The Brand-new Deal

FYE 2025 1st Half Business Results Summary

November 6, 2024

ITOCHU Corporation (8001)

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.

Hello everyone, I am President Ishii.
I will now provide an overview of the business results for the first half of FYE 2025.
Please look at the "FYE 2025 1st Half Business Results Summary" we released today, November 6th.

Summary of Financial Results for FYE 2025 1st Half

(Unit : billion yen)

	FYE 2024 Q1-2 Results	FYE 2025 Q1-2 Results	Increase/ Decrease	FYE 2025 Forecast	Progress
Net profit attributable to ITOCHU	412.9	438.4	＋ 25.5	880.0*	50%
Extraordinary gains and losses	29.5	42.5	＋ 13.0	60.0 Including a loss buffer : (40.0)	
Core profit (*1)	383.5	396.0	＋ 12.5	820.0*	48%
Ratio (%) of group companies reporting profits	84.1%	87.5%*	Increased 3.5pt		
Core operating cash flows	375.0	513.0*	＋ 138.0		

(*1) Core profit is shown in round figures.

Dividend information (per share)		
	Annual (Planned)	200 yen*
	Interim	100 yen*

* Record High

- **"Net profit attributable to ITOCHU" was ¥438.4 bil., increased by ¥25.5 bil. compared to the same period of the previous fiscal year. The progress toward the FYE 2025 forecast was 50%. Steady progress was made toward the achievement of the annual forecast, due to solid earning base in Non-Resource sectors, turnaround in certain businesses, and the increase in extraordinary gains resulting from asset replacements.**
- **"Core profit" was approximately ¥396.0 bil., increased by ¥12.5 bil. compared to the same period of the previous fiscal year, due to the stable performance of Textile, Chemicals, Food, Construction & Real Estate, ICT, and The 8th. The total core profit was the 2nd highest following FYE 2023, maintaining a high profit level.**
- **"Core operating cash flows" was ¥513.0 bil. It exceeded ¥500.0 bil. for the first time in all the half year results, and recorded all-time high.**

Please refer to page 3 of the material.

Here is a summary of the financial results for the first half of FYE 2025.
Consolidated net profit for the first half increased by 6% compared to the same period of the previous fiscal year, reaching ¥438.4 billion, an increase of ¥25.5 billion, achieving 50% of the annual forecast. As a trend in our company, our core profit tends to grow in the second half of the fiscal year, rather than being evenly distributed across the quarters, we believe the progress is steady. In addition to the solid profit base in non-resource sectors, the turnaround of the previously struggling pork business and the accumulation of extraordinary gains from asset replacement have also contributed to the steady progress towards achieving our annual forecast.
Our core profit reached ¥396.0 billion, maintaining the second-highest profit level after FYE 2023. By sector, Textile, Chemicals, Food, Construction & Real Estate, ICT, and The 8th showed strong performance, resulting in a ¥12.5 billion increase in core profit, a 3% increase compared to the same period of the previous fiscal year. In the particularly volatile second quarter, we effectively adapted to changes and were able to minimize the impact of the fluctuations. I believe we have successfully demonstrated our resilient profitability in response to environmental changes.
Furthermore, the performance of our group companies, which is one of our strengths, also showed favorable trends, with the ratio of group companies reporting profits reaching 87.5%, the highest for the first half.
The core operating cash flows exceeded ¥500.0 billion for the first time in all the half year results and, reached ¥513.0 billion, setting an all-time high.

Net profit attributable to ITOCHU by Segment

ITOCHU

(Unit : billion yen)

	FYE 2024 Q1-2 Results	FYE 2025 Q1-2 Results
Non-Resource	322.7	348.5
Resource	86.5	89.5
Others	3.7	0.4
Non-Resource (%) (*3)	79%	80%

