



03

Steppingstones to Medium- to Long-Term Value Creation

This section shows our new medium-term management plan “Brand-new Deal 2023.” We highlight the plan’s specific measures which are based on our basic policies and their relevance to non-financial capital and material issues. These measures include “evolution of FamilyMart business,” which is a core business; “efforts to reduce GHG emissions from fossil fuel businesses and interests” and “development of a distributed power supply platform centered on ESS,” which are to reach long-term climate change goals.

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



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Medium-Term Management Plan “Brand-new Deal 2023”

Under our current medium-term management plan “Brand-new Deal 2023,” we aim to return to the growth trajectory we were on before the COVID-19 pandemic, achieve consolidated net profit of ¥600.0 billion, and continuously enhance corporate value. To these ends, we will pursue growth strategies founded on our fundamental policies—namely, “Realizing business transformation by shifting to a market-oriented perspective” and “Enhancing our contribution to and engagement with the SDGs through business activities,” and strengthen our financial base by pursuing consistent financial strategies.

Basic Policy

Quantitative targets

Aiming to achieve consolidated net profit of ¥600.0 billion as outlined in the medium-term management plan

Qualitative targets

Realizing business transformation by shifting to a market-oriented perspective
(→ Page 58)

Profit opportunities are shifting downstream

Profit sources are shifting from upstream to downstream. Breaking down the negative effects caused by silos is an urgent task. We will advance business model evolution and growth opportunity creation.

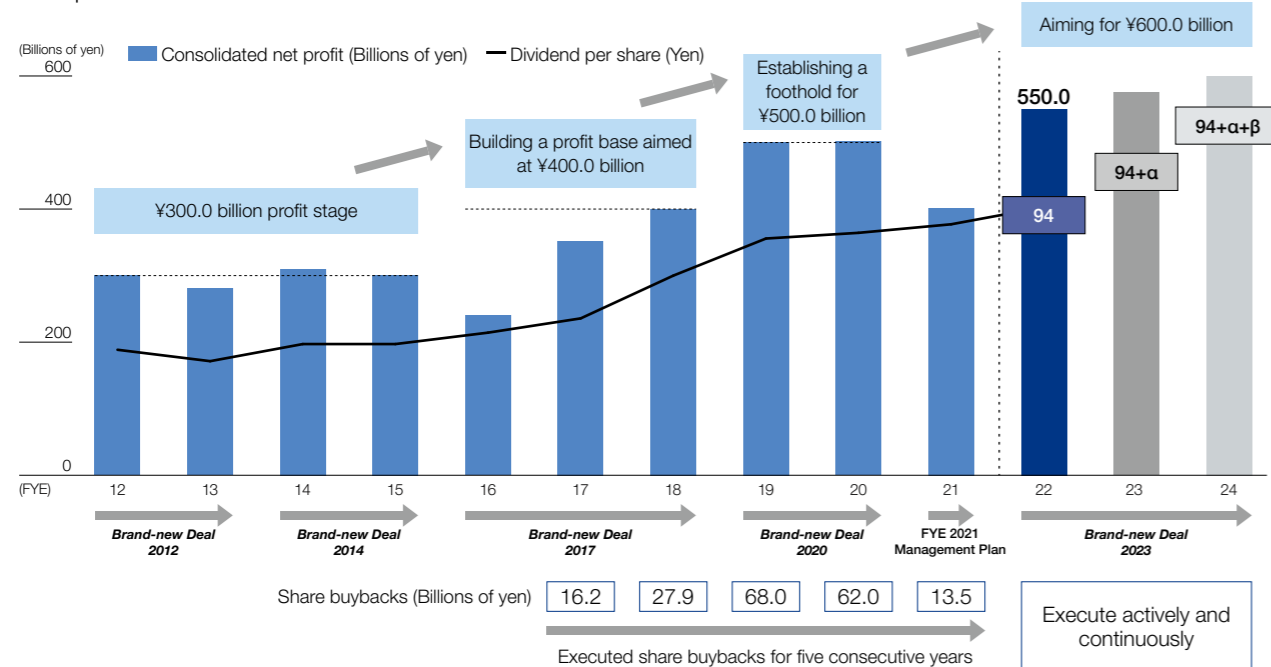
Enhancing our contribution to and engagement with the SDGs through business activities
(→ Page 62)

Sampo-yoshi capitalism

To realize a sustainable society, we embrace an approach to capitalism with greater emphasis on serving all stakeholders. Through our business activities, we will contribute to the achievement of the SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.

Profit Growth under “Brand-New Deal 2023”

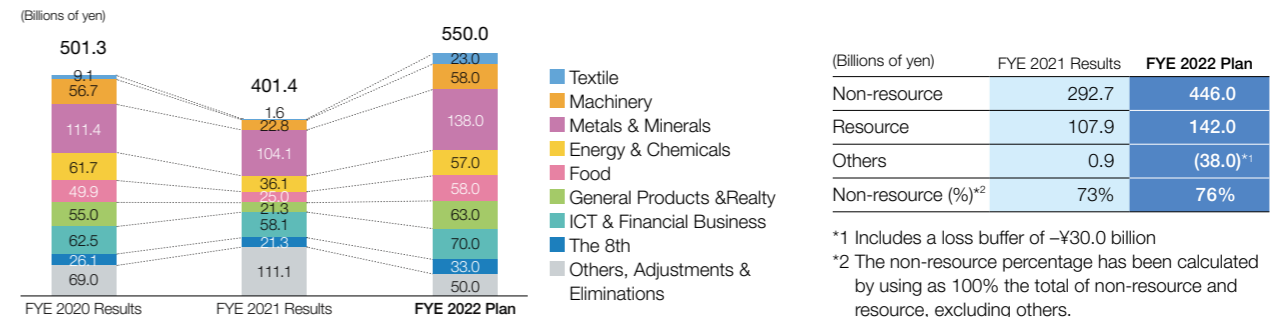
Realizing profit growth by focusing on a market-oriented perspective and SDG initiatives, and aiming for consolidated net profit of ¥600.0 billion



Quantitative Targets

The FYE 2022 consolidated net profit target is ¥550.0 billion. We will return to a growth trajectory that takes us above profit levels prior the COVID-19 pandemic.

Consolidated Net Profit by Segment



Financial Position, Cash Flows, and Ratio Plan

(FYE)	2019	2020	2021
Core operating cash flows (Billions of yen)	515.0	602.0	574.0
Net investment cash flows (Billions of yen)	(20.0)	(290.0)	(755.0)
Core free cash flows after deducting shareholder returns (Billions of yen)	300.0	123.0	(326.0)
	423.0		
NET DER (Times)	0.82	0.75	0.78
Shareholders' equity (Trillions of yen)	2.9	3.0	3.3
ROE (%)	17.9	17.0	12.7

Brand-new Deal 2023

2022-2024

Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Actively promote strategic investments in a timely manner and accelerate asset replacement through business transformation

B/S control appropriate for A ratings [NET DER about 0.7-0.8 times]

Maintaining high efficiency [ROE of about 13-16%]

Financial Strategy

Strengthen our financial foundation to support new growth stages while maintaining consistency in our financial strategies.

