
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.

## The Aims of Today's Briefing

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

- ✓ 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.

# Editorial Policy & Structure of Annual Report 2021

## Main Points (Editorial Policy)

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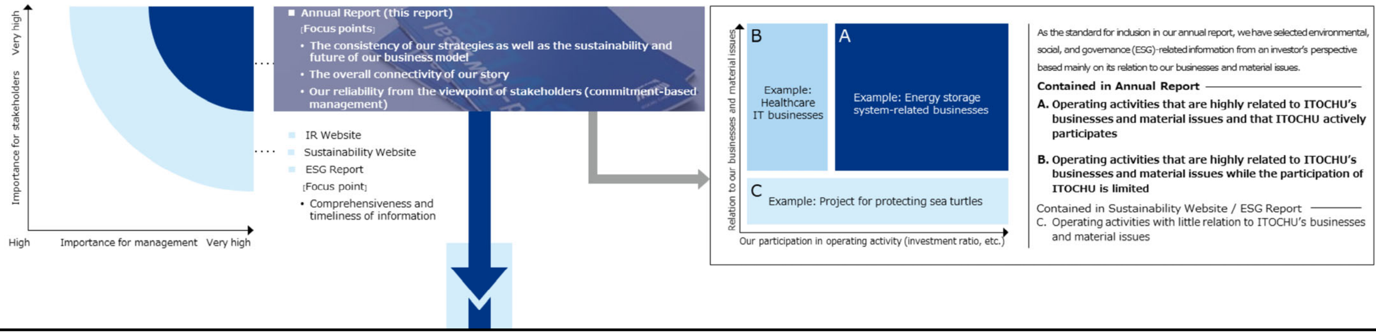
- ✓ Placed emphasis particularly on strategic focus and forward-looking mindset, connectivity, and consistency
- ✓ Explaining **"Brand-new Deal" strategies** which serve as a compass in enhancing corporate value
- ✓ Compiled an annual report as **an important tool for encouraging dialogue** with all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

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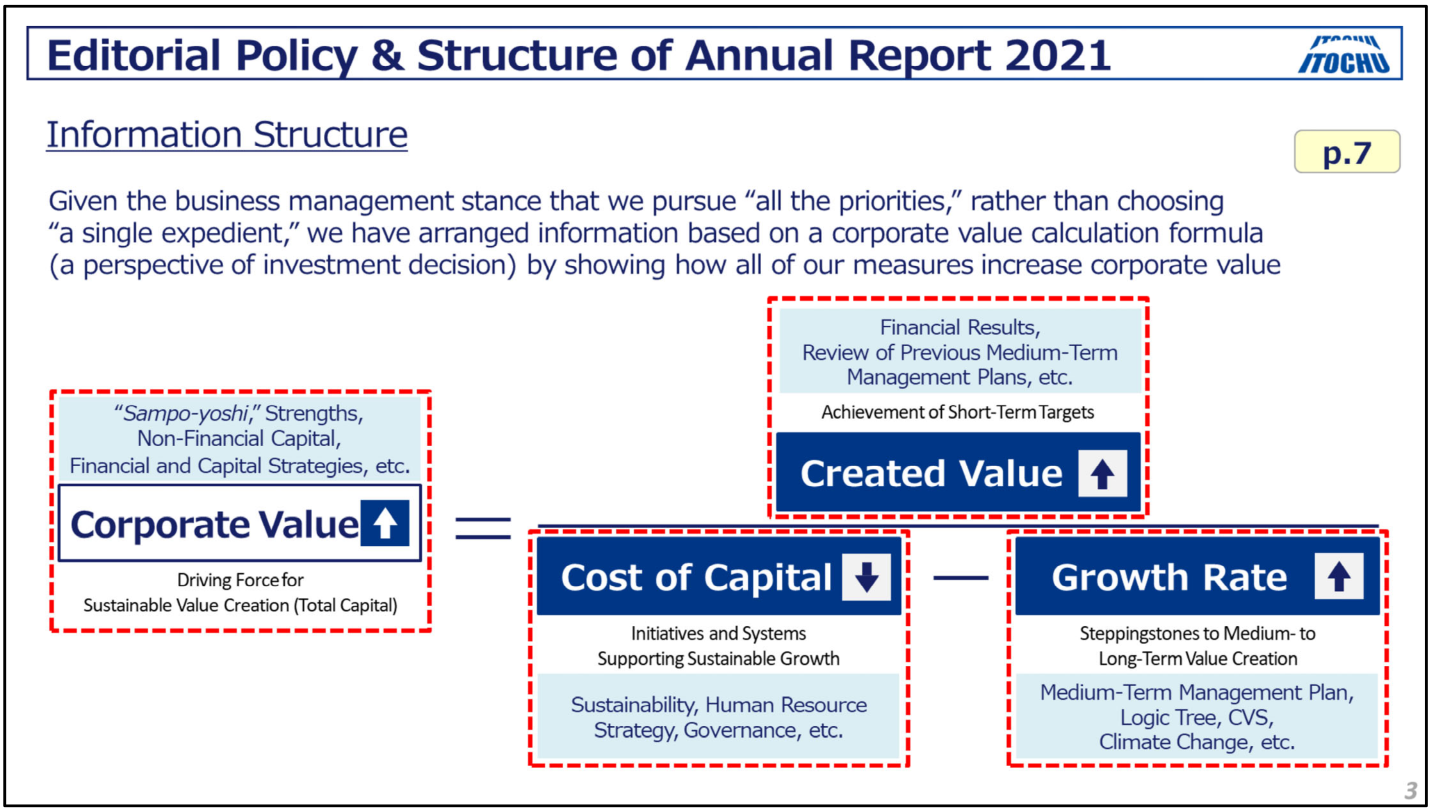
First off, I want to simply explain the editorial policy of the Annual Report 2021.

