

Brand-new Deal

new Deal

Annual Report Briefing

ITOCHU Corporation

December 17 2021



ITOCHU Corporation

This briefing is the second since December 2020. Because last year's annual report had many changes, including the adoption of the concept of the corporate value calculation formula, we held a briefing. With regard to this year's report, as there is no need to discuss such changes and the content primarily comprises updates, we were unsure whether or not a briefing would be necessary. However, as multiple investors have expressed a desire for a briefing, we are holding it today as another opportunity for everyone to engage in dialogue.

Today, we will first focus on explaining the basic structure of the Annual Report 2021 and changes from last year, such as content we changed based on issues we became aware of last year and updates on changes in ESG-related issues since last year's report was published. We will then have a Q&A session.

Furthermore, ITOCHU recently earned the Gold Award for the second consecutive year at WICI Japan Integrated Report Awards, one of the major awards for annual reports. We garnered praise for reflecting the results of dialogues with stakeholders in the creation of the annual report as well as the Company's management. We are very glad we can report this kind of result and would like to thank you all.

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

- ✓ 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

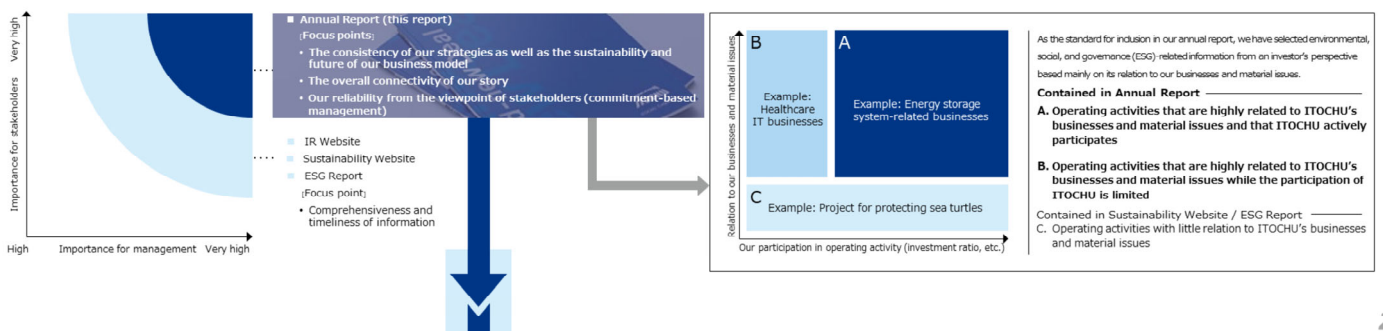
At today's briefing, our aim is to find a way to reduce the cost of capital (the red outline of the corporate value calculation formula) and enhance corporate value through a dialogue using the annual report to further enhance understanding of ITOCHU's management.

We intend to report the new issues brought to light through dialogues with you all to management and use them in the evolution of our management going forward.

Main Points (Editorial Policy)

p.6

- ✓ 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



First off, I want to simply explain the editorial policy of the Annual Report 2021.

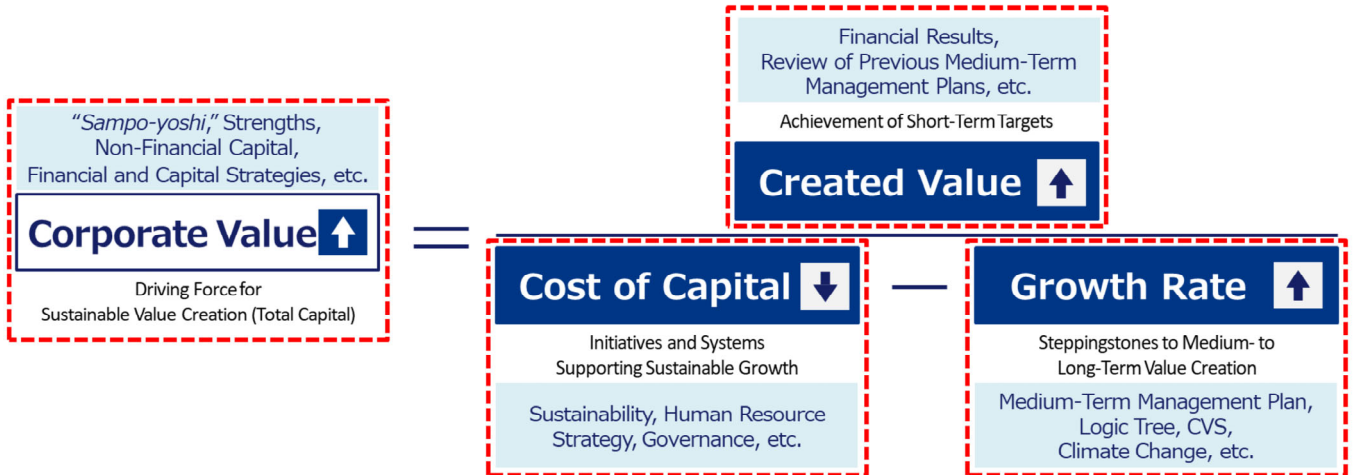
We announced the medium-term management plan this year. In outlining this plan, we strove to provide a consistent growth story connected to enhancing corporate value centered on the “Brand-new Deal” strategies of Chairman Okafuji’s management to date.

