

## Management Policy

### ***/// The Brand-new Deal***

– Profit opportunities are shifting downstream –

ITOCHU Corporation

April 3, 2024



I am One with Infinite Missions

## – Profit opportunities are shifting downstream –

We aim to achieve sustainable enhancement in corporate value, by having all employees, from the business divisions to the administrative divisions, always enhancing their marketing capabilities, leveraging the assets and expertise of upstream and midstream, which we have been building up for over 160 years since our founding, while developing and evolving downstream businesses that are closer to consumers.

<b>Grow earnings</b>	<b>No growth without investments</b>
<b>Enhancement of corporate brand value</b>	<b>Enhancement in qualitative aspects</b>
<b>Shareholder returns</b>	<b>Total payout ratio 40% or more</b> <b>The higher of 30% dividend payout ratio or dividend ¥200 per share</b>

# No Growth without Investments



Accelerate growth investments starting from a downstream, leveraging a stable business foundation, to grow earnings.  
Strive for further growth through the expansion of business areas and strengthening and expanding business foundation.



## Market-oriented perspective

**Developing and evolving downstream businesses that are closer to consumers**

- ◆ Maximizing synergies by horizontal collaboration among Division Companies
- ◆ Business transformation and creation through business integration

# Enhancement of Corporate Brand Value



**Built a "corporate brand" through high external evaluations based on the accumulation of innovative initiatives, creating a synergy effect with financial growth, thereby enhancing corporate value.**

**Based on the "market-oriented perspective," we aim to further enhance brand value by listening to the voices of the market, society, and consumers, and continuing to refine our qualitative aspects diligently.**

## Reinforcement of human capital

- ✓ Continuing to secure outstanding human resources by maintaining our position as the No.1 company selected by students
- ✓ Continuously cultivating a diverse pool of management talent based on their capabilities, regardless of age or gender, through our Executive Officer appointment policy
- ✓ Improving Employees' willingness to contribute by realizing "challenging but rewarding workplace" and pursue further labor productivity

## Strengthening dialogue with stakeholders

- ✓ Building and accumulating trust through actively incorporating insights gained from a wide range of dialogues into our management
- ✓ Enhancing our presence through expanding our contact points with consumers through unique channels and businesses

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

- ✓ Continuously responding to social demand by aiming to balance both sustaining the basic policies outlined in the previous medium-term management plan and promoting businesses that contribute to emissions reduction

# Shareholder Returns / Financial Policy



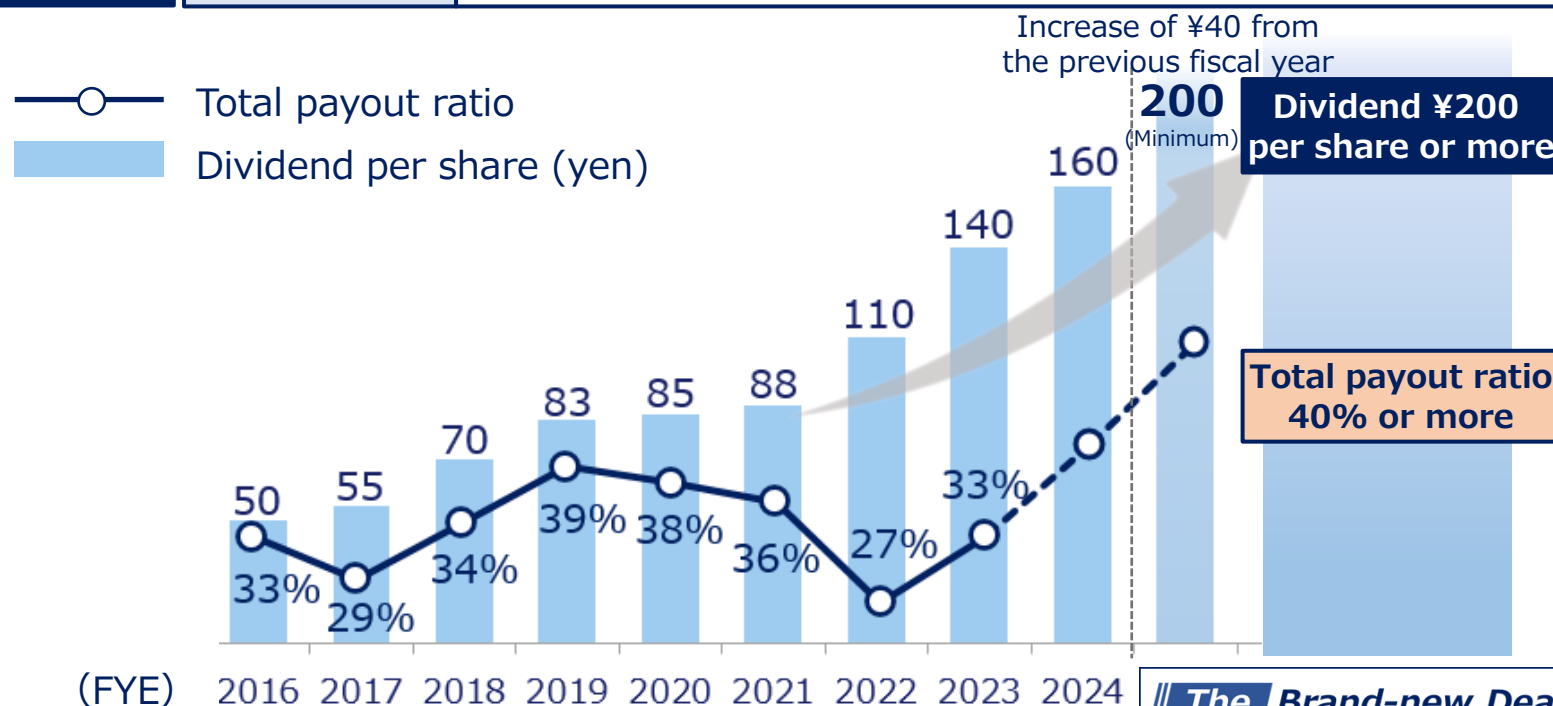
## Shareholder returns policy

Total payout ratio

**40% or more**

Dividends

**The higher of 30% payout ratio or dividend ¥200 per share**  
While based on **principle of 30%** payout ratio, also consider the minimum dividend of ¥200 per share **with an eye to the profit stage in the future**