	FYE 2024 Q1-2 Results	FYE 2025 Q1-2 Results	Inc/Dec (Incl. Extra. G&L. (*1))	Summary of Changes	FYE 2025 Forecast (*2)	Progress
Textile	11.5	12.7	+ 1.1	【+】Apparel-related companies especially in overseas sports sector [Stable sales]	73.0	17%
Machinery	60.6	63.3	+ 2.7 + 4.0	【+】Automobile-related companies [Stable sales] 【+】Australian infrastructure company [Extraordinary gain on the partial sale] 【+】IEI [Extraordinary gain on the sale of an Energy-from-Waste project company] 【−】Hitachi Construction Machinery [Lower earnings] 【−】North American electric-power-related business [Absence of favorable performance in the same period of the previous fiscal year]	130.0	49%
Metals & Minerals	102.7	100.4	(2.2) (0.5)	【+】Brazilian iron ore company [Increase in dividends received] 【+】Non-ferrous-related transactions/companies [Favorable sales] 【−】Marubeni-Itochu Steel [Deterioration in profitability in North American business] 【−】Coking-coal-related companies [Unfavorable performance of operation]	200.0	50%
Energy & Chemicals	53.8*	33.0	(20.8) (19.0)	【+】Chemical-related companies [Stable sales] 【−】Absence of extraordinary gains in the same period of the previous fiscal year 【−】CIECO Azer [Deterioration in profitability]	90.0	37%
Food	39.1	40.2	+ 1.1 + 0.5	【+】HYLIFE [Favorable sales and improvement in profitability] 【+】Food-distribution-related companies [Expansion of transactions resulting from the increase of consumer activity and higher sales prices] 【−】North American grain-related company [Absence of favorable performance in the same period of the previous fiscal year]	75.0	54%
General Products & Realty	34.0	31.2	(2.8) + 2.0	【+】DAIKEN [Conversion into a consolidated subsidiary in FYE 2024 Q3] 【−】North American facility-materials-related companies [Deterioration in profitability]	90.0	35%
ICT & Financial Business	37.8	37.8	(0.0) (4.5)	【+】ITOCHU Techno-Solutions [Favorable performance] 【−】Absence of extraordinary gains in the same period of the previous fiscal year 【−】Mobile-phone-related business [Lower earnings] 【−】Overseas retail-finance-related companies [Lower earnings]	82.0	46%
The 8th	24.4	54.2	+29.8 + 29.5	【+】FamilyMart 〔+〕Extraordinary gain on the group reorganization of Chinese business 〔+〕Increase in daily sales resulting from enhancement of product appeal and sales promotion 〔+〕Expansion of transactions in advertising and media companies 〔−〕Increase in various costs caused by changes in external environment and execution of digital measures to strengthen business foundations	65.0	83%
Others, Adjustments & Eliminations	48.9	65.6	+16.7 + 1.0	【+】CITIC Limited 〔+〕Extraordinary gain on the partial sale of a group company 〔+〕Depreciation of the yen 〔+〕Decrease in interest expenses 〔−〕Lower earnings in iron ore companies and steel-related companies 【+】C.P. Pokphand [Improvement in profitability resulting from recovery of pork prices and lower feed costs]	75.0	

* Record High

(*1) Extra. G&L. means "Extraordinary Gains and Losses".
(*2) The segment forecast disclosed on May 8, 2024 has been revised.
(Textile +40.0, Metals & Minerals (40.0), The 8th +30.0, Others, Adjustments & Eliminations (30.0))
(*3) % composition is calculated using the total of Non-Resource and Resource sectors as 100%.

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Next, please look at page 4.
Here are the business results by segments.

Firstly, for the first-half results, Textile, Machinery, Food, The 8th, and Others saw an increase in profit compared to the same period of the previous fiscal year.

Textile saw an increase in profit driven by the apparel business, resulting from continuation of inbound consumption and stable performance in the sports sector, an area of growth expectation.

Machinery saw an increase in profit due to strong sales in YANASE's new and used car sales, steady sales in overseas automobile business and aerospace-related companies, along with gains from the sale of an Australian infrastructure company and the U.K.'s Energy-from-Waste project company.

Food saw an increase in profit due to steady profit improvement from turnaround of HYLIFE, the pork farming business, and strong performance in NIPPON ACCESS and ITOCHU-SHOKUHIN due to increased consumer activity and expanded transactions.

The 8th saw a significant increase in profit due to continuation of strong performance of FamilyMart and extraordinary gain on the group reorganization of Chinese business.

Others saw an increase in profit, in CITIC Limited, despite the poor performance in iron ore and steel businesses in the subsidiaries, due to increased profit from the impact from the depreciation of the yen and reduced interest expenses, etc. Also C.P. Pokphand improved profitability due to the recovery of the pork market and reduced feed costs.

