

Building on Our Existing Strengths

We aim to increase our corporate value by taking a medium- to long-term perspective in fields where our Group companies have strengths. This includes developing multifaceted business fields centered on China and other parts of Asia as well as promoting initiatives to further new business opportunities and maximize synergies in our areas of strength, such as the consumer sector.

**Building Synergies that will Become Growth Pillars over the Medium to Long Term**

In January 2015, ITOCHU acquired 20% of the share of China's largest state-owned conglomerate, CITIC, in a 50-50 joint investment with CP Group in order to expand our earnings base in China and other parts of Asia, our areas of strength. Since around 80% of CITIC's earning power is in the financial sector, our role as its partner is to contribute to expanding its non-financial businesses. Meanwhile, CITIC is an unchanging reliable partner for the ITOCHU Group in China, with its local market of approximately 1.4 billion people and rapid business development supported by

various government policies. With the impact of COVID-19 on top of an already uncertain management environment, it has become necessary to take a more comprehensive approach to risk identification and business discernment. We will combine the resources of CITIC, including human networks and information, with our own strengths in the non-resource sector, especially the consumer sector, to build synergies that will become earnings pillars from a medium- to long-term perspective.

**Creating New Business Models Utilizing Customer Contact Points**

FamilyMart is the Group's core business company with customer contact points involving its network of approximately 16,500 physical stores in Japan and around 15 million customer purchases a day. By placing this business under The 8th Company, our policy is to achieve further supply chain optimization and efficiency gains through a "market-oriented perspective," by responding to market and consumer needs, rather than fixating on the vertical

organizational structure based on the traditional product-oriented approach. In addition, by promoting a series of digital strategies such as electronic payment, we will increase convenience and customer appeal, which will strengthen the earning power of existing stores even further. Amid increasing pressure to revise the business model of the convenience store itself, we will take steps to further strengthen our existing business foundation. At the same time, we aim to build a new business model that creates new added value across the traditional boundary of goods or services through the fusion of physical and digital formats, and exploring future overseas expansion in more detail.

**Creating an expansive multifaceted business field in a market that covers more than 2 billion people**



**Top-Level Earning Power in the Non-Resource Sector among General Trading Companies**



**Top-Ranked Company in a Variety of Industries in China**

- Trust company
- Securities company
- Alloy wheel manufacturer



**Large Conglomerate with Businesses Extending throughout Asia, Centered on Thailand and China**

- One of the largest private companies in Thailand
- Operating businesses in 21 countries, exporting products to more than 150 countries
- First foreign-funded enterprise recognized by the Chinese government (1979)
- One of the largest foreign corporate groups in China, with an established business foundation throughout the country



# Viewing Environmental Issues as Business Opportunities

Based on the ITOCHU Group corporate mission of “*Sampo-yoshi*,” we are working to resolve social issues such as exponential population growth and climate change by supplying diverse products and services, creating new businesses, and flexibly and actively conducting asset replacement, while ensuring that we maintain and improve our earning power.

We see opportunities in the resolution of environmental issues in particular. By leveraging our distinctive accumulated business know-how, we are committed to expanding and actively promoting our environmental business.

## Continuously Increasing Corporate Value by Providing Resolutions to Environmental and Social Issues through Our Infrastructure Business

ITOCHU has positioned the environmental and renewable energy business as one of its focus fields, and is developing projects globally that contribute to upgrading urban environments and reducing greenhouse gas (GHG) emissions. In particular, as environmental conservation-oriented businesses that contribute to sustainable social development, we have actively promoted Energy-from-Waste (EfW) projects and water-related projects from an early stage, building up expertise in these businesses.

In response to the United Kingdom tightened its waste management legislation and policy, ITOCHU took the opportunity to enter the local EfW market in 2002. As of 2020, we have constructed and operated four EfW facilities, which process around 15% of the country’s incinerated waste. We are now using the business expertise and strong partnerships cultivated in the United Kingdom to expand into other areas. In 2017, we teamed up with French water and environmental utility major SUEZ S.A. to participate jointly in an EfW project in Belgrade, Serbia, the first major Public Private Partnership (PPP) in the country. The project will help to resolve environmental and social issues through the closure and remediation of the Europe’s largest unsanitary landfill that has caused serious environmental damage. At the same time, we will construct and operate an EfW facility that will treat around 70% of the total municipal waste generated in Belgrade, using the waste heat from its incineration to supply electricity and heat equivalent to the power consumption of around 30,000 local houses.

Furthermore, with population increase and climate change expected to drive growth in demand for the water-related business, ITOCHU is providing high-quality, sustainable, economic water services through water supply, waste water treatment, and seawater desalination projects. In 2012, ITOCHU became the first Japanese company to participate in the water service business in the United Kingdom, followed in 2014 by participation in water

supply and sewage services in the Canary Islands, Spain. In seawater desalination projects, ITOCHU has moved beyond its traditional sales of water treatment facilities and equipment by participating in seawater desalination projects in Victoria, Australia in 2009 and Oman in 2016, transforming this field into a strength by continuously refining its accumulated business expertise. Commercial operation of the Barka Seawater Desalination Plant started in 2018, with the largest water production capacity in Oman, where it plays an important role in the stable supply of daily life water. By contributing to securing safe, economical water resources for countries, we will broaden our business opportunities.

ITOCHU will continuously play a vital role in society through its infrastructure business, realizing a circular economy and sustainable resource use with the goal of preserving the earth’s environment and resolving social issues, while sustainably increasing its corporate value.

