FYE 2023 Business Results Summary & FYE 2024 Management Plan Investor Briefing

ITOCHU Corporation

May 11, 2023

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 the actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place 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.

Summary of Financial Results for FYE 2023

ITOCHU

(Unit : billion yen)

- **"Net profit attributable to ITOCHU"** was **¥800.5 bil.**, achieved over ¥800.0 bil. for 2 consecutive years.
- **"Core profit"** was approximately **¥787.5 bil.**, recorded all-time high, resulting from further growth in non-resource sectors mainly in Machinery, Energy & Chemicals and General Products & Realty Companies, and the depreciation of the yen. [Record High: 2 consecutive years]
  ITOCHU accumulated profit steadily with robust earnings base which was well-diversified and resistant to economic fluctuations.
- **"Core operating cash flows"** was **¥871.0 bil.** [Record High: 2 consecutive years]
- **"ROE"** was **17.8%** and overachieved the initial target (about 13-16%).

	FYE 2022 Results	FYE 2023 Results	Increase/ Decrease	FYE 2023 Forecast (Disclosed on Nov. 4)	Achievement
Net profit attributable to ITOCHU	**820.3**	**800.5**	**(19.8)**	**800.0**	**100%**
Extraordinary gains and losses	130.0	13.0	(117.0)	(*1) 30.0	
Core profit(*)	690.0	* 787.5	(*2) + 97.5	770.0	**102%**

(*) Core profit is shown in round figures.
(*2) Including Forex Impact : + 80.0
(*1) Including a loss buffer : (20.0)

	FYE 2022 Results	FYE 2023 Results	Increase/ Decrease
Ratio (%) of group companies reporting profits	90.9%	88.6%	Decreased 2.3pt
Core operating cash flows	790.0	* 871.0	+ 81.0
NET DER	0.54	* 0.50	Improved 0.05pt
ROE	21.8%	17.8%	Decreased 4.1pt
EPS	552.86 yen	546.10 yen	(6.76 yen)

Dividend information (per share)	
Annual (Planned)	* 140 yen
Interim (Paid)	* 65 yen

* : Record High (NET DER: Best Record)

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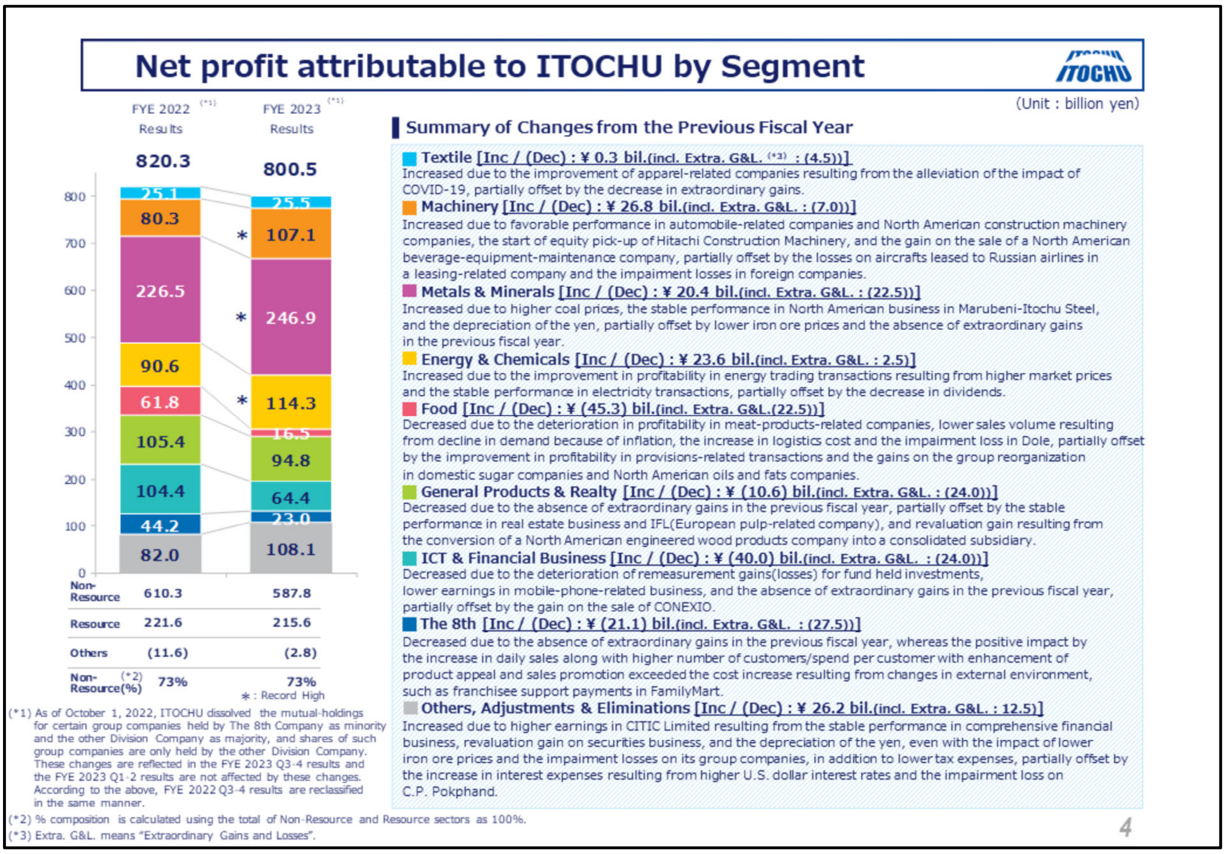
Consolidated net profit for FYE 2023 amounted to ¥800.5 billion. Due to the absence of the substantial volume of extraordinary gains recorded in the previous fiscal year, this amount is down year on year, but still quite robust and second only to the record-high consolidated net profit of ¥820.3 billion we achieved in FYE 2022. Thus, we have been able to record consolidated net profit of more than ¥800.0 billion for two years in a row.