We compiled the annual report so that it would promote the role and function of dialogue as a tool in an effort to adjust the effect of market value expectations on share price performance after the announcement of the medium-term management plan, which unfortunately emerged as an issue.

Information Structure

p.7

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



3

From the perspective of the overall composition of the report, we maintained the existing information structure using the corporate value calculation formula from the perspective of investment decisions that was introduced in last year’s report.

We broke up the corporate value calculation formula into various sections. In each section, we included content that had relevancy and cohesiveness with management strategies and measures. To make the report more readable, we focused on enhancing clarity by carefully organizing the table of contents, inserting “gate pages” before each section, and including detailed explanations.

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



Sustainability



Financial and Capital Strategies



4

Next, from the perspective of the management message, I will explain the composition of this year's report.

CEO Okafuji's message is still the highlight of the report and describes an overview of management. This year, as you can see, the content has a good rhythm with an awareness of the fields and roles for which each officer is responsible.

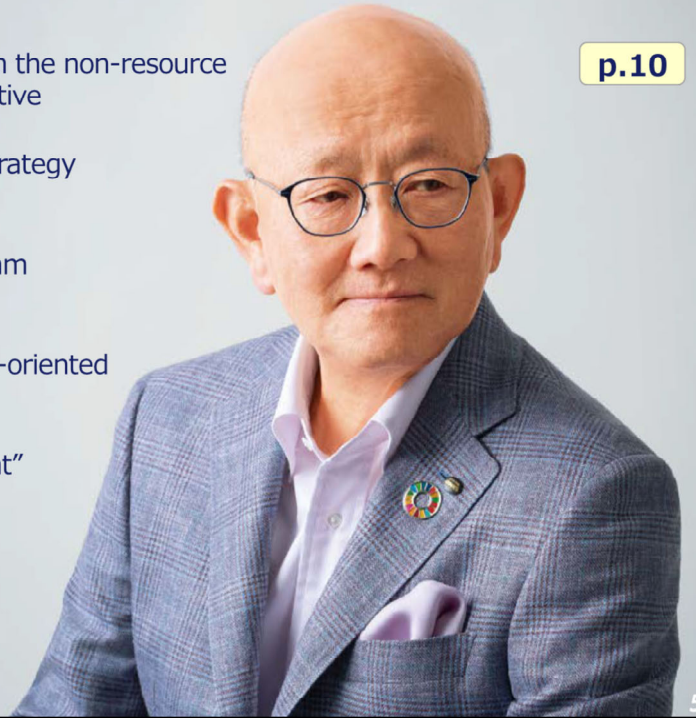
From the next slide, I will explain the key points of each officer's message.

Highlights of the CEO Message



p.10

- ✓ 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)



5

First, the CEO message can be summarized in six key phrases.

The first phrase is “market-oriented perspective.”

Going forward, to continue demonstrating our superiority in the non-resource sector, we have made business expansion based on a market-oriented perspective our highest priority and our policy is to instill “market-oriented” as a common in-house term, just like ITOCHU’s business fundamentals the “earn, cut, prevent” principle.

The second phrase is “*Sampo-yoshi*.”

From the perspective of sustainability and in line with the spirit of the corporate mission “*Sampo-yoshi*,” we affirm the importance of heading in the same direction as all our stakeholders and sharing accomplishments over the long term.

The third phrase is “the importance of downstream.”

Taking advantage of gleaning the “data” from downstream customer contact points, we have refined our existing business chain model and state our intention to take the initiative across the entire supply chain.

The fourth phrase is “decarbonization.”

In response to rising calls from society for decarbonization, we recognize the importance of steadily addressing society and consumer needs from a market-oriented perspective.

The fifth phrase is “basic merchant vision.”

Based on lessons gained from past missteps, we will continue to steadily build up profits without overextending ourselves while tamping down overconfidence in management.

The final phrase is “shareholder returns.”

We maintain a commitment to announcing revised shareholder returns policy that reflect opinions gains from dialogues with market participants. I will expound on this point later.

p.16



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

6

I will next discuss the COO message.

In the COO message, he explains his stance on business initiatives and policies expressed when he became President & COO.

With regard to these policies, in addition to his greeting upon taking up his position, he mentions his intention to continue working on the challenges of being a leader and fostering unity as well as the importance of the front lines and trust when directing the front lines going forward based on experiences to date.