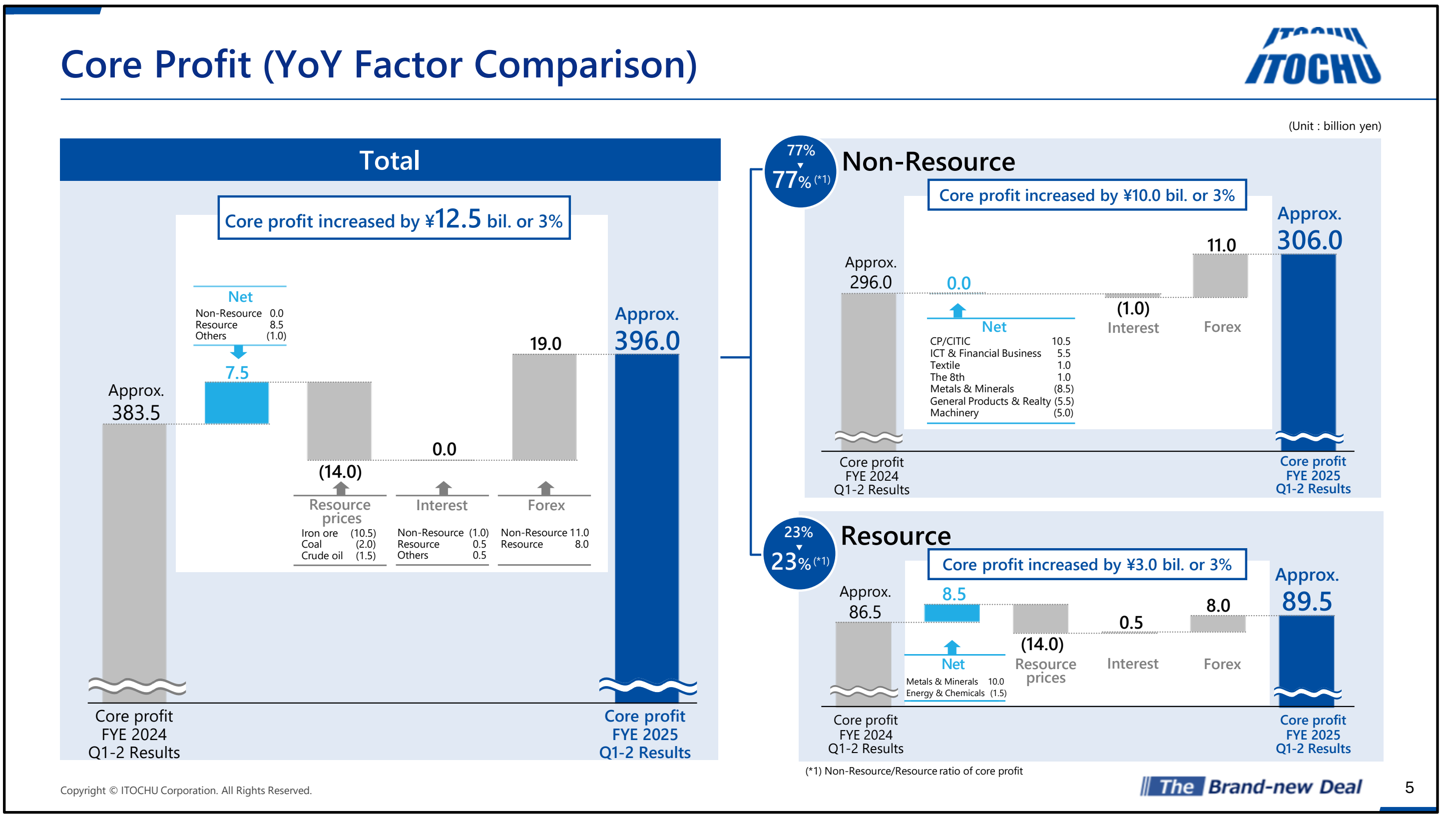
Metals & Minerals, Energy & Chemicals, and General Products & Realty saw a decrease in profit.
Metals & Minerals saw a decrease in profit despite increased dividends received from the Brazilian iron ore business, due to deteriorating profitability in Marubeni Itochu Steel's North American business and operational issues in coking coal companies.

Energy & Chemicals saw a significant decrease in profit despite steady performance in Chemicals, due to the absence of large extraordinary gain recorded in the previous fiscal year's Power & Environmental Solution.

General Products & Realty saw a decrease in profit despite improved profitability in domestic operations and increased profits from the consolidation of DAIKEN, and steady performance in the domestic real estate business, due to decrease in the North American construction-materials business affected by cost increases and market downturn.

