

Countermeasures for Business Risks and Other Risks

Due to the diverse and extensive nature of its businesses, the ITOCHU Group is exposed to a range of risks, including complex market-related risk, credit risk, and investment risk. As unpredictable uncertainties are inherent in such risks, they may have significant effects on the Group's future financial position and business performance.

Viewing risk control as an important management task, we have established basic policies, administrative systems, and methods for managing the risks that we face.

Risk Description	Risk Description
(1) Risks Associated with Macroeconomic Factors and Business Model Page 76	(7) Risks Associated with Fund-raising Page 36
(2) Market Risk	(8) Risks Associated with Taxes
a) Foreign Exchange Rate Risk	(9) Risks Associated with Significant Lawsuits
b) Interest Rate Risk	(10) Risks Associated with Laws and Regulations
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(3) Investment Risk Page 40	(13) Risks Associated with Natural Disasters
(4) Risks Associated with Impairment Loss on Fixed Assets	(14) Risks Associated with Information Systems and Information Security
(5) Credit Risk	(15) Risks Associated with the Outbreak of COVID-19
(6) Country Risk	

For details, please see "Risk Information" in Financial Information Report 2022.
<https://www.itochu.co.jp/en/files/FIR2022E.pdf>



RISK 1

Risks Associated with Macroeconomic Factors and Business Model

Risks Associated with Cost Increases in the Consumer Sector

Due to disruptions in supply chains and other factors, some businesses, such as textiles and foods, are expected to be affected by cost increases due to hikes in the prices of raw materials, fuel, and other items. Based on a detailed analysis of the situation specific in each

industry, the Company will minimize the impact of cost increases by implementing specific measures, such as passing on cost increases to prices in a timely manner, developing new alternative products and procurement routes, and stepping up the rigorous implementation of "cut" measures.

Division Company	Industries	Possible Scenarios in Target Industries	Countermeasures
Textile	Brands and OEM*	<ul style="list-style-type: none"> Increases in raw material prices and logistics costs Decreases in consumption and orders Possible acceleration of brand reorganization (changes in ownership) 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Acquisition of marketing rights and trademarks in the domestic market in response to a trend toward the reorganization of overseas brands
Food	Fresh foods and raw material processing	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as fuel and secondary materials 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Curbing of cost increases through meticulous logistics operations
	Food distribution	<ul style="list-style-type: none"> Increases in distribution costs and other indirect costs due to higher fuel prices Change in consumption trends of consumers due to inflation 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Curbing of cost increases through efficiency of logistics
General Products & Realty	Construction and real estate	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as labor, fuel, and secondary materials 	<ul style="list-style-type: none"> Swiftly passing on costs to prices Optimization of inventory levels
The 8th	Convenience stores	<ul style="list-style-type: none"> Increase in procurement costs due to rising raw material prices Increase in indirect costs, such as utility costs Change in consumption trends of consumers due to inflation 	<ul style="list-style-type: none"> Continue to develop products that provide new value Meticulous price setting for each product (Partially passing on costs to prices) Curbing of cost increases through structural reform of manufacturing and logistics

* Original Equipment Manufacturing

RISK 6

Country Risk

The ITOCHU Group is exposed to country risk, including unforeseen situations arising from the political, economic, and social conditions of the countries and overseas regions in which the Group conducts product transactions and business activities. Country risk also includes state expropriation of assets owned by investees' or remittance suspension due to changes in various laws and regulations. To control the aforementioned risks, the Group takes appropriate risk avoidance measures for each project while using in-house country credit ratings to establish Groupwide guidelines on limits for each country and maintaining overall exposure to each country at a level that is appropriate for the Group's financial strength.

(1) Russia-Related Business

As of March 31, 2022, exposure to Russia was ¥42.1 billion. In response to the Russia-Ukraine situation, the Company promptly formulated a credit policy for Russia and rigorously implemented the "prevent" measures, such as acceleration of receivables collection. In addition, through a joint venture led by the Japanese government, the Company owns an interest in part of the Sakhalin-1 crude oil concession in Russia. In light of such factors as the need to secure stable energy resources for Japan, the Company will discuss and consider future measures

in close consultation with the Japanese government, which is the largest shareholder in the joint venture; other partners; and other relevant parties.

(2) China-Related Business

As of March 31, 2022, exposure to China was ¥1,269.2 billion. The Company has three types of China-related businesses: businesses related to CITIC, iron ore trading to China, and other trade and business investments. The Chinese government has long pursued a policy of strengthening state-owned enterprises. Given that it is a Chinese state-owned conglomerate, CITIC is expected to perform steadily as it is expected to benefit from public projects and economic stimulus measures by the government. In addition, a significant decline in demand for iron ore trading to China is unlikely as at the moment the Chinese government has made maintaining and expanding the economy a key policy and is expected to further increase investment in infrastructure and other areas. As for other trade and business investments, the Company is mainly engaged in China's domestic consumer sector and is not engaged in businesses related to such areas as advanced technologies, with respect to which there is concern over the effect of trade friction between the United States and China.

RISK 14

Risks Associated with Information Systems and Information Security

The Company strengthens its information security by establishing security rules and enhancing security infrastructure.

ITOCHU Group companies have long been required to meet the ITOCHU Group Information Security Minimum Standards as a minimum level of compliance. In FYE 2022, the Company added 40 articles to these standards with the aim of preventing such threats as information leaks caused by cyberattacks, and the Company is endeavoring to ensure rigorous compliance with the standards.

Further, an in-house cybersecurity team, ITCCERT (ITOCHU Computer Emergency Readiness, Response & Recovery Team), which is led by ITOCHU-dedicated expert advanced cybersecurity analysts, collects the latest information on potential cyberthreats and takes

preventive measures. Moreover, if an incident occurs in the Group, the team immediately implements an incident response, which includes investigating the cause, analyzing countermeasures, and restoring services. In addition, ITCCERT has bundled services into the ITOCHU Group Cyber Security Program package, also known as I Series, including a program that checks for latent malware, a program for detecting unauthorized internet communications, and workshops for IT personnel. The package is already in use at 86 overseas offices and overseas branches, etc., and 95 Group companies, and the coverage of the package is being extended. Also, the Group is continuing to strengthen its cybersecurity. In FYE 2023, plans call for expanding and enhancing the services provided by I Series as a measure to strengthen the Group's resilience to cyberattacks even further.