

Investors Meeting for Operating Segments

**Digital Strategy in the ICT &
Financial Business Company and
The 8th Company**

ITOCHU Corporation

Thursday, March 24, 2022



I am One with Infinite Missions

- ✓ Under the situation where continuous demand for digital transformation is expected, we selected the digital strategy of the ICT & Financial Business Company and the 8th Company, which are unique business to ITOCHU among Japanese general trading companies.
- ✓ In the corporate value calculation formula, we will mainly focus on the "growth rate."

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

I Overview of the ICT & Financial Business Company

- Organization/Personnel/Business Overview
- Financial Highlights (FYE 2017-)
- Major Group Companies
- Areas of Focus

I ICT & Financial Business Company Growth Strategy

- ICT & Financial Business Company Growth Strategy
- Expanding Profit through DX Support Businesses
- Securing Profit Opportunities through Venture Businesses
- Growth through Ongoing New Business Development
- Growth Trajectory

I The 8th Company Growth Strategy Utilizing FamilyMart's Business Foundation

- Organization/Personnel/Business Overview
- Initiatives Utilizing Digital Technologies
(FamiPay, Advertising Business, Media Business, Humanoid AI Assistants, etc.)
- Initiatives with the ICT & Financial Business Company
- Growth Trajectory (Medium term)

Overview of the ICT & Financial Business Company

Organization/Personnel/Business Overview



- Newly established in FYE 2017 to integrate ICT and financial business.
- Seeking to capture new markets and expand by combining the ICT Division's business development functions with the Financial & Insurance Business Division's customer network and expertise.



President Tatsushi Shingu
(Managing Executive Officer)

ICT Division

COO Hiroshi Kajiwara(A)
DCOO Masato Horiuchi

Financial & Insurance Business Division

COO Yasuhito Kawauchino(B)

CFO

CFO Fumitaka Horiuchi(C)

Planning & Administration Dept.

GM Atsushi Hashimoto(D)

Information Technology Business Dept.

IT Solutions, Digital Marketing
BPO*, Venture Investment
Healthcare/ Healthtech
* Business Process Outsourcing

Communication & Mobile Business Dept.

Space & Satellites / Media & Contents
Mobile related service, Mobile Distribution
Broadcasting & Telecommunications

Financial Business Dept.

Credit Card, Consumer Credit Business,
FinTech service, Retail Finance

Insurance Business Dept.

Retail Insurance Distribution
Insurance Agency & Brokerage,
Reinsurance, Credit Guarantee,
Retail Guarantee (As of January 1, 2022)



A

B

C

D

No. of Group Company : 34 Companies

No. of Employee(Non-consolidated) : 339 * Includes seconded employees

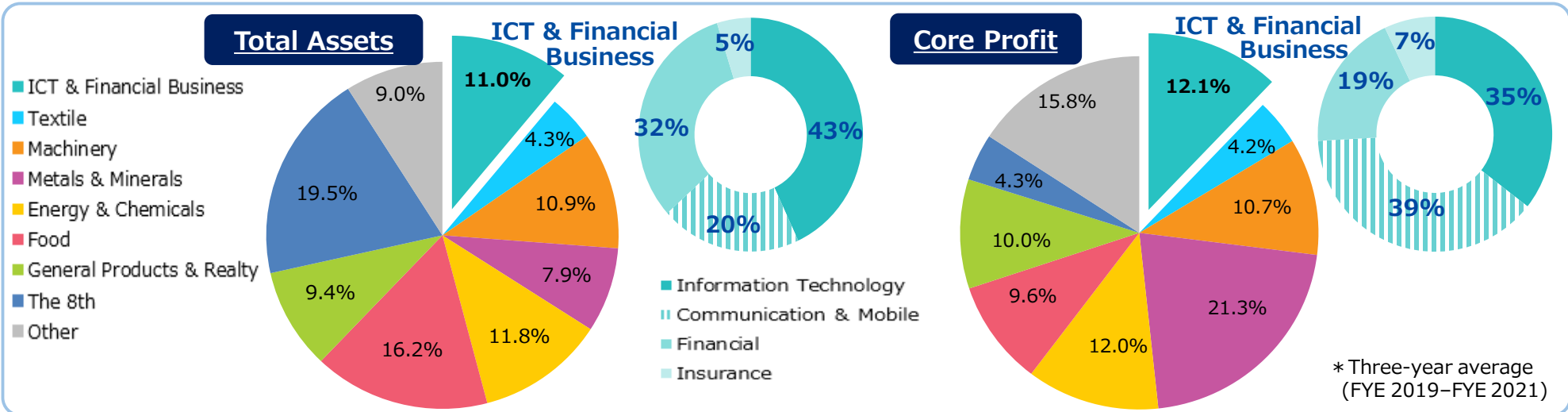
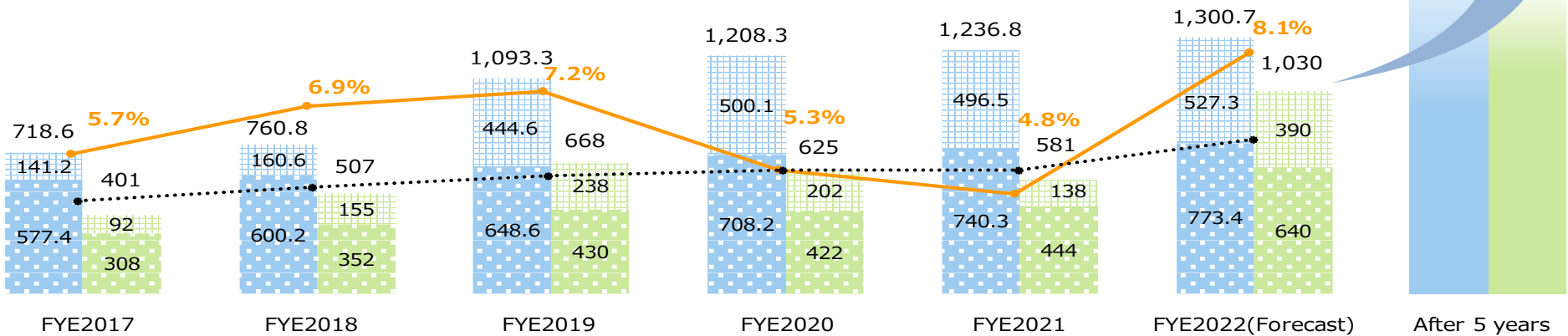
Financial Highlights (FYE 2017-)



- Earnings base increased through asset expansion. Steady growth of core profit.
- Consolidated net profit forecast of over ¥100.0 billion for FYE 2022, due partly to extraordinary gains. We aim to be the No. 1 non-resource sector Division company.

