

## Management Policy

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

**– Profit opportunities are shifting downstream –**

ITOCHU Corporation

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I would like to explain the Management Policy “The Brand-new Deal – Profit opportunities are shifting downstream –.” We have completed our medium-term management plan “Brand-new Deal 2023” as of FYE 2024. However, a change will be made going forward which is the upcoming management plan will not be a medium-term management plan, but a combination of a long-term Management Policy and a short-term Management Plan that will be formulated annually. For a long time, many Japanese companies have adopted medium-term management plans to set multi-year action guidelines and quantitative targets. However, the recent economic situation is changing faster and is more complex than ever before with volatility becoming greater. In such a business environment, the actual economic situation may deviate from the assumptions of the plan said at the beginning of the term. On the magnitude of the fluctuation, we may have to make changes during the medium-term management plan. As the company that has been engaging in commitment-based management, we have been considering ways to show our commitment to investors and shareholders with more precision in any business environment. As a result, we have decided that it would be more precise to disclose the direction of management by presenting a long-term Management Policy which will serve as a management compass and by also announcing a management plan for each fiscal year.

## – 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 The higher of 30% dividend payout ratio or dividend ¥200 per share</b>

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The main pillar of our strategy is, as in the past, to promote a strategy based on market-oriented perspective that starts from downstream. The subtitle of the Management Policy is “Profit opportunities are shifting downstream,” which has always been communicated by our Chairman & CEO Okafuji. As mentioned earlier, the economic situation surrounding our management is changing daily in a complex and accelerating manner. In order to adapt quickly to these unprecedented changes, reconfigure our strategies and to create new business models as we move forward, we need to have a market-oriented perspective or in other words, quick access to market information is essential. We believe that in all Division Companies by focusing on developing businesses downstream closer to the consumer based on a market-oriented perspective as well as developing and expanding it to high value-added fields will enable us to further grow. We will strive to achieve sustainable enhancement in corporate value through the three pillars of growing earnings, enhancement of corporate brand value and shareholder returns.

## 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.



The first pillar is to grow earnings. Under the slogan of “No growth without investments,” we will accelerate growth investments starting from downstream, leveraging our stable business foundation in order to grow earnings. Since FYE 2011, when Mr. Okafuji became President, we have continued to grow earnings. CAGR of consolidated net profit since FYE 2011 has been 13% and during this period our commitment-based management resulted in thirteen wins and one loss for the 14 fiscal years. And on a medium-term management plan basis, we have achieved more than 100% of our commitment. The one loss was back in FYE 2016 when resource prices plummeted, but it was also a fiscal year in which we happened to have ranked first among general trading companies in terms of performance. In order to maintain the trust from the market, we will continue to aim for high growth rates in the future in terms of growing earnings. However, for further growth, it is not enough to achieve organic growth in the business to date but is also necessary to aggressively make investments of a certain scale. Major investments to date, including increases in stakes have been made in FamilyMart Co., Ltd., HOKEN NO MADOGUCHI GROUP INC., DESCENTE LTD., ITOCHU Techno-Solutions Corporation (CTC), Hitachi Construction Machinery Co., Ltd., etc., which were intended to expand the scope of existing investments and the breadth of the businesses. Going forward, we will continue to manage our steady businesses leveraging our strengths, whilst we broaden the scope of our investments. Specifically, we will further strengthen our market-oriented perspective, focusing on investments in adjacent areas that have touch points with our existing businesses. For example, we will strive to accelerate the development of well-grounded DX in collaboration with CTC and also attempt to develop businesses such as composite service businesses that combines the domains and functions of each Division Company.

## 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

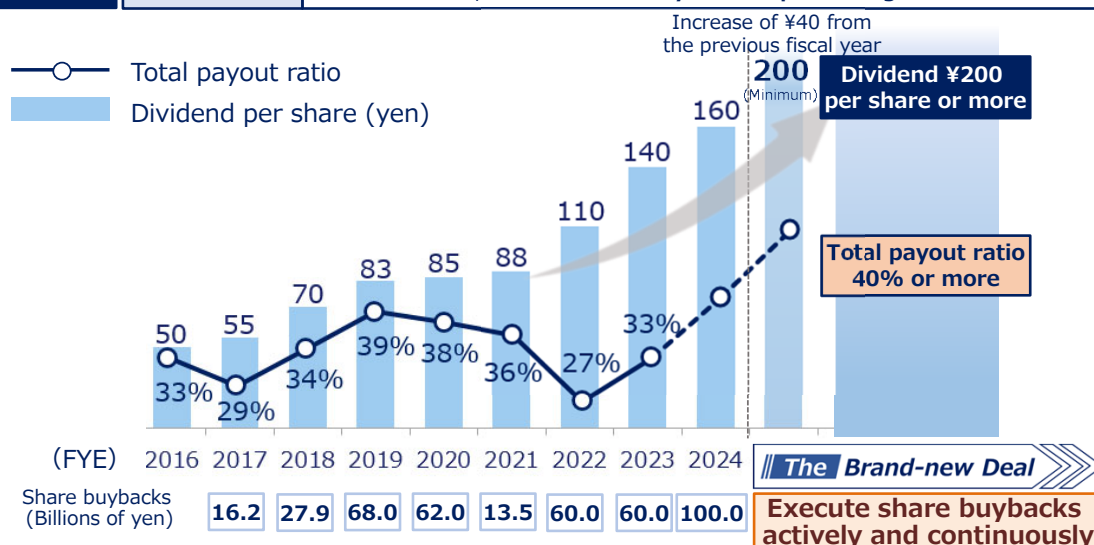
- ✓ Continuously responding to social demand by aiming to balance both sustaining the basic policies outlined in the previous medium-term management plan and promoting businesses that contribute to emissions reduction