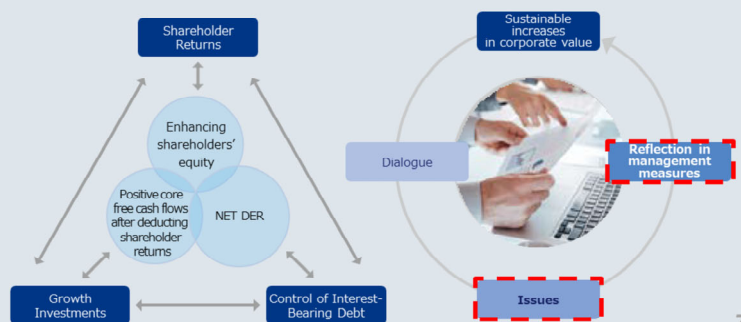
As for his stance on business initiatives, he mentions the energy storage system business he himself was in charge of promoting as a specific case. In anticipation of global trends, he explains he will systematically practice business from a market-oriented perspective and steadily respond to society’s concerns that should be addressed while ensuring the further enhancement of profitability.

p.36

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



In the CFO interview, the key phrase is “implementing consistent financial and capital strategies.”

There is no change in our policy on realizing high ROE and focusing on balancing three factors: growth investments, shareholder returns, and control of interest-bearing debt. From the perspective of the chair of the Investment Consultative Committee, the CFO discusses the cash allocation and states that surplus funds are the source of additional shareholder returns and growth investments needed for profit growth going forward.

In addition, in the CFO interview, we clarify closer consideration for revising shareholder returns policy based on dialogues in the same timeframe as the CEO message and our intention of reducing the cost of capital by reflecting in management issues brought to light through dialogues.

p.44

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.

In the last management message, the CAO interview, under the key phrase “implementing initiatives seeking the true nature of the Company,” we listed various initiatives related to sustainability.

In the first initiative, “creating a motivating work-place environment,” we discuss the characteristics and aims of ITOCHU’s human resources strategies, including their backstories.

In the second initiative, “response to COVID-19,” we discuss the ideas and policies behind ITOCHU’s decisions on measures changing our office attendance and remote working programs as well as workplace vaccinations.

The third initiative is “corporate branding activities.” We discuss measures unique to ITOCHU, which is particularly robust in the consumer sector.

Response to Issues

Brand-

And that concludes my summary of the officer messages. Moving on, I will explain changes from last year's annual report, beginning with our response to issues, as well as updates since publishing the Annual Report 2021.

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

...which states that com-
p... has been the dominant
... capital... is becoming
... that the scope should be
... shareholders but also soci-
... employees, and others.
... ed in "Brand-new Deal
... CHU, which outlines
... mission, heads in the
... holders and shares the
... term.
... a sustainable society, an
... 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."
(see Page 98 CFO Interview)

p.15

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.

p.36

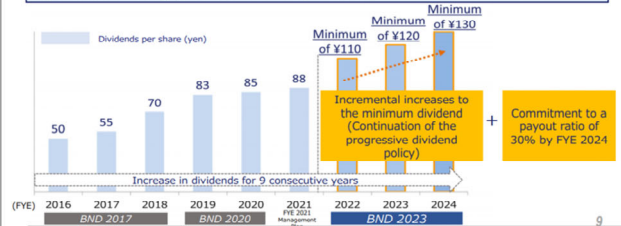
FYE 2022 Annual Forecast and Dividends/BND2023 New Dividend Policy

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

First, as also discussed in the CEO and CFO messages, we explain our commitment to announcing revised shareholder returns policy based on dialogues with market participants.

After announcing the medium-term management plan, we conducted multiple in-house discussions and studies related to appropriate shareholder returns in the special business environment of the COVID-19 pandemic promoted by the harsh criticism we received from the market suggesting that we might be retreating from our shareholder return stance.

In addition to our favorable forecast for FYE 2022, because we strove to enhance our financial position and strengthen our earnings base centered on the non-resource sector, and in consideration of growth investments going forward, we determined it is possible to expand shareholder returns. As promised in the annual report, in conjunction with the announcement of the second quarter financial results, we announced the "New Dividend Policy."

Issue Recognition and Response at the Previous Briefings



- ✓ 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

11

Next, I will explain our response to issues outlined at the annual report briefing held last year.

The red text details are our responses to the six checkmarked issues.

While we may not have fully addressed all issues, from the next slide onward, I will explain our responses to each issue.

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 "FamilyPay" and "POINT 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 FamilyPay app. We aim to get more consumers to visit FamilyMart mainly by distributing campaign information and coupons. With the barcode payment function of FamilyPay app, we started the "FamilyPay 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 "FamilyPay 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 revenue in the advertising and financial businesses. Furthermore, by receiving 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.

Physical stores
Approx. 10 million stores per day
Strength of over 18,000 stores nationwide

Media platform in stores
Advertising media revenue
Digital signage in stores

Data from physical stores
Advertising distribution revenue
Data analysis
DATAONE

As of March 31, 2021

p.60

Measures

Anticipated Effects

[Cut] Supply chain optimization

[Earn] Enhanced customer contact points

Cost improvement and social issue solutions in the supply chain

- Reduction of food loss and opportunity loss
- Reduction of excess production and inventory
- Reduction of logistics cost
- Increased efficiency of warehouse operations and enhanced productivity

Provision of new value at Group customer contact points

- Expansion of advertising and financial services
- Enhanced store operations
- Expansion of D2C model
- Development of products and services from customers' points of view

p.59

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 long 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 distributor 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 smoothening and analyzing data, we aim 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.