Financial Policy

B/S control appropriate for A ratings

- Continue to balance three factors: growth investments, shareholder returns, and control of interest-bearing debt
- Cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns

Sustained Enhancement of Corporate Value

- Maintaining high efficiency (high ROE)
- Sustained EPS growth

Shareholder Returns Policy

Dividend

- We have set a minimum dividends per share of ¥94 for FYE 2022
- We will increase the dividend if we revise consolidated net profit upward during FYE 2022
- We aim to reach a dividend of ¥100 per share during the medium-term management plan

Share Buybacks

- As in the past, we will actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation

Assumptions Used for FYE 2020 and FYE 2021 Results and FYE 2022 Plan

	FYE 2020 Results	FYE 2021 Results	FYE 2022 Plan	(Reference) Sensitivities on consolidated net profit for FYE 2022
Exchange rate (Yen/US\$ Average)	109.16	105.97	105	Approx. ¥(2.6) billion (1 yen appreciation against US\$)
Exchange rate (Yen/US\$ Closing)	108.83	110.71	105	—
Interest rate (%) TIBOR 3M (¥)	0.07%	0.07%	0.1%	Approx. ¥(0.7) billion (0.1% increase)
Interest rate (%) LIBOR 3M (US\$)	2.04%	0.32%	0.3%	Approx. ¥(0.2) billion (0.1% increase)
Crude oil (Brent) (US\$/BBL)	60.95	45.75	60	±¥0.5 billion ^{*3}
Iron ore (CFR China) (US\$/ton)	95 ^{*1}	127 ^{*1}	N.A. ^{*2}	± ¥1.2 billion ^{*3}

^{*1} FYE 2020 and FYE 2021 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.
^{*2} The price of iron ore used in the FYE 2022 Plan is assumptions made in consideration of general transaction price based on the market. The actual price is not presented, as this is subject to negotiation with individual customers and vary by ore type.
^{*3} The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.

Realizing Business Transformation by Shifting to a Market-Oriented Perspective



Business Growth by Transforming the Entire Value Chain, from Downstream to Upstream

Customer contact points in the consumer sector are one of ITOCHU's recognized strengths. Leveraging these contact points, the Company provides products and services from a market-oriented perspective. This creates new value that grasps the diversifying needs of sellers, buyers, and society. We will work to further strengthen our robust earnings base centered on the non-resource sector by constantly reviewing the state of "business" and promoting business transformation and value chain optimization.

Evolution of FamilyMart's business, the largest consumer base in the ITOCHU Group

- Thoroughly improving the three basics of convenience stores (CVS): product appeal, convenience, and familiarity
- Expanding customer contact points and business earnings through advertising and financial services and the evolution of stores into media
- Expanding the earnings base by upgrading the entire supply chain, including order optimization using AI
- Building new overseas business models in growth markets through strategic alliances with digital partners, etc.

Transform the entire value chain, starting from downstream

- Combining planning and development capabilities and independent sales channels in the consumer sector, where we have overwhelming strength (Strengthening product planning capabilities and brands for food, apparel, and other products in line with customer needs and expanding consumer contact points through the use of e-commerce)
- Further business growth by expanding and utilizing customer contact points in the retail finance and insurance business, where we are No. 1 among general trading companies (Pursuing a customer-oriented business model through the evolution of online and in-person customer service at HOKEN NO MADOGUCHI)

Expansion of profit opportunities through data utilization and DX

- Leveraging Group data under the leadership of The 8th Company, which is at the forefront of using a market-oriented perspective (Development of new products and services and enhancement of digital marketing by centralizing data held by Group companies on consumption behavior)
- Expanding the ICT business through organic cooperation with Group companies in line with corporate DX needs (Promotion of comprehensive DX support business in cooperation with ITOCHU Techno-Solutions Corporation, BELLSYSTEM24, Inc., and other Group companies and partners)

Expansion of Profit Opportunities Through Data Utilization and DX

Promoting DX Aware of Customer Contact Points and the Downstream Value Chain

Some companies develop cutting-edge technologies and new products that can bring about technological revolutions in society. In contrast, general trading companies need to build new business models aligned with customer values and undertake initiatives in the value chain. ITOCHU promotes DX as an effective method that leads to the achievement of this goal.

DX relates to our "earn, cut, prevent" principles. In each case, we determine whether the utilization of DX is a measure connected to "earn" (contributing to the evolution of business models and the expansion of sales), or is a measure connected to "cut, prevent" (contributing to cost reductions, more efficient operations, and customer management). We aim to further enhance profitability after upgrading the systems that support these measures.

From an "earn" perspective, we are especially focused on "enhancing customer contact points" to accelerate the provision of new value downstream, which currently acts as the central focus of the value chain. First, we promote initiatives ahead of others at Group companies that have customer contact points. Some examples of this include FamilyMart's expanding advertising business and financial services (⇒ Page 60 Creating New Revenue Sources by Making Stores a Form of Media), HOKEN NO MADOGUCHI's online customer service, and conducting customer behavior analysis using AI cameras in the retail-related business. We aim to expand initiatives that are proven highly effective through collaboration with the existing seven Division Companies using the cross-divisional functionality of The 8th Company. The same goes for customer data. We organize and analyze data in response to changes in the business environment and consumer behavior in each industry of each Group company. While we prioritize optimization for each individual company, our policy is to share data systems organized at Group companies, synchronize the data, and continue building a Groupwide customer base. By utilizing data for the marketing of each Group company, we intend to continue realizing overall optimization at the Group in line with the sales expansion of each company.

In addition, from a "cut" perspective, we especially focus on "supply chain optimization" to encourage cost improvement and social issue solutions in the supply chain. Because supply chains are different for each industry, the initiatives of each Group company are pivotal.

Measures	Anticipated Effects
[Cut] Supply chain optimization	Cost improvement and social issue solutions in the supply chain <ul style="list-style-type: none"> • Reduction of food loss and opportunity loss • Reduction of excess production and inventory • Reduction of logistics cost • Increased efficiency of warehouse operations and enhanced productivity
[Earn] Enhanced customer contact points	Provision of new value at Group customer contact points <ul style="list-style-type: none"> • Expansion of advertising and financial services • Enhanced store operations • Expansion of D2C model* • Development of products and services from customers' points of view

* Direct to Consumer model. A model where products planned and produced by a company are sold directly to consumers through the company's own channels.

For example, FamilyMart optimizes transport routes and orders, reducing opportunity loss, and minimizing food loss through DX. In addition, NIPPON ACCESS, INC. automates ordering to increase efficiency and reduce inventory. (⇒ Page 61 Optimizing the Supply Chain Using Downstream Data) Also, other Group companies utilize DX to reduce distribution costs, increase the efficiency of warehouse operations, and enhance productivity.

Furthermore, we are systematically expanding support for DX by steadily collaborating with DX partners and building an internal support system. In November 2020, we concluded a capital and business alliance agreement with BrainPad Inc., an expert in utilizing data. (⇒ Page 113) In such ways, we are expanding functions of the DX business for customers and partners. Through collaboration with reputable partners, we are also working to upgrade internal environments supporting the Group's DX and sustainable internal production system. In addition, we reformed the original IT Planning Division into the IT & Digital Strategy Division in April 2021 and are strengthening DX support for specific issues on the front lines.

Under the basic policy of "Realizing business transformation by shifting to a market-oriented perspective," ITOCHU expands the field of practical application for DX within the Group. This will rapidly lead to higher profitability and the evolution of business models. We aim to further strengthen our robust business foundation in the downstream value chain by promoting the utilization of DX that grasps the needs of customers and partners.