ICT Division Total Assets Consolidated Net Profit ROA
 Financial & Insurance Division Total Assets Consolidated Net Profit Core Profit

(Units) Total assets: ¥1 billion; Consolidated net profit : ¥0.1 billion



Major Group Companies



ICT Division

IT services	■ CTC	<u>One of Japan's largest</u> system integrators	
	■ WingArc1st	<u>Japan's top market share</u> in business form solutions	
BPO	■ BELLSYSTEM24	<u>One of Japan's largest</u> contact center operators	
Healthcare services	■ A2 Healthcare	<u>One of Japan's foremost</u> CRO*s	
Media	■ SKY Perfect JSAT	<u>One of Asia's largest</u> satellite communications/ subscription-based multi-channel broadcaster	
Communication and mobile	■ CONEXIO	<u>Japan's No. 2</u> mobile phone sales agent	

*Contract Research Organization

Financial & Insurance Business Division

Global retail finance	■ Orient Corporation	<u>Japan's largest credit sales company,</u> 11.12 million card members*1	
	■ POCKET CARD	<u>Major domestic credit card company,</u> 4.97 million card members*2	
	■ Overseas Retail Finance	<u>Leading consumer financing business in multiple markets,</u> 1.70 million policies enrolled*1	
Insurance brokerage	■ HOKEN NO MADOGUCHI	<u>Japan's largest retail insurance distributor</u> with 798 shops and 1.33 million policies enrolled*3	

*1 As of Dec. 31, 2021

*2 As of Aug. 31, 2021

*3 As of June 30, 2021

Areas

Approach

DX

- Supplement existing business functions with consulting and data analysis/visualization to reinforce DX support businesses

ICT
Division

Mobile

- Reinforce mobile phone-related businesses, including distribution of secondary phones

Financial
&
Insurance
Business
Division

Retail finance and insurance

- Thoroughly apply a market-oriented perspective
- Strengthen profitability through new businesses and customer base expansion

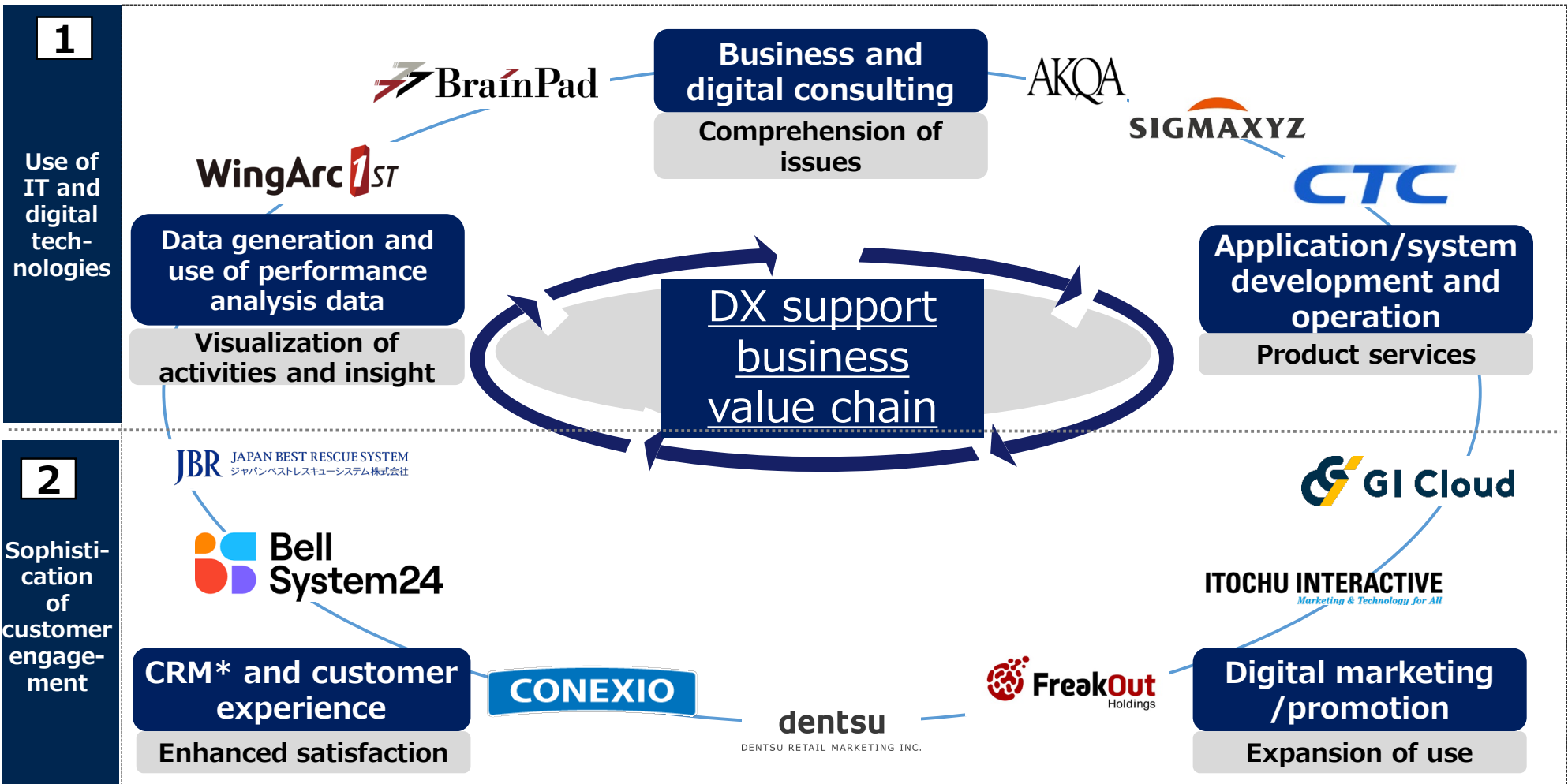
ICT & Financial Business Company Growth Strategy

Grow by providing “market-oriented services” aligned with accelerating business environment changes and diversifying customer needs

- **Contribute to profits by strengthening and expanding DX support businesses to generate synergies with existing businesses and companywide DX promotion**
- **Access cutting-edge innovation and secure stable capital gains through venture businesses**
- **Accelerate growth through ongoing “new business development” that responds precisely to the changing times**

Expanding Profit through DX Support Businesses (1)


- Corporate needs for DX support are increasing every year to adapt to the accelerating changes in the business environment.
- By strengthening our relationships with capital and business alliance partners and Group companies, we are building a system that enables dynamic DX promotion, seamlessly encompassing upstream consulting, system development, and operation and data analysis, and meeting DX support needs.