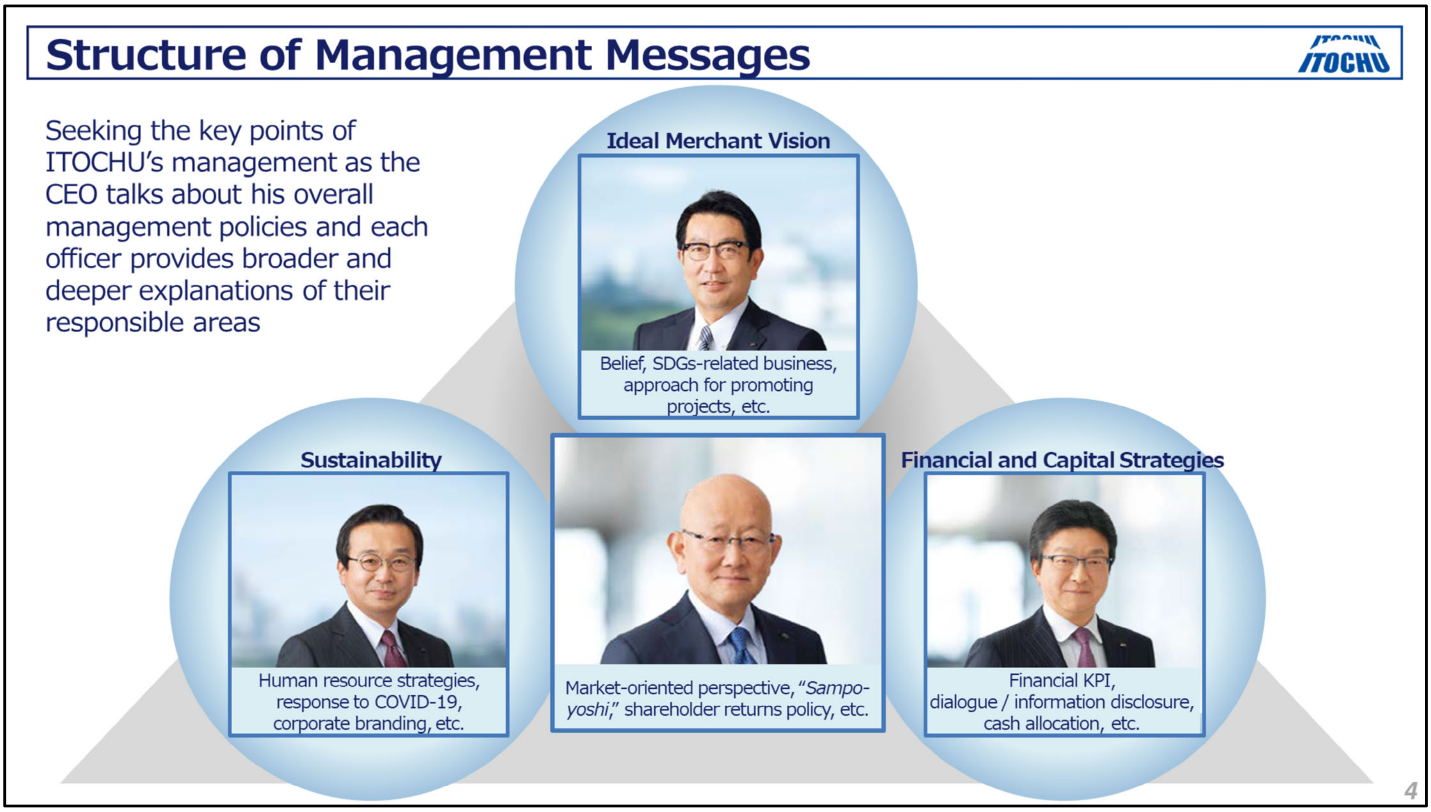
We announced the medium-term management plan this year. In outlining this plan, we strove to provide a consistent growth story connected to enhancing corporate value centered on the "Brand-new Deal" strategies of Chairman Okafuji's management to date.

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.




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.




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.


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-yosh*i," 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 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.

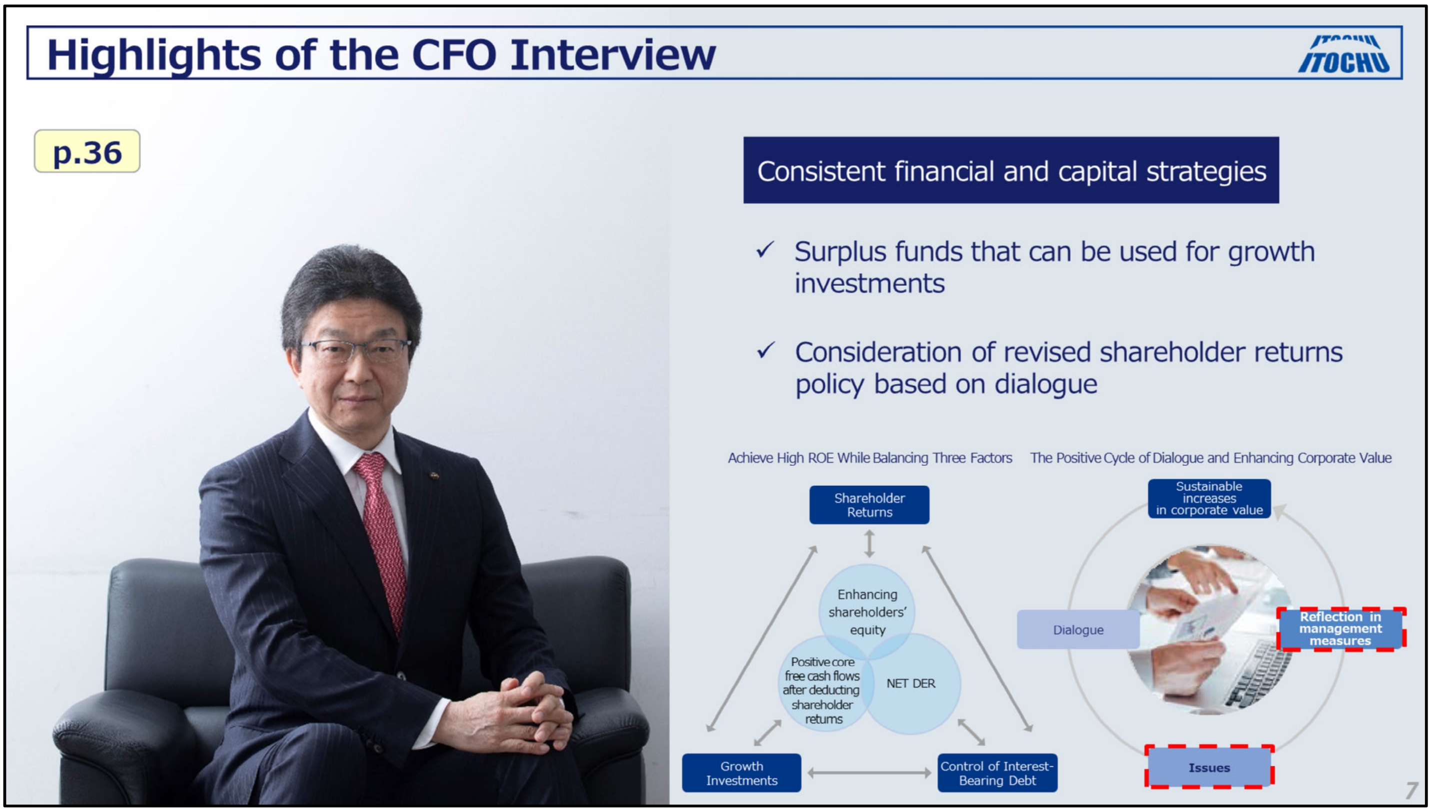
The final phrase is “shareholder returns.”
We maintain a commitment to announcing revised shareholder returns policy that reflect opinions gains from dialogues with market participants. I will expound on this point later.


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.




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.

