

Investors Meeting for Operating Segments

**Digital Strategy in the ICT &
Financial Business Company and
The 8th Company**

ITOCHU Corporation
Thursday, March 24, 2022



I am One with Infinite Missions

- ✓ Under the situation where continuous demand for digital transformation is expected, we selected the digital strategy of the ICT & Financial Business Company and the 8th Company, which are unique business to ITOCHU among Japanese general trading companies.
- ✓ In the corporate value calculation formula, we will mainly focus on the "growth rate."

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

As demand for digital transformation (DX) is expected to remain constant going forward, today we will explain the digital strategy in the ICT & Financial Business Company and The 8th Company, which are business formats unique to ITOCHU, even among general trading companies.

We will discuss corporate value calculation formula, and we will provide an explanation focused on the "growth rate".

| Overview of the ICT & Financial Business Company

- Organization/Personnel/Business Overview
- Financial Highlights (FYE 2017-)
- Major Group Companies
- Areas of Focus

| ICT & Financial Business Company Growth Strategy

- ICT & Financial Business Company Growth Strategy
- Expanding Profit through DX Support Businesses
- Securing Profit Opportunities through Venture Businesses
- Growth through Ongoing New Business Development
- Growth Trajectory

| The 8th Company Growth Strategy Utilizing FamilyMart's Business Foundation

- Organization/Personnel/Business Overview
- Initiatives Utilizing Digital Technologies
(FamiPay, Advertising Business, Media Business, Humanoid AI Assistants, etc.)
- Initiatives with the ICT & Financial Business Company
- Growth Trajectory (Medium term)

Overview of the ICT & Financial Business Company

Organization/Personnel/Business Overview



- Newly established in FYE 2017 to integrate ICT and financial business.
- Seeking to capture new markets and expand by combining the ICT Division's business development functions with the Financial & Insurance Business Division's customer network and expertise.



President Tatsushi Shingu
(Managing Executive Officer)

ICT Division

COO Hiroshi Kajiwara(A)
DCOO Masato Horiuchi

Financial & Insurance Business Division

COO Yasuhito Kawauchino(B)

CFO

CFO Fumitaka Horiuchi(C)

Planning & Administration Dept.

GM Atsushi Hashimoto(D)

Information Technology Business Dept.

IT Solutions, Digital Marketing
BPO*, Venture Investment
Healthcare/ Healthtech
* Business Process Outsourcing

Communication & Mobile Business Dept.

Space & Satellites / Media & Contents
Mobile related service, Mobile Distribution
Broadcasting & Telecommunications

Financial Business Dept.

Credit Card, Consumer Credit Business,
FinTech service, Retail Finance

Insurance Business Dept.

Retail Insurance Distribution
Insurance Agency & Brokerage,
Reinsurance, Credit Guarantee,
Retail Guarantee (As of January 1, 2022)



A B C D

No. of Group Company : 34 Companies
No. of Employee(Non-consolidated) : 339 * Includes seconded employees

President, ICT & Financial Business Company, Tatsushi Shingu

Before explaining the growth strategy of the ICT & Financial Business Company, I will first provide a general overview.

The ICT & Financial Business Company was established in FYE 2017 with the aim of integrating information and communication technology (ICT) and financial business. It is a relatively new Division Company within ITOCHU.

We combined the ICT Division's business development functions with the Financial & Insurance Business Division's customer network to establish the Division Company with the purpose of expanding our initiatives in new markets.

The ICT Division comprises two departments. The first is the Information Technology Business Department, which manages IT solutions, digital marketing, Business Process Outsourcing (BPO), venture investment, and healthcare/healthtech. The second is Communication & Mobile Business Department, which manages space & satellites/media & contents, mobile related service, mobile distribution, and broadcasting & telecommunications.

Furthermore, the ICT Division will form a third department (Frontier Business Department) by splitting off the venture capital business, healthcare business, and satellite, media, and content business on April 1, 2022, due to their expanding business scope and profits. With this three-department structure, we aim to further expand our business scope and profits.

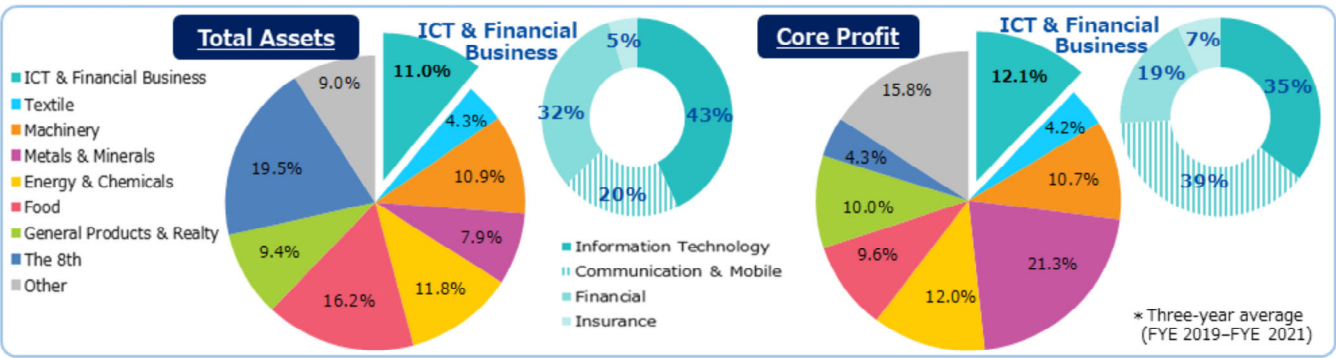
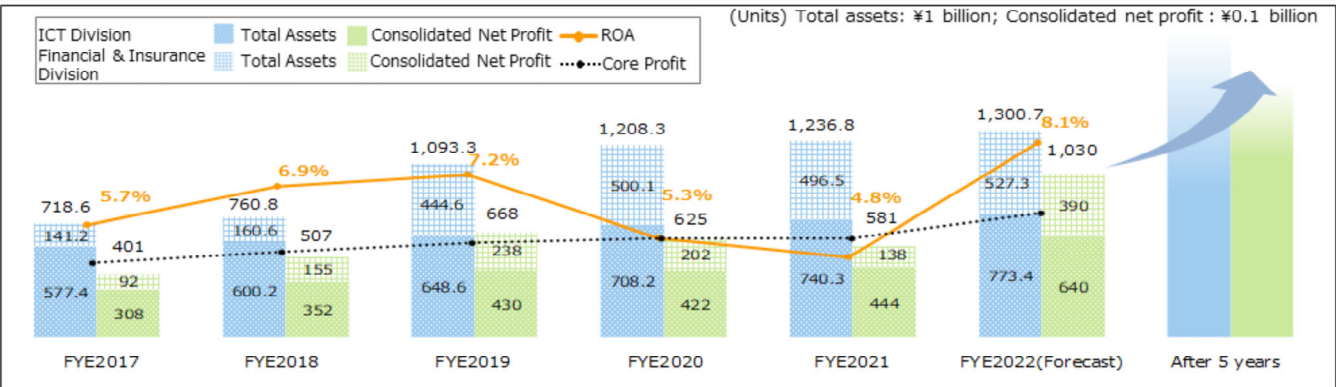
The Financial & Insurance Business Division also comprises two departments. The first is the Financial Business Department, which mainly manages credit card, consumer credit business, FinTech service, and retail finance. The second is Insurance Business Department, which mainly manages the retail insurance distribution and insurance agency & brokerage.

The Division Company has 34 Group companies and has 339 employees on a non-consolidated basis.

Financial Highlights (FYE 2017–)



- Earnings base increased through asset expansion. Steady growth of core profit.
- Consolidated net profit forecast of over ¥100.0 billion for FYE 2022, due partly to extraordinary gains. We aim to be the No. 1 non-resource sector Division company.



Since the establishment of the ICT & Financial Business Company in FYE 2017, we have steadily increased our earnings base through asset expansion.

Total assets were around ¥700 billion in FYE 2017 and are expected to grow to ¥1.3 trillion by FYE 2022.

Consolidated net profit is expected to expand from around ¥40 billion in FYE 2017 to ¥103 billion, including extraordinary gains, in FYE 2022.

Total assets and core profit of the ICT & Financial Business Company have expanded to account for around 11% and 12%, respectively, of ITOCHU's total.

Major Group Companies



ICT Division

IT services	■ CTC	One of Japan's largest system integrators	
	■ WingArc1st	Japan's top market share in business form solutions	
BPO	■ BELLSYSTEM24	One of Japan's largest contact center operators	
Healthcare services	■ A2 Healthcare	One of Japan's foremost CRO*s	
Media	■ SKY Perfect JSAT	One of Asia's largest satellite communications/subscription-based multi-channel broadcaster	
Communication and mobile	■ CONEXIO	Japan's No. 2 mobile phone sales agent	

*Contract Research Organization

Financial & Insurance Business Division

Global retail finance	■ Orient Corporation	Japan's largest credit sales company, 11.12 million card members*1	
	■ POCKET CARD	Major domestic credit card company, 4.97 million card members*2	
	■ Overseas Retail Finance	Leading consumer financing business in multiple markets, 1.70 million policies enrolled*1	
Insurance brokerage	■ HOKEN NO MADOGUCHI	Japan's largest retail insurance distributor with 798 shops and 1.33 million policies enrolled*3	

*1 As of Dec. 31, 2021

*2 As of Aug. 31, 2021

*3 As of June 30, 2021

6

The ICT & Financial Business Company has made significant progress in Group company management on a consolidated basis in ITOCHU, and has a solid batch of Group companies in its fold.

