

Brand-new Deal

new Deal

Annual Report Briefing

ITOCHU Corporation

December 17 2021



ITOCHU Corporation

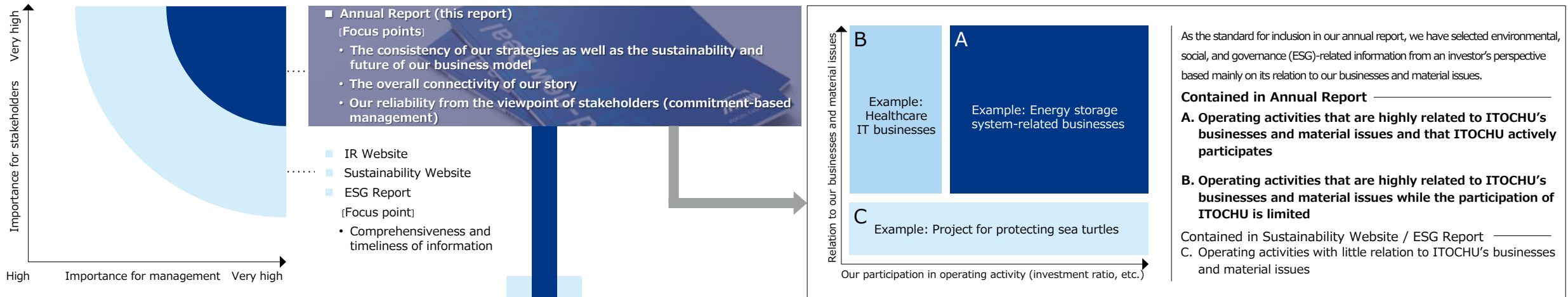


- ✓ Understanding the key points of ITOCHU's management through a detailed explanation of Annual Report 2021
- ✓ Promoting engagement through our responses to issues and promoting further awareness of issues
- ✓ Achieving further enhancement of corporate value through the actions above

Main Points (Editorial Policy)

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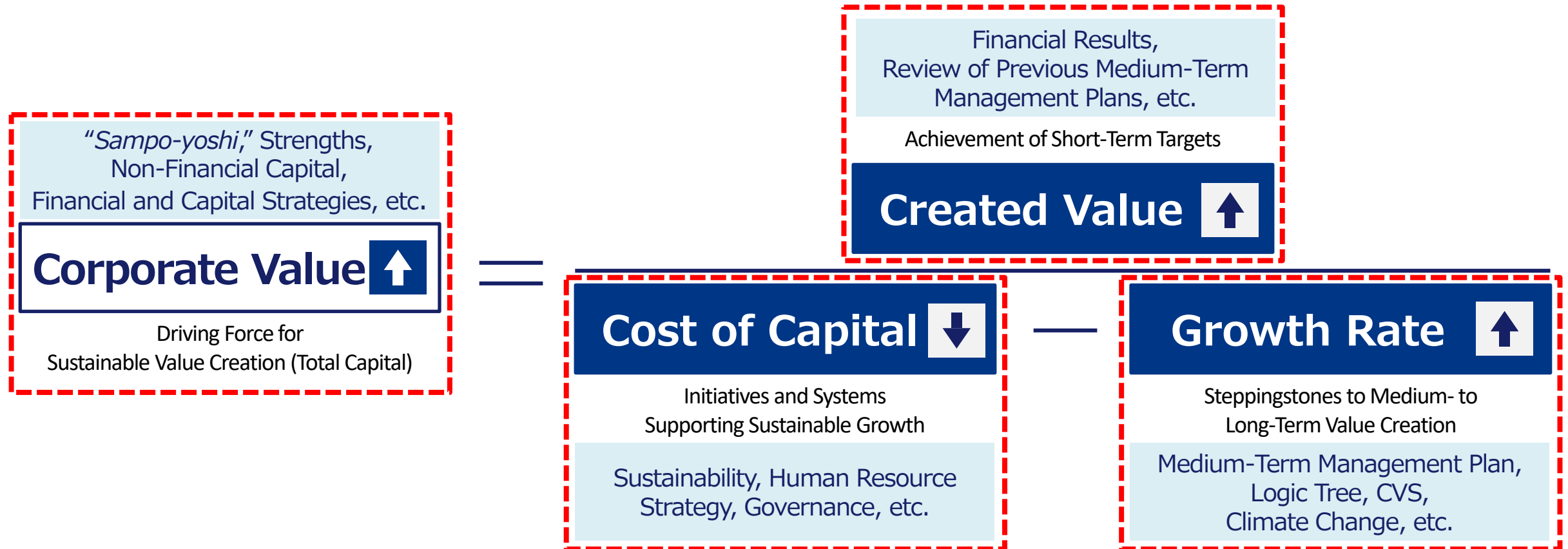
- ✓ Placed emphasis particularly on strategic focus and forward-looking mindset, connectivity, and consistency
- ✓ Explaining “**Brand-new Deal**” strategies which serve as a compass in enhancing corporate value
- ✓ Compiled an annual report as **an important tool for encouraging dialogue** with all stakeholders



Information Structure

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Given the business management stance that we pursue “all the priorities,” rather than choosing “a single expedient,” we have arranged information based on a corporate value calculation formula (a perspective of investment decision) by showing how all of our measures increase corporate value



Structure of Management Messages

Seeking the key points of ITOCHU's management as the CEO talks about his overall management policies and each officer provides broader and deeper explanations of their responsible areas

Ideal Merchant Vision



Belief, SDGs-related business, approach for promoting projects, etc.

Sustainability



Human resource strategies, response to COVID-19, corporate branding, etc.

Financial and Capital Strategies



Financial KPI, dialogue / information disclosure, cash allocation, etc.



Market-oriented perspective, "Sampo-yoshi," shareholder returns policy, etc.

- ✓ Strengthening our competitive advantage in the non-resource sector based on a market-oriented perspective
- ✓ Promoting a well-balanced management strategy based on “*Sampo-yoshi*”
- ✓ Taking initiatives by focusing the downstream
- ✓ Driving decarbonization based on a market-oriented perspective
- ✓ Maintaining our basic stance as a “merchant”
- ✓ Responding to the market expectations (shareholder returns)



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Beliefs as President & COO

- ✓ Placing high value on the “front lines” and “trust”
- ✓ Overcoming challenges by serving as a role model and unifying organizations

Key concepts based on energy storage system

- ✓ Forecasting → Market-oriented perspective
→ Execute systematically
- ✓ Addressing social demands that need to be resolved while increasing our earning power



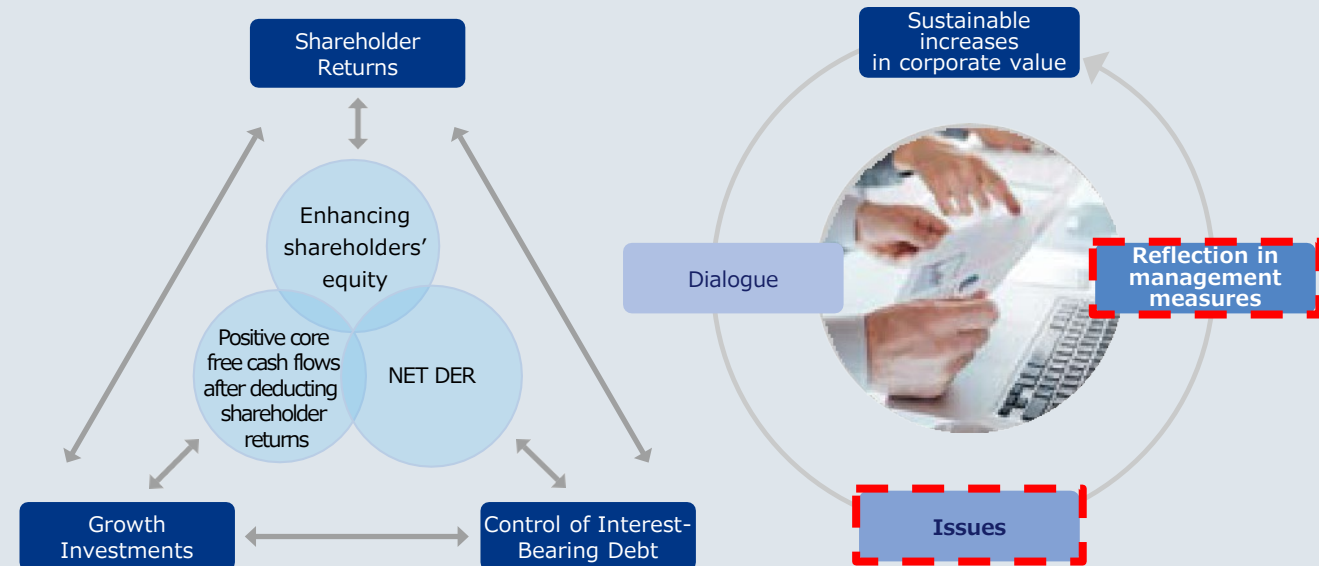
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Consistent financial and capital strategies