ICT & Financial Business saw almost flat results compared to the same period of the previous fiscal year, despite the absence of extraordinary gains recorded in the previous fiscal year and reduced profit in the mobile phone business, due to strong performance of our core business of CTC supported by continued strong demand for digitalization.

Next, I would like to supplement the forecast for FYE 2025 mentioned on the right of the page. For Textile, we expect a ¥40.0 billion increase in profit to ¥73.0 billion due to extraordinary gain from the consolidation of DESCENTE in the second half. For Metals & Minerals, we have revised the forecast down by ¥40.0 billion to ¥200.0 billion due to the impact of falling iron ore prices and operational issues in coking coal companies. Additionally, due to the realization of extraordinary gain from the group reorganization of Chinese business in FamilyMart in the first half, which was included in the outlook for Others at the beginning of this fiscal year when the project was in progress, we have revised the forecast for The 8th upwards by ¥30.0 billion to ¥65.0 billion, and reduced the forecast for Others by the same amount. The overall annual forecast remains unchanged at ¥880.0 billion.



Next, please refer to page 5 on the core profit for the first half of FYE 2025.

The core profit, which represents the earnings power excluding extraordinary gains and losses, as mentioned, increased by ¥12.5 billion compared to the same period of the previous fiscal year to approximately ¥396.0 billion.
The core profit in non-resource sector increased by ¥10.0 billion to ¥306.0 billion, with the effect of forex being a positive ¥11.0 billion and the effect of interest rates being a negative ¥1.0 billion. Excluding these effects, the Net remained almost flat. Despite the slowdown in Marubeni Itochu Steel and the North American construction-materials business affected by the downturn in North American construction demand, the profit improvement from the turnaround of the pork business and strong performance of CTC supported the earnings.
The core profit in the resource sector increased by ¥3.0 billion to ¥89.5 billion, with the effect of resource prices being a negative ¥14.0 billion, the effect of forex being a positive ¥8.0 billion, and the effect of interest rates being a positive ¥0.5 billion. Excluding these effects, the Net was a positive ¥8.5 billion due to increased iron ore volumes and dividends received.
Overall, we secured an increase in core profit by covering the negative factors from the decline in resource prices and the economic impact on certain businesses, not only through the effect of the depreciation of the yen but also through the growth of existing businesses and steady progress in turnarounds, maintaining the second-highest profit level in all the time.

Cash Flows

(Unit : billion yen)

Cash Flows

	FYE 2024 Q1-2 Results	FYE 2025 Q1-2 Results
Cash flows from operating activities	469.2	578.6 *
Cash flows from investing activities	(90.7)	(162.5)
Free cash flows	*378.5*	*416.1*
Cash flows from financing activities	(398.0)	(412.0)

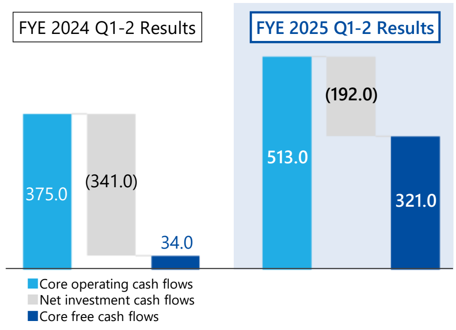
Core Free Cash Flows

	FYE 2024 Q1-2 Results	FYE 2025 Q1-2 Results
Core operating cash flows (*1)	375.0	513.0 *
Net investment cash flows (*2)	(341.0)	(192.0)
Core free cash flows	34.0	321.0

(*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.

* Record High

Core Free Cash Flows



Operating Cash Flows and Free Cash Flows

"Cash flows from operating activities" was a **net cash-inflow of ¥578.6 bil.** and recorded all-time high, due to the stable performance in operating revenues in The 8th, Machinery, and Food Companies, and dividends received from equity method investments in Metals & Minerals Company.
"Cash flows from investing activities" was a net cash-outflow of ¥162.5 bil., due to the investment in WECARS in General Products & Realty Company, the acquisition of equity method investments in Machinery Company, and the purchase of fixed assets in The 8th, General Products & Realty, and Food Companies. As a result, **"Free cash flows"** was a **net cash-inflow of ¥416.1 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 ¥513.0 bil.** It exceeded ¥500.0 bil. for the first time in all the half year results, and recorded all-time high.
"Core free cash flows" was a **net cash-inflow of ¥321.0 bil.**

The Brand-new Deal 7

Next, please skip to page 7 and refer to the cash flows.