The ICT Division's Group companies include the following.

In IT services-related business, CTC is steadily increasing its business scope with the recent tailwind of DX, and WingArc1st was made a Group company in FYE 2020 and has Japan's top market share in business form solutions. In BPO-related business, BELLSYSTEM24 is one of Japan's largest contact center operators. In healthcare-related business, A2 Healthcare is a Contract Research Organization (CRO). In satellite and media-related business, SKY Perfect JSAT is one of Asia's largest satellite communications broadcaster. In communications and mobile-related business, CONEXIO is Japan's No. 2 mobile phone sales agent.

The Financial & Insurance Business Division's Group companies include the following. Operating results of the Orient Corporation have held steady amid the expanding size of the credit card market. POCKET CARD issues Famima T Card with FamilyMart. UAF and Easy Buy are expanding the consumer financing business with a stable earnings base overseas, including Hong Kong and Thailand, etc. HOKEN NO MADOGUCHI, which was converted into a subsidiary in FYE 2020, has stably expanded its number of shops and revenues amid a shift in Japan's life insurance market's sales channels from centering on insurance sales personnel to agency groups.

Areas of Focus



	Areas	Approach
ICT Division	DX	<ul style="list-style-type: none"> Supplement existing business functions with consulting and data analysis/visualization to reinforce DX support businesses
	Mobile	<ul style="list-style-type: none"> Reinforce mobile phone-related businesses, including distribution of secondary phones
Financial & Insurance Business Division	Retail finance and insurance	<ul style="list-style-type: none"> Thoroughly apply a market-oriented perspective Strengthen profitability through new businesses and customer base expansion

* Investment to be made by April 30, 2022

The areas of focus in the ICT & Financial Business Company are the DX field and the mobile field represented by CONEXIO of the ICT Division, and retail finance and insurance field of the Financial & Insurance Business Division. Today, I will focus on explaining the DX area surrounded by the red border.

**ICT & Financial Business Company
Growth Strategy**

Grow by providing “market-oriented services” aligned with accelerating business environment changes and diversifying customer needs

- **Contribute to profits by strengthening and expanding DX support businesses to generate synergies with existing businesses and companywide DX promotion**
- **Access cutting-edge innovation and secure stable capital gains** through venture businesses
- **Accelerate growth through ongoing “new business development”** that responds precisely to the changing times

9

The growth strategy of the ICT & Financial Business Company is to “grow by providing ‘market-oriented services’ aligned with accelerating business environment changes and diversifying customer needs.” This may sound rather abstract, but, as you know, a wide variety of digital services can now be offered at low prices due to the emergence of IT platformers, especially GAFA (Google, Amazon, Facebook, Apple). Take e-commerce, for example. The reality is that with a single click on a smartphone, people can get what they want the next day, and companies have no choice but to confront with digital transformation. Digitalization is an urgent matter for ITOCHU as well. As the ICT & Financial Business Company is adept in this digital field, its growth strategy is to seize these environmental changes as opportunities and turn them into businesses.

Specifically, we are considering three initiatives.

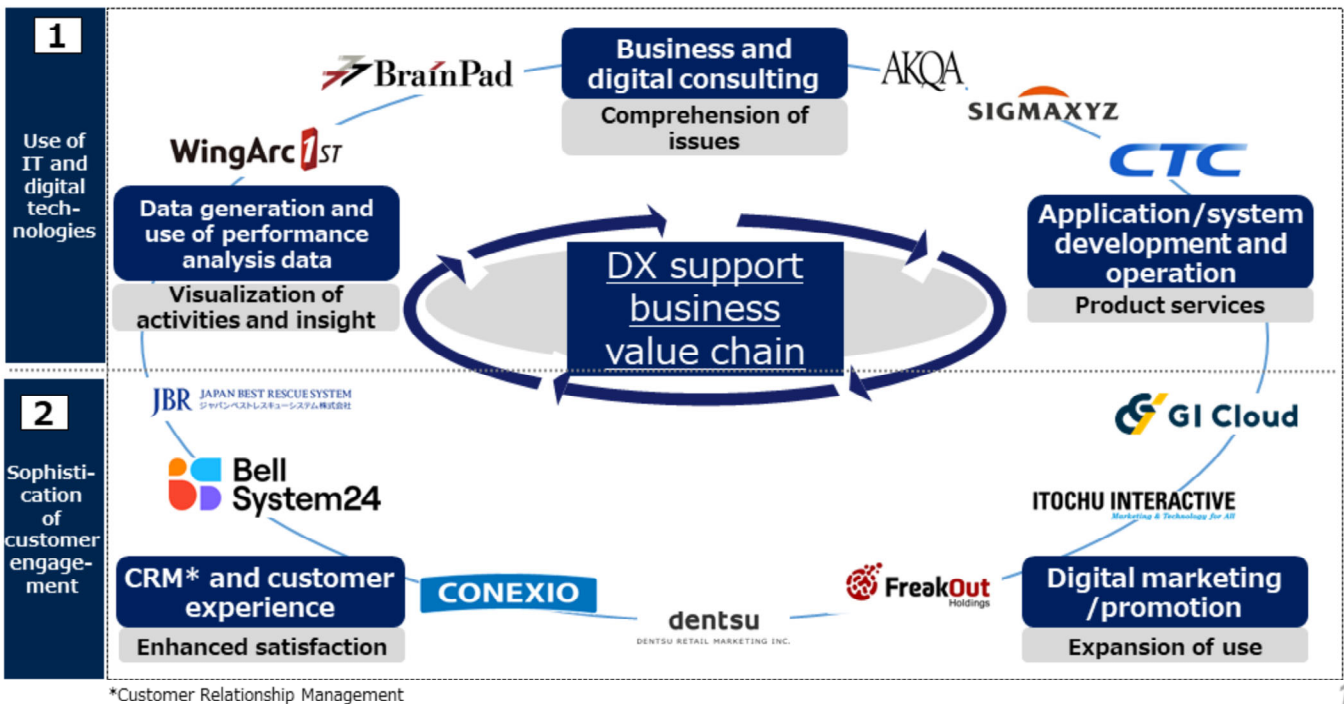
The first is to “contribute to profits by strengthening and expanding DX support businesses to generate synergies with existing businesses and companywide DX promotion.” In tandem with the digitalization globally, business to promote corporate digitalization is rapidly expanding. After supporting the digitalization of the ITOCHU Group, we made accumulating and selling expertise a pillar of our business.

We recognize that start-up companies in the digital society have an increasingly large presence year after year, and their services are becoming an integral part of consumers’ lives. In the ICT & Financial Business Company, the second growth strategy is ensuring access to cutting-edge innovation and securing stable capital gains mainly by investing in venture businesses and creating synergy.

Due to the emergence of IT platformers and the prevalence of smartphones, various new business models have emerged and disappeared, and we think this continuously growing and changing situation will further spur this trend going forward. The third pillar will be to continuously create and promote new businesses and innovations and accelerate their growth.

Expanding Profit through DX Support Businesses (1)










- Corporate needs for DX support are increasing every year to adapt to the accelerating changes in the business environment.
- By strengthening our relationships with capital and business alliance partners and Group companies, we are building a system that enables dynamic DX promotion, seamlessly encompassing upstream consulting, system development, and operation and data analysis, and meeting DX support needs.



As for “Expanding Profit through DX Support Businesses,” we specifically aim to build a lineup of Group companies that can offer solutions to meet all corporate digitalization needs, not just SI and BPO, such as CTC and BELLSYSTEM24, major Group companies.

In the field of business and digital consulting, we made a business alliance with U.S.-based AKQA and a capital and business alliance with Japan-based IT consultant SIGMAXYZ. In the field of data generation and use of performance analysis data, we formed a capital and business alliance with BrainPad and WingArc1st. In the field of digital marketing/promotion, in addition to ITOCHU INTERACTIVE, we established Dentsu Retail Marketing, which is a joint venture with the Dentsu Group, and GI Cloud, which promotes cloud SI based on Google, Group companies and made a capital and business alliance with FreakOut Holdings. We are building a system that can seamlessly meet all DX demand and will continue to create mutual synergy going forward.