Evolution of FamilyMart Business

With its network of over 16,600 stores throughout Japan and its huge customer contact points of approximately 15 million daily customer engaged in shopping, FamilyMart is a core business of the Group. By promoting a policy of “Realizing business transformation by shifting to a market-oriented perspective” and grasping the needs of the market and consumers, we will continue to further strengthen our existing business foundation and build new business models.

Creating New Revenue Sources by Making Stores a Form of Media

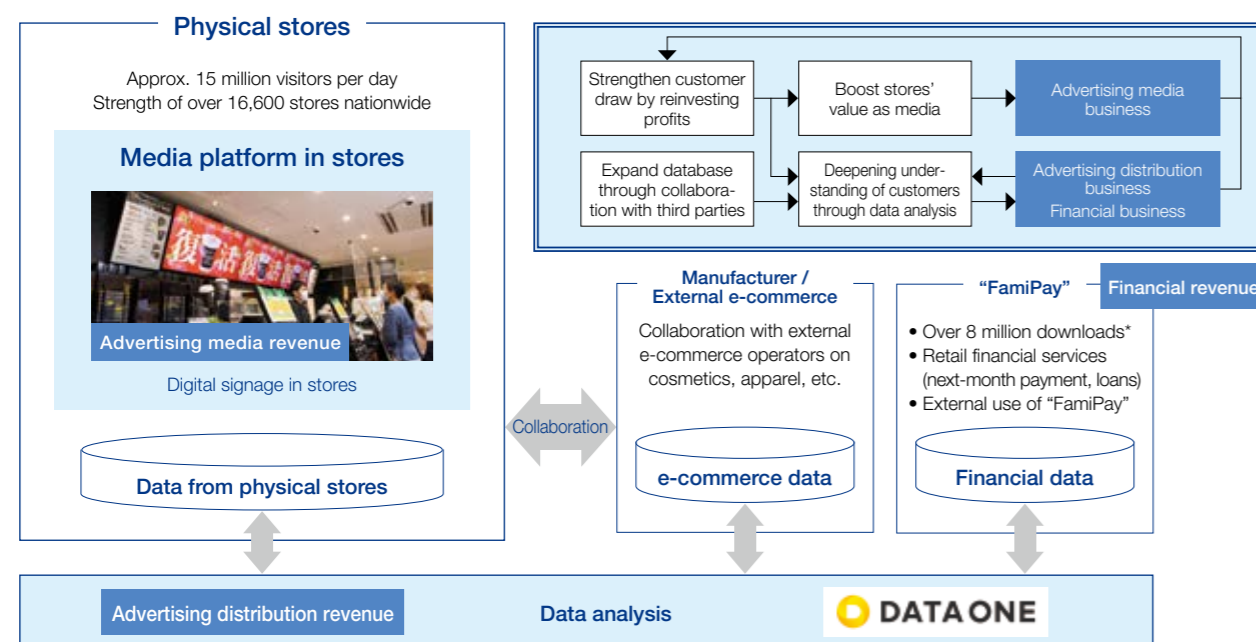
ITOCHU aims to create new added value that exceeds the existing boundaries of goods and services by integrating the real and digital worlds.

We aim to acquire revenue in the advertising media business through initiatives that make stores a form of media by installing signage (large display panels). We are currently verifying effectiveness with several manufacturers who joined this effort as advertisers. We continue promoting the expansion of the advertising media business going forward.

In the advertising distribution business, in October 2020 ITOCHU established Data One Corp. with FamilyMart, NTT DOCOMO, INC., and CyberAgent, Inc. and launched the digital advertising distribution business. Utilizing FamilyMart purchase data and membership data including “FamiPay” and “dPOINT CLUB,” enables digital advertising distribution aligned with consumer preferences. We will continue working to realize more highly tailored marketing by gradually forming alliances with other retail operators, such as supermarkets, and enhancing the breadth and quality of purchase data.

In addition, to expand customer contact points, we are working to further increase the number of users of the FamiPay app. We aim to get more consumers to visit FamilyMart mainly by distributing campaign information and coupons. With the barcode payment function of FamiPay app, we started the “FamiPay Bill Payment” services for utilities and other bills and enabled external use at stores besides FamilyMart totaling over 100,000 locations nationwide. In summer 2021, we began such services as “FamiPay Next Month Payment” with the aim of expanding the financial business.

By expanding customer contact points mainly through the financial business and pursuing data-based external collaboration, we will increase the amount of data and utilize compiled customer data to maximize revenues in the advertising and financial businesses. Furthermore, by reinvesting this new revenue into existing businesses, we will create a positive feedback loop that further enhances the attractiveness of our stores and, in turn, enhances the value of our physical stores.



* As of March 31, 2021

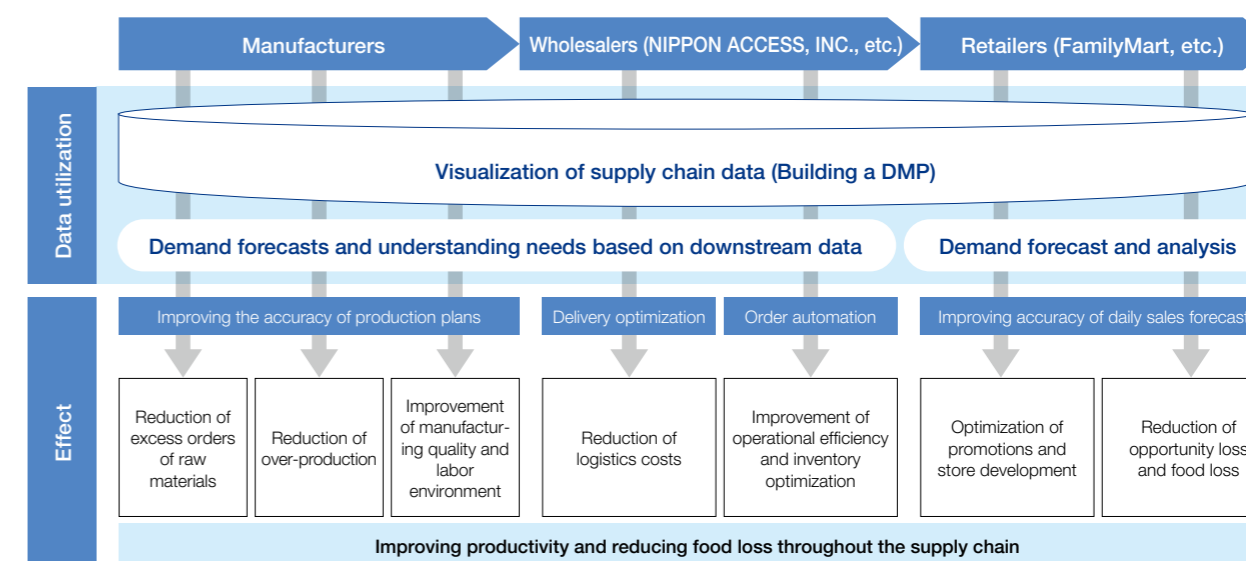
Optimizing the Supply Chain Using Downstream Data

ITOCHU is working to optimize the supply chain of the entire Group from a medium- to long-term perspective using downstream data.