*Customer Relationship Management

Expanding Profit through DX Support Businesses (2)(Case Studies)





Example of our “cut” principle : Groupwide DX support

Project	Use function	Results
Going paperless for invoices	<ul style="list-style-type: none"> Digitizing data 	<ul style="list-style-type: none"> Enhancing operational efficiency by digitizing invoices Improving profits by realizing our “cut” principle   
AI-powered autonomous ordering system	<ul style="list-style-type: none"> Data collection Data analysis  	<ul style="list-style-type: none"> Realizing DX for placing and receiving orders Improving profits by reducing inventory and enhancing operational efficiency   

Aims

- ✓ Solving the ITOCHU Group’s issues through digitization and helping customers enhance their earnings power (thoroughly pursuing the “cut” principle)
- ✓ Expanding revenues through the rollout of established DX support services and accumulated knowhow across the Group and outside as well as their external sale

Example of our “earn” principle : Support for business transformation

Project	Use function	Results
FOODATA (food data platform)	<ul style="list-style-type: none"> Data provision /collection Consultation functions Data visualization    	<ul style="list-style-type: none"> Supporting the transformation of product development that relied on intuition and experience into product development that is based on data and evidence Supporting the enhancement of earning power by evolving our business model

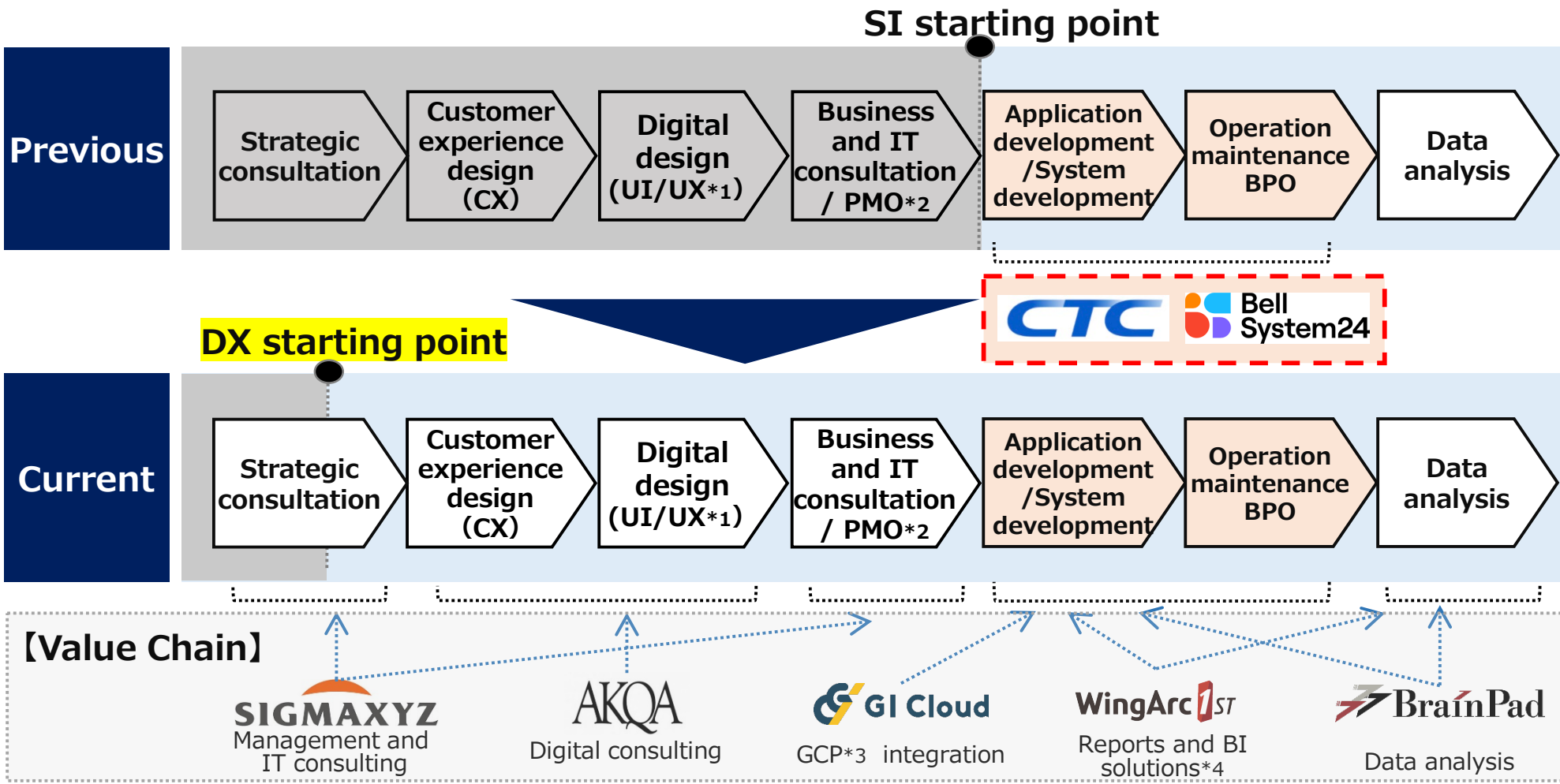
Aims

- ✓ Building relationships of trust with customers by supporting the enhancement of their earning power
- ✓ Creating new profit opportunities by providing value-added services, such as more efficient marketing and more sophisticated customer engagement

Expanding Profit through DX Support Businesses (3) (Synergies with Existing Businesses)



- By enhancing upstream components prior to the system development and BPO phases, we have **built a system to capture emerging needs for this DX era at the very starting point.**
- Utilizing our DX support businesses, we have expanded the scope of functions ITOCHU can offer and successfully acquired projects across the entire value chain. **With such core businesses as CTC and BELLSYSTEM24, we aim to create even more synergies.**

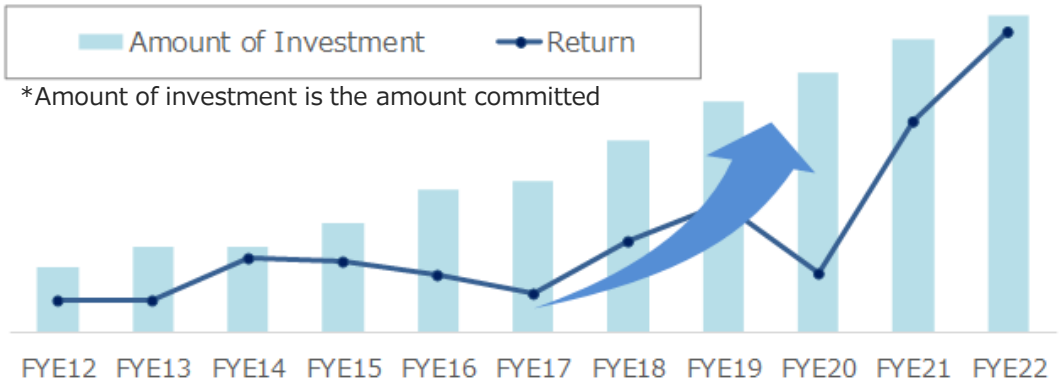
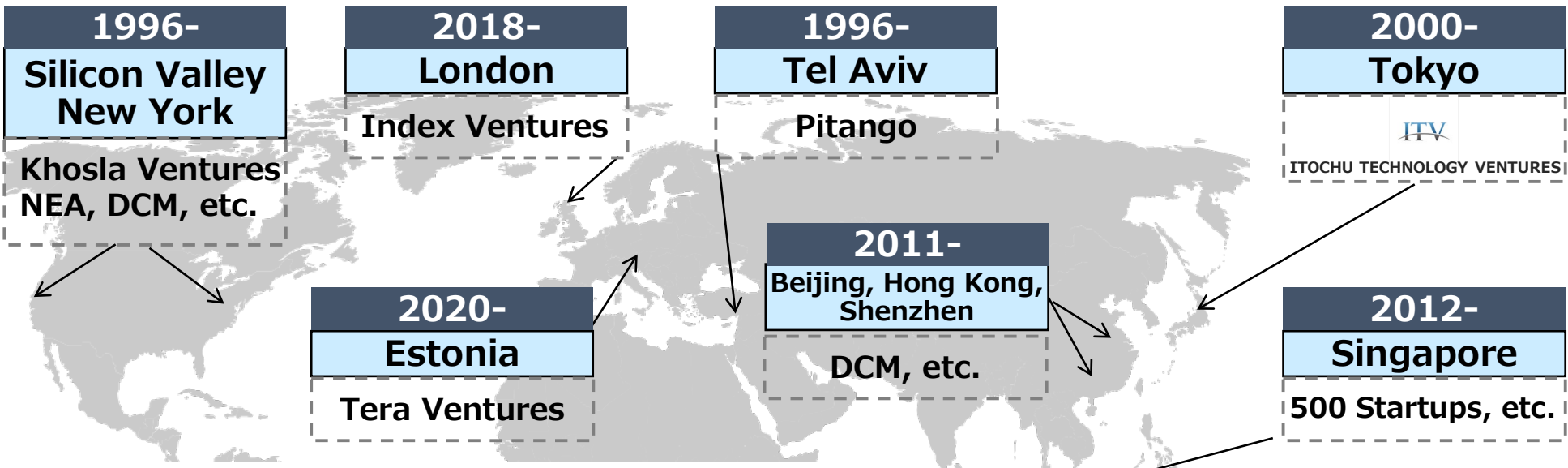