Share buybacks  
(Billions of yen)

**16.2** **27.9** **68.0** **62.0** **13.5** **60.0** **60.0** **100.0**

// The Brand-new Deal

**Execute share buybacks actively and continuously**

## Financial policy

**Maintaining financial foundation based on balancing three factors**  
(Growth investments, shareholder returns, and control of interest-bearing debt)

# FYE 2025 Management Plan



## Profit Plan

Consolidated  
net profit  
**¥880.0 billion**

ROE  
**16%**

## Shareholder Returns

Total payout ratio  
Aiming at **50%**

Dividends  
Minimum of  
**¥200** per share  
(Increase of **¥40** from  
the previous fiscal year)

Share buybacks  
Approx. **¥150.0 billion**

## Growth Investments

Investment  
amount  
**Maximum ¥ 1 trillion**

Core operating cash flows  
after deducting shareholder  
returns in FYE2025  
+ Surplus capital in  
the previous medium-term  
management plan

NET DER  
**Less than 0.6 times**

\*1 The assumptions for major indicators are as follows: 140 yen/US\$ for exchange rate (average),  
80 US\$/BBL for crude oil (brent), 0.4% for interest rate (TIBOR 3M) (¥),  
and 5.0% for interest rate (SOFR 3M) (US\$).

\*2 The profit plan by segment and the outlook for other detailed information will be announced on May 8th.



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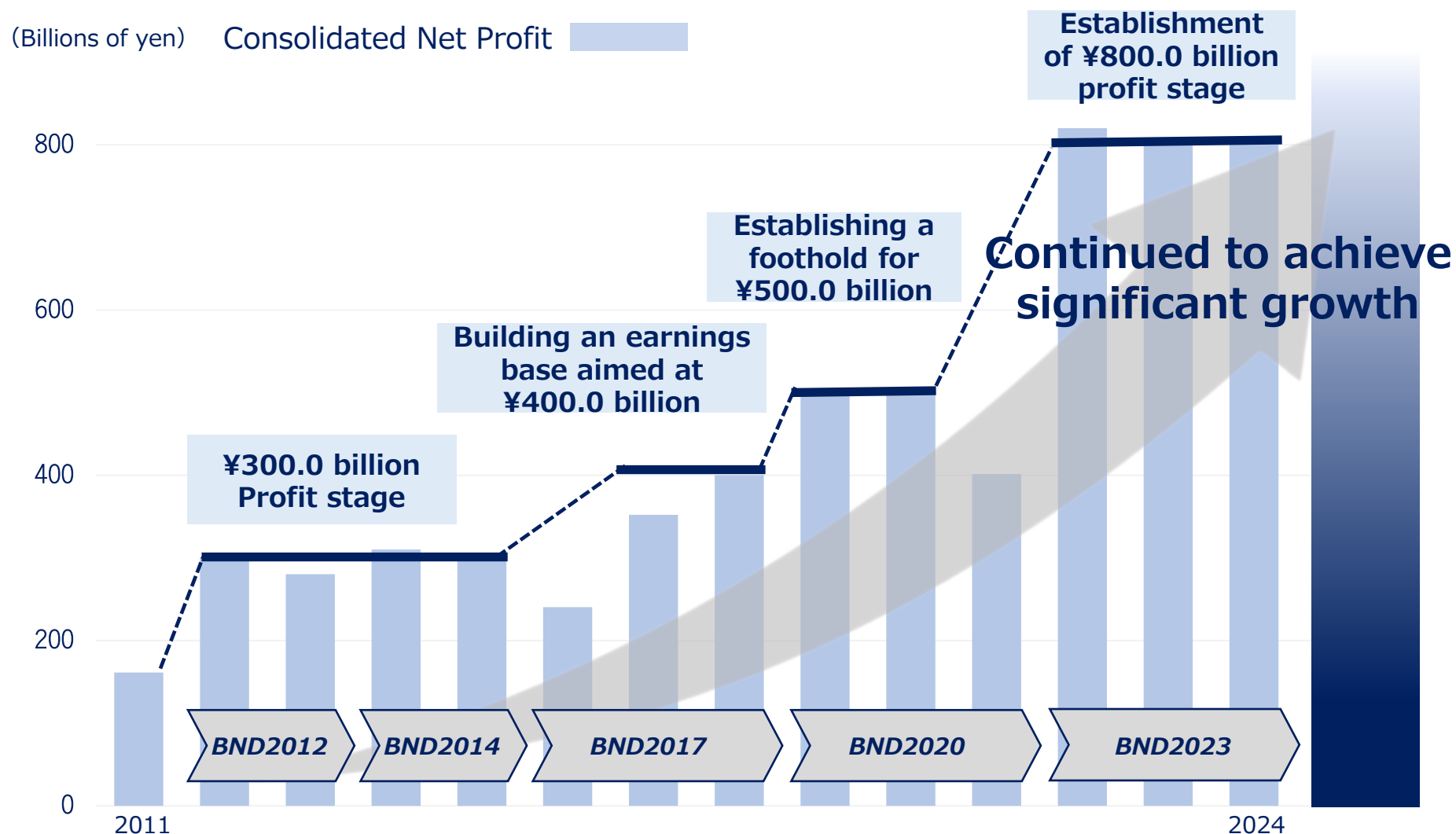
# ***/// The Brand-new Deal***      **Appendix**



**The Past Medium-Term Management Plan**  
***(Brand-new Deal)***  
**General Review | FYE 2012 - 2024**

# The Growth Trajectories

Overcoming environmental changes and steadily achieving growth, thereby raising the profit stage step by step.