At FamilyMart, we are working to enhance the accuracy of demand forecasts that leads to improvement in revenue for stores. We create a recommended order list based on best-selling products at stores that have a solid track record for selling rice balls, boxed lunches, packaged foods, and other products. We are distributing this list and verifying the effectiveness of increasing sales by reducing opportunity loss. Going forward, we will expand the number of stores and target categories, conduct further verification, and enhance the accuracy of demand forecasts in the near future to reduce food loss. In addition, we aim to reduce costs by optimizing the number of deliveries and course settings to stores from distribution centers based on demand forecast data.

NIPPON ACCESS, INC. is working to automate ordering to various food manufacturers. At some distribution bases, we conducted pilot tests of automating ordering through AI that utilizes FamilyMart ordering and sales data, NIPPON ACCESS, INC. ordering data, and weather and calendar data. As a result, we were able to confirm a 10% to 30% improvement in inventory reduction effects and a 50% reduction in ordering operations. We will put this into practical use starting from around 1,000 products for some retail customers, and then expand target products, customers, and distribution bases.

By visualizing and analyzing data, we strive to optimize the overall supply chain and aim to enhance productivity and reduce food loss. We will continue promoting development with an eye toward expanding the scope of initiatives by collaborating on data with partner manufacturers outside the Group.



Reference: FamilyMart Environmental Vision 2050 (Medium- to long-term environmental goals)		
Reduction of GHG (CO₂) CO ₂ emissions from store operations (per store) (compared to 2013) 2030 → 2050 50% reduction → 100% reduction Initiatives: By installing energy-saving equipment, we will rein in electricity consumption at stores and reduce CO ₂ emissions. In addition, we promote initiatives aimed at calculating and reducing emissions in the entire supply chain, from procurement to distribution, sales, and disposal.	Plastic Countermeasures Using eco-friendly materials for the packaging of original products 2030 → 2050 60% → 100% Initiatives: We promote the use of eco-friendly materials, such as by incorporating biomass plastic, which use plants as raw materials, and recycled PET for containers and packaging. By promoting the incorporation of biomass into shopping bags as well as original products, we aim to raise the ratio of eco-friendly materials, including office supplies, to 70% by 2030.	Reduction of Food Loss Reduction of food loss (compared to 2018) 2030 → 2050 50% reduction → 80% reduction Initiatives: We promote the reduction of food loss by working to enhance product ordering accuracy and lengthening shelf life using improved containers and packaging. We will use generated food waste to effectively use resources through food recycling loop initiatives.

Enhancing Our Contribution to and Engagement with the SDGs Through Business Activities



Enhancing Competitiveness by Creating Business that Helps Achieve the SDGs

ITOCHU sees opportunities in the trends of the SDGs, which are impacting even basic business structures. Utilizing our existing business base, centered on our strong non-resource sector, we are addressing the needs of society and customers, and steadily connecting this to our evolving profit model. In addition, we will continue contributing to the realization of decarbonization across society, ahead of others in the industry, by completely withdrawing from thermal coal interests and developing such businesses as the energy storage system (ESS) business, which is a growth field.

Business expansion in accordance with a decarbonized society

- Complete divestment from thermal coal interest through the sale of interests in Drummond and other assets
- Building a next-generation fuel value chain using hydrogen and ammonia (Creating new business opportunities utilizing existing business foundations, such as the development of hydrogen stations)
- Development of a distributed power supply platform using AI-equipped ESS, of which we boast the top sales volume in Japan (Establishment of new economic zones by optimizing the balance of electricity supply and demand in households and communities and by realizing environmental value trading)

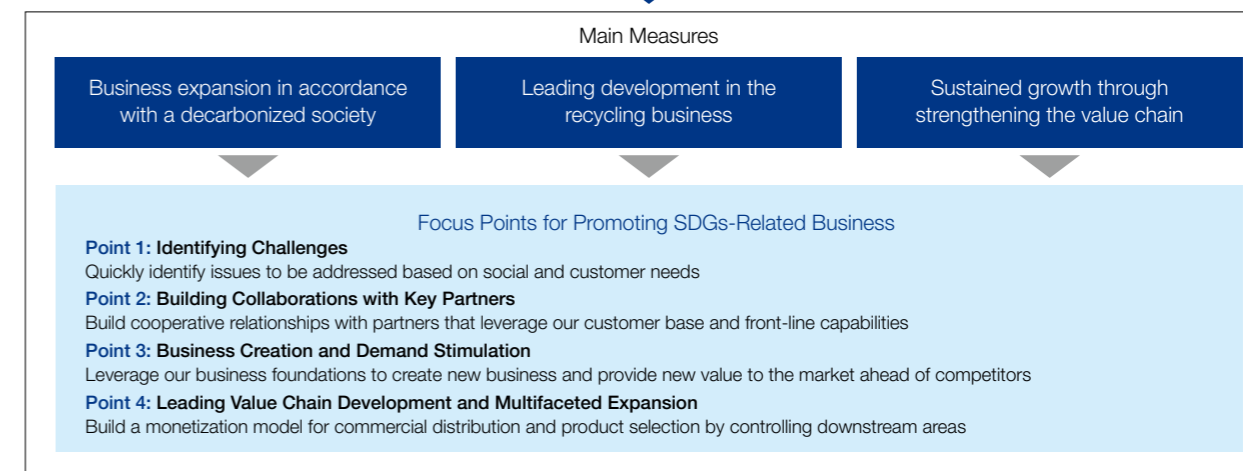
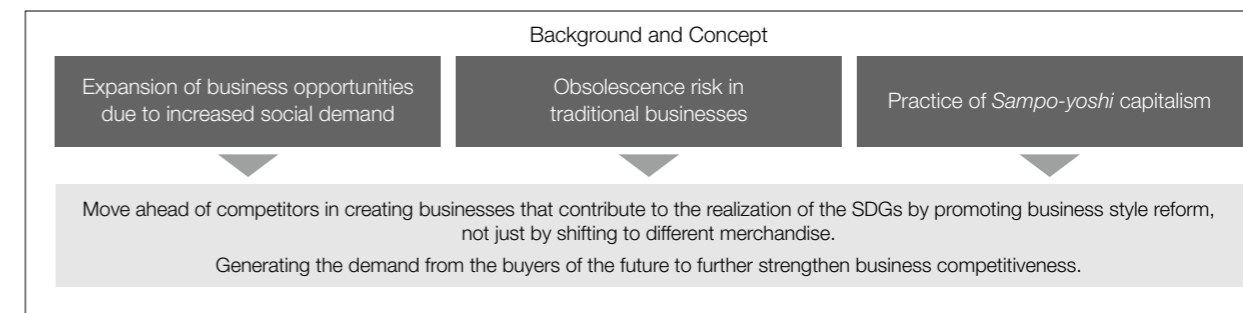
Leading development in the recycling business

- Leading the plastic recycling business by leveraging our customer base of more than 10,000 companies (Providing solutions based on new technologies in response to consumer and social needs, simultaneously addressing environmental and business considerations)
- Business expansion and business transformation of water and waste treatment businesses with competitive advantages (Utilizing our knowledge in Europe to expand our business to the Middle East and Asia and to highly profitable waste recycling, etc.)