Example of our “cut” principle : Groupwide DX support

Project	Use function	Results
Going paperless for invoices	<ul style="list-style-type: none"> Digitizing data 	<ul style="list-style-type: none"> Enhancing operational efficiency by digitizing invoices Improving profits by realizing our “cut” principle   
AI-powered autonomous ordering system	<ul style="list-style-type: none"> Data collection Data analysis  	<ul style="list-style-type: none"> Realizing DX for placing and receiving orders Improving profits by reducing inventory and enhancing operational efficiency   

Aims

- ✓ Solving the ITOCHU Group’s issues through digitization and helping customers enhance their earnings power (thoroughly pursuing the “cut” principle)
- ✓ Expanding revenues through the rollout of established DX support services and accumulated knowhow across the Group and outside as well as their external sale

Example of our “earn” principle : Support for business transformation

Project	Use function	Results
FOODATA (food data platform)	<ul style="list-style-type: none"> Data provision /collection Consultation functions Data visualization    	<ul style="list-style-type: none"> Supporting the transformation of product development that relied on intuition and experience into product development that is based on data and evidence Supporting the enhancement of earning power by evolving our business model

Aims

- ✓ Building relationships of trust with customers by supporting the enhancement of their earning power
- ✓ Creating new profit opportunities by providing value-added services, such as more efficient marketing and more sophisticated customer engagement

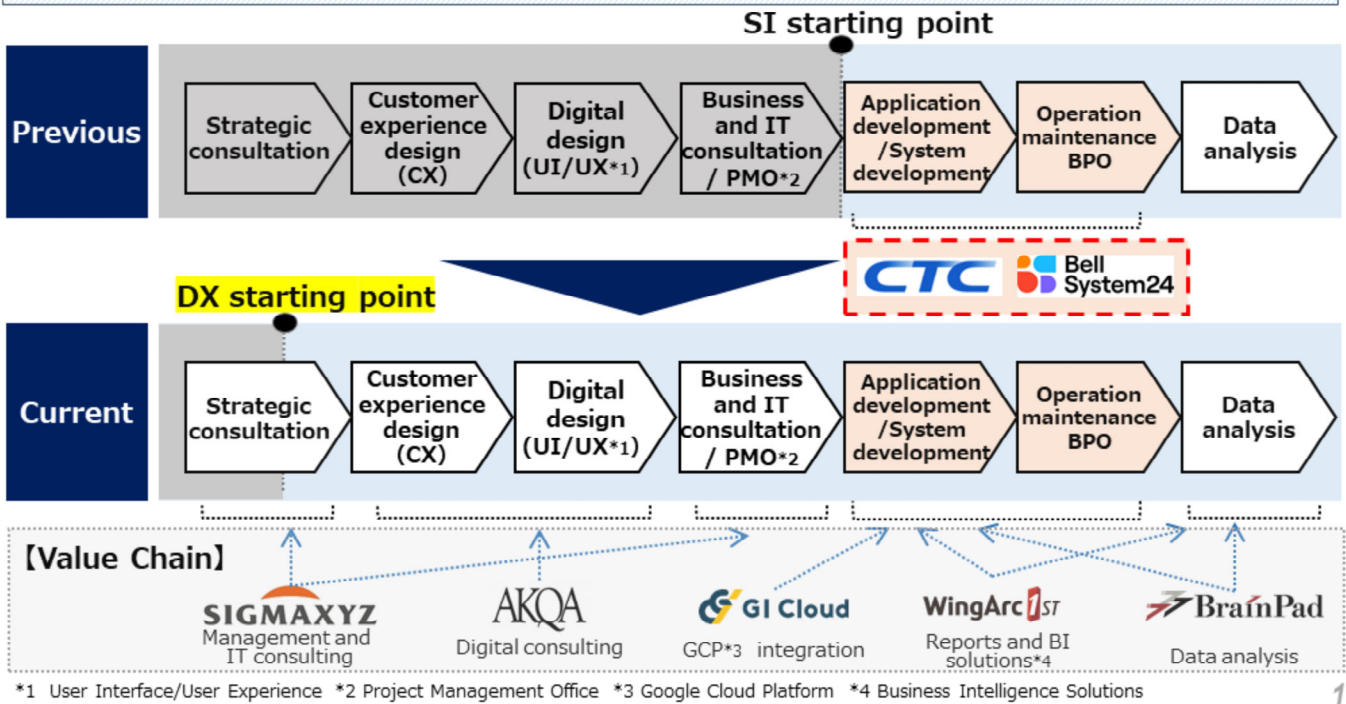
More concretely, we are promoting digitalization within the Group as a way of promoting the DX support business.

For example, NIPPON ACCESS originally sent by post a huge volume of invoices and delivery slips for client retailers and food product manufacturers. Now they use WingArc1st’s technologies to switch to digital invoices and improve operational efficiency. In addition, NIPPON ACCESS is promoting DX with the aim of realizing the Group’s “cut” principle. For example, they use an AI engine for placing and receiving orders, which had been done by their own professional personnel using their intuition developed over many years, to digitally decide the volumes of orders to place, reduce inventory, and make operations more efficient.

Next, as an example of our “earn” principle, the Food Company is promoting the FOODATA business. Convenience stores and retailers sell new products almost every month, but food products can only be developed through analog expressions of bitterness, sweetness, sourness, and other flavors. By digitizing the sense of taste, we develop and sell services useful for product development.

Expanding Profit through DX Support Businesses (3) (Synergies with Existing Businesses)

- By enhancing upstream components prior to the system development and BPO phases, we have **built a system to capture emerging needs for this DX era at the very starting point.**
- Utilizing our DX support businesses, we have expanded the scope of functions ITOCHU can offer and successfully acquired projects across the entire value chain. **With such core businesses as CTC and BELLSYSTEM24, we aim to create even more synergies.**

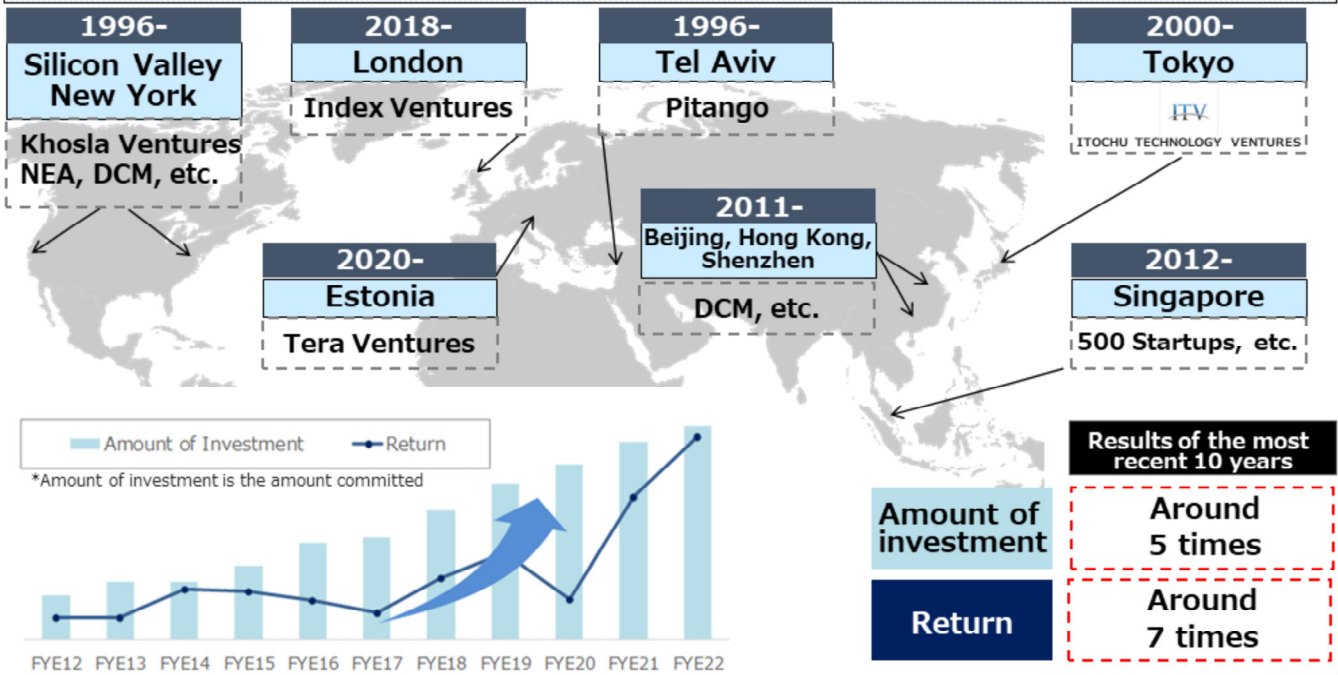


I introduced some examples of individual initiatives, but the revenues generated from each initiative alone are not that much. However, ITOCHU is ultimately aiming to address major corporations' needs for digitalization through its consulting business, data analysis, digital design, and other work. By connecting with CTC, which is an SI, and BELLSYSTEM24, which handles BPO, and linking to the profit expansion of existing Group companies, we aim to achieve synergistic profit expansion.