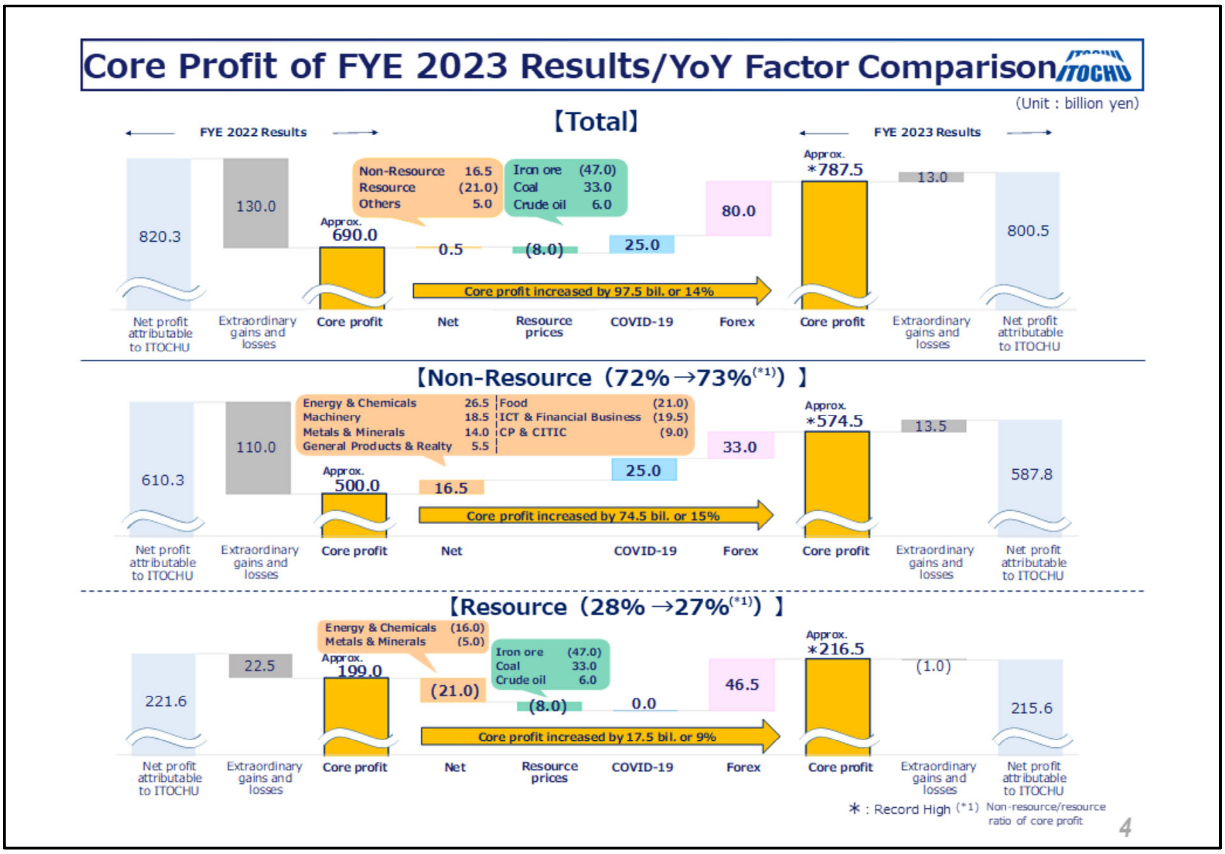
Looking at net profit attributable to ITOCHU by segment, the Machinery, Metals & Minerals, and Energy & Chemicals companies hit record highs.

The Machinery Company's automobile-related business has benefitted from robust demand in excess of supply due to semiconductor shortages that, in turn, led to restrictions on production. This phenomenon also resulted in the expansion of profit margin, contributing to performance recovery. Similarly, the light construction equipment business in North America enjoyed improvement in profitability and thus achieved consistently strong results. Moreover, Hitachi Construction Machinery became an equity-method affiliate in the second half after our fresh investment in it. Accordingly, this new affiliate now contributes to greater earnings. In addition, North American IPP business was strong thanks to surges in energy prices, while other group companies in Japan and abroad performed robustly. Taking these factors into account, the Machinery Company achieved a record-high profit of more than ¥100.0 billion for the first time.