## Steady Growth in Financial Performance



Accumulating achievements under the “Brand-new Deal” management plans, building high earnings power and a solid financial base.



Major Accomplishment			
<1> Steady profit growth	Compound annual growth rate of consolidated net profit (FYE2011-2024)		<b>13%</b>
<2> Continuous high-efficiency management	ROE (Average of FYE 2011-2024)		<b>16%</b>
<3> Commitment-based management	Accomplishment of initial plan since FYE 2011		<b>13 wins 1 loss</b>
<4> Establishment of business portfolio with economic downturn resilience	Non-resource	FYE 2011 <b>42%</b>	FYE 2024 <b>75%</b>
<5> Improving profitability of Group companies	Ratio of Group companies reporting profits	FYE 2011 <b>78%</b>	FYE 2024 <b>92%</b>
<6> Maintaining financial discipline	All major credit rating agencies		<b>Highest among the trading companies</b>
<7> Establishment of strong financial foundation	Shareholders' equity	FYE 2011 <b>¥ 1 trillion</b>	FYE 2024 <b>¥ 5 trillion</b>
<8> Enhancing shareholder returns	Dividend per share	FYE 2011 <b>¥18</b>	FYE 2024 <b>¥160</b>

# Continuous Engagement in Non-Financial Initiatives / Achieved Positive External Evaluations

Enhance qualitative aspects by accumulating initiatives that are unique to our Company and achieved positive external evaluations.

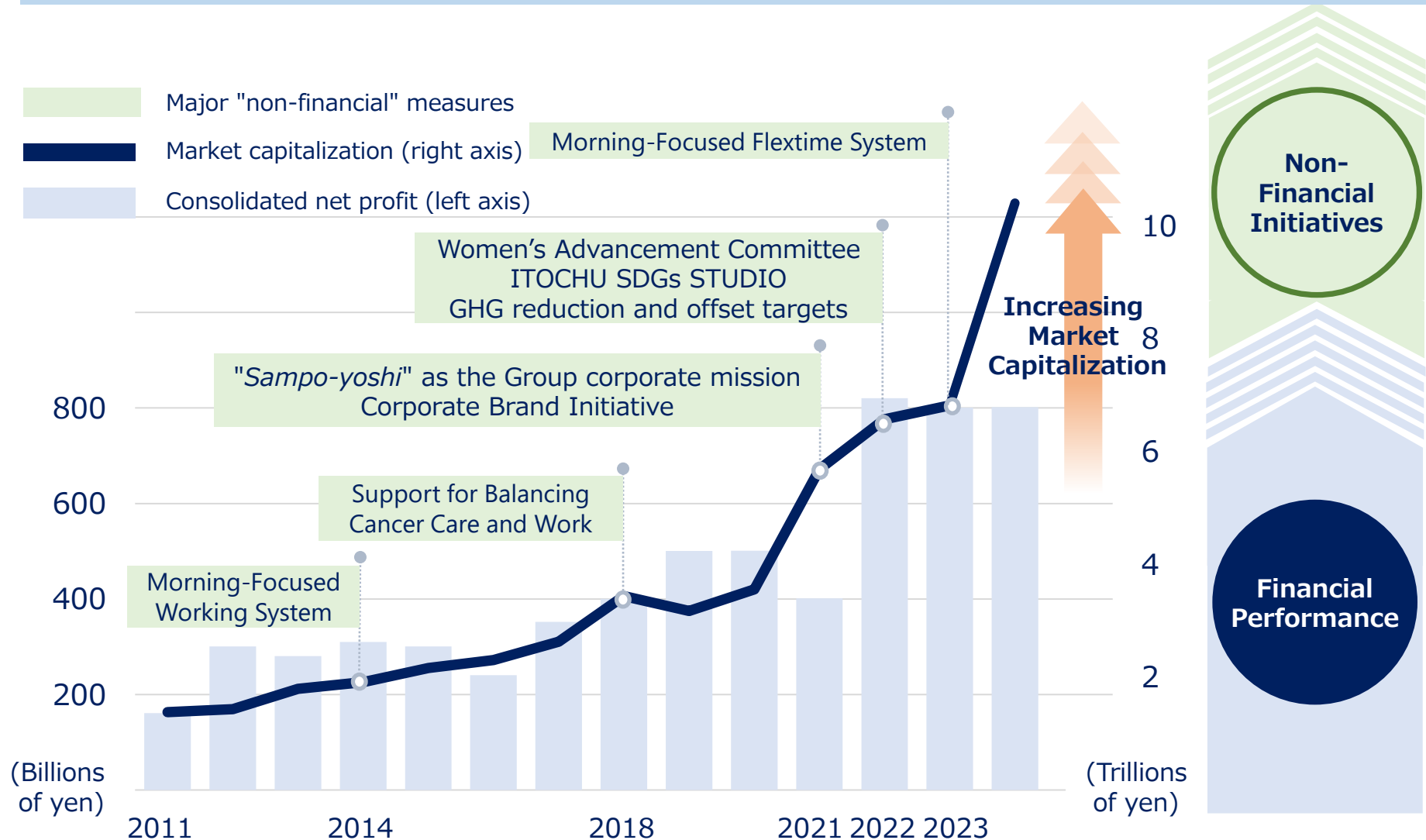
	Major Initiatives						Major External Evaluations
	2014	2016	2018	2020	2022	2024	
Human capital	<b>Morning-Focused Flextime System</b> introduced (2023-)						All the major company ranking among jobseekers <b>No.1 in trading companies</b>
	<b>Women's Advancement Committee</b> established (2022-)						
	<b>Support for Balancing Cancer Care and Work</b> introduced (2018-)						
	<b>Morning-Focused Working System</b> introduced (2014-)						
Dialogue with stakeholders	<b>ITOCHU SDGs STUDIO</b> established (2022-)						"Outstanding Integrated Report" *1 <b>Selected for 7 consecutive Years</b>  *1 Selected by GPIF's domestic equity managers
	<b>Corporate Brand Initiative</b> launched (2021-)						
	<b>Basic IR Policy</b> (2016-)						
SDGs-related initiatives	<b>Rolling out strengthening SDGs-related measures in the medium-term management plans</b> (2022-)						GPIF ESG investment amount and major ESG indices *2 <b>No.1 in trading companies</b>  *2 MSCI, FTSE, etc.
	<b>Established "<i>Sampo-yoshi</i>" as the Group corporate mission</b> (2021-)						
	<b>Identified the material issues related with sustainability</b> (2019-)						

