Brand-new Deal
Accumulation of strengths and achievements as a general trading company

From Our Founding to the Present

First-mover strategy and commitment-based management

From the Present to the Future

"Unchanging"

ITOCHU Mission

Sampo-yoshi

Guideline of Conduct
I am One with Infinite Missions

Evolution of ITOCHU-ness in an Era of Change

"Changing"
In compiling this annual report, ITOCHU focuses on three functions in particular: (1) providing an in-depth understanding of its unique business model to a wide range of readers around the world, (2) effectively explaining the processes and potential for ITOCHU to achieve sustainable growth in corporate value over the long term, and (3) clearly communicating the relationship between management strategies and financial and non-financial capital to internal and external stakeholders to foster the virtuous cycle of cultivating mutual understanding through dialogue and achieving a greater level of management sophistication for the Company.

We have prepared Annual Report 2023 based on the aforementioned approach, and with reference to a disclosure framework for integrated reporting. This year's report places particular emphasis on our strategic focus and future orientation, connectivity, and consistency. Further, as in the past, we have used the "Corporate Value Calculation Formula" to clearly establish the link between our management strategies and initiatives, and the enhancement of our corporate value. Please review this report as an account of our value creation story, which aims to achieve a balance between our "financial capital" and "non-financial capital" based upon "Sampo-yoshi" as our corporate mission, and our business model evolution process in the current uncertain business environment.

**Corporate Value Calculation Formula**

![Diagram of Corporate Value Calculation](https://www.itochu.co.jp/en/files/FIR2023E.pdf)

**Achievement of Short-Term Targets**

- **Expand Created Value**
- **Driving Force for Sustainable Value Creation (Total capital)**
- **Lower Cost of Capital**
- **Increase Growth Rate**
- **Initiatives and Systems Supporting Sustainable Growth**

**Key Points of Annual Report 2023**

**Key Points of Annual Report 2023**

**Annual Report 2023 continues to logically arrange information** by using the established "Corporate Value Calculation Formula," and the concept that the Chairman & CEO gives an overview of management strategies, while each officer explains the details of strategies focused on their area of responsibility. The report also aims to achieve the balance between "financial capital" and "non-financial capital" to ensure the sustainability of the Company, by featuring and explaining the process of self-transformation (realizing our existing business and new steppingstones for the future) of business models in the non-resource sector, which is the Company's strength, and the human resource strategy that focuses on the most important management resource of general trading companies, "people," particularly in the uncertain business environment including concerns over the economic downturn and geopolitical risks. Furthermore, the Annual Report has been created with the perspective explaining the "ITOCHU-ness" that constantly takes preemptive measures by sufficiently distinguishing between "things that should not be changed" and "things to change" in the era of transformation.

**Overview of management strategies**

- Analysis of macroenvironmental factors
- Risk factors / key points for investments
- Financial and capital strategies, and cash allocated

**Factors That Are Difficult to Predict in FYE 2024**

- Geopolitical risks
- Price fluctuations (inflation)
- Interest rates and foreign exchange rate levels

**Changes in the External Environment in FYE 2023**

- Continuation of COVID-19 pandemic-related restrictions
- Soaring prices of natural resources, etc.
- Interest rate hikes centered in the United States and Europe

**Changes Anticipated in FYE 2024**

- Lifting of COVID-19 pandemic-related restrictions
- Fall in resource prices compared with FYE 2023 (despite high price levels continuing)
- Geopolitical risks
- Price fluctuations (inflation)
- Fluctuations in commodity prices
- Interest rates and foreign exchange rate levels

**Key Points of Annual Report 2022**

Annual Report 2022 used the "Corporate Value Calculation Formula" to logically organize the driving forces behind and initiatives implemented to enhance corporate value. Also, the Chairman & CEO provided an overview of management strategies and priority initiatives, while each officer explained the details of strategies focused on their area of responsibility. Furthermore, by providing examples of business model transformation, and explanations of the countermeasures for country risks and other risks, and our human resource strategy and governance that encompasses the advancement of women, we sought to prepare an Annual Report that heightens trust in our management’s capabilities to respond to changes in the external environment.
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  - Machinery Company
  - Metals & Minerals Company
  - Energy & Chemicals Company
  - Food Company
  - General Products & Realty Company
  - ICT & Financial Business Company
  - The 8th Company

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*Integrated Report*

For the Fiscal Year Ended March 31, 2023

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#### CEO Message

*Image of CEO*

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*Image of Sampo-yash:* "Merchant" accumulated strengths, business, and business-related matters.

#### Achievement of Short-Term Targets

- Review of Previous Medium-Term Management Plans, Financial Results and Management Plan, and Countermeasures for Business Risks and Other Risks

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#### Initiatives and Systems Supporting Sustainable Growth

- Climate Change, Promoting Sustainability, and Corporate Governance

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#### Explanation of the Cover

After the lifting of COVID-19 pandemic-related restrictions, everyday life has returned. While the way we live, work, and socialize have undergone dramatic changes in the past few years, ITOCHU always stands by people and continues to create businesses based upon "Sampo-yash." The cover expresses ITOCHU’s unwavering principles as a "merchant."
Full Steam Ahead

Speeches by leaders can sometimes be less than inspiring. I believe one reason for this is that people just read the materials prepared by secretariat staff, making it hard to emotionally connect with the audience and so they get bored.

When I communicate with someone, I want them to remember what I say, even if it is just a little bit. Therefore, I do not just ask the secretariat to prepare my speeches, and instead pay special attention and take the time to thoroughly think each story through, while at the same time also listening to the opinions of various people. For example, in order to get people interested during shareholder and investor meetings, or at our General Meeting of Shareholders, and even in this annual report, I prepare throughout the year by writing down comments in my personal journal regarding events and insights that strike me as notable, and carefully review my comments for use in my various communications.

I believe that the words and attitudes of a company’s top management can set the tone for the entire company and its overall image. As an example, I carefully turn off the electricity in my office when not needed, and neatly organize chairs in our meeting rooms, not just the one in which I sat. Some people may question the need for a company’s CEO to put so much thought and effort into such details. However, I have a growing sense of urgency to fully immerse myself in my management role and pay close attention to details, particularly as ITOCHU expands in scale. And while ITOCHU is not a privately held company, I, as the leader of the Company’s management, maintain a mindset that I am responsible for all of the various aspects of our business with a resolution as strong as that of an owner of a privately held company.

In March 2023, ITOCHU’s credit rating was upgraded to A2 by Moody’s, which is one of the most influential credit rating agencies, thus achieving the highest rating among general trading companies from all agencies. This in itself was of course very positive, but we must not forget our past experience of being downgraded, which caused us to feel like we were tumbling down a hill toward a pit full of uncertainty. In February 1999, our rating from Moody’s was downgraded to Ba1, which is below investment grade, and then a step further to Ba2 in October, and then to Ba3 in December. Thus, our rating sank like a stone in the course of less than a year. Furthermore, it took almost 20 years for our rating to recover to A in November 2017. We could in an instant lose the high acclaim and solid business performance we have established over many years if we rest on our laurels. And while I am well aware of my tendency to worry excessively, I am determined to move full steam ahead at all times.

CEO MESSAGE

In this era of uncertainty, we need to remain keenly aware of our business fundamentals. As we secure a firm foundation for our business, we will steadily lay the steppingstones for our rise to the next profit stage.

In FYE 2023, we achieved more than ¥800.0 billion in consolidated net profit for the second year in a row, and worked diligently to establish a firm foothold for our target level of ¥800.0 billion in consolidated net profit. FYE 2024 will mark the final year of “Brand-new Deal 2023.” With an eye to the eventual normalization of natural resource prices and foreign exchange rates, we will further enhance our superiority as we steadily prepare and implement strategies for the next profit stage.

Masahiro Okafuji
Chairman & Chief Executive Officer
Preparations and Strategies

The final game of the World Baseball Classic tournament held in the United States on March 21, 2023 was a historic match between Japan and the United States. I decided to watch the game with our employees, maintaining the balance with our work, and set up a public viewing space to watch the game. Due in part to the introduction of our “Morning-Focused Working System,” over 400 employees packed into the public viewing space by 8:30 a.m. after the game started, and we were able to collectively share the moment of victory. Just like the Japan national baseball team, ITOCHU in FYE 2023 came together as one, and focused on turning our words into results.

Since FYE 2011, ITOCHU’s consolidated net profit has expanded from ¥300.0 billion to ¥400.0 billion, and then on to ¥500.0 billion. Since then, we have continued to achieve significant growth and steadily ramp up the stage of our earnings growth. In FYE 2022, which was the first year of our medium-term management plan “Brand-new Deal 2023,” we surpassed the high hurdle for consolidated net profit of ¥300.0 billion and maintained ¥500.0 billion for the second consecutive year in FYE 2023. As for our business results in FYE 2023, we benefited somewhat from the persistently and historically high natural resource prices despite our smaller exposure to the resource business compared to the general trading companies associated with the former zaibatsu industrial groups.

Consistent Management

I would like to touch on a story of a person I highly respect, the founder of KYOCERA Corporation (KYOCERA) — the late Kazuo Inamori, who is widely accepted to be “the God of Management.” When one CEO visited Founder Inamori, he made the following remarks. Inamori’s strength must be its special technology and questioned the Founder about this. To this Mr. Inamori responded, “There is nothing more special.” The visiting CEO thought, “That cannot be true.” To this Mr. Inamori responded, “There is not anything special.” The visiting CEO thought, “That cannot be true.”

Mr. Inamori explained to the bewildered CEO, “If you rely on special technologies, you may fall behind when an even better technology appears. KYOCERA’s strength is its front-line capabilities to achieve special results using normal technology.” Another person from the business community who heard this story told me that Mr. Inamori’s approach aligns with ITOCHU’s unique characteristics of not relying on special businesses, such as the resource business, but instead demonstrating the strengths of our front-line capabilities honed through the “earn, cut, prevent” principles, and steadily conducting management as we have until now. Another important point is to simultaneously implement a management strategy that elevates our entire business to ensure that we make progress toward the next stage of growth.

Understanding Peoples’ Emotions and Situations

As evidenced by the fact that approximately 90% of our Group companies are profitable, we not only focus on “additions” to steadily build up profits but also on “subtractions” to reduce loss-making companies. Although the Dole business and the North American meat-products-related business went into the red in FYE 2023, we took swift actions including the adoption of provisions for vulnerable assets and implementing changes in management structure, and we expect a recovery in performance in F YE2024 from these prior losses. The lesson we learned from this is that problems in business are similar to illnesses. In other words, what matters is how early you can detect problems, and how quickly you can begin to treat them. And we have taken steps to ensure that this lesson has been thoroughly shared and understood across the entire Company. We firmly believe that “preparedness” will ensure that we can avoid making similar mistakes, and thereby prevent major losses and further stabilize our business foundation.

Understanding Peoples’ Emotions and Situations

After watching one of our TV commercials, a veterinarian sent an email to ITOCHU. The commercial depicted a widower talking to his deceased wife in front of the family’s Buddhist altar. The viewer said this situation was exactly the same as his own, and he said he wanted to see the commercial one more time. Unfortunately, the period for airing the commercial had ended, so he was no longer able to see it. To fulfill his wish, we sent him a DVD of the TV commercial, and he was very grateful to us.

Another episode happened around April 2023 when we had a face-to-face meeting with Mr. Warren Buffett of Berkshire Hathaway Inc., who is a world-renowned investor and one of ITOCHU’s major shareholders. We invited him and his team must be exhausted from their long flight, so to allow them to relax a bit we skipped the detailed briefing of our business, of which they already had a solid understanding. We instead showed them a video highlighting our non-financial aspects, including scenes depicting our corporate culture. At first glance, these two stories may seem unrelated, but they are connected by our policy of understanding people’s emotions and situations, and providing them with what we believe they desire. This is the essence of the “market-oriented perspective” approach that we practice, and it does not require any stretch of logic.

There is a limit to the added value that upstream resources and materials can generate. Even if a high product is created, its popularity can be nearly impossible to sustain. On the other hand, profit margins downstream can become quite significant by identifying customers’ needs and adding value accordingly. Companies in the raw materials sector may have strengths in advanced technologies, but the companies that sell products with added value using those materials are able to earn a much higher level of profit. In many such instances, it is safe to say that “profit opportunities are shifting downstream.” This policy is common among all our businesses, not just the ones that have contact points with consumers. By seizing business opportunities in the downstream, we are able to steadily evolve our business model. Take the aforementioned Machinery Company for instance. YANASE & CO., LTD. leveraged its unique sales network, customer base, and the added value of its after-sales service, thereby serving as a good example of a Group company expanding its business results that simultaneously benefited upstream manufacturers as well. By figuring out what it is that consumers want, and with each business strengthening their own brands, we can steadily create profit generating mechanisms over the long term.

General trading companies associated with the former zaibatsu industrial groups expanded earnings through wide-ranging businesses, mainly in upstream and midstream industrial sectors during the period of postwar recovery and high economic growth. During that time, ITOCHU accumulated expertise and steadily built up its non-resource business, especially in the downstream daily consumables realm that is close to consumers. Currently, our competitors are currently diversifying to non-resource businesses. ITOCHU, of course, has an advantage in this area. The value chain of the ICT & Financial Business Company in particular is one of the main strengths of our businesses, unlike any of the other companies. If the tender offer bid for TOT that was recently announced receives the trust of the stock market, it is not an exaggeration to say that this will be an investment that contributes to the further evolution of our business going forward. In particular, there is currently a pressing need to transform business models using digital technologies. Downstream companies are faced with an especially strong need to grow their business by analyzing and leveraging data gained from customer contact points to create new added value. To precisely meet this diversifying customer need, we must have a deep understanding of our customers, to the point that we can deliver them the exact products they need. I believe that ITOCHU’s strength will be its effective and timely response, and that ITOCHU will continue to be a strong and sound partner for our customers. (Page 12 CEO Message)
Steadfast Non-Financial Initiatives

It has become widely accepted over time that a business focused only upon making money for itself is not sustainable over the long term.

From the Meiji to the Taisho eras, there once was a general trading company called “Suzuki Shoten” that rose to the No. 1 position in Japan. Its rapid rise is often attributed to its monopoly made possible by buying up steel, ships, rice, wheat, and other products that earned them huge profits. However, huge risks inherent with amassing such products emerged in the postwar recession and led to their collapse. Turning to more modern times with inflation creating various problems for global economies, soaring market prices for resources and other products has generated huge profits for some upstream companies. But at the same time, inflation also imposes burdens on downstream consumers, manufacturers, and society as a whole. This is not at all in line with “Sampo-yoshi,” which is our corporate mission, and also raises doubts about the sustainability of our businesses.

We will work not just with a simple goal of expanding profits, but rather to steadily advance to new stages of growth and further evolve our corporate culture rooted in “Sampo-yoshi,” which is the source of our sustainable corporate value creation. To this end, we are further enhancing our non-financial initiatives, with human resource strategies at the core of our efforts. In recent years, there has been an increasing interest in human capital management. ITOCHU’s corporate culture has long valued employees and, especially early in its history, our Company has a tradition of viewing our employees as people, and as a source of value creation. Moreover, we have spearheaded efforts to improve our work environment for employees and to implement programs that provide employees more flexibility in their work, starting with the “Morning-Focused Working System.” As a result, our Company’s work-style reforms have been lauded both in Japan and abroad. This evolution of our corporate culture has enabled us to achieve the No. 1 position in company rankings among jobseekers for both general trading companies and for companies in all industries. It also generates a virtuous cycle that allows us to hire outstanding personnel and enhance our human capital. Our Company’s human resource strategies are not designed to merely keep up with market trends, nor to mindlessly implement commonly used systems. Instead, we fully consider the effectiveness of our human resource measures and implement them with care. (Page 36 CAO Dialogue)

The suite of our work-style reforms also aims to sustainably enhance labor productivity and the advancement of women based on a similar line of thought. ITOCHU once set a target to hire women for 30% of its career-track employee positions, but numbers alone will not necessarily lead to good results. Because we did not sufficiently optimize job suitability for individual employees and upgrade systems in each organization, many of these women unfortunately resigned. Learning from this lesson, we prioritized upgrading our work environment and making improvements in work-life balance by establishing an in-house daycare center to provide childcare services to employees and the Morning-Focused Working System. Consequently, the birthrate of ITOCHU’s female employees is now significantly higher than the rate for Tokyo and Japan as a whole. Even after sufficiently upgrading our work environment through these methods, we further stepped up our efforts and established the Women’s Advancement Committee. Throughout this process, former Outside Director Atsuko Munshi, who has a wealth of expertise in promoting the advancement of women, truly gave her all to these efforts. But she has now passed the baton onto Outside Director Makiko Nakamori to further this pursuit. Although Ms. Munshi, who kindly served for an extended period of time, has now resigned as Outside Director, she will continue to grace us with her wisdom as a member of the Advisory Board. (Page 30 Special Feature 1: Human Resource Strategy to Enhance Corporate Value)

In addition, matters related to corporate officers are considered to have real significance and have also been assigned high priority by our management team. For example, our CAO and CFO reached the internal obligations in June 2023. However, we have determined through consultations with the Nomination Committee that these individuals are essential to our Company’s management and would be difficult to replace, particularly given the current uncertainties in the external environment. This led to our decision to have them stay on for another year.

Given my desire to get more people to become familiar with general trading companies like ours, ITOCHU is bolstering its corporate advertising program. The Company’s non-financial initiatives have garnered high accolades, including receiving the highest rankings in the ESG indices selected by the Government Pension Investment Fund (GPIF) and the ESG evaluation index from S&P, etc. Furthermore, our annual report swept the top spots of all the major evaluation institutions. These various efforts to steadily fortify our corporate branding will help strengthen the trust placed in us by society and the engagement of our employees. Our strengthened branding program will also serve as a driving force to sustainably enhance corporate value. Accordingly, not only do our business divisions pursue numbers, but each administrative division also establishes targets that can be quantified in external evaluations. These efforts are monitored in management meetings. Consequently, we also endeavor to elevate our administrative divisions in a well-balanced manner.

Invigorating Our Entire Industry

ITOCHU’s top management owns shares in our Company, and the percentage of membership in the Employee Shareholding Association is nearly 100%. We consider this to be a natural means of aligning the interests of all our employees with our shareholders. Accordingly, we highly value dialogue with shareholders and investors, and reflect their valuable opinions in management policies and measures while keeping an eye on our share price performance. We consider this to be a market-oriented perspective from the viewpoint of the stock market.

Regarding our shares in FYE 2023, we were able to announce both an upward revision to our earnings along with measures to expand shareholder returns in October 2022, based upon our dialogue with the market. Since then, our share price has reached record-high levels three times. Furthermore, we have announced our FYE 2024 initial plan and shareholder returns policy, and with June’s additional investment from Berkshire Hathaway Inc. in five general trading companies, our share price continues to set new record highs. The low point in our share price reached in 1999, when it temporarily slipped below ¥200, feels like a totally different world.