Securing Profit Opportunities through Venture Businesses (1)



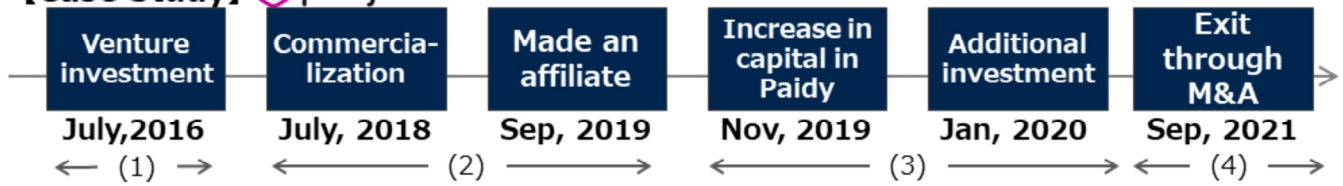
- We have expanded our information network by investing in venture capitals (VC) since the 1990s. **We secured access to cutting-edge innovations and business models through these discerning top-tier funds.**
- We expanded our investment area to Europe, Asia, and the Middle East. We increased investment in carefully selected VC and steadily increased the scale of returns.



Under the second growth strategy “Securing Profit Opportunities through Venture Businesses,” the ICT Division secured access to various innovations by investing in top-tier funds, such as those in Silicon Valley and Tel Aviv, since the 1990s. We manage venture capital ourselves in Tokyo and have expanded our investments globally in recent years, including in Hong Kong, Singapore, London, and Estonia, etc. The amount of investment has increased around five times and returns have grown around seven times since 2011.

Securing Profit Opportunities through Venture Businesses (2) (Case Study)

[Case Study] paidy



- | | |
|-----|---|
| (1) | ✓ Focusing investment on areas (e.g. BNPL* companies such as Affirm and Klarna) sought by top-tier North American VC, we scoured investment opportunities and successfully funded Paidy. |
| (2) | <ul style="list-style-type: none"> ✓ Upon commercialization, we dispatched personnel from the Financial & Insurance Business Division. We supported Paidy's growth by introducing major affiliate stores and enhancing their credit with ITOCHU's. ✓ We promoted collaboration with the ITOCHU Group in part by contracting a call center with BELLSYSTEM24 and enhancing and supporting a management system aimed at stock market listing. |
| (3) | ✓ Increased third-party allocation funds with the aim of securing operation funds and further expanding business (from George Soros's fund/PayPal/existing shareholders, etc.) |
| (4) | ✓ Due to the founder's desire to expand business under the scope of a major global payment company, ITOCHU sold all its shares to PayPal. |

* Buy Now Pay Later

Nurturing new industries (fund provision, sales support, etc.)



14

As for specific examples of securing venture business profit opportunities, one notable case is that of the sale of Paidy in FYE 2022.

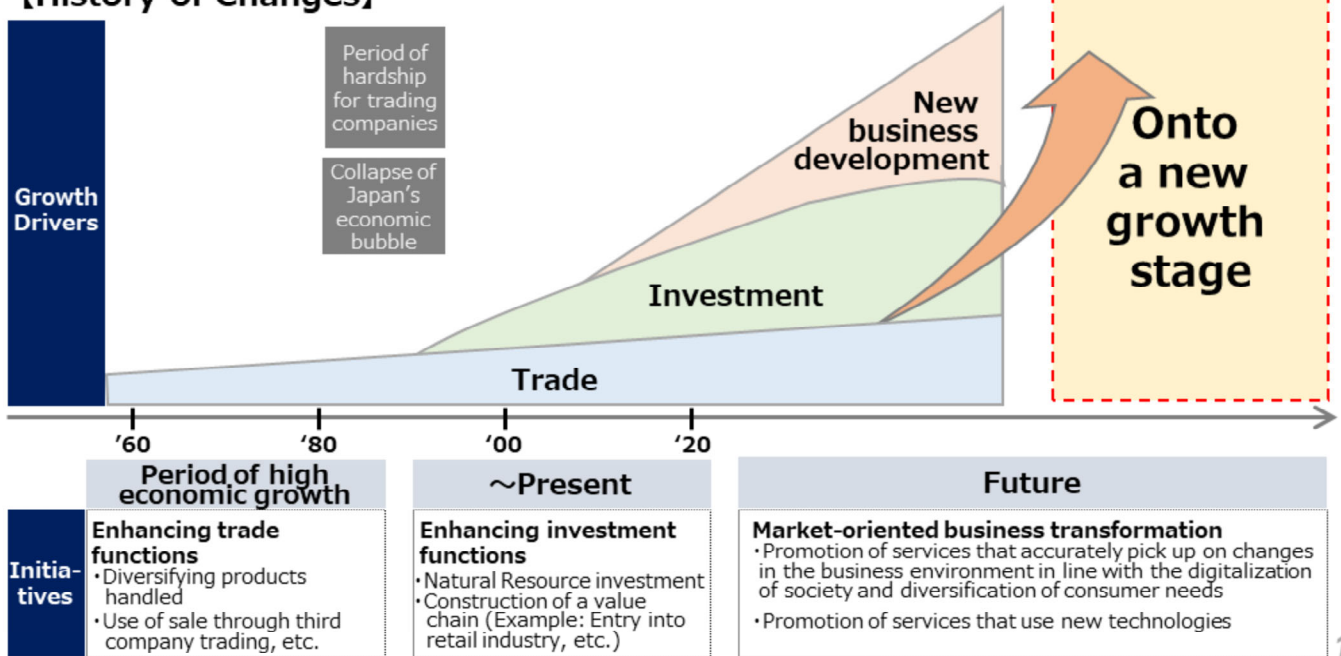
The major U.S. FinTech company PayPal acquired the company for around ¥300 billion. In 2016, when FinTech and BNPL were not well known in Japan, we learned that the top-tier venture capital ITOCHU invests in injected money in Affirm and Klarna, and we began funding Paidy in Japan. Afterwards, under a policy of nurturing Paidy as a Group company, mainly through personnel dispatches and introductions of major affiliate stores, the Financial & Insurance Business Division conducted an additional investment and made the company an affiliate. Although the policy was to manage Paidy as a Group company, we eventually determined that in consideration of economic conditions it would be best to agree to PayPal's acquisition and moved to sell. This sale was recorded as an extraordinary gain of around ¥30 billion in FYE 2022. Although this was a somewhat special case, through this kind of M&A via sales and stock market listings or making companies Group companies, we intend to incorporate venture company growth into our profit.

Growth through Ongoing New Business Development (1)



- In the past, general trading companies achieved growth by transforming their business to encompass investment functions in addition to trade.
- We identified business transformation as a future growth driver to be realized by expanding market-oriented new business development functions. **We aim to achieve sustainable growth by building a new business model that accurately picks up on changes as they arise.**

【History of Changes】



15

The third one is “Growth through Ongoing New Business Development.” The business model of general trading companies originally started from trade. After passing harsh periods, such as period of hardship for trading companies, we now have a firm footing in business investment and are earning profits from them. In addition to trade and business investment, the ICT & Financial Business Company is actively working to create services enabled by new markets and technologies. We identify innovation and new business development as new business models and will lead them to a higher stage of growth as the third pillar of our growth strategy.

Growth through Ongoing New Business Development (2) (Case Study)

- Continue new business development with our “start small and grow big” culture.
- Build market-oriented services through multiple endeavors and aim to develop them into core businesses.

Track Record of Past Initiatives

Initiative form	Businesses	Results
Company business spin-off	CTC	After spinning off operations related to this line of trade, we steadily expanded the business and listed it on the stock market. We continuously expanded the business as a core operating company of the ICT Division
	CONEXIO	
Establishment of Joint Venture	Asurion	We began a mobile after service business and nurtured it into a core business
	Excite Japan	We anticipated the rapid rise of the internet, launched the business, and listed it on the stock market. We exited the business in FYE 2019.
Establishment of new businesses	eGuarantee	Established as a Credit Guarantee company and subsequently listed on the stock market, we partially exited this business in FYE 2021
	kabu.com Securities	Launched to capture the expansion in online stock trading, we exited the business after the IPO.

Some current initiatives

Organization	Fields	Initiatives
Information Technology	DX Healthcare	AKQA (digital consulting business), GI Cloud (Cloud SI business), Docquity (platform business for doctors in Asia), Mnes (remote diagnostic support business)
Communication Mobile	Mobile/License	Belong (secondary phones distribution business), RBA (Asia-targeted license business in Asia)
Finance Insurance	Fintech Insurtech	Money Communications (salary prepayment business), Gardia (retail guarantee business), PDP (Indonesia P2P lending platform operator)

16

As for our track record of past initiatives, for example, CTC and CONEXIO were established by spinning off a faction that originally undertook trade in ITOCHU. CTC achieved its current business model by adding SI, development, and maintenance functions in addition to trade. As major Group companies, they are underpinning the profit of the ICT & Financial Business Company. In addition to CTC and CONEXIO, we established Asurion as a joint venture to conduct after-service for mobile phones. Although we have sold them already, there are such past examples as the portal site Excite Japan, eGuarantee, and KABU.com Securities (currently au Kabucom Securities).

As for current examples, in the DX field, we are considering expanding in Japan in partnership with AKQA, a U.S.-based digital consulting company. We are promoting new business with GI Cloud, which works on redevelopment based on Google Cloud; Docquity, which works on social media platform business for doctors in Asia; Mnes, which is a remote diagnostic support business; Belong, which is secondary phones distribution business; RBA, which is an Asia-targeted licensing business; Money Communications, which is a salary prepayment business; Gardia, which is a retail guarantee business; PDP, which is a P2P lending platform operator in Indonesia; and dozens more. We do not think all of these businesses will be wildly successful, but our third aim is to grow them in some percentage to underpin the future profit of the ICT & Financial Business Company.