*1 User Interface/User Experience *2 Project Management Office *3 Google Cloud Platform *4 Business Intelligence Solutions

Securing Profit Opportunities through Venture Businesses (1)



- We have expanded our information network by investing in venture capitals (VC) since the 1990s. **We secured access to cutting-edge innovations and business models through these discerning top-tier funds.**
- We expanded our investment area to Europe, Asia, and the Middle East. We increased investment in carefully selected VC and steadily increased the scale of returns.

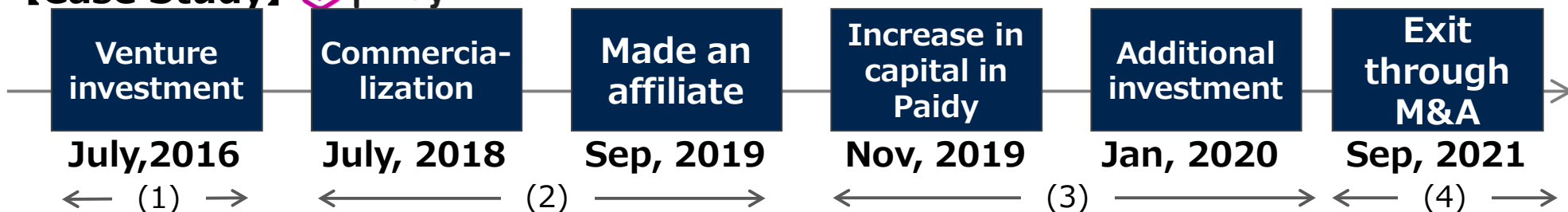


Results of the most recent 10 years

Amount of investment	Around 5 times
Return	Around 7 times

Securing Profit Opportunities through Venture Businesses (2) (Case Study)

【Case Study】 paidy



- | | |
|-----|---|
| (1) | ✓ Focusing investment on areas (e.g. BNPL* companies such as Affirm and Klarna) sought by top-tier North American VC, we scoured investment opportunities and successfully funded Paidy. |
| (2) | <ul style="list-style-type: none"> ✓ Upon commercialization, we dispatched personnel from the Financial & Insurance Business Division. We supported Paidy's growth by introducing major affiliate stores and enhancing their credit with ITOCHU's. ✓ We promoted collaboration with the ITOCHU Group in part by contracting a call center with BELLSYSTEM24 and enhancing and supporting a management system aimed at stock market listing. |
| (3) | ✓ Increased third-party allocation funds with the aim of securing operation funds and further expanding business (from George Soros's fund/PayPal/existing shareholders, etc.) |
| (4) | ✓ Due to the founder's desire to expand business under the scope of a major global payment company, ITOCHU sold all its shares to PayPal. |

* Buy Now Pay Later

Nurturing new industries (fund provision, sales support, etc.)

