



ITOCHU Corporation

Annual Report Briefing

ITOCHU Corporation

December 12, 2022

Brand-new Deal

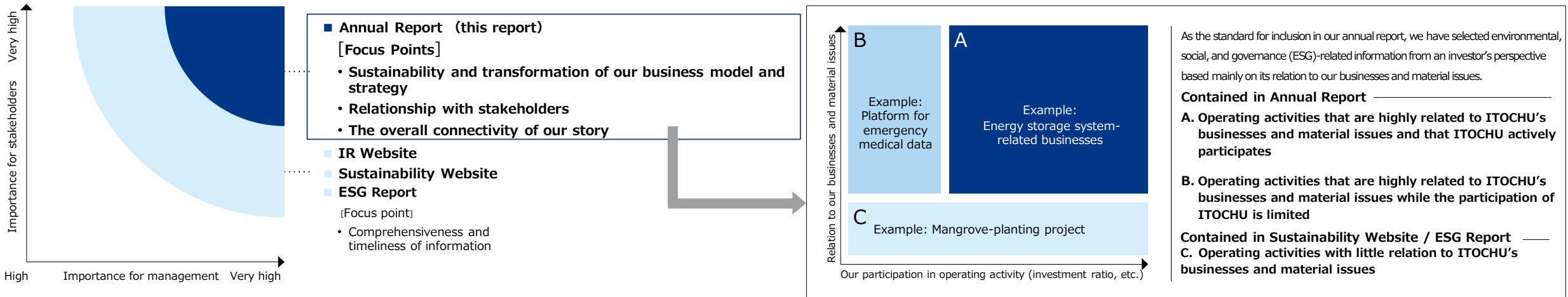


- ✓ Understanding the key points of ITOCHU's management through a detailed explanation of Annual Report 2022 and **engaging in dialogue with stakeholders on various issues common to the market**
- ✓ Promoting engagement through our responses to changes in the external environment and further awareness of issues
- ✓ Achieving further enhancement of corporate value through the actions above

Main Points (Editorial Policy)

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- ✓ Placed emphasis particularly on strategic focus and forward-looking mindset, relationship with stakeholders, and connectivity
- ✓ Explaining ability of Self-Transformation and Comprehensive Strength (Resilience) in dealing with an uncertain business environment
- ✓ Compiled an annual report as an important tool for **encouraging dialogue** with all stakeholders



Information Structure

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



Key Points of ANNUAL REPORT 2022

Key Points of ANNUAL REPORT 2022

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✓ “Key points of ANNUAL REPORT 2022” to meet the needs of readers who want to understand the changes from Annual Report 2021

Key Points of ANNUAL REPORT 2022

In the ANNUAL REPORT 2022, the Chairman & CEO gives an overview of management strategies and priority initiatives, while each officer explains the details of strategies with a focus on their area of responsibility. Further, we continue to use a framework based on the “Corporate Value Calculation Formula,” which serves as a perspective for investment decision-making, to organize information logically and to explain driving forces and initiatives to enhance corporate value.



Aiming to heighten trust in our management’s capabilities to respond to changes in external environment, we have used this latest report as an opportunity to focus on topics that are of particular interest to stakeholders. These topics include management strategy, climate change initiatives, policy on shareholder returns, examples of business model transformation enabled by our “ability of self-transformation,” countermeasures for country risks

- Priorities of Our Management Strategy [Page 12](#)
- Dialogues on Shareholder Returns [Page 36](#)
- Countermeasures for Business Risks and Other Risks [Page 56](#) [Page 78](#)
- Response to Climate Change and Other Issues [Page 18](#) [Page 86](#)
- Examples of Ability of Self-Transformation [Page 58](#)
- Advancement of Women [Page 80](#) [Page 96](#)

Changes in the External Environment in FYE 2022

In FYE 2022, uncertainty with regard to the global economy increased even further due to such factors as the impact of the COVID-19 pandemic and actualization of geopolitical risk in the form of the Russia-Ukraine situation. In addition, new lifestyles and ways of working became more prevalent in anticipation of the post-COVID-19 era, consumer preferences diversified, and society became even more digitalized. Other developments included a marked increase in concern about the sustainability of society and companies. For example, the Japanese government issued a roadmap for the creation of a decarbonized society, while a revised Corporate Governance Code requires companies to heighten diversity and further strengthen governance.

<Examples of changes in the external environment>

- Supply chain disruption and spiking in resource prices
- Actualization of geopolitical risks due to the Russian invasion of Ukraine
- Announcement of new GHG emissions reduction targets by the Japanese government
- Publication of revised Corporate Governance Code

Key Points of Annual Report 2021

Annual Report 2021 clarifies the important drivers of the Company’s business management by including an explanation of overall management strategy from the Chairman & CEO together with broader, in-depth explanations from officers that are focused on their particular areas of responsibility. In addition, we increased the usefulness of the annual report as a tool for promoting dialogue with stakeholders by incorporating and highlighting the unifying concept of the “Corporate Value Calculation Formula,” which serves as a perspective for investment decision-making. The aim of the report is to further understanding of the growth scenario set out in the medium-term management plan “Brand-new Deal 2023” as well as the underlying factors supporting solid corporate value built up through consistent implementation of the “Brand-new Deal” strategy over many years.



Highlighting the “Points of particular interest to stakeholders”

Description of the acknowledgement of the changes in the external environment that occurred in FYE 2022 behind the “Points of particular interest to stakeholders”

Structure of Management Messages

The “Comprehensive Strength” of ITOCHU



Front lines, SDGs-related business, the “Comprehensive Strength” of a general trading company, etc.

Seeking the key points of ITOCHU’s management as the CEO talks about his overall management policies, and each officer explains the area of responsibility in detail



Market-oriented perspective, “Sampo-yoshi,” Stance on shareholder returns, etc.

Specifying the scope of responsibility of each officer by explaining the area of responsibility from a professional point of view

Sustainability



Work-style reforms, sustainability, human resource strategy, etc.

Financial and Capital Strategies



Financial KPI, Dialogue / information disclosure, shareholder returns policy, credit rating, etc.

Investment Policy·DX



The four lessons, DX, Countermeasures for business risks and other risks, etc.

Structure of Management Messages

Concentrating management policies and measures that we should focus on in the management messages



CEO Message indicates stance on shareholder returns and CFO interview explains specific views on shareholder returns from a professional point of view

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Decision Aligning Our Aims with the Market

I consider the Annual Report to be very valuable in communicating management's direction. I have been writing down thoughts I want to convey in this CEO message in a journal regularly, and one of those things is shareholder returns.

In May 2021, we announced the shareholder returns policy during the medium-term management plan period, and in June, announced that we would reset share buybacks for the time being, after which ITOCHU's share price plunged. Although we received positive feedback on our progressive dividend policy, the main reasons for the plunge were our lack of a clear policy on the dividend payout ratio during the medium-term management plan, not disclosing the reasons for resetting share buybacks for the time being, and not providing the schedule to restart buybacks.

Previously, we had thought that no matter how high we set ITOCHU's dividend payout ratio, it could eventually cause disappointment for investors and shareholders, as a drop in profit would result in lower dividend amounts. For this reason, we believed that if, through the progressive dividend policy, we could steadily raise the level of dividend amounts every year, even just by a little, investors and shareholders would find it more preferable and feel encouraged to hold our shares over the long term. However, through dialogues with analysts and investors, I came to the realization that there was a gap between our thinking on this and the market's expectations.

I hope to please investors and shareholders over the medium- to long-term through increases in both

dividends and share price. Since becoming President in FYE 2011, I have worked hard to ensure that the share price and dividends steadily rise, and I routinely received gratitude. When meeting with a former executive of a manufacturer that held ITOCHU shares over the long term, he extended his sincere thanks, and I have received many letters from ITOCHU's former executives and employees. These have been the most gratifying moments as a corporate leader, and there have been many such occasions. With the recent drop in our share price, I immediately opened talks with management with a renewed drive to respond to market expectations to the extent possible going forward. Through extensive discussions, we reached the conclusion that we had already achieved the top ranking among general trading companies for our financial foundation, including shareholders' equity, and that we had achieved the capability necessary to share more of our profit with investors and shareholders. This led to the announcement in November 2021 of our new dividend policy during the medium-term management plan, comprising incremental increases to the minimum dividend in continuation of the progressive dividend policy as well as a commitment to a payout ratio of 30% by FYE 2024. With the share buyback announcement in January 2022 and its steady execution, we received positive feedback for our proactive shareholder returns, and ITOCHU's share price set 19 record highs during FYE 2022. (Page 36 CFO Interview)

What led you to the decision on the New Dividend Policy announced in FYE 2022?

The decision was made by incorporating opinions from the market into the Company's strong will on management.

When announcing the management plan for FYE 2023, the forecast for consolidated net profit increased from assumptions at the end of the second quarter of FYE 2022, and we, therefore, considered again expanding shareholder returns in FYE 2023. We took into consideration our total payout ratio in FYE 2022, commitments for FYE 2024, and other factors, in addition to discussions of whether dividend increases or share buybacks would be more appropriate. We ultimately announced an increase of our planned minimum DPS for FYE 2023 from ¥120 to ¥130, effectively pulling forward the DPS target originally planned for FYE 2024. At the same time, we also announced our plan to maintain the progressive dividend in FYE 2024. Regarding our shareholder returns policy from FYE 2023 onward, we will not change our stance of determining ideal shareholder returns based upon accumulating consolidated net profit, progress on growth investments, the market environment, etc., while remaining attentive to market feedback. (Page 52 FYE 2023 Management Plan)

Upward Revision of FYE 2023 Forecast and Additional Shareholder Returns

FYE 2023 Dividend & Share Buybacks

FYE 2023 Dividend

- Dividend per share increased by ¥30 from FYE 2022 to **minimum of ¥140 per share** (+ ¥10 per share & approximately + ¥15.0 billion of total dividend from the initial forecast)
- Implementation of incremental increases to the minimum dividend and commitment to a payout ratio of 30% by FYE 2024 (Continuation of a progressive dividend policy during "Brand-new Deal 2023")

Share Buybacks

- Decided to execute **¥35.0 billion of share buybacks** in consideration of the market conditions and status of cash allocation (Total payout ratio : Initial plan 27% ⇒ After additional shareholder returns 30%)
- Allocate half of annual forecast upward revision of + ¥100.0 billion to shareholder returns (dividend + ¥15.0 billion & share buybacks + ¥35.0 billion)

(FYE)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Share buybacks (Billions of yen)		16.2	27.9	68.0	62.0	13.5	60.0	35.0*	Execute actively and continuously

Executed share buybacks for 7 consecutive years (planned) * Resolved on October 4, 2022

In line with the description in the Annual Report, additional shareholder returns were announced on October 4, 2022