The Metals & Minerals Company also hit a record-high profit thanks to higher coal prices, the depreciation of the yen and the favorable performance trend of Marubeni-Itochu Steel in North America.

The Energy & Chemicals Company has seen a substantial improvement in results for energy trading in step with higher market prices. The showings of basic chemicals and domestic power trading similarly remained strong, while group companies handling chemicals performed robustly. These factors, in turn, enabled the Energy & Chemicals Company to achieve record-high profit.

On the other hand, the General Products & Realty and the 8th companies have seen a decline in consolidated net profit due to the absence of extraordinary gains recorded in the previous fiscal year. However, these two companies still marked record-high core profit. The former enjoyed strong results in real estate and pulp businesses while maintaining a solid volume of revenues from the North American construction materials business, even though we had previously been concerned about the possibility of its performance stagnation. The 8th Company was confronted by a harsh management environment in terms of higher store operation costs reflecting such factors as surges in energy prices. Nevertheless, this company achieved growth in core profit thanks primarily to higher daily sales supported by recovery in the number of FamilyMart customers and spending per customer on the back of the relaxation of restrictions associated with the COVID-19 pandemic.
Meanwhile, the Food and ICT & Financial Business companies saw a decrease in core profit. The decline in the former's core profit was mainly attributable to surges in marine transportation costs negatively affecting Dole as well as sluggish sales of this brand due to misguided price policies under the inflationary environment. Other factors that decreased core profit included deterioration in revenues earned by HYLIFE due to higher prices for livestock feed as well as the depreciation of the yen and the resulting shrinkage of exports to Japan. In addition, the extraordinary losses were recorded. The ICT & Financial Business Company has seen deterioration in remeasurement losses for fund-held investments in step with unfavorable monetary policies and stagnant stock market conditions. Moreover, the divestment of CONEXIO resulted in the termination of relevant transactions, while the absence of extraordinary gains recorded in the previous fiscal year affected operating results. These factors caused core profit to decline.



Core profit, excluding extraordinary gains and losses, represents the real earnings power of ITOCHU. This indicator amounted approximately ¥787.5 billion, an increase of ¥97.5 billion compared with the previous fiscal year, hitting a record high well in excess of the previous record for the second consecutive year. Looking at the breakdown, core profit from both resource and non-resource sectors has grown higher than ever. I will discuss factors contributing to record-high results for these sectors. The resource sector was positively affected by the depreciation of the yen. This favorable foreign exchange trend considerably impacted this sector's operating results, with dividends from overseas group companies and equity in earnings of affiliates constituting major profit components. On the other hand, the non-resource sector, which was somewhat buoyed by the foreign exchange trend, nevertheless saw a considerable decrease in profit of the Food and ICT & Financial Business companies. Overall, however, this sector has enjoyed steady growth in profit thanks mainly to a timely trading approach taken by the Energy & Chemicals Company in step with higher market prices and a robust increase in revenues earned by the Machinery Company in the automobile-related business and the North American construction machinery-related business.

Cash Flows

ITOCHU

(Unit : billion yen)

■ **Operating Cash Flows and Free Cash Flows:**
"Cash flows from operating activities" was a **net cash-inflow of ¥938.1 bil.**, due to the stable performance in operating revenues in Metals & Minerals, The 8th, Energy & Chemicals, and General Products & Realty Companies, partially offset by the increase in working capital due to the growth of operating transactions. [Record High]
"Cash flows from investing activities" was a net cash-outflow of ¥453.8 bil., due to the investment in shares in Hitachi Construction Machinery, the acquisition of a North American engineered wood products business, the investment in iron ore business in Canada, and the purchase of fixed assets by Food, The 8th, Machinery, and Energy & Chemicals Companies, partially offset by the sales of a North American beverage-equipment-maintenance company and CONEXIO.
As a result, **"Free cash flows"** was a **net cash-inflow of ¥484.3 bil.**

■ **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 ¥871.0 bil.** [Record High: 2 consecutive years]
"Core free cash flows" resulted in a **net cash-inflow of ¥478.0 bil.**

Cash Flows

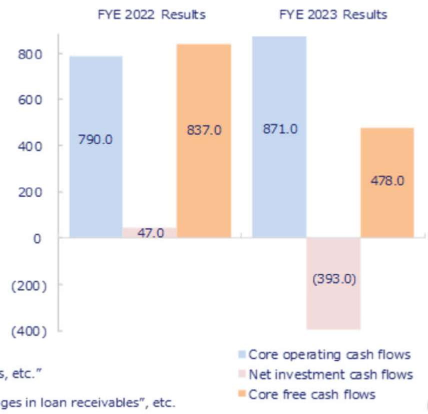
	FYE 2022 Results	FYE 2023 Results
Cash flows from operating activities	801.2	＊ 938.1
Cash flows from investing activities	38.6	(453.8)
Free cash flows	*839.8*	*484.3*
Cash flows from financing activities	(846.7)	(500.1)