We have continued to increase dividends from ¥15 per share in FYE 2010 to ¥20 in FYE 2024. And when I hear words of gratitude from our shareholders, it brings me great joy as CEO of the Company. Going forward, we will announce details of our shareholder returns policy from FYE 2025 onward and we intend to hold thorough discussions internally to ensure that we continue to meet the expectations of the stock market. (Page 54 CFO Interview)

I have often said that compared with profit levels, the share prices of general trading companies are very low. I am grateful that the share prices of general trading companies, not just ITOCHU, are all currently rising. And I hope that we can invigorate the entire industry so that each company can grow and become better without growing overconfident, given the current attention being garnered by our industry.

Striving to Become “the Best Company in Japan”

On April 3, 2023, the first-floor lobby of our headquarters was the venue of young people walking one by one down a red carpet surrounded by cherry blossoms in full bloom. This was a special welcome ceremony to commemorate recent graduates becoming employees of ITOCHU, and it was designed to make their first day at our Company unforgettable, as so many of them had been deprived of a normal student life because of the COVID-19 pandemic. Every year, we carefully plan this ceremony with small improvements, and even through these efforts, we would like to show our Company’s evolution. This year, we set the scene by acquiring 700 Yoshino flowering cherry bouquets from farmers in regions that were affected by the Great East Japan Earthquake. A trio of piano, violin, and cello added even more excitement to the event by showering the lobby and participants with their beautiful music.

Furthermore, we made sure that the families of the new recruits were able to view this celebratory occasion online because of my constant desire to make parents of employees proud of their children’s employment at ITOCHU. And just like the young cherry buds on the verge of becoming flowers in full bloom served as a symbol reflecting the youth of the new graduate hires, I am especially looking forward to the day these many young and aspiring recruits gain experience and turn into full-fledged employees who will contribute to our Company’s businesses and promote our competitive advantages in the near future.

In spring 2017, I vowed in front of the grave of an employee who died of cancer that I would guide ITOCHU to become the best company in Japan. While I believe we still have some way to go, I feel confident that we are making good progress to realize this vow. Going forward, I will continue to guide ITOCHU toward the aim of further elevating our growth stage. So it is my hope that all of you look forward to the further growth and evolution to come for ITOCHU.
President & Chief Operating Officer
Keita Ishii

We will continue to build a solid foundation for sustainable growth by assessing the drastic changes in the business environment at the front lines, and by breaking down the “Three Walls” to enhance our comprehensive strength.

Taking to heart the words I have long valued when conducting our business — “front lines” and “trust” — I will steadily and swiftly promote growth strategies that will contribute to the fortification of economic value and environmental / social value.

Keita Ishii
President & Chief Operating Officer

Restoring as a “Merchant”

In May 2023, all COVID-19 pandemic-related restrictions were lifted in Japan. Since becoming President & COO over two years ago, I have long awaited the time when I could go out to the front lines of our businesses, be who I am, and work energetically, with no need for masks or partitions. In FYE 2024, which is the last year of “Brand-new Deal 2023,” I will serve as a “merchant” to continue to visit our front lines in Japan and overseas to steadily reinforce our businesses with our employees.

The two years of COVID-19 pandemic-related restrictions implemented after I became President & COO allowed me to carefully study our entire business with a broader perspective from the confines of my desk. Furthermore, this experience enhanced my viewpoint as the “Chief Operating Officer” in charge of our overall management strategy. At the same time, I remained firmly attached to the front lines and continued to visit customers as much as possible, while taking every precaution to prevent infection. By meeting with clients directly, we are able to confirm what our customers are thinking and understand their challenges. These strong connections are an important reason why customers choose us as the first choice for their business partner. Also, I consider these strong bonds of trust as one of the most important aspects of cultivating new relationships and expanding business, and I believe they represent the unique strengths of our business as a “merchant” that cannot be replicated by using machines and AI at this moment.

And of course, there are also many overseas customers who are indispensable to general trading companies. In FYE 2023, I took business trips to Thailand, where I had been the president of the overseas office, and to South Korea, which I know well from my time at the Energy & Chemical Company. I was able to visit customers I had been longing to meet. This year, I also traveled to China and the United States, two places I had wanted to visit as soon as I became President & COO. In China, I was able to meet Chairman Zhu of CITIC for the first time, and we exchanged opinions about future business strategies and possibilities for collaboration. I also learned that we have many common acquaintances among the senior management of Japanese companies, and through our discussions of these acquaintances, I felt an even stronger connection with Chairman Zhu. I have been able to expand our business over the years by placing a high value upon our connections with people. Going forward, as a leader on the front lines, I will continue working to swiftly strengthen relationships with domestic and overseas customers, and to discover new business opportunities.

In addition, these overseas business trips were excellent opportunities to better assess the real economic conditions of those countries. With still no end in sight to the effects of inflation, I felt that consumers abroad were really cutting back on their spending, even more than I had expected. I have often talked about the importance and necessity of obtaining vital information from the front lines, but in FYE 2023 there were businesses that unexpectedly underperformed because of misreading changes in the external environment. For example, the profitability of the Dole business had been declining due in part to a rapid rise in logistics costs caused by supply chain disruptions, but we expected an improvement in profitability by our attempts to pass on the higher costs to customers during peak demand periods, such as the Thanksgiving and Christmas holidays. However, in the United States, which is a major region of demand for the Dole business, consumer sentiment was already falling by the end of the year due to the surge in inflation. Consequently, consumers did not accept significant sales price increases at that time. What was the most problematic about these results was the fact that ITOCHU, who claims to have a “market-oriented perspective” and engage in “hands-on management,” left the marketing strategy to be decided by the locally hired manager despite the tough business environment, and was managing the business indirectly and remotely from the distant Singapore headquarters without grasping the local consumption situation nor the pricing of competitors.

One of our Company’s employees, who has professional knowledge, has already been dispatched to fill the marketing manager position immediately, and is working to turn around the business in their main battlefield of the United States and restore its performance. In July 2023, I also visited the United States and confirmed with my own eyes that the reinforced “hands-on management” approach was making steady progress there. We will renew our commitment to strengthen front-line capabilities to prevent employees from losing awareness of actual conditions on the front lines, supported by the rapid adoption of online tools.

Status of Decarbonization Efforts

Through meetings with domestic and overseas customers, I noticed a change in decarbonization trends. Although there were discussions about the long-term direction of decarbonization at the G7 Summit in Hiroshima in May 2023, a specific roadmap for reducing GHG emissions has not yet been released. With the soaring prices of LNG and other energy sources since the Russian invasion of Ukraine, demand for thermal coal in Europe has surged...
and restarts of numerous coal-fired power plants, which can generate low-cost electricity, have been announced. Even in Japan, demand for alternative sources of thermal coal to replace Russian-produced coal is rising due to high demand from electric power companies, and is stalling current decarbonization efforts. ITOCHU announced its complete withdrawal from thermal coal interests during the current medium-term management plan period, and from FYE 2019 our Company has sold three of its four thermal coal interests ahead of similar moves by other general trading companies. While there is no change in our plan to sell the remaining thermal coal interest to achieve a complete withdrawal from this business, we seek to achieve an appropriate withdrawal at the right time in consideration of such factors as our responsibility for stable supply as a general trading company and economic rationale, namely what would be a fair sale price for the remaining interest amid the current decline in thermal coal prices. Regarding the progress of this sale going forward, we will provide briefings to stakeholders when appropriate. (Page 78 Approach to Climate Change and Related Initiatives)

ITOCHU's policy is to reduce GHG emissions throughout our main business of trade and business investment. However, to sustainably and steadily reduce GHG emissions, we need to take into account our business profitability that is subject to any GHG emissions reduction activities as part of our overall SDGs-related business that is firmly connected to the “earn” principle, to ensure that we maintain our current earnings generation capability and sustainability of our Company. Since regulations to reduce GHG emissions have been formulated in the aviation industry, demand for sustainable fuels has been growing. ITOCHU is steadily promoting activities for the start of sustainable aviation fuel (SAF) supplies to replace existing jet fuels to aviation companies in Japan and overseas. The supply of SAF does not require large-scale capital expenditure because we can leverage the business know-how we have already built up through our trading business. This is the well-grounded way for us to promote SDGs-related businesses. In addition, ITOCHU serves the steel industry, which is facing pressure to reduce its high levels of GHG emissions and decarbonize. And to help our steel industry customers meet these environmental demands, we invested in high-grade Canadian iron ore interests to supply low-carbon raw materials of direct reduced iron in FYE 2023. Some people may have felt it odd that ITOCHU, which is focusing on the upstream sector in Japan, invested in an overseas resource sector project. However, our Company was able to purchase this project under preferential terms because it was related to one of our long-time business partners. And without these bonds of trust, we would not have been able to acquire this resource business, which has a high value for its scarcity and excellent cost competitiveness. Not only the contribution for short-term profits, but over the medium- to long-term, we expect further expansion of business opportunities by building a supply chain that can provide low-carbon direct reduced iron, which uses high-grade iron ore as raw material. Thus, in addition to the “earn” principle, we will provide solutions for addressing issues in various industries. In other words, we will simultaneously pursue economic value as well as environmental / social value as we steadily fortify our SDGs-related business. (Page 81 Creating a Supply Chain of the Ferrous Raw Material for Green Ironmaking with Low Carbon Emission)

Breaking Down the “Three Walls”

When conducting business, we need to be alert to the tendency of unconsciously erecting walls based upon differences in organizations to which we belong, generational gaps, or company culture. When I visited the steelmaking and electric power divisions of various companies, I realized that each company has its own way of conducting business, and the people who work there have different expectations. Therefore, I decided it was important to break down these walls so they can understand the expectations placed on them by stakeholders, such as: “You should be more yourself, you do not need to focus on small details. I prefer to hear your own ideas and views.” I have always emphasized the importance of individuality, but for ITOCHU, which considers people to be its greatest management resource, I believe we need to share knowledge and ideas. A wall is a barrier that we have to break down if we wish to continue our business. In order to break down these walls, we need to establish open communication and understanding. We need to understand the expectations placed on us, and we need to communicate our expectations to others.

Returning to the Front Lines

We have achieved two consecutive years of consolidated net profit of over ¥110.0 billion since I became President & COO. But honestly speaking, this was partially thanks to my assumption that I needed to deploy specialized terminology and to my assumption that I needed to deploy specialized activities. Consequently, my responses to questions from analysts and investors were simple and not in depth, due in part to my assumption that I needed to deploy specialized terminology, and to my assumption that I needed to deploy specialized activities. Therefore, I figured the field of RI was a unique and highly specialized realm. However, speaking frankly using my own words is actually just an extension of the sales capacity I had engaged in up until then. By breaking down the wall within my own self and communicating my own ideas, I will continue to strengthen my bonds of trust within the capital market.

and president of the automobile manufacturer needed. After multiple discussions, ITOCHU was chosen as a partner, and an alliance was built to provide various business functions needed for the introduction and spread of EVs. General trading companies typically have walls between each of its organizations. But because I am the President & COO, these walls are irrelevant to me. I am not bound by particular industries or products, and I will continue to expand our businesses by breaking down organizational walls together with employees to create businesses rooted in a market-oriented perspective that identifies customer changes and needs.

The second wall is communication. After COVID-19 pandemic-related restrictions were lifted, there has been an increase in the number of diners and drinks among employees. This might be an outdated idea, but for ITOCHU, which considers people to be its greatest management resource, I believe we need to share knowledge and ideas. A wall is a barrier that we have to break down if we wish to continue our business. In order to break down these walls, we need to establish open communication and understanding. We need to understand the expectations placed on us, and we need to communicate our expectations to others.

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The “Merchant” Business Model

A Value Creation Model Centered on “Sampo-yoshi”

In enhancing corporate value, we must use capital and our four strengths to drive the growth of our economic value and environmental/social value. Specifically, we are working to expand created value (Achievement of Short-Term Targets), increase the growth rate (Steppingstones to Medium- to Long-Term Value Creation), and lower the cost of capital (Initiatives and Systems Supporting Sustainable Growth). As a result, we will continue realizing a virtuous cycle that further reinforces capital and our four strengths, which are the driving forces for sustainable value creation.

What is ITOCHU focusing on?

To enhance corporate value, we aim to expand created value, increase growth rate, and lower cost of capital. We are therefore conducting management with a focus on the following points.

- **Enhancement of Corporate Value**
  - “Sampo-yoshi,” “Earn, Cut, Prevent,” and Commitment-Based Management
  - We will promote our management strategies and policies with speed and flexibility, while always keeping in mind our corporate mission of “Sampo-yoshi” and “Earn, Cut, Prevent.” Through our unwavering practice of commitment-based management, we will achieve sustained value creation.

- **Increase Growth Rate**
  - Focusing on Fields and Sectors Where We Can Demonstrate Our Strengths
  - In order to adapt to the volatile business environment and diversifying consumer needs, we will achieve sustained value creation by steadily laying the steppingstones in fields and sectors where we can demonstrate our strengths.

- **Lower Cost of Capital**
  - Preparations with Foresight
  - While mitigating future risks early based on the PEST analysis as well as other factors, we will continuously review our structure including for corporate governance, thereby achieving sustained value enhancement.

- **Create Value**
  - “Earn, Cut, Prevent”
  - “Earn” Conduct trade aligning with changes in the world and customer needs
  - “Cut” Reduce expenses that are not cost effective, reduce unnecessary meetings and documents, etc.
  - “Prevent” Prevent outflows due to losses on receivables and impairment losses

Creating Added Value / Asset Strategies

- Universal Means
- Creating Added Value
- Asset Strategies

With the strategic importance of business investment increasing, we are emphasizing investment in our areas of strength while building and steadily implementing asset strategies that entail thorough risk management and the pursuit of asset efficiency.
Driving Force for Sustainable Value Creation

Component of the corporate value calculation formula focused on in this section

Corporate Value = Created Value

Cost of Capital ---- Growth Rate

Section Highlights

☑ ITOCHU’s Accumulated Non-Financial Capital
☑ Examples of Combinations of Non-Financial Capital in ITOCHU's Businesses
☑ Historical Background and Reasons for the Establishment of Our Strengths
☑ Special Feature 1: Highly Unique Human Resource Strategy to Enhance Corporate Value

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Accumulation of Non-Financial Capital

Sustainable Value Creation through Strengthening of Trust and Creditworthiness

ITOCHU conducts its business through both trade and business investment. In the course of our history over 160 years, we have steadily accumulated internal capital through our business, such as human and organizational capital and business know-how.

We believe that trust and creditworthiness are extremely important for the symbiosis of internal and external capital, which mutually influence each other. By always remaining conscious of trust and creditworthiness in our management practices, we aim to continuously enhance corporate value through realizing growth in both economic value and environmental/social value.

Explanation of Each Capital

Human and Organizational Capital

We strengthen individual capabilities through our human resource strategies and enhance labor productivity. In addition, our business divisions have powerful backing from our administrative divisions, which have quick decision-making systems and high-level expertise, therefore practicing the ‘learn, cut, prevent’ principles.

- Labor productivity of employees
- Company ranking among jobseekers
- Monthly average overtime hours
- Annual paid leave acquisition rate
- Investment in human resource development per employee
- Number of employees with Chinese-language qualifications
- Engagement survey

Business Portfolio

With eight Division Companies operating businesses in a diverse range of industries, ITOCHU has accumulated extensive and advanced business know-how. This is a vital intangible asset for creating new businesses and entering into new regions.

- Number of new businesses formed
- Number of years of business with existing customers
- Number of contact points with consumers and volume of data
- Analysis of various data and proof-of-concept data

Financial Capital

We maintain win-win relationships with our clients and partners, which include a large number of leading companies. This is vital to our ability to rapidly expand into new domains and constantly capture and expand trades. It is our abundant client and partner assets that enable us to realize sustainable earnings growth.

- Ratio of Group companies reporting profits
- Management efficiency indicators

Client and Partner Assets

We meet social demand for stable procurement and supply of natural resources, while capturing new business opportunities in responding to social issues outlined in the SDGs.

- Profiles from initiatives with blue-chip partners
- Number of clients and partners
- Expenses reduced and decrease in losses on bad debts

Natural Resources

ITOCHU engages in continuous and constructive communication with its stakeholders, grasping and addressing their expectations and demands toward the Company, thereby making it possible to promptly promote business activities in Japan and overseas, and further enhancing corporate value.

- Number of engagements with stakeholders
- Number of sustainability surveys conducted
- Number of employees participating in sustainability and compliance-related internal training
- External evaluation by ESG rating agencies, etc.
- Shareholder return (dividends and share buybacks) and EPS

Examples of KPI and Monitoring Indicators

- Realization of Mission and Guideline of Conduct
- Business support and control function of administrative divisions
- Fostering a Results-Oriented Culture and the creation of an environment for sustainable growth
- Health management (Support for Balancing the Cancer Care and Work, etc.)
- Establishment of the Volunteer’s Advancement Committee as an advisory committee

Examples of Strengthening Measures

- Periodic review and improvements through engagement surveys
- Page 10 Special Feature 1: Human Resource Strategy to Enhance Corporate Value

Business Creation through Combinations of Capital

Examples of Key Combinations of Capital in the Businesses Highlighted in the Special Feature of Annual Report 2023

Polishing Value Chain, Starting with FamilyMart and Steppingstones for Further Growth

Value chain evolution utilizing ICI’s (Business Know-How)

Strong value chain through collaboration with the FOC Tri Group (Business Portfolio)

The Group’s largest consumer contact points (Client and Partner Assets)

Polishing and Further Expanding the Earnings Base of the North American Construction Materials Business through a Hand-Over-Management Style

- Improvement of the surrounding ecosystem for the Construction Business
- Improvement of the surrounding ecosystem for the Materials Business

Excellent customer issues of major home improvement retailers, etc.

Evolution of the Value Chain through Collaboration between CTC and Our Group of Digital Businesses

Group of digital businesses that enable support for customers’ C2 (Business Portfolio)

Initiatives to cater to C2 implementation needs as society introduces digital technologies

Relationships with Society

- Number of engagements with stakeholders
- Number of sustainability surveys conducted
- Number of employees participating in sustainability and compliance-related internal training
- External evaluation by ESG rating agencies, etc.
- Shareholder return (dividends and share buybacks) and EPS
- Number of compliance violation incidents

Examples of Each Capital (Importance)

Human and Organizational Capital

- External Capital

- Client and Partner Assets

- Natural Resources

- External Capital

- Relationships with Society

- Financial Capital

- Business Portfolio

Examples of KPI and Monitoring Indicators

- Examples of Strengthening Measures

- Examples of Each Capital (Importance)

- Examples of KPI and Monitoring Indicators

- Examples of Strengthening Measures

- Examples of Each Capital (Importance)

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- Examples of KPI and Monitoring Indicators

- Examples of Strengthening Measures

- Examples of Each Capital (Importance)
ITOCHU analyzes the magnitude of opportunities to increase its non-financial capital as well as the magnitude of risks with the potential to damage such capital. Based on its findings, the Company identifies as its material issues those social issues that require prioritized and proactive initiatives by the Company. We then set out to resolve the identified material issues through business operations. By leveraging trust and creditworthiness garnered over many years, we will maintain and further grow our non-financial capital.

