX / C.I. TAKIRON [Q1-4] etc.	95.0	[10.0]
Non-Resource		**266.0**	**[45.0]**
Resource-related sector	◆ Capital expenditure by IMEA [Q1-4] ◆ Capital expenditure by CIECO Azer [Q1-4] etc.		
Resource		**31.0**	**[7.0]**
Total of Major New Investments		**297.0**	**[52.0]**
EXIT		**(344.0)**	**[(26.0)]**
Net Investment Amount (*2)		**(47.0)**	**[26.0]**

(*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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With regard to new investments, major ones undertaken in FYE 2022 amounted to approximately JPY297.0 billion, which was an extremely low level, following about JPY 215 billion in FYE2017, partially due to large-scale investments in the previous fiscal year.
Net investment cash flows, including cash flows related to exit, were positively affected by cash inflows arising from exits from Brazil Paper and Pulp Resources Development and Taiwan FamilyMart, which were in the course of promoting asset replacement and were shifted from FYE 2021 to FYE 2022. Furthermore, major investments in Hitachi Construction Machinery, Gaitame .com Co., Ltd. and others involving large cash outflows, have been shifted from FYE 2022 to FYE 2023. As a result, net investment cash flows were positive, at approximately JPY47.0 billion in FYE 2022.

Impact of Russia-Ukraine

➢ Exposure

(billion yen)	Main Businesses	Mar. 31, 21	Mar. 31, 22	Inc/Dec	Main reasons for changes
Russia	Sakhalin1 Japan South Sakha Oil Co., Ltd. , etc.	**56.9**	**42.1**	**△14.8**	Decrease in fair value due to a change in the discount rate calculated from the Russian sovereign credit rating
Ukraine	Automobile-related businesses	**2.6**	**2.6**	–	–

*Exposures of listed group companies before the announcement of their financial results are not included

➢ Financial Impact

- The profit contribution of Russia-related businesses in FYE2022 was approx. 15 billion yen (approx. 2% of consolidated net profit).
  30 billion yen loss before tax in other comprehensive income (OCI) in the fourth quarter of FYE2022 was recorded (Losses in P/L are minimal).
- Decrease of earnings in subsidiaries and associates and potential extraordinary losses have been factored into the FYE2023 plan based on conservative assumptions.

➢ Current Business Situation / Plans

- As for the energy business, we will closely consult and consider future actions with the Japanese government and other parties concerned, including other partners. As for the Automobile-related business, the status of order placement and resumption of shipment has yet to be determined. The government will make a prudent decision based on the local situation.
- Our business development in Russia has been limited and its impact on overall management is minimal. Given the rise in geopolitical risks, we will be more cautious in investing in regions with high country risks.

We have prepared material outlining our exposure to the impact of the Russia-Ukraine, which may well be the subject of your keen interest.
Our exposure to Russia-related businesses turned out to be down JPY14.8 billion from the end of the previous fiscal year through the year-end fair value assessment (OCI-based treatment) of the Sakhalin businesses. Our main operations in Russia consists of the Sakhalin 1 and Japan South Sakha Oil Co., Ltd. In addition to these, we handle a joint venture with Suzuki Motor Corporation, but the size of this business is not significant in terms of monetary value. In Ukraine, we engage in the business of selling imported Mazda and Suzuki automobiles.
Regarding exposure arising from these operations, we accelerated the collection of our receivables in response to Russia’s invasion of Ukraine while reassessing their fair values as part of year-end accounting treatment.
Specifically, the fair value of Sakhalin 1 declined, reflecting the higher discount rate due to the upward revision of country risk premiums in step with the downgrading of Russian sovereign credit rating to the speculative category. Components of fair value assessments include foreign exchange rates, crude oil prices, dividend income and other factors. Among these, the higher discount rate exerted the most significant impact. Accordingly, we recorded loss before tax of JPY30.0 billion in OCI in the fourth quarter of FYE 2022.
With regard to our plan for FYE 2023, we conservatively assume the possibility of decrease of earnings in subsidiaries and associates, potential extraordinary losses and other negative factors.

