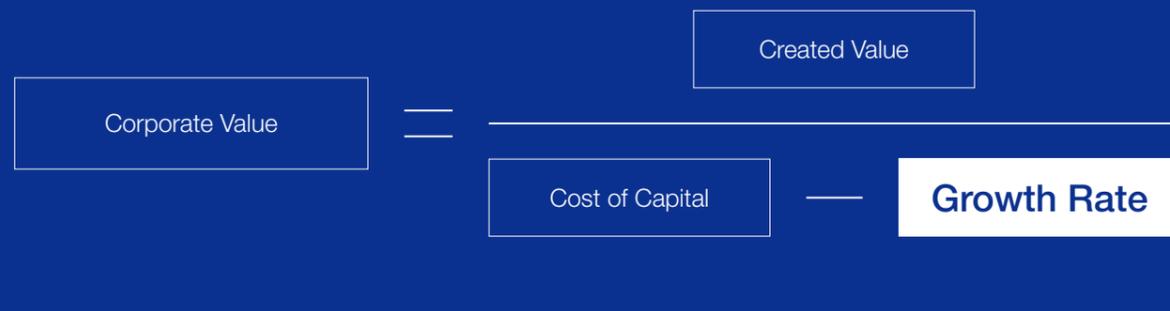


Steppingstones to Medium- to Long-Term Value Creation

Our aim in this section is to give an overview of business transformation and development that begins from frontline operations in accordance with the basic policies of “Realizing business transformation by shifting to a market-oriented perspective” and “Enhancing our contribution to and engagement with the SDGs through business activities,” which are set out in the medium-term management plan “Brand-new Deal 2023.” Also, a special feature provides numerous specific examples of such initiatives.

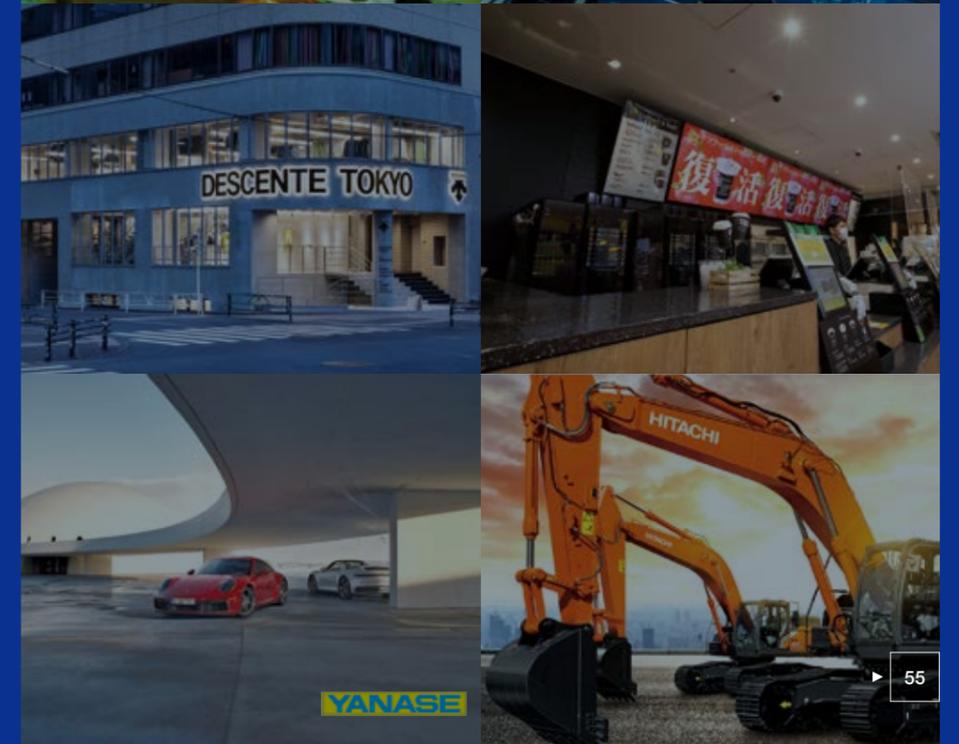


Component of the corporate value calculation formula focused on in this section



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CSO Interview

We will steadily promote well-grounded strategies and measures while keeping an eye out for opportunities and risks in the uncertain business environment.

I was named Chief Strategy Officer (CSO) in April.

Joining ITOCHU in 1987, I was assigned to the present-day Textile Company but have since spent around half of my career in jobs related to business planning. Especially in these last 10 years, I have been closely engaged in businesses that now form the core of ITOCHU's business strategies, namely FamilyMart and CP and CITIC, in the Corporate Planning & Administration Division, which promotes Companywide projects connected to formulating business plans and implementing growth strategies, and in the Food Company. Going forward, to leverage the insights I have gained as the Chief Digital & Information Officer (CDO-CIO) and firmly put ITOCHU's business strategies on a growth trajectory, I intend to continue building business models, focusing on the front lines, that transcend conventional frameworks when necessary.

Going forward, what are some key points you will focus on when investing?

We have compiled four lessons and am working to ingrain them internally.

ITOCHU has investment and exit criteria, so we, of course, adhere to these criteria. Another given assumption is that when formulating investment strategies, we pay attention to country risks including current geopolitical risks and foreign exchange rates. Moreover, we need

to pay sufficient attention to the validity of business plans and future business potential based on SDG trends, which constitute checklist items for investment criteria.

(▶ Page 40 Business Investment)

As the lead of ITOCHU, the Corporate Planning & Administration Division compiled the following four lessons learned from past investment failures. By repeatedly sharing them at major Companywide meetings, I strive to ingrain them so we will pay heed to them from the very moment we begin to study a frontline investment opportunity.

The Four Lessons

1. Overpaying for investment
2. Investments aimed at seizing profit from investees
3. Relationships with partners
4. Lack of hands-on management

Regarding the first lesson, investing in projects that assume future synergy creation and increase in value will inevitably generate goodwill, but it is especially important to control the value of investments to minimize future risk of impairment loss. Trade purchases are similar, but when business performance is strong, it is easy to forget the discipline of "buying low," so I am working hard to reinforce this mindset. For example, I warn against immediately jumping at project opportunities introduced by external parties. The second lesson refers to investments that target solely an increase in consolidated profit only through the investment itself, which is something that tends to

happen in business divisions that seem unlikely to meet their quantitative targets. Because they are only targeted for current profit contributions, these assets tend to already be at peak profitability or in a field or area with limited insight. At the same time, there is a high possibility that the investment returns of profits and dividends will decline in the near future. We are careful to avoid these kinds of short sighted investments. The third and fourth lessons have similarities. There are investments where ITOCHU cannot seize management control or take the initiative and must instead rely on partners. They especially need attention if the partner has poor business sense or a weak financial foundation. Diligently polishing businesses through hands-on management is a strength of ITOCHU's management and one of its unique characteristics. Therefore, the most important key is first determining whether ITOCHU can seize management control or take the initiative when investing.

What factors do you pay attention to when promoting DX on the front lines of business?

We will steadily build up individual projects that are expected to swiftly contribute to profit.

ITOCHU's DX is not some grand scheme to build an industry-wide platform. Our DX is well-grounded. We do not make DX itself a target. Instead, we steadily build up individual projects that are expected to swiftly contribute to profit, namely those that optimize supply chains and make operations more efficient while leveraging existing business foundations. We will then work to horizontally roll out these projects inside and outside the Group. As a result, the Group is promoting DX and data organization on the front lines of each business in which it has strengths. We aim to instill this approach.

The existence of the Companywide IT & Digital Strategy Division supports this frontline-led DX. From FYE 2022, we formed the IT & Digital Strategy Division by unifying the headquarters' DX promotion organization of the Business Innovation Department, which cultivates new business fields, and the IT Planning Division, which was responsible for IT systems. We established a system that supports and promotes corporate DX, which is connected to the "cut" and "prevent" principles in ITOCHU, and business DX, which is connected to the "earn" principle that is conscious of the Groupwide market-oriented perspective and customer contact points.

Going forward, the IT & Digital Strategy Division and the ICT & Financial Business Company, which holds one of Japan's largest system integrators, CTC, will play a central role in steadily promoting projects with comprehensive end-to-end process support, including the

identification of business issues, proof-of-concept tests, cost-benefit analysis, and practical application.