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Role as the “Table of Contents” in the overall Annual Report

- ✓ By regularly sharing lessons learned from history
- ✓ Stance on shareholder returns based on dialogue
- ✓ Businesses contributing to “*Sampo-yoshi*” and fostering sustainability
- ✓ Promoting business transformation with a “Market-Oriented Perspective”
- ✓ Human resource strategies to ensure “Enhancing Labor Productivity”
- ✓ Preparing for post-normalization of resource prices

Reflection on the first year in office and resolutions for the second year

- ✓ A foundational year that provided a bird's-eye view of the entire company
- ✓ Heading to the front lines

The "Comprehensive Strength" of a general trading company

- ✓ Reasons for maintaining a form of general trading company

Our approach to decarbonization

- ✓ Decarbonization business initiatives policy
- ✓ Reducing GHG emissions and proactively advancing businesses that help reduce emissions

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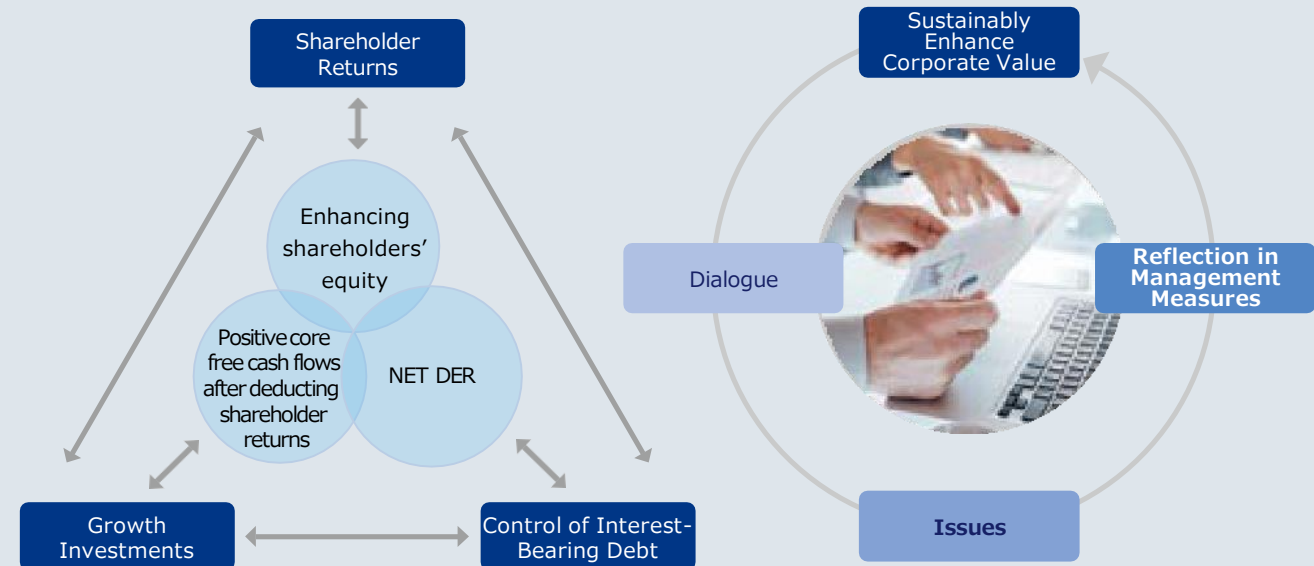
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Firmly maintaining our financial and capital strategies to balance three factors

- ✓ Expansion of our financial and capital foundations, which will underpin our growth strategy
- ✓ “New Dividend Policy” decided based on “Dialogue”
- ✓ Improvement of credit ratings in preparation for interest rate hikes

Achieve High ROE While Balancing Three Factors A Positive Cycle of Dialogue and Corporate Value Enhancement



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Keeping an eye out for opportunities and risks in the uncertain business environment

- ✓ The four lessons from past investment failures

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

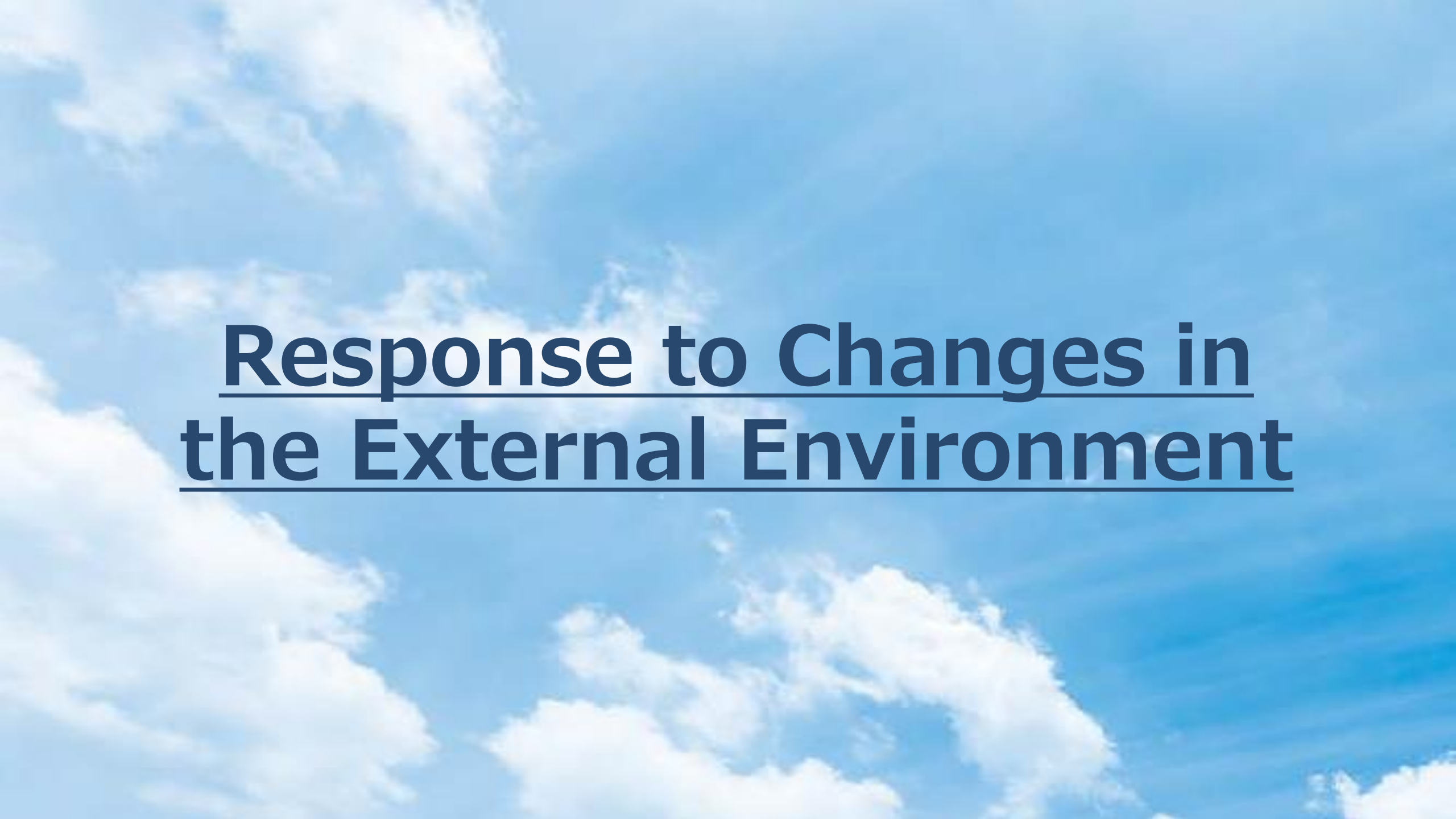
- ✓ Promoting DX on the front lines of business
- ✓ Countermeasures for business risks and other risks

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Taking various frontline-focused measures to turn words into accomplishments

- ✓ Key points of the second stage of work-style reforms
- ✓ The story behind holding the Sustainability Briefing
- ✓ Tactics for human resource acquisition



**Response to Changes in
the External Environment**

Response to Changes in the External Environment

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In the section on “Response to Changes in the External Environment,” the contents on “Lower Cost of Capital” and “Increase Growth Rate” in the Corporate Value Calculation Formula explains our specific responses



- ✓ Actualization of geopolitical risks due to the Russian-Ukraine situation
- ✓ Supply chain disruption and spiking in resource prices
- ✓ Announcement of new GHG emissions reduction targets by the Japanese government
- ✓ New lifestyles and ways of working became more prevalent in anticipation of the post-COVID-19 era
- ✓ Publication of revised Corporate Governance Code

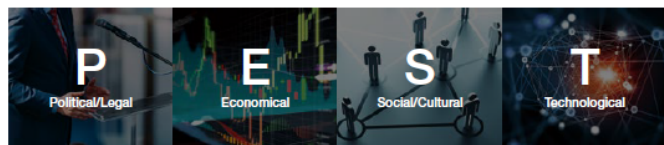


In addition to an ever more uncertain business environment, companies are now required more than ever to improve diversity, strengthen governance, and respond sustainability

PEST Analysis (Macroenvironmental Factors through 2030)

Analysis from a bird's-eye view of the uncertain business environment and ESG trends

PEST Analysis (Macroenvironmental Factors through 2030)



The ITOCHU Group's business environment is changing, and uncertainties are increasing. Through PEST analysis, we fully assess risks and opportunities in the context of macroenvironmental factors—such as the COVID-19 pandemic, geopolitical risks, and responses to the SDGs—and build an even stronger competitive edge by implementing flexible measures and transforming businesses in response to changes in the times and the business environment.

How to understand this page

In the graph for each macroenvironmental factor, the upper part represents our view of the balance between the degrees of impact of risks and opportunities, while the lower part represents our projection of changes in the degrees of impact through 2030. It also identifies the relevant capital.

Change in Investment Environment

Balance of risks and opportunities
Long term trend through 2030

Example: Change in Investment Environment
This represents instances where the effect of opportunity is greater than that of risk, and the degree of effect (investment opportunity) is expected to increase over the near- to medium-term, despite uncertainty. Moreover, this represents instances where the long term outlook is difficult to predict.