We also recognize that trust and creditworthiness are strongly related to all of our material issues.

ITOCHU's Logic Tree for Building Up Corporate Value

Medium-term management plan "Brand-new Deal 2023" establishes further strengthening of our robust earnings base centered on the non-resource sector as a goal and sets a long-term target for reducing GHG emissions. We are steadily advancing initiatives to reach this goal and target. In addition, in FYE 2024, the last year of "Brand-new Deal 2023," the management plan sets short-term targets based on updated quantitative targets. We set a succession of short-term targets to provide milestones for our climb toward medium- to long-term targets. Through commitment-based management that emphasizes the steady achievement of targets in all time frames, we will realize sustained, sure-footed growth in corporate value.
**Strengths Accumulated as a Merchant**

Since its founding in 1858, ITOCHU has fostered a unique corporate culture while flexibly changing its business structure, primarily by dynamically allocating management resources to growth areas that shift with time and leveraging business investments to enhance in the value chain. Our business model, which currently boasts high sustainability, has enabled us to consistently overcome the obstacles we have faced, such as the management reforms in the late 1990s. The driving force behind this model lies in four strengths we have accumulated over our history of more than 160 years.

**Focus Mainly on the Textile Sector**
Chubei Itoh I commenced linen trading operations via Osaka in Senshu (now the southwestern part of Osaka Prefecture) and Kishu (now Wakayama Prefecture). From a base in Osaka, we expanded business, mainly in the textile sector.

**Diversification, Including Automobiles, Petroleum, and Food**
We pursued a path of diversification, and as a result non-textile areas accounted for around 40% of trading volume in 1958. In the 1960s, we expanded our business to include energy machinery, general merchandise projects, and the iron and steel business, becoming a “¥1 trillion trading company.” In 1977, we further expanded the iron and steel business through a merger with Alakia & Co., Ltd.

**Expansion in the ICT Sector**
As yen appreciation became a feature of the economy, we promoted internationalisation and globalization. We moved aggressively into the ICT field and entered the satellite business.

**Set the Steppingstones for the Current Business**
We took decisive action to dispose of low-efficiency and unprofitable assets to sweep away negative legacy assets from the bubble era. At the same time, we set in place the steppingstones for the future, such as acquiring shares in FamilyMart in 1998.

**Enhancing Comprehensive Strength by Harnessing Our Ability of Self-Transformation**
Ahead of other general trading companies, we began focusing on the non-resource sector. We commenced a strategic business and capital alliance with CITIC and CP Group, strengthened North American construction materials-related businesses, acquired the Dole business, increased stake in major Group companies, and privatized FamilyMart. We have further built up comprehensive strength and promoted self-transformation from a market-oriented perspective in part for entrusting our business investments to create multifaceted businesses that connect for synergy, establishing The 8th Company, and developing the value chain of energy storage systems.

**Consolidated Net Profit**

- **1970**
- **1980**
- **1990**
- **2000**
- **2010**
- **2020**

**Accumulated Strength**

**Comprehensive Strength and Ability of Self-Transformation**

**Compound Annual Growth Rate of Consolidated Net Profit**

- **12.9%**

(FYE 2011-FYE 2024 Plan)

We realize sustainable growth by leveraging our comprehensive strength as a general trading company and flexibly transforming ourselves in response to the external environment.

*Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University*
Expanding Business into China

1972

In 1972, then-President Masakazu Echigo headed a mission to China and attempted to make an early start at cultivating the Chinese market. This led to our current business results and relationships of trust.

Accumulated Strength
Experience and Track Record in China and Other Parts of Asia

ITOCHU was the first major general trading company to be accepted to restart trading between Japan and China. This early success in building a bridgehead in China has led to our current strength of “experience and track record in China and other parts of Asia.”

Under “Brand-new Deal 2017” (FYE 2016–2018), we sought to enhance corporate value sustainably from a longer-term perspective. We worked with the CP Group to make a joint investment in CITIC, the largest investment in ITOCHU’s history (approximately ¥600.0 billion), and placed a major strategic steppingstone in the world’s largest consumer markets of China and other parts of Asia. CITIC is the largest Chinese state-owned conglomerate, and the CP Group is the largest conglomerate in Thailand, which has built up various businesses across China. Working with these two reputable partners, we strive to develop businesses which will lead to improving the earning power in our strong non-resource sector.

Accumulated Strength
Earning Power in the Non-Resource Sector
Further Enhancing Earning Power in the Non-Resource Sector

ITOCHU’s business originated with textiles. In contrast with the general trading companies associated with the former zaibatsu industrial groups, the Company has weaker connections to the national government and companies in heavy industry. We, therefore, inevitably built up strengths in the non-resource sector, centered on clothing, food, and housing, where we have a wealth of expertise.

“Brand-new Deal 2014” (FYE 2014–2015) was subtitled, “Aiming to be the No. 1 Trading Company in the Non-Resource Sector.” Under it, ITOCHU did, in fact, become the No. 1 general trading company in the non-resource sector. We attribute this success to our efforts to enhance the returns from major investments completed, improve the profitability of existing businesses, and revise investment criteria directing slightly lower than 80% of new investment to the non-resource sector. Following that, we continued to accumulate strengths in the non-resource sector and strengthen an earnings base that is diversified across many fields and more resilient to economic volatility, thereby enabling the stable generation of cash flows.

Core Profit in the Non-Resource Sector

¥574.5 billion (FYE 2023)

Although the shape of our business has significantly changed from its foundation, expanding from linen trading to the development of a value chain that includes SDGs-related businesses, the Company’s main focus remains on the non-resource sector.

Accumulated Strength
Individual Capabilities
Strengthening Our Foundation to Harness Individual Capabilities

Since its founding, ITOCHU did not maintain freestanding stores, but instead cultivated a spirit of creating businesses on its own. Based on this DNA and our core focus on the non-resource sector, which consists of small businesses and a large number of customers, we have cultivated “individual capabilities.” The ability of individuals, who are also referred to as “brave warriors,” to create businesses through their own discretion on the front lines is characteristic of the Company and the driving force behind its sustainable value creation.

Under “Brand-new Deal 2012” (FYE 2012–2013), we established our business fundamentals as the strengthening of front-line capabilities and the “earn, cut, prevent” principles, then implemented various internal reforms to draw forth our latent individual capabilities. We subsequently enhanced initiatives for work-style reforms, including the introduction of the Morning-Focused Working System in FYE 2014. As a result, we achieve high labor productivity based on a small organization comprising select individuals. In fact, ITOCHU has the lowest number of employees on a non-consolidated basis among Japan’s general trading companies.

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.19 billion (FYE 2023)

From the Company’s founding, merchants developed business by balancing their wares on shoulder poles as they traveled on foot to distant locales. This DNA has been steadily passed down through the eras until the present as “individual capabilities.”
**Unwaveringly Continuing Build Up Strengths**

In FYE 2023, we achieved consolidated net profit of more than ¥800.0 billion for the second consecutive year by further growing our core profit in the non-resource sector through augmentation of existing strengths and the steady stepping up of our performance. Currently, while COVID-19 pandemic-related restrictions were lifted in Japan, the business environment is becoming increasingly unpredictable due to the continuation of a mix of multiple causes for uncertainty, including geopolitical risks, such as the unresolved Russia-Ukraine situation, concerns about an economic slowdown due to persistently high interest rate levels and further inflation, which are centered on North America and Europe, and foreign exchange rate volatility. Responding flexibly to changes in this business environment by utilizing our accumulated four strengths as the driving forces, we will both envision the next profit stage to the consolidated net profit at the ¥800.0 billion level and seek further dramatic advances by rigorously applying the "earn, cut, prevent" principles again that serve as our business fundamentals and by building a robust earnings base through steadily laying the steppingstones.

**Virtuous Cycle That Increases the Sustainability of Strengths**

Overcoming numerous adversities during a history spanning more than 160 years, we have built up four strengths, which have become more sustainable by interacting with each other while growing together as part of a virtuous cycle. Going forward, we will augment these four strengths even further and sustainably enhance corporate value through continuous self-transformation in step with the emerging trends and currents in society.

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**FYE 2023**
- Harnessing Comprehensive Strength and Individual Capabilities through Self-Transformation
- Surpassing ¥800.0 billion for the second consecutive year (Further enhancement of “earn” power)

**FYE 2016**
- Stepping stones toward China and Other Parts of Asia
- No.1 General Trading Company in Consolidated Net Profit

**FYE 2015**
- Strengthening Earning Power in the Non-Resource Sector
- No.1 in the Non-Resource Sector

**FYE 2012**
- Boosting Individual Capabilities
- No.1 in the Consumer Sector

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**Toward Establishment of a Robust Earnings Base**

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Develop a Rewarding Work Environment

Having clearly identified human resource strategy as a key component of its management strategy, ITOCHU’s management team is committed to creating a company that is challenging but rewarding to work for, where meeting the demands of work is not only challenging but also rewarding in many different ways.

ITOCHU disclosed detailed content of its suite of unique work-style reforms, which began from 2010, to pique the interest of society and meet its expectations. We try to connect this action to the benefit of society as described in the Company's corporate mission of "Sampo-yoshi." As well as improving employee motivation and labor productivity, our successful creation of a front-line-focused rewarding workplace environment in which every employee can fully realize their capabilities, while strengthening our front-line capabilities, is creating a virtuous cycle that results in a favorable external reputation enabling us to recruit outstanding human resources.

Enhance Corporate Value through Improved Labor Productivity

The first measure for our unique work-style reforms was to establish "I-Kids," which is a childcare center for employees, in January 2010. At the time, there were such social problems as rising numbers of children on waiting lists due to a shortage of certified daycare facilities. We decided to open "I-Kids" next to our Tokyo Headquarters, with the aim of removing barriers to continued employment and bolstering employee motivation to keep working after childbirth. After then-President Okafuji became president in April 2010, a suite of work-style reforms was begun in full gear.

Evolving Work Styles

Our unique work-style reforms began in FYE 2010 and continued to evolve over the following years. The number of non-consolidated employees at ITOCHU is the lowest among Japan’s general trading companies, and the Company, will, as a policy, remain a small select organization of capable individuals. To rack up even more successful accomplishments with a small number of non-consolidated employees, we are focusing our recruitment activities on securing excellent human resources who embrace the corporate mission of "Sampo-yoshi." In recent years, ITOCHU has clinched the top spots in company rankings among jobseekers, which is proof that students regard ITOCHU as a sustainable company worthy of entrusting their own lives to.

Recruiting Outstanding Human Resources

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Company ranking among jobseekers according to seven major institutions*  

* "All industries" had consecutive years - No.1 from four institutions
* "General Trading Companies" had consecutive years - No.1 from seven institutions

Evolving Work Styles

Pursuing efficiency through Morning-Focused Working System, etc.

The first measure for our unique work-style reforms was to establish "I-Kids," which is a childcare center for employees, in January 2010. At the time, there were such social problems as rising numbers of children on waiting lists due to a shortage of certified daycare facilities. We decided to open "I-Kids" next to our Tokyo Headquarters, with the aim of removing barriers to continued employment and bolstering employee motivation to keep working after childbirth. After then-President Okafuji became president in April 2010, a suite of work-style reforms was begun in full gear.

Following the Great East Japan Earthquake in 2011, we also decided to return to work styles focused on the front lines where we would be close to customers, and so we abolished the flextime system. Then, in FYE 2014, we introduced the Morning-Focused Working System. We prohibited overtime work past 8:00 p.m., in principle, and if people had to work overtime, we encouraged them to instead do so early the next morning between 5:00 a.m. and 8:00 a.m. By coming in early, they have enough time to prepare for sales consultations with customers and can work more effectively. We urged employees to change their behavior by providing employees who begin work before 8:00 a.m. with a higher wage rate and free breakfast, as an incentive. In the ensuing decade, the Morning-Focused Working System has become entrenched in the Company. This has not only changed employee mindsets regarding time but also supported the activities of employees who have restrictions on their work hours due to childcare, nursing care, illnesses, or other factors. The system has also helped enhance employee job satisfaction in part by creating time to spend with family and for self-improvement.

Recently, the declining birthrate is becoming a major social issue in entire Japan. Since ITOCHU introduced the Morning-Focused Working System, the birthrate for female employees has risen. In FYE 2022, the rate was 1.97, compared with a national figure of 1.30* and 1.08* in Tokyo. We consider this a major accomplishment of our suite of work-style reforms, especially the Morning-Focused Working System. We will continue striving to further enhance labor productivity through the evolution of work styles in line with the diverse values of employees.

Trend in Birthrates

* Total annual fertility rate for 2021 in demographic statistics released by the Ministry of Health, Labour and Welfare

<table>
<thead>
<tr>
<th>Year</th>
<th>Morning-Focused Working System Introduced</th>
<th>Support for Balancing Cancer Care and Work started</th>
<th>Women’s Advancement Committee established</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 2014</td>
<td>1.41</td>
<td>1.54</td>
<td>1.60</td>
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<tr>
<td>FYE 2018</td>
<td>1.45</td>
<td>1.42</td>
<td>1.33</td>
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<tr>
<td>FYE 2022</td>
<td>1.20</td>
<td>1.12</td>
<td>1.08</td>
</tr>
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[Graph showing birthrate trends over years]
Special Feature 1: Human Resource Strategy to Enhance Corporate Value

**Enhancing Health**

Developing an environment where employees can continue working with peace of mind

We consider enhancing health the foundation of strengthening personnel capabilities to achieve the Guideline of Conduct: “I am One with Infinite Missions.” Accordingly, we have formulated the ITOCHU Health Charter and promoted many measures related to health and safety, such as Support Measures for Balancing Cancer Care and Work. This measure was introduced in ITOCHU in FYE 2018 in an effort to create an environment where employees can work with peace of mind. They include regular special screenings conducted in cooperation with the National Cancer Center Research Institute, support for educational cost to graduate school in the event that there are bereaved children, and support within the Group for bereaved children and spouses.

Moreover, the cancer incidence rate is higher for women in their thirties. Therefore, we are promoting Support for Balancing Cancer Care and Work, which are also expected to support the advancement of women. To establish a work environment where women can actively work over the long term, we encourage female employees under 34 years old to get cervical cancer tests. These are typically compulsory for women 35 years and older at ITOCHU, but we have been providing a subsidy to cover the test fees since FYE 2021. In FYE 2023, we established a help desk where employees can anonymously consult with external midwives hired by ITOCHU on matters related to women-specific health concerns, as well as issues of balancing work and life.

In recognition of these steadfast efforts, we garnered high praise from society. For example, we received the medical exam category award for FYE 2023, from the Ministry of Health, Labour and Welfare’s Cancer Countermeasure Promotion Company Action program, and ITOCHU was selected as a Health & Productivity Management Outstanding Organization (White 500) for the seventh consecutive year since FYE 2017. Going forward, we will continue to prioritize the health of every employee and realize a work environment where employees can work with peace of mind.

**Women’s Advancement**

In October 2021, to further accelerate women’s advancement, we established the Women’s Advancement Committee as an advisory committee for the Board of Directors. The committee was chaired by Atsuko Muraki*, who was at the time an Outside Director, and half of its members are outside officers. In addition to investigating various measures the Company has taken to date, the committee hears the opinions of employees and the front lines. It also holds regular deliberations on necessary countermeasures, as well as the future direction for policies on accelerating training for managerial promotions and evolving toward flexible workstyles.

Going forward, after meticulously assessing the situation of every female employee, we will continue to steadily encourage female employees as we work to perpetuate the cycle of collaboration with the front lines, discussions at the Women’s Advancement Committee, and reporting to the Board of Directors.

**Gender Pay-Gap**

Nearly 80% of career-track female employees, who are assigned core roles of ITOCHU, are still in their 30s and 40s. While the primary factor behind the gender pay gap is the low percentage of women in managerial positions. There is, however, no gender pay gap for the same position and duties under the Company’s human resource system. ITOCHU set quantitative targets for the total number of career-track women recruited in the early 2000s. While we succeeded with certain hiring targets, we failed to establish a receptive environment on the front lines, which led to attrition. In light of this situation, we consider it necessary to establish a work environment, rooted in the front lines, that enables career-track women to work actively over the long term. Since 2010, we have promoted a suite of work-style reforms. At the long-term, that enables career-track women to work actively over the long term. Since 2010, we have promoted a suite of work-style reforms. In FYE 2020, we introduced the Infinite Missions Award to raise awareness of participation in management among employees, we provide financial incentives for owning ITOCHU stock through the Employee Shareholding Association. Since FYE 2020, we have provided special financial incentives through this mechanism when the Company’s results exceed a certain threshold as ITOCHU introduced a stock compensation scheme that provides a commensurate amount of shares. Through these measures, the participation rate is almost 100%, at the high level rarely seen in Japan. This supports the asset formation of our employees, and successfully links the Company’s performance with their personal assets, ensuring employees stay attuned to changes in share price and management.

In FYE 2021, we introduced the Infinite Missions Award to honor teams who have made major accomplishments or promoted SDGs initiatives and businesses based on a market-oriented perspective. We have also introduced systems that help enhance the job satisfaction of Group employees, such as the Excellent CEO Club, to honor the presidents of the Group companies who demonstrate excellent management skills, and the “Group Companies Management Awards Program” for the Group companies that helped enhance corporate value of the Group.

**Supporting Employee-Led Career Development**

Creating growth opportunities based on each individual’s aptitudes

ITOCHU provides each employee with opportunities for self-directed study and challenging experiences, and promotes Groupwide career-building support and personnel development suited to diverse capabilities and characteristics. The Company systematically provides locations for diverse experiences beyond the boundaries of the headquarter, such as dispatches to Group companies and overseas experience by the eighth year of joining the Company. Since FYE 2000, we have positioned training costs as human capital investments for the sustainable enhancement of corporate value and invested around ¥1.0 billion every year. We conduct periodic reviews across the Company to help create more effective personnel training measures. In addition, in support of career development, we introduced elective online training programs with roughly 9,500 courses that can be taken freely with no limits on time or location. The programs are also provided overseas, not just for employees stationed overseas, and are utilized every year by around 1,000 employees of overseas offices and branches. In addition, we expanded the Challenge Career System (in-house recruitment system), which enables employees to transfer between organizations, and introduced the Virtual Office (in-house dual jobs system) as a platform for cross-organization collaboration.

**Virtual Office**

Cross-organization collaboration platform to promote projects across organizations and accelerate the creation of new businesses

ITOCHU introduced a salary structure highly linked to the Company’s performance. In line with the steady expansion of the Company’s results, average yearly income was ¥17.30 million in FYE 2023, firmly in the top level in Japan. From FYE 2025, to increase employee motivation and competitiveness for recruitment, we will focus on personnel evaluations and rewards based on achievement by revising personnel system.