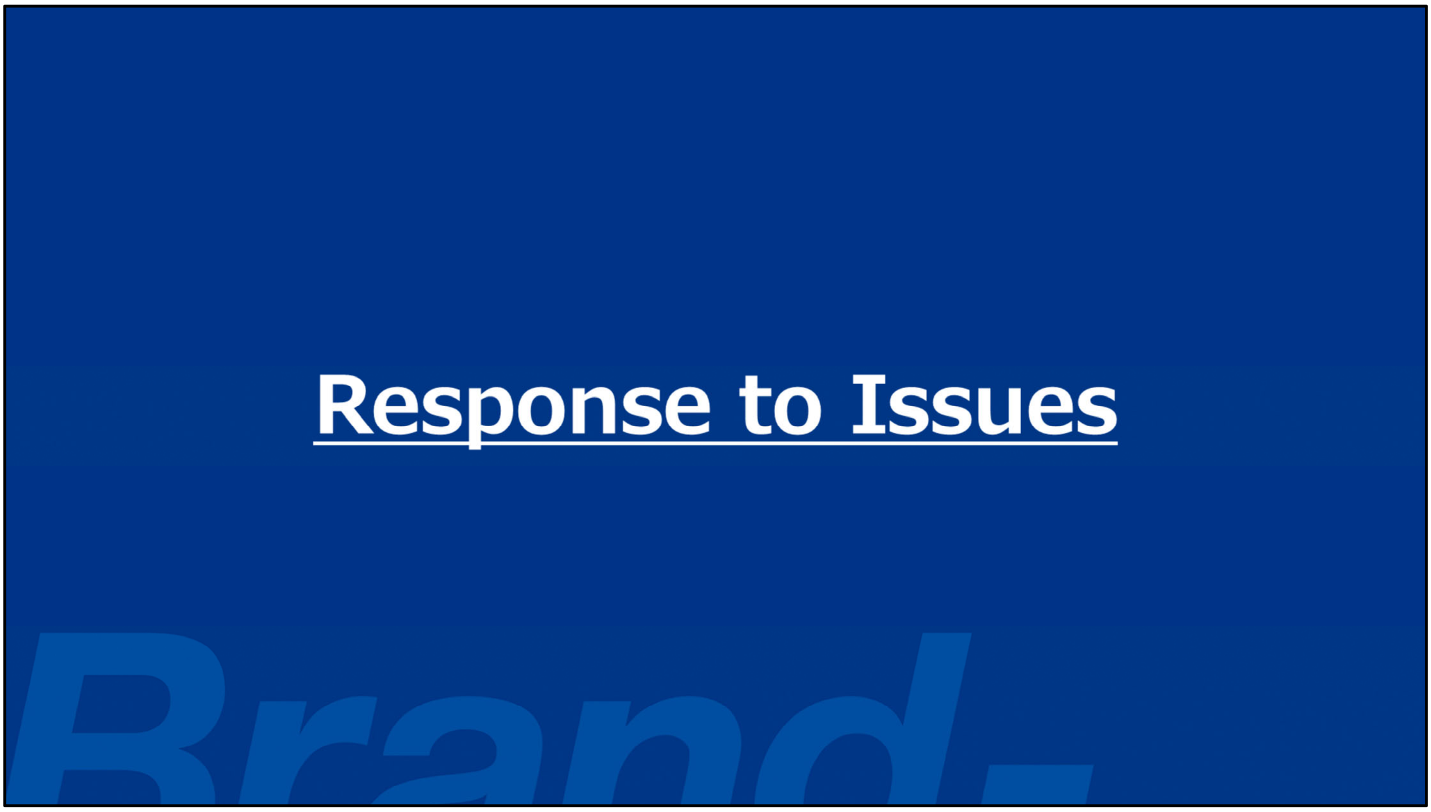
In addition, in the CFO interview, we clarify closer consideration for revising shareholder returns policy based on dialogues in the same timeframe as the CEO message and our intention of reducing the cost of capital by reflecting in management issues brought to light through dialogues.


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.

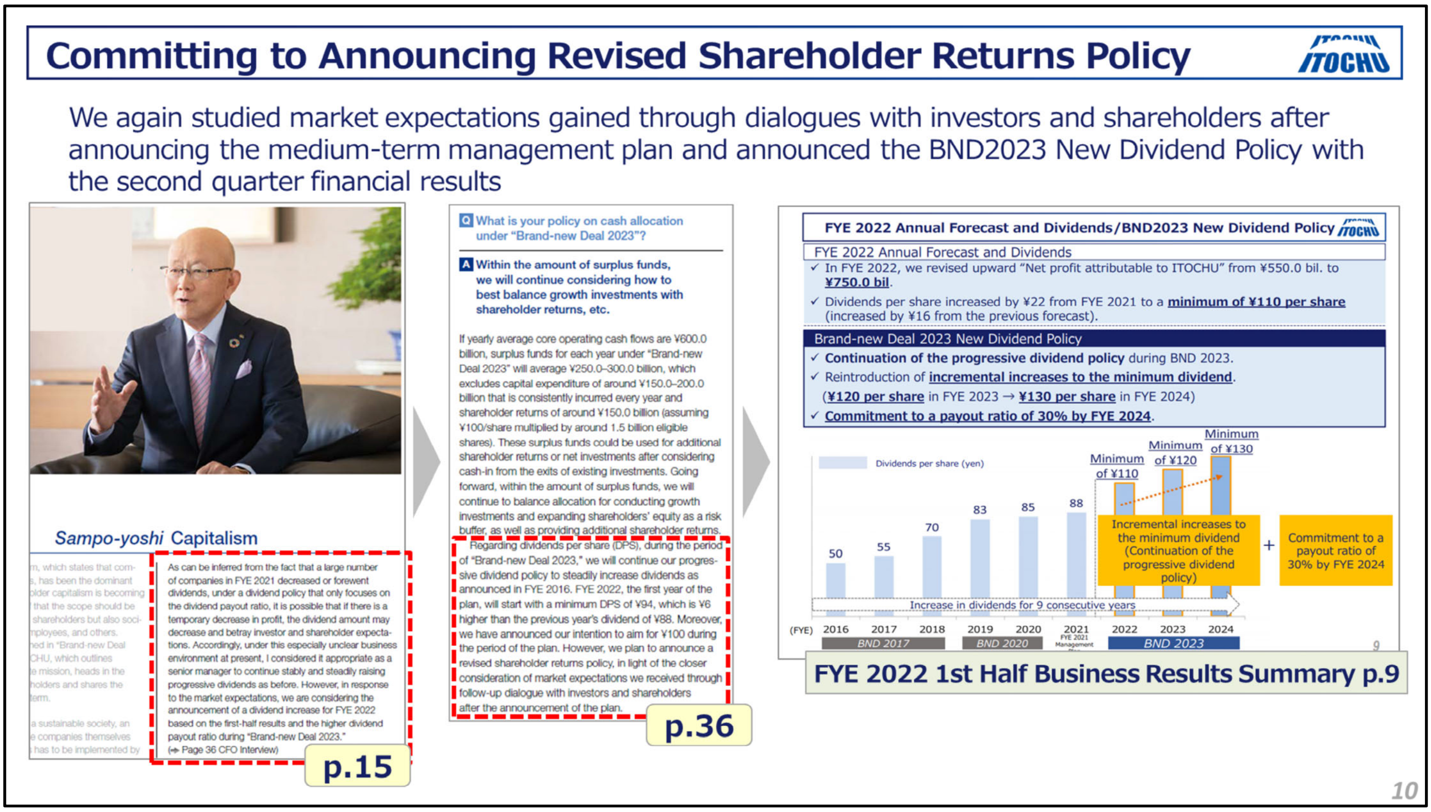
In the first initiative, "creating a motivating work-place environment," we discuss the characteristics and aims of ITOCHU's human resources strategies, including their backstories.