RISKS	Opportunities
Political Trends — Related Capital: (Business Portfolio) Client and Partner Assets, Natural Resources Upgradestate policy changes and headwinds to the growth of profit Deterioration of the global economy, decline in trade volume, and tightening of export and investment restrictions Economic stagnation and financial market turmoil due to terrorism and military conflicts	Stagnation of liberalism and democracy political instability, inequality issues, etc.) Internationalization of conflict between different political systems (democracies vs. non-democracies, the U.S.-China situation, etc.) Geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)
Economic Policy Trends — Related Capital: (Business Know-How) (Business Portfolio) Natural Resources Slowdown in pace of economic growth Higher interest rates and increase in tax burden	Focus on sustainability instead of growth Normalization of fiscal and monetary policies Stable economic growth Accelerated deregulation and society's expectations of the private sector with respect to economic growth, etc.
Changes in the Tax Code and Regulations — Related Capital: (Business Know-How) (Business Portfolio) Natural Resources, Relationships with Society Disappearance of existing transactions Shrinking of fossil fuel markets (coal, crude oil) Shrinking of existing transactions and increase in tax burden Increase in regulatory response costs and reputational decline or damage	Trade talks and agreements (TPP, RCEP, etc.) Regulations to curb GHG emissions (Paris Agreement, etc.) International tax trends (BEPS countermeasures, environmental taxes, corporate tax rate hikes) Tighter regulations in the digital technology field (competitive environment, information management, handling of personal data, etc.)

With the actualization of geopolitical risks, policies focus more on ongoing international cooperation as well as the stability of citizens' livelihoods. We will develop businesses amid increasing scrutiny of companies.

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Risks	Opportunities
Economic Stagnation in Developed Countries — Related Capital: (Business Know-How) (Business Portfolio) Client and Partner Assets Decrease in business opportunities and trade volume	Emergence of new demand from changes in consumer and corporate behavior
Greater Disparity in Economic Growth among Emerging Countries — Related Capital: (Human and Organizational Capital) (Business Portfolio) Client and Partner Assets Emergence of non-performing assets due to economic and social deterioration	Increase in consumer spending as standards of living rise; increase in demand for infrastructure and food resources as population grows
Dollar Appreciation — Related Capital: (Business Know-How) (Business Portfolio) Depreciation in currencies of emerging countries; increase in overseas investment costs	Appreciation in value of assets denominated in foreign currencies and expansion of businesses that benefit from yen depreciation
Volatility in Asset (Stocks, Real Estate) and Resource Prices — Related Capital: (Business Portfolio) Client and Partner Assets, Natural Resources Formation and collapse of asset bubbles in specific fields and products	Growth in earnings from trading and increase in gains on asset disposal through timely disposal
Change in Investment Environment — Related Capital: (Business Know-How) (Business Portfolio) Natural Resources Excessive swings in project value	Increase in expected returns as growth rebounds; more investment opportunities in fields and regions of strength

With growth of developed economies slowing as populations level off and the gap in growth potential widening among emerging economies, we will determine the correct balance between growth fields and fields that will peak out.

RISKS	Opportunities
Responding to Climate Change (Decarbonization) — Related Capital: (Business Know-How) (Business Portfolio) Client and Partner Assets, Natural Resources, Relationships with Society Decrease in total fuel demand as decarbonization of the world grows; increase in additional costs arising from decarbonization (insurance, higher power prices, and a reduction in the competitiveness of companies)	Emergence of clean power sources and electrification, etc.; potential for acquisition of new customers due to heightening of added value or enhancement of brand value of existing products and services
Cultivating a Workplace Environment — Related Capital: (Human and Organizational Capital) (Business Know-How) Labor shortages due to low birth rates, outflow of personnel; harassment, mental health, and long working hours; increases in health-related costs	Improvement in labor productivity due to utilization of digital tools and advancement of diversity; increase in flexibility of work systems; improvement in health and motivation; accumulation of outstanding human resources
Respecting Human Rights — Related Capital: (Client and Partner Assets) Natural Resources, Relationships with Society Human rights issue-related project delays and continuity risks; compliance violations; data leaks	Business stabilization and nonharmful through harmonious cooperation with local communities; construction of an ethical procurement-based system for continuous supply of products
Increasing Awareness on Health and Quality of Life — Related Capital: (Human and Organizational Capital) (Business Know-How) (Business Portfolio) Client and Partner Assets, Relationships with Society Decrease in creditworthiness when safety and health issues occur; destabilization of markets and the social security system	Increase in demand for products and services compatible with a non-contact society; increase in demand for health promotion and stabilization of food safety and security; expansion of information, financial, and distribution services due to digitalization
Ensuring Stable Procurement and Supply — Related Capital: (Business Portfolio) Client and Partner Assets, Natural Resources Increase in additional costs arising from efforts to ensure stable procurement and stable supply of food resources, energy, mineral resources, etc.	Increase in demand for rare metals, rare earths, etc.; stable procurement and supply provision that reflects consideration for environmental burden and economic security throughout entire life cycles of products
Strengthening Governance Structures — Related Capital: (Human and Organizational Capital) (Business Portfolio) Relationships with Society Decrease in corporate value assessment by investors; withdrawal of invested funds; decline from investment targets; decline in stock price	Rise in corporate value assessment by investors; inflow of investment funds; addition to investment targets; increase in stock price

Based on "Sampo-yoshi," Group corporate mission, we will advance solutions to social issues by providing products and services, creating new businesses, and replacing assets.

Risks	Opportunities
Changes in Business Models Caused by Technological Innovation — Related Capital: (Human and Organizational Capital) (Business Know-How) (Business Portfolio) Client and Partner Assets, Relationships with Society Obsolescence and attrition of existing business models due to proliferation of new technologies; leaks of internal data due to cyberattacks	Creation and provision of innovative services and new business models; improve productivity and optimize overall supply chain through use of new technology

By taking a market-oriented perspective to address rapid technological innovation and changes in consumer behavior, we will advance the self-transformation of business models.

Illustrating the impact of risks and opportunities through 2030 in our view of each macroenvironmental factor

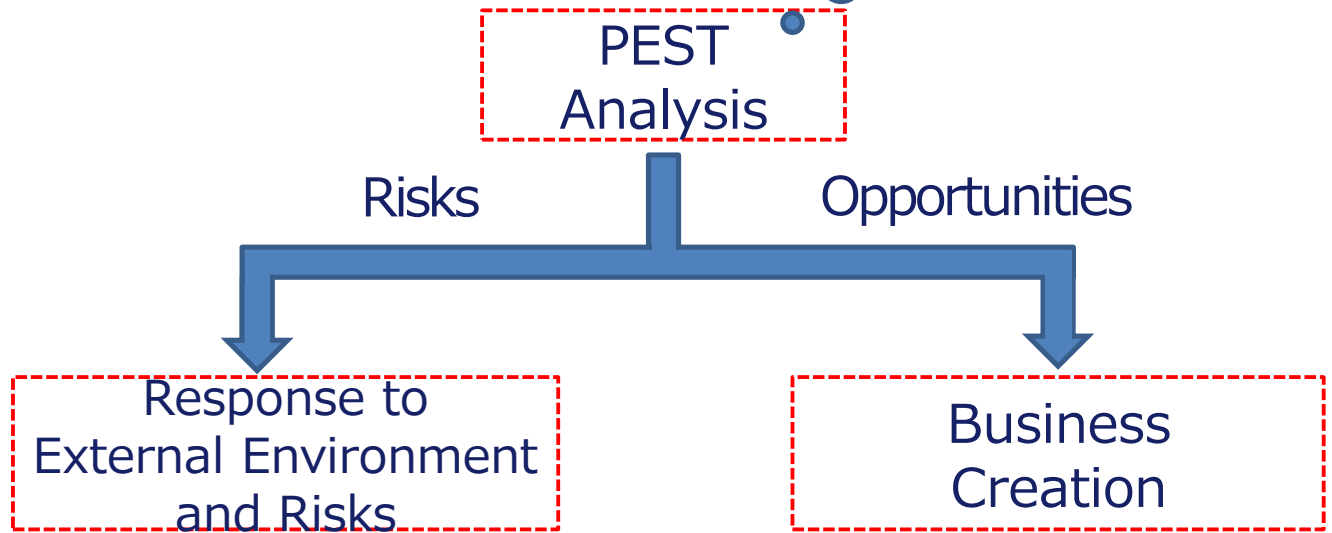
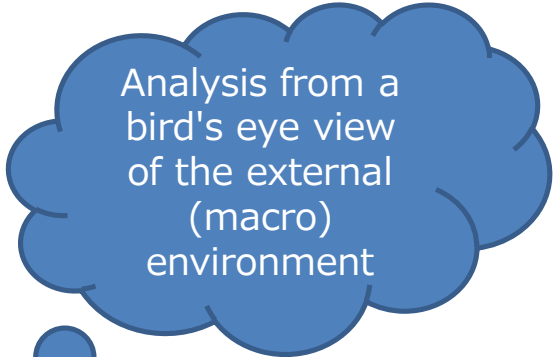
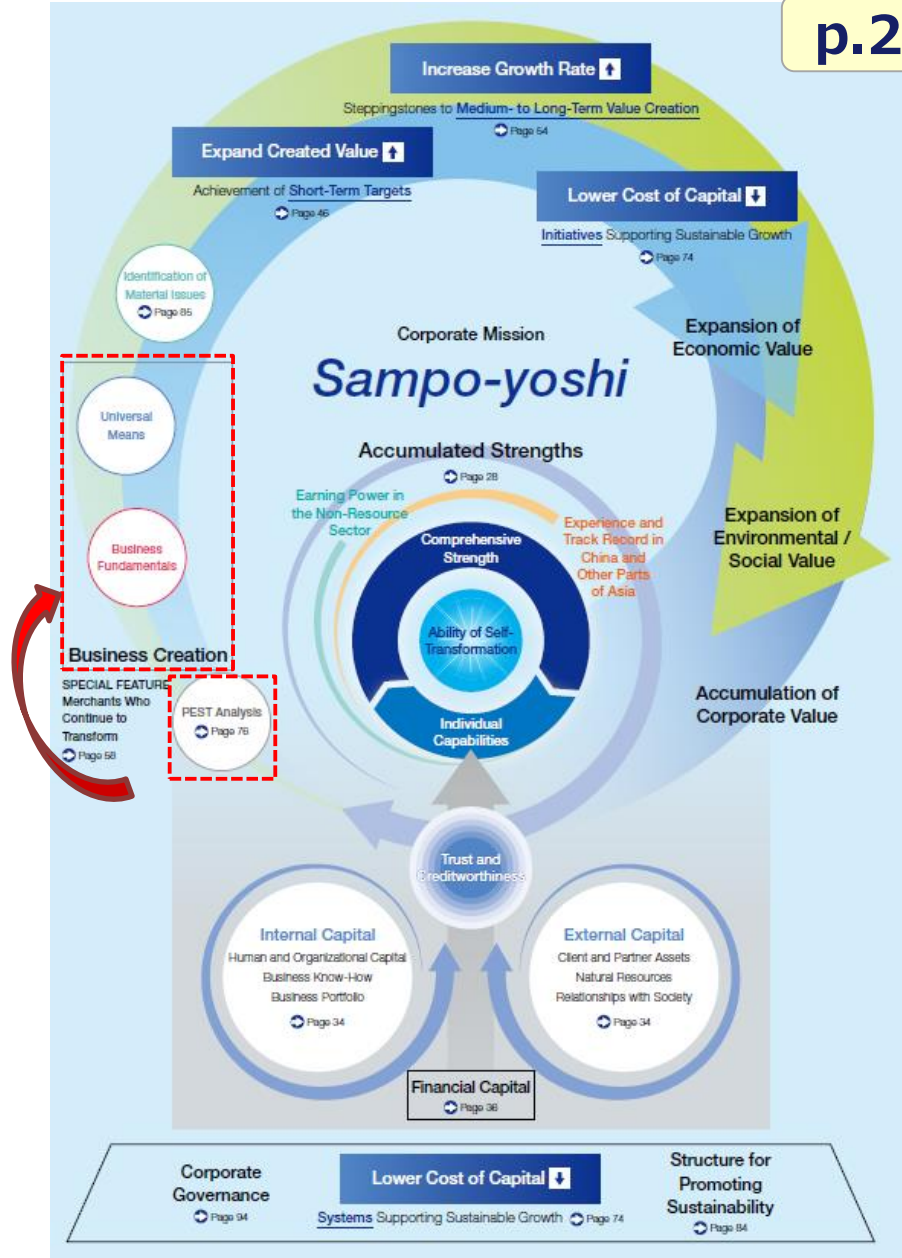
Identifying non-financial capital affected by macroenvironmental factors