In addition, from FYE 2014, we introduced the excellent employee award system to honor employees who have made notable quantitative and qualitative contributions.

**Providing Evaluation and Compensation Commensurate with Results**

Promoting growth by increasing feedback and level of understanding

In FYE 2021, we introduced the Infinite Missions Award to honor teams who have made major accomplishments or promoted SDGs initiatives and businesses based on a market-oriented perspective. We have also introduced systems that help enhance the job satisfaction of Group employees, such as the Excellent CEO Club, to honor the presidents of the Group companies who demonstrate excellent management skills, and the “Group Companies Management Awards Program” for the Group companies that helped enhance corporate value of the Group.

**Increasing Awareness of Participation in Management**

Utilizing the Employee Shareholding Association to enable medium- to long-term asset formation

To raise awareness of participation in management among employees, we provide financial incentives for owning ITOCHU stock through the Employee Shareholding Association. Since FYE 2020, we have provided special financial incentives through this mechanism when the Company’s results exceed a certain threshold as ITOCHU introduced a stock compensation scheme that provides a commensurate amount of shares. Through these
We regularly conduct engagement surveys to capture employee feedback on the company, organization, systems, etc., in order to utilize it for future personnel measures and beyond. Taking the results into consideration, we review human resource strategies, and decide on countermeasures to issues at the Executive Committee. In fiscal years when we do not conduct engagement surveys, we conduct simplified surveys with the boundaries of organizations.

**“Work-style reforms” Evolution (every five years)**

**2010–**
- FYE 2011
  - In-house childcare facility “I-HAIG” established January 2013
- FYE 2017
  - “Work-style reforms” Started
- FYE 2018
  - “Morning-Focused Working System” introduced

**2015–**
- FYE 2022
  - “Women’s Advancement Committee” established
  - “Support for Balancing Cancer Care and Work” started

**2020–**
- FYE 2023
  - “Morning-Focused Flextime System” introduced
  - “Work from home system” introduced for all employees

In the engagement survey conducted in FYE 2022, we continued to receive a high level of positive responses. Compared with FYE 2019, however, there was a decrease in the figures in cultivation (engagement). After analyzing the factors, we recognized the need to respond to the diverse values of junior and female employees in particular. Therefore, as the second stage of work-style reforms starting from FYE 2023, we evolved the morning-focused working system and introduced the morning-focused flextime system and the work from home system (available to all employees). Recognizing support for junior and mid-career employees and female employees as an issue, ITOCHU will continue implementing various initiatives, such as support for career continuation in consideration of life events. By adhering these measures, ITOCHU will work to further enhance corporate value.
Mr. Ken Shibusawa and CAO Kobayashi talked about visualizing the “non-visible value” of companies and the way sustainability runs through the past, present, and future.

A Sense of Mission Shared by Entrepreneurs Who Lived in the Same Era

Kobayashi: ITOCHU is proud of our 165 year history of sustained operations since our founding in 1858, when Chubey Itoh I commenced linen trading operations. Counting from when he opened the first store called “Bencho” in Osaka’s Honmachi area in 1872, 2022 marked the 150th anniversary of our Company. Notably, that was also around the same time that Eiichi Shibusawa, regarded as “the father of Japanese capitalism,” resigned from the presidency of Chubai. In January 2020, he founded Commons, Inc., which was subsequently renamed Commons Asset Management, Inc. In 2008, and took on the position of Chair. In January 2023, he succeeded to the Chairmanship of Commons Asset Management, Inc. What is more remarkable is that Eiichi Shibusawa and Mr. Ken Shibusawa I also adhere to the philosophy called “Sampo-yoshi” and “RONGO (Ethics) and SOROBAN (Economy)”.

Shibusawa: Yes, indeed. Firstly, the Shibusawas were originally farmers of indigo and silkwovens, so they were involved in the textile business and shared that in common with the Itohs. As Japan’s modernization progressed amidst the drastic changes of the era, both men broadened their views beyond their family businesses to embrace a common sense of duty to help enrich the world through business. I also believe that they worried about society’s divergence away from the “buskido” philosophy and morality, and embracing a philosophy focused solely on putting profits first.

Kobayashi: Turning now to the modern era, Japanese companies have been adopting concepts and systems based on European and American shareholder capitalism. To date, they mainly undertake management with maximizing shareholder returns as its mission. Now, however, in line with the idea that the pursuit of shareholder profit alone cannot guarantee the sustainability of companies, “stakeholder capitalism” is being increasingly emphasized, start- ing with Europe and the United States. This revives the spirit and sense of mission that our two founding fathers held close to their hearts, and their mission of enriching the world through business. With a universality transcending both eras and borders, their vision is making a comeback.

Shibusawa: To avoid simply replicating superficial imitations of European and American concepts, and also to uphold our own traditional Japanese spirit, Eiichi Shibusawa professed that we should value not just the “How,” but also the “Why.” Companies will not exist in perpetuity if they only have good management processes and methods. I believe that the “power of human” is the source of a company’s sustainability. ITOCHU has now grown to become a huge company, despite its humble beginnings as a small start-up when it was founded. Over the long course of over 160 years since its founding, I believe ITOCHU has been able to sustain its operations by maintaining a trailblazing spirit throughout each new era, and also by endeavoring to meet the diverse and changing needs.

Sustainability Unique to General Trading Companies

Kobayashi: In the pursuit of progress with our sustainability going forward, we remain well aware of the need to avoid merely continuing to do the same things as in the past in order to ensure the sustainability of our Company. I would be very grateful if you could offer your advice and guidance related to ITOCHU’s vision and the direction in which our Company should head.

Shibusawa: When we talk about sustainability, companies and stakeholders need a “common language.” General trading com- panies operate a wide range of businesses across diverse industries, with varying positions in the business flow pro- cesses ranging from upstream to downstream. Also, the businesses of trading companies are intricately woven into people’s day-to-day lives. Consequently, there has been an organic increase in the external demands and expecta- tions which general trading companies need to consider.

Accordingly, there are many sustainability issues that need to be addressed, and I am sure ITOCHU receives various guidance on them. But I think what ITOCHU needs to avoid is just passively responding to this multitude of issues. Instead, ITOCHU should proactively advocate its core philosophies that have enabled it to establish a strong track record of sustainability reflected in its over 160 years of operations. For example, the differing positions on and status of GHG emissions reductions in each country make it a difficult course to navigate. And while developed coun- tries aim to withdraw from fossil fuel burning activities, emerging and developing countries will still need coal and other inexpensive sources of fuel for their ongoing devel- opment. I think it is somewhat unrealistic to expect these countries to avoid the use of any fossil fuels, but I expect ITOCHU to work on resolving issues in various countries by providing new technologies and solutions cultivated from its involvement in a diverse range of businesses.

Shibusawa: In accordance with our medium-term management plan, ITOCHU has laid out “Enhancing our contribution to and engagement with the SDGs through business activities” as one of our basic policies. Our Company was the only one among the general trading companies to have disclosed information on GHG emissions from all of its related fossil fuel businesses and interests. Moreover, we formulated targets that newly include the concept of “off- sets” in the context of GHG emissions reduction. By Fye 2022, we sold three of four thermal coal interests that we held in Fye 2019 as part of our efforts to reduce GHG emissions from fossil fuel businesses and interests. Our Company aims to achieve the Japanese Government’s “2050 Carbon Neutral” goal 10 years ahead of schedule, in 2040, by leveraging business expansion in areas such as renewable energy to help offset and reduce our Company’s own GHG emissions. However, I feel that Scope3 emissions disclosure poses a major challenge for ITOCHU because it operates businesses with a huge number of companies across supply chains in a wide range of business fields. Please consider this issue in your approach to climate change.

Shibusawa: This appears to be an issue that is unique to general trading companies. When I have conversations with overseas experts, it is assumed to disclose estimates; how- ever, people in Japan worry about how accurately they can disclose GHG emissions from the upstream to the downstream. The criteria for Scope3 emissions disclo- sure is still being discussed overseas as well, so for example by conducting flexible initiatives such as proac- tively identifying the range that is to be disclosed based on the characteristics of its businesses and demonstrating the relationship with financial information, I think ITOCHU could become a leading model for compa- nies facing similar issues.
Kobayashi: Thank you for your sound advice. We have spent considerable time discussing our mission of “achieving the SDGs,” including decarbonization, and consider this a crucial social responsibility in which we need to not only deal with immediate issues but also educate and raise awareness among the next generation. In keeping with this responsibility, we established the ITOCHU SDGs STUDIO next to our Tokyo Headquarters as a base to disseminate knowledge about the SDGs. The studio also features a facility where children can learn through play about SDGs concepts and their connections to society. We are happy to be able to report that many people are making use of this facility.

Page 76 New Facilities

Shibusawa: To contribute to the sustainability of society, educating children, who will be responsible for determining the future, is an important mission for companies.

Human Capital as a Source of “Non-Visible Value”

Kobayashi: From FYE 2023, it has become mandatory to disclose more extensive human capital-related disclosure in annual securities reports, but at the same time freedom over voluntary disclosure has also increased in certain aspects. ITOCHU’s score on the engagement survey conducted in FYE 2022 was high compared to the average Japanese company, but was slightly lower than our score recorded in FYE 2019. In particular, scores of junior employees have been on a downward trend, and our analysis has found certain key issues such as the desire for more flexible work styles, adverse effects of vertical organizational silos, and limitations of existing educational and training programs that require special attention. We disclose the results of our analysis both internally and externally, and we need to develop specific countermeasures to help resolve these key issues. Consequently, we sought first to resolve more flexible work styles. In full consideration of the front lines of our work where we interact with our customers, we introduced the Morning-Focused Work System to enhance efficiency. Consequently, labor productivity in FYE 2023 improved by approximately five times when compared with FYE 2011.

Shibusawa: Five times is astonishing! Corporate disclosure can be an effective tool for a dialogue to communicate policies, directions, and other important information to stakeholders. As an investor, we are interested not in what a company is accomplishing today, but rather where it is heading and what challenges the company is taking on, especially demonstrated quantitatively, to become able to do what it can in the future. Shows how much progress a company makes toward its goals, together with a concrete roadmap will be a favorable tool for future corporate value creation. I think there is a limit to the “Showa-style” employment structure of lifetime employment, seniority, and loyalty. Many companies are increasing the number of new graduates. While large companies tend to focus on a wide segment of Japanese society, and may be limited to the “Showa-style” employment structure of lifetime employment, seniority, and loyalty, many unique initiatives and human resource measures have been introduced. For example, the Morning-Focused Work System, which combines the flextime system with ITOCHU’s hallmark Morning-Focused Working System. We also expanded the work from home system to all employees. With regards to the issue of vertical organizational silos, which seems to be a common characteristic of all general trading companies, we are working to steadily eliminate these silos by introducing systems where employees can transfer more flexibly between Division Companies, as well as implementing the new Virtual Office system, which enables employees to hold dual jobs within ITOCHU. Frankly, we were unsure if we should disclose the issues identified in the engagement survey. However, by also disclosing our suite of countermeasures and clearly showing ITOCHU’s commitment to making improvements, we were able to garner acclaim from outside our Company as well as from our employees. In addition, the Company has set labor productivity as an indicator to measure the effectiveness of our human resource investments. And because ITOCHU has fewer employees compared to our competitors, we need to increase the labor productivity of each of our employees, whom collectively comprise our greatest management resource, in order to continue to enhance our corporate value. To this end, we have taken a variety of measures, such as reducing the number of meetings and documents to improve productivity and introducing our Morning-Focused Working System to enhance efficiency. Consequently, labor productivity in FYE 2023 improved by approximately five times when compared with FYE 2011.

Shibusawa: As you said, I think employees can only create value when they are first able to work without any concerns for their health. Personnel costs, benefits, and other similar expenses can be visualized to some extent, if it is somehow possible to measure the “good” done. Although I think the value as a “non-visible value” is not quantifiable financially; way, the value of people is not quantifiable financially; they have “non-visible value” and can be considered as an expected value that can be realized in the future. Looking at it from a capital markets perspective, a price-to-book ratio (PBR) of 1 time indicates a state where “visible value = market expectations,” completely absent of any “non-visible value.” The point where PBR exceeds 1 term marks the point at which “non-visible value = people” first appears in this valuation indicator, and reflects future growth expectations. ITOCHU has focused on human capital from early on and has achieved the highest PBR of all the general trading companies. I think this shows how there is a positive correlation between human capital and PBR.

Kobayashi: Thank you. I am extremely glad that ITOCHU’s “non-visible value” is being lauded by the market.

Promoting “Sampo-yosh” around the World and into the Future

Shibusawa: Let’s expand our perspective to include the world of investment, and also consider the “New Form of Capitalism” philosophy put forth by the Japanese Government. In addition to the two conventional dimensions of “risk” and “return,” we will continue incorporating the concept of “Impact investing” to visualize a third dimension of positive and negative impacts on the environment and society from the perspective of corporate management. ITOCHU’s “Sampo-yosh” corporate mission is not just about doing “good,” and interesting if you could figure out a way to measure the “good” done. Although I think the value as a “non-visible value” is not quantifiable financially; it is possible to visualize the impact of the value to the buyers and society, then it would also be possible to show the impact to society. And this could become a “common language” unlike any other in the world.

Kobayashi: When vaccines were being provided at workplaces during the COVID-19 pandemic, ITOCHU continually disclosed daily reports of its own vaccination program so that other vaccination centers might benefit from this information. Our Company also discloses all content related to our many unique initiatives and human resource measures. These activities have had a major impact in some cases on a wide segment of Japanese society, and may be referred to as ITOCHU’s unique “impact.” Just as I have received many clues through today’s dialogue with you, I have found a renewed sense of purpose and direction toward the world through our businesses. And we will remain committed to practicing our unwavering philosophy of “Sampo-yosh” and strive to further enhance ITOCHU’s sustainability. Thank you for your time today.
Achievement of Short-Term Targets

Component of the corporate value calculation formula focused on in this section:

\[
\text{Corporate Value} = \frac{\text{Created Value}}{\text{Cost of Capital} \times \text{Growth Rate}}
\]
Hiroyuki Naka  
Member of the Board, Executive Officer, CSO  
General Manager, Group CEO Office

CSO INTERVIEW

We view changes in the business environment as opportunities to utilize our strategy of both “offense” and “defense” to maximize expected value of our stakeholders.

Please explain the current business environment surrounding ITOCHU and the initial plan for FYE 2024.

Although we are in a period of a highly uncertain and unpredictable business environment, our plan reflects ITOCHU’s stable earnings foundation that is highly resilient to economic volatility.

Looking back on the business environment over the last few years, the COVID-19 pandemic caused chaos in the global economy, and the situation has remained extremely uncertain and unpredictable due to the prolonged Russian invasion of Ukraine. This has been accompanied by breakdowns in supply chains and soaring prices of resources. High raw material costs that were spurred by these soaring prices have led to inflation, and in turn interest rate hikes to curb inflation have brought about dramatic yen depreciation, creating a situation where multiple variables have compounded each other. In addition, real GDP growth was negative in 2020 during the COVID-19 pandemic, but made a huge rebound in 2021. Furthermore, developed, emerging, and developing countries maintained a decent level of growth in 2022 as well. In April, just before ITOCHU announced the FYE 2024 Management Plan, the International Monetary Fund (IMF) predicted that economic recovery will be polarized in 2023 among developed countries, especially with the United States and the Eurozone expected to experience significant deceleration, while emerging and developing countries, especially China and India, are expected to see solid economic recoveries. (Page 74 PEST Analysis (Macroenvironmental Factors through 2030))

The outlook for the Japanese economy is expected to gradually strengthen in 2023. In addition to full-scale “revenue spending” expected to follow the lifting of COVID-19 pandemic-related restrictions, there will also be positive effects from robust inbound travel demand, the continuation of monetary easing measures that will support corporate funding and capital expenditure expansion, rising wages, and the inflation control measures of the government.

Amid this business environment, the initial plan for FYE 2024 is based on conservative assumptions for the gradual normalization of resource prices and foreign exchange rates. The plan also incorporates profit growth in the non-resource sector, which is our Company’s strength, and a certain level of returns from growth investments. Our initial plan for core profit, which demonstrates our Company’s ability to generate profits, is ¥800.0 billion, and if achieved will be a record high for the third consecutive year. Consolidated net profit in the initial plan is ¥780.0 billion, net of extraordinary gains of ¥30.0 billion, which is more conservative than usual, and core profit. Amid the gradual stabilization of resource prices, the plan is suitable for a profit level of ¥800.0 billion and it indicates that ITOCHU’s stable earnings generating capability is highly resilient to economic volatility. (Page 48 FYE 2024 Management Plan)

Our business performance in FYE 2024 is already off to a very strong start given that earnings from our businesses are weighted more heavily toward the second half of the fiscal year. As CSO, I will work to firmly achieve our initial plan and continuously enhance our corporate value from both the financial and non-financial aspects by implementing preemptive strategies and countermeasures, while at the same time continuing to pay close attention to rapid changes in our business environment.

What are the points you consider important when making growth investments, and what are the FYE 2024 forecasts for CITIC’s performance?

For growth investments, we endeavor to uphold “the Four Lessons for Investments,” and expect CITIC’s performance to be stable.

We position FYE 2024 as a year in which we will shift the focus of our growth investments with an eye to the next stage of growth beyond the ¥800.0 billion profit level. ITOCHU’s exposure to the non-resource sector is around 80% to 90%, and we expect to maintain this level of exposure going forward. Stakeholders, especially investors, sometimes point out that we should place more focus on the non-resource sector, which is our strength. However, we believe that amid the aforementioned business environment, a decentralized portfolio leads to lower risk for our overall business. Furthermore, we gain valuable insights from directly conducting the resource sector business, which we can leverage in our non-resource sector business. I believe our “comprehensive strength” as a general trading company is a factor contributing to our “conglomerate management.”

When making growth investments, ITOCHU endeavors to uphold “the Four Lessons for Investments” that I explained in detail in my interview last year. These lessons are designed to prevent, 1. Overpaying for investments; 2. Investments aimed at earning profit from investments; 3. Overdependence on and overconfidence in partners; and 4. Lack of hands-on management. In particular, we always take essential steps to prevent overpaying for acquisitions by conducting careful due diligence and analyses of business plans before investing, securing effective exit strategies, and confirming the management structure of target companies. After making the investment, we make sure to avoid taking a blanket approach to all investments, and manage each investment differently. It is very important that those responsible for the investments visit the front lines of these investments themselves and quickly implement measures to resolve issues in accordance with the results of conducting careful due diligence and analyses of business plans before investing, securing effective exit strategies, and confirming the management structure of target companies. After making the investment, we make sure to avoid taking a blanket approach to all investments, and manage each investment differently. It is very important that those responsible for the investments visit the front lines of these investments themselves and quickly implement measures to resolve issues in accordance with the results of conducting careful due diligence and analyses of business plans before investing, securing effective exit strategies, and confirming the management structure of target companies. After making the investment, we make sure to avoid taking a blanket approach to all investments, and manage each investment differently.