\*1 Selected by GPIF's domestic equity managers

\*2 MSCI, FTSE, etc.

**Non-Financial Initiatives**

Achieve expansion of market capitalization through steady financial growth as well as innovative non-financial initiatives.



## “Market-oriented perspective” and rigorous implementation of the “Earn, Cut, Prevent” principles, supporting our sustainable growth.

### Market-oriented perspective

Creating business by understanding diversifying needs and adapting to the changes

#### From a downstream

Creating business starting from a downstream

- Providing high-value added products, services, and features, being market-conscious

#### Initiatives

Enhancement of functions in the value chain  
Expansion of peripheral business areas

- Expanding functionality by leveraging existing strengths and establishing a position in the value chain

#### Good foresight

Expansion into areas where strengths can be leveraged

- Identifying areas of expertise, growth and broad-based areas, and making investments

### Earn, Cut, Prevent

Remain keenly aware of our business fundamentals and thoroughly implementing business methodologies

#### Hands-on

Strengthening of front-line capabilities  
Carefully refine each business

- Dispatching highly trained talent to the investee, refine operations, and expand profit

#### Lean management

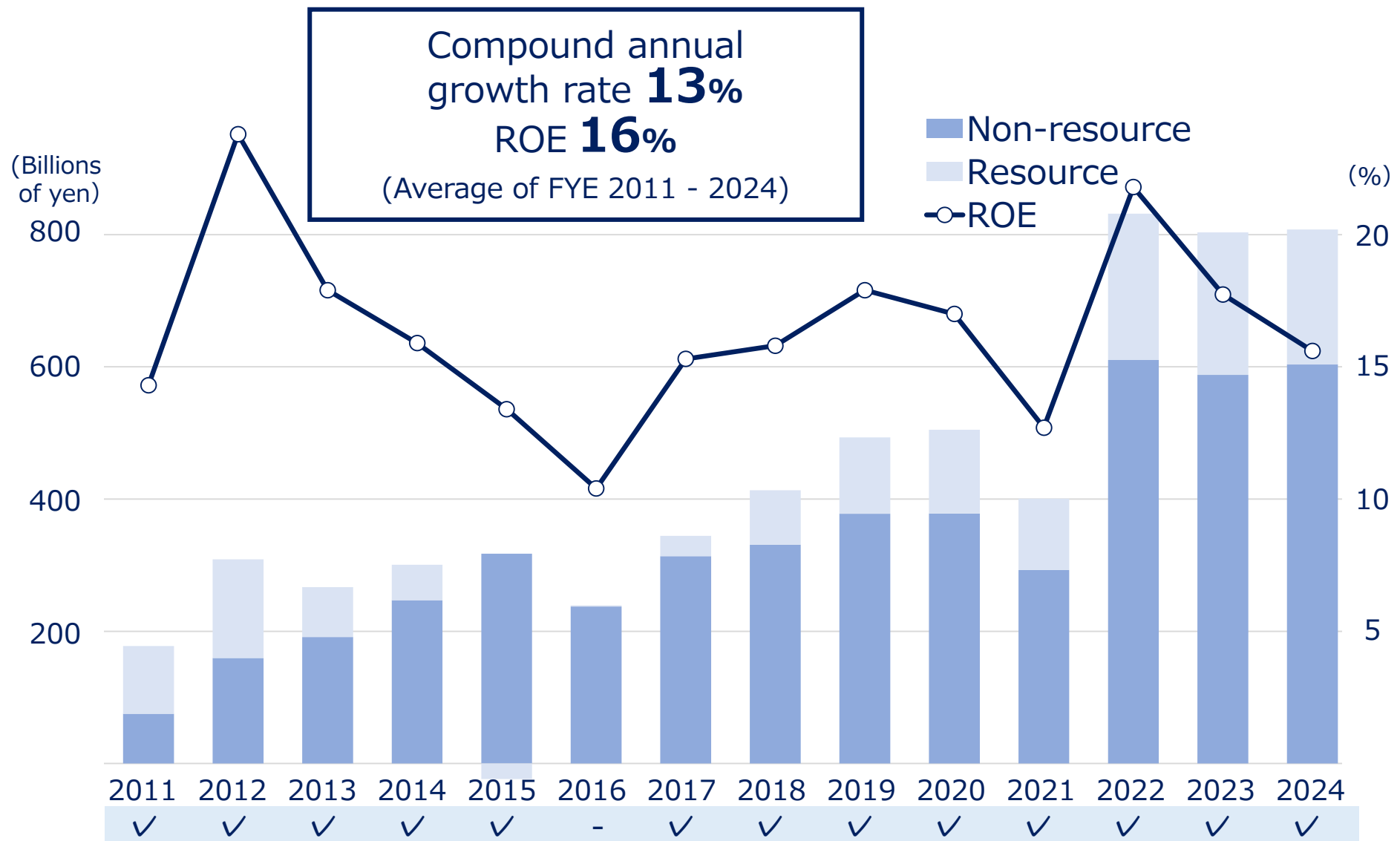
Secure a firm foundation to be prepared for changes and risks