Corporate Value ↑ = Created Value ↑ - Cost of Capital ↓ - Growth Rate ↑

The "Merchant" Business Model

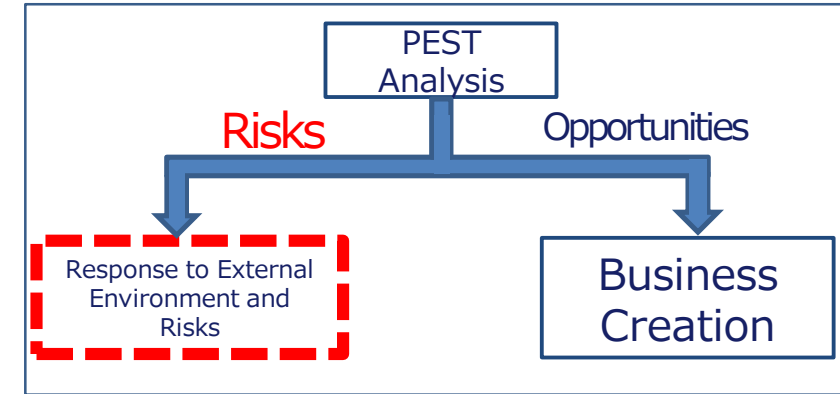
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- ✓ By capturing changes in the external environment ahead of time, we prevent "Risks" and create "Business"



- ✓ Actualization of geopolitical risks due to the Russian-Ukraine situation
- ✓ Supply chain disruption and spiking in resource prices

1. Countermeasures for Business Risks and Other Risks



- ✓ Announcement of new GHG emissions reduction targets by the Japanese government

2. Our Approach to Climate Change

- ✓ New lifestyles and ways of working became more prevalent in anticipation of the post-COVID-19 era

3. Human Resource Strategy

- ✓ Publication of revised Corporate Governance Code

4. Women's Advancement Committee

1. Countermeasures for Business Risks and Other Risks



Multiple factors of concern, such as geopolitical risks and supply chain disruptions, inflation, including hiking raw material prices and logistics costs, and countermeasures are included

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Countermeasures for Business Risks and Other Risks

Due to the diverse and extensive nature of its businesses, the ITOCHU Group is exposed to a range of risks, including complex market-related risk, credit risk, and investment risk. As unpredictable uncertainties are inherent in such risks, they may have significant effects on the Group's future financial position and business performance.

Viewing risk control as an important management task, we have established basic policies, administrative systems, and methods for managing the risks that we face.

Risk Description	Risk Description
(1) Risks Associated with Macroeconomic Factors and Business Model Page 76	(7) Risks Associated with Fund-raising Page 36
(2) Market Risk	(8) Risks Associated with Taxes
a) Foreign Exchange Rate Risk	(9) Risks Associated with Significant Lawsuits
b) Interest Rate Risk	(10) Risks Associated with Laws and Regulations
c) Commodity Price Risk	(11) Risks Associated with Human Resources Page 92
d) Stock Price Risk	(12) Risks Associated with the Environment and Society Page 64
(3) Investment Risk Page 40	(13) Risks Associated with Natural Disasters
(4) Risks Associated with Impairment Loss on Fixed Assets	(14) Risks Associated with Information Systems and Information Security
(5) Credit Risk	(15) Risks Associated with the Outbreak of COVID-19
(6) Country Risk	

For details, please see "Risk Information" in Financial Information Report 2022.
<https://www.itochu.co.jp/en/files/FR2022E.pdf>



RISK 1

Risks Associated with Macroeconomic Factors and Business Model

Risks Associated with Cost Increases in the Consumer Sector

Due to disruptions in supply chains and other factors, some businesses, such as textiles and foods, are expected to be affected by cost increases due to hikes in the prices of raw materials, fuel, and other items. Based on a detailed analysis of the situation specific in each

industry, the Company will minimize the impact of cost increases by implementing specific measures, such as passing on cost increases to prices in a timely manner, developing new alternative products and procurement routes, and stepping up the rigorous implementation of "cut" measures.

Origin Company	Industries	Possible Scenarios in Target Industries	Countermeasures
Textile	Brands and OEM*	<ul style="list-style-type: none"> Increase in raw material prices and logistics costs Decreases in consumption and orders Possible acceleration of brand reorganization (changes in ownership) 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Acquisition of marketing rights and trademarks in the domestic market in response to a trend toward the reorganization of overseas brands
Food	Fresh foods and raw material processing	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as fuel and secondary materials 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Curtailing of cost increases through meticulous logistics operations
	Food distribution	<ul style="list-style-type: none"> Increase in distribution costs and other indirect costs due to higher fuel prices Change in consumption trends of consumers due to inflation 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Curtailing of cost increases through efficiency of logistics
General Products & Realty	Construction and real estate	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as labor, fuel, and secondary materials 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Optimization of inventory levels
The 8th	Convenience stores	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as utility costs Change in consumption trends of consumers due to inflation 	<ul style="list-style-type: none"> Continue to develop products that provide new value Meticulous price setting for each product (partially passing on costs to prices) Curtailing of cost increases through structural reform of manufacturing and logistics

*Original Equipment Manufacturing

RISK 6

Country Risk

The ITOCHU Group is exposed to country risk, including unforeseen situations arising from the political, economic, and social conditions of the countries and overseas regions in which the Group conducts product transactions and business activities. Country risk also includes state expropriation of assets owned by investors' or remittance suspension due to changes in various laws and regulations. To control the aforementioned risks, the Group takes appropriate risk avoidance measures for each project while using in-house country credit ratings to establish Groupwide guidelines on limits for each country and maintaining overall exposure to each country at a level that is appropriate for the Group's financial strength.

(1) Russia-Related Business

As of March 31, 2022, exposure to Russia was ¥42.1 billion. In response to the Russia-Ukraine situation, the Company promptly formulated a credit policy for Russia and rigorously implemented the "prevent" measures, such as acceleration of receivables collection. In addition, through a joint venture led by the Japanese government, the Company owns an interest in part of the Sakhalin-1 crude oil concession in Russia. In light of such factors as the need to secure stable energy resources for Japan, the Company will discuss and consider future measures

in close consultation with the Japanese government, which is the largest shareholder in the joint venture; other partners; and other relevant parties.

(2) China-Related Business

As of March 31, 2022, exposure to China was ¥1,269.2 billion. The Company has three types of China-related businesses: businesses related to CITIC, iron ore trading to China, and other trade and business investments. The Chinese government has long pursued a policy of strengthening state-owned enterprises. Given that it is a Chinese state-owned conglomerate, CITIC is expected to perform steadily as it is expected to benefit from public projects and economic stimulus measures by the government. In addition, a significant decline in demand for iron ore trading to China is unlikely as at the moment the Chinese government has made maintaining and expanding the economy a key policy and is expected to further increase investment in infrastructure and other areas. As for other trade and business investments, the Company is mainly engaged in China's domestic consumer sector and is not engaged in businesses related to such areas as advanced technologies, with respect to which there is concern over the effect of trade friction between the United States and China.

✓ Given the current external environment, explaining the top three risks that the market has particularly interested in

RISK 14

Risks Associated with Information Systems and Information Security

The Company strengthens its information security by establishing security rules and enhancing security infrastructure.

ITOCHU Group companies have long been required to meet the ITOCHU Group Information Security Minimum Standards as a minimum level of compliance. In FYE 2022, the Company added 40 articles to these standards with the aim of preventing such threats as information leaks caused by cyberattacks, and the Company is endeavoring to ensure rigorous compliance with the standards.

Further, an in-house cybersecurity team, ITCCERT (ITOCHU Computer Emergency Readiness, Response & Recovery Team), which is led by ITOCHU-dedicated expert advanced cybersecurity analysts, collects the latest information on potential cyberthreats and takes

preventive measures. Moreover, if an incident occurs in the Group, the team immediately implements an incident response, which includes investigating the cause, analyzing countermeasures, and restoring services. In addition, ITCCERT has bundled services into the ITOCHU Group Cyber Security Program package, also known as I Series, including a program that checks for latent malware, a program for detecting unauthorized internet communications, and workshops for IT personnel. The package is already in use at 86 overseas offices and overseas branches, etc., and 95 Group companies, and the coverage of the package is being extended. Also, the Group is continuing to strengthen its cybersecurity. In FYE 2023, plans call for expanding and enhancing the services provided by I Series as a measure to strengthen the Group's resilience to cyberattacks even further.