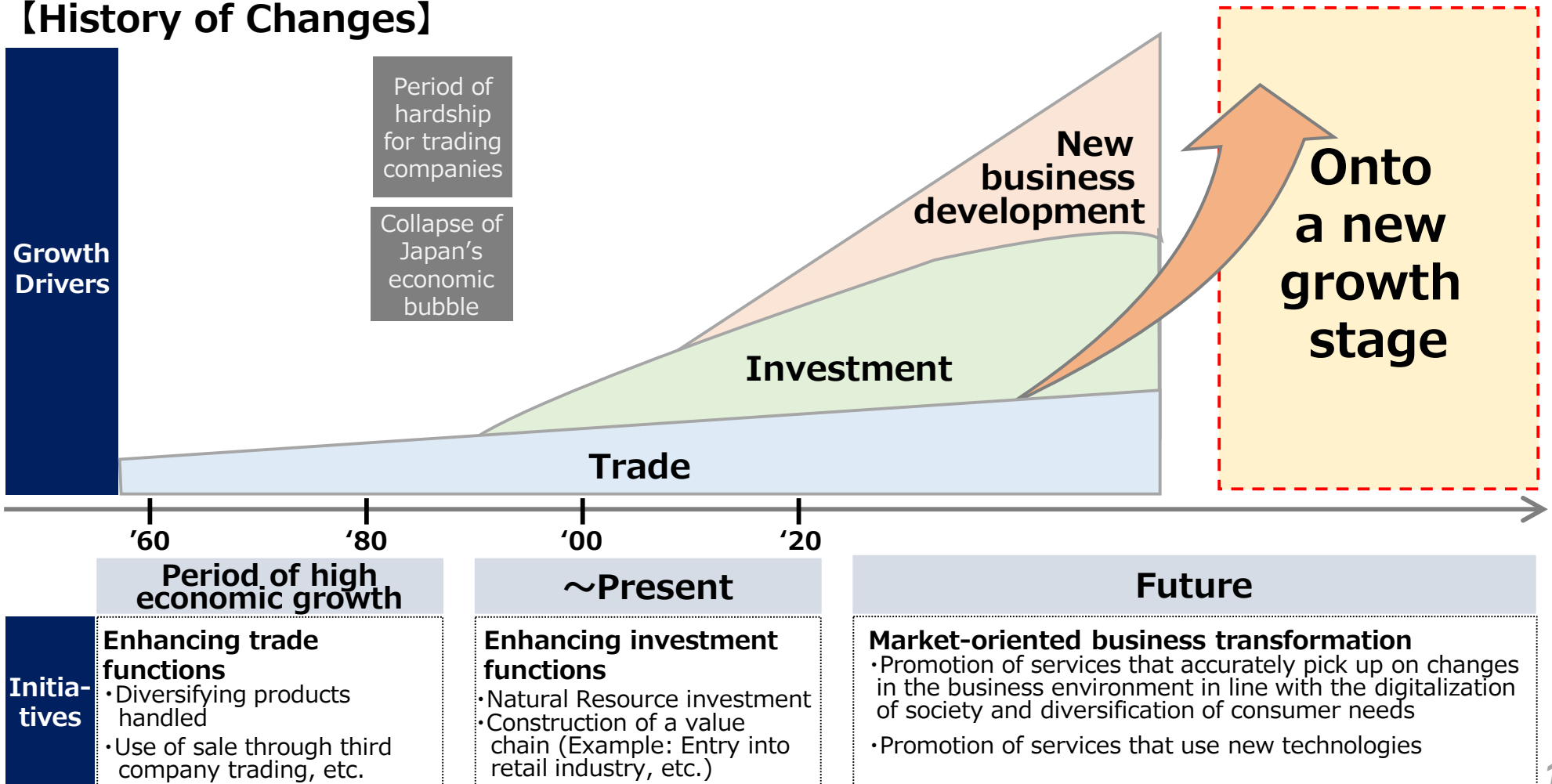


Growth through Ongoing New Business Development (1)



- In the past, general trading companies achieved growth by transforming their business to encompass investment functions in addition to trade.
- We identified business transformation as a future growth driver to be realized by expanding market-oriented new business development functions. **We aim to achieve sustainable growth by building a new business model that accurately picks up on changes as they arise.**

【History of Changes】



Growth through Ongoing New Business Development (2)(Case Study)

- Continue new business development with our “start small and grow big” culture.
- Build market-oriented services through multiple endeavors and aim to develop them into core businesses.

Track Record of Past Initiatives

Initiative form	Businesses	Results
Company business spin-off	CTC	After spinning off operations related to this line of trade, we steadily expanded the business and listed it on the stock market. We continuously expanded the business as a core operating company of the ICT Division
	CONEXIO	
Establishment of Joint Venture	Asurion	We began a mobile after service business and nurtured it into a core business
	Excite Japan	We anticipated the rapid rise of the internet, launched the business, and listed it on the stock market. We exited the business in FYE 2019.
Establishment of new businesses	eGuarantee	Established as a Credit Guarantee company and subsequently listed on the stock market, we partially exited this business in FYE 2021
	kabu.com Securities	Launched to capture the expansion in online stock trading, we exited the business after the IPO.

Some current initiatives

Organization	Fields	Initiatives
Information Technology	DX Healthcare	AKQA (digital consulting business), GI Cloud (Cloud SI business), Docquity (platform business for doctors in Asia), Mnes (remote diagnostic support business)
Communication Mobile	Mobile/License	Belong (secondary phones distribution business), RBA (Asia-targeted license business in Asia)
Finance Insurance	Fintech Insurtech	Money Communications (salary prepayment business), Gardia (retail guarantee business), PDP (Indonesia P2P lending platform operator)

<u>Foundation for Growth</u>	<u>Vision</u>	Lead Times			Expected Revenue		
		short	Mid	Long	Minor	Mid	Major
<ul style="list-style-type: none"> ■ Enhance and expand DX support businesses <ul style="list-style-type: none"> •WingArc1st, made a Group company •DENTSU RETAIL MARKETING, made a Group company •BrainPad, capital and business alliance •SIGMAXYZ, capital and business alliance •GI Cloud, established ■ Venture Business <ul style="list-style-type: none"> •ITOCHU TECHNOLOGY VENTURES V fund, established •Tera Ventures II, invested in the fund •North America, Khosla Ventures, invested in the fund ■ Business Incubation <ul style="list-style-type: none"> •Belong, established •Money Communications, established •Gardia, made a subsidiary 	<ul style="list-style-type: none"> ■ Enhance and expand DX support businesses <ul style="list-style-type: none"> •Build a DX value chain •Seamlessly provide high value-added services spanning consulting, system development and operation all the way to data analysis •Expand profits through the development and external sale of DX support services •Create synergy with existing businesses through the DX value chain ■ Venture Business <ul style="list-style-type: none"> •Secure access to cutting-edge innovations by nurturing relationships with top-tier VC •Build a stable earnings base by expanding and diversifying the amount we commit to investment ■ Business Incubation <ul style="list-style-type: none"> •Achieve business expansion through inclusion of growth markets Healthcare Mobile-related Fintech, asset management Insurtech, life insurance business 						

The 8th Company Growth Strategy Utilizing FamilyMart's Business Foundation

Organization/Personnel/Business Overview



- We newly established The 8th Company in July 2019 to shift to a market-oriented perspective and further revitalize the organization and personnel throughout the Company.
- The Company has introduced a highly mobile, ameba-like organizational structure based on a market-oriented perspective, rather than the traditional product-oriented divisions and departments.