- ✓ Surplus funds that can be used for growth investments
- ✓ Consideration of revised shareholder returns policy based on dialogue

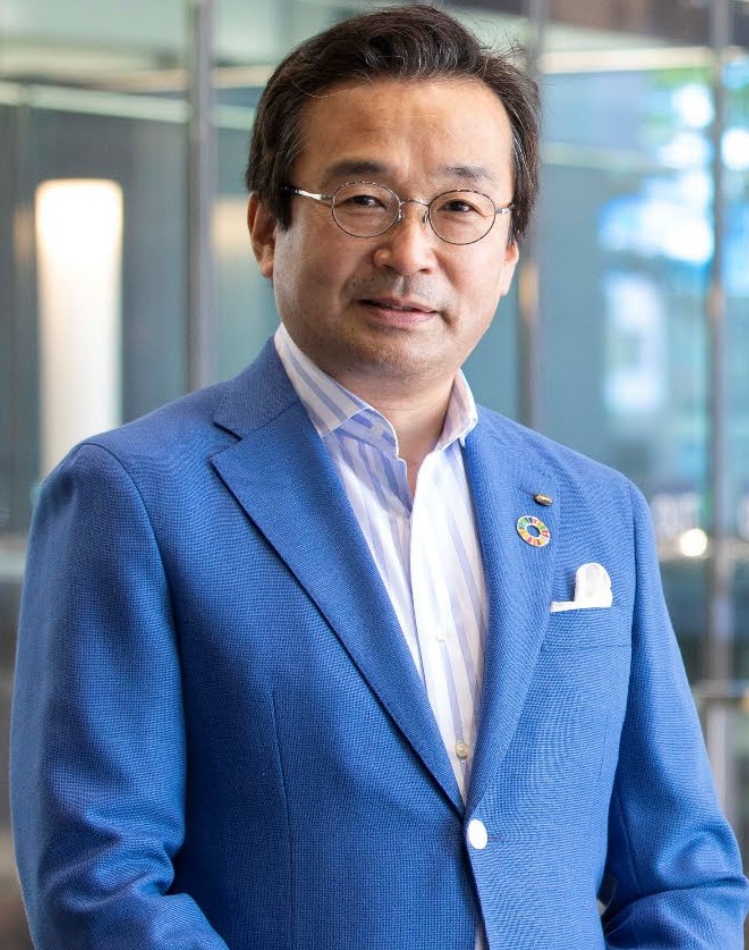
Achieve High ROE While Balancing Three Factors The Positive Cycle of Dialogue and Enhancing Corporate Value



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Measures that pursue the “true nature”

- ✓ Human resource strategies and cultivation of a motivating work-place environment
- ✓ Response to COVID-19
- ✓ Corporate branding activities, etc.



Response to Issues

Brand.

Committing to Announcing Revised Shareholder Returns Policy

We again studied market expectations gained through dialogues with investors and shareholders after announcing the medium-term management plan and announced the BND2023 New Dividend Policy with the second quarter financial results



Sampo-yoshi Capitalism

m, which states that com-
s, has been the dominant
older capitalism is becoming
that the scope should be
shareholders but also soci-
employees, and others.
ned in "Brand-new Deal
CHU, which outlines
e mission, heads in the
holders and shares the
tern.

a sustainable society, an
e companies themselves
has to be implemented by

As can be inferred from the fact that a large number of companies in FYE 2021 decreased or forewent dividends, under a dividend policy that only focuses on the dividend payout ratio, it is possible that if there is a temporary decrease in profit, the dividend amount may decrease and betray investor and shareholder expectations. Accordingly, under this especially unclear business environment at present, I considered it appropriate as a senior manager to continue stably and steadily raising progressive dividends as before. However, in response to the market expectations, we are considering the announcement of a dividend increase for FYE 2022 based on the first-half results and the higher dividend payout ratio during "Brand-new Deal 2023."

(⇒ Page 36 CFO Interview)

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Q What is your policy on cash allocation under "Brand-new Deal 2023"?

A Within the amount of surplus funds, we will continue considering how to best balance growth investments with shareholder returns, etc.

If yearly average core operating cash flows are ¥600.0 billion, surplus funds for each year under "Brand-new Deal 2023" will average ¥250.0–300.0 billion, which excludes capital expenditure of around ¥150.0–200.0 billion that is consistently incurred every year and shareholder returns of around ¥150.0 billion (assuming ¥100/share multiplied by around 1.5 billion eligible shares). These surplus funds could be used for additional shareholder returns or net investments after considering cash-in from the exits of existing investments. Going forward, within the amount of surplus funds, we will continue to balance allocation for conducting growth investments and expanding shareholders' equity as a risk buffer, as well as providing additional shareholder returns.

Regarding dividends per share (DPS), during the period of "Brand-new Deal 2023," we will continue our progressive dividend policy to steadily increase dividends as announced in FYE 2016. FYE 2022, the first year of the plan, will start with a minimum DPS of ¥94, which is ¥6 higher than the previous year's dividend of ¥88. Moreover, we have announced our intention to aim for ¥100 during the period of the plan. However, we plan to announce a revised shareholder returns policy, in light of the closer consideration of market expectations we received through follow-up dialogue with investors and shareholders after the announcement of the plan.

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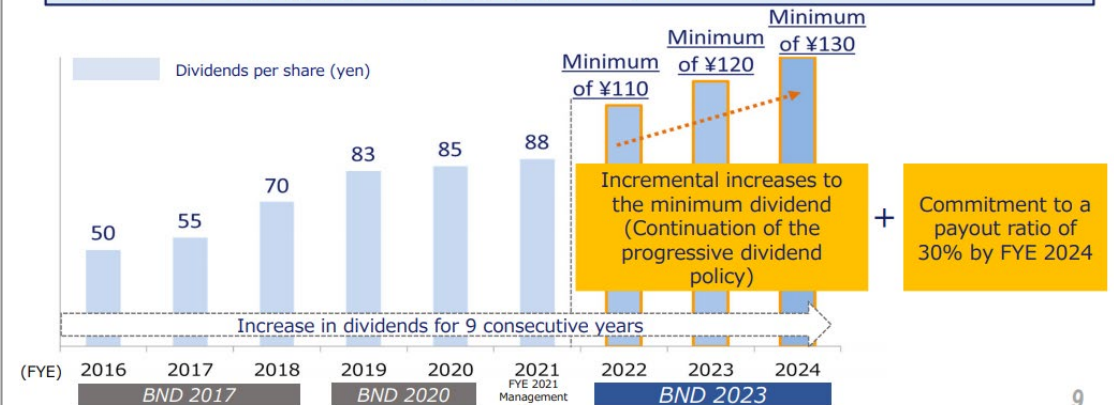
FYE 2022 Annual Forecast and Dividends/BND2023 New Dividend Policy

FYE 2022 Annual Forecast and Dividends

- ✓ In FYE 2022, we revised upward "Net profit attributable to ITOCHU" from ¥550.0 bil. to **¥750.0 bil.**
- ✓ Dividends per share increased by ¥22 from FYE 2021 to a **minimum of ¥110 per share** (increased by ¥16 from the previous forecast).