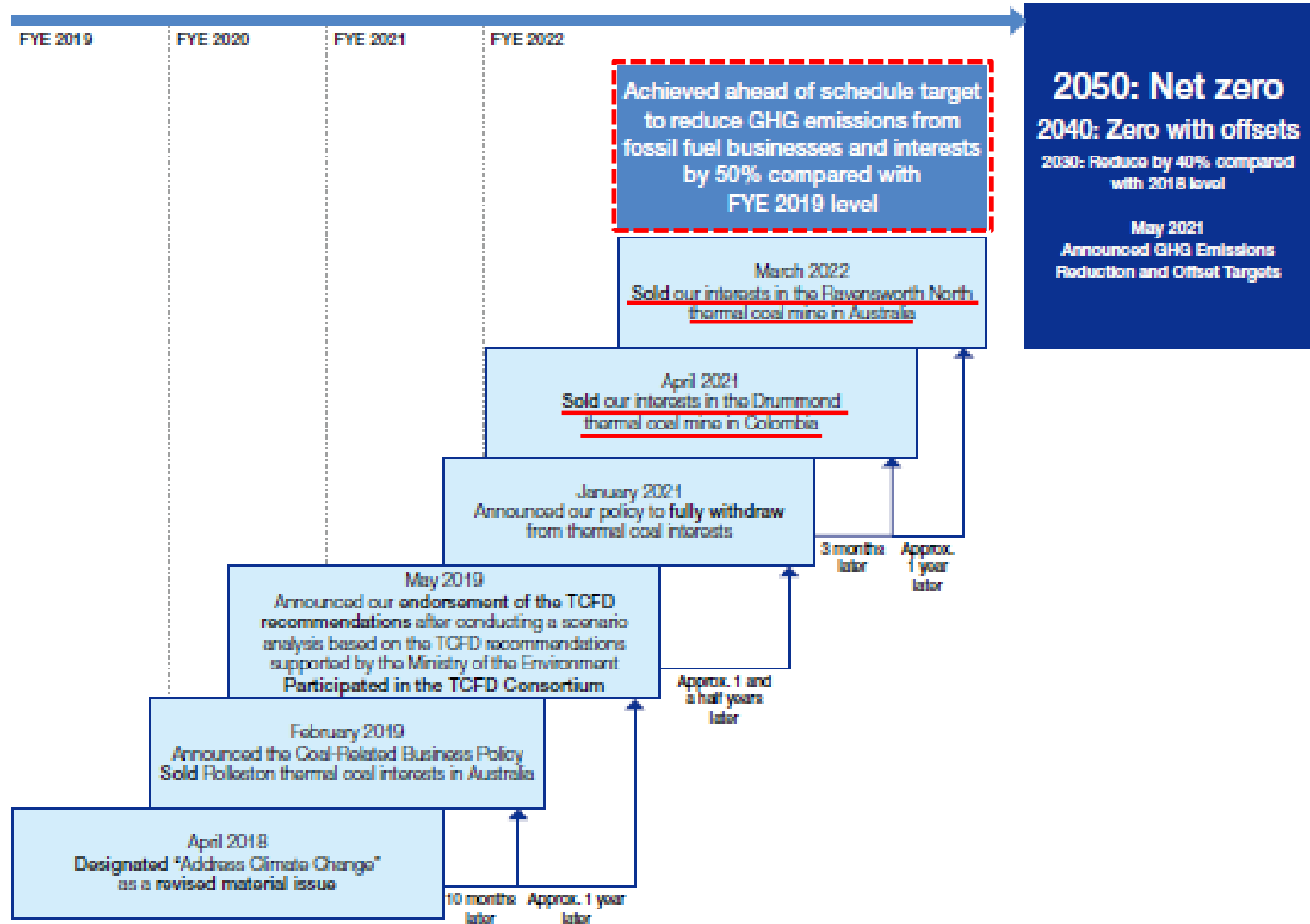


Created Value ↑

2. Our Approach to Climate Change

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Initiatives to Address Climate Change

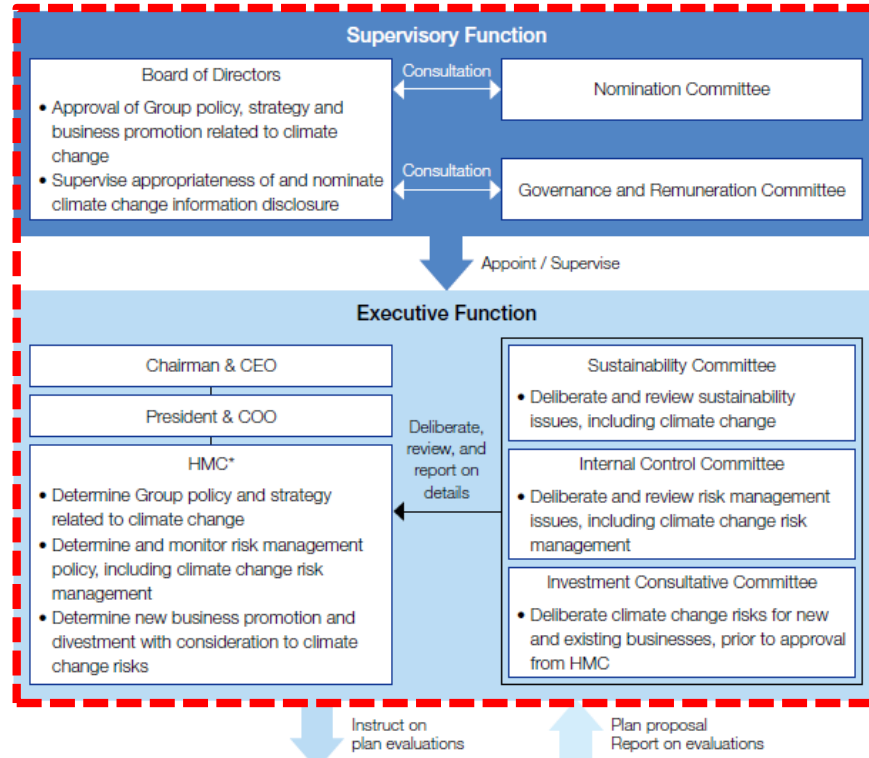


- ✓ Steadily promoting sale of thermal coal interests as committed
- ✓ Achieved ahead of schedule target to reduce GHG emissions from fossil fuel businesses and interests by 50% compared with FYE 2019 level
- ✓ Development of a roadmap to achieve long-term goals is under discussion

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

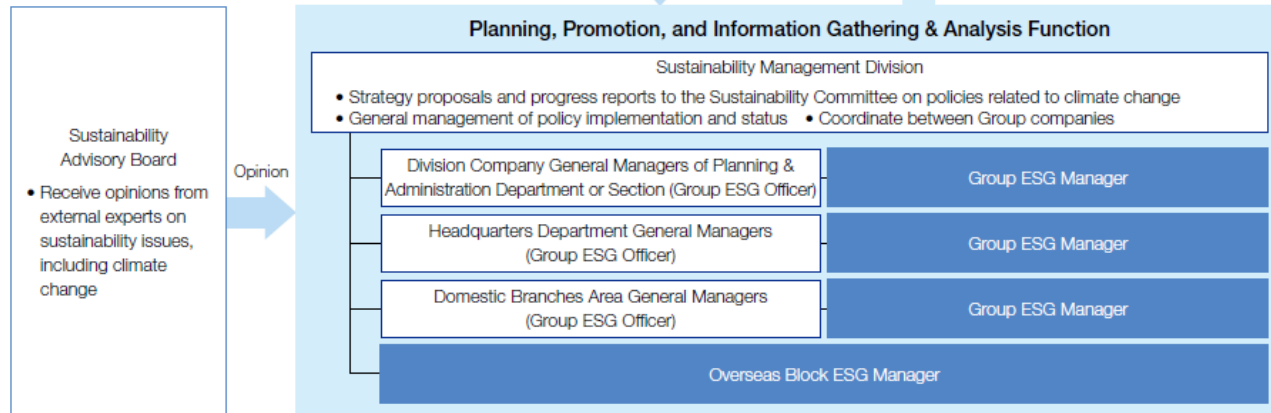
2. Our Approach to Climate Change Expanding Disclosure Based on TCFD (1)

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- ✓ Expanding disclosure in light of the importance of TCFD
- ✓ Disclosures that meet the level required by TCFD sector-specific guidance

Illustrating the linkage between supervisory function and executive function

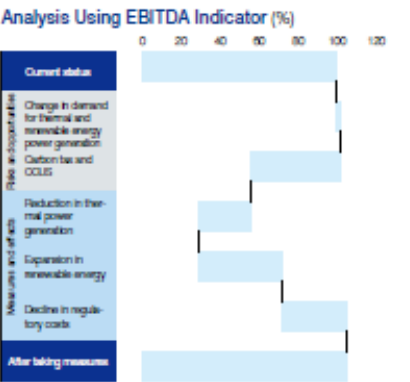
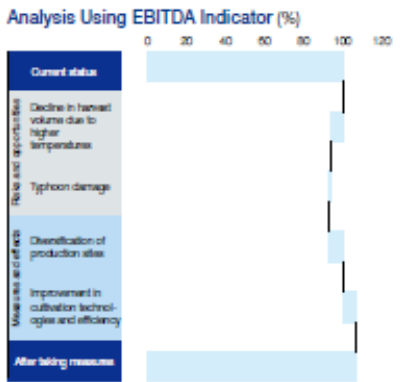


* Headquarters Management Committee

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

2. Our Approach to Climate Change Expanding Disclosure Based on TCFD (2)

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		Businesses with Significant Exposure to Transition Risk	Businesses with Significant Exposure to Physical Risk
Business		Power generation business	Dole business
Time frame		through 2040	through 2030
Temperature rise scenario		< 2°C scenario	4°C scenario
Main risks and opportunities	Transition	Risk <ul style="list-style-type: none"> Thermal power generation costs may increase due to the impact of carbon taxes and mandatory CCUS* technology. Opportunities <ul style="list-style-type: none"> The competitive advantage of renewable energy may increase owing to technological progress and cost reduction. More business opportunities from increasing investment in energy storage systems and grids for a significant shift to renewable energy. 	Opportunities <ul style="list-style-type: none"> There might be an expansion in the use of recycled clean energy (biogas power generation and biomass boilers) utilizing our own organic resources (including pineapple, banana, and other food residues, and factory waste liquids) and growth in renewable energy such as solar power generation.
	Physical	Risk <ul style="list-style-type: none"> Power generation facilities may be damaged by natural disasters (abnormal weather). 	Risk <ul style="list-style-type: none"> There may be a reduction in yields due to abnormal weather (e.g., typhoons and droughts) affecting banana and pineapple plantations in the Philippines.
Business environment in the scenario and business impact assessment		<p>Transition risks might squeeze profit of thermal power generation significantly due to higher carbon taxes and CCUS costs. However, by actively promoting renewable energy projects, earnings should improve on greater sales of renewable energy and lower carbon taxes and CCUS costs.</p> <p>Analysis Using EBITDA Indicator (%)</p> 	<p>The decrease in crop harvests attributable to climate change can be supplemented by increasing per-unit crop harvest volume through improvements to production methods. We also started pineapple production in West Africa (Sierra Leone, etc.) as part of production site diversification to prepare for weather risks. The above initiatives will make it possible to increase earnings.</p> <p>Analysis Using EBITDA Indicator (%)</p> 
Adaptation / mitigation measures and policies business opportunities		<ul style="list-style-type: none"> We will reflect in future initiatives our aim of achieving a renewable energy ratio of over 20% (equity-interest basis) by FYE 2031. We will not develop any new coal-fired power generation business in order to contribute to the realization of a sustainable society. 	<ul style="list-style-type: none"> We will diversify production areas in preparation for weather risks (e.g., Sierra Leone in West Africa, etc.) We will increase per-unit harvest volume by improving production methods, such as by selecting breeds that are viable in high-temperature climates, improving seedling cultivation, and installing irrigation equipment. We will use drones and ICT (agricultural chemical spraying location identification, yield prediction, and timely and accurate fertilization) to increase productivity. We will expand renewable energy, such as solar power, to achieve low carbon and protect water resources.