CITIC’s performance remained extremely robust, setting record highs for the eighth consecutive year after ITOCHU invested in it in 2015. CITIC and its subsidiary bank have made a solid start in FYE 2024 as well. We need to pay attention to factors such as U.S.–China trade friction, the Taiwan situation, downward pressure on the Chinese economy, financial instability originating from the United States, and low share price valuations. However, the Chinese Government maintains its policy of strengthening state-owned enterprises, and we have determined that CITIC’s business foundation is robust. Therefore, we expect it to maintain solid performance in FYE 2024 that is similar to that seen in FYE 2023.

Please explain the background behind newly establishing the Group CEO Office.

We were determined to upgrade the organization in order to be able to quickly and accurately respond to changes in the business environment without being bound by existing frameworks.

The Group CEO Office, which was launched in April 2023, is directly supervised by our Chairman & CEO, and is a virtual organization headed by the CSO, myself. Also, the general managers of the Corporate Planning & Administration, Human Resources & General Affairs, and Global Risk Management divisions, as well as the manager of the CPE Department*, concurrently oversee this organization and invite the officers and employees required for each project to participate in this organization. To further strengthen our Group management, the Group CEO Office selects and trains management personnel, drafts plans to appropriately allocate assets, business expenses, and personnel within our Group, and produces Group-wide rationalization measures. The Group CEO Office is also in charge of strengthening Group engagement through evaluations and awards. Group companies are essential for us to enhance consolidated management, but the presidents of Group companies are typically individuals who have achieved success at ITOCHU, and tend to be senior to ITOCHU’s Division Company Presidents, who in some cases used to be their bosses. Therefore, Division Company Presidents sometimes feel hesitant to reach out to the presidents of Group companies, and Group company presidents may also find it difficult to consult with former subordinates. To prevent these kinds of situations, the Group CEO Office handles these matters by directly involving the Chairman & CEO, and ITOCHU’s Division Companies and Group companies based on the Chairman & CEO’s direct instructions.

Along with this reorganization, we placed The 8th Company, which was established in July 2019, under the supervision of the Group CEO Office. Although there is no change in the role of The 8th Company, the Chairman & CEO will become more directly than ever involved with guiding and supervising Group companies, and will strengthen the CEO Office to enhance coordination as a general trading company by ensuring our Group companies extend further support to FamilyMart, and by allowing the entire Group to move faster in the same direction.

* CPE Department: A dedicated department for the Jingu Gaien District Urban Redevelopment Project relating to our Tokyo Headquarters.
Results

We have steadily developed an enviable track record accompanied by resilience to economic volatility with the strategies of “Brand-new Deal” management plans, which began with “Brand-new Deal 2012.” Under the plans, we have always remained aware of the “earn, cut, prevent” principles in conducting business activities and took measures flexibly and promptly to deal with management issues, etc., and rapid changes in the external environment.

Steadily Continuing to Build Up Results

Brand-new Deal 2012

(FYE 2012–2013)

“Earn, Cut, Prevent”

Basic Policies

Strengthen Our Front-Line Capabilities

Proactively Seek New Opportunities

Expand Our Scale of Operations

Market Capitalization at Fiscal Year-End

¥1.8 trillion

Results

- Formulated and implemented the “earn, cut, prevent” principles
- Increased earnings through aggressive new investments
- Strengthened management foundations by reinforcing corporate governance etc.

Steady Achievement of Targets

Consolidated Net Profit

\n
<table>
<thead>
<tr>
<th>FYE</th>
<th>¥200.0 billion</th>
<th>¥200.5 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>¥200.0 billion</td>
<td>¥200.5 billion</td>
</tr>
<tr>
<td>2012</td>
<td>¥200.0 billion</td>
<td>¥200.5 billion</td>
</tr>
</tbody>
</table>

External Environment Management Issues, etc.

Brand-new Deal 2014

(FYE 2014–2015)

“Aiming to be the No. 1 Trading Company in the Non-Resource Sector”

Basic Policies

Boost Profitability

Pursue Balanced Growth

Maintain Financial Discipline and Lean Management

Market Capitalization at Fiscal Year-End

¥2.2 trillion

Results

- Solidified position as the No. 1 non-resource trading company
- Commenced strategic business alliance and capital participation with CITIC and CP Group
- Reformed work styles by introducing the Morning-Focused Working System etc.

Steady Achievement of Targets

Consolidated Net Profit

\n
<table>
<thead>
<tr>
<th>FYE</th>
<th>¥140.0 billion</th>
<th>¥140.3 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>¥140.0 billion</td>
<td>¥140.3 billion</td>
</tr>
<tr>
<td>2014</td>
<td>¥140.0 billion</td>
<td>¥140.3 billion</td>
</tr>
</tbody>
</table>

Brand-new Deal 2017

(FYE 2016–2018)

“Challenge”

“Engaging All Employees to Lead a New Era for the Sogo Shosha”

“Infinite Missions Transcending Growth”

Basic Policies

Strengthen Our Financial Position

Build Solid Earnings Base to Generate ¥400.0 Billion Level Consolidated Net Profit

Market Capitalization at Fiscal Year-End

¥3.4 trillion

Results

- Built an earnings base for consolidated net profit of ¥400.0 billion
- Received Moody’s A1 rating for the first time in roughly 20 years
- Envisioned work-style reforms and increased the Outside Directors’ ratio to at least one-third etc.

Steady Achievement of Targets

Consolidated Net Profit

\n
<table>
<thead>
<tr>
<th>FYE</th>
<th>¥400.0 billion</th>
<th>¥400.3 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥400.0 billion</td>
<td>¥400.3 billion</td>
</tr>
<tr>
<td>2018</td>
<td>¥400.0 billion</td>
<td>¥400.3 billion</td>
</tr>
</tbody>
</table>

Brand-new Deal 2020

(FYE 2019–2020)

ITOCHU: INFINITE MISSIONS: INNOVATION

“Evolution to Next-Generation Growth Models”

“Medium- to Long-Term Shareholder Returns Policy (October 2018)”

Basic Policies

Reinvention of Business Smart Management

No. 1 Health Management

Market Capitalization at Fiscal Year-End

¥5.7 trillion

Results

- Achieved the “triple crown” of general trading companies
- Privatized FamilyMart
- Became the first general trading company to be included in all ESG-related investment indices adopted by the Government Pension Investment Fund (GPIF) etc.

Steady Achievement of Targets

Consolidated Net Profit

\n
<table>
<thead>
<tr>
<th>FYE</th>
<th>¥500.0 billion</th>
<th>¥500.5 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>¥500.0 billion</td>
<td>¥500.5 billion</td>
</tr>
<tr>
<td>2020</td>
<td>¥500.0 billion</td>
<td>¥500.5 billion</td>
</tr>
</tbody>
</table>

Brand-new Deal 2023

(FYE 2022–FYE 2024)

Establish the “Profit Stage of ¥800.0 Billion”

Basic Policies

Realizing business transformation by shifting to a market-oriented perspective

Profit opportunities are shifting downstream

Enhancing our contribution to and engagement with the SDGs through business activities

“Sampo-yoshi capitalism”

Market Capitalization at Fiscal Year-End

¥800.0 Billion

Steady Achievement of Targets

\n
<table>
<thead>
<tr>
<th>FYE</th>
<th>¥800.0 billion</th>
<th>¥800.5 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>¥800.0 billion</td>
<td>¥800.5 billion</td>
</tr>
<tr>
<td>2021</td>
<td>¥800.0 billion</td>
<td>¥800.5 billion</td>
</tr>
</tbody>
</table>

Flexible Adapting to Changes and Issues

Concerns over obsolescence of existing businesses caused by the Fourth Industrial Revolution

Temporary deterioration in financial indicators due to an investment in CITIC

Flexible Adapting to Changes and Issues

Concerns over obsolescence of existing businesses caused by the Fourth Industrial Revolution

Temporary deterioration in financial indicators due to an investment in CITIC

External Environment Management Issues, etc.
FYE 2023 General Review (Quantitative Targets)

- Achieved consolidated net profit of over ¥800.0 billion for the second consecutive year and continued "commitment-based management*1.
- Expanded shareholder returns by executing an increase in dividends and active share buybacks and maintained strong financial position at record high level.

FYE 2023 Results

<table>
<thead>
<tr>
<th>FYE 2023 Initial Targets</th>
<th>FYE 2023 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net profit</td>
<td>¥800.5 billion</td>
</tr>
<tr>
<td>Cash flows</td>
<td>Positive of ¥213.0 billion</td>
</tr>
<tr>
<td>NET DEP</td>
<td>About 1.7-2.8 times</td>
</tr>
<tr>
<td>ROE</td>
<td>Overachieved all at initial targets</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>Minimum of ¥130</td>
</tr>
<tr>
<td>Share buybacks</td>
<td>Actively and continuously execute</td>
</tr>
</tbody>
</table>

FYE 2023 General Review (Qualitative Targets)

- Evolved business models and created growth opportunities through ascertaining potential needs of market and society, under the basic policy "Realizing business transformation by shifting to a market-oriented perspective" and "Enhancing our contribution to and engagement with the SDGs through business activities" of the medium-term management plan.
- Strengthened business sustainability and stability by evolution of measures to support earnings base such as human resource strategy, etc.

New Investments

- Accelerated expansion of the construction machinery business through the Hitachi Construction Machinery Co., Ltd. and the launch of the North American business.
- Expanded the North American construction materials business through the acquisition of the engaged wood products company.

Existing Business Polishing

- Contributed to decarbonization of the steel industry by the investment in the high-grade iron ore business in Canada.
- Expanded the sports-related business through the acquisition of the Under Armour business in Japan.

Credit Ratings

- Strengthened alignment with VANAGE & CO., LTD. and HOHEN NO MADOGUCHI GROUP INC. through capital restructuring.
- Accelerated the expansion of the renewable energy business with the energy storage systems-related business as the core, including the sale of renewable electricity to Amazon and other companies.
- Expanded advertising and media business utilizing FamilyMart stores and customer base to establish new image of convenience store.

Human Resource Strategy

- Received A2 from Moody’s on the long-term rating scale along with the upgrades from Rating & Investment Information (RII) and Japan Credit Rating Agency (JCR), and obtained the highest credit rating among the trading companies from all major credit rating agencies.
- Pursued further labor productivity through establishment of the Morning-Focused Realtime System and other measures.
- Revised personnel system to enhance "job satisfaction," including the selection of junior employees based on job duties and responsibilities, and support for women’s advancement.
- Newly established a cybersecurity company to strengthen the Group’s cybersecurity measures.
- Obtained the highest score among all industries in the FTSE ESG assessment.

Quantitative Targets

- Profits / losses of Group companies: 708.9 billion, 765 billion (15.6% increased)." (Japanese: "Profit/losses of Group companies: 708.9 billion, 765 billion (15.6% increased)."")

Qualitative Targets

- FYE 2023: "Commitment-based management" (Japanese: "Commitment-based management")

Core Free Cash Flows

- Core operating cash flows: ¥790.0 billion
- Core free cash flows: ¥837.0 billion

Core Free Cash Flows

<table>
<thead>
<tr>
<th>FYE 2023 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core operating cash flows</td>
</tr>
<tr>
<td>Net investment cash flows</td>
</tr>
<tr>
<td>Core free cash flows</td>
</tr>
</tbody>
</table>

Financial Position

- Total assets: 12,153.7 billion, 11,911.7 billion (increase / decrease)
- Net interest-bearing debt: 2,289.3 billion, 2,391.2 billion
- ROE: 21.8%, 17.8% (increase / decrease)

Consolidated Net Profit by Segment

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Profit</th>
<th>Machinery &amp; Metals</th>
<th>Food &amp; General Products &amp; Retail</th>
<th>Energy &amp; Chemicals</th>
<th>Total Shares</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 2023</td>
<td>790.0</td>
<td>516.6</td>
<td>90.9</td>
<td>144.5</td>
<td>423.2</td>
<td>21.8</td>
</tr>
<tr>
<td>FYE 2022</td>
<td>765.0</td>
<td>498.4</td>
<td>82.0</td>
<td>131.4</td>
<td>351.2</td>
<td>21.8</td>
</tr>
</tbody>
</table>

Business Results

- Sales: 9,381.9 billion
- Core profit: Approx. 690.0 billion
- Core profit excluding the impact of COVID-19: Approx. 727.0 billion (Japanese: "Core profit excluding the impact of COVID-19: Approx. 727.0 billion")

Cash Flows

- Cash flows from operating activities: ¥613.8 billion
- Cash flows from investing activities: -38.8 billion
- Cash flows from financing activities: ¥453.8 billion
FYE 2024 Management Plan

In FYE 2024, the final year of "Brand-new Deal 2023," Japan’s economy is expected to recover to a certain degree due to such factors as continuing low interest rates, wage rises and higher consumer spending, and an increase in demand from visitors to Japan. Overseas, however, the business environment is expected to remain extremely uncertain, with concerns about downward pressure on the global economy caused by such factors as an economic slowdown due to further inflation and the persistently high interest rate level that is resulting from the monetary tightening policies being pursued mainly by major North American and European central banks, the slow pace of economic recovery in China due to sluggish export growth, etc., and uncertainty over geopolitical risks, including the unresolved Russia-Ukraine situation. In this business environment, ITOCHU will realize sustained enhancement of corporate value by stepping up measures in line with its basic policies of "Realizing business transformation by shifting to a market-oriented perspective" and "Enhancing our contribution to and engagement with the SDGs through business activities."

**Profit Growth under "Brand-New Deal 2023"**

- **Brand-New Deal 2023 Basic Policy Qualitative Targets**
  - **Realizing business transformation by shifting to a market-oriented perspective**
    - Profit opportunities are shifting downstream
  - **Enhancing our contribution to and engagement with the SDGs through business activities**
    - "Sampo-yoshi capitalism"
      - To realize a sustainable society, we embrace an approach to capitalism with greater emphasis on serving all stakeholders.
  - Through our business activities, we will contribute to the achievement of the SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.

**Financial Position, Cash Flows, and Ratio Plan**

**Shareholder Returns Policy**

- **Dividends**
  - Dividend per share is ¥160 per share, an increase of ¥20 from the previous fiscal year. Achieving the progressive dividend policy (consecutive increase in dividends) and 30% payout ratio.

- **Share Buybacks**
  - Actively and continuously execute share buybacks in consideration of the market conditions and situation of cash allocation, achieving a total payout ratio of 35% or more.

Based on our conservative initial profit plan, we will execute additional shareholder returns, aiming at 40% total payout ratio when we revise upward the forecast during the fiscal year.

**Assumptions**

- Exchange rate (yen/USD Average): 117.54
- Interest rate (3% for 10-year JGB): 0.00%
- Interest rate (3% for 10-year JPY-gate): 0.15%
- Price of iron ore (¥/ton): 885,000
- Price of coal (¥/kg): 19,000
- Price of crude oil (¥/bbl): 88,000

*T1 Due to the cessation of a BDI publication in June 2023, the US benchmark interest rate has been changed to 1.7%.
*T2 The price of iron ore used in the FYE 2024 Plan is based on the actual price for the first time.
*T3 The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.
Countermeasures for Business Risks and Other Risks

Due to the diverse and extensive nature of its businesses, the Group is exposed to a wide range of risks, including complex market-related risk, credit risk, and investment risk. As uncertainties that are highly difficult to predict are inherent with our businesses, 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.

<table>
<thead>
<tr>
<th>RISK 6</th>
<th>Country Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Russia-Related Business</td>
<td>As of March 31, 2023, ITOCHU’s exposure to Russia was ¥35.0 billion. ITOCHU swiftly responded to the current Russia-Ukraine situation and quickly implemented ‘prevent’ measures in an effort to reduce future risks, such as conducting reviews of assets owned in Russia. An affiliated company of ITOCHU is involved in aircraft leasing and business activities. Considering the aforementioned risks, the Group takes appropriate risk mitigation measures for each project while using in-house credit ratings to establish Groupwide guidelines on limits for each country, and to maintain overall exposure to each country at a level that is appropriate considering the Group’s financial strength.</td>
</tr>
<tr>
<td>(2) China-Related Business</td>
<td>As of March 31, 2023, exposure to China was ¥1,330.1 billion. China’s current economic state suggests that consumer activity has returned to normal following the lifting of the zero-COVID policy. However, the recovery in consumer spending and real estate investment has been lower than forecast, due to delayed improvement in employment, income levels and real estate markets. Furthermore, the economy is expected to face the stagnation of exports due to a slowdown in the economies of Europe and the United States. ITOCHU has three types of China-related businesses: investment in CITIC, iron ore trading to China, and other trade and business investments. Given that it is a Chinese state-owned conglomerate, CITIC is expected to perform steadily thanks in part to the Chinese Government’s longstanding policy of strengthening state-owned enterprises. We are working to reduce risks related to iron ore trading to China, such as using price hedging when appropriate while paying close attention to the balance of supply and demand, including trends in the Chinese Government’s economic stimulus policies. 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 areas such as advanced technologies, which is currently the subject of concern over the effect of trade friction between the United States and China.</td>
</tr>
</tbody>
</table>

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

(1) Russia-Related Business
As of March 31, 2023, ITOCHU’s exposure to Russia was ¥35.0 billion. ITOCHU swiftly responded to the current Russia-Ukraine situation and quickly implemented ‘prevent’ measures in an effort to reduce future risks, such as conducting reviews of assets owned in Russia. An affiliated company of ITOCHU is involved in aircraft leasing and other businesses in Russia, and had already recognized all relevant losses in FYE 2023 based on then-current situations. From the perspective of stably securing energy sources for Japan, the Company owns an interest in the operations of ITOCHU and each Group company’s relevant parties such as the Japanese Government, which is the largest shareholder in the joint venture, and other partners.