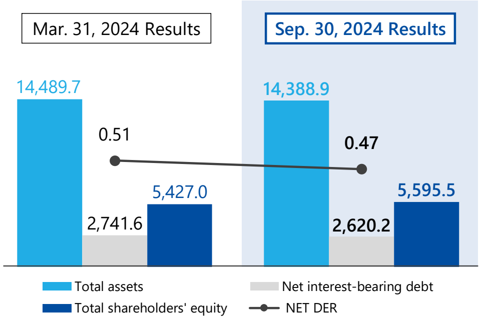
Operating cash flows reached ¥578.6 billion, setting the record high, due to stable performance from operating revenues in The 8th, Machinery, and Food, as well as dividends received from equity method investments in Metals & Minerals. Additionally, the core operating cash flows surpassed ¥500.0 billion for the first time on a half-year basis, reaching ¥513.0 billion, also setting a new all-time high.
The net investment cash flows resulted in a net cash-outflow of ¥192.0 billion due to investment in WECARS in General Products & Realty, the acquisition of equity method investments in Machinery, and the purchase of fixed assets in The 8th, General Products & Realty, and Food. The core free cash flows amounted to a surplus of ¥321.0 billion. Regarding investments, we have seen an accumulation of investment projects being reviewed in each segment in the second half, as well as additional investments in DESCENTE and C.I. TAKIRON, whose Tender Offers were successful.

Financial Position

(Unit : billion yen)

	Mar. 31, 2024 Results	Sep. 30, 2024 Results	Increase/ Decrease	FYE 2025 Plan
Total assets	14,489.7	14,388.9	(100.8)	Maintaining financial foundation based on balancing three factors (Growth investments, shareholder returns, and control of interest-bearing debt)
Net interest-bearing debt	2,741.6	2,620.2	(121.3)	
Total shareholders' equity	5,427.0	5,595.5	＋ 168.5	
Ratio of shareholders' equity to total assets	37.5%	38.9%*	Increased 1.4pt	
NET DER (times)	0.51	0.47*	Improved 0.04pt	Less than 0.6 times
ROE	15.6%	–	–	16%

* Record High (NET DER : Best Record)



Total Assets

Decreased by ¥100.8 bil., compared to March 31, 2024 to ¥14,388.9 bil., due to the decrease in trade receivables by the collection of receivables and the appreciation of the yen, partially offset by the increase in inventories resulting from the increase of trading transactions.

Net Interest-bearing Debt

Decreased by ¥121.3 bil., compared to March 31, 2024 to ¥2,620.2 bil., due to the stable performance in operating revenues and the appreciation of the yen, partially offset by dividend payments and share buybacks.

Total Shareholders' Equity

Increased by ¥168.5 bil., compared to March 31, 2024 to ¥5,595.5 bil., due to net profit attributable to ITOCHU during this fiscal year, partially offset by dividend payments, share buybacks, and the appreciation of the yen.

Ratio of Shareholders' Equity to Total Assets and NET DER

Ratio of shareholders' equity to total assets increased by 1.4 points compared to March 31, 2024 to 38.9%.
NET DER improved by 0.04 points compared to March 31, 2024 to 0.47 times.