For example, at distribution centers of NIPPON ACCESS, INC., we are installing AI automated ordering systems for 1,500 items at FamilyMart. By utilizing downstream data, we have already verified a 30% decrease in inventory and around a 50% decrease in order-related workload. We began operating AI systems at all 47 distribution centers. In addition, in FYE 2023, we plan to roll out the insights we gained from this supply chain initiative of FamilyMart to the supermarket industry, etc.

In the near future, our plan is to achieve further profit growth by utilizing digital technologies, including AI and data, at the front lines of each business as a matter of course.

How will you respond to risks related to Russia-Ukraine and what is your policy on initiatives with CITIC?

Our guidance has already taken potential geopolitical risks into account.

In Russia, ITOCHU operates mainly energy-related businesses and an automobile-related business. In Ukraine, we operate an automobile-related business. As of March 31, 2022, our exposure to Russia and to Ukraine stood at ¥42.1 billion and ¥2.6 billion, respectively.

Our FYE 2023 management plan has already factored in all plausible concerns, including Russia- and Ukraine-related losses in affiliates. Even if an additional loss is recorded, we have determined that we have made a sufficient "backstop" by setting a loss buffer of ¥30.0 billion. (▶ Page 79 Country Risk)

In addition, regarding business in China, although we need to similarly pay attention as other countries and regions, the generally shared understanding is that there are high expectations for the market, which has around 1.4 billion people and is forecast to grow substantially. Since commencing a strategic business and capital alliance with CITIC, our credibility in conducting business in China has been significantly enhanced. From a long-term perspective, there is no change in our view that this will be a benefit. There is no change in our medium- to long-term policies for our engagement. The consolidated net profit of CITIC in FY 2021 was HK\$70.2 billion (around ¥1 trillion), up 24% year on year. Furthermore, the dividends ITOCHU received grew to ¥25.3 billion, the sixth consecutive year of increased profit and dividends since commencing this investment in 2015. Although issues remain, such as improvement of the share price, business performance has remained strong, progressing toward its five year plan target of HK\$100.0 billion in consolidated net profit in FY 2025.

Hiroyuki Naka

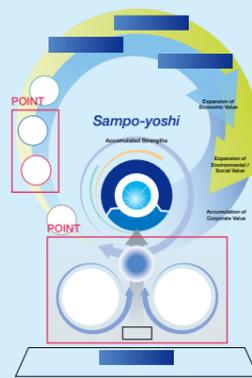
Member of the Board,
Executive Officer,
CSO; CDO-CIO;
General Manager,
Corporate Planning &
Administration Division

SPECIAL FEATURE

Merchants Who Continue to Transform

Our Business Model, as Seen through Business Development

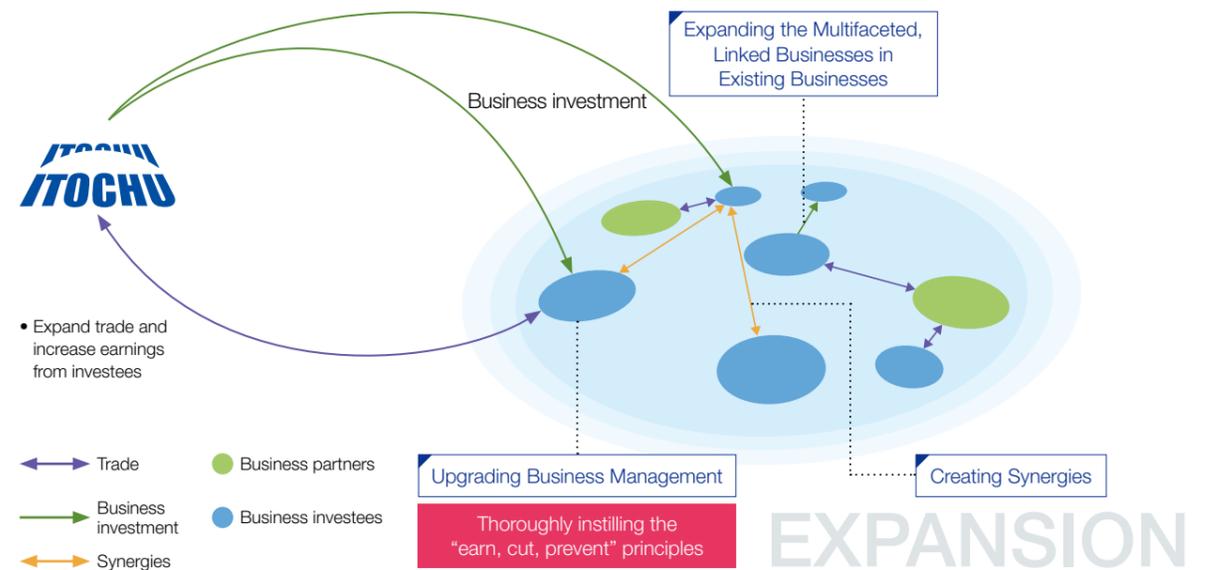
By utilizing financial and non-financial capital, focusing on fields where we can demonstrate strengths, and creating multifaceted, linked businesses, we strive to enhance earning power of trade and business investment. By leveraging our business know-how and client and partner assets, we expand trade by creating added value and invest in fields where we have knowledge and can control risk. Amid rapid changes in the business environment, we are also strengthening our earnings base through timely strategic investments and continuous asset replacement for businesses that have passed their peak and/or are low-efficiency. Going forward, we will sustain value creation by maximizing synergies and upgrading our businesses through business transformation that starts from downstream and is driven by market-oriented perspectives, while thoroughly instilling the “earn, cut, prevent” principles.



Action Principals

Forming Domains and Expanding Multifaceted, Linked Businesses through Trade and Business Investment

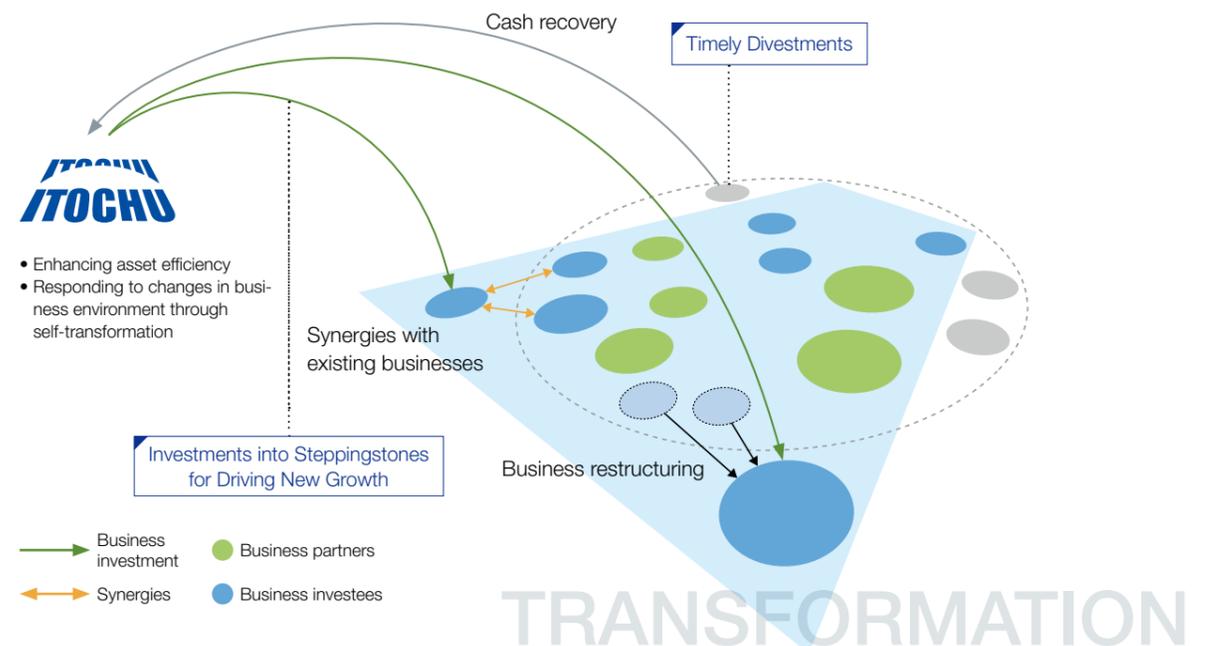
We utilize our accumulated financial and non-financial capital to develop businesses through trade and business investment. Our goal is to increase our earning power of trade and business investment. To this end, we upgrade business management by instilling the “earn, cut, prevent” principles, while creating multifaceted, linked businesses through trades and synergies.