Core Free Cash Flows

	FYE 2022 Results	FYE 2023 Results
Core operating cash flows(*1)	790.0	＊ 871.0
Net investment cash flows(*2)	47.0	(393.0)
Core free cash flows	837.0	478.0

＊ : 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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Operating cash flows amounted to a robust ¥938.1 billion, yet another record high. This was mainly attributable to the ongoing robustness of operating transaction revenues from the Metals & Minerals, 8th, Energy & Chemicals and General Products & Realty companies. Core operating cash flows similarly hit a record high at ¥871.0 billion. Core investing cash flows, however, were a net outflow of ¥393.0 billion due mainly to strengthened investment in Hitachi Construction Machinery, operations associated with ferrous raw material in Canada and the construction materials business in North America. We also acquired textile brands. These measures were intended to strengthen our earnings base for the future through proactive growth investment.

Financial Position

ITOCHU

(Unit : billion yen)

- **Total Assets:**
  Increased by ¥958.0 bil., compared to March 31, 2022 to **¥13,111.7 bil.**, due to the increase in investments accounted for by the equity method resulting from the investment in shares in Hitachi Construction Machinery, the increase in trade receivables and inventories resulting from the increase of trading transactions and higher market prices, and the depreciation of the yen.
- **Net Interest-bearing Debt:**
  Increased by ¥108.2 bil., compared to March 31, 2022 to **¥2,391.2 bil.**, due to dividend payments and share buybacks, the investment in shares in Hitachi Construction Machinery, and the depreciation of the yen, partially offset by the stable performance in operating revenues.
- **Total Shareholders' Equity:**
  Increased by ¥620.2 bil., compared to March 31, 2022 to **¥4,819.5 bil.**, due to net profit attributable to ITOCHU during this fiscal year and 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 2.2 points compared to March 31, 2022 to **36.8%**.
  NET DER improved by 0.05 points compared to March 31, 2022 to **0.50 times**.

	Mar. 31, 2022	Mar. 31, 2023	Increase/ Decrease	Brand-new Deal 2023
Total assets	12,153.7	＊ 13,111.7	+ 958.0	B/S control appropriate for A ratings
Net interest-bearing debt	2,283.0	2,391.2	+ 108.2	
Total shareholders' equity	4,199.3	＊ 4,819.5	+ 620.2	
Ratio of shareholders' equity to total assets	34.6%	＊ 36.8%	Increased 2.2pt	
NET DER (times)	0.54	＊ 0.50	Improved 0.05pt	about 0.7-0.8 times
ROE	21.8%	17.8%	Decreased 4.1pt	Maintain high efficiency about 13-16%

＊:Record High (NET DER: Best Record)
(Total assets and Total shareholders' equity are record high as fiscal year end)