Quantitative Targets

ITOCHU

(Unit : billion yen)

FYE 2023 Profit Plan: Consolidated net profit of **¥700.0 billion**

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FYE 2021 Results	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 Results	25.1	80.0	226.0	89.6	59.0	105.2	104.3	49.0	82.0	820.3	610.3	221.6	(11.6)
FYE 2023 Plan	**26.0**	**72.0**	**197.0**	**85.0**	**66.0**	**72.0**	**86.0**	**30.0**	**66.0**	**700.0**	**548.0**	**190.0**	*(38.0)
Increase/Decrease	+0.9	(8.0)	(29.0)	(4.6)	+7.0	(33.2)	(18.3)	(19.0)	(16.0)	(120.3)	(62.3)	(31.6)	(26.5)

*Includes a loss buffer of ¥30.0 billion

B/S, CF & Ratio Plan

(FYE)	Brand-new Deal 2020: 2019	Brand-new Deal 2020: 2020	FYE 2021 Management Plan: 2021	Brand-new Deal 2023: 2022	Brand-new Deal 2023: 2023-2024
Core operating CFs	515.0	602.0	574.0	790.0	Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns
Net investment CFs	(20.0)	(290.0)	(755.0)	47.0	Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation
Core free CFs after deducting shareholder returns	300.0	123.0	(326.0)	614.0	
	423.0				
NET DER (times)	0.82	0.75	0.78	0.54	B/S control appropriate for A ratings **[NET DER about 0.7 - 0.8 times]**
Shareholders' equity	2.9 tril.	3.0 tril.	3.3 tril.	4.2 tril.	
ROE(%)	17.9	17.0	12.7	21.8	Maintaining high efficiency **[ROE of about 13 - 16%]**

