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Value creation, the ITOCHU Way

Keita Ishii

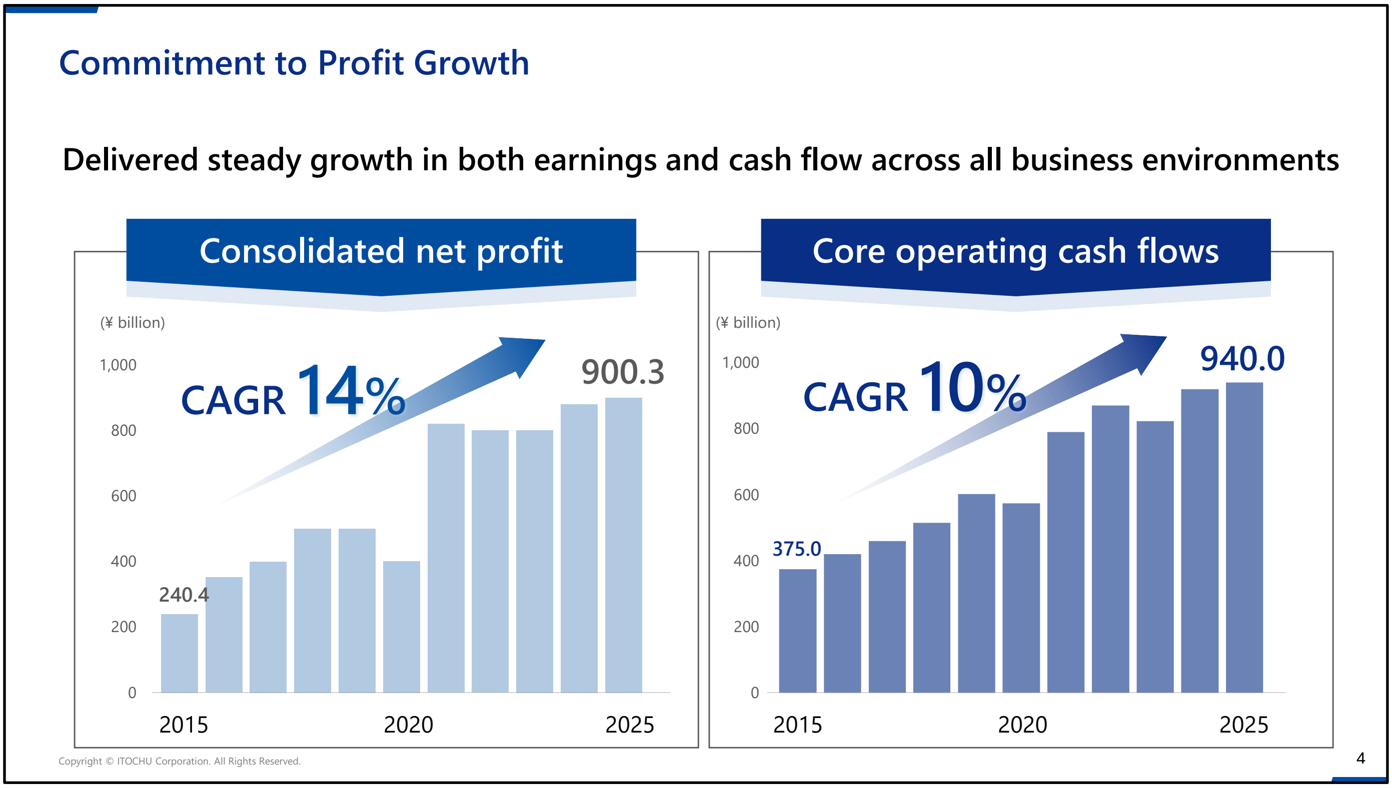
Member of the Board
President & COO; （Since 2021）
CSO

- Joined ITOCHU in 1983; primarily engaged in chemicals-related business
- Served as Chief Officer for Indo-China and Chief Operating Officer of Chemicals Division, as President of Energy & Chemicals Company
- had two overseas assignments in North America and Thailand
- Assumed the position of President & Chief Operating Officer in 2021 and has concurrently served as Chief Strategy Officer since 2025

I am Keita Ishii, President & COO.