Responding to Changes in the Business Environment

Building a Robust Earnings Base through Asset Replacement

We precisely assess changes in the business environment and execute cash recovery by business restructuring and exiting from assets that have lost strategic significance from the viewpoint of asset efficiency and risk management. By reinvesting the recovered funds into new strategic areas, we are building a more robust earnings base.



Merchants Who Continue to Transform

Meeting Consumer and Social Needs

Upgrading Our Business Model from a Market-Oriented Perspective

We will upgrade businesses to respond to consumer and social needs by shifting to a downstream-centered market-oriented perspective and by strengthening collaboration among Division Companies to break down product silos. Furthermore, we aim to expand our earnings base by fully utilizing our real and digital customer contact points. We will further improve asset efficiency through optimization of value chains by utilizing data and new technologies and pursuit of greater efficiency of business management.



EVOLUTION

ITOCHU is prompting business transformation based on basic policies of Brand-new Deal 2023: “Realizing business transformation by shifting to a market-oriented perspective” and “Enhancing our contribution to and engagement with the SDGs through business activities.” In this special feature, we will illustrate examples that we continue aiming to sustainably enhance corporate value and expand our earnings base by transformation of business model.

Basic Policies of “Brand-new Deal 2023”

Realizing business transformation by shifting to a market-oriented perspective

TRANSFORMATION 1 FamilyMart’s Goal of Renewed Growth ▶ Page 62
Evolution of Value Chains, Starting with FamilyMart ▶ Page 64

Utilizing Downstream Customer Contact Points Evolution of the Value Chain Using DX Breaking Down Product Silos

TRANSFORMATION 2 Self-Transformation in Anticipation of Changes in the Market of the ICT & Financial Business Company ▶ Page 66

Investments into Steppingstones for Driving New Growth Evolution of the Value Chain Using DX

TRANSFORMATION 3 Polishing Business through a Hands-On Management Style ▶ Page 68

Upgrading Business Management Utilizing Downstream Customer Contact Points

TRANSFORMATION 4 New Steppingstones for the Advancement of the Construction Machinery Business ▶ Page 70

Expanding the Multifaceted, Linked Businesses in Existing Businesses Utilizing Downstream Customer Contact Points

Enhancing our contribution to and engagement with the SDGs through business activities

TRANSFORMATION 5 Business Expansion in Accordance with a Decarbonized Society (Distributed Power System Supply Platform) ▶ Page 72

Expanding the Multifaceted, Linked Businesses in Existing Businesses Investments into Steppingstones for Driving New Growth Utilizing Downstream Customer Contact Points

TRANSFORMATION 6 Sustained Growth through Strengthening the Value Chain (Natural Rubber and Tire Business) ▶ Page 73

Expanding the Multifaceted, Linked Businesses in Existing Businesses Evolution of the Value Chain Using DX



Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION

1

FamilyMart's Goal of Renewed Growth



After privatization in FYE 2021, greater management flexibility has allowed FamilyMart's operation to become more customer-centric than ever before, making it possible to nimbly respond to the rapidly changing external environment and customer needs.

This feature explores FamilyMart's goals and current status as it works to strengthen the foundation of its convenience store business and expand new businesses through the medium-term management plan, which commenced in FYE 2023 and designates a three-year period for achieving renewed growth.

Toward the Next Decade of FamilyMart



Kensuke Hosomi
Representative Director
and President
FamilyMart Co., Ltd.

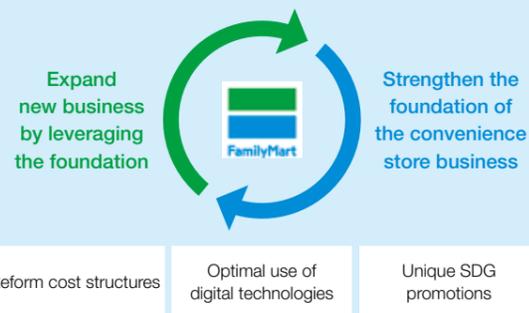
FamilyMart marked the 40th anniversary of its founding in FYE 2022, the year I was appointed president. Utilizing my experience at a general trading company running brand businesses, we are working hard to improve daily sales and profit at stores and to create a new convenience store concept that is not bound by existing frameworks.

We positioned FYE 2022 as a year to put the company on a path to renewed growth and steadily implemented measures to lay the foundation and sow the seeds for the future. A series of new hit products such as *Convenience Wear* and *Butter Biscuit Sandwich* have been introduced. In addition, we have been installing in-store digital signage, with expanding new revenue opportunities such as in the advertising and media business, generating positive feedback.

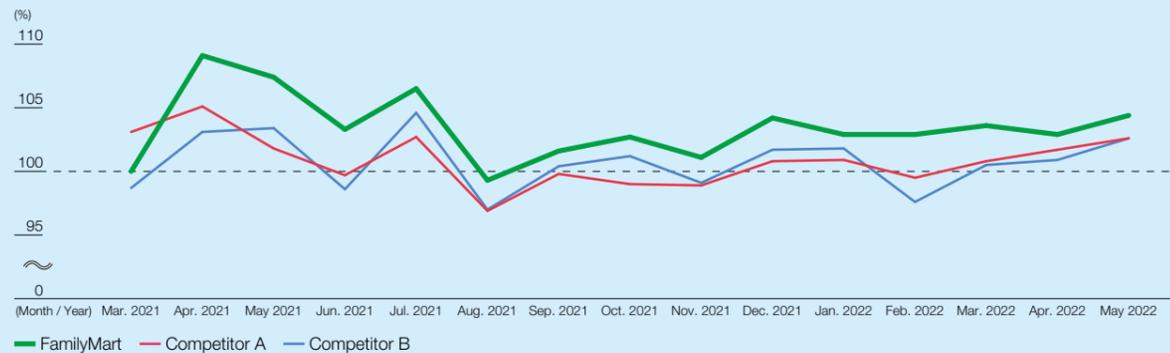
The medium-term management plan started in FYE 2023 is positioned as a three-year period for achieving renewed growth. Although we are embarking on a voyage in a difficult

environment due to rising raw material and energy costs, we will strengthen the earning power of our convenience store business by enhancing product appeal, brand strength, customer base, store infrastructure, and more as we rebuild the supply chain. In addition, we intend to create a new growth cycle by expanding new businesses that leverage our convenience store business base, such as advertising, media, and finance, etc., and by creating synergies. We will also advance the "well-grounded digitalization" that contributes to store operations, such as "FamiPay" app, unmanned payment store operation, and humanoid AI assistants, as well as promoting the SDGs that are unique to FamilyMart. Our corporate message is "FamilyMart, Where You Are One of the Family." We will continue to work together with our franchisees to become the convenience store of choice for our customers.