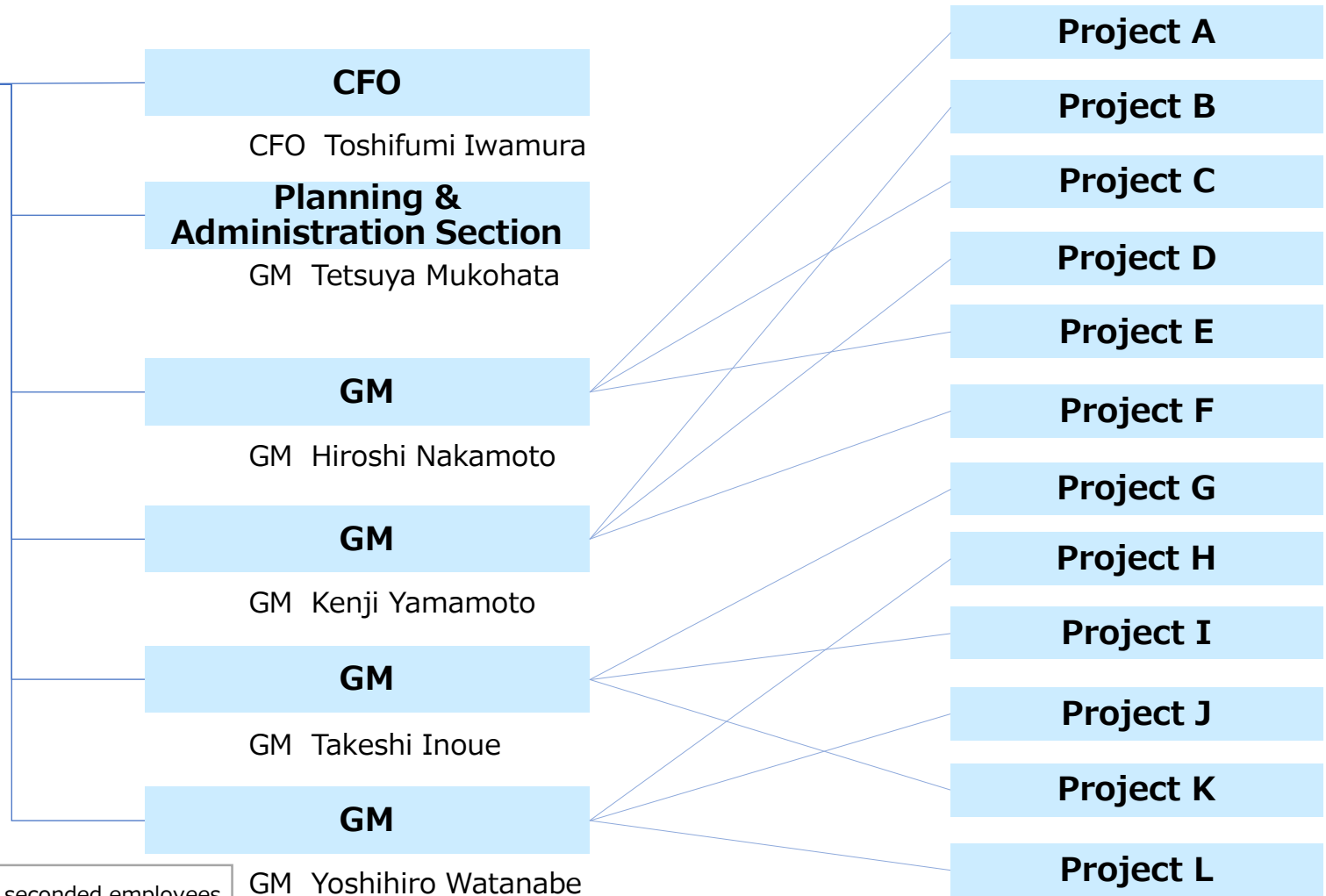


President Shuichi Kato
(Executive Officer)



(As of January 1, 2022)

No. of Employees : 47 * Includes seconded employees



Initiatives Utilizing Digital Technologies

Media business



Advertising business



Financial business

FamiPay



Create new businesses that utilize our store network and customer base

Reinvestment of profits generated by new businesses and utilization of technologies

Attracting customers / Increasing daily sales

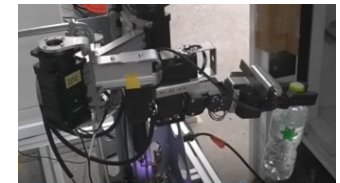


ファミマシー

Support store operations



Diversify stores / Reduce workload



Expand Businesses Utilizing FamiPay, a Digital Customer Touch Point



- In July 2019, we began expanding the FamiPay app, the Company's own digital customer touch point. We achieved 10 million downloads in November 2021.
- We positioned the FamiPay app as the core of our customer touch points and utilized it to create marketing, advertising, and media businesses as well as new digital services. We leverage our competitive advantage of being the only major convenience store to have its own payment app to accelerate expansion of our financial business.

Customer ID

- Digital touch points through FamiPay
- Further expansion of our customer ID base through a multi-point strategy



Purchase data

- Purchase data on around 15 million people/day



<FamiPay>

- Provide unique benefits and convenience
- Enhance CRM through data analysis

<Advertising ID>



Around 20 million IDs

<Payment Data>



FamiPay is accepted at around 200,000 stores, even outside FamilyMart

Utilize digital customer touch points

Existing Businesses

Increase daily sales and number of customers

- Increase store visits and daily sales through sales promotions (points, coupons)
- Secure and nurture loyal customers by enhancing communication

New Businesses

Advertising and media businesses

- Data One (target advertising)
- Gate One (signage)

Financial business

- Famima Digital One (FamiPay next month payment / FamiPay loan)

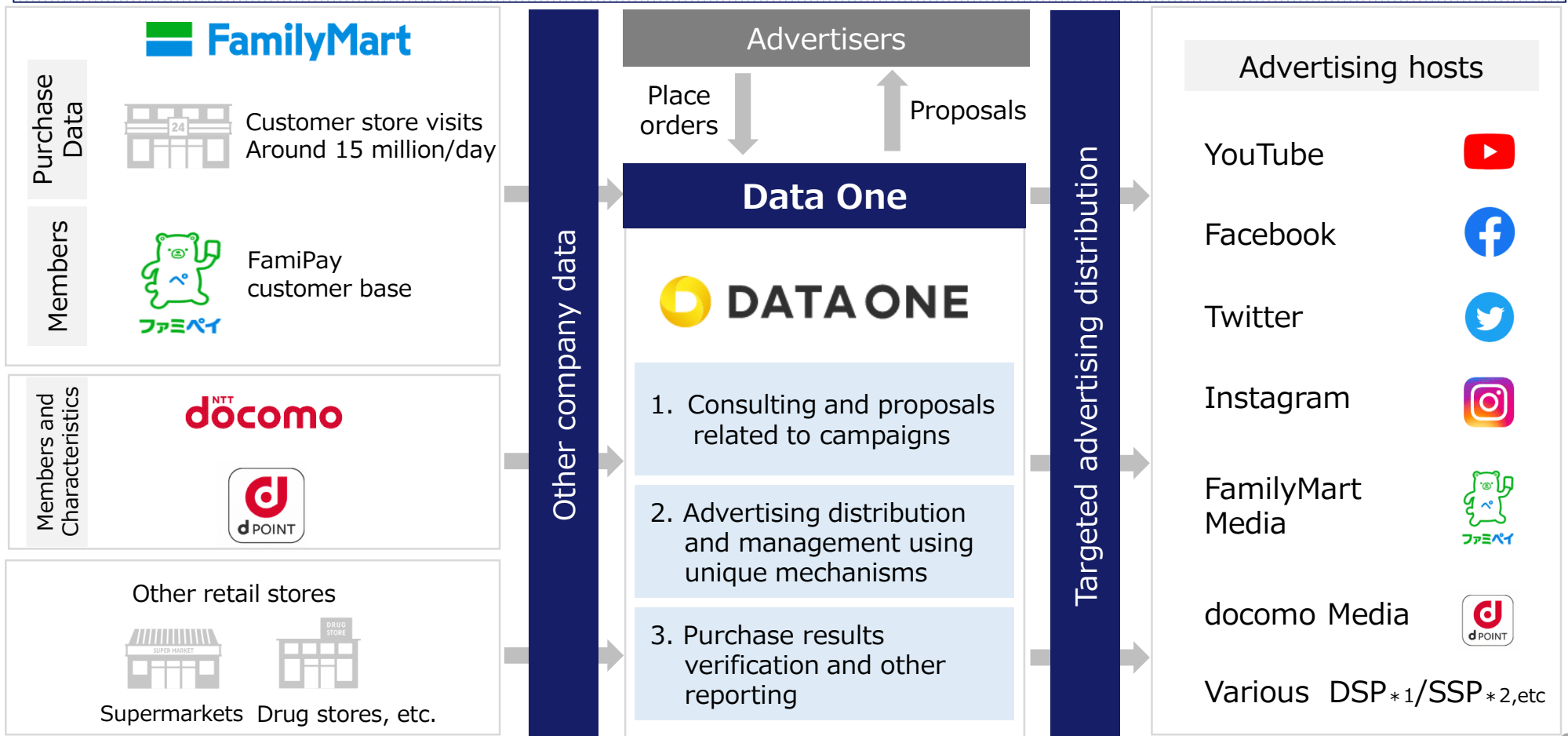
Other new businesses

- Create new digital services

Advertising Business (Data One)