- ✓ Detailed scenario analysis
- ✓ Expanding businesses to be analyzed. Iron ore, chemicals, automobiles, feed and grain to be disclosed in FYE 2024

Physical risks are also analyzed in a 4°C scenario

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

* Carbon Capture, Usage and Storage

2. Our Approach to Climate Change Contribution to Reduction & Clean-Tech Business

Individual Targets and Initiatives for the Clean-Tech Business

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Clean-Tech Business	Individual Targets and Initiatives
Renewable Energy	<ul style="list-style-type: none"> • Raise the renewable energy ratio in the power generating capacity of our equity interests to over 20% by FYE 2031 • Currently participating in a renewable energy business with a total capacity of approximately 1,000 MW, such as in Cotton Plains, Texas in the U.S. (wind and solar power) and in Sarulla Operations in Indonesia (geothermal power) • Currently developing a new renewable energy business with capacity of approximately 2,000 MW to achieve a renewable energy ratio of over 20%
Fuel Ammonia	<ul style="list-style-type: none"> • Build a value chain focused on fuel ammonia by owning and operating ammonia-fueled ships and developing fuel supply bases • Promote the reduction of GHG emissions from the maritime industry by promoting the spread of ammonia-fueled ships from FYE 2026 onward
Energy Storage System-Related Businesses	<ul style="list-style-type: none"> • Aim for a cumulative capacity of energy storage system units sold of over 5 GWh by FYE 2031
Waste Management Project	<ul style="list-style-type: none"> • Expand to the Middle East and other regions in Asia, leveraging our achievements in Europe, and continue to build up high-quality assets

Specific targets for Clean-Tech businesses that contribute to GHG emissions reduction

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



Start of Construction in Dubai on One of the World's Largest Energy-from-Waste Plants
 ITOCHU is currently building one of the world's largest Energy-from-Waste plants in Dubai and will operate the facility for 35 years after commencement of commercial operation, which is slated for 2024. Once built, the plant will incinerate roughly 45% (1.9 million tons per year) of all general waste produced in Dubai and generate electricity from the heat that is produced during incineration.
 Through this project, ITOCHU will contribute to the achievement of Dubai policy goals with regard to the environment and health, including reducing landfill disposal volume, contributing to sustainable and ecologically friendly waste management, and promoting the development of alternative energy sources not reliant on fossil fuels.



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



Further Strengthening of Iron Ore Interests in Western Australia
 With respect to iron ore interests jointly held in Western Australia with BHP Group Limited (BHP) and others, production at the South Flank mine started on schedule in May 2021, following the decision to develop the mine in 2018. Together with the adjacent mine of Mining Area C (MAC), the South Flank mine will form the world's largest iron ore production hub, producing 145 million tons of iron ore per year. The project will also help to significantly stabilize the Western Australian iron ore business.
 In 2021, we also acquired a partial interest in the Western Ridge iron ore deposits owned by BHP. Western Ridge consists of four vast iron ore deposits where we are able to keep costs low by utilizing existing rail and port infrastructure. We have begun production at an open-pit mine.
 The usefulness of iron as a material is unlikely to change given its availability in large quantities; metal properties such as strength, workability, etc.; economic appeal as a material procurable at low cost; and reusability through recycling. We will continue benefiting society by supporting long-term secure and stable supplies of this useful resource.



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



Building of Value Chains for Renewable Fuels
 We aim to help realize a decarbonized society by building value chains for renewable fuels, including sustainable aviation fuel (SAF) and renewable diesel (RD). Having concluded an exclusive agreement for the import of sustainable aviation fuel to and its sale in Japan with NESTE OYJ (NESTE) based in Finland, we are increasing sales of the fuel to airlines in Japan. We are also importing and selling renewable diesel produced by NESTE, and we have begun operating Japan's first facility for refueling trucks with renewable diesel. NESTE's renewable fuels are made from materials such as waste cooking oil, etc. Compared to petroleum-based fuels, SAF and RD reduce GHG emissions by up to 80% and roughly 90%, respectively, based on life cycle assessments. ITOCHU will continue leveraging its comprehensive strength to advance renewable fuel-related initiatives, thereby enhancing our contribution to and engagement with SDGs even further.



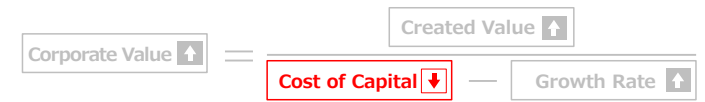
Specific Example of Enhancing Our Contribution to and Engagement with the SDGs



U.S.-Based CGB ENTERPRISES, INC. Decided to Invest in a Soybean Processing Plant
 CGB ENTERPRISES, INC. (CGB), an affiliated company of ITOCHU, has decided to build a new soybean processing plant in North Dakota, the U.S. CGB supports stable food supply through the operations of grain collection, soybean processing, and logistics businesses in North America. As well as being used for food, the soybean oil produced by the soybean processing business is used as feedstock for biofuels such as sustainable aviation fuel (SAF), which promises to become a next-generation aviation fuel and demand for which is likely to grow. By expanding its soybean oil production, CGB will better contribute to providing clean energy in the growing energy market in the U.S., as well.



“Specific Example of Enhancing Our Contribution to and Engagement with the SDGs” in the section of Business Portfolio



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Human Rights Due Diligence Flow Chart



Please see ITOCHU's website for more information about human rights due diligence.

https://www.itochu.co.jp/en/csr/society/human_rights/



- ✓ Expanding disclosure of human rights-related information
- ✓ For human rights due diligence, details of the Food Company and the Metals & Minerals Company conducted in FYE 2021 and FYE 2022 respectively are listed in contents
- ✓ Human rights due diligence is conducted for the Textile Company in FYE 2023

Division Company	Product	Target Country or Region	Human Rights Issues Indicated as Survey Targets	No. of Companies In Survey	No. of Companies Subject to Engagement	Issues
Food	Palm oil	Malaysia Indonesia	<ul style="list-style-type: none"> • Child labor • Fair wages • Fair work hours • Workplace discrimination • Forced labor 	First-tier suppliers: 12 companies Second- / third-tier suppliers: 19 companies	2 companies	Regarding palm oil and coffee beans, continue to monitor operations of grievance mechanism at farms, and improvement in ways to spread awareness
	Coffee beans	Brazil Guatemala Mexico Colombia, etc.	<ul style="list-style-type: none"> • Freedom of association and right to organized negotiations • Migrant worker rights • Health and safety • Status of establishing and operating a complaint help desk, etc. 	First-tier suppliers: 18 companies Second- / third-tier suppliers: 49 companies	5 companies	
	Pineapples	Sierra Leone	<ul style="list-style-type: none"> • Forced labor • Child labor • Discrimination • Freedom of association and right to organized negotiations 	Contractors: 3 companies	—	
Metals & Minerals	Project (coal, aluminum, iron ore, platinum, nickel)	Southeast Asia South America South Africa	<ul style="list-style-type: none"> • Forced labor • Child labor • Discrimination • Freedom of association and right to organized negotiations 	Suppliers: 19 companies	4 companies	Continue to monitor overtime work during busy periods, set up and operation of grievance mechanism for local residents through supply chain sustainability survey
	Trade (coal, silicon metal, etc.)	Asia region	<ul style="list-style-type: none"> • Land use • Working hours and wages • Health and safety • Community Impact (include Infringement of indigenous people right, etc.) • Water and hygiene, etc. 			

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

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Number of Surveys Conducted, by Region, in FYE 2022



A map that visually convey the status and the number of cases

- ✓ Listing the products for which individual policies have been developed for responsible procurement
- ✓ Joining an “Engagement and Remedy” platform called JaCER (Japan Center for Engagement and Remedy on Business and Human Rights)

Please see ITOCHU's website for more information about the supply chain sustainability survey.

https://www.itochu.co.jp/en/csr/society/value_chain/system/



Formulation of Procurement Policies for Individual Product Type

Based on The ITOCHU Group Sustainability Policy and Sustainability Action Guidelines for Supply Chains, ITOCHU endeavors to sustainably procure raw materials and products. For the sake of responsible procurement, the Company has formulated the following procurement policies for individual products and engages in activities based on these policies.

Sustainable Procurement Policy on Natural Forests and Forest Resources	Natural Rubber Procurement Policy	Sustainable Palm Oil Procurement Policy	Cocoa Bean Procurement Policy
Coffee Bean Procurement Policy	Raw Material Tuna Procurement Policy	Commitment of Protecting Forests through Material Sourcing of MMCF	

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

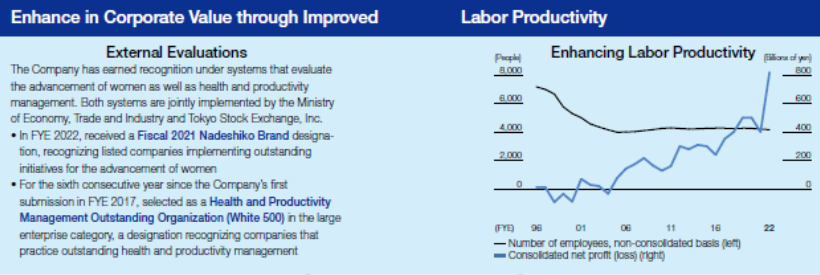
3. Human Resource Strategy

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Human Resource Strategy

Cultivate a Motivating Workplace Environment

Having clearly identified human resources as a key component of management strategy, ITOCHU's management team is committed to creating a company that is challenging but rewarding to work for, where meeting the demands of work is not only challenging but also rewarding in many different ways. As well as improving employees' motivation and willingness to contribute, our successful creation of a frontline-focused workplace environment in which everyone can fully realize their capabilities is creating a virtuous cycle that results in a favorable external reputation enabling us to recruit outstanding human resources.



Enhancing Corporate Value through the Evolution of Work-Style Reforms

FYE 2023 has seen the launch of the second stage of work-style reforms. Based on the Engagement Survey Results (Page 127) conducted in FYE 2022, we are introducing measures with a particular emphasis on reflecting the diversification of values among the young employees and female employees.*

We will continue expanding and enhancing measures. At the same time, all measures will form part of a virtuous cycle that steadily improves both labor productivity and enhances corporate value.

* In the tables below, ★ indicates a measure that has been newly introduced as part of the second stage of work-style reforms.