Thank you all for taking the time to be with us today.
Today's IR Day is meant to give you a deeper understanding of the business strengths and on-the-frontline efforts that support our sustainable growth. These are areas that we cannot always explain fully in our regular earnings briefings.
To help do that, the eight Presidents who lead each Division Company will also speak today. They will explain which business areas they will focus on, how they plan to expand and evolve those businesses, and how those efforts will lead to further profit growth. They will also share specific initiatives and the groundwork they are laying for the medium to long term.

Through today's IR Day, we hope to deepen your understanding of our management policy and growth strategy, and to further strengthen your confidence in ITOCHU. Including the Q&A session, all of us speaking today will do our best to provide clear and candid explanations.
With that, let me begin with a brief discussion of ITOCHU-style value creation.



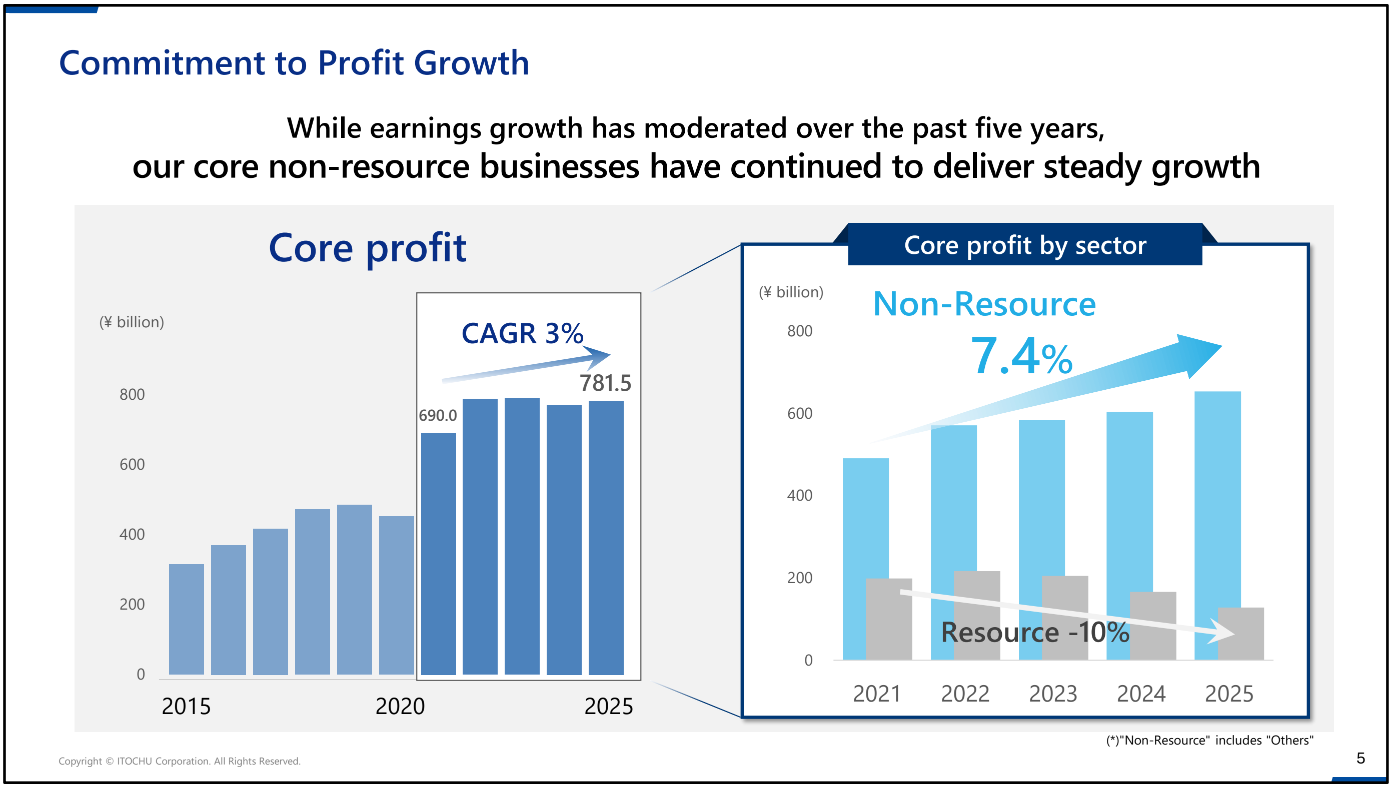
First, I would like to talk about the management approach that we have followed consistently over many years. Please look at the slide. This graph shows our consolidated net profit and core operating cash flows over the past ten years. As you can see, both have grown steadily.