Manufacturers → Wholesaler (NIPPON ACCESS, INC.) → Retailers (FamilyMart, etc.)

Data utilization
Visualization of supply chain data (Building a DAM)
Demand forecasts and underlying needs based on downstream data
Demand forecast and analysis
Improving the accuracy of production plans
Delivery optimization
Order adjustment
Improving accuracy of delivery forecasts

Effect
Reduction of inventory materials
Reduction of cost of production
Improvement of production efficiency and labor environment
Reduction of logistics costs
Improvement of order accuracy and delivery optimization
Optimization of promotions and store development
Reduction of opportunity loss and food loss

Improving productivity and reducing food loss throughout the supply chain

p.61

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

First, in response to last year's issue of "presenting specific results from FamilyMart's privatization and collaboration with CITIC and CP Group," in the Annual Report 2021, we explain specific measures for the FamilyMart Business.

As an example of "market-oriented business transformation," which is a basic policy of the medium-term management plan, we launched advertising and financial businesses which aim to make stores a form of media with an eye to improve the "earn" principal.

In addition, from the perspective of our "cut" principal, we explain how we respond to social issues and improve cost reduction by making the supply chain more effective.

② Setting and Announcing Long-term GHG Reduction Targets



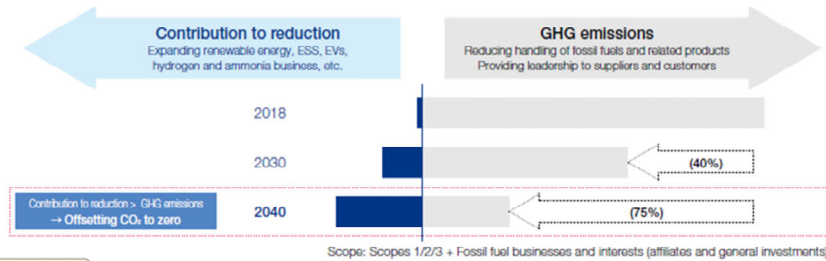
Setting and announcing a roadmap for complying with the Japanese government's 2050 carbon neutrality goals. Leading the industry on contributing to GHG emission reduction through our operations

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.



p.64

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)

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

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

13

As for climate change-related matters, in the medium-term management plan, we set and announced a roadmap for achieving the Japanese government's goal of carbon neutrality by 2050. Furthermore, we announced a goal of achieving "offset zero" by 2040.

"Offset zero" means ITOCHU's GHG reduction contributions exceeds its emissions.

GHG reduction contributions refer to the contribution to reducing society's GHG emissions when conventionally used products and services are replaced with ITOCHU's products and services.

We calculate these reduction contributions as follows.

Taking ITOCHU's renewable energy power plants as an example, if we invest in a new renewable energy power plant and assume that ITOCHU's portion of the power generated will replace an equivalent amount of power from a coal-fired power plant, we can determine the reduction contribution by multiplying the amount of power generated by the CO₂ emission intensity of the coal-fired power plant.

We aim to ensure these reduction contributions exceed emissions by expanding business, including renewable energy, hydrogen, and energy storage system.

②Setting and Announcing Long-term GHG Reduction Targets



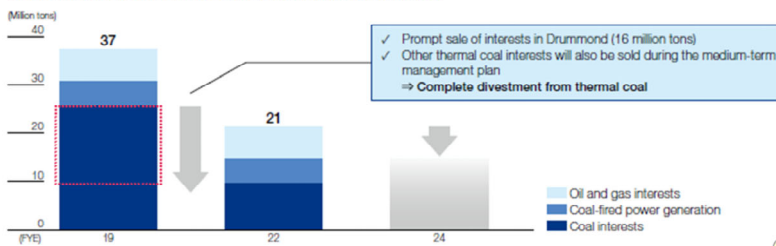
ITOCHU was the first general trading company to disclose the GHG emissions from all the fossil fuel businesses and interests connected to it. We are enhancing our disclosures and are swiftly and forcefully reducing GHG emissions

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



p.64

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

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

ITOCHU was the first general trading company to disclose the GHG emissions of all fossil fuel businesses and interests. We are expanding disclosure and are swiftly and forcefully reducing GHG emissions.

This is the way we calculate GHG emissions from fossil fuel businesses and interests. First, we calculate it by multiplying our portion by the Scope 3 emissions of the interests. Scope 3 emissions comprise the values in the categories 1 (production of raw materials), 4 (upstream transportation of raw materials), and 11 (use of sold products), which have high emissions.

In addition, we multiple our portion by the Scope 1 emissions of the Group's coal-fired power plants.

The sum of these was 37 million tons in FYE 2019.

During the medium-term management plan, we aim to cut this 37 million tons by around half.

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



p.79

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)

p.79

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

p.78

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

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

I will explain how our sustainability management aligns with our business activities.

As you know, rules for legal obligations and disclosure regarding human rights violation risks in supply chains are accelerating in Europe and the United States.