(2) China-Related Business
As of March 31, 2023, exposure to China was ¥1,330.1 billion. China’s current economic state suggests that consumer activity has returned to normal following the lifting of the zero-COVID policy. However, the recovery in consumer spending and real estate investment has been lower than forecast, due to delayed improvement in employment, income levels and real estate markets. Furthermore, the economy is expected to face the stagnation of exports due to a slowdown in the economies of Europe and the United States. ITOCHU has three types of China-related businesses: investment in CIC, iron ore trading to China, and other trade and business investments. Given that it is a Chinese state-owned conglomerate, CIC is expected to perform steadily thanks in part to the Chinese Government’s longstanding policy of strengthening state-owned enterprises. We are working to reduce risks related to iron ore trading to China, such as using price hedging when appropriate while paying close attention to the balance of supply and demand, including trends in the Chinese Government’s economic stimulus policies. 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 areas such as advanced technologies, which is currently the subject of concern over the effect of trade friction between the United States and China.
03

Steppingstones to Medium- to Long-Term Value Creation

Component of the corporate value calculation formula focused on in this section

Corporate Value = Created Value / Cost of Capital = Growth Rate

Section Highlights

- Financial and Capital Strategies
- Business Investment Process and Monitoring after Execution
- Overview of Our Business Model and Business Development
- Special Feature 2: Examples of Initiatives That Create Added Value by Polishing Our Existing Business and New Steppingstones

Contents

- CFO Interview
- Business Investment
- Our Business Model, as Seen through Business Development

Special Feature 2: Polishing Our Existing Business and New Steppingstones
- Polishing Value Chain, Starting with FamilyMart and Steppingstones for Further Growth
- Polishing and Further Expanding the Earnings Base of the North American Construction Materials Business through a Hands-on Management style
- Evolution of the Value Chain through Collaboration between CTC and Our Group of Digital Businesses
We will continue to enhance “high-quality management,” maintaining financial and capital strategies that optimally combine “offense,” “defense,” and “preparations,” without letting our guard down against rapid changes in the business environment.

Please explain your overall assessment of the financial and capital strategies in FYE 2023.

It was a year in which we saw solid results from our consistent financial and capital strategies. Since becoming CFO in FYE 2016, I have repeatedly stated that it is important to balance three factors (shareholder returns, growth investments, and control of interest-bearing debt) by appropriately assessing the business environment at the time. I have therefore focused on realizing high ROE, achieving positive core free cash flows after deducting shareholder returns, and thoroughly conducting hands-on management. It has been especially important these past few years, with the business environment changing rapidly, that we had to be mindful of both the equity side as well as the credit side, which at times conflict with each other, without tilting too much to either side. I believe executing well-balanced and consistent financial and capital strategies leads to highly efficient “high-quality management,” which will ultimately bring sustainability to our corporate value enhancement.

In line with this belief on the equity side, ITOCHU’s share price during the period of the medium-term management plan “Brand-new Deal 2023 (FYE 2022–2024)” set 43 record highs as of August 31, 2023. This was driven by a rise in our profit level to the ¥920.0 billion stage, and the consistent shareholder returns policy laid out subsequently, as well as being buoyed in part by yen depreciation and the “Buffet effect.” We think that this steady increase in share price shows the high expectations of investors and shareholders, as well as the high evaluation they continue to extend to the Company’s management.

We also made progress on the credit side. ITOCHU’s credit rating was upgraded in FYE 2023 by the major overseas rating agency Moody’s, as well as major Japanese rating agencies Rating & Investment Information (R&I) and Japan Credit Rating Agency (JCR). In particular, the upgrade by Moody’s marked the first consecutive years, we demonstrate the continuity of our commitment to securing its credit rating, the Company focuses on quickening our intention is to fulfill the commitment made at the beginning of the fiscal year by conducting the ¥25.0 billion as quickly as possible in the first place. Additionally, by extending our track record for share buybacks to eight consecutive years, we demonstrate the continuity of our policies. We will always focus on “actively and continuously,” and enhance our shareholder returns in FYE 2024.

Achieve High ROE While Balancing Three Factors

Growth Investments

Control of Interest-Bearing Debt

Shareholder Returns

NET DER

Positive core free cash flows after deducting shareholder returns

Enhancing shareholders’ equity

Reframing shareholders’ equity

INVESTORS

GROWTH

POSITIVE Core free cash flows after deducting shareholder returns

Control of Interest-Bearing Debt

Shareholder Returns

Achieve High ROE While Balancing Three Factors

CFO INTERVIEW

It was a year in which we saw solid results from our consistent financial and capital strategies.
Under the initial plan for FYE 2024, we announced that when we revise the forecast upward during the fiscal year, we would execute additional shareholder returns eying a total payout ratio of 40%. In order to meet market expectations for the final year of the medium-term management plan, in which we are at the ¥800.0 billion stage, we will first focus on firmly achieving the second quarter numbers, assess the future progress and growth expectations, and consider an upward revision.

What is your policy for growth investments in FYE 2024?

We will continue to consider and promote growth investments that contribute to the interests of all stakeholders.

The current medium-term management plan is the third plan announced since I became CFO. Under “Brand-new Deal 2017 (FYE 2016–2018),” core operating cash flows for the three-year period comprised inflows of ¥1,255.0 billion and net investment cash outflows of ¥970.0 billion, due in part to our investment in CITIC. Core free cash flows after deducting ¥318.0 billion of shareholder returns turned positive at approximately ¥100.0 billion. Over the three years, we have already committed to a dividend payout ratio of 30% and a total payout ratio of 93%, shareholder returns will be approximately ¥260.0 billion, and core free cash flows after deducting shareholder returns will be ¥500.0–¥600.0 billion. Similar to the two previous medium-term management plans, if core free cash flows after deducting shareholder returns are to be zero or just above zero for the three years of the current medium-term management plan, we would add ¥500.0–¥600.0 billion of core free cash flows after deducting shareholder returns in FYE 2024 to FYE 2021, which will maintain positive core free cash flows after deducting shareholder returns generated in the previous two years. The total, excluding the capital expenditure which occurs regularly and additional shareholder returns, would be the investable amounts in FYE 2024. In FYE 2024, including the tender offer bids (TOB) for CTC and OAKEN CORPORATION, which were announced in August 2023, we have already built up a highly probable investment pipeline in each sector, and are planning to increase cash allocation to growth investments. We, of course, do not believe we will be able to execute every investment in the pipeline, but will maximize growth investments with the goal of boosting our current profit stage to beyond the ¥800.0 billion level. We will also continue “preparations” to maintain high ROE through sustained profit expansion.

In my ninth year as CFO, I held interviews with investors and shareholders, including members of Berkshire Hathaway Inc., who visited Japan in April 2023. I also represented TOCHU in discussions with credit rating agencies. With a firm recognition of the significance of these actions, I will fulfill my duties as CFO. As I enter my sixth year as Chair of the Investment Consultative Committee, I promise to consider and promote growth investments that contribute to the interests of all stakeholders, by fully exercising my capabilities, following comprehensive assessments of the current economic situation, the trend toward sustainability, as well as lessons learned from our past investments.

Business Results of Each Medium-Term Management Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net profit (average)</td>
<td>¥331.0</td>
<td>¥468.0</td>
<td>¥549.5</td>
</tr>
<tr>
<td>Core profit (average)</td>
<td>¥387.0</td>
<td>¥410.0</td>
<td>¥520.0</td>
</tr>
<tr>
<td>Core operating cash flows (cumulative)</td>
<td>¥1,255.0</td>
<td>¥1,691.0</td>
<td>¥1,661.0</td>
</tr>
<tr>
<td>Net investment amount (cumulative)</td>
<td>¥970.0</td>
<td>¥1,063.0</td>
<td>¥1,098.0</td>
</tr>
<tr>
<td>Total shareholder returns (cumulative)</td>
<td>¥518.0</td>
<td>¥528.0</td>
<td>¥548.0</td>
</tr>
<tr>
<td>Core free cash flows after deducting shareholder returns (cumulative)</td>
<td>¥211.3</td>
<td>¥267.8</td>
<td>¥249.0</td>
</tr>
<tr>
<td>EPS (average)</td>
<td>13.8%</td>
<td>15.9%</td>
<td>19.8%</td>
</tr>
<tr>
<td>ROE (average)</td>
<td>13.8%</td>
<td>13.9%</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

1 Including investment in CITIC (approximately ¥200.0 billion)
2 Including privatization of FamilyMart (approximately ¥200.0 billion)
3 Total of interim and year-end dividends and share buybacks

We will also continue “preparations” to maintain high ROE through sustained profit expansion.

In my ninth year as CFO, I held interviews with investors and shareholders, including members of Berkshire Hathaway Inc., who visited Japan in April 2023. I also represented TOCHU in discussions with credit rating agencies. With a firm recognition of the significance of these actions, I will fulfill my duties as CFO. As I enter my sixth year as Chair of the Investment Consultative Committee, I promise to consider and promote growth investments that contribute to the interests of all stakeholders, by fully exercising my capabilities, following comprehensive assessments of the current economic situation, the trend toward sustainability, as well as lessons learned from our past investments.

Stock Price / PER / PBR / TSR

Stock price: Average of monthly closing prices

PER: Daily average of (Stock price / Earnings per share, excluding treasury stock) / Forecast of consolidated net profit, announced by TOCHU

PBR: Daily average of (Stock price / Number of issued shares excluding treasury stock) / Most-recent results of shareholders’ equity

TSR* as of March 31, 2023

<table>
<thead>
<tr>
<th>Yr</th>
<th>1 year</th>
<th>2 years</th>
<th>3 years</th>
<th>4 years</th>
<th>5 years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOCHU</td>
<td>7.5%</td>
<td>27.9%</td>
<td>(13.1%)</td>
<td>110.4%</td>
<td>286.1%</td>
<td>144.5%</td>
</tr>
<tr>
<td>Topix</td>
<td>14.6%</td>
<td>7.7%</td>
<td>3.6%</td>
<td>53.3%</td>
<td>(15.6%)</td>
<td>38.1%</td>
</tr>
</tbody>
</table>

* Total Shareholder Returns (TSR): Returns on investment assuming that dividends are reinvested. The chart above shows relative value of month-end stock price with dividends reinvested, assuming the closing price of stock on March 31, 2010, was set at 1. The table above indicates returns on investment during each period of holdings preceding from March 31, 2023. (Figures in brackets are rate of returns converted to the annual average by the geometric mean.)
Business Investment

Business Investment Process

Along with strategic business alliances, business investment is an important means of creating and expanding businesses. To actively promote strategic investments in areas of strength in a timely manner, we choose the optimal structure from a wide range of methods, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As or converting to a consolidated subsidiary. As our investments have become larger and our growth investments have accumulated in recent years, we have been identifying various risks and thoroughly scrutinizing the appropriateness of business plans and acquisition prices, while our administrative divisions have been utilizing their expertise and cumulative know-how to conduct even more stringent inspections. After executing each investment, we work to maximize the investee’s corporate value and to expand trading profits and dividends received by fully utilizing our Groupwide capabilities and conducting hands-on management. Also, to enhance business earnings and exit quickly from low-efficiency assets, we are further strengthening monitoring procedures centered on instituting more rigorous exit conditions and thoroughly implementing periodic business investment reviews. In addition, through cross-divisional internal training across Division Companies, we share the lessons learned from reviewing past investment failures, thereby endeavoring to enhance the success rates of future investments.

Decision-Making Process

We have established a multilayered decision-making process that achieves quick decision-making by giving a certain level of discretion to the Division Companies while striving to pursue investment return and curb investment risk. The Decision-Making Process is as follows:

- **Division Companies**
  - Applicants (responsible divisions)
  - Administrative divisions

- **Division Company Management Committee (DMC)**
  - Deliberation on the investment decision
  - If the project needs further consideration and screening in terms of feasibility and strategy, the project is discussed at the Investment Consultative Committee prior to the DMC.

- **Division Company President**
  - Decision on the investment

- **Investment Consultative Committee* (ICCC)**
  - Projects that exceed the Division Company President’s authority must be approved by the ICCC.

- **Division Company Management Committee (DMC)**
  - Decision on the investment

- **Headquarters Management Committee (HMC)**
  - Decision on the investment

- **Board of Directors**
  - Decision on the investment

Investment Decisions

Division Companies

- Applicants (responsible divisions)
- Administrative divisions

Division Company Management Committee (DMC)

- Deliberation
- If the project needs further consideration and screening in terms of feasibility and strategy, the project is discussed at the Investment Consultative Committee prior to the DMC.

Division Company President

- Decision

Investment Consultative Committee*

- Projects that exceed the Division Company President’s authority must be approved by the ICCC.

Headquarters Management Committee (HMC)

- Decision

Board of Directors

- Decision

Points for Making Decisions

- **Investment Purpose and Formulation of Growth Strategies**
- **Verification of Business Plan Appropriateness**
- **Compliance with Investment Criteria**
- **Risk Analysis**
- **Verification of Internal Control Status**
- **Setting Exit Conditions**

Investment Criteria

- **Investment Efficiency** (calculated as NPV on a net present value basis)
- **Investment Payback Period**
- **Investment Risk**: Evaluating the investment risk using ESG checklist components such as environmental, social, and governance factors

ESG Risk Evaluation

- ** Evaluate in advance the impact on the environment, society, etc.**
- **Conduct a questionnaire survey**
- **Conduct on-site surveys**
- **Conduct an audit**

Investment Plans

- **Investment Plans are checked, and the holding policy is then carefully reanalyzed.**

Measures after Investees Met Exit Criteria for Business Investment

- Promoting replacement of low-efficiency assets that meet exit criteria for business investments as well as businesses that have lost strategic significance: Page 64 Asset Replacement That Took Advantage of Changes in the Business Environment (Bekking Inc.)
- Controlling Cash: Continuously focus on our policy to maintain positive core free cash flow after deducting shareholder returns

Business Investment to Be Exit

- Exit progress is monitored, and each Division Company reports on progress to the Division Company President prior to the HMC.

Business Investment to Be Held Continuously

- Improvement measures are advanced. All the periodic review for business investment is conducted in the following fiscal year, and the progress of improvement plans is checked, and the holding policy is then carefully reanalyzed.

HMC

- The investment approval is registered in the Division Company President’s policy to continue holding a business investment that meets exit criteria for business investment.

DMC

- After verifying the appropriateness of improvement plans for low-efficiency business investments that meet exit criteria for business investments, the appropriateness of holding respective business investments is carefully analyzed in the context of the Division Company’s strategies, and a decision on holding policy is made by the Division Company President.

Sharing the Lessons Learned

- “Unforgettable” Training Based on Cases of Investment Failures
  - Thoroughly analyze and share lessons learned from analyzing past investment failures with the aim of increasing the strength and rigor of our measures to prevent unforeseen impairment losses and other negative consequences. In FY2023, we conducted five training sessions with specific examples, in which a large number of employees from business divisions and administrative divisions participated.

Asset Replacement

- Promoting replacement of low-efficiency assets that meet exit criteria for business investment as well as businesses that have lost strategic significance: Page 64 Asset Replacement That Took Advantage of Changes in the Business Environment (Bekking Inc.)

Measures after Investees Met Exit Criteria for Business Investment

- Promoting replacement of low-efficiency assets that meet exit criteria for business investment as well as businesses that have lost strategic significance: Page 64 Asset Replacement That Took Advantage of Changes in the Business Environment (Bekking Inc.)

Business Investment

- We review our policies for holding business investments annually and carefully confirm the significance of holding them based on comprehensive consideration of the individual circumstances of each investment, industry characteristics, and other factors. We then implement asset replacement with respect to businesses that have low efficiency, exit early from businesses that are significantly below targets set at the time of investment, and reduce or restructure the operations of loss-making companies.

Periodic Monitoring (including periodic review for business investment)

- In addition to conducting a review one year after investment, we conduct periodic review for all business investment annually to review policies from qualitative (strategic significance, etc.) and quantitative (profit scale, investment efficiency, etc.) perspectives. Also, we formulate improvement measures for group companies and affiliates with issues related to deficits or dividend payments, and we follow up on the progress of such companies throughout the year.

Investes Met Exit Criteria for Business Investment

- Page 60 Enhancing Corporate Value Continuously through Collaboration between Business Divisions and Administrative Divisions

Execution of Investment

- Enhancing corporate value continuously through collaboration between business divisions and administrative divisions: Page 58 Enhancing and Further Expanding the Earnings Base of the North American Construction Materials Business through a Hands-on Management Style

Hands-On Management

- After executing business investments, we dispatch personnel from our business divisions and administrative divisions to the frontline operations and key positions of investee companies. This enables us to utilize the individual capabilities of personnel, enhance the corporate value of investee companies, and create synergies that increase our comprehensive strength.
ITOCHU has compiled the lessons learned from past investment failures as the “Four Lessons for Investments” and repeatedly shares the lessons through training sessions based on cases of investment failures and at various management meetings throughout the whole company. In this way, we ensure that the lessons are kept in mind when investment projects are being considered in frontline operations. “The Four Lessons for Investments” are as follows.

The Four Lessons for Investments

1. Overpaying for investments
   • Make investments at a low price to minimize future risk of impairment loss

2. Investments aimed at seeing profit from investees
   • Avoid shortsighted investments in a field or area with limited insight that only target current profit contributions

3. Overdependence on and overconfidence in partners
   • Do not engage in projects where ITOCHU must rely on partners or sales from the specific customers
   • Do not engage in projects where ITOCHU cannot seize management control or take the initiative

Training sessions based on cases of investment failures aim to understand the essence of past investment failures so that we avoid repeating the mistakes that led to them. The Global Risk Management Division prepares training materials based on interviews with relevant parties regarding the decision-making process at the time of investment and regarding discussions at the DMC*1 and the HMC*2. In FYE 2023, the training sessions included five specific examples, such as “Blocking the bleeding” at loss-making companies. In FYE 2023, the training sessions included five specific examples, such as

<table>
<thead>
<tr>
<th>Exit Criteria for Business Investment</th>
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</thead>
<tbody>
<tr>
<td>(1) Cumulative losses for the last three years</td>
</tr>
<tr>
<td>(2) Returns lower than original plans made at the time of investment</td>
</tr>
<tr>
<td>(3) Cumulative losses in added value for the last three years</td>
</tr>
<tr>
<td>Consolidated contribution = Consolidated investment carrying amount x Cost of capital</td>
</tr>
</tbody>
</table>

Positive Added Value

- Consolidated contribution positive but lower than cost of capital = Low-efficiency investment, therefore consider selling even if profitable

Negative Added Value

- Consolidated contribution, including net profit attributable to ITOCHU

Consolidated investment carrying amount

Cost of capital

Group Companies Management Awards Program

ITOCHU has a Group Companies Management Awards Program that is aimed at invigorating the Group’s management. The following is an overview of the awards for this program.

<table>
<thead>
<tr>
<th>Group Companies Management Awards</th>
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</thead>
<tbody>
<tr>
<td>Best Management of the Year Award</td>
</tr>
<tr>
<td>Management Award</td>
</tr>
<tr>
<td>Chairman &amp; CEO Special Award</td>
</tr>
</tbody>
</table>

The criteria for selection include quantitative target achievement and year-on-year improvement in profit from investees in relation to the “earn, cut, prevent” principle as well as year-on-year improvement in the ratio of SG&A expenses to gross trading profit in relation to the “cut” principle, with Group companies required to satisfy multiple criteria. Each Division Company nominates Group companies that satisfy both qualitative and quantitative criteria, and the final award winners are determined by the HMC. At the awards ceremony, prize money is also granted to the award-winning company to allow executives and employees of the companies to share in their joy and contribute to heightening their motivation.