Brand-new Deal 2023 New Dividend Policy

- ✓ **Continuation of the progressive dividend policy** during BND 2023.
- ✓ Reintroduction of **incremental increases to the minimum dividend.** (¥120 per share in FYE 2023 → ¥130 per share in FYE 2024)
- ✓ **Commitment to a payout ratio of 30% by FYE 2024.**



FYE 2022 1st Half Business Results Summary p.9

- ✓ Presenting the concrete outcomes of collaboration with CITIC and CP Group, as well as of the delisting of FamilyMart

① Presenting specific measures for the FamilyMart Business

- ✓ Improving climate change-related initiatives and disclosures, including long-term CO2 reduction targets
- ✓ Formulating business investment process with more consideration paid to ESG factors

② Setting and announcing long-term GHG reduction targets

- ✓ Introducing examples about specific initiatives in human rights due diligence

③ Explaining case studies on sustainability management aligned with business activities

- ✓ Explaining the detailed discussions held by the Nomination Committee

④ Commenting on the President & COO selection process in dialogues with Outside Directors

- ✓ More substantive disclosures of the rationale for holding shares in listed Group companies

⑤ Providing detailed explanations on the significance of owning listed Group companies

① Presenting Specific Measures for the FamilyMart Business

Listing the specific content of Advertising & Finance Businesses and Making the Supply Chain More Efficient, which are measures for Market-Oriented Business Transformation that we undertake with the aim of presenting results from FamilyMart's privatization

Creating New Revenue Sources by Making Stores a Form of Media

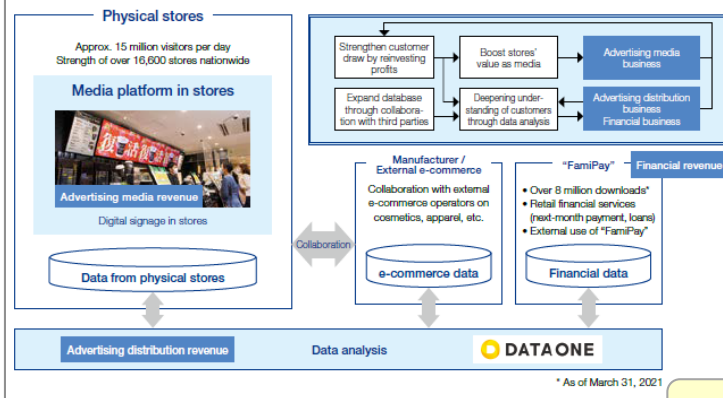
ITOCHU aims to create new added value that exceeds the existing boundaries of goods and services by integrating the real and digital worlds.

We aim to acquire revenue in the advertising media business through initiatives that make stores a form of media by installing signage (large display panels). We are currently verifying effectiveness with several manufacturers who joined this effort as advertisers. We continue promoting the expansion of the advertising media business going forward.

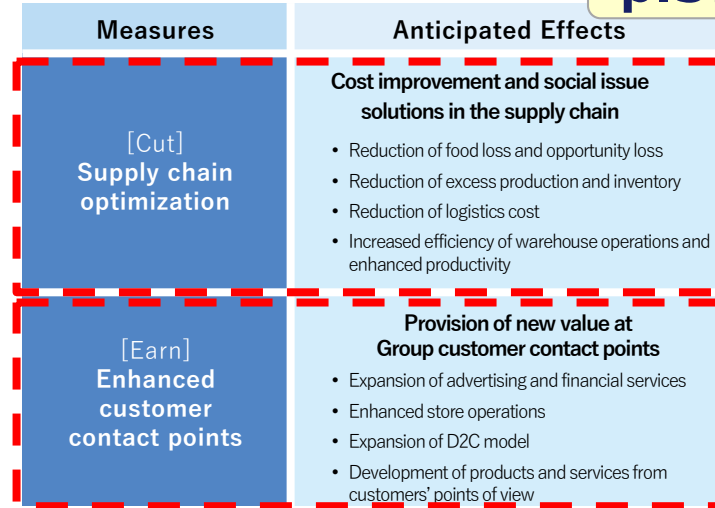
In the advertising distribution business, in October 2020 ITOCHU established Data One Corp. with FamilyMart, NTT DOCOMO, INC., and CyberAgent, Inc. and launched the digital advertising distribution business. Utilizing FamilyMart purchase data and membership data including "FamiPay" and "dPOINT CLUB," enables digital advertising distribution aligned with consumer preferences. We will continue working to realize more highly tailored marketing by gradually forming alliances with other retail operators, such as supermarkets, and enhancing the breadth and quality of purchase data.

In addition, to expand customer contact points, we are working to further increase the number of users of the FamiPay app. We aim to get more consumers to visit FamilyMart mainly by distributing campaign information and coupons. With the barcode payment function of FamiPay app, we started the "FamiPay Bill Payment" services for utilities and other bills and enabled external use at stores besides FamilyMart totaling over 100,000 locations nationwide. In summer 2021, we began such services as "FamiPay Next Month Payment" with the aim of expanding the financial business.

By expanding customer contact points mainly through the financial business and pursuing data-based external collaboration, we will increase the amount of data and utilize compiled customer data to maximize revenues in the advertising and financial businesses. Furthermore, by reinvesting this new revenue into existing businesses, we will create a positive feedback loop that further enhances the attractiveness of our stores and, in turn, enhances the value of our physical stores.



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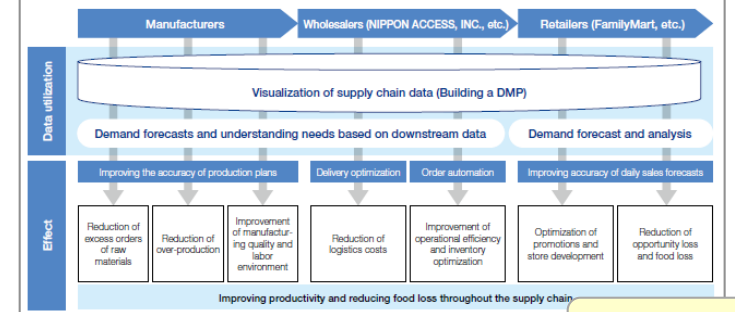
Optimizing the Supply Chain Using Downstream Data

ITOCHU is working to optimize the supply chain of the entire Group from a medium- to long-term perspective using downstream data.

At FamilyMart, we are working to enhance the accuracy of demand forecasts that leads to improvement in revenue for stores. We create a recommended order list based on best-selling products at stores that have a solid track record for selling rice balls, boxed lunches, packaged foods, and other products. We are distributing this list and verifying the effectiveness of increasing sales by reducing opportunity loss. Going forward, we will expand the number of stores and target categories, conduct further verification, and enhance the accuracy of demand forecasts in the near future to reduce food loss. In addition, we aim to reduce costs by optimizing the number of deliveries and course settings to stores from distribution centers based on demand forecast data.

NIPPON ACCESS, INC. is working to automate ordering to various food manufacturers. At some distribution bases, we conducted pilot tests of automating ordering through AI that utilizes FamilyMart ordering and sales data, NIPPON ACCESS, INC. ordering data, and weather and calendar data. As a result, we were able to confirm a 10% to 30% improvement in inventory reduction effects and a 50% reduction in ordering operations. We will put this into practical use starting from around 1,000 products for some retail customers, and then expand target products, customers, and distribution bases.

By visualizing and analyzing data, we strive to optimize the overall supply chain and aim to enhance productivity and reduce food loss. We will continue promoting development with an eye toward expanding the scope of initiatives by collaborating on data with partner manufacturers outside the Group.



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$$\text{Corporate Value} \uparrow = \text{Created Value} \uparrow - \text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow$$

② Setting and Announcing Long-term GHG Reduction Targets

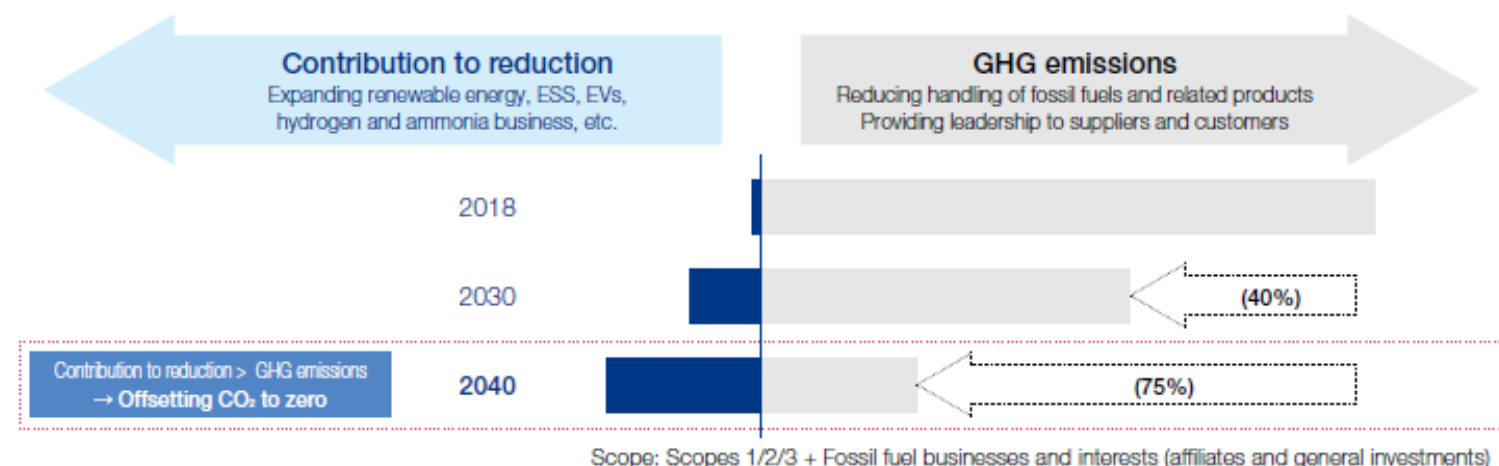
Setting and announcing a roadmap for complying with the Japanese government's 2050 carbon neutrality goals. Leading the industry on contributing to GHG emission reduction through our operations