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.




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.




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

  **①Presenting 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

  **②Setting and announcing long-term GHG reduction targets**

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

  **③Explaining case studies on sustainability management aligned with business activities**

- ✓ Explaining the detailed discussions held by the Nomination Committee

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

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

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

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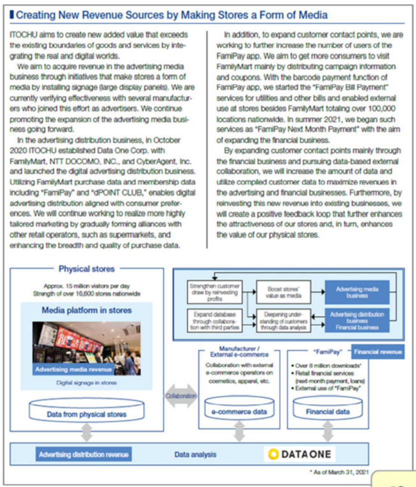
Next, I will explain our response to issues outlined at the annual report briefing held last year.

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.

## ①Presenting 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

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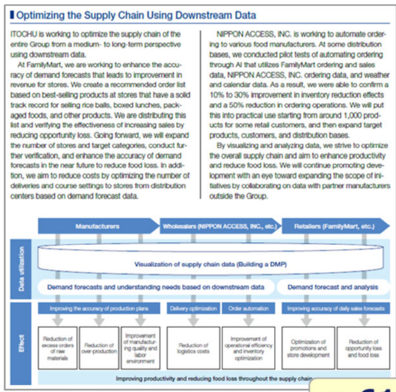
| Measures | Anticipated Effects |
|---|---|
| [Cut] Supply chain optimization | **Cost improvement and social issue solutions in the supply chain**<br>• Reduction of food loss and opportunity loss<br>• Reduction of excess production and inventory<br>• Reduction of logistics cost<br>• Increased efficiency of warehouse operations and enhanced productivity |
| [Earn] Enhanced customer contact points | **Provision of new value at Group customer contact points**<br>• Expansion of advertising and financial services<br>• Enhanced store operations<br>• Expansion of D2C model<br>• Development of products and services from customers' points of view |

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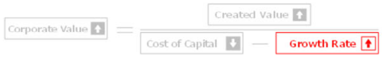


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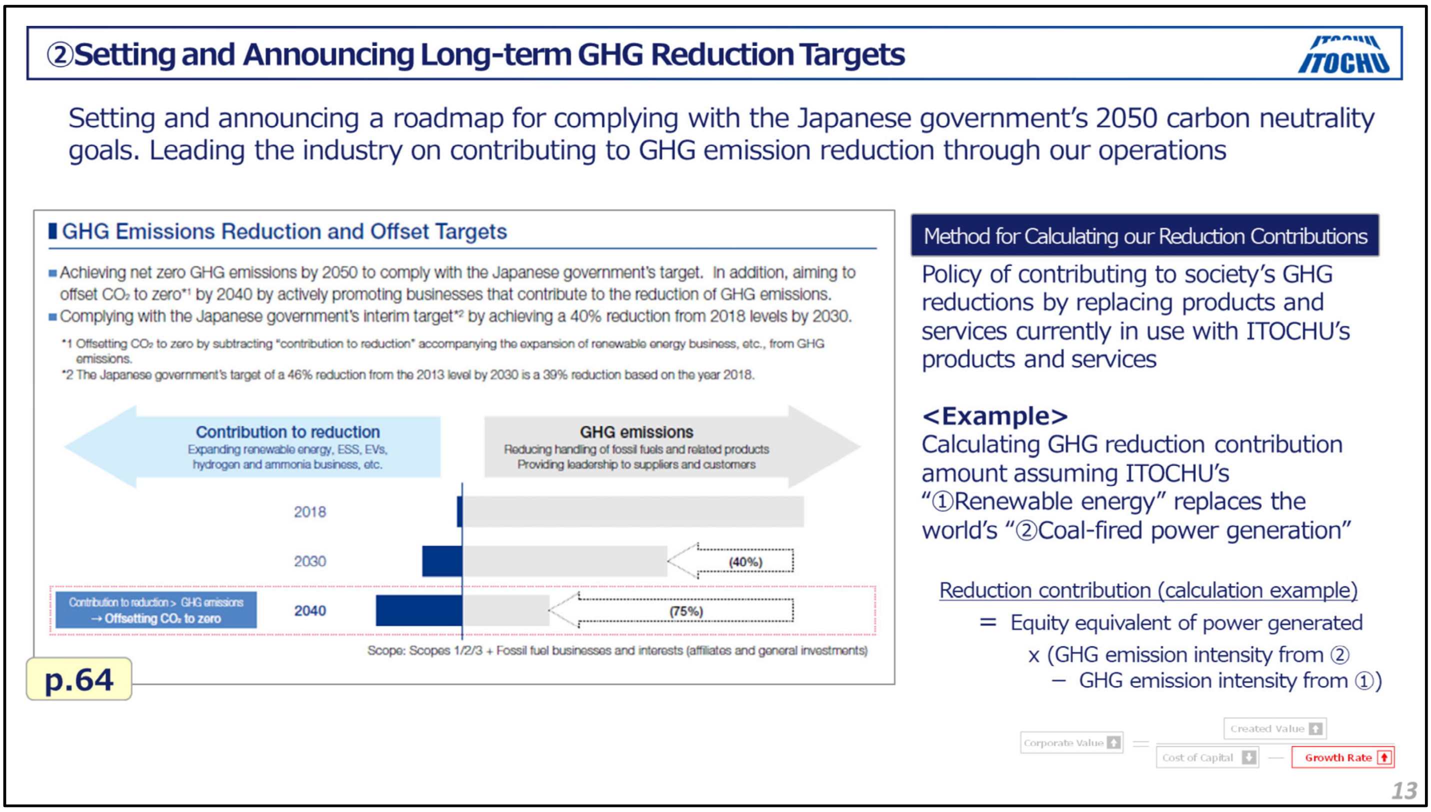
First, in response to last year's issue of "presenting specific results from FamilyMart's privatization and collaboration with CITIC and CP Group," in the Annual Report 2021, we explain specific measures for the FamilyMart Business.