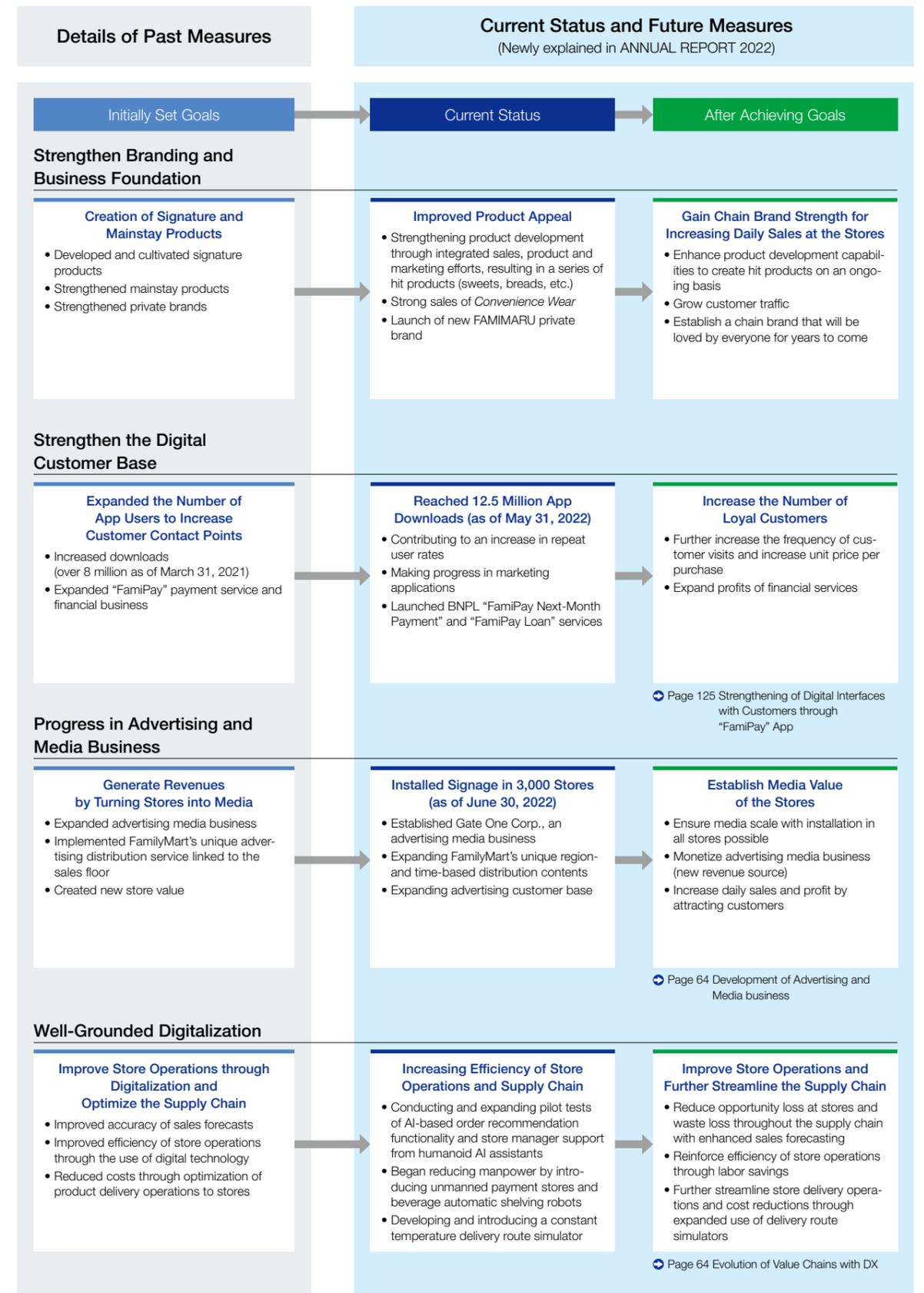
New Growth Cycle



Daily Sales at Existing Stores of the 3 Major Convenience Store Operators (year on year)



Progress of Various Measures



Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION 1 Evolution of Value Chains, Starting with FamilyMart

In its convenience store business, ITOCHU and its Group companies are collaborating to build and strengthen the value chain, stretching from downstream through to upstream operations. To grow the value of the Group's convenience store business, which centers on FamilyMart, we are creating synergies that transcend Division Companies' boundaries. Specifically, while The 8th Company is acting as a hub, we not only strengthen the food value chain but also focus on such diverse areas as daily necessities, financial services, systems development, and construction materials.

Advertising and Media Business*



Development of the Advertising and Media Business

The digital advertising distribution business currently has approximately 24 million advertising IDs, one of the most extensive collections in Japan at present. Using purchase history data, it is possible to distribute advertisements that consumers are likely to be interested in on an ID to ID basis. Additionally, it is possible to analyze the purchases by consumers who saw the advertisements. Our services are highly regarded by advertisers such as manufacturers.

We have finished installing digital signage (large display panels) for advertisements at 3,000 stores as of June 30, 2022. Out of the approximately 16,600 existing stores in Japan, we plan to install signage in every single store possible by FYE 2024, with the aim of developing our stores into a third media platform after TVs and the internet.

| | |
|-----------------------|------------------|
| Targeting advertising | ■ Data One Corp. |
| Digital signage | ■ Gate One Corp. |

Intermediate Distribution*

We handle logistics to individual stores.

| | |
|---|----------------------------------|
| Wholesale / Logistics | ■ NIPPON ACCESS, INC. |
| Comprehensive logistics services | ■ ITOCHU LOGISTICS CORP. |
| Delivery vans | ▲ NIPPON CAR SOLUTIONS Co., Ltd. |
| Fuel for delivery vans (renewable diesel) | ■ ITOCHU ENEX CO., LTD. |

Evolution of Value Chains with DX

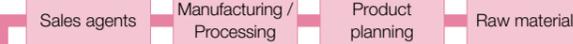
At distribution centers of NIPPON ACCESS, INC., we are installing AI automated ordering systems for 1,500 items at FamilyMart. By utilizing downstream data, we have already verified a 30% decrease in inventory and around a 50% decrease in order-related workload. We began operating AI systems at all 47 distribution centers. In addition, in FYE 2023, we plan to roll out the insights we gained from this supply chain initiative of FamilyMart to the supermarket industry, etc.

★ All of the products and services listed are provided by ITOCHU Group (ITOCHU, subsidiaries, and affiliates) and ITOCHU's business partners.

Service*

We provide customers with a broad range of services matching daily needs in fields such as finance and insurance.

| | |
|---|--------------------------------|
| Famima T Cards | ■ POCKET CARD CO., LTD. |
| POSA cards | ■ CONEXIO Corporation |
| Motorbike liability insurance, one-day automobile insurance, FamilyMart coupons | ● ITOCHU |
| FamiPay (Payment function, pay in next-month, retail finance) | ■ Famima Digital One Co., Ltd. |



Food Product

| | |
|--|---|
| Ready-to-eat products (rice balls, boxed lunches) | ■ Japan Food Supply Co., Ltd. ■ ITOCHU Food Sales and Marketing Co., Ltd. ■ ITOCHU FEED MILLS CO., LTD., etc. |
| Spicy Chicken (fried chicken) | ◆ CP Group |
| FAMICHIKI (fried chicken) | ● ITOCHU |
| FAMIMA CAFÉ (over-the-counter coffee) | ■ UNEX (GUATEMALA), S.A., etc. |
| Bananas | ■ Dole |
| Eggs | ■ ITOCHU FEED MILLS CO., LTD. |
| Soy meat and general raw materials for confectioneries, etc. | ▲ FUJI OIL CO., LTD. |



Operational Support*

We support the operational efficiency of approximately 16,600 stores in Japan in many different ways—from systems development through to the leasing of store fixtures.

| | |
|---------------------------|-----------------------------|
| Systems development | ■ CTC |
| Electricity supply | ■ ITOCHU Plantech Inc. |
| Construction materials | ■ ITOCHU KENZAI CORPORATION |
| 3Rs+W service* | ■ ITOCHU Metals Corporation |
| Contact centers | ▲ BELLSYSTEM24, Inc. |
| Leasing of store fixtures | ▲ Tokyo Century Corporation |

* Reduce, Reuse, Recycle, and Waste management

Food Product and Peripheral Business*

We coordinate the optimal food value chain from the formulation of raw material procurement schemes to the arrival of items on store shelves, including product planning, manufacturing, processing, and procurement of containers and packaging materials.

Containers and Packaging

| | |
|--|---|
| Rice ball wrapping films and recycled PET boxed lunch containers, etc. | ■ ITOCHU PLASTICS INC. |
| To-go item containers (coffee cups, etc.) | ■ ITOCHU Retail Link Corporation ■ ITOCHU PULP & PAPER CORPORATION |



Non-Food Product*

We provide daily necessities and supplies needed for daily store operation.