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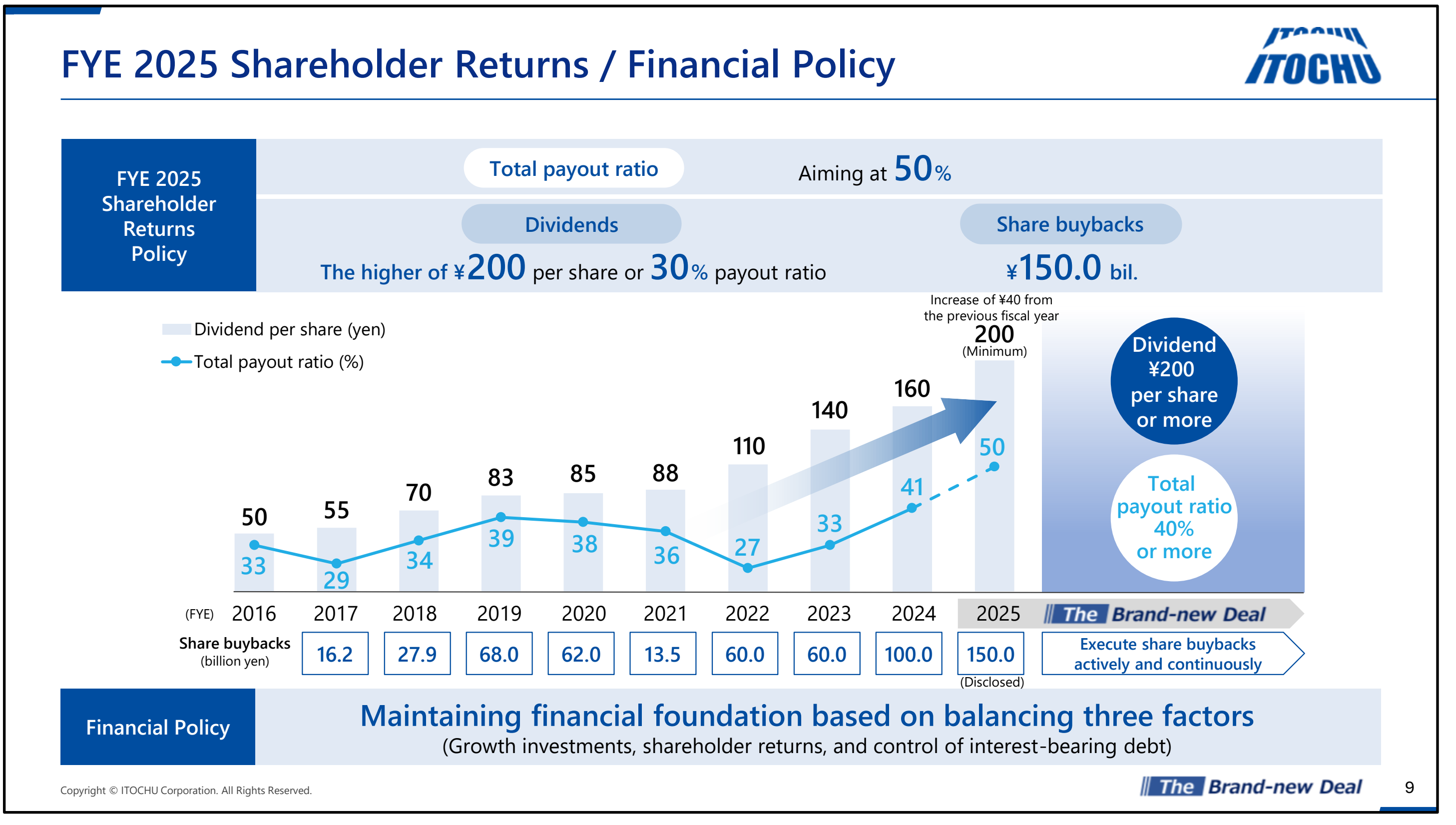
Next, please refer to page 8 for the financial position.

Total shareholders' equity increased by approximately ¥170.0 billion from the end of the previous fiscal year to ¥5.6 trillion, despite the impact of forex due to the appreciation of the yen and the execution of shareholder returns. NET DER improved slightly to 0.47 times. We will continue to maintain a financial foundation based on a balance between three factors (growth investments, shareholder returns, and control of interest-bearing debt). While steering towards growth investments, we will maintain a strong financial foundation.



Finally, please refer to page 9.

Regarding shareholder returns, we will continue to fulfill our commitment announced at the beginning of the fiscal year. For FYE 2025, we aim for a total payout ratio of 50%, with a dividend per share of ¥200, an increase of ¥40 from the previous fiscal year, marking the 10th consecutive year of dividend increases. Additionally, as already announced, we are carrying out the largest-ever share buybacks of ¥150.0 billion. As of the end of October, we have already completed the buybacks of approximately half, amounting to ¥71.5 billion.

This concludes my overview of the business results for the first half of FYE 2025.

FYE 2025 is the first fiscal year under our new Management Policy, The Brand-new Deal.
Keeping in mind the principles of "Profit opportunities are shifting downstream" and "No growth without investments" outlined in the Management Policy, we will push forward with "Grow earnings" as a united company and steadily fulfill our commitments.
In addition to achieving this fiscal year's forecast, we will also aim to strengthen our profit base through growth investments looking ahead to the next fiscal year and beyond and enhancement of existing businesses, to meet the expectations of all stakeholders and further "Enhancement in corporate value" in the second half.

That is all from me.
Thank you for your attention.