In October 2020, the Japanese government also announced the National Action Plan (NAP) Related to Human Rights. It recommends companies implement responses in three areas: formulating human rights policies, introducing human rights due diligence, and building grievance mechanisms. Sustainability management aligned with business activities is becoming increasingly important.

From 2008, ITOCHU began conducting a supply chain sustainability survey among its suppliers. In 2013, we notified all of our suppliers (around 4,000 companies) of the Sustainability Action Guidelines for Supply Chain. Since then, we have notified all new suppliers of this action policy before beginning business with them, and we have conducted an annual sustainability survey of major suppliers. In FYE 2021, we conducted surveys of 310 companies.

Moreover, as a survey specializing in human rights in the supply chain, we instituted human rights due diligence using an external specialist organization in FYE 2021.

Last year, we uploaded survey results of the Food Company on our website. This year, we are conducting a survey of the Metals & Minerals Company and plan to steadily conduct surveys of other companies going forward.

In addition, before investing in new businesses, we first conduct an evaluation using the ESG checklist to see if the target company has acceptable policies and systems in terms of ESG in place and if there are such risks as those related to negative environmental impacts or legal violations.

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

Outside Director Roundtable Discussion
Further Enhancing ITOCHU's Corporate Value



p.83

p.84

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

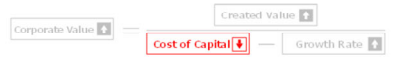
Muraki: When selecting Keita Ishii as President & COO, the Nomination Committee held numerous discussions about what kind of business leader ITOCHU would need going forward. All the Outside Directors narrowed down the choices by holding hearings for the candidates regarding their careers to date, their 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.

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.

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



The following is an explanation of specific discussions held at the Nomination Committee. In the Outside Director dialogue, the President & COO selection process is mentioned.

I will talk about what kind of selection process was used and what kind of ideas guided the discussions held by the Nomination Committee.

The personnel evaluation of President & COO Ishii mentioned in the CEO message matches the personnel evaluation conducted through the selection process of Outside Directors. You can be sure that the selection aligned with the ideal “Merchant” vision of ITOCHU.

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.

- 1 In cases 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.
- 2 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.
- 3 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.

Company Category	Company Name	(I) Ratio of independent outside directors		(II) Advisory committees for the board of directors	(III) Ratio of independent outside members to supervisory boards
		Directors	Outside Directors		
Energy & Chemicals	ITOCHU INEXCO, LTD.	5	3	99%	50%
	C.I. TAIROCK Corporation	5	3	38%	50%
Food	ITOCHU BOKU-KUJI Co., Ltd.	6	3	33%	50%
	Prima Meat Packers, Ltd.	3	2	49%	32%
ICT & Digital Business	ITOCHU Systems-Solutions Corporation	4	2	33%	50%
	CONEXIO Corporation	5	3	38%	50%
Others	ParleyNet Co., Ltd.*	8	4	33%	50%

Annual Report 2020 p.77

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:

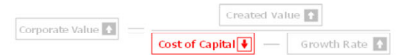
Company name	Significance of holding	Ratio of independent outside directors	Advisory committees for the board of directors	Ratio of independent outside members to supervisory boards
ITOCHU INEXCO	Listing its web and those domestic customer base, ITOCHU INEXCO, LTD. is expanding its sales, services to enhance logistics efficiency and cost-generation business, etc. in addition to selling energy business and power business. It is an important and independent power for the Group in order to fully utilize its global assets (oil & gas) and chemicals. In addition, ITOCHU INEXCO, LTD. with utilizing the ITOCHU Group's extensive domestic and international network, continues to offer the new energy field which contributes to boost the ESG, and comes out the full supply business for our Group companies.	38% (2 out of 5 members)	• Governance Committee	50% (2 out of 4 members)
C.I. TAIROCK	C.I. TAIROCK Corporation is positioned as a core enterprise in the Group's plastic resin business, due to its advanced technological expertise and large-scale production capacity. C.I. TAIROCK Corporation allows the ITOCHU Group secure the domestic and international markets for business expansion of C.I. TAIROCK Corporation's business, resin processing or comprehensive materials, and expansion of sales of C.I. TAIROCK Corporation's resin products.	50% (2 out of 4 members)	• Nomination / Remuneration Committee • Governance Committee	50% (2 out of 4 members)
ISC	The principal and main business of ITOCHU BOKU-KUJI Co., Ltd. is the sale and distribution of various foodstuffs and processed foods. In addition, ITOCHU BOKU-KUJI Co., Ltd. secures stable contact points with various domestic retailers, and maintains profit in the food distribution field by utilizing its sales network. In addition, by utilizing the Group's diverse customer base and knowledge in implementing the growth strategy of ITOCHU BOKU-KUJI Co., Ltd. such as "Contribution to the society through creating value from waste utilization (C2)", ITOCHU is contributing to the expansion and evolution of the services provided by ITOCHU BOKU-KUJI Co., Ltd.	33% (2 out of 6 members)	• Governance Committee	50% (2 out of 4 members)
Prima Meat Packers, Ltd.	The principal and main business of Prima Meat Packers, Ltd. is to sell meat and processed meat products, and to produce an optimal method of supplying the products to ITOCHU's livestock value chain. Prima 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 joint business with overseas partners in the Group.	49% (2 out of 4 members)	• Management Advisory 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 media secondary sales business to overseas, as well as promoting more effective use of management resources, such as sales assets and know-how in selling products and services to global customers, in cooperation with companies other than those in the Group.	38% (2 out of 5 members)	• Nomination / Remuneration Committee • Governance Committee	50% (2 out of 4 members)

* Established on August 1, 2020

p.91

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)



As for the final issue "more substantive disclosures of the rationale for holding shares in listed Group companies," departing from last year's disclosure of the governance structure focused on the format, we made disclosures that are more practical.

