

General Products & Realty Company

Business Fields

- Paper and pulp (pulp, paper products, hygiene materials, new wood-based materials, wood chips, etc.)
- Goods and materials (natural rubber, tires, used tire collection, cement, slag, ceramics, etc.)
- Wood products and materials (logs, lumber, fences, wooden structural materials and components, wood fiberboard, etc.)
- Logistics (3PL, domestic logistics, international logistics, logistics systems, etc.)
- Development and operation of real estate (housing, logistics facilities, commercial facilities, etc.)

Company Strengths

- Construction materials-related companies that constitute an excellent value chain in the North American construction materials business
- Competitive pulp manufacturing business and a worldwide network for pulp sales
- Stable real estate development by leveraging the distinctive and diverse networks of a general trading company



Masatoshi Maki

President, General Products & Realty Company



From left:

Tsutomu Yamauchi	Chief Operating Officer, Forest Products, General Merchandise & Logistics Division
Yusuke Takasaka	Chief Operating Officer, Construction & Real Estate Division
Tetsuya Sebe	Chief Financial Officer
Yasuhiro Takahashi	General Manager, Planning & Administration Department

Specific Example of Realizing Business Transformation by Shifting to a Market-Oriented Perspective



Capital and Business Alliance with Nishimatsu Construction Co., Ltd.

In December 2021, ITOCHU concluded a capital and business alliance agreement with Nishimatsu Construction Co., Ltd. We have already developed a strong partnership with the company through previous businesses engaged in real estate development, construction project orders, and procurement of equipment and materials. Through this capital and business alliance, the companies aim to create new synergies and enhance corporate value by consolidating their management resources and expertise and deepening the partnership even further. In addition, by establishing a value chain that spans upstream construction materials businesses, where construction functions can now be added, through to downstream real estate businesses, we will address such social issues as contributing to the achievement of the SDGs and making Japan's infrastructure more resilient.



Takafumi Inomata
Real Estate Section No. 2,
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Business Development Quantitative information Page 136-143

Percentage of Earnings from Domestic Business (image)

40%

<h3>Paper / Pulp / Hygiene</h3> <ul style="list-style-type: none"> ■ METSA FIBRE • One of the world's largest manufacturers of commercial softwood pulp • Pulp production capacity: Approx. 3.2 million tons per year ◆ ITOCHU Pulp & Paper (Wholesale of paper, paper board, and processed paper products) 	<h3>Natural Rubber / Tires / Ceramics</h3> <ul style="list-style-type: none"> ■ European Tyre Enterprise • Conducts the operations of Kwik-Fit, the UK's largest tire retailer ■ ANEKA BUMI PRATAMA (Processing of natural rubber, Indonesia) ◆ ITOCHU CERATECH (Manufacture of ceramic raw materials and products) 	<h3>Wood Products & Materials</h3> <ul style="list-style-type: none"> ■ North American construction materials business • Development of a robust value chain ■ ITOCHU Building Products Holdings ■ MASTER-HALCO (Manufacture and wholesale of fences) ■ Alta Forest Products (Manufacture of wooden fences) ■ US Premier Tube Mills (Manufacture of pipes for fences) ■ CIPA LUMBER (Manufacture of veneer) ■ Pacific Woodtech (Manufacture of laminated veneer lumber) ◆ ITOCHU KENZA (Wholesale of wood products and building materials) ◆ DAIKEN (Manufacture and wholesale of building materials)
<h3>Development & Operation of Real Estate</h3> <ul style="list-style-type: none"> ◆ ITOCHU Property Development • Development of condominiums, rental apartments, and office buildings (CREVIA series) • Development of profit-earning real estate ◆ ITOCHU Urban Community (Management of condominiums, rental apartments, and office buildings) ◆ ITOCHU HOUSING (Real estate agent and property consultant) ◆ ITOCHU REIT Management (Management of REITs and funds) ◆ CENTURY 21 REAL ESTATE OF JAPAN (Real estate franchise operation) ◆ ITOPIA HOME (Planning and construction of detached houses) ◆ CHUSETSU Engineering (Planning and construction of plants, logistics facilities, etc.) ◆ IZU-OHITO DEVELOPMENT (Golf course management) ◆ Nishimatsu Construction* (Construction business, real estate-related business, etc.) 	<h3>Overseas businesses</h3> <ul style="list-style-type: none"> ■ Saigon Sky Garden (Serviced apartments, Vietnam) ■ Makati Sky Plaza Building (Office building, the Philippines) ■ Harindhorn Building (Office building, Thailand) ■ KARAWANG INTERNATIONAL INDUSTRIAL CITY (Indonesia) ■ Resort hotel management business (Indonesia) ■ Condominium leasing business (U.S.) 	<h3>Logistics</h3> <ul style="list-style-type: none"> ◆ ITOCHU LOGISTICS • Comprehensive logistics services (Freight forwarding, warehousing, trucking, and distribution centers) ■ ITOCHU LOGISTICS (CHINA) (Comprehensive domestic logistics services in China) ■ Dateng Logistics (Shanghai) (Comprehensive domestic logistics services in China)

Region legend: ◆ Japan ■ North America ■ Europe ■ China and other Asian countries

* Non-affiliated companies

FYE 2022 Review (Specific Accomplishments)

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

Strengthen allocation of management resources to growth areas by strategic divestment of assets (Japan Brazil Paper and Pulp Resources Development Co., Ltd.)
Expand the value chain of the tire wholesale and retail business in the U.K. (European Tyre Enterprise Limited) to include the used tire collection business
Further integrated management through capital restructuring in the North American construction materials business and the logistics business in China
Established alliances related to construction areas by investing in real estate-related companies, such as Nishimatsu Construction Co., Ltd.
Commenced development of logistics warehouses in Japan and expansion of overseas industrial city

Growth Opportunities (Sustainable Growth)

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

Enhancing profitability by promoting M&As in the North American construction materials business
Contributing to the SDGs and strengthening profitability by promoting the recycling of existing products and expanding sales of eco-friendly products that use sustainable forest resources
Reinforcing our earnings base by promoting more efficient cross-industry logistics, seizing the logistics crisis as an opportunity
Strengthening and expanding design and construction areas by promoting M&As in businesses peripheral to the construction and construction materials areas
Continuing to move ahead in the North American real estate business through strategic alliances and joint investments with leading U.S. real estate companies

Risk Responses (Lower Cost of Capital)

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

Promoting the effective use of sustainable by-products (slag) as a cement alternative and creating sustainable and stable distribution channels
Promoting the production and widespread use of sustainable natural rubber that excludes raw materials produced by illegal logging through the use of a traceability system developed by ITOCHU
Revising Group companies' backbone systems (ERP) to increase analytical / operational efficiency ("cut") and reduce security risk ("prevent")

Notes: Items related to Sustainability Action Plans are indicated with a mark for the corresponding material issues.

Details of the action plans are available on our website: <https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/>

- ① Evolve Businesses through Technological Innovation
- ② Address Climate Change (Contribute to a Decarbonized Society)
- ③ Develop a Rewarding Work Environment
- ④ Respect and Consider Human Rights
- ⑤ Contribute to Healthier and More Affluent Lifestyles
- ⑥ Ensure Stable Procurement and Supply
- ⑦ Maintain Rigorous Governance Structures