At the same time, the business environment during those ten years has been far from stable. In fact, it has been a series of unexpected changes. Globally, we have faced the COVID-19 pandemic, Russia's invasion of Ukraine and the resulting sanctions, disruption to global trade caused by U.S. tariff policies, rising geopolitical risks in the Middle East and other regions, supply chain disruptions, and major swings in resource prices.

In Japan as well, the assumptions behind business have changed in many ways. These include the launch of the Takaichi administration, the continued depreciation of the yen, the shift from deflation to inflation, and changes in economic security policy.
We believe that by responding to each of these changes in a timely and appropriate way, and by continuing to improve our ability to adapt, we have achieved steady upward growth and reached the earnings level we have today—over ¥900 billion.

This is the result of our unwavering commitment to our distinctive management approach. Our relentless focus on lean management, symbolized by the principles of “Earn, Cut, Prevent,” our commitment-based management that consistently delivers on market expectations, our downstream-oriented mindset embodied in “Profit Opportunities Are Shifting Downstream” and our market-in approach, and our emphasis on front-line capability and hands-on management to continuously strengthen our businesses and enhance profitability—each of these practices has played an essential role. Together, these initiatives represent the essence of our distinctive management approach and have been the driving force behind our current level of earnings.

Recently, some investors have asked how ITOCHU will continue its high-growth story, given that our profit growth has somewhat moderated over the past few years.
Let me take a moment to break this down and explain the underlying drivers.