Supplies (Store items supporting operation, etc.)

| | |
|---|---|
| Chopsticks, individual-use hand towels, plastic bags, cleaning supplies | ■ ITOCHU Retail Link Corporation |
| Uniforms | ● ITOCHU |
| Cash register rolls, copy paper, ATM paper | ■ ITOCHU Retail Link Corporation ■ ITOCHU PULP & PAPER CORPORATION |

Daily Necessities

| | |
|---|--|
| FAMIMARU daily necessities | ■ ITOCHU Retail Link Corporation ■ Sanipak Company Of Japan, Ltd. |
| Convenience Wear (basic apparel and lifestyle sundries, etc.) | ● ITOCHU |

■ Subsidiary ▲ Affiliated company ◆ Business partner ● ITOCHU

Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION 2 Self-Transformation in Anticipation of Changes in the Market of the ICT & Financial Business Company

- Investments into Steppingstones for Driving New Growth
- Evolution of the Value Chain Using DX

The ICT & Financial Business Company is one of ITOCHU's unique segments, leading us to differentiate ourselves from industry peers. In recent years, its presence has expanded as one of the earnings pillars in the non-resource sector. As a result of steadily implementing strategies that anticipate market changes and consistently focusing on profit expansion, consolidated net profit in FYE 2022 grew to over ¥100.0 billion. Leveraging our business foundation, which has competitive advantages that cannot be built overnight, we aim to achieve further growth centered on the DX, mobile, and retail finance and insurance business. In the DX field in particular, amid increasing digitalization around the world, we will continue striving to expand profit by meeting the DX support needs of corporate customers from a market-oriented perspective.

Self-Transformation through Strategies That Anticipate Market Changes

Since the 1990s, the ICT & Financial Business Company has seized opportunities to access leading-edge technologies and services that drive innovation through investment in venture capital funds in Silicon Valley and other parts of the world. The culture and practice of developing new businesses has taken root. While undergoing a series of integration and reorganization with other segments historically, the earnings base has been rebuilt by steadily implementing strategies that anticipate market changes.

In expectation of expanding markets in the telecommunications and mobile sector, as well as growing recycling needs and higher prices for mobile devices, the ICT Division launched a secondhand mobile devices distribution business as it works to expand mobile-related

business. In addition, in the information technology sector, we fully entered the DX and BPO* businesses with an eye toward increasingly sophisticated utilization of IT and rising demand for communication with consumers.

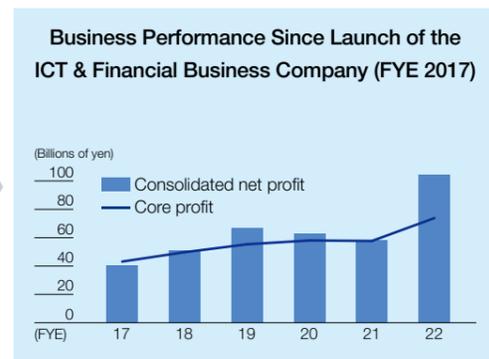
In the Financial & Insurance Business Division, we focus on the retail business, operate an auto loan business in Europe and a retail finance business in Asia, and invested in HOKEN NO MADOGUCHI GROUP INC.

Since transitioning to our current Business Company structure in FYE 2017, we have continued to steadily expand profit through these efforts. Going forward, with DX, mobile, and retail finance and insurance business as our focus sectors, we aim to achieve growth by providing market-oriented services adapted to the accelerating pace of change in the business environment and diversifying customer needs.

* Business Process Outsourcing: Outsourcing of some business processes, from planning and designing to operation

Changes

| ICT | Since FYE 2011 |
|--|--|
| <p>FYE 1998–2010</p> <ul style="list-style-type: none"> Persistent non-consolidated operating loss Limited role played by headquarters | <ul style="list-style-type: none"> Establishment of new earnings base (mobile-related business, BPO business, etc.) Reduce dependence on CTC Non-consolidated operating profit turned to positive |
| Financial & Insurance Business | Since FYE 2013 |
| <p>FYE 2009–2012</p> <ul style="list-style-type: none"> Continued deficit trend (FYE 2009–2011) Breakup of divisions, to be a part of corporate headquarters (FYE 2012) | <ul style="list-style-type: none"> Focus on the retail business Retail finance business Insurance business (HOKEN NO MADOGUCHI) |



Focus Sectors

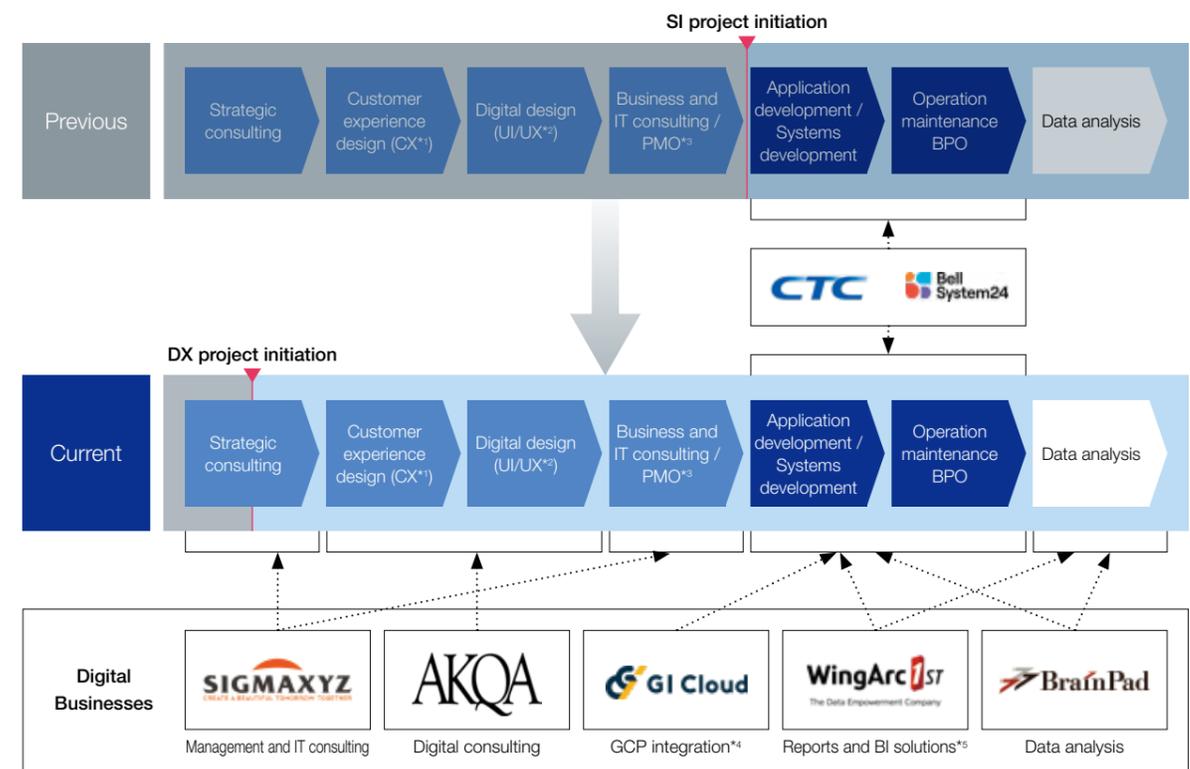
| Division | Focus Sector | Policies |
|-----------------------|------------------------------|---|
| ICT | DX | Strengthening the DX support businesses by augmenting functions of existing businesses through consultations, data analysis and visualization, and more |
| | Mobile | Strengthening the value chain for the mobile-related business, including secondhand mobile devices |
| Financial & Insurance | Retail finance and insurance | Thoroughly implementing a market-oriented perspective Strengthening profitability by expanding new businesses and our customer base |



Expanding Profit through the DX Support Business

Recent years have brought rapid changes in the social environment, spurred on by the COVID-19 pandemic. As a result, there are growing needs to transform corporate business models using digital technologies. DX focused on business model transformation cannot be realized simply through products and services recommended by system vendors. We should propose strategies from a market-oriented perspective by gathering and analyzing a vast amount of data generated at customer contact points, and by identifying issues. Previously, the Group's DX support business mainly developed and operated systems and applications as a system integrator (SI). To meet these needs, however, we entered capital and business alliances with data utilization specialist BrainPad Inc., and with SIGMAXYZ Inc., which has its strengths in consulting. As a result, we built a system that enables dynamic DX promotion throughout the value chain, from upstream consulting and design to downstream data analysis, systems development, operations, and BPO. Going forward, we will continue working to expand profit and create synergy throughout the value chain by addressing needs through upstream DX and connecting them to the core downstream Group companies such as CTC and BELLSYSTEM24, Inc.

ITOCHU utilizes digital businesses that provide such DX support for its own Group companies' frontline operations. This has resulted in cost reductions and efficiency gains through activities such as the digitalization of billing as well as optimization of the supply chain by AI automated ordering systems. As a Group with well-established strength in the consumer sector, by first building up its track record for DX support within the Group, the insight and know-how gained in the process can be applied to other sectors, leading to a more robust earnings base.