In the Annual Report 2021, we explain the merits to ITOCHU and to its subsidiaries with a keener awareness of the need for content.

That is all for my explanation of our response to issues in the Annual Report 2021. From here, I will explain our ESG-related updates after publishing the annual report.

Other ESG-Related Initiative① ~Establishing the New Women's Advancement Committee~



—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.

p.84

strong individuality of each employee. 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.

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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 adapt 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 of challenging but rewarding work environments so all employees can

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

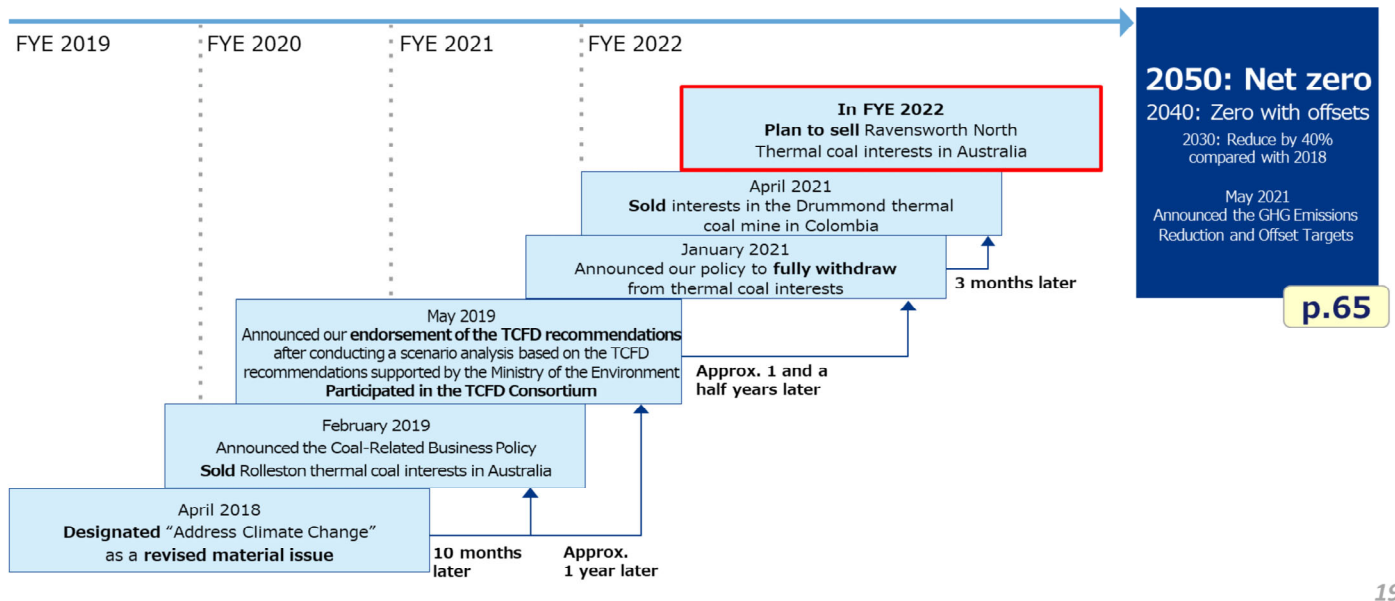
First is the governance-related updates. In September 2021, we announced the establishment of the new Women's Advancement Committee.

This was also mentioned in the dialogue with Outside Directors. The committee holds discussions regarding women's advancement in the workplace, which is an important issue. The committee includes the female executive officer, general manager of the Human Resources & General Affairs Division, who has worked for ITOCHU throughout her career, and is chaired by Outside Director Ms. Muraki.

Other ESG-Related Initiative② ~Promotion of Decarbonization~



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



19

Next is our response to climate change.

We reformed our material issues in April 2018. We identified "address climate change" as a material issue.

In February 2019, as a coal-related business initiative policy, we announced that we will not develop new coal-fired power businesses nor acquire new thermal coal mining interests.

Since 2018, we have striven to analyze scenarios in line with the TCFD recommendations. We announced our support for the TCFD recommendations in May 2019. We also participated in the TCFD consortium held by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency.

Moreover, in January 2021, we announced a policy to fully withdraw from thermal coal interests, and, in April 2021, we sold our interest in Drummond in Colombia.

We expect that we will complete the sale of our interest in Ravensworth North in Australia during FYE 2022. We are working steadily to address climate change.