The 37th Group Companies Management Awards ceremony
Our Business Model, as Seen through Business Development

By utilizing financial and non-financial capital, focusing on fields where we can demonstrate strengths, and creating multifaceted, linked businesses, we strive to enhance the earning power of our trade and business investment. By leveraging our business know-how and client and partner assets, we expand trade by creating added value and invest in fields where we have knowledge and can control risk. Amid rapid changes in the business environment, we are also strengthening our earnings base through timely strategic investments and continuous asset replacement for businesses that have passed their peak and/or are low-efficiency. Going forward, we will sustain value creation by maximizing synergies and upgrading our businesses through business transformation that starts from downstream and is driven by market-oriented perspectives, while thoroughly instilling the “earn, cut, prevent” principles.

Action Principles

Forming Domains and Expanding Multifaceted, Linked Business through Trade and Business Investment

We utilize our accumulated financial and non-financial capital to develop businesses through both trade and business investment. Our goal is to increase our earning power of trade and business investment. To this end, we upgrade business management by instilling the “earn, cut, prevent” principles and implementing a hands-on management, while creating multifaceted, linked businesses through new trade and creating synergies.

Expanding the Multifaceted, Linked Businesses in Existing Businesses

- Expand trade and increase earnings from investees

Business partners

- Business investment

Business investees

Synergies

Trade

Business investment

Hands-on management

Dispatch management, business and administrative personnel

Creating Synergies

Upgrading Business Management

Thoroughly instilling the “earn, cut, prevent” principles

Business investment

Business partners

Business investees

Synergies

Expanding the Multifaceted, Linked Businesses in Existing Businesses

Building a Robust Earnings Base through Asset Replacement

We precisely assess changes in the business environment and execute cash recovery by business restructuring and exiting from assets that have lost strategic significance from the viewpoint of asset efficiency and risk management. By reinvesting the recovered funds into new strategic areas, we are building a more robust earnings base.

Meeting Consumer and Social Needs

Upgrading Our Business Model from a Market-Oriented Perspective

We will build a business model that caters to consumer and social needs by shifting to a downstream-centered market-oriented perspective and by strengthening collaboration among Division Companies through breaking down product silos. Furthermore, we aim to expand our earnings base and improve asset efficiency through optimization of value chain by fully utilizing our real and digital customer contact points, and new technologies and data.
■ Frequently Asked Questions about Our Business Model

This section explains the key features of our business model and provides examples of it with the aim of addressing questions that are often asked by investors, shareholders, and other stakeholders.

Q1. What are differences between investment business of ITOCHU and typical private equity fund?

There are certain similar aspects, such as the desire to contribute proactively to investees’ management and maximize the corporate value of investees. However, we are aware that there are differences in terms of dispatching our personnel, focusing on generating synergies with existing businesses, and enjoying returns centered on trading profits and dividends.

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Typical Private Equity Fund</th>
<th>ITOCHU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investee Liquidity</td>
<td>In principle, unlisted</td>
<td>Either listed or unlisted</td>
</tr>
<tr>
<td>Investee Ownership Ratio</td>
<td>In principle, majority stake up to 100%</td>
<td>Decided individually, based on business conditions and market environment</td>
</tr>
<tr>
<td>Investee Ownership Period</td>
<td>Buy and hold with an exit strategy</td>
<td>Buy and hold</td>
</tr>
<tr>
<td>Personnel Secondment to Investee</td>
<td>Outside managers dispatched</td>
<td>ITOCHU personnel dispatched to management or front-line operations</td>
</tr>
<tr>
<td>Synergies</td>
<td>In principle, none</td>
<td>Create synergies with existing businesses</td>
</tr>
<tr>
<td>Returns</td>
<td>Capital gains and dividends</td>
<td>In principle, trading profits and dividends</td>
</tr>
</tbody>
</table>

Q2. What are differences between trading business of ITOCHU and typical commodity trading companies?

Traditionally, general trading companies’ core businesses are engaged in trade. By buying, selling, and brokering products, we build relationships with customers and partners, and form sales channels of all kinds of products and information networks that have global reach. Although there exist similarities in the trading of such resources as crude oil and iron ore, and grains that is handled by ITOCHU and typical commodity trading companies in terms of buying, selling, and brokering products through global networks, we are aware that there are differences in terms of the products handled, nature of trading and volatility, etc.

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Typical Commodity Trading Companies</th>
<th>ITOCHU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products Handled</td>
<td>In principle, upstream market-sensitive commodities</td>
<td>All types of products, from upstream to downstream</td>
</tr>
<tr>
<td>Nature of Trading</td>
<td>Trading for speculative purposes and/or based on actual demand</td>
<td>In principle, trading based on actual demand</td>
</tr>
<tr>
<td>Volatility of Returns</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Personnel Attributes</td>
<td>In principle, expertise in a single product</td>
<td>In addition to expertise in a single product, knowledge of peripheral businesses</td>
</tr>
<tr>
<td>Synergies</td>
<td>In principle, none</td>
<td>Creation of synergies through broad value chains</td>
</tr>
</tbody>
</table>

Q3. Could you describe a specific case of asset replacement that took advantage of changes in the business environment?

One example of asset replacement in FYE 2023 was the sale of CONEXIO Corporation (CONEXIO). CONEXIO was a Group company that was originally spun off from ITOCHU’s mobile phone agency business, and it had been contributed to the Group’s profits over many years. However, as the business environment grew harsher in the mobile phone sales industry, such as declining sales of new devices, ITOCHU determined that accepting a tender offer for CONEXIO disclosed in FYE 2023 would further enhance the corporate value of both CONEXIO and the Company, and so we decided to implement strategic asset replacement. (Page 95 Discussions at Meetings of the Board of Directors Related to an Individual Project)

On the other hand, to take advantage of the growth in the used mobile phone device market against a backdrop of increasingly expensive new mobile devices and SDGs trends, we founded Belong Inc. in February 2019 as a foundation for building a new profit base. Leveraging the expertise that ITOCHU accumulated through the mobile phone device trade, along with the know-how and supplier network cultivated through mobile phone agency business, Belong Inc. buys back and sells used mobile phones and tablets with its own operation center for inspection, repair, storage, and delivery. In addition, Belong Inc. launched a business to rent out and buy back devices from corporate customers to address their needs for used mobile phones and tablets mainly due to rising prices of new devices. Furthermore, the company is working to diversify its businesses, such as starting an initiative to promote sustainability in food delivery businesses with Uber Eats Japan, Inc., with whom we are collaborating on a project to collect and reuse tablets.
Polishing Value Chain, Starting with FamilyMart and Steppingstones for Further Growth

In the convenience store business starting with FamilyMart, ITOCHU Group companies are collaborating to build and strengthen value chains that extend from downstream to upstream areas. These collaborative initiatives are not limited to procuring high-value-added food products and their ingredients but also help increase the appeal of a wide range of products. For example, collaborative initiatives are contributing to the rollouts of the new “FAMIMARU” private brand for daily necessities and Convenience Wear apparel, which features differentiated designs. In many different fields, ITOCHU is leveraging its business foundations to transcend Division Company boundaries and enhance entire value chains. These collaborative initiatives are not limited to procuring high-value-added food products and their ingredients but also help increase the appeal of a wide range of products.

Polishing Existing Business

- **FamilyMart Vision** digital signage aiming for introduction to 10,000 stores by 2023.
- **“Famipay” app**—Achieved 15 million downloads in March 2023, cumulatively.

**Steppingstones for Further Growth**

- **Expansion of New Businesses by Leveraging Foundations**
  - Close collaboration with sales, product development, and marketing.
  - We will provide superior customer experience and enhance store profitability by fostering the new “FAMIMARU” private brand, developing more signature products, pursuing brand value enhancement that includes the strengthening of mainstay products, and expanding the customer base through stepped-up marketing efforts based on the “Famipay” app and customer data analysis.

- **Reinforcement of the Foundations of the Convenience Store Business**
  - Through the combination of digital media—including digital signage, apps, and digital advertising—as well as the fusion of digital and real, we aim to provide further value to our customers.
Polishing and Further Expanding the Earnings Base of the North American Construction Materials Business through a Hands-On Management Style

The hands-on management style practiced by ITOCHU is able to carefully refine each business by deploying ITOCHU’s management, sales and administrative personnel to key positions and frontlines at investee companies. Once positioned overseas, our employees become deeply embedded into the local operations as part of our hands-on management style. The Company’s employees work closely with local employees to expand their company’s business and sustainably enhance its corporate value after learning about the trade customs and cultures of a particular country.

The North American Construction Materials Business: In the Early 2010s

MASTER-HALCO, Inc. (MH) engages in the manufacturing and wholesale of chain link fences at its own manufacturing facilities and through its own sales offices and distribution network covering all of North America. Despite having a network of prime customers including major home improvement retailers, MH continued to see losses in its operations since the global recession of 2008. ITOCHU had considered exiting the business. However, given the robust forecast for the US housing market, ITOCHU dispatched personnel experienced in practicing our “cut” and “prevent” principles to a wide range of positions, including top management and the front lines. In addition to closing unprofitable factories and branches, which had consistently generated losses in the past, we revamped MH’s backoffice systems (ERP) that had not been renewed in about 20 years. We also established a management system capable of making detailed demand forecasts. These efforts succeeded, and we achieved profitability in FYE 2017. To build an even more robust earnings base, we continued to promote further reforms. Utilizing our know-how gained from the business investment and trade, ITOCHU introduced refined pricing strategies, strict inventory management, and remuneration reforms to link profit to sales. In addition to these measures, marketing and sales activities were conducted mainly by local employees with a deep understanding of North American trade practices. As a result, our profit margin steadily improved, and we worked hard to strengthen our earnings base.

Refining MH Business through a Hands-On Management Style: After the Late 2010s

Management Reform of MH

The top priority was to urgently eliminate the losses, so ITOCHU dispatched personnel experienced in practicing our “cut” and “prevent” principles to a wide range of positions, including top management and the front lines. In addition to closing unprofitable factories and branches, which had consistently generated losses in the past, we revamped MH’s backoffice systems (ERP) that had not been renewed in about 20 years. We also established a management system capable of making detailed demand forecasts. These efforts succeeded, and we achieved profitability in FYE 2017. To build an even more robust earnings base, we continued to promote further reforms. Utilizing our know-how gained from the business investment and trade, ITOCHU introduced refined pricing strategies, strict inventory management, and remuneration reforms to link profit to sales. In addition to these measures, marketing and sales activities were conducted mainly by local employees with a deep understanding of North American trade practices. As a result, our profit margin steadily improved, and we worked hard to strengthen our earnings base.

Expanding the Multifaceted, Linked Businesses in Existing Businesses

To achieve further profit growth and enhance customer services, multiple investments have been made in order to create synergies related to MH. We did not rely solely on acquisition candidates recommended by external sources, but instead conducted active research on our own to identify potential target companies based on our experiences and knowledge derived from our involvement with frontline operations, including the customers, competitors, and suppliers. Thus, we avoided overpaying and utilized know-how gained from the business reforms implemented at MH to improve its performance and swiftly realize latent synergies. In the North American construction materials business, we pursued strategic acquisitions and swiftly identified market trends and consumer needs by thoroughly conducting hands-on management and strengthening frontline operations. Sharing such information among our relevant group companies has helped us to successively pursue diversified acquisitions and swiftly react to rapidly changing market trends in the management of each company, and to establish a business foundation, capable of implementing effective initiatives throughout the entire supply chain.

Acquisition of Alta Forest Products LLC (ALTA), a leading U.S. Wooden Fence Manufacturer

In FYE 2018, ITOCHU and TOCHOU International Inc. acquired a wooden fence manufacturer ALTA. Given that MH’s mainstream product was chain link fences for commercial facilities and with an eye to the residential fence market, which was expected to see robust growth due in part to the rising population, we constructed a new pillar of revenue through the acquisition successfully. ALTA commands an overwhelming presence in the production of residential fences made with high-grade western red cedar. This type of wood is considered to be a premium material and is very popular among affluent customers. Moreover, after acquiring ALTA, we succeeded in improving the quality and reputation of our range of products, which are popular within the USA.

Acquisition of Jamieson Manufacturing Co. (Jamieson), a U.S. Fence Manufacturer and Wholesaler

In FYE 2021, MH acquired USPTM, which was a supplier of pipes for chain link fences. The founder of USPTM had been considering a business transfer due to his age, and he approached MH for a direct sale after recognizing that MH had developed a strong presence in the chain link fence industry after the acquisition of Jamieson. By acquiring USPTM, MH expanded its supply chain and enabled the in-house production of major components for chain link fences.

Steppingstones for Creating New Added Value

IBP was founded in April 2022, and centralization of group companies, their business administration functions (such as accounting, human resources, and IT), and infrastructure (such as ERP systems) under IBP was undertaken to raise the earnings generating capabilities of this group of companies. Also, IBP established systems to manage various business decisions, including those regarding acquisitions, in a quicker and more effective manner by consolidating information gained from the front lines of relevant group companies.

Going forward, in addition to investing in outdoor residential-related businesses such as decks, which is expected to have synergy with the existing fence business, IBP is considering entering the residential wood business, etc., by combining the product development capabilities and factory operation know-how of DAIKEN CORPORATION. In August 2023, ITOCHU announced a tender offer bid for DAIKEN CORPORATION, a business partner in the housing structural materials business (CIPA Lumber Co. Ltd. and Pacific Woodtech Corporation), with our customer and distribution network and business management know-how. We intend to further expand our product lineup and value chain and strengthen our earnings base. For the acquisition of North American Engineered Wood Products (Posts and Beams) Business

At the same time, we will continue to focus on training managers to fortify their sense of international perspective and hands-on management style, which are necessary for our business expansion. In the North American construction materials business, we have conducted systematic personnel training. We dispatch junior employees to the front lines so that they can gain an understanding of industry practices and the nature of the businesses while accumulating frontline operational experience. We then promote them to management levels within the Group companies. Going forward, we will endeavor to create an optimal structure through methods such as training personnel who can apply TOCHOU’s unique hands-on management style to local workplaces. We will continue building a robust management system to fortify the earnings generating capabilities of the North American construction materials business.
Evolution of the Value Chain through Collaboration between CTC and Our Group of Digital Businesses

There has been increasing of needs for transforming companies’ business model by using digital technologies to follow changes of social environment accelerated by the COVID-19 pandemic. Promoting digital transformation (DX), which has been essential for business model transformation, in addition to conventionally developing systems to meet customers’ demands, it requires high-value-added solution proposal capabilities throughout the value chain, based on a market-oriented perspective, such as consulting and data analysis to clarify frontline issues in accordance with customers’ situation.

ITOCHU has capital and business alliances with multiple digital businesses which have a wide range of DX-related capabilities. By accelerating the collaboration between CTC and those digital businesses, we are expanding our value chain in digital fields and identifying society’s DX needs. Through such initiatives, we will diligently work to further enhance our earnings base.

Creating Added Value through Collaborations between CTC and Our Group of Digital Businesses

CTC and our digital businesses are enhancing their collaboration by jointly undertaking DX projects that introduce systems and solve issues faced by ITOCHU and its Group companies. One example of these collaborative efforts is an initiative for AI automated ordering systems at NIPPON ACCESS, Inc. (NIPPON ACCESS) which calculates the recommended order volume of 1,500 products destined for FamilyMart using AI technologies to analyze operational data from FamilyMart and NIPPON ACCESS. This system was built through an alliance between CTC and BrainPad Inc., which has strengths in data analysis. Utilizing AI automated ordering systems is expected to reduce food losses, enhance efficiency of ordering operations at distribution centers of NIPPON ACCESS, and optimize inventory control.

Furthermore, in May 2023, BrainPad Inc., SIGMAXYZ Inc., and CTC jointly launched the “Generative AI Research Lab” project. This initiative harnesses generative AI technologies like ChatGPT to drive corporate process transformation and facilitate the development of innovative business opportunities. In July 2023, we introduced a secure environment allowing our employees to leverage ChatGPT while ensuring data confidentiality. Already, this capability has been adopted by a user base exceeding 1,000 employees. Looking ahead, we have plans to not only integrate this technology with our operational systems and expand its usage within our Group but also to embark on new initiatives utilizing generative AI. These include proposing optimal products and services tailored to customer attributes in the consumer sector. The promotion of DX on the front lines of Group companies in the consumer sector, which is a strength of ITOCHU, has become a rich testing ground for digital businesses. Contributing to the accumulation of expertise and know-how, and strengthened alliance with CTC, ITOCHU, CTC, and other participants in our group of digital businesses are promoting collaboration in terms of human resources through the mutual dispatch of about 50 personnel in total, and working to construct a more robust DX promotion system.

Deepening and Evolution of the Digital Value Chain

In the consumer sector, which is a strength of ITOCHU, we urgently need to strengthen our ability to make proposals based on analysis of the massive amount of data gained from customer contact points to uncover latent customer needs, and to be able to provide high-value-added products and services. Recognizing the need for our corporate Group to swiftly and accurately respond to such customer needs, we announced the tender offer bid for CTC in August 2023. CTC and our digital businesses will leverage the expertise and know-how gained within our Group related to DX applications in the consumer sector, and then apply and develop for all customers, thereby further expanding our profits. Moreover, CTC and our digital businesses are not restricted to only the consumer sector. We aim to strengthen our business foundations a step further by leveraging ITOCHU’s expansive domestic and international network to cultivate the latent DX needs of our highly diverse range of customers.

Polishing CTC and Building a Digital Value Chain

The ICT & Financial Business Company is a segment that has become a distinctive and major strength of ITOCHU. CTC is one of the major system integrators (SI) in Japan, and our Group company which plays a core role in business of the ICT & Financial Business Company. To date, CTC has been polishing its businesses and accumulating advanced technological expertise by system developments using the latest technologies and solutions cultivated through ITOCHU’s investments in venture capital funds, including investments in companies operating in Silicon Valley. As a result, CTC has a robust customer base of over 10,000 companies, mainly telecommunication carriers and other major companies. By leveraging its robust customer base, CTC provides a wide range of services encompassing the design and development capabilities for high-level IT infrastructure and systems for customers, as well as the sale and maintenance of IT-related products. Furthermore, CTC also establishes stable earnings base unlike its competitors.

In line with recent structural changes, including rising demand for DX technologies in business strategy areas and the shift toward cloud services for IT infrastructure, the functions that customer seeks are becoming more diverse and complex, going beyond standard system design and development. When promoting DX technologies that are focused on business model transformation, we first provide consulting to explore issues that customers face, and conduct a cost-benefit analysis of DX. We then propose solutions based on customer data analysis. Next, we begin system development based on our findings. To comprehensively address customers’ needs by leveraging CTC’s accumulated strengths, ITOCHU will strengthen its organization to be able to provide a wide range of functions from upstream to downstream, in part through our capital and business alliances with our group of digital businesses.
## Initiatives and Systems Supporting Sustainable Growth

Component of the corporate value calculation formula focused on in this section

<table>
<thead>
<tr>
<th>Corporate Value</th>
<th>Created Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Capital</td>
<td>Growth Rate</td>
</tr>
</tbody>
</table>

### Section Highlights

- PEST Analysis on Macroenvironmental Factors
- Approach and Initiatives Relating to Climate Change (1.5°C scenario analysis based on TCFD recommendations, etc.)
- Sustainability Management Initiatives including Human Rights Due Diligence
- Corporate Governance Policies and Systems That Underpin Value Creation

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<tr>
<td>Approach to Climate Change and Related Initiatives</td>
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</tr>
</tbody>
</table>

Sustainability Management 82
Corporate Governance 84
The ITOCHU Group’s business environment is changing, and uncertainties are increasing. Through PEST analysis, we fully assess risks and opportunities in the context of macroenvironmental factors—such as economic recession risks, geopolitical risks, and responses to the SDGs—and build an even stronger competitive edge by implementing flexible measures and transforming businesses in response to changes in the times and the business environment.