GHG Emissions Reduction and Offset Targets

- Achieving net zero GHG emissions by 2050 to comply with the Japanese government's target. In addition, aiming to offset CO₂ to zero*¹ by 2040 by actively promoting businesses that contribute to the reduction of GHG emissions.
- Complying with the Japanese government's interim target*² by achieving a 40% reduction from 2018 levels by 2030.

*¹ Offsetting CO₂ to zero by subtracting "contribution to reduction" accompanying the expansion of renewable energy business, etc., from GHG emissions.

*² The Japanese government's target of a 46% reduction from the 2013 level by 2030 is a 39% reduction based on the year 2018.



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Method for Calculating our Reduction Contributions

Policy of contributing to society's GHG reductions by replacing products and services currently in use with ITOCHU's products and services

<Example>

Calculating GHG reduction contribution amount assuming ITOCHU's "①Renewable energy" replaces the world's "②Coal-fired power generation"

Reduction contribution (calculation example)

$$= \text{Equity equivalent of power generated} \times (\text{GHG emission intensity from ②} - \text{GHG emission intensity from ①})$$

$$\text{Corporate Value} \uparrow = \frac{\text{Created Value} \uparrow}{\text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow}$$

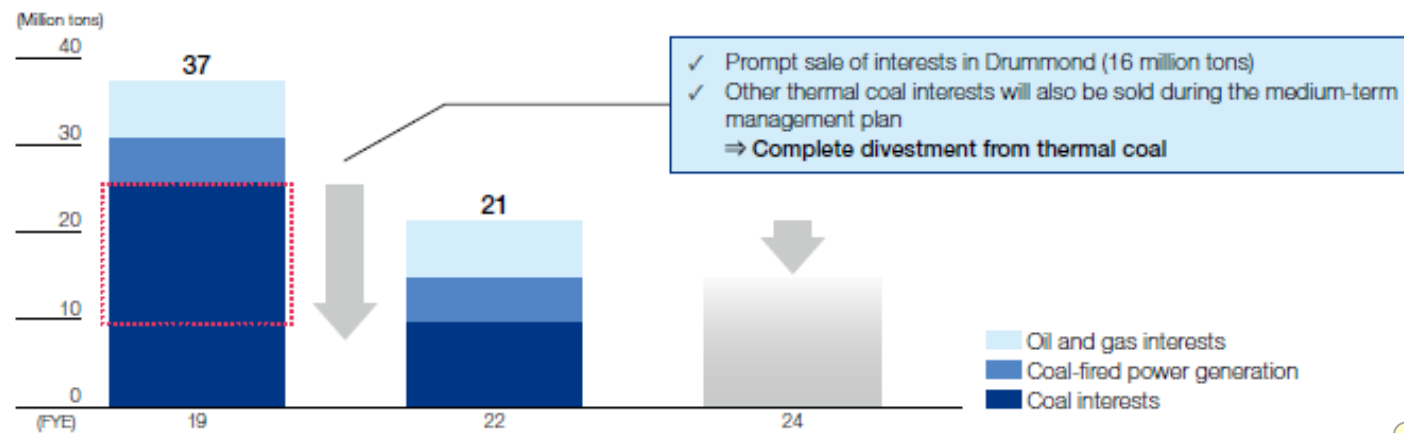
ITOCHU was the first general trading company to disclose the GHG emissions from all the fossil fuel businesses and interests connected to it. We are enhancing our disclosures and are swiftly and forcefully reducing GHG emissions

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 interests in the Drummond thermal coal mine, 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



Methods for calculating GHG emissions

In addition to Scopes 1 and 2, we disclose all emissions in the value chain, including Scope 3 in the categories detailed below

Category 1. Purchased goods and services

<Example> Calculation assuming resources of our interest stakes are purchased

Category 4. Upstream transportation and distribution

<Example> Calculation of our portion of emissions, including from transportation to ports

Category 11. Use of sold products

<Example> Calculation assuming resources of our interest stakes are sold to and then combusted by the buyer

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$$\text{Corporate Value} \uparrow = \frac{\text{Created Value} \uparrow}{\text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow}$$

③ Explaining Case Studies on Sustainability Management Aligned with Business Activities

We conduct sustainability management aligned with each of our business activities and enhance the transparency of our entire supply chain, which helps enhance the competitive advantage and corporate value of the Group



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Supply Chain Sustainability Surveys

- Started survey in FYE 2009
- Notify the Sustainability Action Guidelines for Supply Chains before conducting business
- Conducting supplier surveys and interviews for high-risk countries, certain monetary amounts, and certain product lines (FYE 2021 results: 310 companies)

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Human Rights Due Diligence

- Started in FYE 2021. Disclosed results of due diligence in the Food Company on our website
- Conducting due diligence in the Metals & Minerals Company in FYE 2022
- Expanding the scope of due diligence to other companies

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ESG Risk Assessment for New Business Investment Projects

- Assessing ESG risks of new business investments before making decision by using ESG checklist for investments which consists of check items regarding society and environment

$$\text{Corporate Value} \uparrow = \text{Created Value} \uparrow - \text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow$$

④ Commenting on the President & COO Selection Process in Dialogues with Outside Directors



Outside Director Roundtable Discussion

Further Enhancing ITOCHU's Corporate Value

These Outside Directors discuss ITOCHU's management aims to enhance sustainable corporate value.



A major issue going forward will be how to develop the next management team.

Atsuko Muraki
Outside Director

Ms. Muraki received appointment as a member of the Board of Directors at ITOCHU in June 2016, after working at the Ministry of Health, Labour and Welfare. She has been serving as Chairman of the Board of Directors since February 2019. Her areas of expertise are the environment and personnel management. She has also served as a member of the board of directors of various companies concerning energy, chemicals, and other industries.

—Please tell us about the general atmosphere of the Board of Directors.
Atsuko Muraki: ITOCHU achieved the "trip crown" for general trading companies in FY2021. Not only in FY2021, it has somewhat surpassed when the Company reached the No. 1 spot in consolidated profit among general trading companies. This time, however, the management team has accepted the accomplishment of the "trip crown" with confidence and self-satisfaction, and I really feel that ITOCHU has become a company that can continuously achieve the "trip crown".

However, I think that the "trip crown" we focused on discussed in FY2021, which has already started, and beyond. Certainly, there was an awareness that we cannot let this be a one-off accomplishment. Of the "win, out, grow" principles, the "win" and "grow" aspects in particular have been repeatedly emphasized. Management understands that this is the Company's position, the main objective we need to achieve.

Ms. Nakamori: What impresses me is grasping the Company's strategy well in various, organic, and practice culture and tradition. You can see this in the way to enhance "win, out, grow" and the newest corporate mission of "strong growth". A major strength for ITOCHU lies in that all associates and employees comprehend and embody the management team's management philosophy. Discussion of board members' opinions through, during the detailed analysis of each factor and their conditions. Keeping an awareness of the need to constantly monitor risks. My impression is that our stakeholders always assure the world class, leading position to the same level as before.

—What kind of discussions took place in formulating the new medium-term management plan?
Atsuko Muraki: Last year, for example, discussions related to the SDG were still somewhat abstract. These became much clearer when we pursued business activities at the current medium-term management plan "strong growth Day 2023". Results of the discussions are incorporated into specific, quantitative goals and objectives related to the specific, quantitative goals and objectives related to the SDG mission and activities as well as the company-wide approach to enhance trust and making other efforts in pursuit of a win-win business philosophy.