*1 Customer Experience
*2 User Interface / User Experience
*3 Project Management Office
*4 Google Cloud Platform: Provide a full range of services from system development to operation and maintenance based on Google Cloud
*5 Business Intelligence Solutions: Problem solving through the use of Business Intelligence tools

Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION 3 Polishing Business through a Hands-On Management Style

- Upgrading Business Management
- Utilizing Downstream Customer Contact Points

We are continuously working to polish our existing businesses to achieve stable and sustainable growth. These pages describe the growth trajectories of DESCENTE LTD. (DESCENTE), and YANASE & CO., LTD. (YANASE), which are expanding their business foundations by upgrading their business management and continuing to transform their business models through reinforcement of downstream customer contact points.

Self-Transformation of DESCENTE

ITOCHU has identified the further expansion of sports-related business in the textile field as one of its key strategies. The core of this is DESCENTE, which manufactures and sells sportswear and related products.

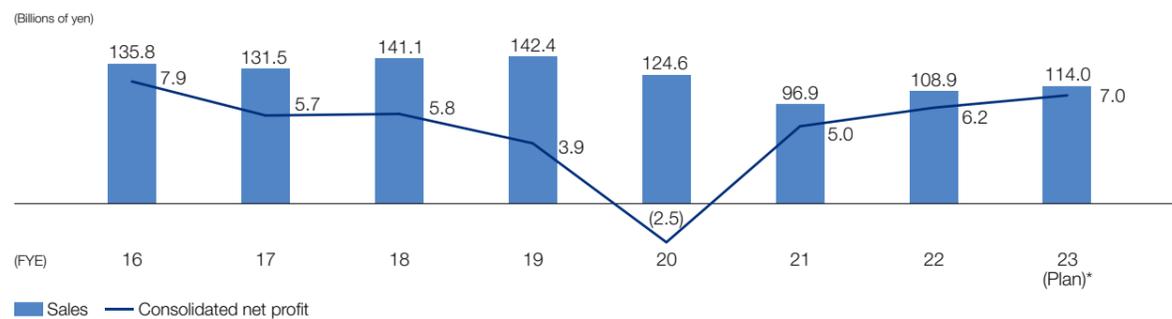
Since FYE 2013, DESCENTE continued to increase its earnings, especially in its South Korea business. However, from FYE 2016 onward, financial results had fallen and had been consistently below initial plans due to deteriorating profitability despite increased sales. As management reforms became a more pressing issue, after ITOCHU made a tender offer bid for DESCENTE, Shuichi Koseki was appointed president in June 2019. Since then, he has confidently undertaken these reforms with an eye on the external environment and strengths of the company. He completed divestment of the long-standing loss-making European and U.S. businesses and adopted a strategy to focus management resources on three markets of Japan, South Korea, and China, which, since then, has steadily borne fruits. To resolve the overreliance on South Korea business, DESCENTE shifted to focusing on profit, instead of sales, and implemented a fundamental restructuring aimed at improving profitability in Japanese business. In addition, the China business was reborn through a partnership with the ANTA Group, one of the world's leading sports companies. The partnership enables a revitalized DESCENTE China to combine the manufacturing power of DESCENTE with the sales power of the ANTA Group, thereby expanding the number of stores and significantly increasing



earnings. Moreover, following the end of South Korea's boycott of Japanese products, DESCENTE has currently realized a well-balanced earnings structure underpinned by the three pillars of Japan, South Korea, and China.

In its medium-term management plan "D-Summit 2023," DESCENTE laid out three key items: implementing strategies by regions for Japan, South Korea, and China; improving profitability of the Japanese business; and enhancing its manufacturing capability. In particular, in the Japanese business, the company is transforming its business model from a wholesale-centric to a direct-to-consumer business that sells through the customer contact points of its own directly managed stores and e-commerce. DESCENTE will leverage the strengths of having its own R&D center and factories to conduct manufacturing that fulfills consumer needs and thereby enhances earnings. Amid continuing struggles in the apparel industry during the pandemic, DESCENTE aims to achieve further growth by working to differentiate itself in the sports sector, which is its strength.

DESCENTE, Sales and Consolidated Net Profit



*The initial plan disclosed by DESCENTE on May 12, 2022.

Self-Transformation of YANASE

YANASE is Japan's largest imported car dealer with a sales and service network encompassing around 240 locations and a customer base of over 200,000. YANASE has established strong, long-lasting bonds of trust with customers by offering products and services that meet individual customer needs through its handling of eight automobile brands, sales of new and used cars, after-sales services, and its financial and insurance business.

Since YANASE became a consolidated subsidiary in FYE 2018, ITOCHU has accelerated its shift to a hands-on management style and worked to expand its value chain and strengthen its earnings base. YANASE centers on sales of new and used imported cars, especially Mercedes-Benz, its mainstay brand. In addition, YANASE has spun off its used car division into a separate company, which has newly lined up quality, domestically produced used cars to complement the imports. YANASE is actively working to supplement brick-and-mortar sales with online sales. YANASE is also working to establish a new earnings base by expanding customer contact points and meeting diversifying customer needs through the strengthening of its used car business. YANASE is focusing on further strengthening its used car value chain by expanding its used car service network and consolidating its used car auction operating company.

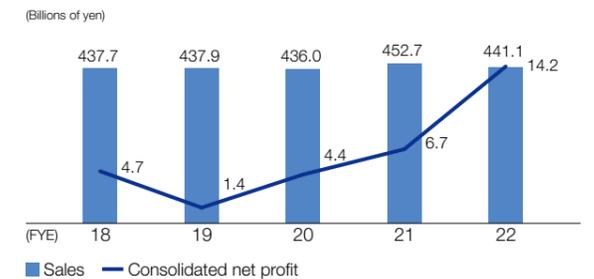
Moreover, YANASE implemented exit criteria and revised its investment criteria with the aim of reorganizing and closing unprofitable stores and handling new brands. In addition to dealing with unprofitable stores based on the new criteria, the company is steadily building up its sales track record. As part of its efforts to strengthen its brand portfolio in luxury imported car sales, YANASE



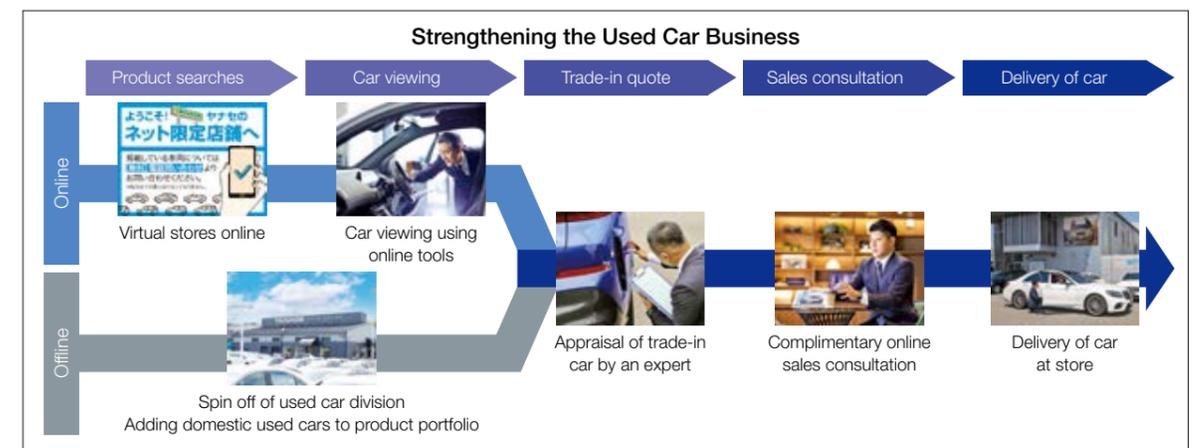
recently added Porsche to its lineup.

In addition to reinforcing after-sales services and retail by expanding its lineup of used cars, to meet diversifying needs going forward, the company will strive to differentiate itself from competitors and forge even stronger relationships with customers. To this end, YANASE offers exceptional experiential events and items exclusively available through a website dedicated to owners.