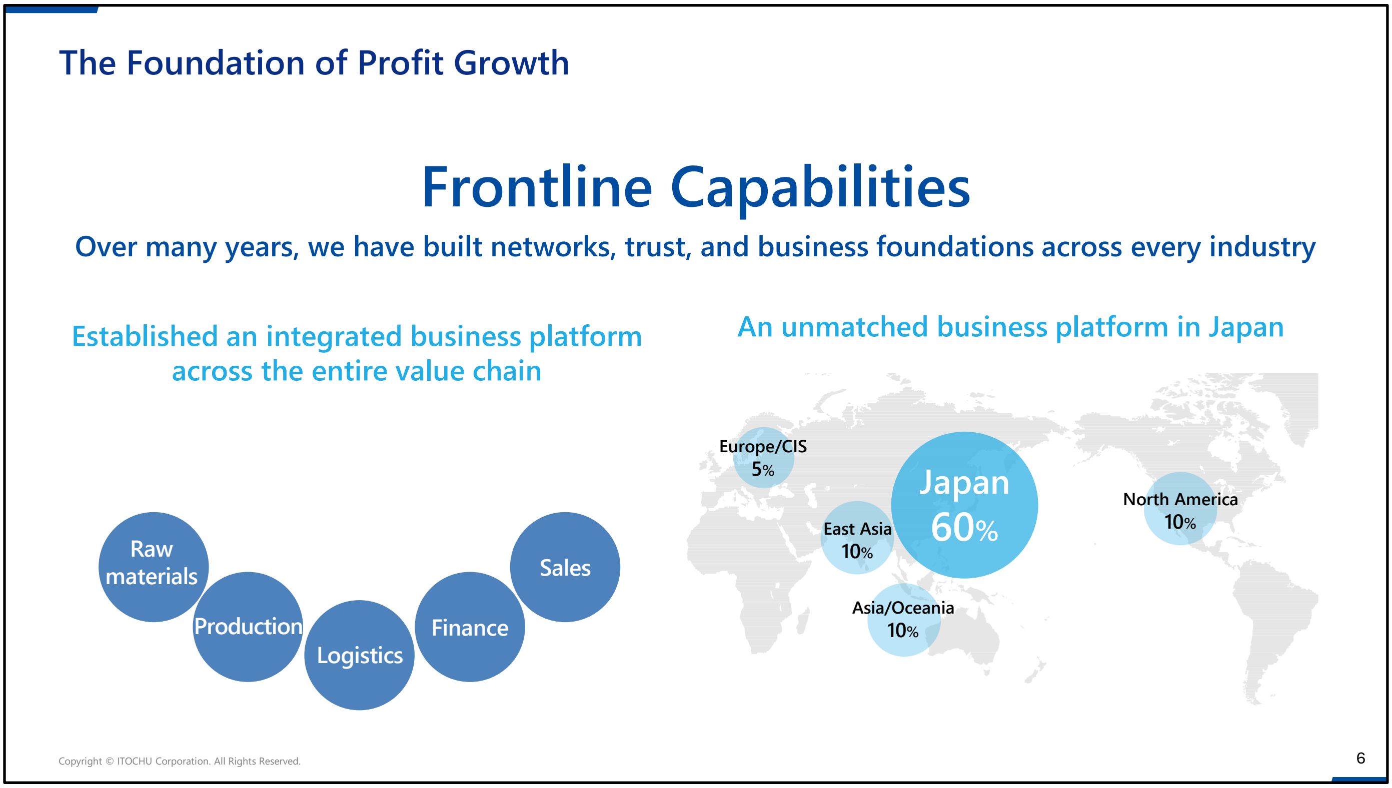


Please look at the graph showing core profit.
As shown on the left, total core profit has been almost flat. However, as shown on the right, core profit in the non-resource sector—where we have continued to focus—has kept growing steadily.

In other words, non-resource earnings built through our management with clear conviction are still growing step by step. On the other hand, core profit in the resource sector—mainly iron ore, coking coal, and energy interests—has been on a downward trend. This is due in part to the depletion of energy interests and the impact of sanctions on Russia.

As for iron ore, we have the second-largest asset base among general trading companies. Compared with energy resources, supply-side geopolitical risk is relatively low. However, on the sales side, earnings are more easily affected by market prices, especially those driven by supply and demand in China.
As a result, core profits from iron ore, which is one of our strengths, are not yet fully reflecting that strength.

That said, profits in resource businesses are affected more by market cycles than by company efforts alone. In iron ore, we believe downside from here is limited. Rather, we are watching for a chance of recovery from the bottom.
We hope you will look forward to further improvement in our core profit going forward.



Next, I would like to talk about frontline capabilities, which are one of the key elements of our distinctive management approach.
As I have often said, when we expand into new business areas, one of our basic approaches is to dispatch our people when we enter into capital alliances.
By placing our people in our partners' operations, we can see from the inside whether they can work with us to create value, and whether we can truly share the same culture.

We do not look only at management numbers. We also look closely at what is happening on the business frontlines, what can be improved, and how we can contribute. Then we make proposals based on the judgment and insight expected of a general trading company professional, and we test and verify those ideas. We also use our broad business portfolio to propose collaboration across different industries. In many cases, these are ideas that partner companies may not come up with on their own.

We have already done this successfully in companies such as NIPPON ACCESS, DESCENTE, and CTC. Starting from our investment participation, we created synergies with our Group and helped raise each company's earnings level.
At NIPPON ACCESS, we built up initiatives in food distribution and developed it into the industry's leading business platform with full-temperature-zone distribution capabilities. At DESCENTE, we turned the China business into a growth driver. At CTC, we developed it into a core company supporting our Group's digital value chain.

Sending people to the front lines will become even more important going forward. In the real world, there are many issues that cannot be solved by knowledge or AI alone. Human relationships, emotions, and trust built on the ground still matter greatly.
By working in these real business settings, our people strengthen their negotiating skills, interpersonal skills, insight, ability to adjust, and ability to notice what really matters.
We believe that by linking these frontline capabilities with the business portfolio we have built across supply chains in many industries, especially in Japan, we can continue to create new value in ways that are unique to us.
The steady performance and growth of our Group companies are the result of this accumulated strength on the ground. And we believe now is the right time to use that strength to move to the next stage.