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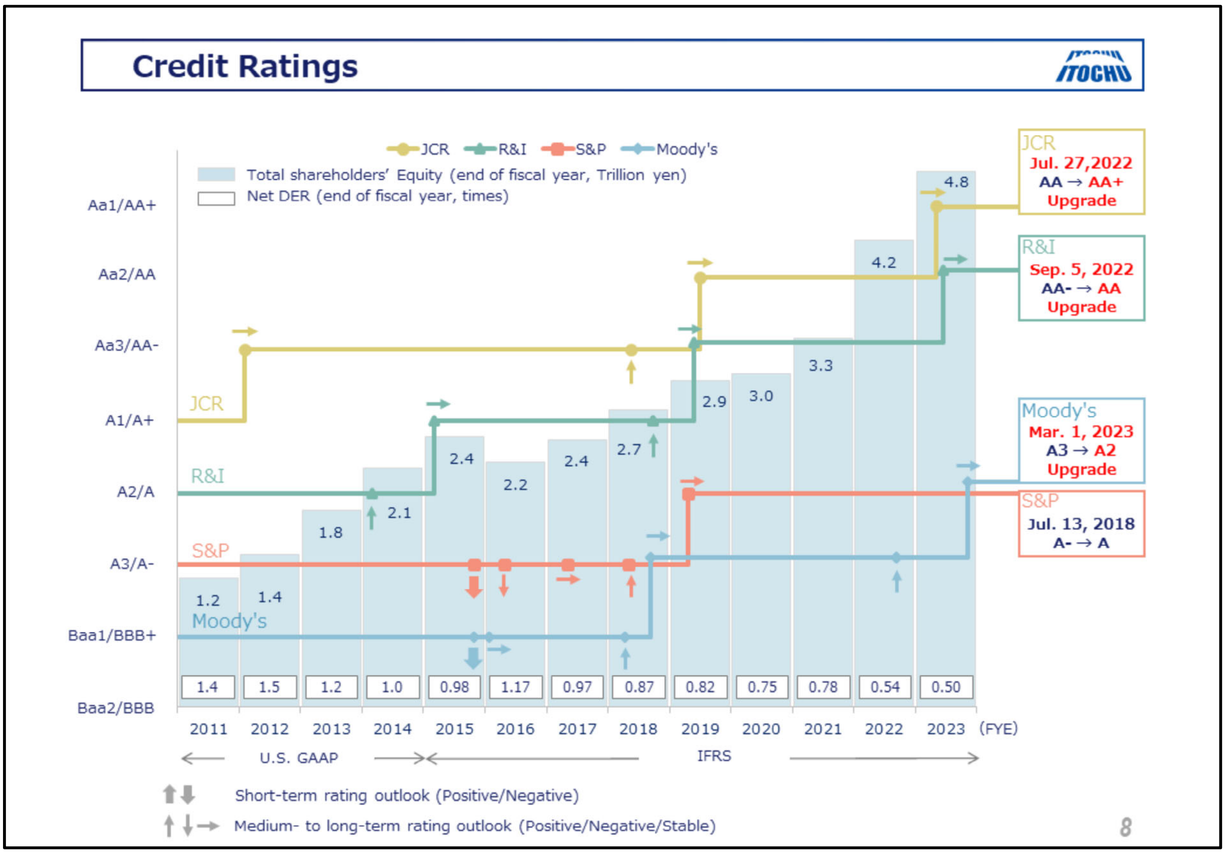
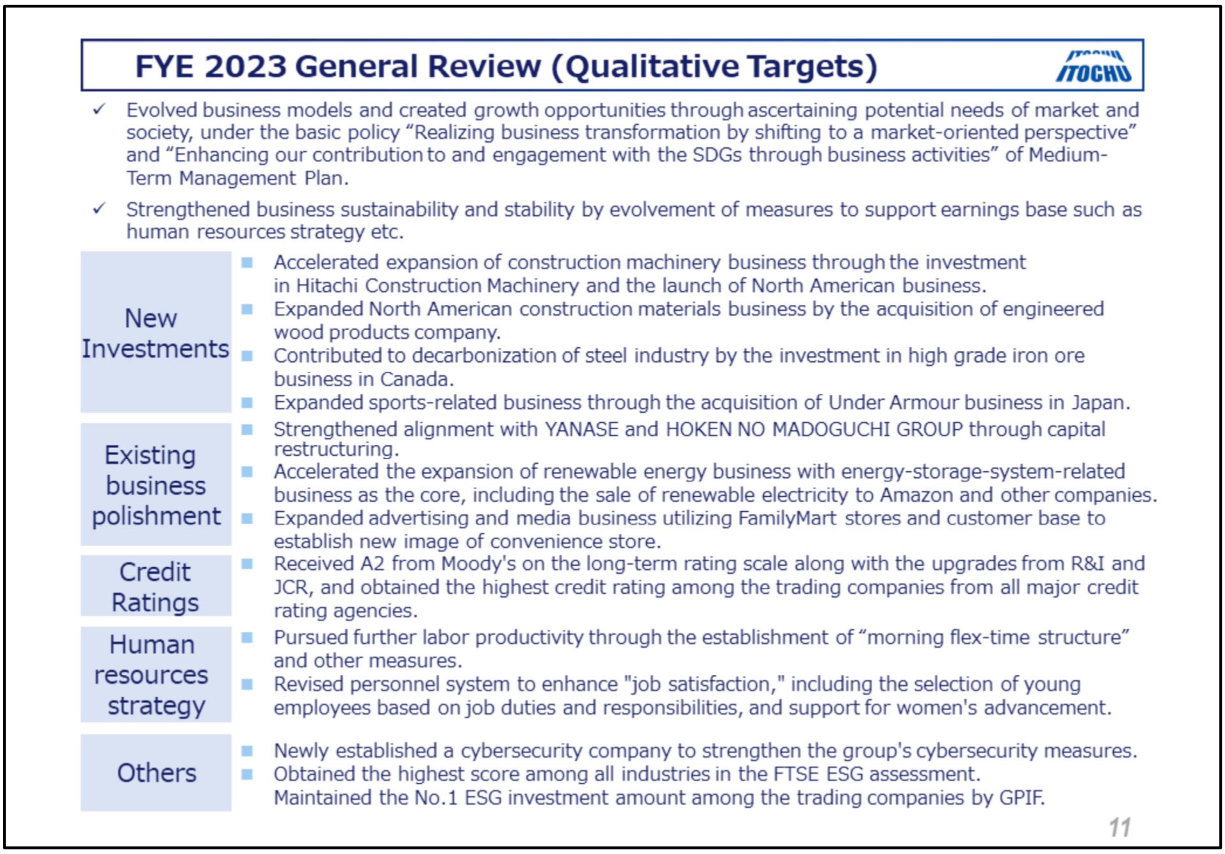
Shareholders' equity as of the fiscal year-end stood at a record-high ¥4.8 trillion. This was based on the accumulation of profit and the effect of the depreciation of the yen. Likewise, NET DER amounted to 0.50 times. This is better than any other period and far in excess of our target for the medium-term management plan period. In sum, we are confident about the success of our efforts to secure an even stronger financial foundation.