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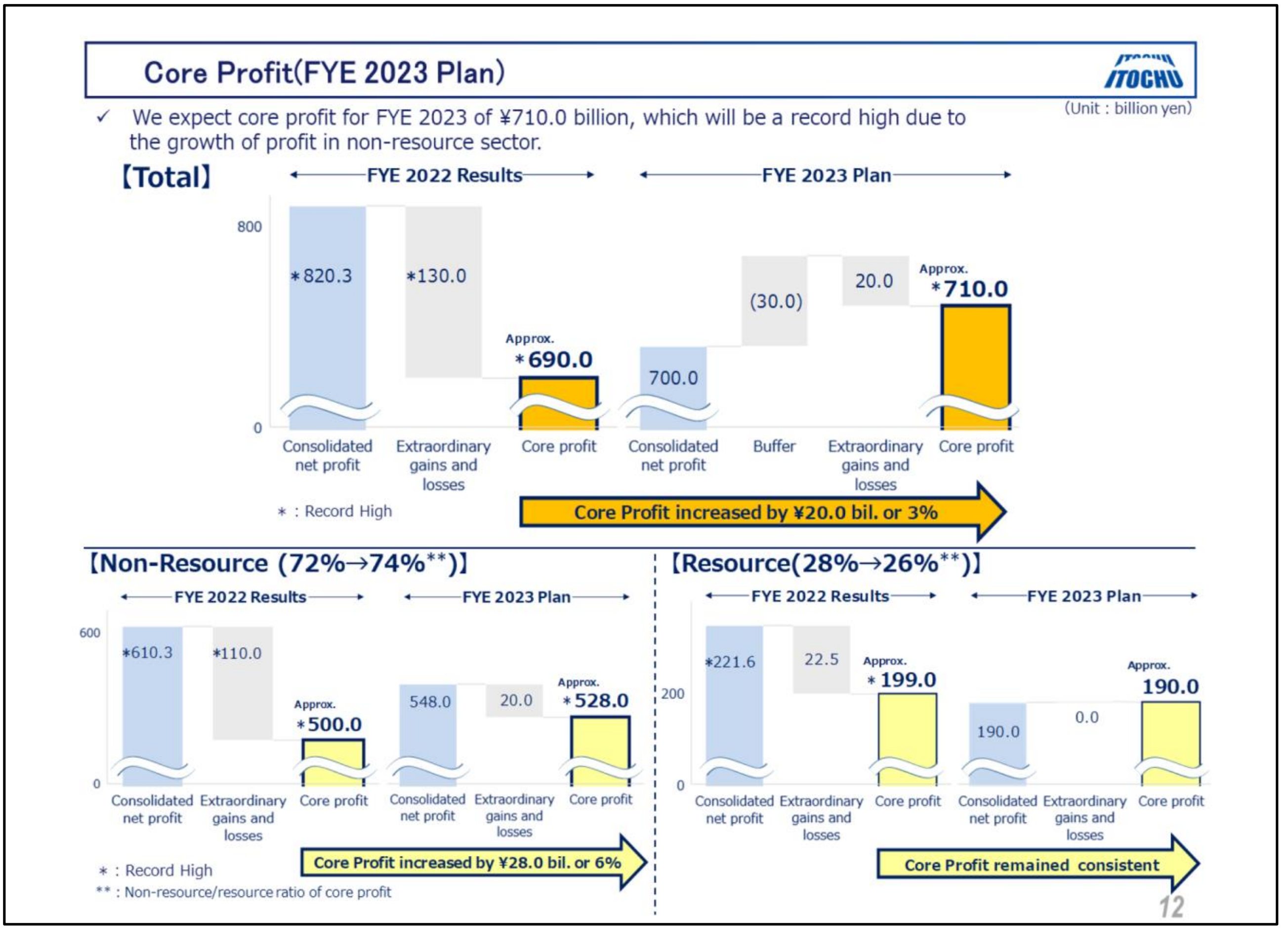
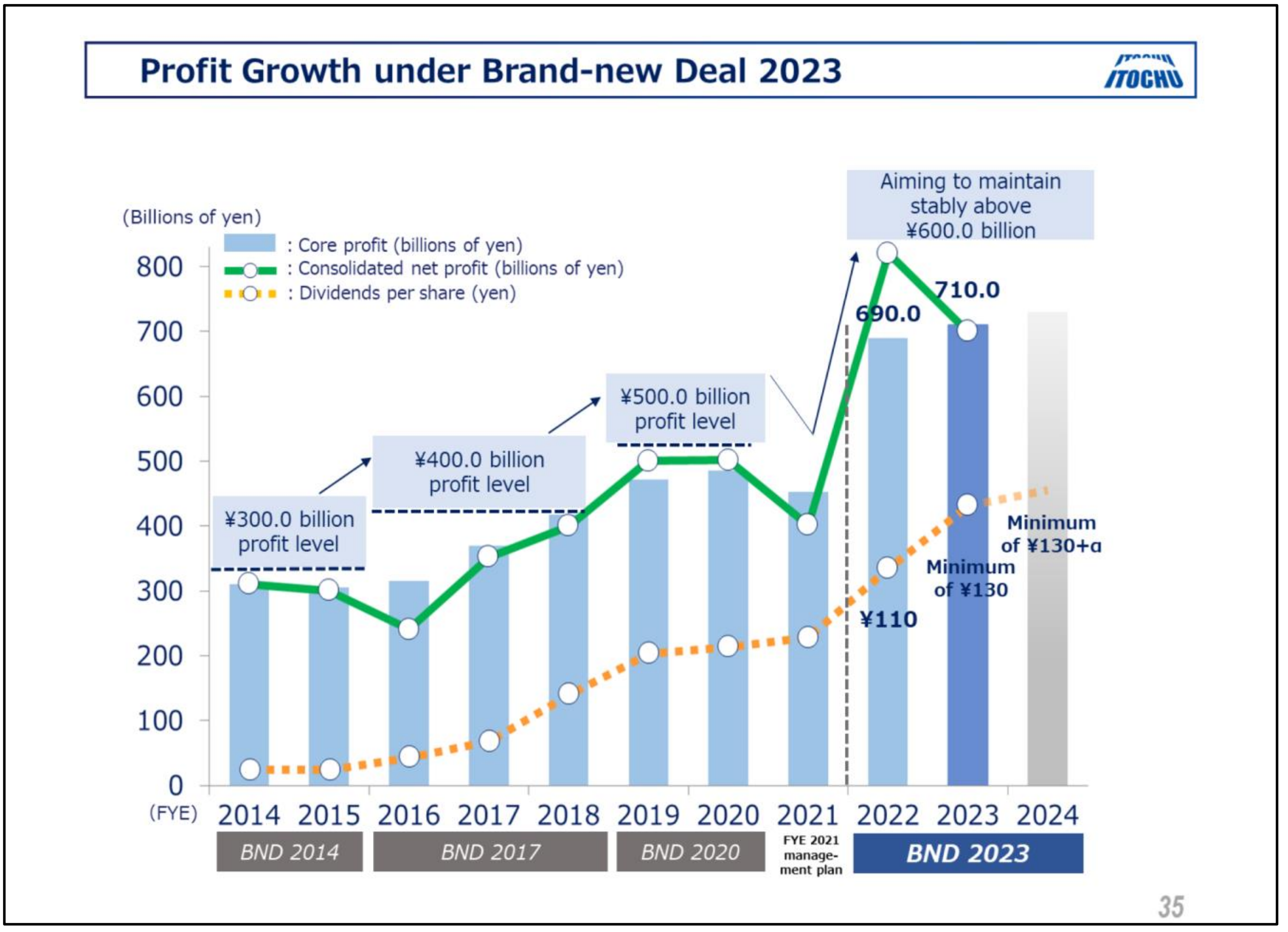
Our target for annual net consolidated profit under the FYE 2023 plan, which amounts to JPY700.0 billion, includes a JPY30.0 billion loss buffer and JPY20.0 billion in extraordinary gains.