The Foundation of Profit Growth

Merchants Need To Be Adaptable Like Water

Having built deep business platforms across diverse industries through years of hands-on engagement,

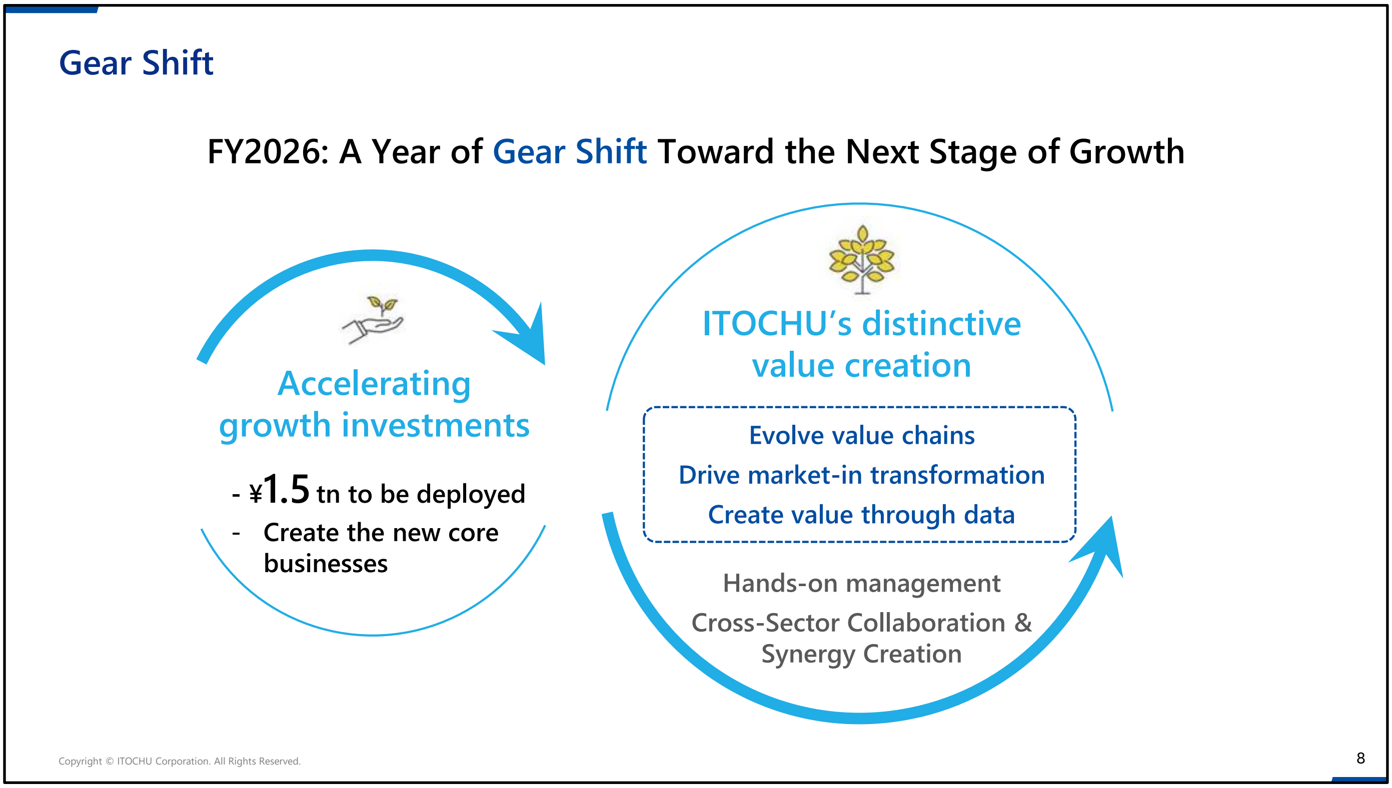
we are uniquely positioned not just to respond to change,

but to create new value by identifying evolving industry and customer needs through a market-in approach

I would also like to touch on the phrase, "Merchants Need To Be Adaptable Like Water." I understand this was a lesson Chairman & CEO Okafuji received from his superior during his years in sales. Water changes its shape freely. It flows into small spaces. And over time, it forms a large current. Merchants must do the same.

When the environment changes, we must change with it. We must go into the front lines and create new business flows that fit the new environment. In simple terms, it is about being flexible and adapting quickly.
As I mentioned earlier, the world today is changing in unexpected ways, and that change is becoming more complex. Things we once took as given can suddenly stop working.
When that happens, we must keep adjusting our businesses each time. We must use the experience and business knowledge we have built to respond to new demands in each era.
We cannot change the global flow by ourselves. But we can move with that flow, identify new needs, and create new value.