### Circular Mechanism in the EfW Business



Please see our website below for further information about initiatives in the waste business  
[https://www.itochu.co.jp/en/csr/sustainability\\_activities/2020/index.html#activity\\_machinery](https://www.itochu.co.jp/en/csr/sustainability_activities/2020/index.html#activity_machinery)



# Realizing Our “Sampo-yoshi” Philosophy through the Largest Multifaceted Development in Japan

A market-oriented perspective and an ecosystem that shares value among all stakeholders underpin our storage battery business. By forming one of the largest AI-equipped storage battery networks in Japan, we aim for sustainable value enhancement.

## Investment of Time Leading to Competitive Advantage

In May 2010, we launched a joint pilot project in collaboration with a number of other companies and the city of Tsukuba, Ibaraki Prefecture, for a future low-carbon transportation system. The multidisciplinary project combined solar power generation, Electric Vehicles (EVs), storage batteries, and ICT. Through this project, we have placed the steppingstones for our storage battery business of today. This investment of time has resulted in the accumulation of expertise and partners who share our medium- to long-term vision. These essential assets have helped us build the competitive advantage we enjoy today.

## Taking on Challenges beyond the Bounds of a General Trading Company

In the 1990s, we entered the business of providing storage battery manufacturing equipment, component materials, and other items to manufacturers. Growth in this business relied on battery manufacturers' product sales. To achieve sustainable growth, we recognized the need to expand our downstream business and generate demand by ourselves. A solution came in the form of a household Energy Storage System (ESS). Instead of merely selling products, we took up the challenge of moving into a manufacturer position by forming a partnership with NF Corporation, a company we had begun doing business with in the past and that excelled in electronic circuits and control systems.

## A Thorough Market-Oriented Perspective and Overall Ecosystem Design

Our first initiative was to reflect consumer demand in the aftermath of the Great East Japan Earthquake. We responded with 200V power sources that could provide emergency power for entire homes. Looking ahead to post-2019 demand once Japan's feed-in tariff (FIT) scheme for renewable energy ended, we secured a battery capacity of approximately 10kWh, the amount of power an average household uses in one day. It was in May 2017 that we launched the Smart Star L, offering functionality competitors' products did not offer at the time.

In addition to pursuing functionality, we worked to design an ecosystem optimized for homes and other partners in regard to spanning sales, distribution, construction, and call center support. In designing the system, our distinctive business know-how and coordination skills we had cultivated through our strength in the non-resource sector truly came to the fore.

Amid growing awareness of the need to address power outages, giving the rise in natural disasters, examples of Smart Star L application are garnering attention. In addition, we have in place a thorough market-oriented perspective, a robust sales network that incorporates Group companies, and an optimized ecosystem. These efforts enabled us to create new opportunities.

## Evolution by Combining Existing Businesses with New Technologies

In January 2018, we entered a capital and business alliance with Moixa Energy Holdings Ltd. of the United Kingdom, a company that leverages AI technology in the power platform business. Under this agreement, we acquired exclusive marketing rights in Japan to provide Moixa's household service. The challenge we had taken up, to move into a position more akin to a manufacturer, came to fruition in this agreement under a common vision of creating a platform that combines storage batteries with Moixa's AI technology. This AI technology analyzes and learns about weather forecasts and household electricity demand and



then optimally controls the charging and discharging of storage batteries, allowing electricity storage systems to operate efficiently.

As of March 2020, sales of Smart Star L exceeded 30,000 units. As a result, we have built the largest multifaceted development in Japan through an ESS comprising distributed power sources that can be controlled remotely.

### The Possibilities Expanded from a Japan-Leading Multifaceted Development

In addition to trade spanning upstream to downstream, we sought to expand our scope of operation by adding value to products and services at customer contact points. To that end, we have built a foundation for the largest AI-equipped storage battery network in Japan to move into the Virtual Power Plant (VPP) business. In March 2019, we invested in VPP Japan, Inc., which operates in the solar power business under a third-party ownership model. In June 2020, we also invested in TRENDE Inc., a TEPCO Group company that provides electricity retail services. Envisioning after 2021 when the business environment will be ready, we are exploring a host of possibilities beyond the sale of storage batteries and excess electricity, such as the formation of economic zones that link regional populations with electricity.

Based on a successful model we have developed in Japan, we aim to take it overseas. A shift toward distributed energy is taking place around the world. We have the advantage of operating an ESS comprised of nearly 20,000 AI-equipped storage

batteries, providing a favorable environment for attracting new partners. In 2018, we invested in 24M Technologies, Inc., a U.S. company that engages in the research and development of semisolid lithium-ion batteries, and entered a capital and business alliance with Sunnova Energy International Inc., a U.S.-based residential solar and storage service provider. In addition, in October 2019 we acquired an equity stake in Shenzhen Pandpower Co., Ltd., a Chinese company that reuses and recycles vehicle batteries. In March 2020, we invested in Canadian company Eguana Technologies Inc., which sells proprietary ESS. We expect to combine our expertise in the storage battery business we have cultivated in Japan and our work with strong overseas partners into new businesses overseas. We also plan to apply this know-how to enter the VPP business in Japan.

### Aiming for Sustainable Business Growth by Leveraging “What Sets ITOCHU Apart”

We have adopted a fully market-oriented perspective and continue to improve our finely tuned ecosystem. Although other companies are likely to enter this market, due to its strong growth potential, we will seek to differentiate ourselves by leveraging the distinctive strengths that have driven our growth to date and continue to anticipate new challenges. At the same time, we will contribute to various partners, households, and help build a better society, realizing sustainable growth as we embody the “*Sampo-yoshi*” philosophy.

### Promoting a Business Model that Combines New Technologies and Existing Businesses