The FYE 2023 consolidated net profit target factors in a profit decline of around 15%. Core profit for FYE 2022 stood at approximately JPY690.0 billion when the record-high extraordinary gains of JPY130.0 billion were excluded from consolidated net profit. Although we have formulated conservative assumptions for core profit as part of our FYE 2023 plan, we still aim for approximately JPY710.0 billion, an increase of approximately JPY20.0 billion from FYE 2022. Currently, resource prices are expected to peak to a certain degree. Given this, rather than relying on resource-sector businesses as a growth driver, we will strive to raise core profit from the non-resource sector to continuously achieve profit growth in FYE 2023. Especially, we expect to achieve strong and steady growth in consumer-sector operations associated with clothing, food and housing—areas often deemed to be domains of defensive players. These operations include the Food, the 8th, Construction & Real Estate Division and Financial & Insurance Business Division, all of which made progress in solidifying their foundational capabilities for earning core profit.



Having embarked on FYE 2023, we are now in the second year of “Brand-new Deal 2023, our medium-term management plan. Traditionally, we have striven to stably strengthen our earnings base and thus secured, in a phased manner, profit growth of around JPY100.0 billion throughout the course of each medium-term management plan period. However, in FYE 2022 we have earned a considerably larger size of profit due to the unexpected surge in resource prices.

In terms of core profit, we already achieved JPY690.0 billion in FYE 2022 and now aim for JPY710.0 billion in FYE 2023. For FYE 2024, we will also remain focused on solidifying our earnings base which will, in turn, support our steady pursuit of net consolidated profit of more than JPY600.0 billion, our target initially set forth in the medium-term management plan, regardless of fluctuations in resource prices. Simultaneously, we will strive to enhance shareholder returns as mentioned later.

Quantitative Targets

ITOCHU

(Unit : billion yen)

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ROE(%)	17.9	17.0	12.7	21.8	Maintaining high efficiency **[ROE of about 13 - 16%]**

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Now, I will provide supplementary explanations on factors behind changes in core profit for each segment.

Textile, having achieved recovery in operating results for its main businesses, expects to expand the range of its operations in the sports field via, for example, investment in Reebok, as announced today, along with initiatives with Under Armour, DESCENTE, and others. This company will also anticipate growth in revenues through the use of e-commerce and other measures.

Machinery adopted a conservative outlook for its businesses, including Russia-related operations, and, accordingly, forecasts a JPY8.0 billion decline in consolidated net profit. On the other hand, as this company launched a joint business with Hitachi Machinery in FYE 2023 and expects to earn a certain level of profit from other businesses, we believe that core profit for the Machinery will remain virtually unchanged.

Metals & Minerals similarly formulated conservative assumptions on resource prices, expecting a decline in core profit. For example, profit to be achieved by Marubeni-Itochu Steel is likely to level off from an exceptional upturn in FYE 2022.

Energy & Chemicals anticipates a JPY4.6 billion decrease in consolidated net profit. Although the positive impact of higher crude oil price has been incorporated, we believe that core profit will remain virtually unchanged due to the lower volume of crude oil transactions, fallout from the Russian invasion, a recoil from the previously robust performance of chemicals trading, and other factors.

Food expects to enjoy an increase in profit. This is attributable to recovery in pork prices and resulting upturns in the performance of Prima Meat Packers HYLIFE and other operations that have previously been negatively impacted by pork market conditions in FYE 2022, as well as steady growth in other core business companies.

General Products & Realty forecasts a decline in consolidated net profit due to a recoil from extraordinary gains recorded in FYE 2022. However, core profit excluding extraordinary factors will remain virtually unchanged as we expect contribution by the European tire business, the construction business and other operations whose operating results have been constantly robust, despite the conservative assumptions regarding pulp market conditions and the leveling off of the previously robust profit earned by the North American construction materials business.