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.




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.

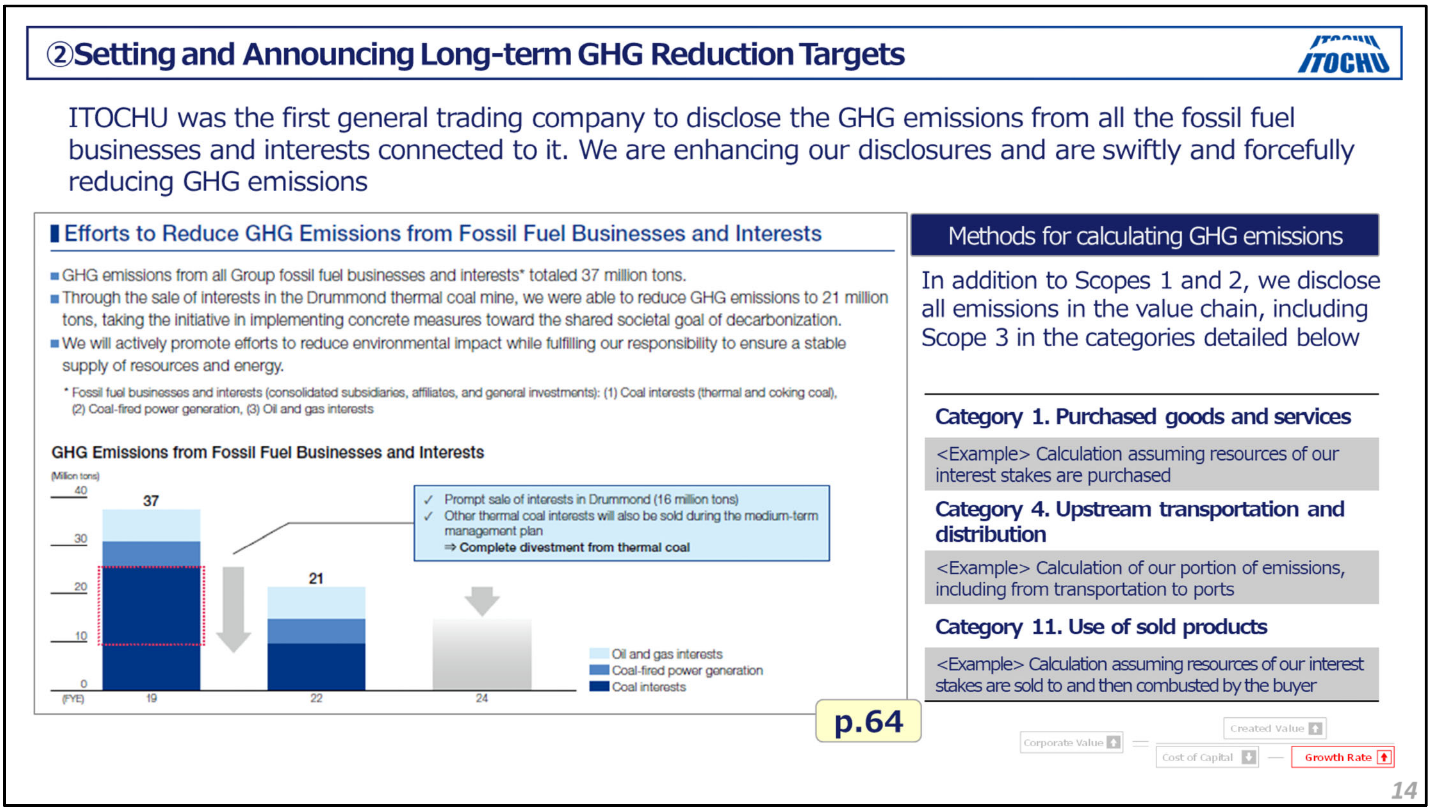
"Offset zero" means ITOCHU's GHG reduction contributions exceeds its emissions.

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.



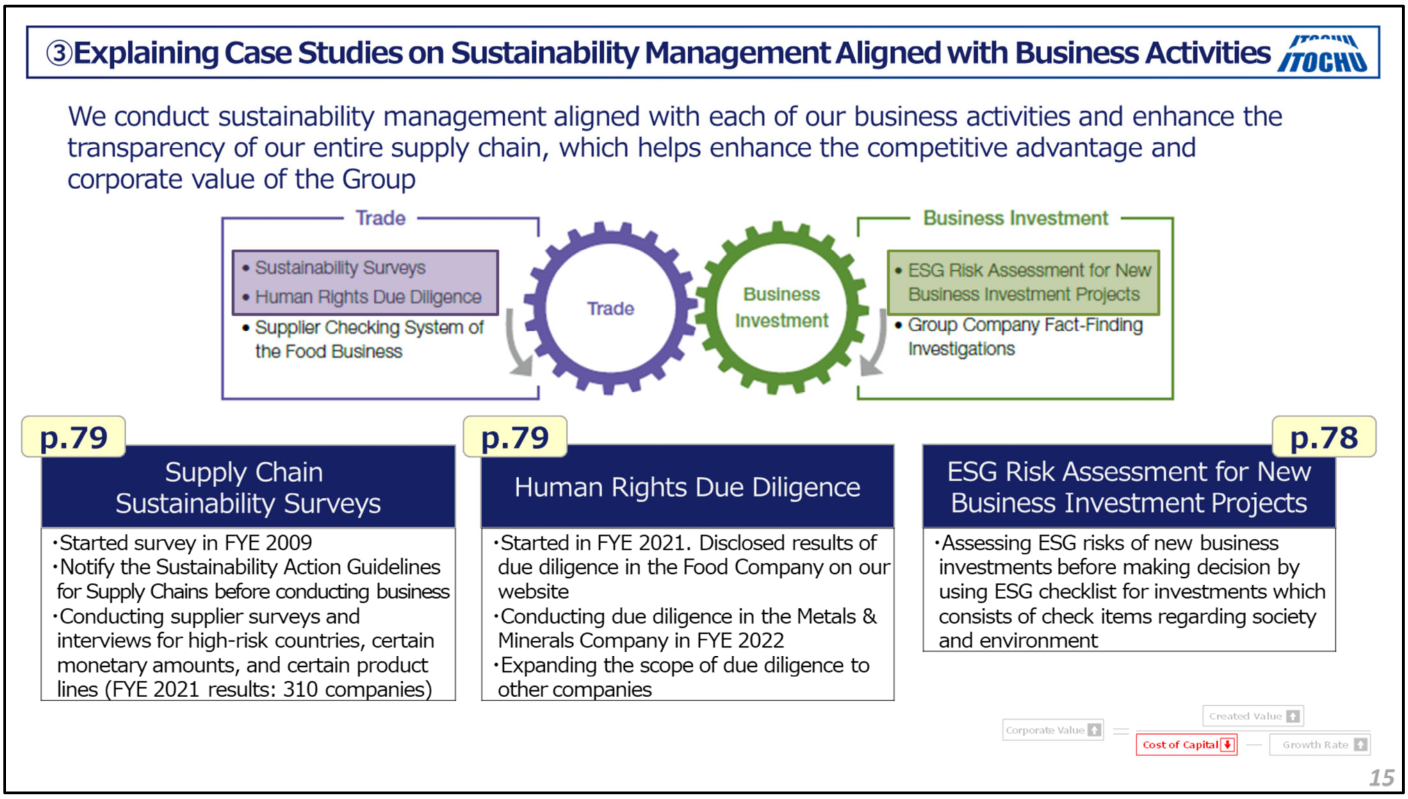

ITOCHU was the first general trading company to disclose the GHG emissions of all fossil fuel businesses and interests. We are expanding disclosure and are swiftly and forcefully reducing GHG emissions.