✓ Explanation on the positive cycle of new personnel measures based on the results of the engagement survey and human resources strategies that enhance corporate value by improving labor productivity

Recruiting Outstanding Human Resources

INPUT	OUTCOME
Next-generation recruiting enabled by virtual reality technology (VR) from FYE 2022	Increasing the range of job-hunting options for students in the post-COVID-19 era
VR-enabled recruiting designed by prospective ITOCHU employees and based on a market-oriented perspective	Fostering a culture that flexibly incorporates diverse values

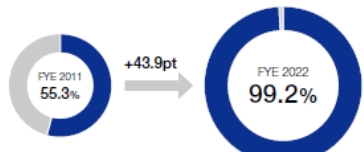
Company ranking among job-seekers according to 7 major institutions*
 [All industries] Ranked No. 1 by 4 institutions
 [General trading company] Ranked No. 1 by all institutions

* Based on the responses of students graduating in 2023, the Company ranked No. 1 among all industries from GARIBOLDI Co., Ltd., DIAMOND HUMAN RESOURCE, INC., Nippon Cultural Broadcasting Inc., and WORKS/JAPAN Co., Ltd. Moreover, the Company ranked No. 1 among general trading companies from the four institutions mentioned above as well as all seven institutions including Rakuten Group, Inc., DISCO Inc., and Myreal Corporation.

Increasing Awareness of Participation in Management

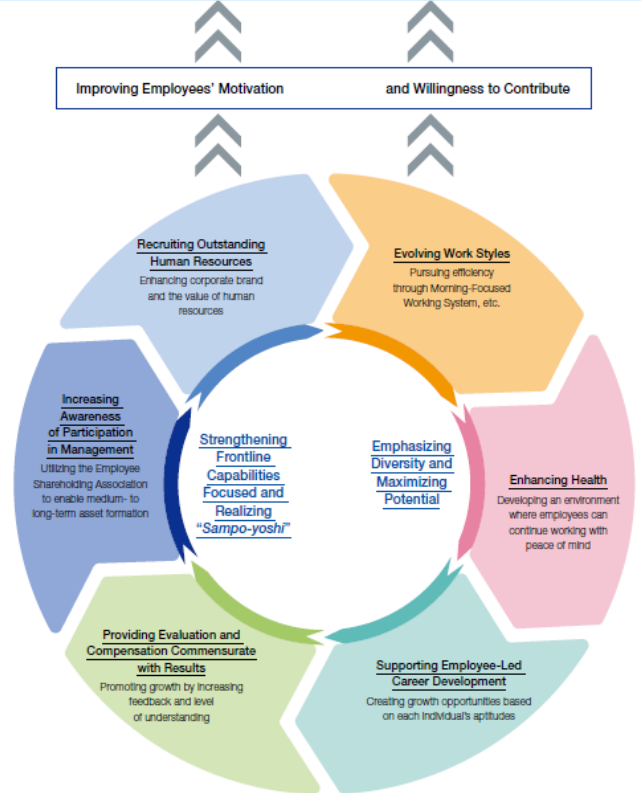
INPUT	OUTCOME
Encouraging participation in the Employee Shareholding Association	Participation in the Employee Shareholding Association in FYE 2022: 99.2%
Stock compensation scheme (from FYE 2020)	Raising each employee's sense of participation in business management

Percentage of Membership in the Employee Shareholding Association



Providing Evaluation and Compensation Commensurate with Results

INPUT	OUTCOME
Compensation highly linked to the Company's performance	Raising awareness of the Company's performance
40% of bonus amounts based on the Company's performance	
Intrinsic Motivation Award (from FYE 2021)	Encouraging business based on market-oriented perspectives, SDG initiatives, and digitalization
Commending results that have achieved results based on Guidelines of Conduct	
Introducing one-on-one interviews (from FYE 2023) ★	Enhancing understanding of evaluations and compensation
Enabling more interviews between superiors and subordinates	



Evolving Work Styles

INPUT	OUTCOME
Morning-Focused Working System (from FYE 2014)	Improve operating efficiency and use time more effectively (Morning Activity Sessions, self-improvement, etc.)
Shift from the tendency to work late night to Morning-Focused Working Style (In principle, prohibit work after 8:00 p.m. and offer free breakfast and provide a higher wage rate to employees who start work before 8:00 a.m.)	Reduce overtime work to prevent long working hours
Introducing Morning-Focused Routines System (from FYE 2023) ★	Offering greater options in relation to flexible work style suited for particular types of work and lifestyle
Introducing a work from home system for all employees (from FYE 2022) ★	
Expanding and improving ICT infrastructure (digitalizing application forms, advancing introduction of robotic process automation, etc.)	Allocating finite working hours to high-value-added work

Enhancing Health

INPUT	OUTCOME
ITOCHU Health Charter (from FYE 2017)	Increase the capabilities of employees by enhancing health
Investment for health and productivity measures in FYE 2022: Approx. ¥11.0 billion	
Support Measures for Balancing Cancer Care and Work (from FYE 2018)	Create an environment where employees feel a sense of belonging and work with peace of mind
Regular special checkups in cooperation with the National Cancer Center Research Institute	Nearly 100% screening among people targeted for special cancer checkups in FYE 2022
Establish systems individually to encourage balance treatment and work tasks	Reduce anxiety about the future
Provide schooling and work support for bereaved family members	
Helping employees with disease prevention (Participation in a sleep quality improvement project)	Helping employees to maintain and improve their health and improving labor productivity during daytime hours

Supporting Employee-Led Career Development (Human Resources Development)

INPUT	OUTCOME
Creating growth opportunities based on individuals' aptitudes and careers	Supporting employees' self-starting efforts and enhancing job satisfaction
Investment in human resource development in FYE 2022: Approx. ¥1.1 billion	Creating growth opportunities based on each individual's aptitudes
Expanding and enhancing the Challenge Career System (In-house recruitment system) ★	
Empowering women	Two female Outside Directors, one female Full-time Audit & Supervisory Board Member, and one female Executive Officer**
Fostering the next generation of managers through systematic provision of work experience	Percentage of women in management positions: 8.5%**
Introducing systems that support dual-income households (allowance to balance engagement in both work and childrearing, infertility treatment leave) (from FYE 2023) ★	Offering greater options in relation to flexible work styles suited to diversified values, and types of work and lifestyles
Increasing the number of Chinese-speaking employees (from FYE 2014)	Employees with Chinese language qualifications in FYE 2022: 1,265 (more than one-third of all career-track employees)
Providing support that empowers junior and mid-ranking employees	Supporting the autonomous growth of employees and improving their motivation and willingness to contribute
One-on-one interviews (from FYE 2023) ★ and increasing and enhancing career development	
Supporting the reeducation of middle and senior-ranking employees (reskilling support system)	Supporting employees' self-starting efforts and realizing long-term contributions

* As of June 30, 2022. ** As of April 1, 2022 (career-track employees, employees in special positions)



4. Women's Advancement Committee

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Corporate Governance

Women's Advancement Committee

Establishment of the Women's Advancement Committee

In October 2021, ITOCHU established the Women's Advancement Committee, and I was appointed as its chairperson. To further accelerate the advancement of women, a goal ITOCHU has been promoting since FYE 2004, this committee was established as an advisory committee to the Board of Directors, with a system put in place for management to make determined efforts. The committee is composed of six members with diverse experiences and values, three (half) of whom are outside officers and three of whom are women.

We will foster an internal culture in which diverse employees will contribute to gender equality by "Enhancing Our Contribution to and Engagement with the SDGs through Business Activities," one of the basic policies of the medium-term management plan, and will also enhance corporate value. Furthermore, as a result of the revisions to the Corporate Governance Code and other factors, the promotion of women's advancement in society has received increased demand and attention. While there are many internal committees designed to promote the advancement of women by various companies, we believe that ITOCHU is unique in establishing this as an advisory committee to the Board of Directors.

Discussions at the Women's Advancement Committee

In FYE 2022, the committee met a total of three times. The committee initially reviewed the various measures implemented by ITOCHU to date, one by one. The committee was able to confirm that the series of work-style reforms regardless of gender implemented since FYE 2011, including the Morning-Focused Working System, have been effective in promoting the advancement of women. In addition to the engagement survey conducted in FYE 2022, a questionnaire was sent to each Division Company President and to female employees balancing work and childcare to fully analyze the results of the reforms. Furthermore, we listened to the voices of women through roundtable discussions hosted by the



Atsuko Muraki

Outside Director
Ms. Muraki assumed a position as a member of the Board of Directors at ITOCHU in June 2016, after serving as Vice-Minister of Health, Labour and Welfare. She provides many helpful suggestions concerning internal control, compliance, deploying personnel, and strengthening organizations. As of FYE 2023, she serves as chair of the Women's Advancement Committee and a member of the Nomination Committee.

three female committee members and through interviews with approximately 150 female employees conducted by Yoshihiko Matoba, who heads the Human Resources & General Affairs Division. Based on these, we have organized issues in the advancement of women's activities and formulated a policy of accelerating training for promotion and evolving to a flexible work style.

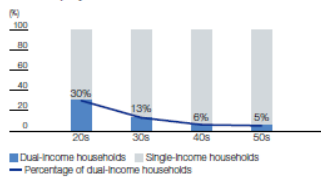
In the course of our discussions, we analyzed various data and found that changes are especially visible in the ratio of employees in dual-income households. The percentage of ITOCHU male employees in dual-income households was only about 10% Companywide in FYE 2001, but in FYE 2022, it reached 43% Companywide and 90% for employees in their 20s, a change that really stands out. Especially for the younger generation, it is very important to support both women and men, as not only women but also men often need to balance work and family life as well. The introduction of the Morning-Focused Flexitime System and a work from home system for all employees during the second stage of work-style reforms will truly encourage flexible work styles regardless of gender, and we intend to monitor the results.

In addition, the number of female employees holding senior managerial positions has increased from 35 as of April 2021 to 46 as of April 2022. ITOCHU's corporate culture of flexible and steady implementation of measures is reflected in the progress of appointments to key positions, including the first female general manager of an overseas office, the first female president of a Group company in Japan, and the second female president of an overseas Group company.

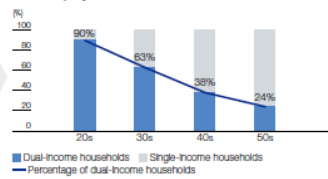
We believe it is important to continue to listen to the voices of employees, discuss matters with frontline

employees, hold committee meetings, report to the Board of Directors, and carry out such an implementation cycle throughout the Company. We closely monitor whether women employees are actually in key positions, whether the development of candidates for managerial positions is progressing smoothly, and most importantly, whether management is seriously committed to the project. We believe that the continuous monitoring of the results of ITOCHU's efforts is one of the missions of the Women's Advancement Committee as an advisory committee to the Board of Directors with oversight functions.