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



Division Comparison					
Marine	Mats & Minerals	Energy & Chemicals	Food	General Products & Realty	
Business					
Power Generation	Coal	Oil & Gas upstream business development	Coal	Pulp	
Main risks					
Transition risk			Physical risk		
Business environment					
4°C		<2°C		4°C	
<2°C		4°C		<2°C	
<p>• Even in the "under 2°C" scenario, we will continue to grow revenue by increasing the number of new renewable energy plants.</p> <p>• In the "under 2°C" scenario, we will continue to reduce CO₂ emissions and improve energy efficiency. We will also be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.</p> <p>• Demand for crude oil is expected to increase in the "under 2°C" scenario. However, we will be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.</p> <p>• We will partially increase revenue due to an increase in pulp production output in some areas, but we will also see a decrease in revenue due to the increase in CO₂ emissions. However, our analysis shows that our overall revenue will increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature.</p> <p>• We will partially increase revenue due to an increase in pulp production output in some areas, but we will also see a decrease in revenue due to the increase in CO₂ emissions. However, our analysis shows that our overall revenue will increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature.</p> <p>• We will partially increase revenue due to an increase in pulp production output in some areas, but we will also see a decrease in revenue due to the increase in CO₂ emissions. However, our analysis shows that our overall revenue will increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature.</p>					
<p>• We will continue to achieve a renewable energy rate of more than 20% globally (renewable based) by FY2025 and will aim for 30% in the future strategy.</p> <p>• We will continue to reduce CO₂ emissions and improve energy efficiency. We will also be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.</p> <p>• We will continue to achieve a renewable energy rate of more than 20% globally (renewable based) by FY2025 and will aim for 30% in the future strategy.</p> <p>• We will continue to reduce CO₂ emissions and improve energy efficiency. We will also be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.</p> <p>• We will continue to achieve a renewable energy rate of more than 20% globally (renewable based) by FY2025 and will aim for 30% in the future strategy.</p>					
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Annual Report 2020 p.66

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

ESG Report

Climate Change

Scenario Analysis Results

We identified the mid-to-long term (short-term to beyond 2050) risks and opportunities relevant to each business type, broken down by items pertaining to procurement, business operations, and market demand. We then prioritized these risks and opportunities 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 metrics to clarify the conditions. Financial metrics were analyzed by measuring the present impacts of climate change, as well as the occurrence of mitigation and adaptation measures plans as responses. The quantitative information referenced in the scenario analysis (average 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 updating the mid-to-long term analysis when our own, as well as external forecasts improve upon our scenario analysis approach moving forward.

Businesses for Which Transition Risks Are the Main Issue

The main issues for each business are transition risks (other 2°C, temperature based scenario).

Business	Transition Risks	Physical Risks
Power Generation	• Fuel price volatility: The price of fossil fuels is expected to increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature. This may lead to an increase in the cost of production and a decrease in revenue. We will continue to improve energy efficiency and diversify our energy sources to reduce the impact of fuel price volatility.	• Extreme weather events: The frequency and intensity of extreme weather events are expected to increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature. This may lead to an increase in the cost of production and a decrease in revenue. We will continue to improve our disaster preparedness and response plans to reduce the impact of extreme weather events.
Coal	• Demand for coal: The demand for coal is expected to increase in the "under 2°C" scenario. However, we will be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.	• Extreme weather events: The frequency and intensity of extreme weather events are expected to increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature. This may lead to an increase in the cost of production and a decrease in revenue. We will continue to improve our disaster preparedness and response plans to reduce the impact of extreme weather events.
Oil & Gas	• Demand for oil and gas: The demand for oil and gas is expected to increase in the "under 2°C" scenario. However, we will be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.	• Extreme weather events: The frequency and intensity of extreme weather events are expected to increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature. This may lead to an increase in the cost of production and a decrease in revenue. We will continue to improve our disaster preparedness and response plans to reduce the impact of extreme weather events.
Pulp	• Pulp production output: The pulp production output is expected to increase in some areas, but we will also see a decrease in revenue due to the increase in CO ₂ emissions. However, our analysis shows that our overall revenue will increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature.	• Extreme weather events: The frequency and intensity of extreme weather events are expected to increase due to the impact of the reduction in production output in most other areas with the risk in the average global temperature. This may lead to an increase in the cost of production and a decrease in revenue. We will continue to improve our disaster preparedness and response plans to reduce the impact of extreme weather events.

Analysis according to the EBITDA indicator (%)

• We will continue to achieve a renewable energy rate of more than 20% globally (renewable based) by FY2025 and will aim for 30% in the future strategy.

• We will continue to reduce CO₂ emissions and improve energy efficiency. We will also be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.

• We will continue to achieve a renewable energy rate of more than 20% globally (renewable based) by FY2025 and will aim for 30% in the future strategy.