The general trading company model is well suited to this. It is resilient in a changing environment and allows for quick course correction. Among general trading companies, ITOCHU is especially well positioned because we have a broad and diversified portfolio. That allows us to allocate management resources flexibly as conditions change.
We believe the best way to increase corporate value is to build up profits steadily under a balanced and resilient portfolio, while limiting swings caused by changes in the external environment. Over the past ten years, we have continued to deliver steady upward growth under all kinds of business conditions. We believe this shows our ability to adjust and adapt.

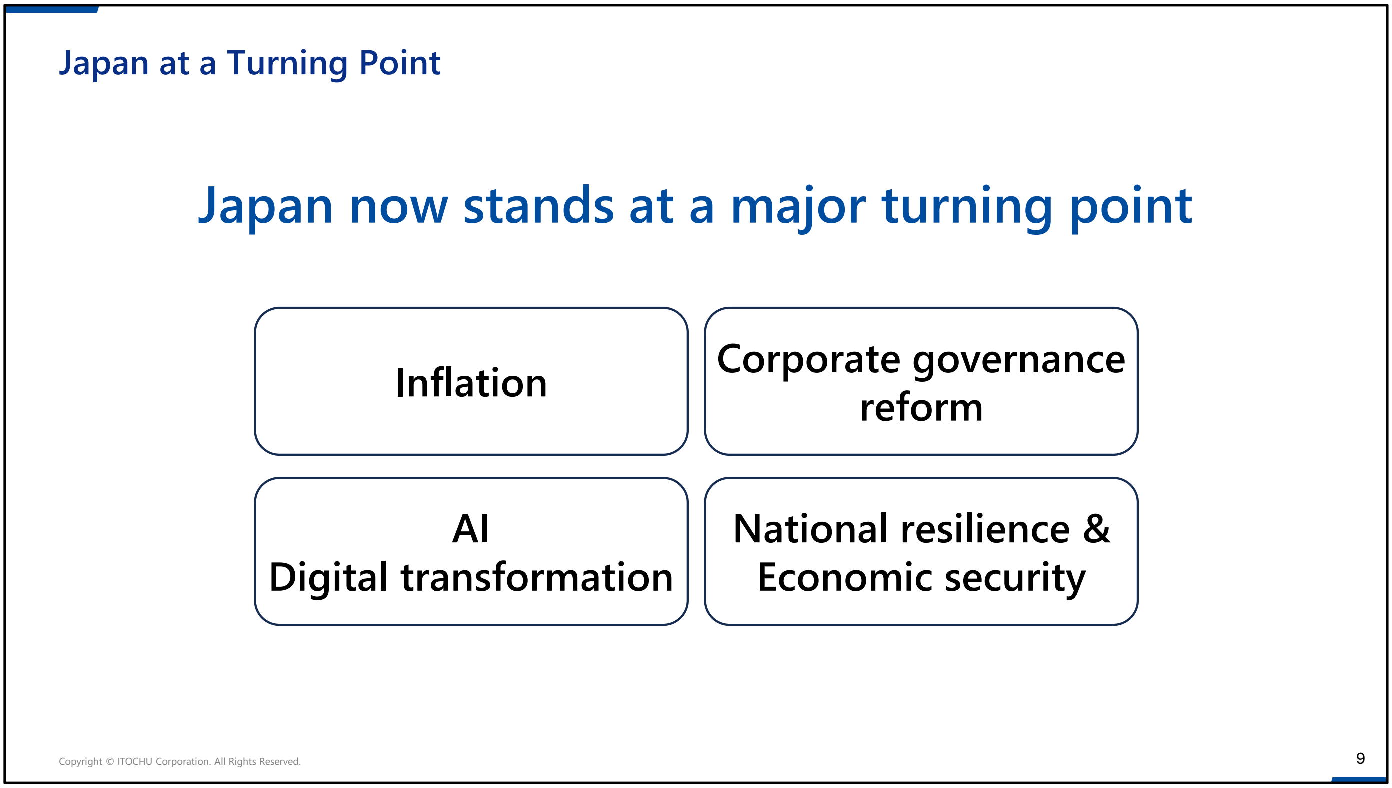


Having achieved profit of over ¥900 billion in FY2025, we are now fully focused on delivering what has always been our commitment—sustained upward growth.
Why are we so focused on steady upward growth?
Because we believe it is directly linked to everything that matters: stable shareholder returns, stronger competitive advantage, higher employee motivation, the ability to attract talented people, favorable financing, economies of scale, a stronger corporate brand, and our commitment to society.