- Without growing overconfident even with the good results, thoroughly conducting the management with always anticipating the worst-case scenario

#### The Four Lessons for Investments

Strive management to never repeat the mistakes

- 1. Overpaying for investments
- 2. Investments aimed at seizing profit from investees
- 3. Overdependence on the partners
- 4. Field with limited insight

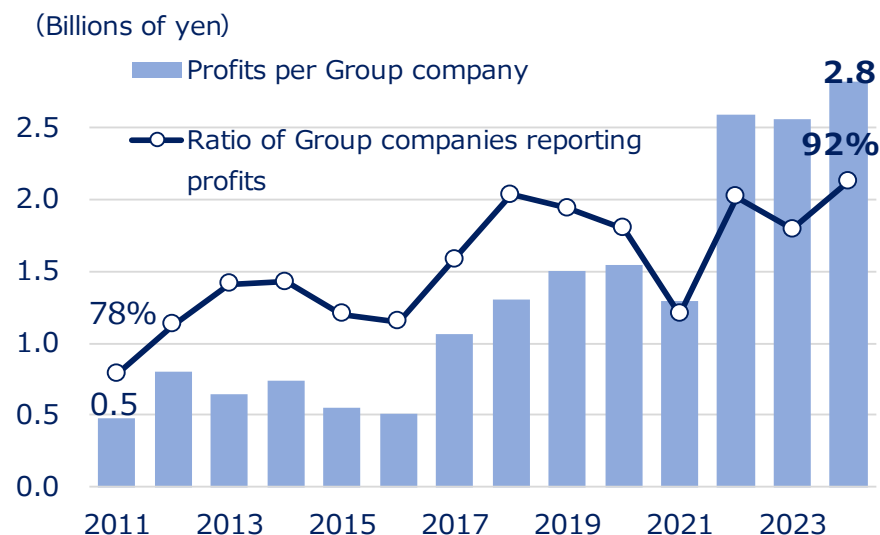
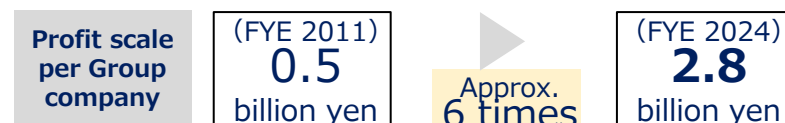
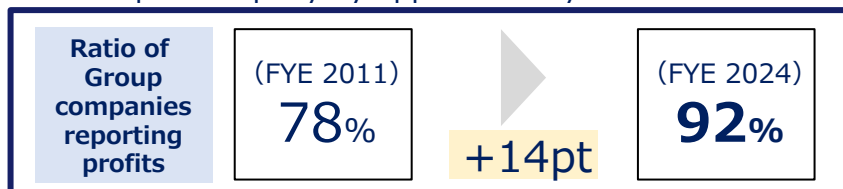


“✓” Accomplished the initial plan    “-” Not achieved the initial plan



## Earnings power of Group companies

- Through rigorous management improvement across all Group companies, **achieved a high ratio of Group companies reporting profits** and expanded the profit scale per company by approximately six times



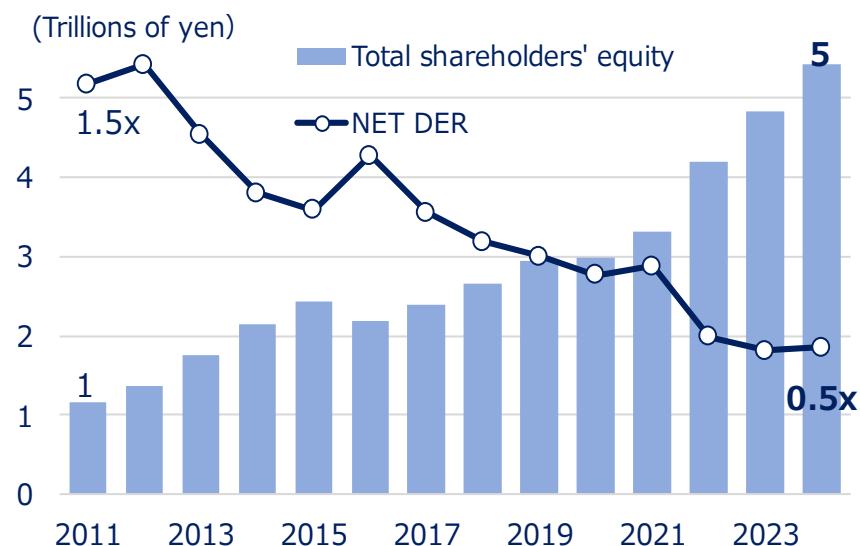
## High credit rating achieved through financial discipline

- The **highest rating among general trading companies** from major credit rating agencies