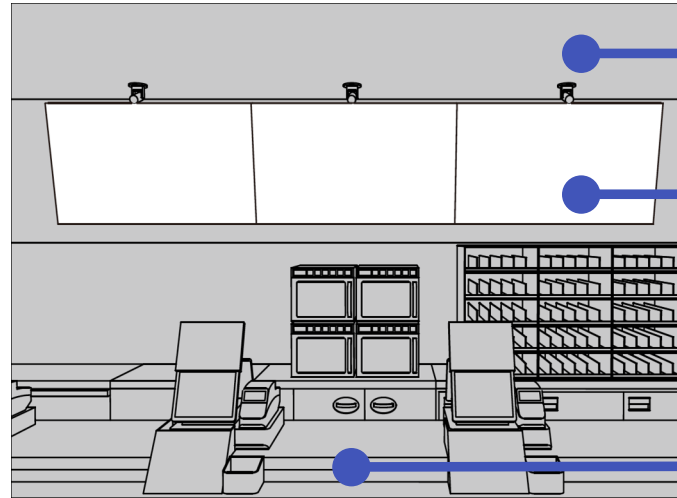
- We synchronized FamilyMart customer touch points and purchase data with NTT docomo's d POINT member data. Data One, which was established in 2020, owns around 20 million IDs, one of the most in Japan. The company distributes targeted advertising based on actual purchase data.
- We aim to expand business in advertisements that can visualize results, including collaboration with signage advertisements, in addition to highly unique targeted advertising that can verify purchase results after distributing advertisements.



*1 Demand-Side Platforms (advertiser-side) *2 Supply-Side Platforms (media-side)

Media Business (Gate One)

- We installed large signage inside FamilyMart stores, turning stores into a form of media. By distributing unique content that customers enjoy, we raise our media value and aim to be a third form of media, after TV and the internet.
- We began offering services from October 2021 and finished installing signage in 1,000 stores by February 2022. By Q1 (April to June) of FYE 2023, we aim to install signage in 3,000 stores. We will expand to nationwide FamilyMart stores where such signage can be installed.



- Enabled a wide range of expressions with voice commands
 - Unique distribution structure
 - Optimal signage installation
- ```
graph TD; A[Ads] --> B[Prg]; B --> C[Ads]; C --> D[Prg]; D --> A;
```

## Example of FMV\* Content

\*FamilyMartVision = Japan's largest digital signage network in areas which people visit regularly



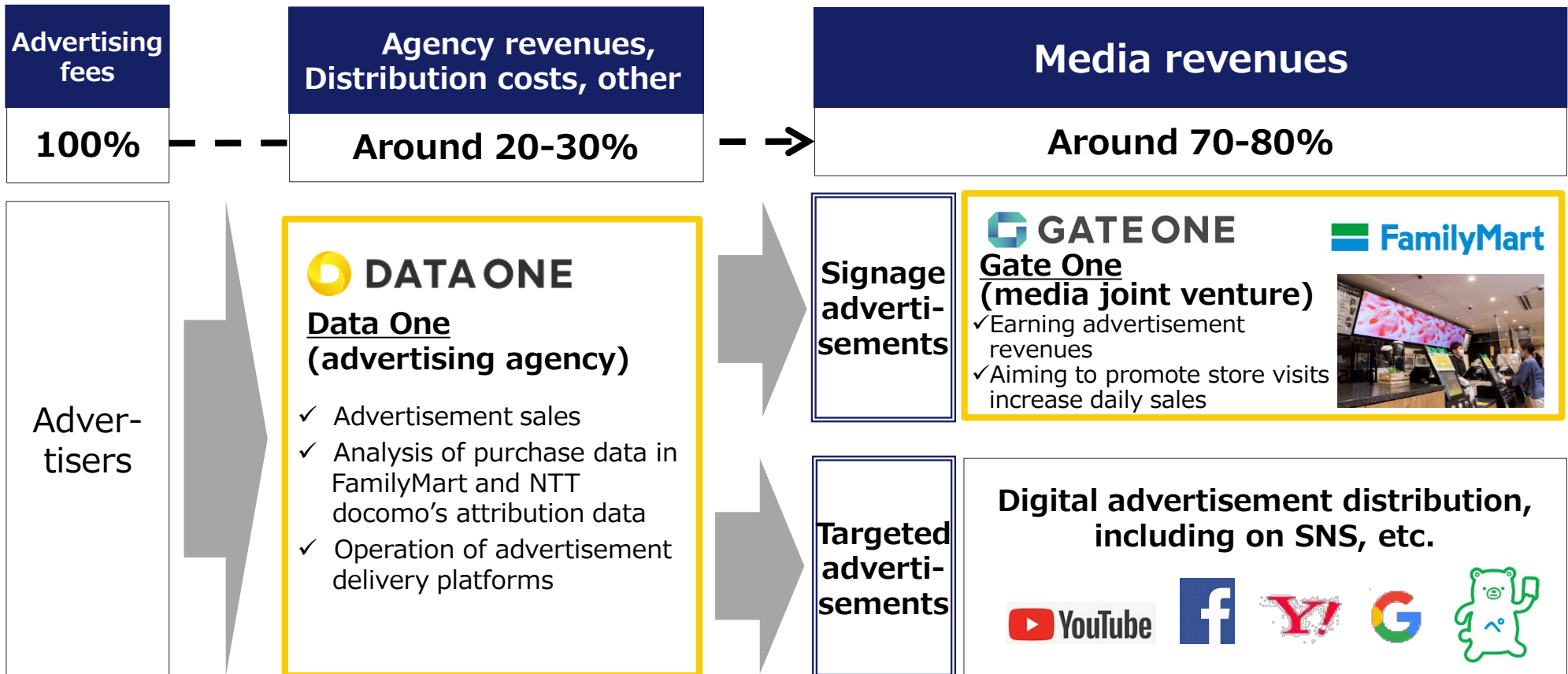
- Creating unique content using the three largest forms of signage at Gate One
- Going forward, marketing content and commercials will be targeted/distributed by area and time zone



# Business Schemes in Advertising and Media



- We synchronized Data One's targeted advertising with Gate One's media business utilizing our nationwide FamilyMart store network. We will arrange more advanced advertising services with the aim of providing added value to advertisers and significantly increasing revenue in the advertising and media businesses.
- Continue to enhance FamiPay as owned media by utilizing it to deliver targeted advertisements.