Sustained growth through strengthening the value chain

- Increasing added value throughout product distribution with the industry's first natural rubber traceability system (Standardization of natural rubber to eliminate illegal logging and other issues, and deploying it throughout Group operations spanning rubber processing to tire retail)
- Improving productivity and reducing food loss by optimizing FamilyMart supply chains and enhancing logistics efficiency

Approach to SDGs-Related Businesses



Reference: SDGs-Related Business Initiatives

Company	Business	Major examples of released projects / businesses	
Textile	Environmentally friendly textile materials	• RENU (recycled polyester fiber derived from textile)	• Kuura (sustainable cellulose fiber)
Machinery	Water and waste treatment	• Waste treatment in Saudi Arabia • Desalination in Oman	• Energy-from-waste (EfW) project in Serbia
	Renewable energy	• Bay4 Energy Services, LLC (solar power generation operation and maintenance) • Butendiek power plant (offshore wind power generation)	• Tyr Energy Inc. (development of power generation businesses)
Metals & Minerals	Recycling of metals	• Recycling of metal scrap, etc.	
	Decarbonization	• Sale of interests in the Drummond thermal coal mine • Mineral Carbonation International (CO ₂ absorption, fixation)	• euglena Co., Ltd. (photosynthesis culture)
Energy & Chemicals	ESS, renewable energy	• Smart Star 3 (next-generation ESS) • 24M Technologies, Inc. (development and manufacture of SemiSolid batteries) • VPP Japan, Inc. (distributed solar power supply projects)	• TRENDE Inc. (power retailing, peer-to-peer power trading) • Shenzhen Pandpower Co., Ltd. (EV battery reuse business)
	Sustainable aviation fuel	• Neste Corporation / ALL NIPPON AIRWAYS CO., LTD. (sustainable aviation fuel)	
	Plastic recycling	• TerraCycle, Inc. (recycling platform) • Sanipak Company Of Japan, Ltd. (garbage bags derived from marine waste)	• Aquafil S.p.A. (nylon recycling)
Food	Sustainable coffee beans and vegetable oil	• Farmer Connect SA (coffee beans)	• Provence Huiles S.A.S. (vegetable oil)
	Waste reduction in production and processing of fruits and vegetables	• Dole biogas power generation (pineapple residue)	
General Products & Realty	Sustainable natural rubber	• GPSNR (consortium) • P.T. ANEKA BUMI PRATAMA, etc. (traceability system)	• HEVEACONNECT PTE. LTD. (sales platform)
ICT & Financial Business	Secondhand mobile phone distribution	• Belong Inc. (online distribution of mobile devices)	
The 8th	CVS business (FamilyMart)	• Supply chain reforms	• Promoting FamilyMart Environmental Vision 2050
Machinery, Metals & Minerals, Energy & Chemicals	Hydrogen and ammonia	• Air Liquide Japan G.K. (liquefied hydrogen production and sales) • Irkutsk Oil Company, LLC (ammonia production and transportation)	• NIPPON COKE & ENGINEERING CO., LTD. (hydrogen extraction and production) • Imabari Shipbuilding Co., Ltd., etc. (ammonia-fueled ships)

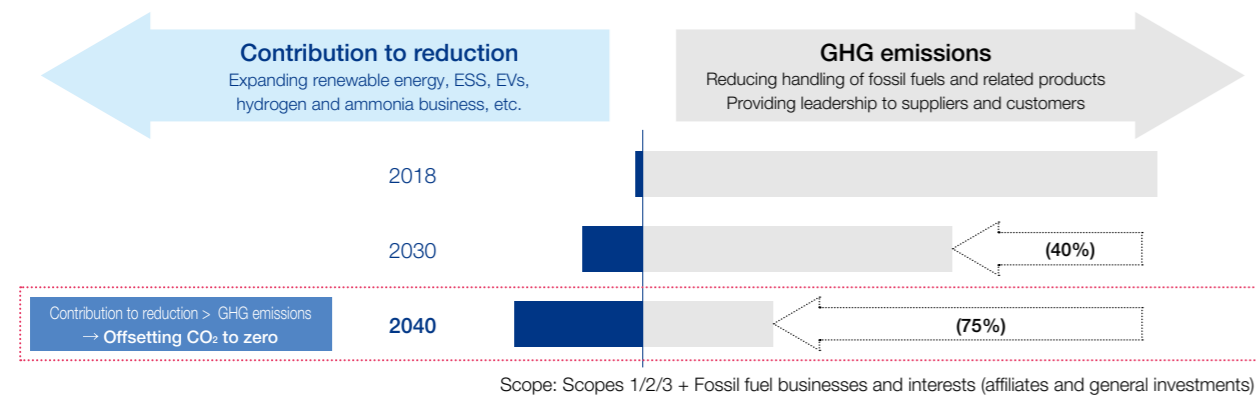
Business Expansion in Accordance with a Decarbonized Society

ITOCHU completely divested its interest in the Drummond thermal coal mine in Colombia and disclosed the GHG emissions of all fossil fuel businesses and interests associated with the Company—a first in the industry. During the medium-term management plan, we will fully withdraw from thermal coal interests and build a distributed power supply platform centered on energy storage systems (ESS) to help realize the Government of Japan's 2050 Carbon Neutral goal.

GHG Emissions Reduction and Offset Targets

- Achieving net zero GHG emissions by 2050 to comply with the Japanese government's target. In addition, aiming to offset CO₂ to zero*¹ by 2040 by actively promoting businesses that contribute to the reduction of GHG emissions.
- Complying with the Japanese government's interim target*² by achieving a 40% reduction from 2018 levels by 2030.

*¹ Offsetting CO₂ to zero by subtracting "contribution to reduction" accompanying the expansion of renewable energy business, etc., from GHG emissions.
 *² The Japanese government's target of a 46% reduction from the 2013 level by 2030 is a 39% reduction based on the year 2018.

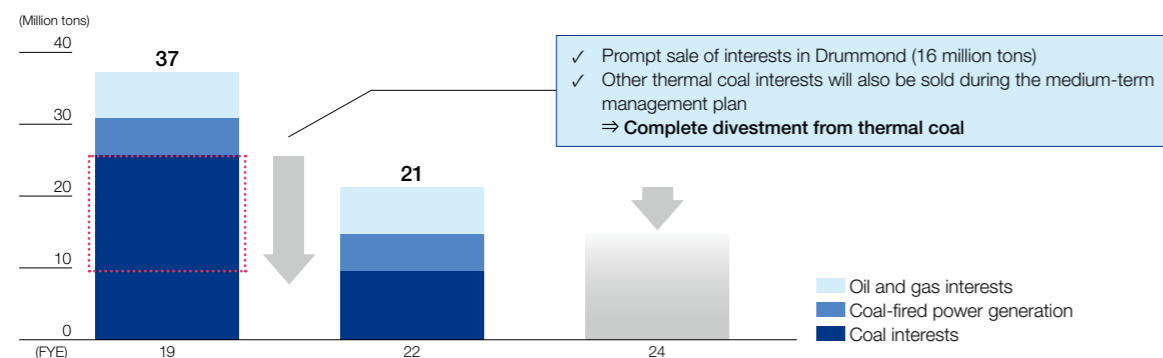


Efforts to Reduce GHG Emissions from Fossil Fuel Businesses and Interests

- GHG emissions from all Group fossil fuel businesses and interests* totaled 37 million tons.
- Through the sale of interests in the Drummond thermal coal mine, we were able to reduce GHG emissions to 21 million tons, taking the initiative in implementing concrete measures toward the shared societal goal of decarbonization.
- We will actively promote efforts to reduce environmental impact while fulfilling our responsibility to ensure a stable supply of resources and energy.