In March 2023, ITOCHU was granted a long-term rating of A2 from Moody's, achieving an upgrade from the former A3 rating. Although ITOCHU had long struggled to win an A-class rating, we eventually succeeded in winning the A3 rating in 2017. Since then, we have accumulated a steady track record. As a result, ITOCHU is now considered to be equipped with robust resilience against changes in economic fluctuations thanks to a solid earnings base supported by diverse earnings sources in various sectors and to have maintained unwavering financial discipline focused on striking a balance between growth investments, shareholder returns and control of interest-bearing debt. It is also noteworthy that ITOCHU's new rating is Moody's first upgrade of a domestic A rated company since 2019.



Highlights in FYE 2023 include the further evolution of ITOCHU's morning-focused working system, which contributes to the advancement of women, as part of the development of an in-house working environment supporting the earnings base. Specifically, we are promoting such initiatives as the provision of employee support aimed at improving labor productivity through the institution of a morning-focused flextime system and a work from home system, both of which similarly contribute to the advancement of women. We are also strengthening cybersecurity measures for the entire Group, with the aim of better adapting to a digital-driven society. Moreover, of all the other domestic corporations regardless of sector, ITOCHU acquired the best scores under an ESG evaluation program designed to assess the status of Japanese businesses that is run by U.K.-based FTSE, a world-leading ESG rating agency. This represents another example of qualitative accomplishments during FYE 2023.

FYE 2024 Quantitative Targets

ITOCHU

(Unit : billion yen)

FYE 2024 Profit Plan: Consolidated net profit of **¥780.0 bil.**

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total	Non-Resource	Resource	Others
FYE 2022 Results (*1)	25.1	80.6	226.9	92.1	65.2	105.6	104.6	38.2	82.0	820.3	610.3	221.6	(11.6)
FYE 2023 Results (*1)	25.5	107.4	247.4	115.8	20.2	95.1	64.6	16.6	108.1	800.5	587.8	215.6	(2.8)
FYE 2024 Plan	**33.0**	**105.0**	**237.0**	**88.0**	**61.0**	**90.0**	**78.0**	**21.0**	**67.0** (*2)	**780.0**	**620.0**	**210.0**	(50.0) (*2)
Increase/Decrease	+7.5	(2.4)	(10.4)	(27.8)	+40.8	(5.1)	+13.4	+4.4	(41.1)	(20.5)	+32.2	(5.6)	(47.2)

(*1) All results above are reclassified based on the dissolution of mutual-holdings held by The 8th Company and the other Division Company.

(*2) Including a loss buffer : (50.0)

B/S, CF & Ratio Plan (FYE)

	Brand-new Deal 2020		FYE 2021 Management Plan	Brand-new Deal 2023		
	2019	2020	2021	2022	2023	
Core operating CFs	515.0	602.0	574.0	790.0	871.0	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	(393.0)	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	213.0	
	423.0					
NET DER (times)	0.82	0.75	0.78	0.54	0.50	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.	4.8 tril.	
ROE(%)	17.9	17.0	12.7	21.8	17.8	Maintaining high efficiency **[ROE about 13 - 16%]**

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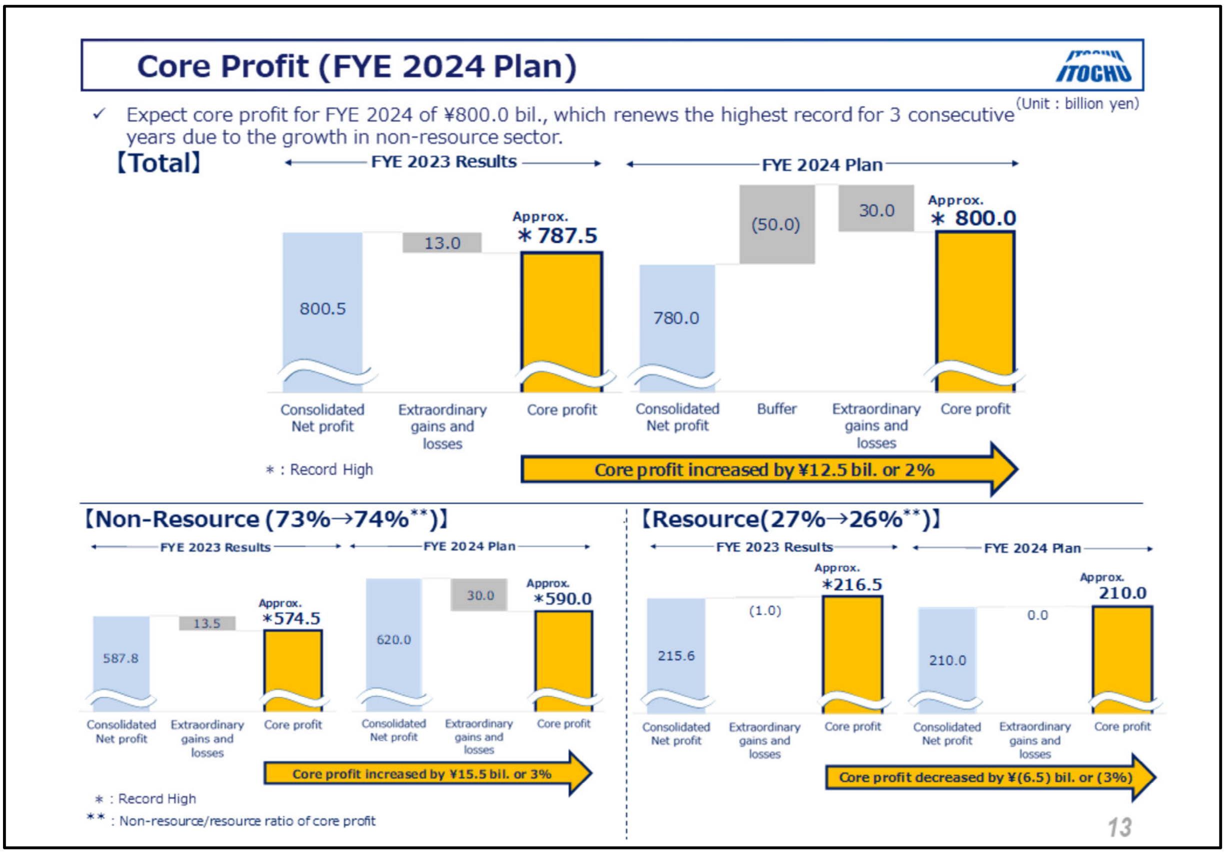
FYE 2024 plan for consolidated net profit aims to achieve ¥780.0 billion, down approximately ¥20.0 billion from ¥800.5 billion in FYE 2023, and factors in a loss buffer of ¥50.0 billion. The inclusion of this loss buffer does not mean that we anticipate specific future risk factors. However, as we operate in ever more uncertain circumstances than before, we have taken a conservative approach to solidify the likelihood of achieving our FYE 2024 consolidated net profit target of ¥780.0 billion irrespective of changes in the business environment and thereby live up to our commitment to stakeholders. That is why we have set the loss buffer.