YANASE, Sales and Consolidated Net Profit *



* Although new car sales were affected by factors such as semiconductor shortage and supply chain disruption, YANASE was able to maintain revenue by expanding the value chain and strengthening its earnings base while also improving its profit margins by controlling costs.



Strengthening Brand Portfolio

- Added Porsche to product lineup
- Porsche Center Chiba

Used Car Auction Operating Company

- Established an auction site in Tokyo and Osaka
- Handling high-quality used cars, mainly imported cars

Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION 4 New Steppingstones for the Advancement of the Construction Machinery Business

- Expanding the Multifaceted, Linked Businesses in Existing Businesses
- Utilizing Downstream Customer Contact Points

ITOCHU has been active in the construction machinery business since long ago, but is currently transforming its business model in line with changes in the external environment. The Company has set out basic policies for its growth strategy of expanding the value chain into downstream areas and helping customers solve the issues they face on the front lines. We are working to uncover diverse customer needs and expand our earnings base in the construction machinery business by fully leveraging the “comprehensive strength” of the Company. This includes our existing customer base and financing know-how, especially in North America, where demand for construction machinery is strong and steady.

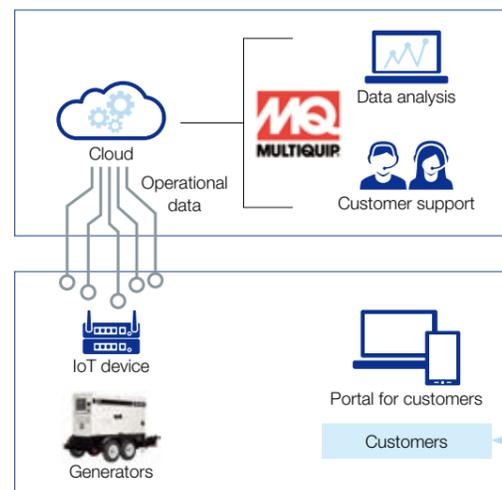
Construction Machinery Life Cycle Strategy

Construction machinery is generally used over a long-term period between 10 and 15 years. Besides simply selling construction machinery, there are also business opportunities in selling parts, providing repair and other services, financing, renting construction machinery, and selling used construction machinery. ITOCHU’s construction machinery business began by exporting the products of domestic Japanese construction machinery manufacturers to overseas countries. Later, in line with changes to the kind of functions manufacturers needed, we began engaging in business investment in overseas construction machinery dealers to support the overseas expansion of manufacturers. In this way, we have developed our business through both trade and business investment. Recently, however, manufacturers have started preferring direct transactions with local construction machinery dealers, which bypasses ITOCHU. That business is on a downward trajectory due in part to shrinking trade and the reversion of the dealers’ commercial rights. On the other hand, with the rapid push toward digitalization in the construction machinery industry, manufacturers urgently need to transform their businesses in line with diversifying customer needs, such as enhancing uptime ratio through preventative maintenance,

enabling the online purchase of construction machinery and parts, selling used construction machinery, and offering rentals.

In light of this situation, the Company has worked to transform its business model since FYE 2020. We crafted our Construction Machinery Life Cycle Strategy with the aim of expanding the value chain of the construction machinery business into other downstream areas besides sales. In line with this strategy, ITOCHU invested in a construction machinery rental company through its domestic subsidiary ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. and also invested in an online construction machinery rental marketplace operator in the United States, thereby steadily expanding its downstream businesses. In addition, MULTIQUIP INC. (MULTIQUIP), which operates the manufacture and sale businesses for light construction equipment and power generators in North America, has equipped its power generators with IoT devices that collect operational data. With this data, the Company strives to more stably expand its earnings base by extending the machinery uptime ratio, which is the most important customer need, and enabling timely parts sales and provision of services.

Preventative Maintenance Services for Generators Using Remote Surveillance



Conducting preventative maintenance, providing parts sales and services

Examples of Support for Customers:

- Providing operational data, such as location data, usage situation, and remaining fuel amounts, etc.
- Providing maintenance management data, such as repair history and preventative maintenance, etc.
- Offering optimal products at customer front lines based on data analysis

Advantages of MULTIQUIP:

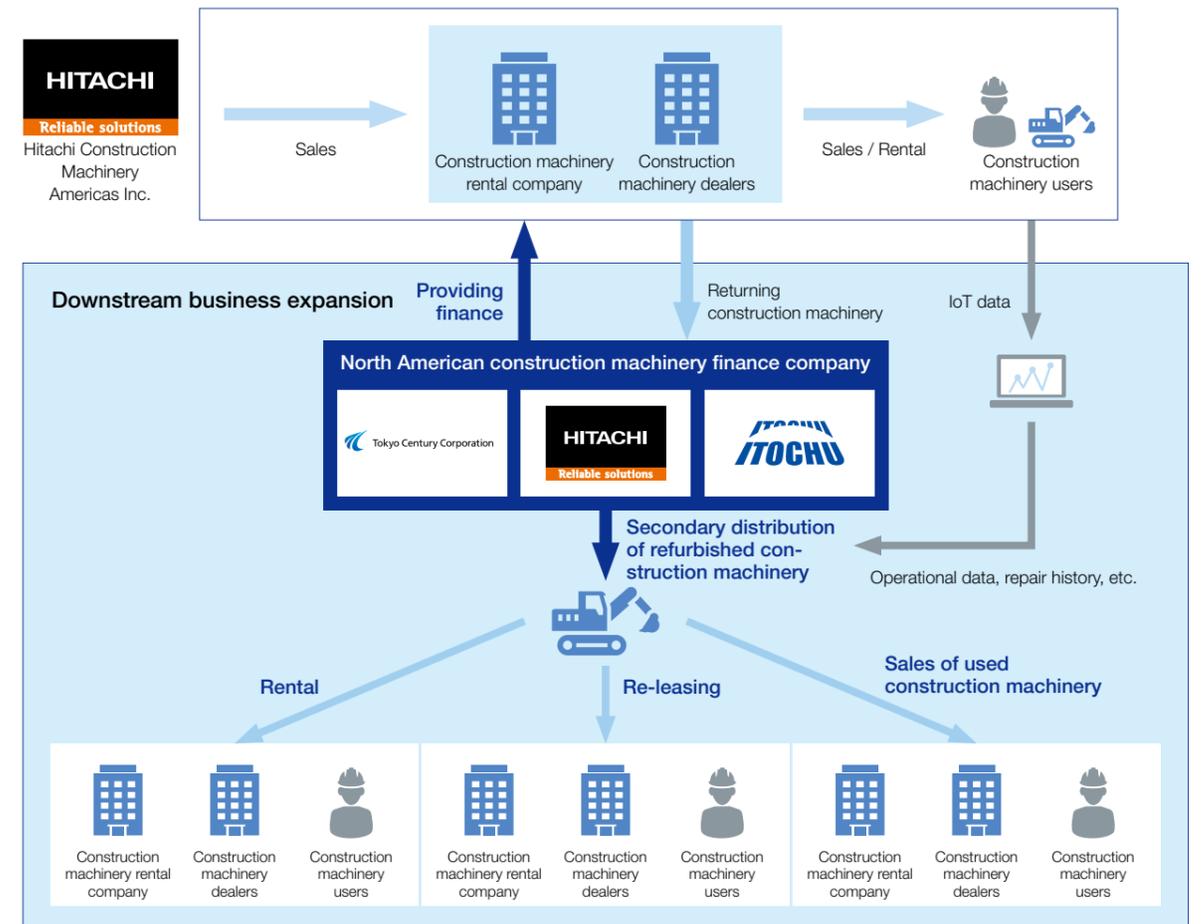
- Enhancing product quality by analyzing customer data
- Optimizing inventory by forecasting demand
- Expanding profits in the parts and services business by conducting preventative maintenance

Investing in Hitachi Construction Machinery Co., Ltd.