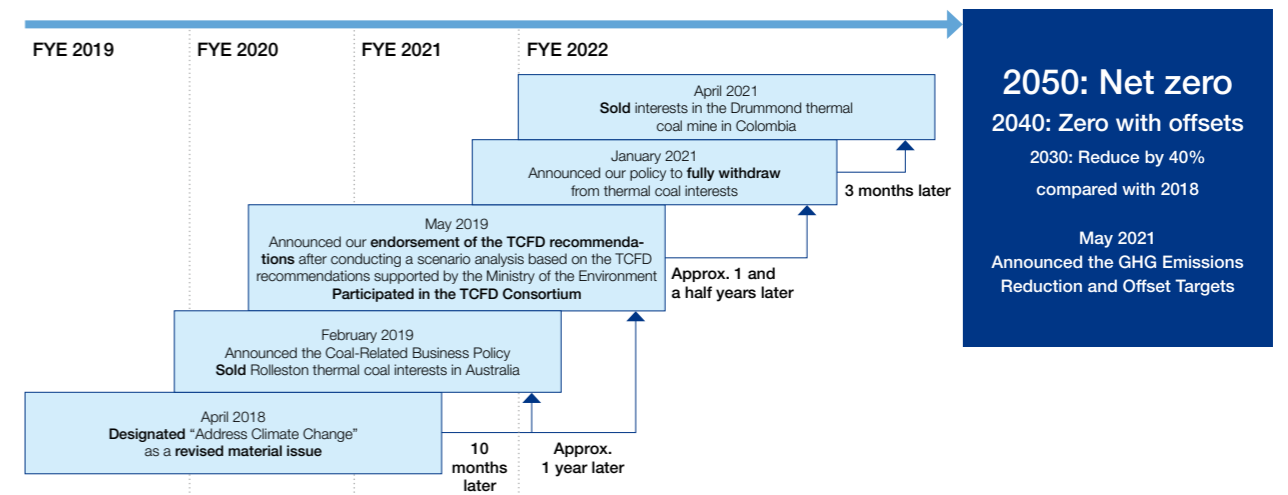
* Fossil fuel businesses and interests (consolidated subsidiaries, affiliates, and general investments): (1) Coal interests (thermal and coking coal), (2) Coal-fired power generation, (3) Oil and gas interests

GHG Emissions from Fossil Fuel Businesses and Interests



State of Action on Climate Change

ITOCHU works to swiftly and forcefully reduce GHG emissions while ensuring improved profitability, especially in our strong non-resource sector. We will also continue expanding disclosures and assessing our action on climate change in line with the core elements of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).



Risks and Opportunities

Short-, medium-, and long-term climate-related risks and opportunities		Impacts on businesses, strategies, and financial plans
Transition risks and opportunities	Legislative and legal risks	Decrease in fossil fuel demand due to business regulations on GHG emissions and stricter GHG emission plans in countries around the world
	Technological risks	Increase in business opportunities, such as renewable energy, that help mitigate climate change
	Market risks	Increase and decrease in demand for products and services that are affected by clean-tech and other technologies as well as legislative and legal risks
Physical risks and opportunities	Urgent risks	Business damage due to increased occurrence of extreme weather (droughts, floods, typhoons, hurricanes, etc.) Maintaining existing and gaining new customers by strengthening our supply system to withstand extreme weather
	Protracted risks	Impacts on the production volumes of agricultural and forestry fields and related products caused by droughts and other events associated with rising temperatures and climate change impact

Governance

- Discussions held and decisions made by the Sustainability Committee regarding such important matters as formulating response policies for climate change-related risks and opportunities and establishing targets and initiatives for reducing GHG emissions
 ➔ Page 76 Structure for Promoting Sustainability

Risk Management

- Monitoring the risks and opportunities related to business caused by climate change countermeasures of various countries as well as extreme weather and changing average temperatures around the world
- Building an information management and monitoring system on a Group basis for specified climate change risks
 ➔ Page 74 Countermeasures for Business Risks and Other Risks

Index and Targets

- GHG reduction targets
 ➔ Page 64 GHG Emissions Reduction and Offset Targets
- Energy use and clean-tech targets

Index	Targets	FYE 2021 results
Renewable energy ratio	Over 20% by FYE 2031	14.5%
Cumulative capacity of ESS units sold	Over 5 GWh by FYE 2031	Approx. 420 MWh
Electricity consumption for Tokyo and Osaka Headquarters, domestic offices and branches, and other business facilities	Reduce 30% by FYE 2022 compared with FYE 2011 levels	Reduced 47% compared with FYE 2011 levels
	Reduce at least 1% on average per year	Reduce 4.6% compared with FYE 2020 levels

Strategies

- Developing businesses by looking at the various risks and opportunities associated with climate change as an important perspective for business strategies

Scenario Analysis*

- Establishing two scenarios, an under 2°C and around 4°C increase in average temperatures by the end of this century, referencing the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC)

* Detailed disclosures of climate change data, including scenario analysis results, are available on our website.

➔ https://www.itochu.co.jp/en/csr/environment/climate_change/



Development of a Distributed Power Supply Platform Centered on ESS

Connections to approach to SDGs-related businesses

Point 1: Identifying Challenges

Launch of energy storage system (ESS) business aimed at decarbonization
Started sales of household ESS, which are essential for the spread of renewable energy

Point 2: Building Collaborations with Key Partners

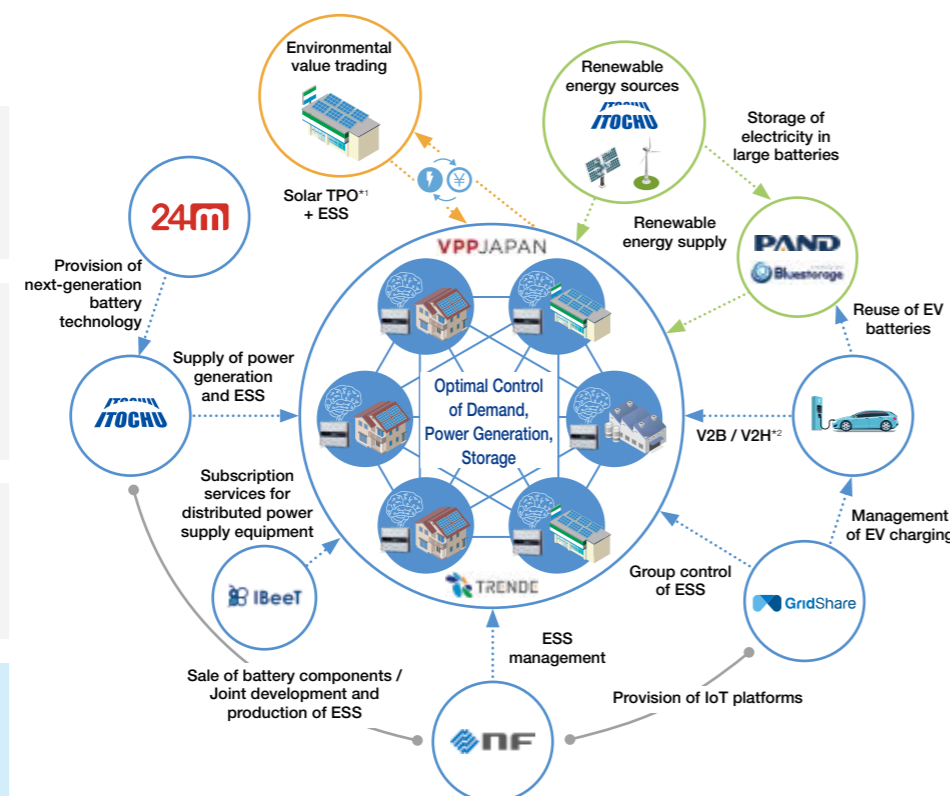
Alliances with VPP Japan, Inc., TRENDE Inc., etc.
Developed an ESS equipped with AI that optimizes charging and discharging; sold over 43,000 units as of March 31, 2021