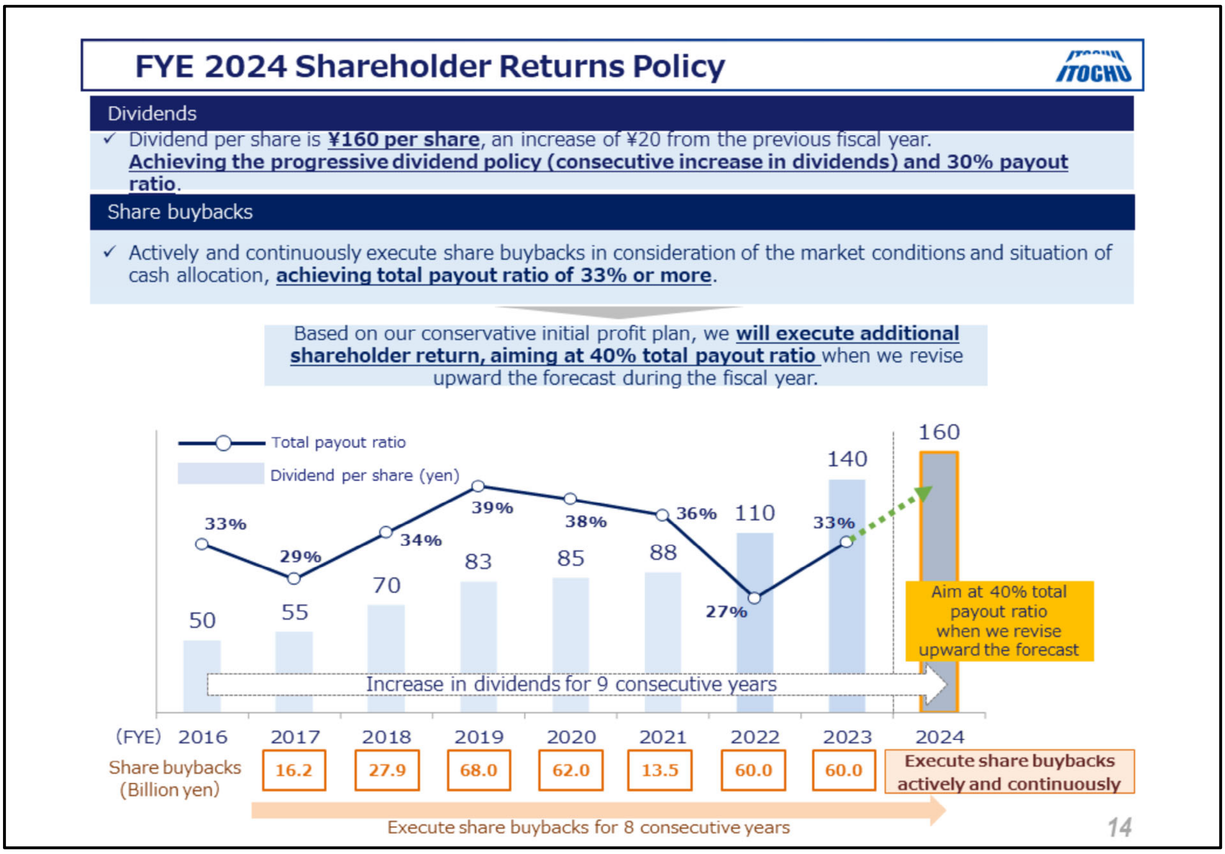
Looking at consolidated net profit plans on a company-by-company basis, the Food Company will place the utmost priority on securing recovery in the performance of Dole and HYLIFE and returning these two businesses to normal tracks since they recorded major losses in FYE 2023. We expect these companies to achieve improvement in light of the gradual disappearance of the negative external impact arising from higher costs for supplies, raw materials and transportation, as well as progress in the reconstruction of its business structure and resulting recovery following the recording of impairment losses in FYE 2023.