FYE 2001 Male employees in dual-income households: 10%



FYE 2022 Male employees in dual-income households: 43%



Issues and Action Policies for Promoting Women's Advancement

Issues	Action Policies
<ul style="list-style-type: none"> Further promotion to higher positions <ul style="list-style-type: none"> Providing opportunities for promotion Raising awareness in the workplace and among employees Further support for career continuity <ul style="list-style-type: none"> Creating an environment that produces sales managers Avoiding gaps in the career after childbirth Uniform careers and work styles <ul style="list-style-type: none"> Respect for diversity as a competitive advantage Understanding of diverse work styles and values 	<ul style="list-style-type: none"> Accelerate training for promotion <ul style="list-style-type: none"> Identification of issues and contribution of individualized support Candidate identification and monitoring of training Evolution to flexible work styles <ul style="list-style-type: none"> Introduction of ITOCHU's unique and diverse work styles Support for balancing work and infertility treatment

Advancement of Women's Activities Based on Employee Opinions

Through discussions of the Women's Advancement Committee, it became clear that there are generational differences in employee awareness and the support they need. Through the roundtable discussions with female employees, we came to understand that it is vital to first successfully promote and support the current generation of executives, so that they will serve as role models, motivating the next generation to become all they aspire to be in the future.

Within the framework of the Companywide work-style reforms at ITOCHU, what particularly resonated with me is the Company policy to provide support for balancing work and family life without distinction for both men and women. It will become increasingly important to take a comprehensive approach that includes employees with diverse values, not just measures specific to women employees raising children. Furthermore, we believe that the number of female employees still needs to be increased. It has yet to reach even 30% of the total number of employees, a threshold where we believe women employees will have the critical mass to continue expanding their influence. As the number grows in the future, we expect women will increase the vitality of ITOCHU in ever new ways. In FYE 2022, ITOCHU clearly demonstrated its commitment to promoting women's activities through the committee. From FYE 2023 onward, we will continue to fulfill the responsibilities of the committee by regularly reviewing measures and delivering solid results.



Makiko Nakamori

Outside Director
Ms. Nakamori possesses a high level of expertise in finance and accounting as a Certified Public Accountant in Japan and a wealth of experience as a corporate manager. She assumed a position as a member of the Board of Directors at ITOCHU in June 2019. She often provides integral advice based on her specialized knowledge and unique experience in the fields of internal control, compliance, and OX. As of FYE 2023, she serves as chair of the Governance and Remuneration Committee and a member of Women's Advancement Committee.

Human Resource Diversification Measures



✓ Concrete explanation on the discussion at the Women's Advancement Committee (Advisory Committees to the Board of Directors)

Corporate Value ↑ = Created Value ↑ - Cost of Capital ↓ - Growth Rate ↑

Business Transformation with the Keyword "Ability of Self-Transformation"

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Combination of non-financial capital used for business transformation

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

Accumulation of Non-Financial Capital

Sustainable Value Creation through Strengthening of Trust and Creditworthiness

ITOCHU conducts its business through both trade and business investment. In the course of its history over 160 years, we have steadily accumulated internal capital through our business, such as human and organizational capital and business know-how.

We believe that trust and creditworthiness are extremely important for symbiosis of internal and external capital which mutually influence each other. By always remaining cautious of trust and creditworthiness in our management practice, we aim to continuously expand corporate value through realizing increases in both economic value and environmental / social value.

	Explanation of Each Capital (Importance)	Examples of KPI and Monitoring Indicators	Examples of Strengthening Measures	
Internal Capital	Human and Organizational Capital	<ul style="list-style-type: none"> We increase individual capabilities through our human resource strategies and enhance labor productivity. In addition, our business divisions have powerful backing from our administrative divisions, which have rapid decision-making systems and high-level expertise, thereby practicing the "earn, out, prevent" principles. 	<ul style="list-style-type: none"> Labor productivity of employees Engagement Survey Average training cost per employee Number of employees with Chinese language qualifications Monthly average overtime hours Annual paid leave acquisition rate Company ranking among job-seekers 	<ul style="list-style-type: none"> Realization of ITOCHU Mission and Guideline of Conduct Moving Focused Flextime System and adoption of a work from home system for all employees Health management (Support Measures for Balancing Cancer Care and Work, etc.) Business support and control function of administrative divisions Changing work system flexibly during the COVID-19 pandemic Page 92 Human Resource Strategy
	Business Know-How	<ul style="list-style-type: none"> With eight Division Companies operating businesses in diverse industries, ITOCHU has accumulated extensive and advanced business know-how. This is a vital intangible asset for creating new businesses and entering into new regions. 	<ul style="list-style-type: none"> Number of new businesses formed Number of years of business with existing customers Number of contact points with consumers and volume of data Analysis of various data and proof-of-concept data 	<ul style="list-style-type: none"> Creating synergies and new businesses by utilizing ITOCHU's comprehensive strength Breaking down product silos and strengthening collaboration among Division Companies Transforming business models based on a market-oriented perspective Acquiring new knowledge through venture investments, etc. Promoting comprehensive DX support businesses
	Business Portfolio	<ul style="list-style-type: none"> Leveraging comprehensive strength and ability of self-transformation enables ITOCHU to optimize its business portfolio by increasing its flexibility, adapt, and balance over time. Moreover, these advantages allow us to adapt quickly to a volatile business environment and diversifying consumer needs. 	<ul style="list-style-type: none"> Ratio of Group companies reporting profits Management efficiency indicators 	<ul style="list-style-type: none"> Pursuit of highly efficient management (rigorously selected investments and continual asset replacement) Improving profitability of existing businesses (thoroughly instilling the "earn, out, prevent" principle) Implementation of ITOCHU's Policy on the Governance of Its Listed Subsidiaries Page 40 Business Investment Page 101 Policy on the Governance of Listed Subsidiaries
Financial Capital				
External Capital	Client and Partner Assets	<ul style="list-style-type: none"> We maintain win-win relationships with our clients and partners, which includes a large number of leading companies. This is vital to our ability to rapidly expand into new domains and constantly capture and expand trends. It is our abundant client and partner assets that enable us to realize sustainable earnings growth. 	<ul style="list-style-type: none"> Profits from initiatives with blue-chip partners Number of clients and partners Expense reduced and decrease in losses on bad debts 	<ul style="list-style-type: none"> Selection and securing of blue-chip partners Use of cutting-edge technologies and services and business model transformation Complying with Environment, Health, and Safety (EHS) Guidelines Building of safe and secure supply chains
	Natural Resources	<ul style="list-style-type: none"> Through business in the non-resource and resource sectors, we meet social demand for stable procurement and supply of natural resources, while capturing new business opportunities in responding to social issues outlined in the SDGs. 	<ul style="list-style-type: none"> Renewable energy ratio GHG emissions Electricity consumption Water usage Waste volume 	<ul style="list-style-type: none"> Withdrawing completely from thermal coal interests Continuing to review projects based on engagement Strengthening of value chains and business investment management based on a sustainability point of view Stepping up contribution to and engagement with the SDGs through eco-friendly businesses, etc. Page 86 Approach to Climate Change and Related Initiatives Page 90 Sustainability Management
	Relationships with Society	<ul style="list-style-type: none"> We practice continuous and constructive communication with our stakeholders, exceeding their expectations and demands of the Company and solving them. Through this effort, we promote stable business activities in Japan and overseas and realize further enhancement in corporate value. 	<ul style="list-style-type: none"> Number of engagements with stakeholders Number of sustainability surveys conducted Number and percentage of employees participating in sustainability and compliance-related internal training External evaluation by ESG rating agencies, etc., and additions to indices Shareholder returns (dividends and share buybacks) and EPS Number of compliance violation incidents 	

* For PEST items affecting each capital above, please see Page 76 PEST Analysis (Macroeconomic Factors through 2030)

Page 126 Data Section

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Examples of Key Combinations of Capital in the Businesses Highlighted in the SPECIAL FEATURE "Merchants Who Continue to Transform" (Page 58)

TRANSFORMATION 1 FamilyMart's Goal of Renewed Growth Evolution of Value Chains, Starting with FamilyMart

- Evolution of value chains using DX (Business Know-How)
- Robust value chains through collaboration (Business Portfolio)
- The Group's target customer contact points (Client and Partner Assets)

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

- Strategic investment know-how and new business development capabilities cultivated since the 1990s (Business Know-How)
- Group of digital technology businesses that enable support for customers' DX (Business Portfolio)
- Response for DX due to digitalization of society (Relationships with Society)

TRANSFORMATION 3 Polishing Business through a Hands-On Management Style (DESCENTE LTD.)

- Dispatching of management and seconded personnel with expertise in frontline operations (Human and Organizational Capital)
- Our experience and expertise in frontline operations (Business Know-How)
- Increase in sports-related demand due to rising health consciousness (Relationships with Society)

TRANSFORMATION 3 Polishing Business through a Hands-On Management Style (YANASE & CO., LTD.)

- Dispatching of management and seconded personnel with expertise in frontline operations (Human and Organizational Capital)
- Management know-how of automobile dealers globally (Business Know-How)
- The customer base of YANASE & CO., LTD., mainly comprising the wealthy class (Client and Partner Assets)

Business Creation through Combinations of Capital

TRANSFORMATION 4 New Steppingstones for the Advancement of the Construction Machinery Business (Hitachi Construction Machinery Co., Ltd.)

- Finance function of Tokyo Century Corporation Co., Ltd. (Business Know-How)
- Technology capabilities of Hitachi Construction Machinery Co., Ltd. (Business Know-How)
- The customer base of MULTIPAC, comprising construction machinery rental companies, etc. (Client and Partner Assets)

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

- Track record of initiatives in energy storage systems businesses operating for more than 20 years (Business Know-How)
- Major partners with advanced technological capabilities (Client and Partner Assets)
- Expansion of renewable energy by moving away from fossil fuels (Natural Resources)

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

- One of the largest tire value chains in Europe (Business Portfolio)
- Stable procurement and supply of natural rubber (Natural Resources)
- Respect for the human rights of natural rubber farmers (Relationships with Society)

Detailed explanation on specific examples of business transformation



- ✓ Presentation of specific results of long-term initiatives with the CITIC and CP Group
- ✓ Continual discussion and explanation related to ownership and increasing in stake of listed Group Companies
- ✓ Explanation of policies related to Scope 3 disclosures
- ✓ Explanation of our policy and discussion content related to the succession plans of top management
- ✓ Cash allocation under an uncertain business environment

The background of the slide is a bright blue sky filled with soft, white, fluffy clouds. A solid, dark blue horizontal band runs across the middle of the image, creating a visual separation between the top and bottom halves of the sky. The text is centered within this dark band.

I am One with Infinite Missions