—Please tell us about the process used to select Keita Ishii as President & COO.
Atsuko Muraki: When selecting Keita Ishii as President & COO, the Nomination Committee held numerous discussions about what kind of business leader ITOCHU would need going forward. All the Outside Directors participated down the line by holding hearings for the candidates regarding their careers to date, their mindsets, and how they want to change the Company moving forward.

Through the discussion of the Nomination Committee, we reached a unanimous decision on the selection. Personally, I believe Mr. Ishii is an appropriate President & COO for ITOCHU, as he has big dreams and sets ambitious goals while taking a very realistic approach to achieve them and making strident efforts in pursuit of a frontline-first philosophy.

Keita Ishii: Through hearings by Outside Directors, we came to understand that President & COO Ishii has worked hard for customers and consistently displayed a merchant attitude for many years by selling products while building trust. We all arrived at this understanding. Personally, I believe Mr. Ishii is an appropriate President & COO for ITOCHU, as he has big dreams and sets ambitious goals while taking a very realistic approach to achieve them and making other efforts in pursuit of a win-win business philosophy.

—Are there any issues on the human resources strategy and organization?
Atsuko Muraki: The business environment is undergoing significant changes, making it more important to break down vertical organizations that are divided by products and business fields, promote cross-functional, cross-departmental, and cross-business collaboration, and promote young employees. The first step is to identify whether a company has a talent or not in whether young workers and female workers fit the company. I have been saying this since last year, but it is important to break down vertical organizations that are divided by products and business fields, promote cross-functional, cross-departmental, and cross-business collaboration, and promote young employees. The first step is to identify whether a company has a talent or not in whether young workers and female workers fit the company. I have been saying this since last year, but it is important to break down vertical organizations that are divided by products and business fields, promote cross-functional, cross-departmental, and cross-business collaboration, and promote young employees.

—How would you evaluate ITOCHU's COVID-19 responses?
Atsuko Muraki: ITOCHU had a pre-pandemic Business Continuity Plan for an outbreak of a new infectious case, based on the plan, our business COVID-19 was spreading in Japan, we practiced the impact of the pandemic without much Japan, and, under the guidance of the CACI, made preparations. Consistently being toward being measures fully in ITOCHU's character and supported by the early implementation of the business recovery program. Furthermore, the implementation of work from home system was very flexible. Instead of simply waiting the pandemic of employee working from home in a one-way manner, we have been preparing for ITOCHU, which has many businesses in the consumer-related sector, to be able to adjust the percentage of workers coming into the office for each week and day. Such organizational responses to rapidly changing situations is also characteristic of ITOCHU's corporate culture.

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Masatoshi Kawana
Outside Director

Mr. Kawana served as the President of Tokyo Marine Insurance Company, Ltd. for 10 years, where he gained a wealth of experience in the insurance industry. He has a wealth of knowledge of medical care. He served as a director of the Board of Directors of ITOCHU in June 2019. He has been contributing to the further development of ITOCHU as a member of the Board of Directors and Nomination Committee since FY2020. He has also served as a member of the board of directors of various companies concerning energy, chemicals, and other industries.

—Please tell us about the process used to select Keita Ishii as President & COO.
Masatoshi Kawana: When selecting Keita Ishii as President & COO, the Nomination Committee held numerous discussions about what kind of business leader ITOCHU would need going forward. All the Outside Directors participated down the line by holding hearings for the candidates regarding their careers to date, their mindsets, and how they want to change the Company moving forward.

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—Please tell us about the process used to select Keita Ishii as President & COO.

Muraki: When selecting Keita Ishii as President & COO, the Nomination Committee held numerous discussions about what kind of business leader ITOCHU would need going forward. All the Outside Directors narrowed down the choices by holding hearings for the candidates regarding their careers to date, their mindsets, and how they want to change the Company moving forward. Through the final discussion at the Nomination Committee, we reached a unanimous decision on the selection. Personally, I believe Mr. Ishii is an appropriate President & COO for ITOCHU, as he has big dreams and sets ambitious goals while taking a very realistic approach to achieve them and making strident efforts in pursuit of a frontline-first philosophy.

Kawana: Through hearings by Outside Directors, we came to understand that President & COO Ishii has worked hard for customers and consistently displayed a merchant attitude for many years by selling products while building trust. We all arrived at this understanding. Personally, I believe Mr. Ishii is an appropriate President & COO for ITOCHU, as he has big dreams and sets ambitious goals while taking a very realistic approach to achieve them and making strident efforts in pursuit of a win-win business philosophy.

Nakamori: He has an excellent balance between a frontline perspective and a Companywide perspective. He is kind to people, bright, and energetic. He not only easily endears himself to customers, he has the ability to motivate people and organizations. We did not tell the candidates that the hearings were for the selection of the President & COO, and we maintained a very open atmosphere. We were able to ask about what we wanted to know, and the hearings were very fruitful. Also, the hearings helped us get to know the character of the people who will lead ITOCHU in the future, something that would be difficult to grasp in the limited time at meetings of the Board of Directors. This was also a useful opportunity for us to provide advice from an outside perspective.

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Masatoshi Kawana: When selecting Keita Ishii as President & COO, the Nomination Committee held numerous discussions about what kind of business leader ITOCHU would need going forward. All the Outside Directors participated down the line by holding hearings for the candidates regarding their careers to date, their mindsets, and how they want to change the Company moving forward.

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Regarding the selection of President & COO, commenting on the discussion content of the Nomination Committee, hearings and other selection processes, and reasons for selection

It is possible to confirm the individual assessments mentioned in the CEO Message and their alignment with the common awareness of the Outside Directors



⑤ Providing Detailed Explanations on the Significance of Owning Listed Group Companies



ITOCHU's Policy on the Governance of Its Listed Subsidiaries

Generating Synergies While Ensuring Autonomy

Significance of holdings of listed subsidiaries includes the increases in transactions based on the reputation, credibility and an independent standpoint away from ITOCHU, as well as the expansion of synergies within the Group, including with ITOCHU.

In October 2019, ITOCHU announced the following policies regarding listed subsidiaries in light of the growing interest of shareholders and institutional investors in parent-subsidary listings, based on the idea that ITOCHU appropriately protecting the interests of general shareholders in listed subsidiaries would ultimately increase the corporate value of the listed subsidiaries.

- In case that there is a listed subsidiary in the ITOCHU Group, ITOCHU respects the autonomy of the listed subsidiary and prohibits any acts that contradict the principle of shareholder equality.
- In particular, with the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of the listed subsidiary and in order to secure the independent decision-making of the listed subsidiary, we request the listed subsidiary to set up the governance structure under which the independent outside directors of the listed subsidiary are well functioned.
- With respect to the listed subsidiary, ITOCHU will perform its accountability as to the rationale to maintain the listed parent-subsidary relationship as well as the effectiveness of the governance structure of the listed subsidiary.

State of Governance Systems at Listed Subsidiaries

ITOCHU requires that its listed subsidiaries (1) have independent outside directors for at least one-third of its directors, (2) establish independent advisory committees for their board of directors, and (3) have independent outside members for a majority on their audit & supervisory boards. At the listed subsidiaries shown below, governance systems have been put into place that mostly satisfy these requirements.

(As of July 1, 2020)

Division Company	Company name	(1) Ratio of independent outside directors		(2) Ratio of independent outside audit & supervisory board members	(3) Ratio of independent outside directors
		Directors	Outside directors		
Energy & Chemicals	ITOCHU ENEX CO., LTD.	5	3	38% (3 out of 8 directors)	50% (2 out of 4 members)
	C.I. TAKIFRON Corporation	5	3	38% (3 out of 8 directors)	50% (2 out of 4 members)
Food	ITOCHU-SHOKUJIN Co., Ltd.	6	3	33% (3 out of 9 directors)	50% (2 out of 4 members)
	Prime Meat Packers, Ltd.	3	2	40% (2 out of 5 directors)	33% (1 out of 3 members)
ICT & Financial Business	ITOCHU Techno-Solutions Corporation	4	2	33% (2 out of 6 directors)	50% (2 out of 4 members)
	CONEXIO Corporation	5	3	38% (3 out of 8 directors)	50% (2 out of 4 members)
The 8th	FamilyMart Co., Ltd.*	8	4	33% (4 out of 12 directors)	50% (2 out of 4 members)

* The ITOCHU Group announced on

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Policy on the Governance of Listed Subsidiaries

ITOCHU respects the autonomy of listed subsidiaries and prohibits any acts that contradict the principle of shareholder equality, in accordance with ITOCHU's Policy on the Governance of Its Listed Subsidiaries, which was announced in October 2019. Each subsidiary and ITOCHU are in a mutually beneficial relationship to enhance corporate value as business partners. With the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of these listed subsidiaries and in order to secure the independent decision-making of these subsidiaries, we request that they set up the effective governance structure under which the independent outside directors of these listed subsidiaries are well functioned. For each of the listed subsidiaries, they have established and maintained an effective governance system at the time of the ordinary general meeting of shareholders in 2021, including the improved ratio of outside directors and the establishment of an independent advisory committee to the board of directors. ITOCHU will continue to encourage listed subsidiaries to further improve their governance structure, taking into account the amendments to the Corporate Governance Code.