Point 3: Business Creation and Demand Stimulation

Realization of environmental value trading
Realized environmental value trading by adding new value to electricity from renewable energy

Point 4: Leading Value Chain Development and Multifaceted Expansion

Establishment of new economic zones based on AI-equipped ESS



*1 Third-Party Ownership model. Business model that companies provide equipment such as solar panels and ESS to users, and users use the electricity generated by the equipment.
*2 Vehicle to Building / Vehicle to Home. Mutual power supply between EVs and buildings / households.

Concrete measures

Realization of environmental value trading and establishment of new economic zones

Optimization of electricity supply and demand balance at the household and community levels using AI-equipped ESS

Maximization of the EV battery reuse business and use of the renewable energy sources

Company	Business Profile
VPP Japan, Inc.	Distributed solar power supply projects
TRENDE Inc.	Power retailing, peer-to-peer power trading
NF Blossom Technologies, Inc.	Manufacture of next-generation ESS
Shenzhen Pandpower Co., Ltd.	EV battery reuse business
24M Technologies, Inc.	Development and manufacture of SemiSolid batteries
IBeeT Corporation	Subscription services of distributed power supply equipment

To Realize Decarbonization across Society

Achieving the Government of Japan's 2050 Carbon Neutral goal will require decarbonized power sources and electric power consumption management. As distributed power becomes more common due to renewable energy power generation, such as solar power, the electric grid, which had been one-way, is beginning to shift to a multifaceted two-way grid. Due to this trend, when (small- and medium-sized multifaceted two-way) grids are built, we need to efficiently control power consumption within the grid and eliminate waste. However, because there is a limit to what the power supply side can do, the power consumption side also needs to take action. To soften excessive burden on the power supply side, power

consumption control is more necessary than ever. ITOCHU believes that its energy storage system (ESS) can fulfill this role.

“Smart Star” – The Key to Power Consumption Control

NF Blossom Technologies, Inc., a joint venture between ITOCHU and NF Corporation, developed and manufactures the “Smart Star” ESS series. As of March 31, 2021, a cumulative total of over 43,000 units have been sold. Smart Star features the AI function “GridShare,” which enables efficient power consumption by analyzing and studying weather forecasts, household power demand, and other data to facilitate optimal charge/discharge

controls for ESS. In May 2021, we launched sales of a new product, “Smart Star 3.” For Smart Star 3, we developed a platform that measures the environmental value on a household basis, creates points, and awards those points to customers—the first such platform in the world for household ESS. Smart Star 3 also enables customers to charge EVs, which are expected to quickly become more common.

Establishing a Foundation Through Cooperation with Partners

Regarding the third-party ownership (TPO) model for solar power, which is a power source for ESS, we are focusing our efforts on cooperation with VPP Japan, Inc. (VPP Japan) in the commercial facility field, especially supermarkets and distribution warehouses, and with TRENDE Inc. (TRENDE) in the household field. TRENDE is also working on promoting peer-to-peer (P2P) trade, and within the pilot test, we have confirmed the results for which we expect future development, such as generating economic rationality for all households. We are promoting the development of this technology for application in the “Smart Star” series.

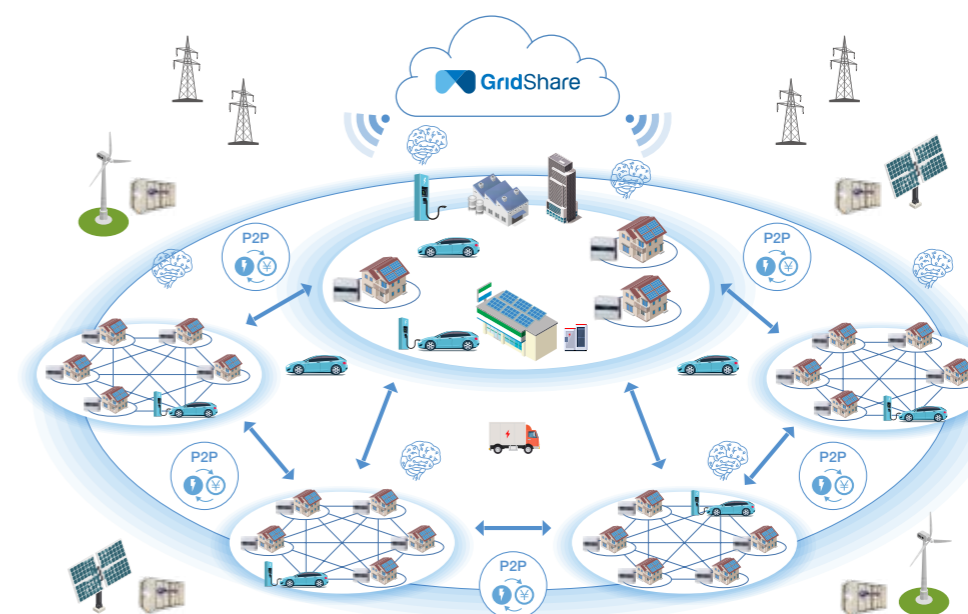
In addition, we are also strengthening Life Cycle Assessment (LCA) initiatives, which have been growing in importance. Since June 2021, we commenced operations of “Bluestorage,” a shipping container-style ESS for commercial facility use, which utilizes reused EV batteries provided by China-based Shenzhen Pandpower Co., Ltd. (Shenzhen Pandpower) We will actively work to roll them out overseas going forward. Furthermore, we are building a truly circular system, wherein we collect materials from batteries that have served their purpose, such as nickel,

lithium, and other rare metals, and reuse them in the raw and other material value chain we are constructing.

Moreover, in May 2021 we announced that we made U.S.-based 24M Technologies, Inc. (24M Technologies), which conducts R&D for SemiSolid batteries, an affiliate. Regarding SemiSolid batteries, which will soon enter a mass-production phase, 24M Technologies concluded a technology licensing agreement with multiple companies globally, and it is anticipated that the network will expand further. ITOCHU is working to promote development of licensees, acquire materials, and expand initiatives for next-generation batteries, including battery procurement.