Growth Trajectory



Foundation for Growth	Vision	Lead Times			Expected Revenue		
		short	Mid	Long	Minor	Mid	Major
<ul style="list-style-type: none"> ■ Enhance and expand DX support businesses <ul style="list-style-type: none"> •WingArc1st, made a Group company •DENTSU RETAIL MARKETING, made a Group company •BrainPad, capital and business alliance •SIGMAXYZ, capital and business alliance •GI Cloud, established ■ Venture Business <ul style="list-style-type: none"> •ITOCHU TECHNOLOGY VENTURES V fund, established •Tera Ventures II, invested in the fund •North America, Khosla Ventures, invested in the fund ■ Business Incubation <ul style="list-style-type: none"> •Belong, established •Money Communications, established •Gardia, made a subsidiary 	<ul style="list-style-type: none"> ■ Enhance and expand DX support businesses <ul style="list-style-type: none"> •Build a DX value chain •Seamlessly provide high value-added services spanning consulting, system development and operation all the way to data analysis •Expand profits through the development and external sale of DX support services •Create synergy with existing businesses through the DX value chain ■ Venture Business <ul style="list-style-type: none"> •Secure access to cutting-edge innovations by nurturing relationships with top-tier VC •Build a stable earnings base by expanding and diversifying the amount we commit to investment ■ Business Incubation <ul style="list-style-type: none"> •Achieve business expansion through inclusion of growth markets Healthcare Mobile-related Fintech, asset management Insurtech, life insurance business 						

As you can see, I explained the three digital strategies of the ICT & Financial Business Company. The first is the DX support business. The second is venture business. The third is new business development / business incubation. We qualitatively colored lead times and expected revenue for these businesses.

Quantitatively, we expect around ¥103 billion in consolidated net profit including around ¥30 billion in extraordinary gains from Paidy in FYE 2022. By FYE 2026, we will strive to increase core profit to around ¥100 billion. Due to that, total assets increase from around ¥700 billion in FYE 2017 at the start to currently around ¥1.3 trillion, and it will rise to around ¥2 trillion by FYE 2026 with additional new investments.

**The 8th Company Growth Strategy
Utilizing FamilyMart's Business Foundation**

Organization/Personnel/Business Overview



- We newly established The 8th Company in July 2019 to shift to a market-oriented perspective and further revitalize the organization and personnel throughout the Company.
- The Company has introduced a highly mobile, ameba-like organizational structure based on a market-oriented perspective, rather than the traditional product-oriented divisions and departments.

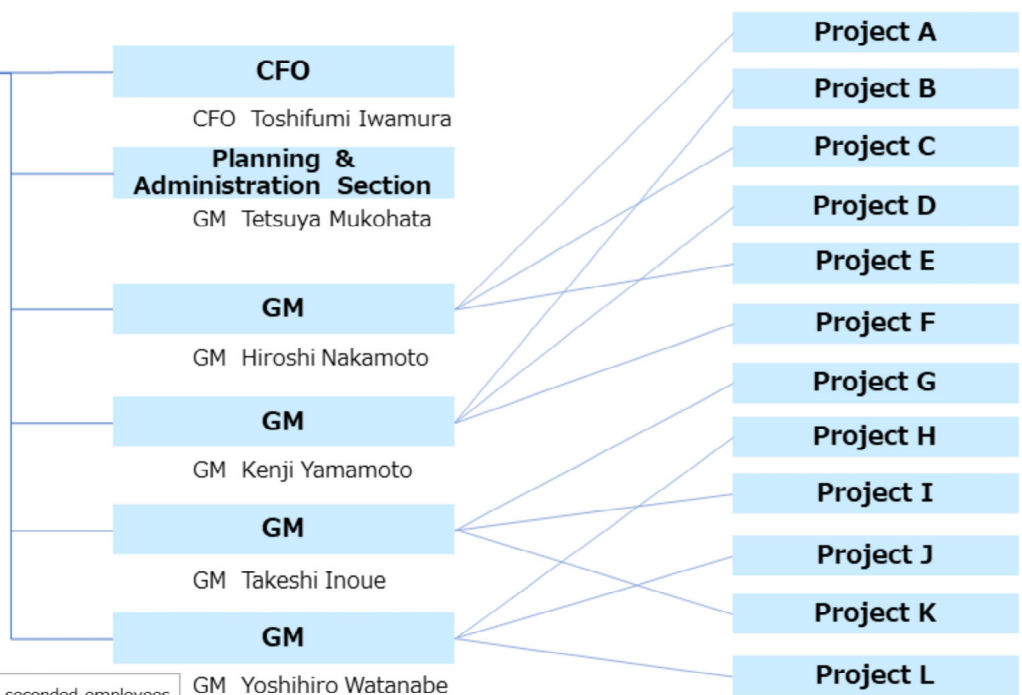


President Shuichi Kato
(Executive Officer)



(As of January 1, 2022)

No. of Employees : 47 * Includes seconded employees



President, The 8th Company, Shuichi Kato

I will explain our growth strategy utilizing the FamilyMart's business foundation under The 8th Company.

The 8th Company was established in July 2019 to realize the evolution of our strengths in the non-resource sector, particularly in the retail business, by further shifting to a market-oriented perspective, and to further revitalize the organization and human resources throughout ITOCHU.

The 8th Company has the following three strengths.

1. FamilyMart's physical store network and a business foundation of Group companies with its strength in the consumer sector
2. Human resources from diverse backgrounds and a highly mobile , ameba-like organizational structure
3. An organizational culture that creates businesses flexibly with a market-oriented perspective independent of product lines

Currently, The 8th Company has about 50 employees, working on more than a dozen projects under the direction of four general managers(GM).

There are three main initiatives.

1. Rigorously strengthening FamilyMart, which is a core business. The 8th Company is working on expanding FamilyMart's earnings base by thoroughly enhancing the three basics of the convenience store business (product appeal, convenience, and familiarity) and making the entire supply chain more upgraded.

2. Creating new business models that reflect customer needs and conducting pilot tests by utilizing FamilyMart's store network of approximately 16,600 stores nationwide and of approximately 15 million customers per day; after conducting proof-of-concept testing for these business models, rolling them out at FamilyMart's stores throughout Japan; and horizontally rolling out these services and technologies in other retail businesses and other business formats.
3. Increasing data volume and customer contact points and maximizing the profits of advertising, finance, and media businesses through external alliances; reinvesting these profits from new businesses in the convenience store business to further heighten stores' ability to attract customers

Initiatives Utilizing Digital Technologies



Media business

GATE ONE



Advertising business

DATA ONE



Financial business

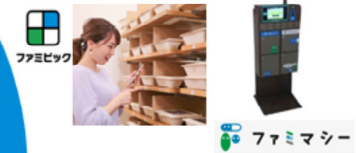
FamiPay



Create new businesses that utilize our store network and customer base

Reinvestment of profits generated by new businesses and utilization of technologies

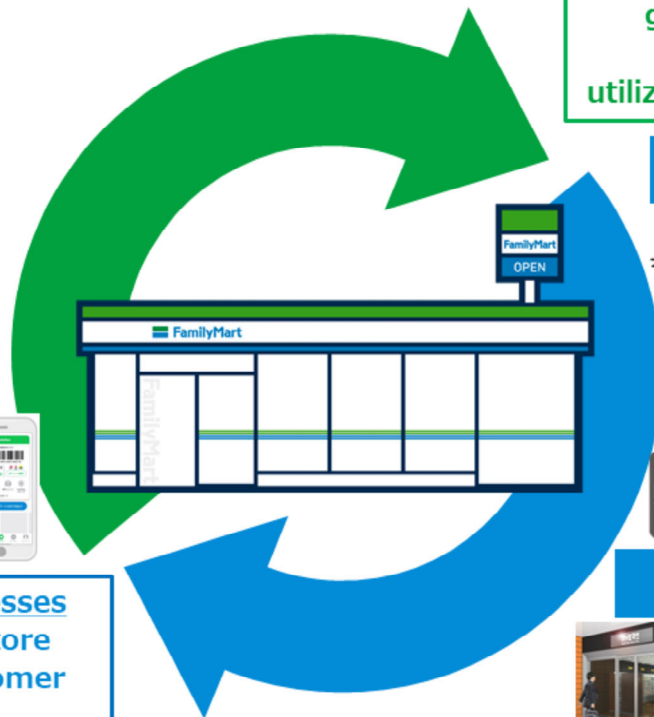
Attracting customers / Increasing daily sales



Support store operations



Diversify stores / Reduce workload



20

Here is a visual representation of our initiatives and policies related to FamilyMart.

In order to solve issues surrounding the convenience store business, such as worker shortages due to population decline, maturation of the convenience store market, intensifying competition with other business categories such as drugstores, and changes in the social environment brought by COVID-19, we are working to develop our earnings base by strengthening the foundation of “product appeal, convenience, and familiarity,” and we will promote initiatives that maximize the use of digital technology. Through the initiatives, we will create a new concept of convenience stores and achieve a different kind of growth.