ICT & Financial Business, which is subject of immense shareholder expectations, will see a decline in consolidated net profit due to a recoil from extraordinary gains previously recorded regarding the sale of Paidy, but anticipates an increase in core profit as the company's earnings capabilities have been growing steadily. Factors supporting this projection include the high likelihood of profit growth planned by this company's major Group companies.

The 8th is expected to see a decline in consolidated net profit due to a recoil from extraordinary gains previously recorded regarding the partial sale of Taiwan FamilyMart. However, capabilities of FamilyMart for securing core profit will steadily grow due primarily to the enhanced attractiveness of its products and the development of new businesses.

In terms of Others, Adjustments & Eliminations, CITIC and CPP will contribute to growth in profit as their operating results are likely to remain robust.

Assumptions for FYE 2023

ITOCHU

		FYE 2021 Results	FYE 2022 Results	FYE 2023 Plan	(Reference) Sensitivities on net profit attributable to ITOCHU for FYE 2023	
Exchange rate (Yen/US$)	Average	105.97	111.54	120	1 yen appreciation against US$	Approx. ¥(3.5)bil.
	Closing	110.71	122.39	120		–
Interest rate (%)	TIBOR 3M (¥)	0.07%	0.06%	0.1%	0.1% increase	Approx. ¥(0.4)bil.
	LIBOR 3M (US$)	0.32%	0.24%	2.5%		Approx. ¥(0.2)bil.
Crude oil (Brent) (US$/BBL)		45.75	79.92	90	±¥0.4 bil.(*3)	
Iron ore (CFR China) (US$/ton)		127(*1)	154(*1)	N.A.(*2)	± ¥1.2 bil.(*3)	

(*1) FYE 2021 and FYE 2022 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.

(*2) The prices of iron ore used in the FYE 2023 Plan are assumptions made in consideration of general transaction prices based on the market. The actual prices are not presented, as they are subject to negotiation with individual customers and vary by ore type.