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.




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.

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


**—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 front-line 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

Created Value
Corporate Value
Cost of Capital
Growth Rate

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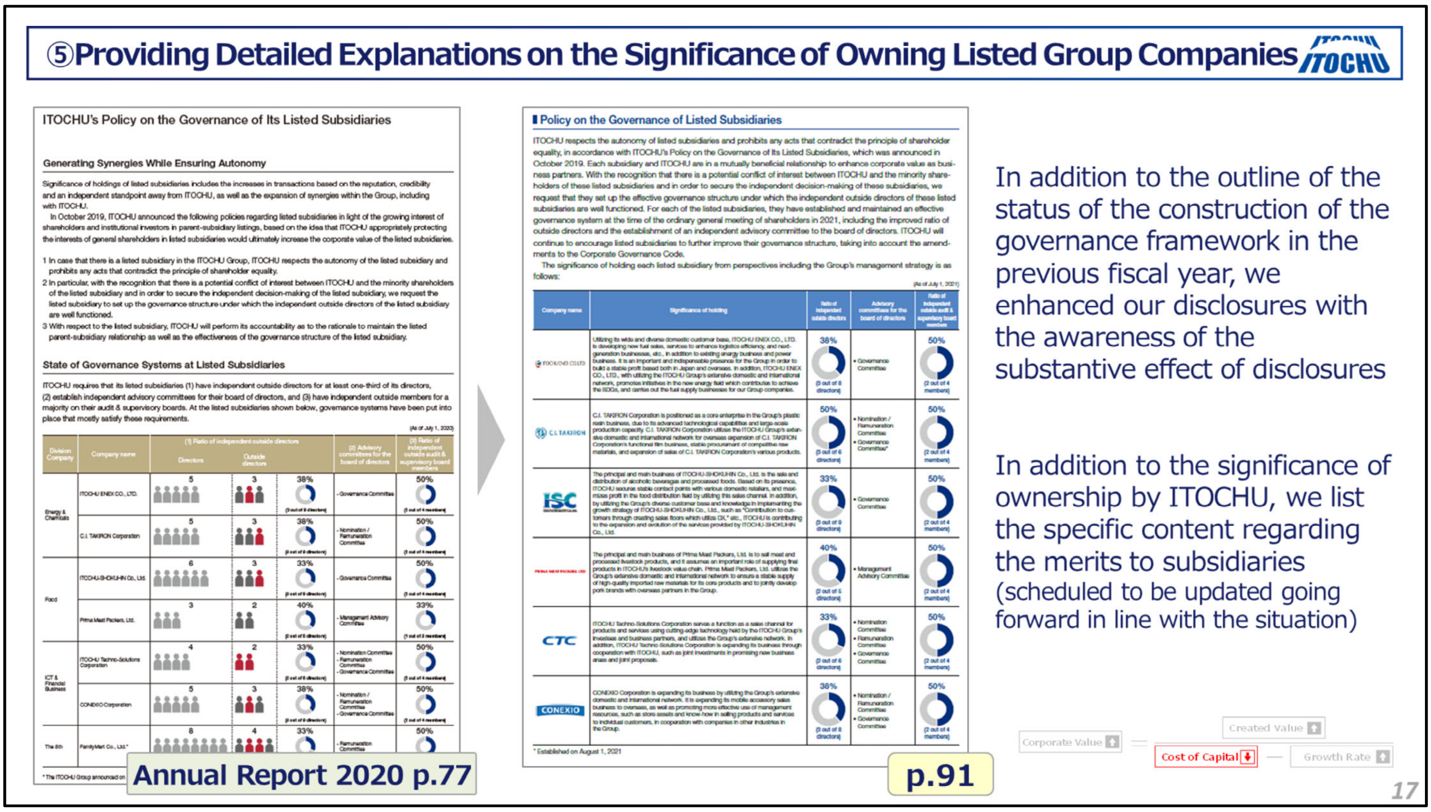
The following is an explanation of specific discussions held at the Nomination Committee. In the Outside Director dialogue, the President & COO selection process is mentioned.