We plan to invest in Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery) in the second quarter of FYE 2023. This company had previously partnered with U.S.-based Deere & Company on its construction machinery business. After ending its alliance with Deere & Company, it urgently needed to select new business partners to work with on vertically establishing a sales and service network encompassing sales, financing, repairs, and more. ITOCHU had a track record of many years supporting sales of Hitachi Construction Machinery products all over the world. In particular, we have worked with them as a business partner for their finance and construction machinery sales businesses in Indonesia. In addition, ITOCHU is already engaged in the construction machinery business in North America, and the Company has the Group’s land and marine logistics networks between Japan and the United States, as well as the finance business know-how of Tokyo Century Corporation. Moreover, synergies with MULTIQUIP’s customer base are expected from its construction machinery rental company. For these and other reasons, we are realizing this capital alliance with Hitachi Construction Machinery. As a first step in this collaboration, ITOCHU is considering establishing a North American construction machinery finance company with Hitachi Construction Machinery and Tokyo Century Corporation. This finance

company will work to expand its market share by providing financial functions to Hitachi Construction Machinery’s construction machinery dealers and end users in North America. The company will also promote downstream businesses, such as a rental business for used construction machinery and a sales business for premium used construction machinery with visualized operational and repair history. Moreover, the company will promote a maintenance and re-lease business for returned machinery, by assessing operational data and repair history through IoT data.

Going forward, we will expand the construction machinery business by jointly procuring and managing core components used in MULTIQUIP’s generators and Hitachi Construction Machinery’s hydraulic excavators and by utilizing joint transportation and warehouse operations in North America. Based on a market-oriented perspective, we will continue expanding the earnings base of our North American business while pursuing synergies, such as promoting cross-sell to customers of the North American construction materials business that use generators and mini excavators on construction sites. In addition, in the near future, we will roll out best practices gained from the collaboration with Hitachi Construction Machinery in North America to other regions around the world and accelerate our business expansion.



Merchants Who Continue to Transform

SPECIAL FEATURE

TRANSFORMATION 5 Business Expansion in Accordance with a Decarbonized Society (Distributed Power System Supply Platform)

- Expanding the Multifaceted, Linked Businesses in Existing Businesses
- Investments into Steppingstones for Driving New Growth
- Utilizing Downstream Customer Contact Points

In addition to the transition toward a decarbonized society and growing social demands, the recent surge in prices for electricity and fuel cost have also led to steadily increasing needs for construction and third-party ownership of power generation assets for self-consumption for downstream users, energy storage systems to regulate supply and demand, and energy management systems to control all the above in an integrated manner. ITOCHU has established a lineup of diverse decarbonization solutions and, going forward, will further enhance this lineup to help create a decarbonized society.

Power Generation

ITOCHU concluded a capital and business alliance agreement with Clean Energy Connect, Inc. (CEC) and subscribed to shares CEC issued through a private placement. CEC, a supplier of clean energy with “additionality*1,” aggregates green power by developing a number of small-sized solar power plants by making effective use of idle land in Japan and then provides power to environmentally advanced companies such as the NTT Group and The Dai-ichi Life Insurance Company, Limited. that prioritize clean energy procurement. By FYE 2026, we aim to introduce solar power plants in approximately 5,000 locations in Japan with a cumulative total output of 500 MW, aiming to be one of the largest off-site Corporate PPA*2 operators in Japan. While ITOCHU, through its undertaking with VPP Japan, Inc., has one of the largest cumulative operating capacity in Japan for the rooftop model (on-site PPA), approximately 340 plants with a cumulative 70 MW as of March 31, 2022, the partnership with CEC enables ITOCHU to also provide clean power to customers who do not have adequate rooftop space for an on-site PPA.

*1 Introducing power supply from renewable energy sources without relying on the feed-in tariff program, such as by newly building a power plant exclusively for its own use by a company.
*2 Developing and installing a solar power plant, exclusively for its own use by a company, in a place away (off-site) from the premises of facilities that use the generated power and signing a long-term contract under which the generated electricity is sent to the facilities using it along with environmental value.

Energy Storage

For renewable energy, demand-supply adjustment tends to be unstable and challenging, and the need for energy storage systems is increasing. U.S.-based 24M Technologies, Inc. (24M) is a company that develops and licenses semi-solid lithium-ion cells, which are key component of energy storage systems. The company has re-designed the manufacturing process and enabled the supply of price-competitive products. Furthermore, the company's energy storage systems have excellent recyclability, spurring a transformation in battery manufacturing technologies, which had not changed for several

decades. Praise of these technologies has also extended to automotive applications. Germany-based Volkswagen Group announced in December 2021 that it subscribed to shares the company issued and signed a licensing agreement. This demonstrates our foresight to seize on the trends in the rapid adoption of EVs and in SDG business opportunities by leveraging the relationships we built through the energy storage system business. By supplying parts to mass producers globally and cultivating partnerships for licensing 24M, we will continue helping to build a stable supply system for semi-solid lithium-ion batteries.



Strengthening Energy Management

In an effort to enhance energy management functions that comprehensively control power generation and power storage, we strengthened our capital and business alliance by subscribing to shares of i GRID SOLUTIONS, Inc. (i GRID) issued through a private placement. By utilizing the power big data analysis and energy storage management technologies which are i GRID's strengths, ITOCHU now offers next-generation energy platform services that facilitate the local circulation of renewable energy. This is done by controlling solar power, energy storage systems, EV chargers, etc., in an integrated manner and by networking each distributed solar power plant. For example, some supermarket delivery vehicles were switched to EVs, allowing the charging / discharging cycle to be controlled optimally by AI in response to facility power use, the status of solar power systems generation, remaining charges in energy storage system and EVs, and the delivery schedule. We are advancing from a proof-of-concept stage to full implementation for this project.

Going forward, we will continue to contribute further to create a decarbonized society by enhancing the diverse lineup of our decarbonization solutions.

TRANSFORMATION 6 Sustained Growth through Strengthening the Value Chain (Natural Rubber and Tire Business)

- Expanding the Multifaceted, Linked Businesses in Existing Businesses
- Evolution of the Value Chain Using DX

ITOCHU is building a natural rubber and tire value chain that has as its core P.T. ANEKA BUMI PRATAMA (ABP), which is an Indonesian natural rubber processing company located upstream in the value chain, and European Tyre Enterprise Limited (ETEL), which operates the United Kingdom's largest tire retail chain Kwik-Fit and other businesses in the downstream industry. By promoting business transformation both upstream and downstream in the value chain, we continue to sustainably enhance corporate value and contribute to the realization of the SDGs across the entire natural rubber and tire industry.

Around 70% of the natural rubber consumed around the world is used for tires. Going forward, demand for this natural resource is only expected to steadily increase. On the other hand, with approximately 85% of production reliant on smallholders, especially in Southeast Asia, we urgently need to address the social issues of deforestation as well as poverty and human rights violations affecting the farmers. As one measure to solve these issues, ITOCHU launched “PROJECT TREE,” which aims to realize the traceability and sustainability of natural rubber and is working hard to garner greater support for the project.

For the natural rubber procured by ABP, we established traceability from production to processing by utilizing blockchain technology to prevent data falsification. Coupled with the unique social contribution activity of “PROJECT TREE,” we enabled the construction of a platform that ensures the supplied natural rubber has a low risk of violations, for example, involving illegal logging or human rights. A portion of sales of premium tires, which boast the added value of traceability, will be returned to suppliers such as smallholders of natural rubber. This will, in turn, enhance sustainability throughout the natural rubber industry. This is one specific example of our social contribution activities. Amid the rush and urgency to address social issues, major tire manufacturers are lining up to support this initiative, which is deeply enmeshed in the upstream portion of the supply chain. They have

already begun selling tires made from natural rubber procured with this platform. An important role for promoting this initiative is played by ETEL, with its customer contact points as a retailer for tire manufacturers.

ETEL owns the tire retail business Kwik-Fit and operates businesses that serve the consumer needs and society at its approximately 700 stores in the United Kingdom, a nation that leads in environmental awareness. In December 2021, ETEL acquired Murfitts Group Ltd, which is the largest post-consumer car tires recycling business in the United Kingdom. This acquisition expanded ETEL's business field into the recycling of post-consumer car tires. The Group is building a more effective logistics network through collaboration with the existing businesses of ETEL, which boasts a tire logistics network spanning the entire United Kingdom. ITOCHU aims to realize a circular economy by striving to develop and commercialize proprietary cracking technologies for carbon black, which is a raw material for tires, in addition to processing and selling asphalt alternative products made from post-consumer car tires.

By developing a new natural rubber sales platform and working to reinforce the tire business value chain—encompassing wholesale, retail, and collection—we will continue striving to both help realize a circular economy and sustainably enhance corporate value.