The Carbon-Free Society of the Future

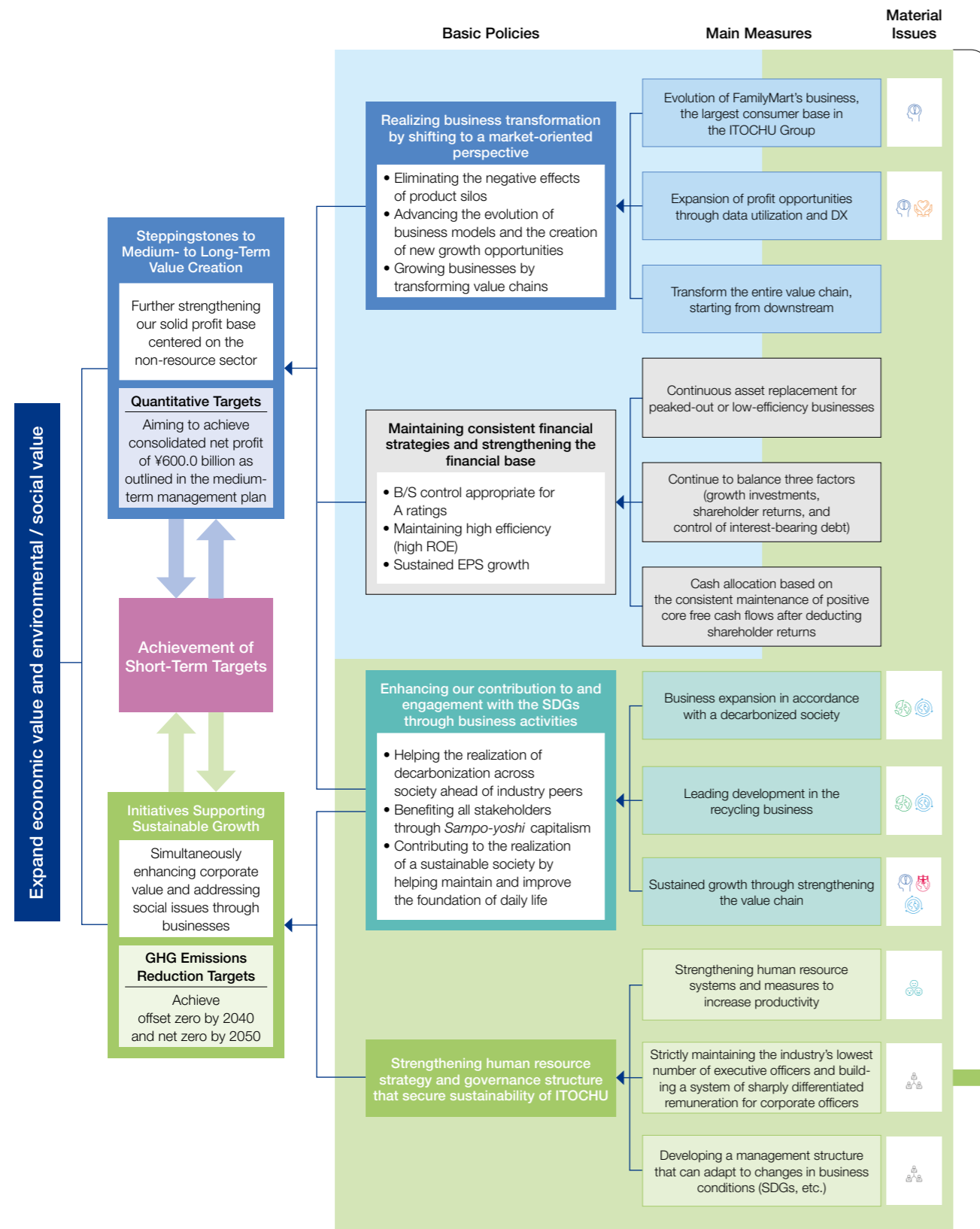
Currently, GridShare enables integrated management (collective control) of distributed power sources, which are promoted by VPP Japan (industrial use) and TRENDE (household use) at a top level in the industry, in addition to household ESS. Also, IBeeT Corporation offers subscription services for these distributed power sources and associated equipment. In the near future, EVs that are equipped with SemiSolid batteries produced by 24M Technologies' partner companies will also be connected with GridShare. By combining TRENDE's P2P trade technologies and Shenzhen Pandpower's recycling system, we will be able to provide various solutions for reducing carbon. The environmental value platform of Smart Star 3 connects households with various companies, such as convenience stores and supermarkets, and creates communities including EVs. Through these initiatives, we will realize a positive feedback loop for the environment and economy.



Relationship Between a Logic Tree and Non-Financial Capital

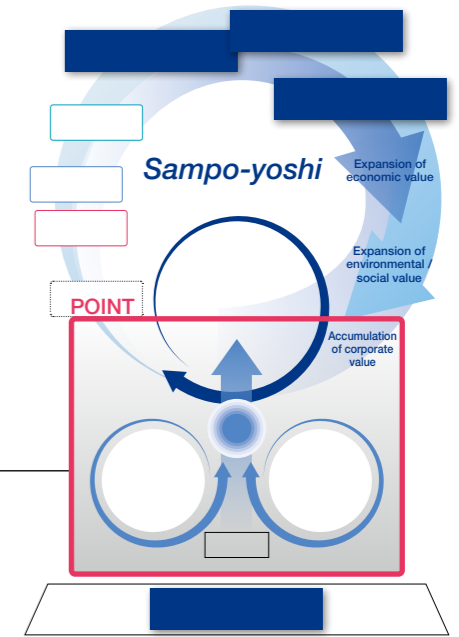
ITOCHU's Logic Tree for Building Up Corporate Value

Our medium-term management plan "Brand-new Deal 2023" sets consolidated net profit targets for FYE 2022 and for the plan's term as well as a long-term target for reducing GHG emissions. Moreover, to provide steps for our climb toward medium- to long-term targets, we have set a succession of short-term targets. By achieving these targets, we will realize sustained, sure-footed growth in corporate value.



Maintaining and Upgrading of Non-Financial Capital, and Its Relationship to Material Issues

ITOCHU analyzes the magnitude of opportunities to increase its non-financial capital as well as the magnitude of risks with the potential to damage such capital. Based on its findings, the Company then identifies material sustainability issues and addresses them through businesses. By leveraging trust and creditworthiness garnered over many years, we will maintain and further grow our non-financial capital.



Relevance of Non-Financial Capital, Material Issues, and the SDGs

Material Issues		Non-Financial Capital							Related SDGs
		Internal Capital			Trust and creditworthiness (<i>Sampo-yoshi</i>)	External Capital			
		Human and Organizational Capital	Business Know-How	Business Portfolio		Client and Partner Assets	Natural Resources	Relationships with Society	
Evolve Businesses Through Technological Innovation	!	Green	Green	Green	Blue	Green	Green	Green	9
Address Climate Change (Contribute to Realization of a Decarbonized Society)	🌿	Grey	Green	Green	Blue	Green	Green	Green	7, 13
Cultivate a Motivating Workplace Environment	😊😊	Green	Green	Green	Blue	Green	Green	Green	5, 8, 10
Respect Human Rights	🤝	Grey	Grey	Grey	Blue	Green	Green	Green	6, 11
Contribute to Healthier and More Enriched Lifestyles	👨👩👧👦	Green	Green	Green	Blue	Green	Green	Green	3, 12
Ensure Stable Procurement and Supply	🌍	Grey	Grey	Grey	Blue	Green	Green	Green	6, 12, 14, 15
Maintain Rigorous Governance Structures	👤👤	Green	Green	Green	Blue	Green	Green	Green	16

Green indicates non-financial capital judged to have a particularly high relevance to material issues. We also recognize that trust and creditworthiness are strongly related to all of our material issues.