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

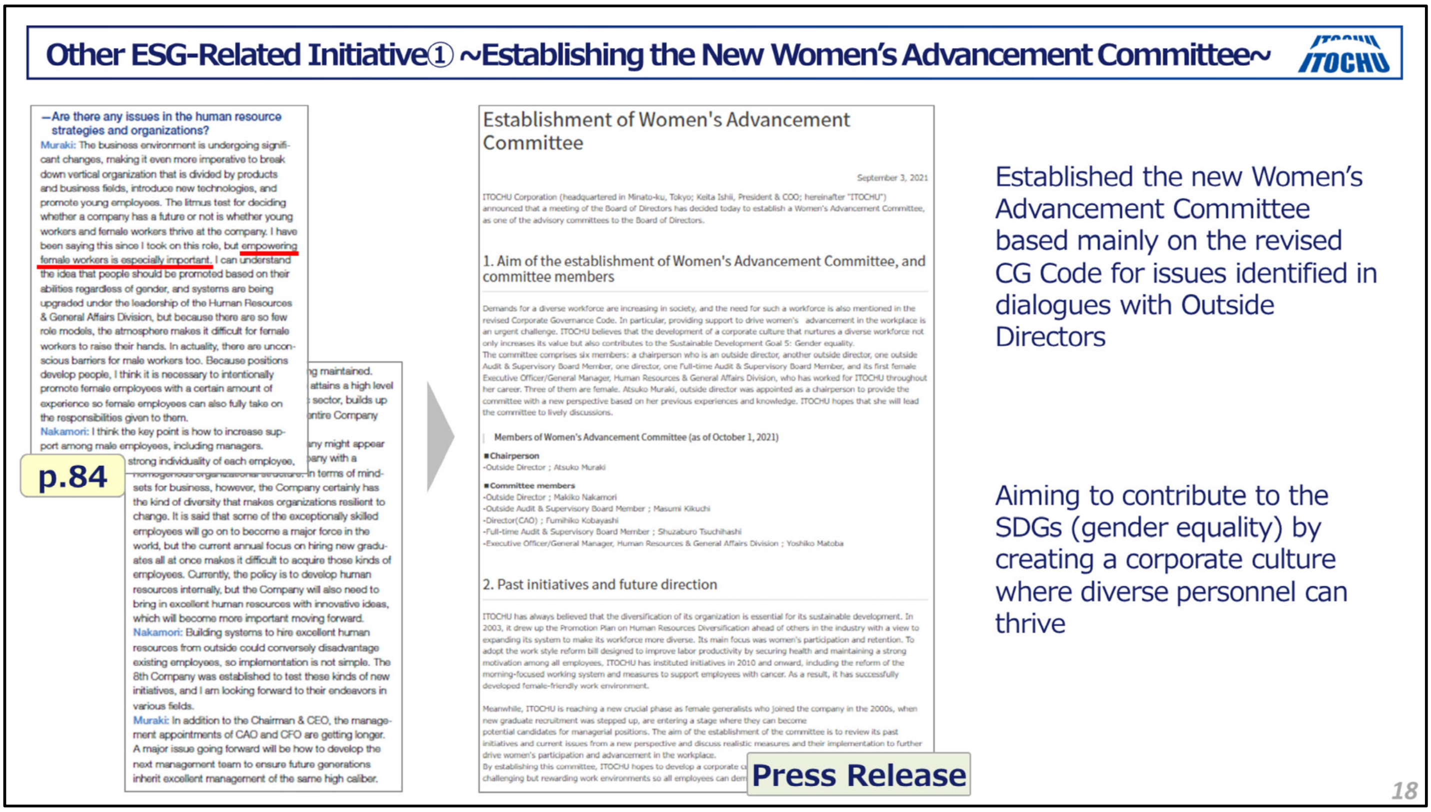
The personnel evaluation of President & COO Ishii mentioned in the CEO message matches the personnel evaluation conducted through the selection process of Outside Directors. You can be sure that the selection aligned with the ideal “Merchant” vision of ITOCHU.




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.

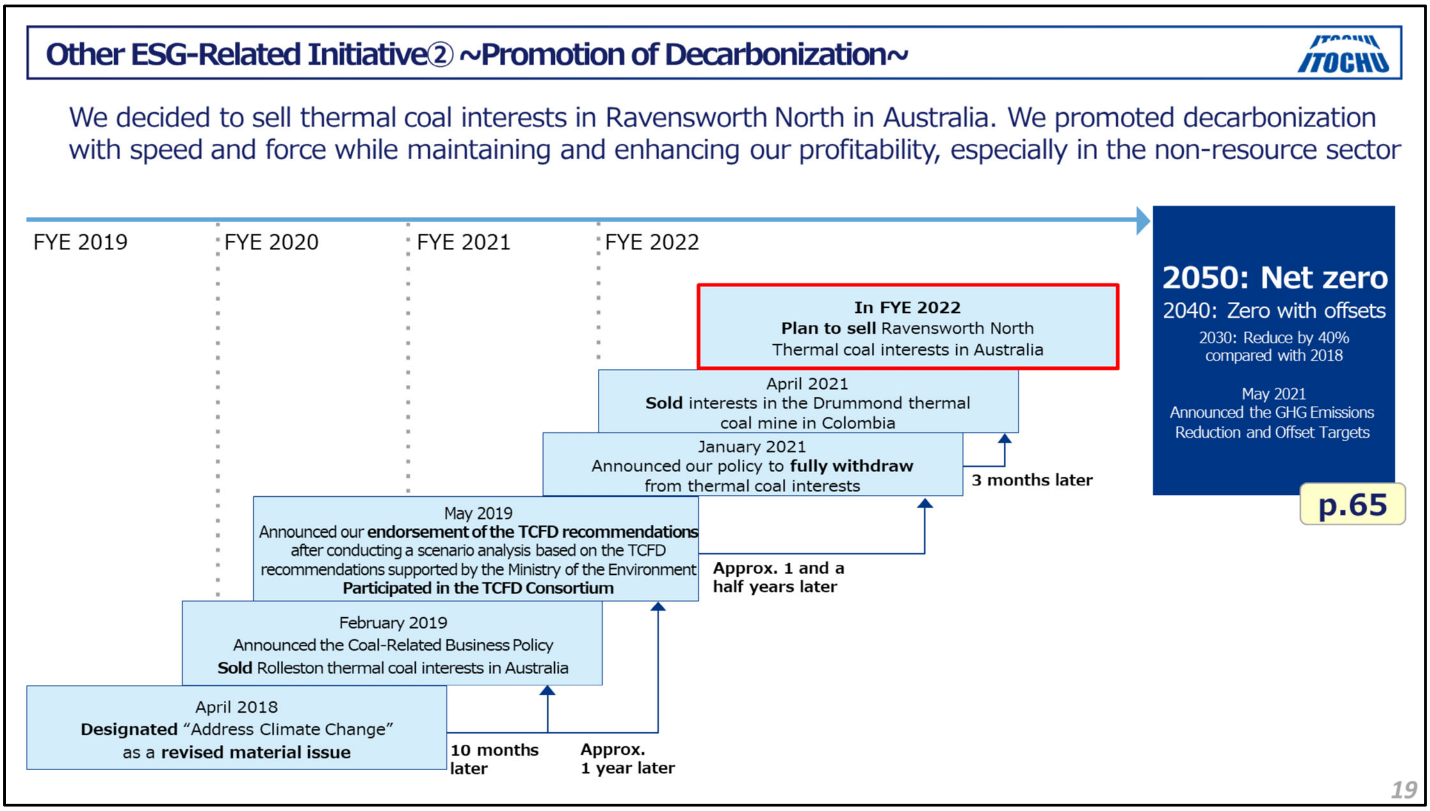
In the Annual Report 2021, we explain the merits to ITOCHU and to its subsidiaries with a keener awareness of the need for content.

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.




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.




Next is our response to climate change.