• We will continue to reduce CO₂ emissions and improve energy efficiency. We will also be able to increase revenue by applying the expertise of our high-grade resources to projects that will remain at a certain level.

p.65

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 64/ GHG Emissions Reduction and Offset Targets

• Energy use and clean-tech targets

Index and Targets

Item	Target	FYE 2021 result
Renewable energy ratio	Over 20% by FYE 2025	14.0%
Carbon footprint of EES units	Over 0.1 tons by FYE 2021	Approx. 0.20 Mton
Electricity consumption for Japan and Global	Reduction rate by FYE 2021 based	Reduction 4.6% compared with FYE 2020 level
Water consumption for Japan and Global	Reduction at least 1% on average per year	Reduction 4.6% compared with FYE 2020 level

* 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/

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)

I will explain a bit more about our disclosures in line with the TCFD recommendations.

ITOCHU began work on analyzing scenarios from 2018 with an eye to supporting the TCFD recommendations and identified major issues. To date, we have finished scenario analyses of power generation, the energy business, coal operations, Dole (which is a core business for fresh food products), and the pulp business, which is directly linked to forest resources.

In this year's ESG report, regarding the quantitative impact of each element on climate change, we added analyses by EBITDA and enhanced our disclosure of climate change impact evaluations in each business, improving and expanding the content to convey a more quantitative picture.

Going forward, we will continue working to disclose information so that we can meet new standards, such as the ISSB launched by the IFRS, as well as the TCFD recommendations, which include scenario analyses of climate change impacts.

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.

p.79

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

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 PT. ANEKA BUMI PRIGAMA 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 income 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 aim to illegal logging.

Hirogaki Kazumasa
Logistics & Marine Distribution Department

p.111

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 Drifting 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 produce eco-friendly materials, such as biomass plastic and recycled nylon. We are currently promoting tracing and joint development projects for products using eco-friendly materials with retailers and brand owners.

A New Supply Chain Based on "Sargasso plastic" from Ocean Waste to Customers

By leveraging our global sales network and top-tier corporate main sales in the industries, we will contribute to realizing a sustainable society by promoting environmental-related businesses from a market-oriented perspective, in order to build a new supply chain based on "Sargasso plastic" from downstream to upstream.

Takuya Kobayashi
General Products Department Team

p.107

I will explain our initiatives for SDG businesses.

As basic policies of the medium-term management plan announced in May 2021, we laid out “market-oriented business transformation” and “strengthening initiatives for and contributions to SDGs.” Many businesses related to these policies have been launched by division companies.

One case study is enhancing the traceability of the supply chain using blockchain technologies. As for coffee and natural rubber, we are promoting initiatives to make the supply chain more transparent by gathering tracking information for procurement and manufacturing processes using smartphones and blockchain technologies. We put in place systems that enhance working environments, enable participation in the development of eco-friendly farmland, and contribute to sustainable production, such as returning revenues to farmers.

Another case study is promoting market-oriented environmental businesses. We are actively working to preserve the environment in part by introducing environmentally friendly materials and working with the U.S.-based TerraCycle, Inc. to develop plastic recycled from ocean waste and build recycle-reuse models.

In natural rubber, we use blockchain technologies developed in cooperation with the Group company ITOCHU Techno-Solutions Corporation. In environmentally friendly materials, we use biomass plastic containers and plastic recycled from ocean waste at FamilyMart. We are promoting initiatives that can be easily taken up by customers while utilizing the technologies and store networks of Group companies.

- ✓ 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

Finally, I will explain the issues we are facing from FYE 2023 onward.

First, from the perspective of business investment, as described in “presenting specific results of the FamilyMart Business and collaboration with CITIC and CP Group,” we think it is important to present results of the FamilyMart-related measures we are currently focused on. In addition, we position the collaboration with CITIC and CP Group as a long-term initiative. We realize that going forward we need to present specific strategies aligned with market expectations and the accomplishments thereof.

Next, regarding “more detailed explanation of the strategic significance related mainly to owning and increasing stakes in listed Group companies,” I would like to continue explaining the significance of the strategic significance of owning listed Group companies, including case studies in the past.

In addition, under the current medium-term management plan, ITOCHU established an earnings base of consolidated net profit of ¥600.0 billion as its foundation. As we aim to reach the next stage of growth, regarding “studying and implementing investment projects that help further strengthen our earnings base,” we think it is necessary to steadily present achievements.

The next three points are ESG-related issues.

First, regarding “expanding our disclosures and building up our track record related to climate change, such as GHG reduction results,” we recognize that expanding disclosures of our track record, including the presentation of other GHG emission reduction measures after fully withdrawing from thermal coal interests, will be an issue going forward.

Next is “disclosing human resources measures discussed by the Women’s Advancement Committee.” The Women’s Advancement Committee is an advisory committee to the Board of Directors and incorporates the content of discussions into policies. I intend to explain the content of those initiatives.

Finally, regarding “explaining our policy and discussion content related to the succession plans of top management,” although this is a very challenging issue, we are aware that it is of great interest to market participants, and we will continue considering how to provide a convincing and easily understood explanation.

A photograph of a bright blue sky with scattered white, fluffy clouds. The text "I am One with Infinite Missions" is centered in the upper half of the image.

I am One with Infinite Missions