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

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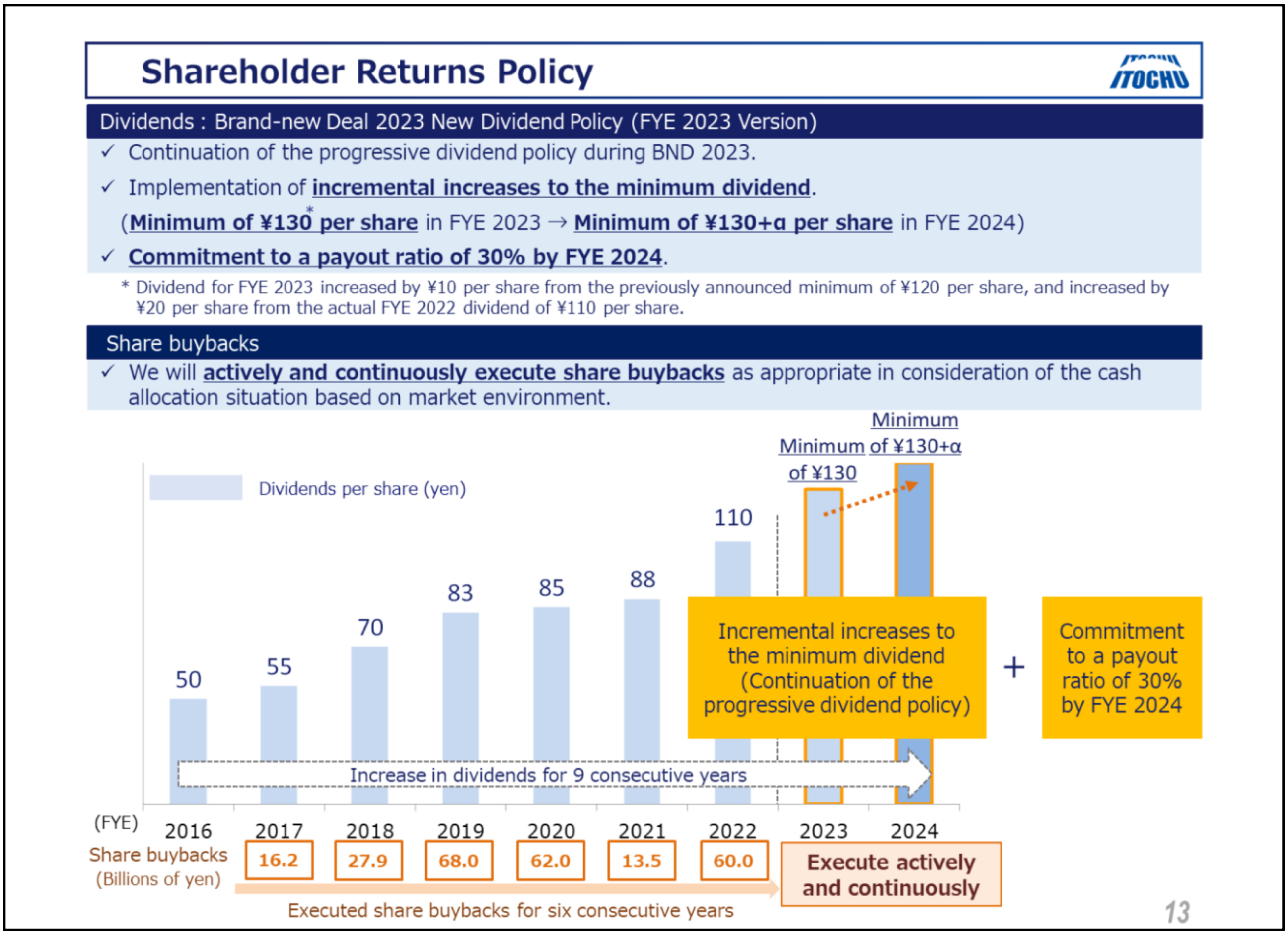
Our assumptions for exchange rates are set at US$1 = JPY120. Regarding interest rates, we conservatively assume that LIBOR will amount to 2.5%. Brent Crude Oil is estimated at US$90/BBL, a more conservative estimate than the current price. Although our assumed prices for iron ore are not disclosed, our estimation is more conservative than the current prices. In these and other ways, we generally use conservative assumptions for business planning.
In the course of formulating FYE 2023 plans, we gave due consideration to rises in interest rates, the depreciation of the yen, economic deceleration, looming geopolitical risks and other circumstances, thereby incorporating various risk factors into business planning for each segment. Moreover, we have undertaken detailed assessments regarding whether we can translate rising electricity and raw material prices, influenced by surges in crude oil prices, into our product prices on a company-by-company basis. Upon these assessments, we factor those impacts into FYE 2023 plan. In addition, our plans for FYE 2023 include a JPY30.0 billion buffer for losses. As such, our initial FYE 2023 plans are pretty conservative and informed by sufficient precautions against risk factors.



In line with Brand-new Deal 2023, our medium-term management plan, we uphold a progressive dividend policy under which we aim to increase dividends every year. Although we expect to see a decline in consolidated net profit, we will nevertheless raise dividends in FYE 2023, as promised under the above policy. Moreover, we upwardly reset the minimum amount of dividends to be paid for FYE 2023, which shows incremental increases in dividends, to JPY130 per share, from the previously announced minimum of JPY120 per share, thereby raising annual dividends by JPY20 per share from FYE 2022. For FYE 2022, we paid JPY110 per share in dividends as announced while completing share buybacks worth JPY60.0 billion. Taking these factors into account, our total shareholder return ratio stood at 27.1%. We are committed to raising our payout ratio to 30% by FYE 2024. In light of this commitment, we will do our best to enhance shareholder returns and incrementally raise dividends while giving due consideration to our financial position. With this in mind, we have set the minimum payout ratio at 27.3% for shareholder returns to be undertaken for FYE 2023. Based on this setting, we intend to actively execute share buybacks. When it comes to actively executing share buybacks, ITOCHU has executed for six consecutive years since FYE 2017. Looking ahead, we will maintain this approach even as we give comprehensive consideration to cash flow status and the timing of dividends.

In FYE 2023, some investment projects involving cash outflows have been shifted from FYE 2022. In addition, business divisions are currently planning several major investments, as they always do at the beginning of each fiscal year, with an eye to promoting business transformation. Based on these factors, we will pay close attention to cash balance situation.

The minimum total shareholder return ratio will, essentially, coincide with the minimum payout ratio of 27.3% for FYE 2023. Should the target payout ratio of 30% be achieved in FYE 2024 in line with our commitment, we will be well positioned to accomplish the total shareholder return ratio of 30% or more upon the execution of share buybacks.