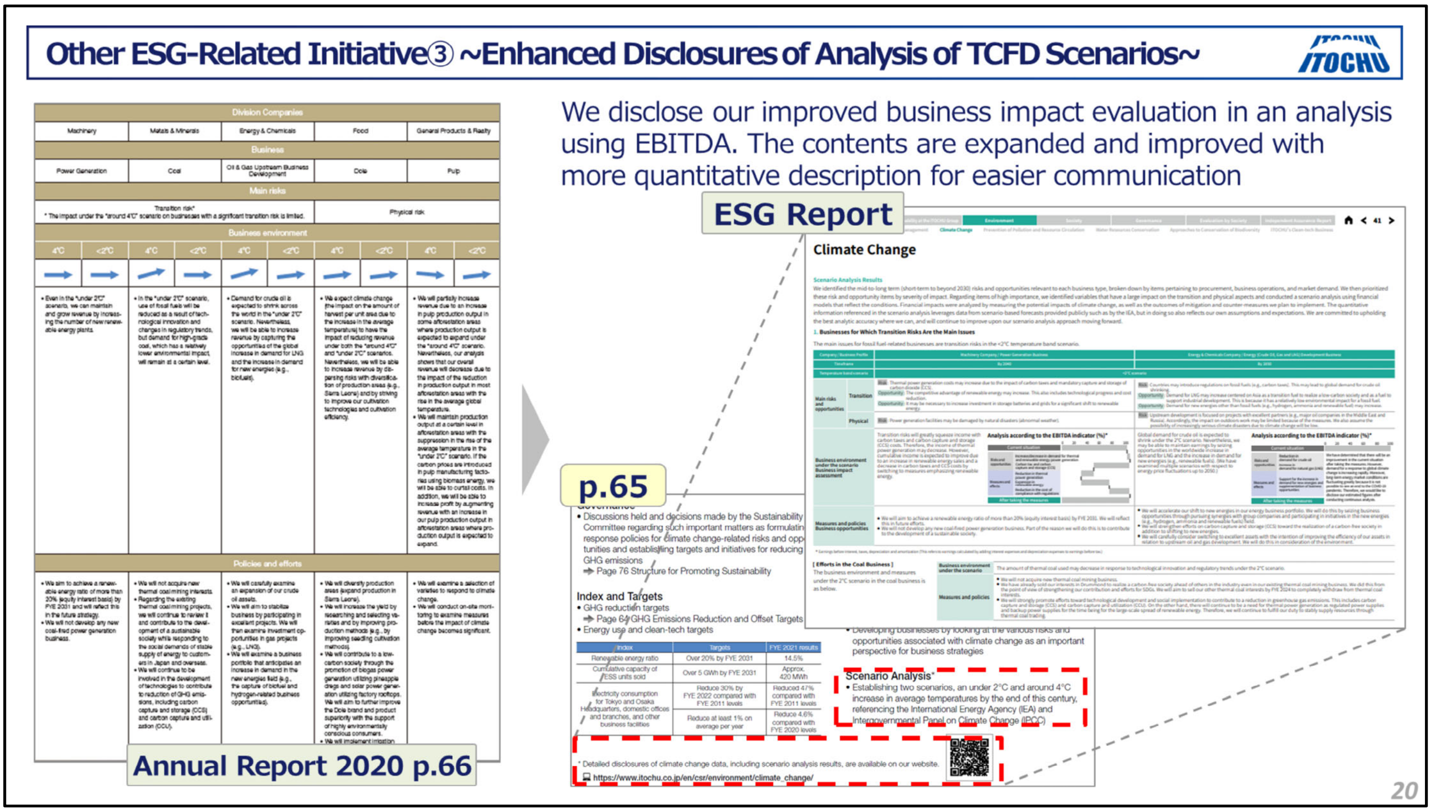
We reformed our material issues in April 2018. We identified “address climate change” as a material issue.

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.

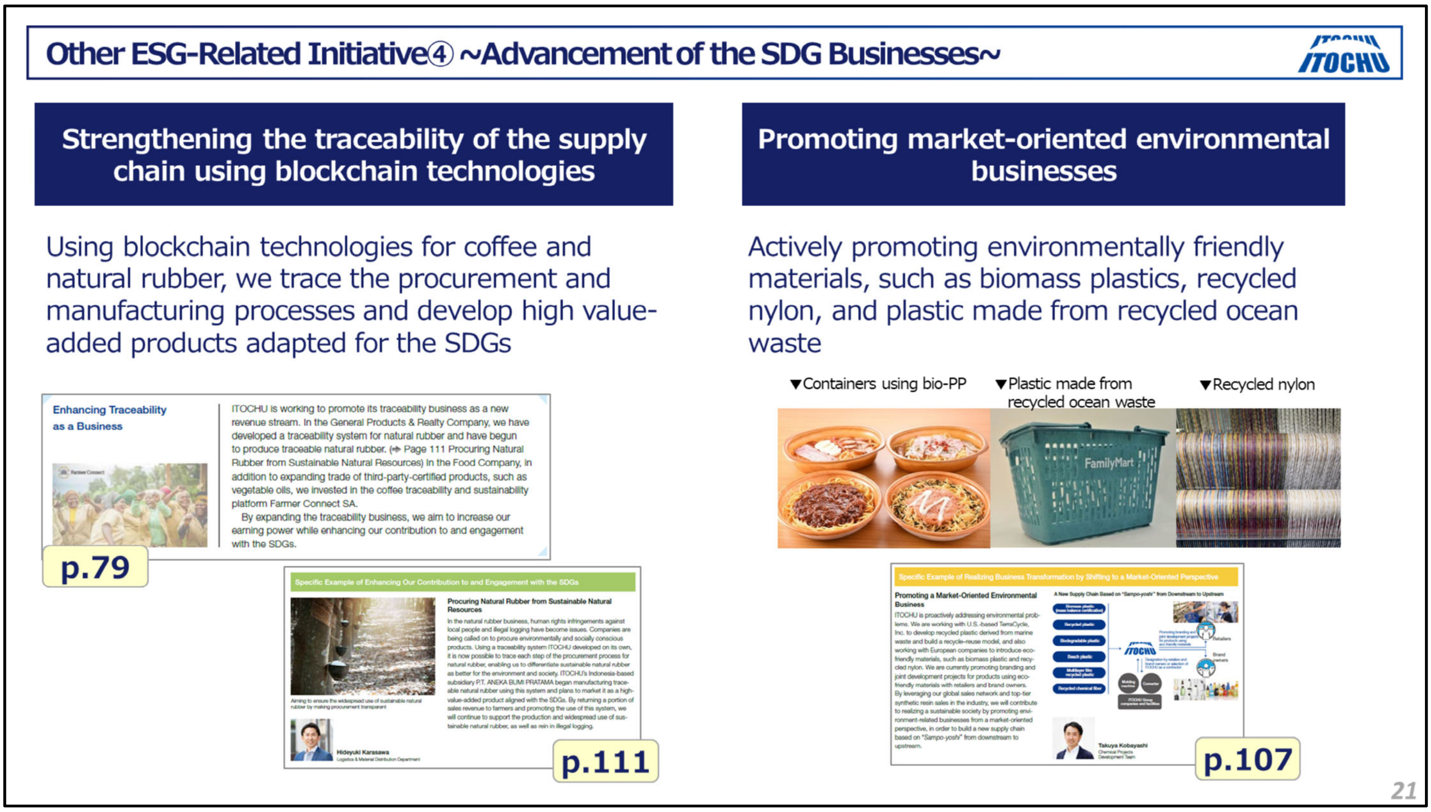



I will explain a bit more about our disclosures in line with the TCFD recommendations.

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.




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.

## Issues in 2022 and Beyond

- ✓ 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

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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.


I am One with Infinite Missions