The significance of holding each listed subsidiary from perspectives including the Group's management strategy is as follows:

(As of July 1, 2021)

Company name	Significance of holding	Ratio of independent outside directors	Advisory committees for the board of directors	Ratio of independent outside audit & supervisory board members
ITOCHU ENEX CO., LTD.	Utilizing its wide and diverse domestic customer base, ITOCHU ENEX CO., LTD. is developing new fuel sales, services to enhance logistics efficiency, and next-generation businesses, etc. In addition to adding energy business and power business, it is an important and indispensable presence for the Group in order to build a stable profit based both in Japan and overseas. In addition, ITOCHU ENEX CO., LTD., with utilizing the ITOCHU Group's extensive domestic and international network, promotes initiatives in the new energy field which contributes to achieve the SDGs, and carries out the fuel supply businesses for our Group companies.	38% (3 out of 8 directors)	• Governance Committee	50% (2 out of 4 members)
C.I. TAKIFRON	C.I. TAKIFRON Corporation is positioned as a core enterprise in the Group's plastic resin business, due to its advanced technological capabilities and large-scale production capacity. C.I. TAKIFRON Corporation utilizes the ITOCHU Group's extensive domestic and international network for overseas expansion of C.I. TAKIFRON Corporation's functional film business, stable procurement of competitive raw materials, and expansion of sales of C.I. TAKIFRON Corporation's various products.	50% (3 out of 6 directors)	• Nomination / Remuneration Committee • Governance Committee*	50% (2 out of 4 members)
ISC	The principal and main business of ITOCHU-SHOKUJIN Co., Ltd. is the sale and distribution of alcoholic beverages and processed foods. Based on its presence, ITOCHU secures stable contact points with various domestic retailers, and maximizes profit in the food distribution field by utilizing this sales channel. In addition, by utilizing the Group's diverse customer base and knowledge in implementing the growth strategy of ITOCHU-SHOKUJIN Co., Ltd., such as "Contribution to customers through creating sales floors which utilize DX," etc., ITOCHU is contributing to the expansion and evolution of the services provided by ITOCHU-SHOKUJIN Co., Ltd.	33% (3 out of 9 directors)	• Governance Committee	50% (2 out of 4 members)
PRIME MEAT PACKERS LTD.	The principal and main business of Prime Meat Packers, Ltd. is to sell meat and processed livestock products, and it assumes an important role of supplying final products in ITOCHU's livestock value chain. Prime Meat Packers, Ltd. utilizes the Group's extensive domestic and international network to ensure a stable supply of high-quality imported raw materials for its core products and to jointly develop pork brands with overseas partners in the Group.	40% (2 out of 5 directors)	• Management Advisory Committee	50% (2 out of 4 members)
CTC	ITOCHU Techno-Solutions Corporation serves a function as a sales channel for products and services using cutting-edge technology held by the ITOCHU Group's investees and business partners, and utilizes the Group's extensive network. In addition, ITOCHU Techno-Solutions Corporation is expanding its business through cooperation with ITOCHU, such as joint investments in promising new business areas and joint proposals.	33% (2 out of 6 directors)	• Nomination Committee • Remuneration Committee • Governance Committee	50% (2 out of 4 members)
CONEXIO	CONEXIO Corporation is expanding its business by utilizing the Group's extensive domestic and international network. It is expanding its mobile accessory sales business to overseas, as well as promoting more effective use of management resources, such as store assets and know-how in selling products and services to individual customers, in cooperation with companies in other industries in the Group.	38% (3 out of 8 directors)	• Nomination / Remuneration Committee • Governance Committee	50% (2 out of 4 members)

* Established on August 1, 2021

In addition to the outline of the status of the construction of the governance framework in the previous fiscal year, we enhanced our disclosures with the awareness of the substantive effect of disclosures

In addition to the significance of ownership by ITOCHU, we list the specific content regarding the merits to subsidiaries (scheduled to be updated going forward in line with the situation)

$$\text{Corporate Value} \uparrow = \text{Created Value} \uparrow - \text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow$$

—Are there any issues in the human resource strategies and organizations?

Muraki: The business environment is undergoing significant changes, making it even more imperative to break down vertical organization that is divided by products and business fields, introduce new technologies, and promote young employees. The litmus test for deciding whether a company has a future or not is whether young workers and female workers thrive at the company. I have been saying this since I took on this role, but empowering female workers is especially important. I can understand the idea that people should be promoted based on their abilities regardless of gender, and systems are being upgraded under the leadership of the Human Resources & General Affairs Division, but because there are so few role models, the atmosphere makes it difficult for female workers to raise their hands. In actuality, there are unconscious barriers for male workers too. Because positions develop people, I think it is necessary to intentionally promote female employees with a certain amount of experience so female employees can also fully take on the responsibilities given to them.

Nakamori: I think the key point is how to increase support among male employees, including managers.

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ing maintained.
attains a high level
sector, builds up
entire Company

any might appear
ary with a

homogeneous organizational structure. In terms of mind-sets for business, however, the Company certainly has the kind of diversity that makes organizations resilient to change. It is said that some of the exceptionally skilled employees will go on to become a major force in the world, but the current annual focus on hiring new graduates all at once makes it difficult to acquire those kinds of employees. Currently, the policy is to develop human resources internally, but the Company will also need to bring in excellent human resources with innovative ideas, which will become more important moving forward.

Nakamori: Building systems to hire excellent human resources from outside could conversely disadvantage existing employees, so implementation is not simple. The 8th Company was established to test these kinds of new initiatives, and I am looking forward to their endeavors in various fields.

Muraki: In addition to the Chairman & CEO, the management appointments of CAO and CFO are getting longer. A major issue going forward will be how to develop the next management team to ensure future generations inherit excellent management of the same high caliber.

Establishment of Women's Advancement Committee

September 3, 2021

ITOCHU Corporation (headquartered in Minato-ku, Tokyo; Keita Ishii, President & COO; hereinafter "ITOCHU") announced that a meeting of the Board of Directors has decided today to establish a Women's Advancement Committee, as one of the advisory committees to the Board of Directors.

1. Aim of the establishment of Women's Advancement Committee, and committee members

Demands for a diverse workforce are increasing in society, and the need for such a workforce is also mentioned in the revised Corporate Governance Code. In particular, providing support to drive women's advancement in the workplace is an urgent challenge. ITOCHU believes that the development of a corporate culture that nurtures a diverse workforce not only increases its value but also contributes to the Sustainable Development Goal 5: Gender equality.

The committee comprises six members: a chairperson who is an outside director, another outside director, one outside Audit & Supervisory Board Member, one director, one Full-time Audit & Supervisory Board Member, and its first female Executive Officer/General Manager, Human Resources & General Affairs Division, who has worked for ITOCHU throughout her career. Three of them are female. Atsuko Muraki, outside director was appointed as a chairperson to provide the committee with a new perspective based on her previous experiences and knowledge. ITOCHU hopes that she will lead the committee to lively discussions.

Members of Women's Advancement Committee (as of October 1, 2021)

■ Chairperson

-Outside Director ; Atsuko Muraki

■ Committee members

-Outside Director ; Makiko Nakamori

-Outside Audit & Supervisory Board Member ; Masumi Kikuchi

-Director(CAO) ; Fumihiko Kobayashi

-Full-time Audit & Supervisory Board Member ; Shuzaburo Tsuchihashi

-Executive Officer/General Manager, Human Resources & General Affairs Division ; Yoshiko Matoba

2. Past initiatives and future direction

ITOCHU has always believed that the diversification of its organization is essential for its sustainable development. In 2003, it drew up the Promotion Plan on Human Resources Diversification ahead of others in the industry with a view to expanding its system to make its workforce more diverse. Its main focus was women's participation and retention. To adopt the work style reform bill designed to improve labor productivity by securing health and maintaining a strong motivation among all employees, ITOCHU has instituted initiatives in 2010 and onward, including the reform of the morning-focused working system and measures to support employees with cancer. As a result, it has successfully developed female-friendly work environment.