Specifically, we aim to become an indispensable presence in the community and society while ensuring the sustainable growth of FamilyMart. We will create a growth cycle that links our businesses by strengthening the foundations of the convenience store business and creating new businesses.

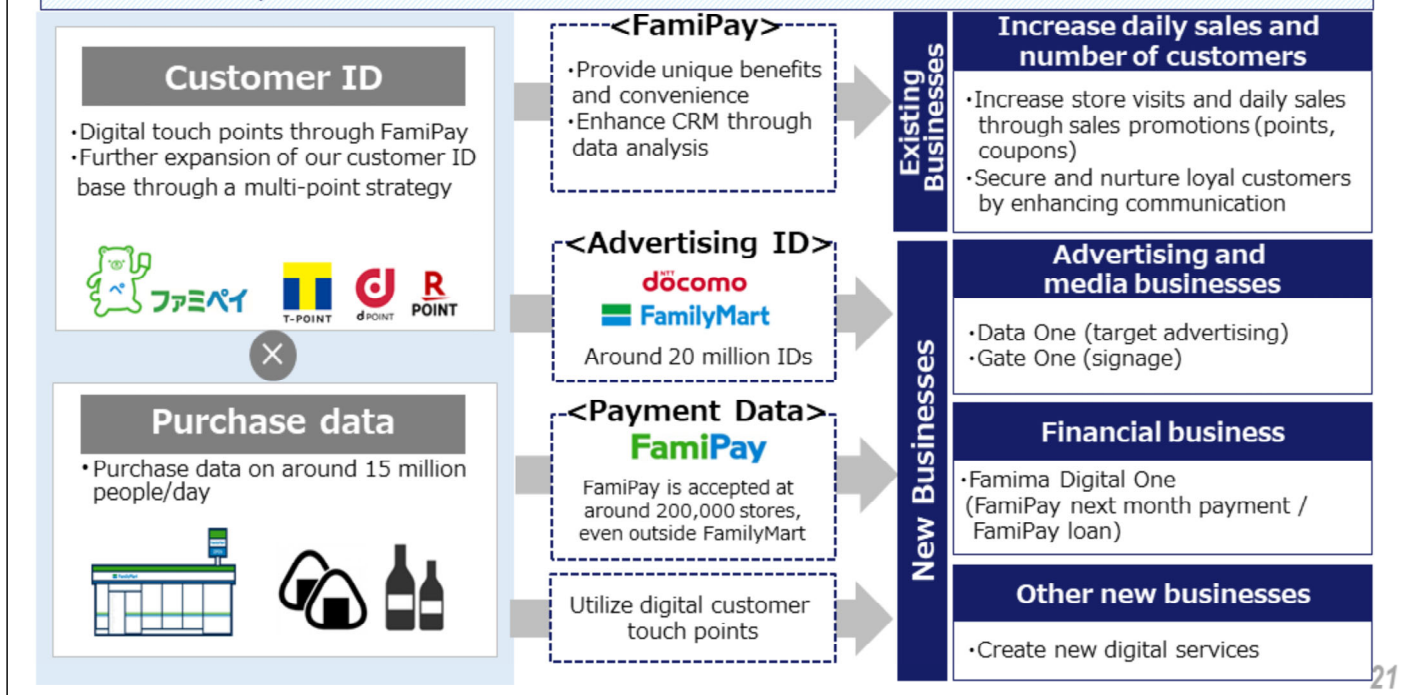
The right side of the figure shows how the core business of the convenience store business will be strengthened through the use of digital technology by attracting customers/increasing daily sales, supporting store operations, and diversifying stores and reducing workloads.

The left side of the figure shows how we will create a positive feedback loop by reinvesting profits gained from new businesses (related to the finance, advertising, and media businesses), which are generated from our customer base of approximately 15 million people per day and store network of approximately 16,600 stores nationwide, back into its core convenience store business, creating a new concept of convenience stores and its growth story.

Expand Businesses Utilizing FamiPay, a Digital Customer Touch Point



- In July 2019, we began expanding the FamiPay app, the Company's own digital customer touch point. We achieved 10 million downloads in November 2021.
- We positioned the FamiPay app as the core of our customer touch points and utilized it to create marketing, advertising, and media businesses as well as new digital services. We leverage our competitive advantage of being the only major convenience store to have its own payment app to accelerate expansion of our financial business.



Next, I would like to introduce some of the specific digital-related businesses that The 8th Company is involved in, starting with FamiPay.

The FamiPay app was launched in July 2019 to create a new digital customer touchpoint and reached 10 million downloads by November 2021, with the number of downloads continuing to increase.

We are expanding our digital customer touch points through the FamiPay app and combining this with the purchasing data of approximately 15 million people per day to both strengthen existing businesses and create new businesses.

Existing businesses provide unique benefits and convenience through FamiPay and strengthen customer relationship management by analyzing customer purchase data. Specifically, we distribute exciting coupons based on customers' purchasing data and conduct sales campaigns that offer stamps, games, and other rewards. In addition, we are considering a new loyalty program and are working to increase daily sales and the number of customers visiting the stores through this program.

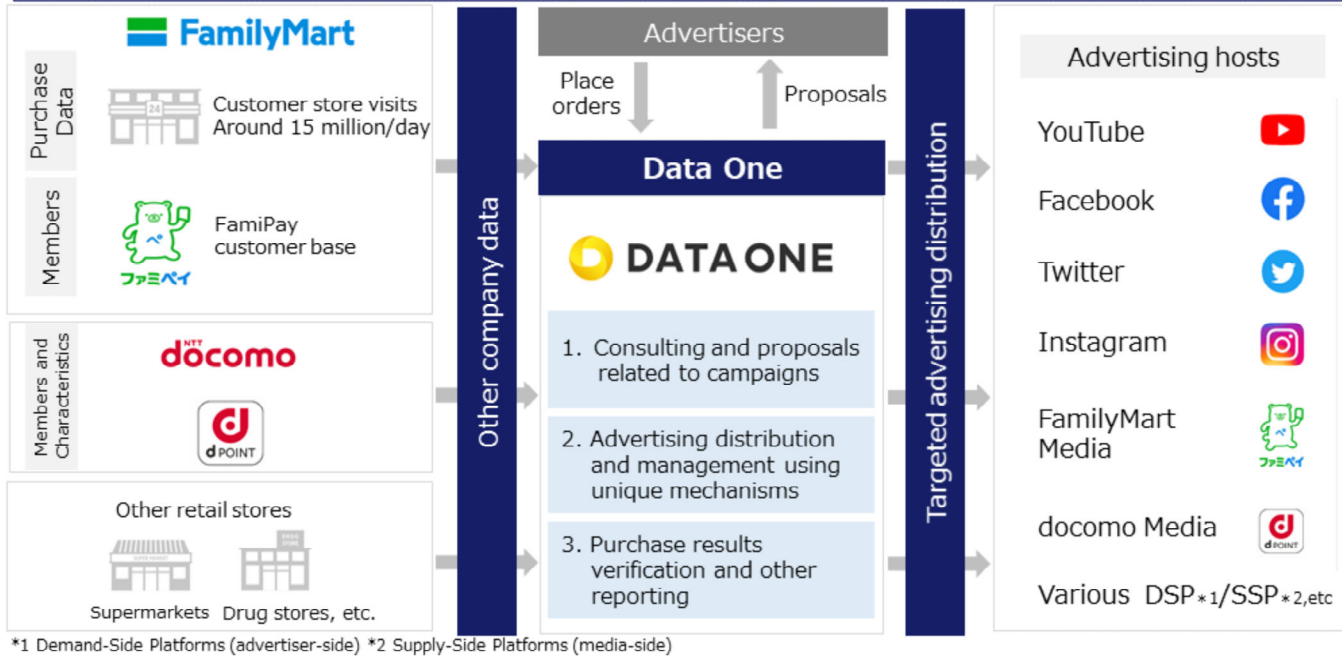
In new businesses, in addition to the initiatives in the advertising and media businesses which will be explained later, the financial business leveraged FamilyMart's strength as the only major convenience store with its own payment system to launch "FamiPay next month payment" in September 2021, which allows customers to pay later when their electronic money balance is insufficient, and a small financial service called "FamiPay loan" in December, which allows customers to borrow funds. As part of our efforts to meet the diverse needs of convenience store customers, we will continue to add financial functions to gradually expand functionality.

In addition, we are currently testing new services such as in-store pickup and locker services by utilizing digital customer touch points for our new businesses.

Advertising Business (Data One)



- We synchronized FamilyMart customer touch points and purchase data with NTT docomo's d POINT member data. Data One, which was established in 2020, owns around 20 million IDs, one of the most in Japan. The company distributes targeted advertising based on actual purchase data.
- We aim to expand business in advertisements that can visualize results, including collaboration with signage advertisements, in addition to highly unique targeted advertising that can verify purchase results after distributing advertisements.