The ICT & Financial Business Company anticipates such positive developments as recovery in remeasurement gains(losses) for fund held investment in step with upturns in stock market conditions in North America and other regions, the expected robustness of CTC's SI business, which will benefit from the near-future resolution of issues associated with semiconductor shortages, and growth in profit earned by the HOKEN NO MADOGUCHI GROUP supported by recovery in customer traffic and strengthened sales strategies aimed at winning new customers.

The Textile Company is planning to expand profit from DESCENTE, DOME and other businesses in the sports field, as well as profit from Converse and others in the shoes field, based on expected recovery in the retail market backed by the regained strength of inbound tourism demand and other areas of personal consumption.
The 8th Company anticipates growth in profit from FamilyMart via the strengthening of product appeal and the thoroughgoing practice of lean management on the back of recovery in customer traffic. ITOCHU intends to extend robust support to these endeavors.
The Energy & Chemicals Company, on the other hand, expects profit to decline due to lower earnings from upstream interests in the face of declining oil prices and a recoil from extremely strong performance of energy trading and other operations in FYE 2023.
The Metals & Minerals Company similarly anticipates a decline in resource prices, a recoil from the favorable impact of the depreciation of the yen and the expected decrease in profit from Marubeni-Itochu Steel, whose performance was exceptionally strong in FYE 2023. This company also expects profit from operations associated with ferrous raw material in Canada, profit from the hard-coking coal business in North America and Australia and new investment. These efforts will expect to ease the decline in profit.
The General Products & Realty Company forecasts that profit will somewhat decline due to deterioration in pulp market conditions and the absence of extraordinary gains recorded in FYE 2023 for the North American construction materials business, both of which will offset the expansion of the European tire business and other positive factors.
The Machinery Company anticipates higher profit resulting from recovery in the performance of Tokyo Century Corporation, which recorded a massive amount of impairment losses for aircraft leasing in FYE 2023, the full-year inclusion of earnings from Hitachi Construction Machinery, whose results remain strong in North America, the robustness of North American IPP business, and other factors. However, we expect profit from the company’s automobile-related business, which performed favorably in FYE 2023, and some other operations to stay virtually unchanged year on year, taking a conservative stance toward the estimation of their performance.



As explained earlier, our FYE 2024 consolidated net profit plan of ¥780.0 billion factors in a loss buffer of ¥50.0 billion. If this buffer were to be left unutilized, consolidated net profit will grow to ¥830.0 billion. This amount, however, includes an extraordinary gain of ¥30.0 billion. Accordingly, we expect core profit for FYE 2024 to be ¥800.0 billion.



As for shareholder returns, we have paid an annual dividend of ¥160 per share, up ¥20 per share from ¥140 per share in FYE 2023. We have thus lived up to our commitment under the medium-term management plan with regard to incremental annual growth in dividends and a payout ratio of 30%. In addition, we will flexibly and constantly execute share buybacks based on regular assessments of cash allocation status, with the aim of achieving a total shareholder return ratio of at least 33%, on par with the ratio in FYE 2023.

In FYE 2023, Russia's invasion of Ukraine resulted in significant supply chain disruption, leading to resource panic. Also, policy interest rate hikes, undertaken by EU members and the United States to contain inflation, led to the first major depreciation of the yen in 32 years. As this was completely outside of our initial forecasts, ITOCHU had to focus intensely on handling the repercussions. Having embarked on FYE 2024, we can in no way state that the situation has improved. We believe that the possibility for the emergence of unforeseen risks is still in place. This makes it more difficult for us to formulate an outlook for the business environment than ever before.
Nevertheless, in FYE 2024, the final year of the medium-term management plan, we first aim to achieve our consolidated net profit plan of ¥780.0 billion and reach the ¥800.0 billion level for the third consecutive year. At the same time, we intend to steadily lay a foundation aimed at achieving even greater growth. We will demonstrate our discerning eye for investments, then assess and select good projects, as we continue conducting excellent investments that contribute to the Company's growth. In addition, amid an uncertain business environment, we will focus on the frontlines to rapidly identify signs of change as we double down on our "earn, cut, prevent" principles—especially "prevent"—to enable a rapid response to the incurrence of unnecessary losses using advanced measures. Moreover, from the perspective of sustainability, to maintain and expand corporate value over the future, we will continue working to enhance non-financial capital as well as financial capital.