Moody's	S&P	R&I	JCR
A2	A	AA	AA+

- Steady improvement of NET DER and B/S control appropriate for A ratings

## Built strong financial foundation



# **[Appendix] No Growth without Investments** **(Example of Business Area Expansion 1)**



## **ITOCHU Techno-Solutions Corporation (CTC)**



### From a downstream

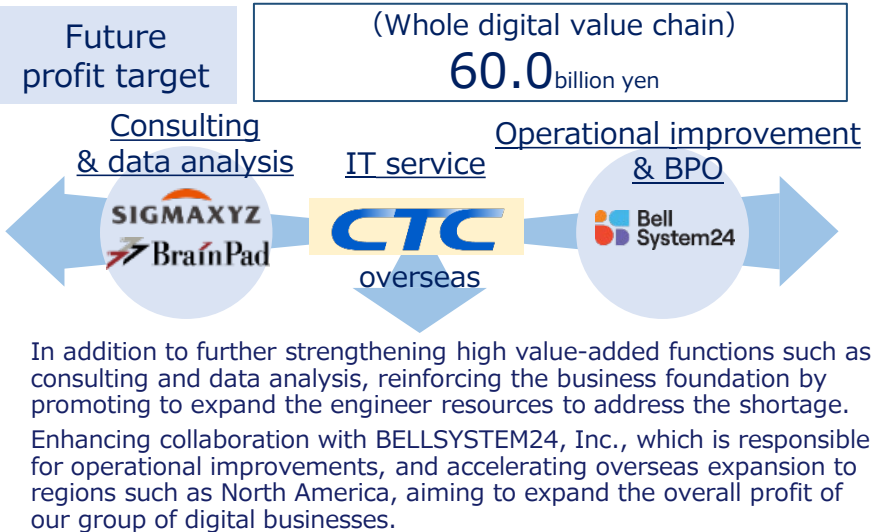
- Focusing on a field with sustained high demand from the market and offering product sales and system development functions to a wide range of industries ahead of other trading companies.

### Initiatives

- Promoting capital and business alliances with companies that specialize in consulting, data analysis, and other areas to address the digitalization needs of clients. Expanding the business area while building a digital value chain to maintain and enhance competitiveness.

### Good foresight

- The utilization of IT in the clients will continue to be a growing area of expansion. Strengthening the business foundation by privatizing our core business, CTC, and accelerating the growth strategy.



## **FamilyMart (FM)**



### From a downstream

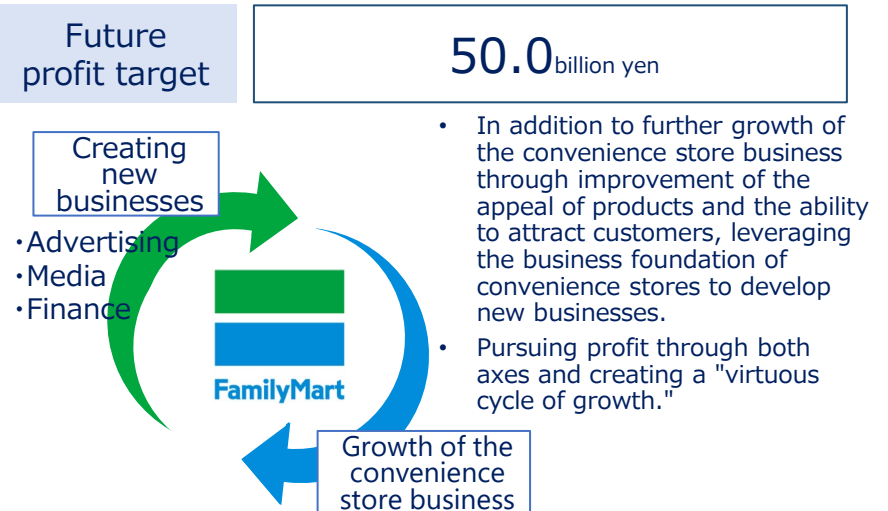
- Enhancing the development of products and services that capture customer needs. Continuously evolving without being bound by existing concepts, adapting to the times and the environment.
- Leveraging digital technology to enhance efficiency of the store operations. Addressing the shortage of workers faced by franchisees and maximizing store profit.

### Initiatives

- Expanding business extensively in the FamilyMart supply chain, including product supply and logistics.

### Good foresight

- Combining digital technology with the established store and customer base, pioneering the retail media and advertising business as a new frontier ahead of other companies.



# [Appendix] No Growth without Investments (Example of Business Area Expansion 2)



## North American construction materials business



### From a downstream

- Expanding business area through acquisitions in areas such as wooden fences and housing structural materials business, capturing the needs arising from sustainable market expansion due to population growth.

### Initiatives

- Developing a strong presence in the industry through the acquisition of chain link fence companies, which operates in the same industry. Building value chains and creating synergies through acquisitions in pipe manufacturing, with chain link fences as the core.

### Good foresight

- Selling off existing businesses catching the signs of a slowdown in growth and focusing management resources on the fence business. Executing a strategy of acquiring competitors using cash from the sale.



## North American electric-power-related business



### From a downstream

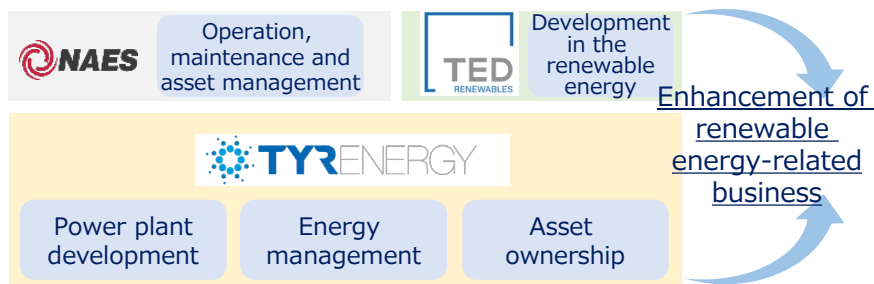
- Steadily strengthening the functions and services required by the market, such as development, power generation, operation and maintenance, and energy management, and expanding our business foundation.

### Initiatives

- By expanding the necessary functions and services, established a renewable energy fund to lead project development, investment, operation, and other activities, thereby strengthening our renewable energy-related business.

### Good foresight

- Quickly shifting towards renewable energy sources such as solar and wind power by utilizing the expertise gained from fired power generation. Expanded solar power development to a scale of approximately 4 GW.