The second business is the Data One advertising business, created by The 8th Company.

In October 2020, four companies (55% invested by ITOCHU and FamilyMart, 40% by NTT docomo, INC. and 5% by CyberAgent, Inc.) established Data One Corp. to launch a digital advertising distribution business and advertising agency business utilizing purchasing data from retailers.

By linking FamilyMart's purchase data with NTT docomo's d POINT membership data, Data One has approximately 20 million advertising IDs, one of largest collections in Japan at present.

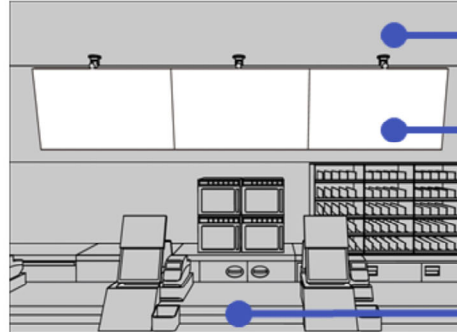
Previously, it was unclear how effective digital advertising is in terms of the extent to which consumers saw advertisements and made purchases. However, with Data One's digital advertising, in addition to being able to distribute advertisements that consumers are likely to be interested in on an ID-basis based on purchasing data, it is also possible to evaluate advertisements in a way that shows the results (conversions) of consumers who actually saw the advertisements and which products they went on to purchase. This feature has been well received by advertisers such as manufacturers.

Furthermore, since it is now possible to measure the purchasing behavior of consumers who actually see advertisements, it is also possible to verify the advertising element that leads to actual purchases by verifying several patterns of video advertisements on social media sites such as YouTube, and to provide feedback to advertisers on the content.

Media Business (Gate One)



- We installed large signage inside FamilyMart stores, turning stores into a form of media. By distributing unique content that customers enjoy, we raise our media value and aim to be a third form of media, after TV and the internet.
- We began offering services from October 2021 and finished installing signage in 1,000 stores by February 2022. By Q1 (April to June) of FYE 2023, we aim to install signage in 3,000 stores. We will expand to nationwide FamilyMart stores where such signage can be installed.



Enabled a wide range of expressions with voice commands

Unique distribution structure



Optimal signage installation

Example of FMV* Content

*FamilyMartVision = Japan's largest digital signage network in areas which people visit regularly



- Creating unique content using the three largest forms of signage at Gate One
- Going forward, marketing content and commercials will be targeted/distributed by area and time zone

23

The third business is the Gate One media business. Initially, Gate One launched in September 2021 after a one-year proof of concept testing at a total of 100 stores, 50 in Tokyo and 50 in Okinawa. FamilyMart holds 70% and ITOCHU holds 30% of its shares, and Gate One was established to advance the media business through digital signage as a new profitable business.

Digital signage installation will be completed in 1,000 FamilyMart stores by February 2022, with the next phase of installation to be expanded to 3,000 stores by June. By placing the signage at a 90-degree angle to the checkout counters, 50–60% of consumers look at and are influenced by the signage, as confirmed by AI cameras and exit surveys, and advertisers are impressed with this new form of media. The effect on sales of the products advertised in store commercials has also been positive, and we expect good results.

The main revenue stream expected from this project is advertising revenue, or so-called commercial revenue, but in reality, if all you do is air commercials, eventually people will get bored and stop watching them. The main goal of this project is to make the content of the signage attractive, and to make it a form of media that consumers visiting an FamilyMart store will want to look at and listen to. To this end, we have had many popular actors and actresses participating in original interviews and promotions for their upcoming movie and TV projects. In addition, popular artists' music videos and trending TikTok and YouTube personalities, etc. have also appeared in our signage.

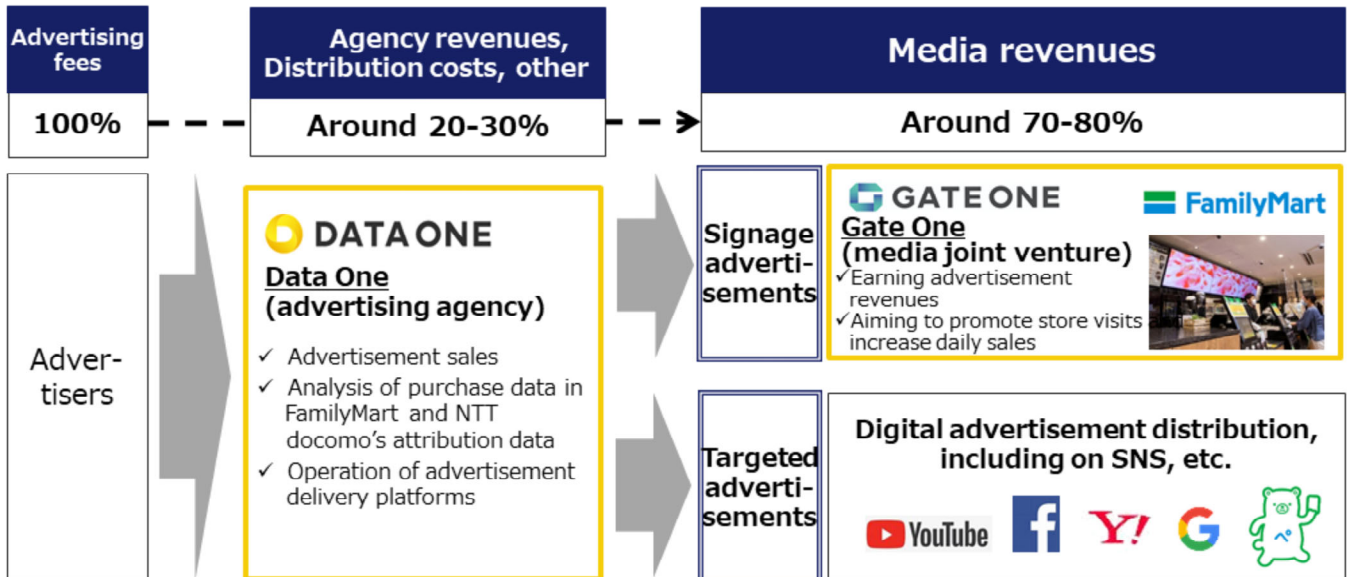
If consumers go to an FamilyMart store, they will naturally see this content, and in between, commercials and other content featuring stories about the products in the store itself, such as a video about the top 5 rice ball ranking, for example, will be played. By creating this structure, we aim to realize a chain of events that will increase the value of store signage as a form of media, increase its visibility, and as a result, increase the value of the advertisement and the unit price of the advertisement. Since we can create different content for each region, we believe that in the near future it can be used as a locally-adaptable form of media.

If 3,000 stores have signage installed by June 2022, our reach will be comparable to that of local TV stations. After that, if signage is installed in 12,000 stores, we expect to have the same reach as a major TV station in Tokyo, and we hope to install signage in all of the approximately 16,600 stores where installation is possible within three years, making it a third form of media, after TV and the internet.

Business Schemes in Advertising and Media



- We synchronized Data One's targeted advertising with Gate One's media business utilizing our nationwide FamilyMart store network. We will arrange more advanced advertising services with the aim of providing added value to advertisers and significantly increasing revenue in the advertising and media businesses.
- Continue to enhance FamiPay as owned media by utilizing it to deliver targeted advertisements.



24

We synchronized Data One's targeted advertising and advertising agency with Gate One's media business utilizing our nationwide FamilyMart store network with the aim of providing added value to advertisers.

In the advertising industry, it is said that advertising fees are split 20–30% between agencies and distribution costs, and 70–80% between media owners. However, there is also a portion where the media owners bear the cost of content production, which is said to be 20% for agencies, 20% for distribution and content production costs, and 60% for media businesses. By handling both aspects, we aim to maximize earnings in the advertising and media businesses.

In the future, we will implement integrated real and digital marketing, such as using purchase data that Data One holds to distribute digital advertisements and FamiPay coupons to people who view signage in stores.

Humanoid AI Assistants



- We collaborated with Couger Inc., a start-up company with a world-class track record in the fields of video games, image recognition AI, and blockchain.
- Utilizing this company's technology, we developed a humanoid AI assistant that achieves optimal communication in line with the behavioral characteristics of store managers. We are conducting pilot tests at FamilyMart where this exceptional assistant is supporting busy store managers with effective store operations.

Characteristic (1)

Work 24/7 and handle large scale data that humans cannot

The assistants immediately provide past sales data and other necessary information when it is needed.

Characteristic (2)

Easy communication with a humanoid

Compared with voice-activated devices, easy and smooth communication is possible.

Characteristic (3)

Responses like a human partner

We optimize provided data based on store operation status and the daily usage patterns of the humanoid AI. The communication methods adapt to the partner.



25

Next, we will introduce the humanoid AI assistant initiatives that are currently under development.

In 2019, we formed a capital and business alliance with Couger, an artificial intelligence development startup with world-class technology in the fields of in-game AI knowledge that expresses human-like emotions, technology that gives AI credibility through blockchain, and image recognition AI that reads and analyzes human facial expressions and gestures, among others. One example of this company's credibility is the fact that its CEO, Atsushi Ishii, gave a special lecture on AI at Stanford University in 2018.