Meanwhile, ITOCHU is reaching a new crucial phase as female generalists who joined the company in the 2000s, when new graduate recruitment was stepped up, are entering a stage where they can become potential candidates for managerial positions. The aim of the establishment of the committee is to review its past initiatives and current issues from a new perspective and discuss realistic measures and their implementation to further drive women's participation and advancement in the workplace.

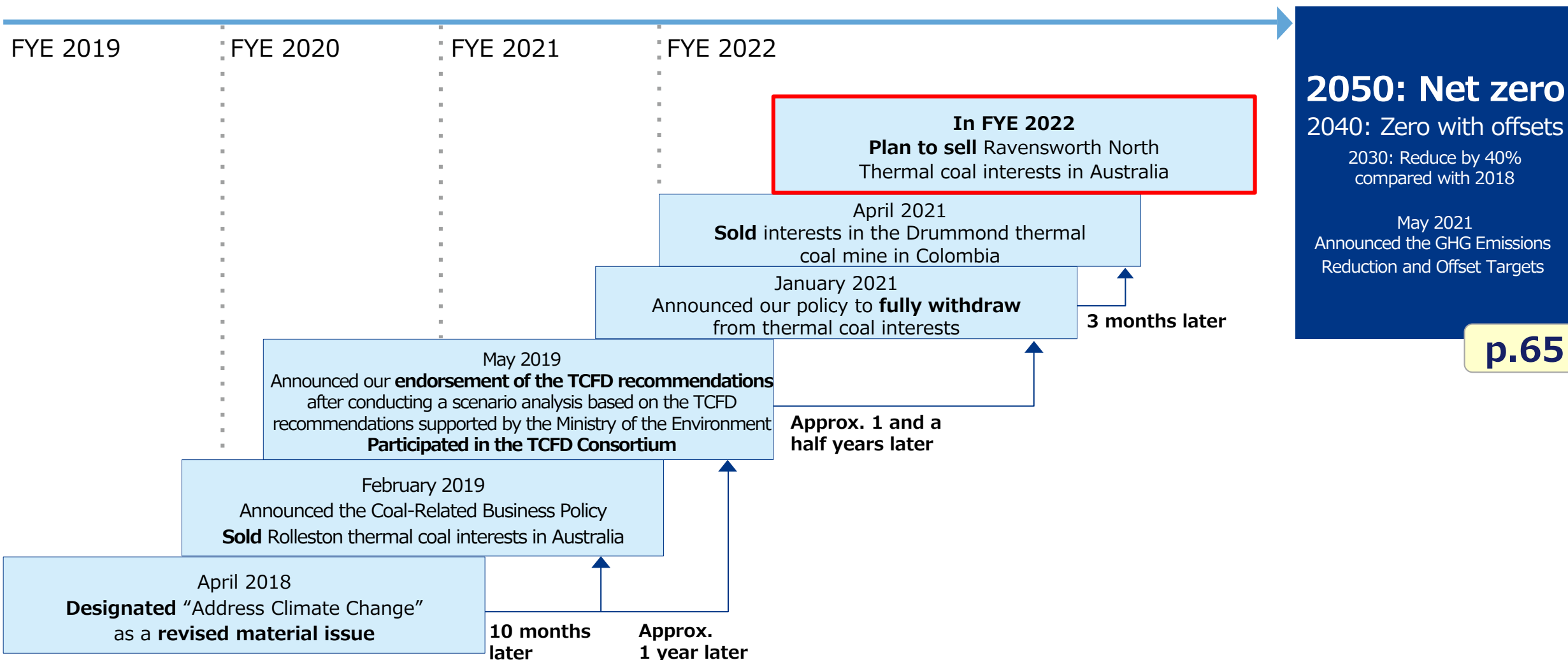
By establishing this committee, ITOCHU hopes to develop a corporate culture that creates a challenging but rewarding work environments so all employees can dem

Established the new Women's Advancement Committee based mainly on the revised CG Code for issues identified in dialogues with Outside Directors

Aiming to contribute to the SDGs (gender equality) by creating a corporate culture where diverse personnel can thrive

Press Release

We decided to sell thermal coal interests in Ravensworth North in Australia. We promoted decarbonization with speed and force while maintaining and enhancing our profitability, especially in the non-resource sector



Other ESG-Related Initiative③ ~Enhanced Disclosures of Analysis of TCFD Scenarios~



We disclose our improved business impact evaluation in an analysis using EBITDA. The contents are expanded and improved with more quantitative description for easier communication

Division Companies											
Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty							
Business											
Power Generation	Coal	Oil & Gas Upstream Business Development		Dole	Pulp						
Main risks											
Transition risk*					Physical risk						
* The impact under the "around 4°C" scenario on businesses with a significant transition risk is limited.											
Business environment											
4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C		
→	→	→	→	→	→	→	→	→	→		
<ul style="list-style-type: none"> Even in the "under 2°C" scenario, we can maintain and grow revenue by increasing the number of new renewable energy plants. 		<ul style="list-style-type: none"> In the "under 2°C" scenario, use of fossil fuels will be reduced as a result of technological innovation and changes in regulatory trends, but demand for high-grade coal, which has a relatively lower environmental impact, will remain at a certain level. 		<ul style="list-style-type: none"> Demand for crude oil is expected to shrink across the world in the "under 2°C" scenario. Nevertheless, we will be able to increase revenue by capturing the opportunities of the global increase in demand for LNG and the increase in demand for new energies (e.g., biofuels). 		<ul style="list-style-type: none"> We expect climate change (the impact on the amount of harvest per unit area due to the increase in the average temperature) to have the impact of reducing revenue under both the "around 4°C" and "under 2°C" scenarios. Nevertheless, we will be able to increase revenue by diversification of production areas (e.g., Sierra Leone) and by striving to improve our cultivation technologies and cultivation efficiency. 		<ul style="list-style-type: none"> We will partially increase revenue due to an increase in pulp production output in some afforestation areas where production output is expected to expand under the "around 4°C" scenario. Nevertheless, our analysis shows that our overall revenue will decrease due to the impact of the reduction in production output in most afforestation areas with the rise in the average global temperature. We will maintain production output at a certain level in afforestation areas with the suppression in the rise of the average temperature in the "under 2°C" scenario. If the carbon price is introduced in pulp manufacturing factories using biomass energy, we will be able to curtail costs. In addition, we will be able to increase profit by augmenting revenue with an increase in our pulp production output in afforestation areas where production output is expected to expand. 		<ul style="list-style-type: none"> We will examine a selection of varieties to respond to climate change. We will conduct on-site monitoring to examine measures before the impact of climate change becomes significant. 	
Policies and efforts											
<ul style="list-style-type: none"> We aim to achieve a renewable energy ratio of more than 20% (equity interest basis) by FYE 2031 and will reflect this in the future strategy. We will not develop any new coal-fired power generation business. 		<ul style="list-style-type: none"> We will not acquire new thermal coal/mining interests Regarding the existing thermal coal/mining projects, we will continue to review them and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to customers in Japan and overseas. We will continue to be involved in the development of technologies to contribute to reduction of GHG emissions, including carbon capture and storage (CCS) and carbon capture and utilization (CCU). 		<ul style="list-style-type: none"> We will carefully examine an expansion of our crude oil assets. We will aim to stabilize business by participating in excellent projects. We will then examine investment opportunities in gas projects (e.g., LNG). We will examine a business portfolio that anticipates an increase in demand in the new energies field (e.g., the capture of biogas and hydrogen-related business opportunities). 		<ul style="list-style-type: none"> We will diversify production areas (expand production in Sierra Leone). We will increase the yield by researching and selecting varieties and by improving production methods (e.g., by improving seedling cultivation methods). We will contribute to a low-carbon society through the promotion of biogas power generation utilizing pineapple drags and solar power generation utilizing factory rooftops. We will aim to further improve the Dole brand and product superiority with the support of highly environmentally conscious consumers. We will implement irrigation 		<ul style="list-style-type: none"> We will aim to achieve a renewable energy ratio of more than 20% (equity interest basis) by FYE 2031. We will reflect this in future efforts. We will not develop any new coal-fired power generation business. Part of the reason we will do this is to contribute to the development of a sustainable society. 		<ul style="list-style-type: none"> We will accelerate our shift to new energies in our energy business portfolio. We will do this by seizing business opportunities through pursuing synergies with group companies and participating in initiatives in the new energies (e.g., hydrogen, ammonia and renewable fuels) field. We will strengthen efforts on carbon capture and storage (CCS) through the realization of a carbon-free society in addition to shifting to new energies. We will carefully consider switching to excellent assets with the intention of improving the efficiency of our assets in relation to upstream oil and gas development. We will do this in consideration of the environment. 	