# [Appendix] No Growth without Investments (Steady Contribution to the Profit)



Returns from major investments in non-resource sector, which are our strengths, have gradually increased and contribute to our growth.

(Billions of yen)

## Business investment projects in non-resource sector of over 5 billion yen

Period Major investment projects

Investment amount  
/Number of projects

Contribution to the profit (3 years total, core profit basis)

BND  
2017

BND  
2020

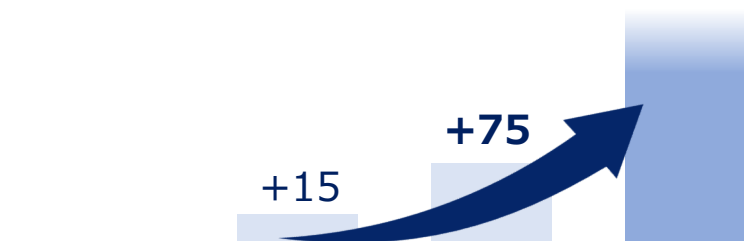
BND  
2023

FYE 2025  
onwards

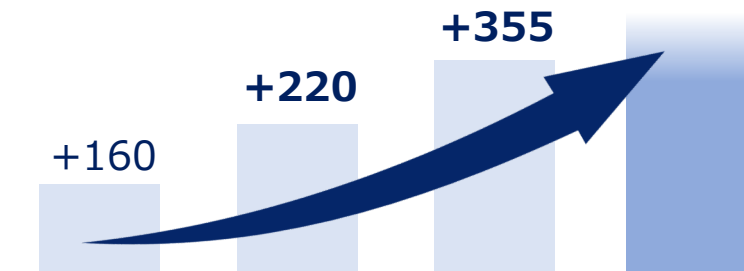
BND 2023	<b>CTC</b>	Additional investment(FYE 2022, 2023) Privatizing(FYE 2024)
	<b>Hitachi Construction Machinery</b>	Newly investment(FYE 2023)
	<b>DAIKEN</b>	Privatizing(FYE 2024)
725 billion yen /14 projects		



BND 2020	<b>DESCENTE</b>	Additional investment(FYE 2019)
	<b>HOKEN NO MADOGUCHI</b>	Conversion into a subsidiary(FYE 2020) Additional investment(FYE 2021)
	<b>FamilyMart</b>	Conversion into a subsidiary(FYE 2019) Privatizing(FYE 2021)
850 billion yen /10 projects		



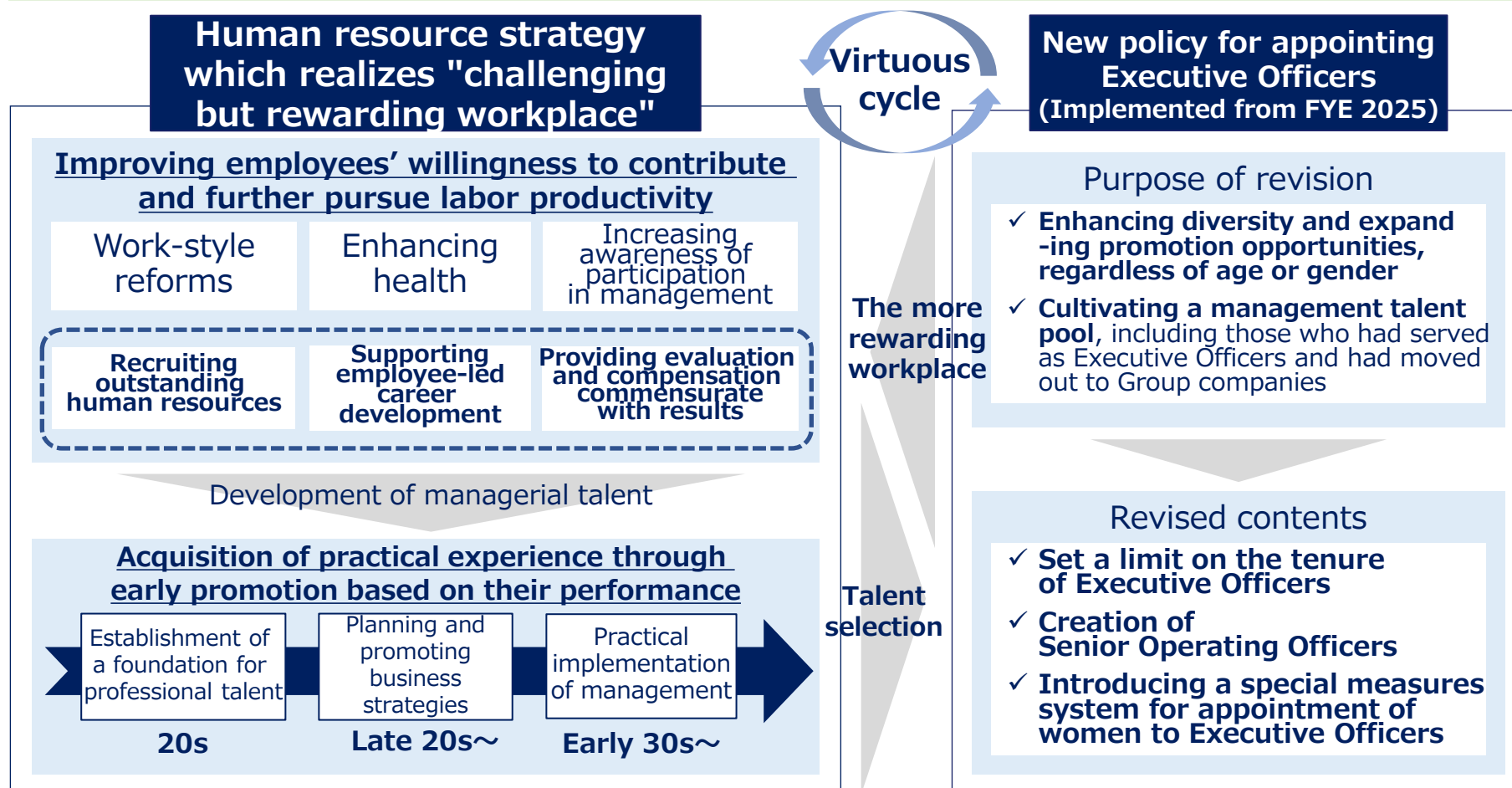
BND 2017	<b>CITIC</b>	Newly investment(FYE 2016)
	<b>YANASE</b>	Conversion into a subsidiary (FYE 2018)
	<b>North American construction-materials</b>	Acquisition of Alta Forest Products, etc.(FYE 2018)
810 billion yen /11 projects		