# Humanoid AI Assistants



- We collaborated with Couger Inc., a start-up company with a world-class track record in the fields of video games, image recognition AI, and blockchain.
- Utilizing this company's technology, we developed a humanoid AI assistant that achieves optimal communication in line with the behavioral characteristics of store managers. We are conducting pilot tests at FamilyMart where this exceptional assistant is supporting busy store managers with effective store operations.

## Characteristic (1)

**Work 24/7 and handle large scale data that humans cannot**

The assistants immediately provide past sales data and other necessary information when it is needed.

## Characteristic (2)

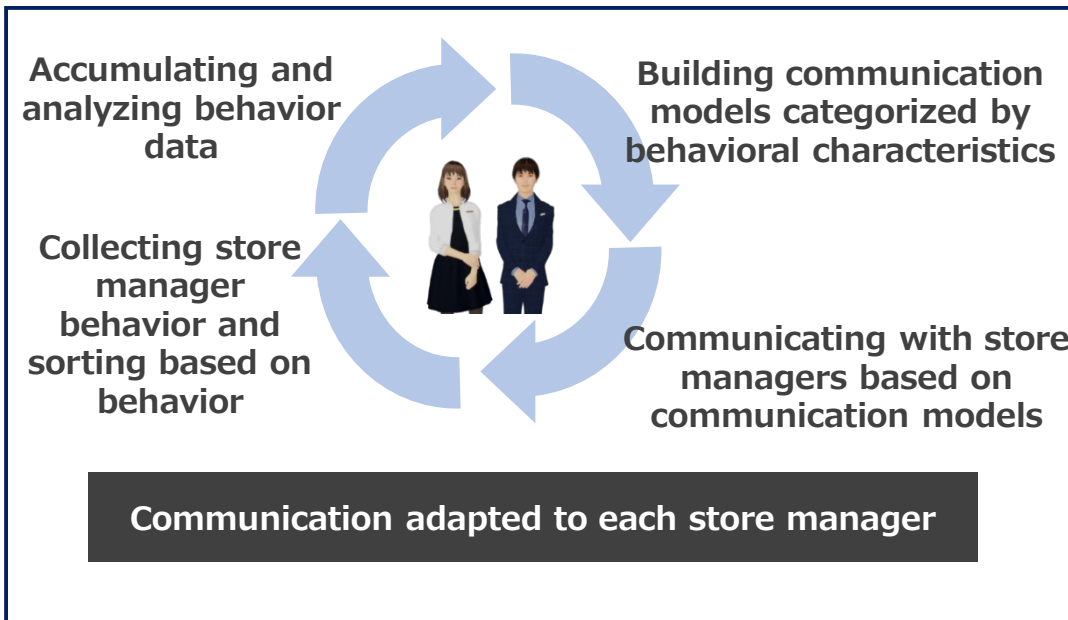
**Easy communication with a humanoid**

Compared with voice-activated devices, easy and smooth communication is possible.

## Characteristic (3)

**Responses like a human partner**

We optimize provided data based on store operation status and the daily usage patterns of the humanoid AI. The communication methods adapt to the partner.



|                            | Initiative collaborator  | Initiative                                         |
|----------------------------|--------------------------|----------------------------------------------------|
| ITOCHU and Group companies | BELLSYSTEM24             | Contact centers and BPO operations                 |
|                            | CTC                      | FamilyMart core system                             |
|                            | POCKET CARD              | Credit card                                        |
|                            | CONEXIO                  | POSA cards, mobile terminal procurement and rental |
|                            | Insurance Business Dept. | Auto insurance                                     |
|                            | DENTSU RETAIL MARKETING  | Sales and marketing support during pilot tests     |
|                            | MyVoice Communications   | Advertising procurement during pilot tests         |
| Venture investments        | TELEXISTENCE             | Beverage automatic display robot                   |
|                            | ELEMENTS                 | Micro-market expansion studies                     |
| Personnel collaboration    | FamilyMart               | Personnel from ICT and Financial Business          |
|                            | Famima Digital One       | Personnel from Financial Business                  |
|                            | Data One                 | Personnel from ICT                                 |

# Growth Trajectory (Medium term)



- As we further strengthen the convenience store business by such measures as enhancing our product capabilities, we aim to expand new businesses created based on our FamilyMart store and customer network, including the related data. We promote data collaboration with other retailers and are transforming this into a new revenue pillar for FamilyMart.
- We continuously promote initiatives to strengthen FamilyMart business foundation using technology. We aim to roll out solutions tested at FamilyMart to other retailers and acquire new revenue.

## Advertising Business



- In order to enhance the breadth and quality of purchase data, we form alliances with retail operators in other industries, such as supermarkets and drug stores.
- We aim to enhance the uniqueness of advertising products to achieve Data One sales of ¥10 billion by FYE 2026.

## Media Business



- We aim to install signage at 3,000 stores by Q1 (April to June) of FYE 2023 and install signage at all stores where possible within three years.
- We aim to enhance daily sales using the results of advertisements and content distributed in stores to achieve ¥20–30 billion in advertising sales by FYE 2026.

## Financial Business



















- We will continuously roll out financial services, such as buy now pay later and loan services.
- We plan to steadily roll out financial, insurance and other services by utilizing FamilyMart apps' characteristics such as payment functions, and high frequency of customers' store visit.





## Solutions

- We proactively promote venture investments in start-up companies. We will provide their technology and service as solutions for FamilyMart and aim to enhance the FamilyMart business foundation.
- By rolling out solutions effectively tested at FamilyMart, we aim to secure revenue for ITOCHU.

## Reference: Major Group Companies, Non-affiliated Companies, and Business Alliance Partners Listed in This Document



| Company name                                                                                                 | Category           |
|--------------------------------------------------------------------------------------------------------------|--------------------|
| CTC                         | Subsidiary         |
| CONECIO                     | Subsidiary         |
| ITOCHU INTERACTIVE          | Subsidiary         |
| ITOCHU TECHNOLOGY VENTURES  | Subsidiary         |
| GI Cloud                    | Subsidiary         |
| MyVoice Communications      | Subsidiary         |
| Belong                      | Subsidiary         |
| Money Communications        | Subsidiary         |
| POCKET CARD                 | Subsidiary         |
| Gardia                      | Subsidiary         |
| WingArc1st                 | Affiliate          |
| BELLSYSTEM24 Holdings     | Affiliate          |
| DENTSU RETAIL MARKETING   | Affiliate          |
| BrainPad                  | General investment |
| SIGMAXYZ                  | General investment |
| AKQA                      | Business alliance  |

| Company name                                                                                           | Category   |
|--------------------------------------------------------------------------------------------------------|------------|
| FamilyMart          | Subsidiary |
| Gate One            | Subsidiary |
| Data One            | Subsidiary |
| Famima Digital One  | Subsidiary |

I am One with Infinite Missions



[www.itochu.co.jp/](http://www.itochu.co.jp/)