To achieve this, we need a solid and well-balanced earnings base that is not easily shaken by changes in the business environment.
So far, we have steadily strengthened that foundation by improving our earnings power with a focus on "non-resource," "downstream-driven," and "hands-on management." This is also why we have consistently emphasized indicators such as the ratio of Group companies reporting profits and the number of Group companies achieving record-high profits.

And in FY2026, we will take the first step in a gear shift toward a higher stage of growth.
Under our policy of no growth without investments, we will carry out growth investments of ¥1.5 trillion level and work to create new core businesses.
There are no boundaries when it comes to business opportunities. Like us, companies around the world are looking beyond their existing businesses in search of their next growth opportunities through new technologies, new materials, and new fields.

Customers and society are also asking for more. They want products that better meet their needs, safer supply chains, more efficient systems, and partners they can grow with.
We believe there is still significant room for our Group to further strengthen the earning power. And because we have a wide range of business areas and deep insight rooted in the front lines, we are confident that we can continue creating lasting value over the medium to long term.
I have also instructed each Division Company President to pursue investments of meaningful scale that can become the next pillar of earnings.



Compared with other general trading companies, we have a higher share of earnings from Japanese domestic businesses. This strong business base in Japan supports the stability of our earnings. In Japan, where we have built up expertise and networks over many years, we can make full use of our strengths. These include access to information, the ability to respond quickly when problems arise, and broad and deep relationships across many industries. Japan is also a market where we can expand business steadily while managing risk. In fact, domestic Group companies have been central to the steady buildup of Group company profits.

At the same time, we believe Japan is now at a major turning point.
The shift from deflation to inflation, corporate governance reform, structural change driven by AI and Digital Transformation, national resilience, economic security, and the serious decline in the labor force—these are not temporary issues.
Japanese society and industry are both entering a period of major transformation.
Because we have been deeply committed to business in Japan for many years, and because we understand industrial structures well and have a wide range of networks, business platforms, and customer touchpoints, we believe we are well positioned to turn this period of change into a growth opportunity.
At the same time, large overseas investors are increasingly focusing on Japanese assets. In some ways, people outside Japan may be moving even faster to recognize the change and potential that are now emerging here. We are also receiving more approaches from companies in Japan and overseas that want to work with us.

I believe they come to ITOCHU because they see us as a company that can go deep into the front lines in Japan, move businesses forward, and turn those efforts into real commerce. To turn this opportunity into value creation, we must use all the functions we have—trade, business investment, logistics, finance, digital capabilities, and our knowledge and networks in Japan and overseas.

By doing so, we can support value creation and renewed growth at Japanese companies, and at the same time contribute to the Japanese economy.
I believe this is one of the most promising growth paths for ITOCHU.

Value Creation, the ITOCHU way

Evolution of the value chain

Practice of Market-in

Data-driven value creation

Leveraging the networks and business platforms built through years of hands-on engagement, we capture evolving needs from a downstream perspective and create distinctive new value

Today, we would like to focus on three themes that are common across all of our business segments: evolution of the value chain, practice of Market-in, and data-driven value creation.

Together with the eight Division Company Presidents who lead each Division Company, we will look more closely at ITOCHU-style value creation through these themes.
While each Division Company operates in a different business, we hope you will see that they all share a common approach to value creation that is unique to ITOCHU.
Our frontline capabilities, together with the spirit that merchants need to be adaptable like water, allow us to keep capturing change and keep evolving the way we create value. And because this culture is firmly rooted throughout the company, it has supported the strong growth we have delivered so far.

I hope today’s discussion will help deepen your understanding of ITOCHU’s distinctive management approach and the long-term value creation that lies beyond it.
That is all from me.