# 【Appendix】 Reinforcement of Human Capital



Create a virtuous cycle of strengthening our human resource strategy by implementing a policy for appointing Executive Officers selected based on their true capabilities.



Continual development of management talent through the establishment of a talent development system and a pool of competent talents

# 【Appendix】 Strengthening Dialogue with Stakeholders



**Strengthening "Communication" and "Dialogue" through distinctive initiatives and achievements, including through unique channels.**

## Addressing market demands and expectations through dialogues with investors

<Specific measures>

- ✓ Disclosure aligned with market needs through the issuance of comprehensive Annual reports (Integrated reports) and other means
- ✓ Expanding opportunities for dialogue and deepening business understanding through events such as project briefings and facility tours

**Market**

Understanding and empathy towards our corporate strategy

## Sharing examples of implementing innovative and unique initiatives, as well as sharing experiences and knowledge gained

<Specific measures>

- ✓ Proactive disclosure of unique initiatives addressing societal challenges such as work-style reforms
- ✓ Promoting initiatives such as Virtual Office and a special measures system for appointment of women to Executive Officers to support career development

**Society**

Gaining support from society through efforts to address challenges and find solutions

## Expanding our contact points with consumers through unique channels and businesses

<Specific measures>

- ✓ Deployment of unique information-sharing base and tools for dissemination including ITOCHU SDGs STUDIO and "Shonin of the Earth (corporate PR magazine)"
- ✓ Contributing to a better lifestyle through the expansion of consumer-related businesses such as FamilyMart, Dole, and DESCENTE

**Consumers**

Widespread a corporate image as "a company closely aligned with people's daily lives"

**Enhancing brand value through building and accumulating trust from a wide range of stakeholders**

# **[Appendix] Enhancing Our Contribution to and Engagement with the SDGs through Business Activities**



**Steadily promoting the basic policies in the previous medium-term management plan “Brand-new Deal 2023.”**

**Balancing both responding to social demand and business expansion**

*Sampo-yoshi capitalism*

**Achieve a decarbonized society ahead of the industry**

Basic policy

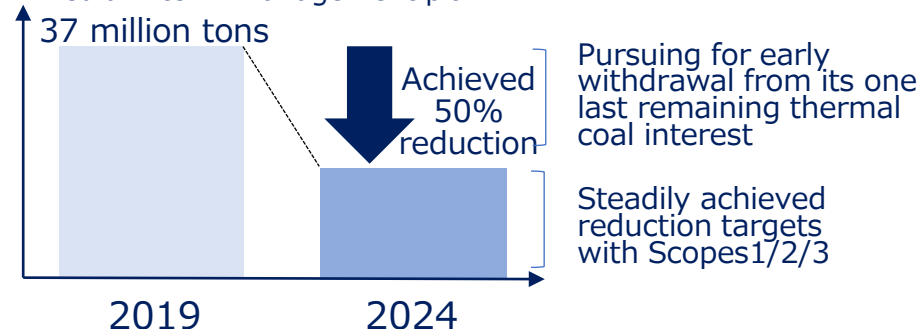
**Scopes1/2/3 + all fossil fuel businesses and interests**

Scope of GHG emissions reduction

Maintaining our mindset towards achieving our goals of GHG emissions “net zero by 2050” and “offset zero by 2040,” and reducing emissions from a medium- to long-term perspective through active dialogues with stakeholders involved in supply chains\*1

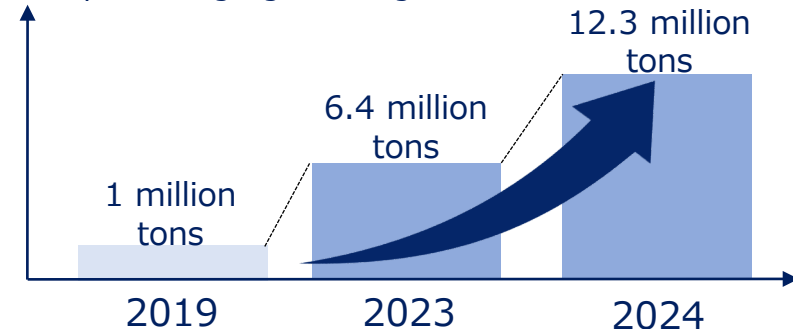
## **[GHG emissions reduction from fossil fuel businesses and interests]**

Reduced by 50% compared with FYE 2019 level  
Achieved significant reductions in the period of the previous medium-term management plan



## **[Progress in accumulating reduction contributions]**

The renewable energy-related business\*2, which replaces fossil fuels, has been experiencing significant growth



\*1 From a medium- to long-term perspective, an industry change centered around improving fuel efficiency and shifting towards EVs in the transportation sector and a transition towards alternative manufacturing methods in manufacturing processes in the sectors such as food, chemicals, and steel manufactures.

\*2 Including wind power generation, solar power generation, energy storage systems, SAF, etc.