ESG Report

Climate Change

Scenario Analysis Results
We identified the mid-to-long term (short-term to beyond 2030) risks and opportunities relevant to each business type, broken down by items pertaining to procurement, business operations, and market demand. We then prioritized these risk and opportunity items by severity of impact. Regarding items of high importance, we identified variables that have a large impact on the transition and physical aspects and conducted a scenario analysis using financial models that reflect the conditions. Financial impacts were analyzed by measuring the potential impacts of climate change, as well as the outcomes of mitigation and counter-measures we plan to implement. The quantitative information referenced in the scenario analysis leverages data from scenario-based forecasts provided publicly such as by the IEA, but in doing so also reflects our own assumptions and expectations. We are committed to upholding the best analytic accuracy where we can, and will continue to improve upon our scenario analysis approach moving forward.

1. Businesses for Which Transition Risks Are the Main Issues
The main issues for fossil fuel-related businesses are transition risks in the "2°C" temperature band scenario.

Company / Business Profile	Machinery Company / Power Generation Business	Energy & Chemicals Company / Energy (Crude Oil, Gas and LNG) Development Business
Baseline	By 2040	By 2050
Temperature band scenario		
Main risks and opportunities	Transition Risk: Thermal power generation costs may increase due to the impact of carbon taxes and mandatory capture and storage of carbon dioxide (CCS). The competitive advantage of renewable energy may increase. This also includes technological progress and cost reduction. Opportunity: It may be necessary to increase investment in storage batteries and grids for a significant shift to renewable energy.	Physical Risk: Upstream development is focused on projects with excellent partners (e.g., major oil companies in the Middle East and Russia). Accordingly, the impact on outdoor work may be limited because of the measures. We also assume the possibility of increasingly serious climate disasters due to climate change will be low.
	Business environment under the scenario Business impact assessment Transition risks will greatly squeeze income with carbon taxes and carbon capture and storage (CCS) costs. Therefore, the income of thermal power generation may decrease. However, cumulative income is expected to improve due to an increase in renewable energy sales and a decrease in carbon taxes and CCS costs by switching to measures emphasizing renewable energy.	Global demand for crude oil is expected to shrink under the 2°C scenario. Nevertheless, we may be able to maintain earnings by seizing opportunities in the worldwide increase in demand for LNG and the increase in demand for new energies (e.g., renewable fuels). (We have examined multiple scenarios with respect to energy price fluctuations up to 2050.)
Measures and policies	We will aim to achieve a renewable energy ratio of more than 20% (equity interest basis) by FYE 2031. We will reflect this in future efforts.	We will accelerate our shift to new energies in our energy business portfolio. We will do this by seizing business opportunities through pursuing synergies with group companies and participating in initiatives in the new energies (e.g., hydrogen, ammonia and renewable fuels) field.

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Governance
 • Discussions held and decisions made by the Sustainability Committee regarding such important matters as formulating response policies for climate change-related risks and opportunities and establishing targets and initiatives for reducing GHG emissions
 → Page 76 Structure for Promoting Sustainability

Index and Targets
 • GHG reduction targets
 → Page 64/GHG Emissions Reduction and Offset Targets
 • Energy use and clean-tech targets

Index	Targets	FYE 2021 results
Renewable energy ratio	Over 20% by FYE 2031	14.5%
Cumulative capacity of ESS units sold	Over 5 GWh by FYE 2031	Approx. 420 MWh
Electricity consumption for Tokyo and Osaka Headquarters, domestic offices and branches, and other business facilities	Reduce 30% by FYE 2022 compared with FYE 2011 levels	Reduced 47% compared with FYE 2011 levels
	Reduce at least 1% on average per year	Reduce 4.6% compared with FYE 2020 levels

• Developing businesses by looking at the various risks and opportunities associated with climate change as an important perspective for business strategies

Scenario Analysis*
 • Establishing two scenarios, an under 2°C and around 4°C increase in average temperatures by the end of this century, referencing the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC)

Detailed disclosures of climate change data, including scenario analysis results, are available on our website.
https://www.itochu.co.jp/en/csr/environment/climate_change/



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Strengthening the traceability of the supply chain using blockchain technologies

Using blockchain technologies for coffee and natural rubber, we trace the procurement and manufacturing processes and develop high value-added products adapted for the SDGs

Enhancing Traceability as a Business

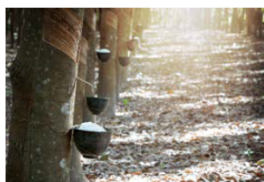


ITOCHU is working to promote its traceability business as a new revenue stream. In the General Products & Realty Company, we have developed a traceability system for natural rubber and have begun to produce traceable natural rubber. (→ Page 111 Procuring Natural Rubber from Sustainable Natural Resources) In the Food Company, in addition to expanding trade of third-party-certified products, such as vegetable oils, we invested in the coffee traceability and sustainability platform Farmer Connect SA.

By expanding the traceability business, we aim to increase our earning power while enhancing our contribution to and engagement with the SDGs.

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Specific Example of Enhancing Our Contribution to and Engagement with the SDGs



Aiming to ensure the widespread use of sustainable natural rubber by making procurement transparent

Procuring Natural Rubber from Sustainable Natural Resources

In the natural rubber business, human rights infringements against local people and illegal logging have become issues. Companies are being called on to procure environmentally and socially conscious products. Using a traceability system ITOCHU developed on its own, it is now possible to trace each step of the procurement process for natural rubber, enabling us to differentiate sustainable natural rubber as better for the environment and society. ITOCHU's Indonesia-based subsidiary P.T. ANEKA BUMI PRATAMA began manufacturing traceable natural rubber using this system and plans to market it as a high-value-added product aligned with the SDGs. By returning a portion of sales revenue to farmers and promoting the use of this system, we will continue to support the production and widespread use of sustainable natural rubber, as well as rein in illegal logging.



Hideyuki Karasawa
Logistics & Material Distribution Department

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Promoting market-oriented environmental businesses

Actively promoting environmentally friendly materials, such as biomass plastics, recycled nylon, and plastic made from recycled ocean waste

▼Containers using bio-PP



▼Plastic made from recycled ocean waste



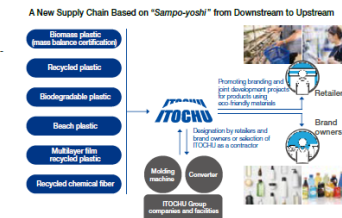
▼Recycled nylon



Specific Example of Realizing Business Transformation by Shifting to a Market-Oriented Perspective

Promoting a Market-Oriented Environmental Business

ITOCHU is proactively addressing environmental problems. We are working with U.S.-based TerraCycle, Inc. to develop recycled plastic derived from marine waste and build a recycle-reuse model, and also working with European companies to introduce eco-friendly materials, such as biomass plastic and recycled nylon. We are currently promoting branding and joint development projects for products using eco-friendly materials with retailers and brand owners. By leveraging our global sales network and top-tier synthetic resin sales in the industry, we will contribute to realizing a sustainable society by promoting environment-related businesses from a market-oriented perspective, in order to build a new supply chain based on "Sampo-yoshi" from downstream to upstream.



Takuya Kobayashi
Chemical Products Development Team

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- ✓ Presenting specific results of the FamilyMart Business and collaboration with CITIC and CP Group
- ✓ More detailed explanation of the strategic significance of owning and increasing stakes in listed Group companies
- ✓ Studying and implementing investment projects that help further strengthen our earnings base
- ✓ Expanding our disclosure and building up our track record related to climate change, such as GHG reduction results
- ✓ Disclosing human resource measures discussed by the Women's Advancement Committee
- ✓ Explaining our policy and discussion content related to the succession plans of top management

The image features a bright blue sky with scattered white, fluffy clouds. A solid, dark blue horizontal band runs across the upper portion of the frame. Centered in the middle of the image is the text "I am One with Infinite Missions" in a white, serif font.

I am One with Infinite Missions