The second pillar is enhancement of corporate brand value. We have been working on enhancement of corporate brand value through innovative initiatives on the qualitative front. Going forward, not only the business divisions but also the administrative divisions will strive to enhance our corporate brand value to embrace a market-oriented perspective by taking the lead in rolling out measures in their respective fields while anticipating the trends in the world. In order to enhance our corporate brand value, it is important not only to grow earnings but also to refine our qualitative aspects. We will continue to listen sincerely to all of our stakeholders and earn high external evaluations while embodying our corporate mission of "Sampo-yoshi" and strive to improve our corporate brand value and become "the best company in Japan." We will continue to pursue our market-oriented perspective to anticipate the changes of needs and demands of society and stakeholders so as to enhance corporate brand value even more by evolving our unique work-style reforms such as our Morning-Focused Working System, maintaining our number one position in company rankings among jobseekers for all industries, actively promoting and advancing women on the workforce and obtaining high quality SDGs-related ratings.

# 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



Financial policy	Maintaining financial foundation based on balancing three factors (Growth investments, shareholder returns, and control of interest-bearing debt)
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The third pillar is shareholder returns. In the Management Policy, we set forth our medium- to long-term shareholder returns policy and financial policy. First, regarding shareholder returns, our total payout ratio will be 40% or more. Following our track record in the past, we will continue to offer appropriate shareholder returns while pursuing sustainable growth and highly efficient management. Regarding dividend, we set a dividend payout ratio of 30% or dividend ¥200 per share, whichever is higher. And with an eye to the profit stage in the future, we have set forth a minimum dividend that is greater than before. Our basic policy remains the same to meet the expectations of our shareholders by increasing dividends through continuous growth and earnings power by making growth investments, etc. What we presented in our Management Policy is not a one-time enhancement of shareholder returns, but a sustainable shareholder returns policy.

Next, regarding our financial policy, we will continue to maintain a financial foundation based on balancing three factors (growth investment, shareholder returns and control of interest-bearing debt). We will maintain a strong financial foundation while steering our investments towards growth.



## FYE 2025 Management Plan



Profit Plan	Shareholder Returns	Growth Investments
<u>Consolidated net profit</u> <b>¥880.0 billion</b>  <u>ROE</u> <b>16%</b>	<u>Total payout ratio</u> Aiming at <b>50%</b>  <u>Dividends</u> Minimum of <b>¥200</b> per share (Increase of ¥40 from the previous fiscal year)  <u>Share buybacks</u> Approx. <b>¥150.0 billion</b>	<u>Investment amount</u> <b>Maximum ¥ 1 trillion</b> Core operating cash flows after deducting shareholder returns in FYE2025 + Surplus capital in the previous medium-term management plan  <u>NET DER</u> <b>Less than 0.6 times</b>

\*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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Finally, I would like to explain an overview of FYE 2025 Management Plan. At the beginning, I said that we will set forth a long-term Management Policy which will serve as a management compass and that we will announce a management plan on a single fiscal year basis every year. In FYE 2025 Management Plan, we plan to achieve a consolidated net profit of ¥880 billion, which will be a record high. We plan to provide details of the plan by segments when we announce our financial results for FYE 2024 in May so I won't go into details today. However, we aim to achieve record-high profits with steady growth of each segment, despite variations in performance by segments. We plan to maintain a high level of ROE at 16% and will continue to achieve both high growth and high efficiency. Next, in terms of shareholder returns, the company's policy for FYE 2025 on a single fiscal year basis is to aim for a total payout ratio of 50%. We also aim to increase dividends for the tenth consecutive year with a minimum dividend of ¥200 per share, an increase of ¥40 per share from the previous fiscal year. In addition, we have conducted share buybacks for eight consecutive fiscal years and in FYE 2025 we plan to buy back approximately ¥150 billion's worth of shares, which will be the largest ever. In terms of growth investments, we plan to invest up to ¥1 trillion in FYE 2025, the largest single year investment ever which will be funded from core operating cash flows after deducting shareholder returns in FYE 2025 plus surplus capital in the previous medium-term management plan. However, we intend to maintain a solid financial base and plan to keep NET DER less than 0.6 times. As I explained earlier, we are committed to "No growth without investments" as well as accelerating investment for growth. I hope you understand that this is a plan that demonstrates the determination of our company's commitment.

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This concludes the overview of the Management Policy, The Brand-new Deal and the FYE 2025 Management Plan which was disclosed today. We will continue to engage in commitment-based management to earn the trust of all of our stakeholders. So I hope you look forward to our future developments.