These technologies were combined to jointly develop a humanoid AI assistant that provides advice to store managers to enhance efficiency in FamilyMart's store operations. Research has shown that humanoid AI has a better response rate than general voice-only AI devices, and we believe that humanoid AI can activate communication and information transfer.













Based on proof-of-concept testing conducted at approximately 40 stores, we are currently building a communication model that provides store managers with effective purchasing and other store management advice tailored to their individual behavior and personalities, in addition to past sales data, store performance information such as inventory and waste/loss, promotional information, weather, season, day of the week, and other information.

Although still in the experimental stage at these 40 stores, the stores that interact with the AI assistant on a daily basis are steadily showing behavioral changes in the store managers—in other words, increased sales through improved purchasing, and we hope to expand this with FamilyMart.

However, as this system can only become more effective if many store managers are willing to use it on a daily basis, we are continuously making improvements.

Initiatives with the ICT & Financial Business Company



	Initiative collaborator	Initiative
ITOCHU and Group companies	BELLSYSTEM24 	Contact centers and BPO operations
	CTC 	FamilyMart core system
	POCKET CARD 	Credit card
	CONEXIO 	POSA cards, mobile terminal procurement and rental
	Insurance Business Dept. 	Auto insurance
	DENTSU RETAIL MARKETING 	Sales and marketing support during pilot tests
	MyVoice Communications 	Advertising procurement during pilot tests
Venture investments	TELEXISTENCE 	Beverage automatic display robot
	ELEMENTS 	Micro-market expansion studies
Personnel collaboration	FamilyMart 	Personnel from ICT and Financial Business
	Famima Digital One 	Personnel from Financial Business
	Data One 	Personnel from ICT

26

Many initiatives are also underway with the ICT & Financial Business Company. For example, our Group company BELLSYSTEM24 has been engaged in BPO in various businesses in the initiatives being advanced independently by The 8th Company, in addition to FamilyMart's contact center operations.

In addition, The 8th Company is also collaborating with DENTSU RETAIL MARKETING, MyVoice Communications, and other ICT & Financial Business Company affiliates in various experiments utilizing FamilyMart's store infrastructure.

In addition, as for initiatives with start-up investment partners, for example, we have been working with TELEXISTENCE, to introduce beverage automatic display robots to reduce workloads at FamilyMart stores. Through the use of robotics and AI technology, a robot will replace store employees 24 hours a day in displaying approximately 1,000 beverages per day, allowing store employees to work on higher value-added tasks without leaving the sales floor.

In terms of human resources, FamilyMart is collaborating with the ICT & Financial Business Company in various areas, with financial and ICT personnel assigned to FamilyMart's Digital & Finance Business Division, financial personnel assigned to Famima Digital One, and ICT personnel assigned to Data One.

Growth Trajectory (Medium term)



- As we further strengthen the convenience store business by such measures as enhancing our product capabilities, we aim to expand new businesses created based on our FamilyMart store and customer network, including the related data. We promote data collaboration with other retailers and are transforming this into a new revenue pillar for FamilyMart.
- We continuously promote initiatives to strengthen FamilyMart business foundation using technology. We aim to roll out solutions tested at FamilyMart to other retailers and acquire new revenue.

Advertising Business 	<ul style="list-style-type: none"> • In order to enhance the breadth and quality of purchase data, we form alliances with retail operators in other industries, such as supermarkets and drug stores. • We aim to enhance the uniqueness of advertising products to achieve Data One sales of ¥10 billion by FYE 2026.
Media Business 	<ul style="list-style-type: none"> • We aim to install signage at 3,000 stores by Q1 (April to June) of FYE 2023 and install signage at all stores where possible within three years. • We aim to enhance daily sales using the results of advertisements and content distributed in stores to achieve ¥20–30 billion in advertising sales by FYE 2026.
Financial Business 	<ul style="list-style-type: none"> • We will continuously roll out financial services, such as buy now pay later and loan services. • We plan to steadily roll out financial, insurance and other services by utilizing FamilyMart apps' characteristics such as payment functions, and high frequency of customers' store visit.
Solutions	<ul style="list-style-type: none"> • We proactively promote venture investments in start-up companies. We will provide their technology and service as solutions for FamilyMart and aim to enhance the FamilyMart business foundation. • By rolling out solutions effectively tested at FamilyMart, we aim to secure revenue for ITOCHU.

27

Over the medium term of the next three to five years, we intend to enhance growth by creating new businesses such as advertising, media, and financial businesses by utilizing the ITOCHU Group's technology and know-how, while continuing to strengthen the convenience store existing businesses. We will grow the business by expanding our proven services and technologies from FamilyMart to other retailers and other business formats .

In order to enhance the breadth and quality of purchase data in the advertising business, we will form alliances with retail operators in other industries besides convenience stores to achieve Data One sales of ¥10 billion by FYE 2026.

In the media business, we will install signage in all stores where possible within three years, and to achieve ¥20–30 billion in advertising sales by FYE 2026.

In the financial business, we will develop financial and insurance services, etc., utilizing FamilyMart's ability to attract customers and the features of the payment functions included in its apps.

In total, these three businesses aim to generate consolidated net profit of ¥5–10 billion yen in FYE 2026.

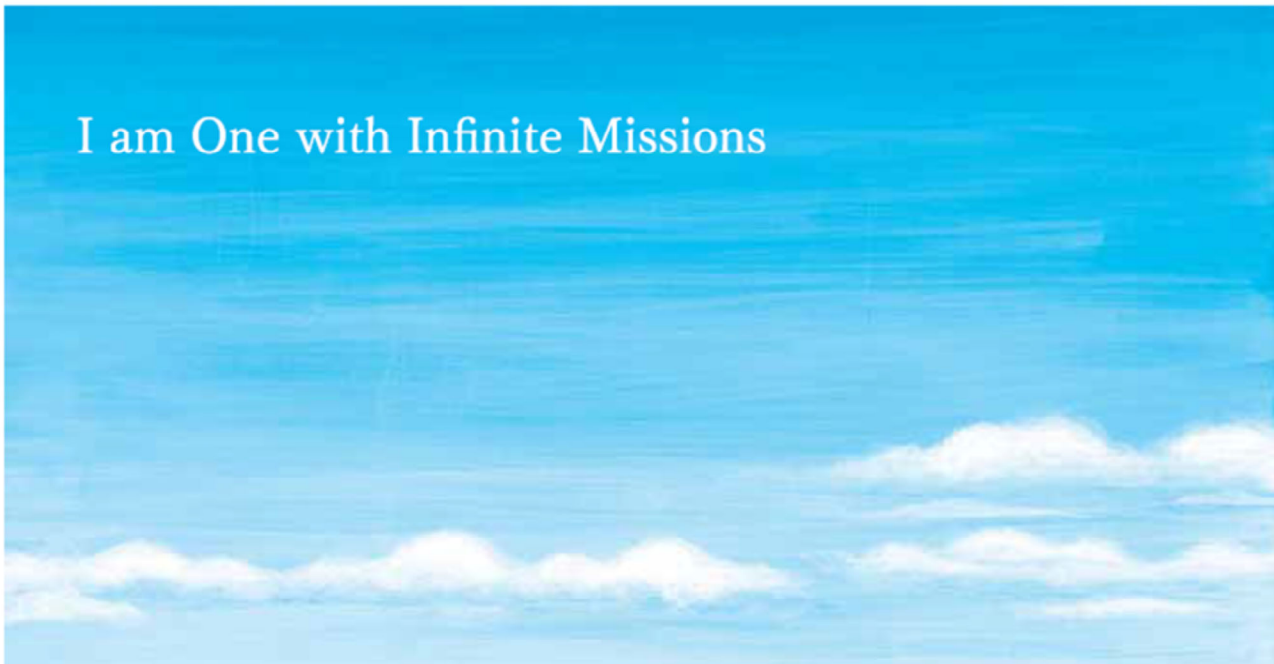
In addition, The 8th Company will actively consider investing in start-up companies with technological capabilities, such as Couger, and provide their technologies and services as solutions to FamilyMart, strengthening FamilyMart's business foundation and then expanding revenues by rolling out those that been proven effective to others.

Reference: Major Group Companies, Non-affiliated Companies, and Business Alliance Partners Listed in This Document



Company name		Category	Company name		Category
CTC		Subsidiary	FamilyMart		Subsidiary
CONECIO		Subsidiary	Gate One		Subsidiary
ITOCHU INTERACTIVE		Subsidiary	Data One		Subsidiary
ITOCHU TECHNOLOGY VENTURES		Subsidiary	Famima Digital One		Subsidiary
GI Cloud		Subsidiary			
MyVoice Communications		Subsidiary			
Belong		Subsidiary			
Money Communications		Subsidiary			
POCKET CARD		Subsidiary			
Gardia		Subsidiary			
WingArc1st		Affiliate			
BELLSYSTEM24 Holdings		Affiliate			
DENTSU RETAIL MARKETING		Affiliate			
BrainPad		General investment			
SIGMAXYZ		General investment			
AKQA		Business alliance			

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