**PEST Analysis (Macroenvironmental Factors through 2030)**

**P (Political/Legal)**
- Political trends to be considered include decisions affecting the global economy, proactive measures for political stability and democracy, and changes in trade environment.
- Challenges include increases in global capital market trading fees due to terrorism and military conflicts, unpredictable policy changes, regulations to curb GHG emissions, Shrinkage of fossil fuel markets, and obsolescence and extinction of existing business models.

**E (Economical)**
- Economic policy trends to be considered include intensification of conflict between different political systems and extortion in the private sector.
- Challenges include changes in the investment environment, increased costs due to digital transformation, higher power prices, and volatility in asset prices.

**S (Social/Cultural)**
- Social/cultural trends to be considered include changes in consumer behavior and technological innovation.
- Challenges include increased costs due to terrorism and military conflicts, increased costs related to digital transformation, and obsolescence and extinction of existing business models.

**T (Technological)**
- Technological trends to be considered include changes in production and resource procurement.
- Challenges include increased costs related to digital transformation, increased costs in the pharmaceutical sector due to the proliferation of new technologies, and increased costs related to diverse technology environments.

**How to understand this page**

The graph for each macroenvironmental factor depicts the balance between the degrees of impact and opportunities, with the lower part presenting the projection of changes in the degree of impact through 2030. It also identifies the related non-financial capital (NFC).

**Example: Change in Investment Environment**

- **Related NFC:** Trade laws, agreements, and regulations affecting the global economy.
- **Opportunities:** Increase in trade opportunities and greater access to markets.

**Business Portfolio**
- **Client and Partner Assets:** New sales channels, procurement and supply chain management, and business know-how.

**Relationships with Society**
- **Natural Resources:** Minerals, metals, etc.
- **Human and Organizational Capital:** Training, knowledge, and skills.

**Change in Investment Environment**
- **Related NFC:** Shrinkage of existing transactions and increase in tax burden.
- **Opportunities:** New investment opportunities due to changes in the investment environment.

**With economic growth of developed countries slowing as populations level off and the gap in economic growth potential widening among emerging economies, we will determine the correct balance between growth fields and fields that will peak out.**

**Responding to Climate Change (Decarbonization)**
- **Related NFC:** Energy, water, and food security.
- **Opportunities:** New businesses and technologies for resource procurement, energy, and water security.

**Cultivating a Workplace Environment**
- **Related NFC:** Human rights, health, and safety.
- **Opportunities:** New business opportunities for health and safety services.

**Respecting Human Rights**
- **Related NFC:** Human rights, health, and safety.
- **Opportunities:** New business opportunities for health and safety services.

**Increasing Awareness on Health and Quality of Life**
- **Related NFC:** Health and safety.
- **Opportunities:** New business opportunities for health and safety services.

**Ensuring Stable Procurement and Supply**
- **Related NFC:** Natural resources.
- **Opportunities:** New business opportunities for resource procurement.

**Strengthening Governance Structure**
- **Related NFC:** Natural resources.
- **Opportunities:** New business opportunities for resource procurement.

**Based on our corporate mission of “Stampo—kotsu,” we will advance solutions to social issues by providing products and services that meet customer needs, creating new businesses, and replacing assets.**

By taking a market-oriented perspective to address rapid technological innovation and changes in consumer behavior, we will advance and accelerate the self-transformation of business models.
Initiatives to Promote Sustainability

Sustainability Promotion Flow

Under the ITOCHU Group Sustainability Policy, which was established in accordance with ITOCHU’s corporate mission and changes in the external environment, the Company promotes sustainability initiatives systematically throughout its organization. Of particular note, each Division Company and administrative division incorporates ITOCHU’s material issues, which are identified as issues to be addressed with priority, into Sustainability Action Plans. We will continue to sustainably enhance corporate value and resolve social issues at the same time through our business activities, namely trade and business investment, while ensuring that we maintain and improve profitability.

Identification Process for Material Issues and Incorporation into Action Plans

Since ITOCHU first identified its material issues in FYE 2014, the Company has been continuously reviewing them based on trends in the international community and the expectations of stakeholders. In FYE 2019, we reviewed our material issues by further reflecting ESG perspectives and incorporating elements from health management and the consumer sector, which are our fields of strength. By incorporating material issues into business operations, our revised material issues have become better suited to helping achieve the Paris Agreement and the SDGs adopted by the United Nations.

Furthermore, as a specific initiative, each Division Company and administrative division incorporates the identified material issues into Sustainability Action Plans for each business field. First, each organization identifies risks and opportunities and social impacts in each business field, and then sets medium- to long-term targets, draws up action plans with measures and performance indicators for achieving these targets, reviews progress, and finally reports achievements to the Sustainability Committee, with the intention of making steady progress through a PDCA cycle.

New Facilities Opened at the ITOCHU SDGs STUDIO

In July 2022, ITOCHU opened the ITOCHU SDGs STUDIO KIDS PARK. Designed for both parents and children, this facility allows children, who will lead the future, to experience our concept of the SDGs through play. This free facility where kids can safely play is garnering attention as the 300 reservation slots for each day are always filled. As of March 31, 2023, around 50,000 people had visited the facility.

Furthermore, in July 2022, we opened the ITOCHU SDGs STUDIO RESTAURANT Hoshi no Kitchen, a restaurant that provides a “delicious, enjoyable, and sustainable” dining experience. Featuring classic dishes loved by everyone from children to adults made with food ingredients including those which are handled by ITOCHU Group companies such as Dole and FUJI OIL CO., LTD., etc., the restaurant allows visitors to casually experience sustainable food initiatives.

Going forward, at the ITOCHU SDGs STUDIO, by enhancing contact points with children and consumers, we will continue providing opportunities to interact with and learn about various SDGs.
Approach to Climate Change and Related Initiatives

ITOCHU discloses the GHG emissions of all fossil fuel businesses and interests associated with the Company, and it will fully withdraw from thermal coal interests during the period of the current medium-term management plan. By reducing GHG emissions and proactively advancing business that help reduce emissions, we are contributing to the realization of the Japanese Government’s “2050 Carbon Neutral” goal.

Our Company also recognizes the importance of disclosing climate-related financial information and has worked to disclose information based on TCFD recommendations since expressing support for them in May 2019.*

■ Governance for Climate Change

At ITOCHU, the Sustainability Management Division plans and proposes measures and initiatives to address risks and opportunities related to climate change, and the Sustainability Committee deliberates and decides these measures and initiatives. The CAO, the Representative Director responsible for climate change-related issues, chairs the Sustainability Committee, and is responsible for presenting and reporting to the Board of Directors the matters duly deliberated and decided at the Sustainability Committee. This allows the Board of Directors to properly supervise the appropriate promotion of business strategies that respond to environmental and social risks and opportunities based on the deliberations and decisions of the Sustainability Committee. The Board of Directors deliberates and decides important matters, such as management plans based on GHG emissions reduction goals and initiatives.

Additionally, we periodically engage in dialogue with external stakeholders, such as the Sustainability Advisory Board, to understand society’s expectations and demands, etc., regarding our policies, initiatives, and systems related to climate change and incorporate them into measures addressing climate change.

■ Climate Change Strategy

ITOCHU sets GHG emissions reduction and offset targets[Page 80], analyzes scenarios based on TCFD recommendations and continuously considers business strategies and asset replacement. As a result of conducting scenario analysis in accordance with TCFD recommendations, we can maintain a strong business foundation by transitioning to environmentally friendly products and services that customers demand and also by reviewing our business portfolio.

Since FYE 2020, we have analyzed and disclosed transition risks such as policy and regulatory risks under scenarios of less than 2°C as well as physical risks such as natural disasters under a 4°C scenario for the “Power Generation Business,” “Energy Business,” “Coal Business,” “Dole Business,” and “Pub Business.”

Additionally, for FYE 2023, we newly analyzed and disclosed the “Iron Ore Business,” “Automobile Business,” “Chemicals Business,” and “Feed and Grain Trade Business” under a 1.5°C scenario. The results of scenario analysis of the “Iron Ore Business,” which faces transition risks as the main challenge, and the “Feed and Grain Trade Business,” which faces physical risks as the main challenge, are shown on the following page.

Please refer to ITOCHU’s website for detailed information about its scenario analysis for the “Iron Ore Business” and the “Feed and Grain Trade Business.”

https://www.itochu.co.jp/en/csr/environment/climate_change/

Photo courtesy of BHP

Scenario Analysis

<table>
<thead>
<tr>
<th>Business</th>
<th>Time frame</th>
<th>Temperature basis scenario</th>
<th>Transition opportunities</th>
<th>Main risks and opportunities</th>
<th>Physical opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore business</td>
<td>By 2050</td>
<td>1.5°C scenario</td>
<td>The stable supply of low-carbon emission steelmaking raw materials</td>
<td>Increase in procurement costs due to the increased frequency of severe weather events and worsening water scarcity</td>
<td>Creation of new opportunities for low-carbon-related materials business</td>
</tr>
<tr>
<td>Coal business</td>
<td>By 2050</td>
<td>4°C scenario</td>
<td>The stable supply of low-carbon emission steelmaking raw materials</td>
<td>Disruption of iron ore supply chain due to frequent weather disasters</td>
<td>Creation of new opportunities for low-carbon-related materials business</td>
</tr>
<tr>
<td>Feed and grain trade business</td>
<td>By 2030</td>
<td>4°C scenario</td>
<td>The introduction of a carbon tax is expected to increase the cost of fuel, materials, and other items.</td>
<td>We may maintain a supply structure by diversifying the countries from where we import crops and capture demand for grain</td>
<td></td>
</tr>
</tbody>
</table>

Risk

Business opportunities

We will closely monitor trends in low-carbon emission steelmaking technologies and promote initiatives to ensure a stable supply of low-carbon emission steelmaking raw materials.

We will diversify the countries from where we import crops to prepare for the acute and chronic impacts from climate change.

We will engage in new environment-related business such as feed which leads to a curb on methane emissions.

■ Climate Change Risk Management

Engaged in global business operations, ITOCHU constantly monitors climate change policies in each country, abnormal weather conditions around the world, or changes in average temperatures. Climate change risks identified from information regarding climate-related regulations and abnormal weather, etc., are managed as one of the major risks, “environmental and social risks,” in risk analyses conducted across the entire Group. Additionally, the identified climate change risks are evaluated and examined during the investment decision-making process, and each department in charge of risk management is responsible for constructing a consolidated basis to identify, evaluate, manage, and monitor risks.

* The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB)
Climate Change and Related Initiatives

**GHG Emissions Reduction and Offset Targets**
- Achieving net zero GHG emissions by 2050 to comply with the Japanese government’s target. In addition, aiming to offset CO2 to zero* by 2040 by actively promoting businesses that contribute to the reduction of GHG emissions.
- Complying with the Japanese government’s interim target*2 by achieving a 40% reduction from 2018 level by 2030.
- Based on the understanding that ongoing initiatives to reduce GHG emissions are key, flexibly and dynamically adjusting “reduction pathways” while paying attention to the unique traits of client industries, assuming it is possible to expand business while addressing societal demands at the same time.
- Steadily reducing emissions from a medium- to long-term perspective through initiatives in supply chains, including reviews of products handled in light of changes in client industries, and transitions to improve fuel economy in logistics networks, centered on the non-resource sector where the Company has strengths.

**GHG Emissions Reduction and Offset Targets**
- 2018: Expanding renewable energy, ESG, EVs, hydrogen and ammonia business, etc.
- 2030: Reducing handling of fossil fuels and related products Providing leadership to suppliers and customers

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- 2018: Expanding renewable energy, ESG, EVs, hydrogen and ammonia business, etc.
- 2030: Reducing handling of fossil fuels and related products Providing leadership to suppliers and customers

**Efforts to Reduce GHG Emissions from Fossil Fuel Businesses and Interests**
After announcing a policy of completely withdrawing from its thermal coal interests during the medium-term management plan, our Company proceeded to sell its Ravensworth North thermal coal interest in Australia following the sale of its Drummond thermal coal interest in Colombia, achieving a 50% reduction in GHG emissions from fossil fuel businesses and interests* compared to those of FYE 2019 ahead of schedule. While fulfilling its responsibility for stable supplies of natural resources and energy, we will continue to actively promote efforts to reduce environmental impact.

**Clean-Tech Business**
- **Renewable Energy Business**
  - Increase the ratio of renewable energy capacity within our power generation portfolio to over 20% by FYE 2021
  - Invested in renewable energy generation of approximately 1,630 MW, such as in Cotton Plains (wind and solar power) and Plugge Switch (wind power), both of which are in the United States, and in Saula Operations (geothermal power) in Indonesia
  - Currently newly developing renewable energy businesses of approximately 2,000 MW to achieve a renewable energy ratio of over 20%.

**Business Initiatives to Help Reduce GHG Emissions**
- **Clean-Tech Business**
  - **Renewable Energy Business**
    - Increase the ratio of renewable energy capacity within our power generation portfolio to over 20% by FYE 2021
    - Invested in renewable energy generation of approximately 1,630 MW, such as in Cotton Plains (wind and solar power) and Plugge Switch (wind power), both of which are in the United States, and in Saula Operations (geothermal power) in Indonesia
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**Individual Targets and Initiatives for the Clean-Tech Business**
- **Renewable Energy Business**
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  - Currently newly developing renewable energy businesses of approximately 2,000 MW to achieve a renewable energy ratio of over 20%.

**Comparison of CO2 Emissions when Producing 1 Ton of Crude Steel**
- **Blast Furnace Method**
  - Approx. 2 tons CO2 emissions
- **Direct Reduction Method**
  - Reduced with hydrogen in the future
  - Net: No CO2 emissions

Creating a Supply Chain of the Ferrous Raw Material for Green Ironmaking with Low Carbon Emission
Steel is an irreplaceable material underpinning social infrastructure that is used by a wide range of industries, but reducing CO2 emissions during its production processes has become an urgent issue in the industry. Compared with the conventional blast furnace method, the direct reduction method, which uses natural gas and high-grade iron ore for reduction, significantly reduces CO2 emissions in the steelmaking process.

To secure the stable supply of high-grade iron ore, which is indispensable raw material for the direct reduction method, ITOCHU acquired partial interests in the AMCO iron ore mining business operating in Canada, through TFCO-UMI Minerals & Energy of Australia Pty Ltd in December 2022. Ahead of this, ITOCHU, together with JFE Steel Corporation, our long-term business partner, agreed to jointly proceed with detailed commercialization surveys regarding the building of a low-carbon reduced steel supply chain with Emirates Steel, the largest steel manufacturer in the United Arab Emirates (UAE). In this business, we plan to utilize high-grade iron ore produced by CBIN Mineração S.A., a Brazilian iron ore business that TFCO has invested in, as well. Conventional blast furnace steel production approximately 2 tons of CO2 emissions per ton of crude steel. The direct reduction method using natural gas competitively priced in the UAE, effectively cuts this to about 1.5 tons of CO2 emissions. In addition, by processing the CO2 emitted during the production process through carbon dioxide capture, utilization, and storage (CCUS) technologies that inject CO2 into fields, we are able to further reduce CO2 emissions. In the near future, by realizing reduction through hydrogen, we aim to achieve net-zero CO2 emissions.

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Sustainability Management

Through sustainability management that aligns with its various business activities, ITOCHU makes a concerted effort to address issues related to human rights, labor rights, and the environment in its supply chains and business investments.

■ Supply Chain Sustainability Survey

Prior to commencing business with a supplier, ITOCHU notifies all its suppliers of its Sustainability Action Guidelines for Supply Chains. After commencement of business, it conducts sustainability surveys every year as a means of enhancing communications about its sustainability policies. This survey contains questions based on the seven core subjects* of ISO26000 that must be answered. ITOCHU selects important policies based on guidelines regarding high-risk countries, handled products, and handled monetary amounts, for example. After obtaining answers to survey questions from these suppliers, sales representatives from each Division Company and sales representatives from overseas offices and Group companies meet with suppliers and conduct handings (approximately 300 suppliers every year) based on their answers to the survey. Based on the outcomes of these interviews, if violations of the Sustainability Action Guidelines for Supply Chains are discovered and verified, the offending supplier is asked to take corrective action. At the same time, if deemed necessary, the Company conducts an on-site inspection of the supplier and provides instructions while supporting their efforts to improve. By conducting these surveys and reviews, etc., ITOCHU aims to assess the state of affairs and to prevent problems from occurring.

* Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

Number of Suppliers Surveyed, by Region, in FYE 2023

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Suppliers Surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>172 companies</td>
</tr>
<tr>
<td>Africa</td>
<td>8 companies</td>
</tr>
<tr>
<td>Europe/CIS</td>
<td>8 companies</td>
</tr>
<tr>
<td>Middle East</td>
<td>6 companies</td>
</tr>
<tr>
<td>Oceania</td>
<td>3 companies</td>
</tr>
<tr>
<td>Latin America</td>
<td>20 companies</td>
</tr>
<tr>
<td>Japan</td>
<td>24 companies</td>
</tr>
</tbody>
</table>

Please refer to ITOCHU's website for more information about the supply chain sustainability survey. [https://www.itochu.co.jp/en/csr/society/value_chain/system/]

■ Grievance Mechanism

We joined the general incorporated association Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which provides an Engagement and Remedy Platform in compliance with the United Nations “Guiding Principles on Business and Human Rights,” from 2022 onwards. JaCER accepts complaints on cases that violate international codes of conduct and national codes of conduct brought by all stakeholders in the supply chain, as well as cases of suspected violations, while securing the anonymity of whistleblowers and the confidentiality of reports. By accepting grievances through third-party channels, it ensures fairness and transparency in grievance handling and promotes engagement and remedies, contributing to the fundamental resolution of human rights issues.

■ Formulation of Procurement Policies for Individual Product Type

Based on the ITOCHU Group Sustainability Policy and Sustainability Action Guidelines for Supply Chains, ITOCHU endeavors to sustainably procure raw materials and products. For the sake of responsible procurement, the Company has formulated the following procurement policies for individual products and engages in activities based on these policies.

<table>
<thead>
<tr>
<th>Sustainable Procurement Policy in Natural Forests and Forest Resources</th>
<th>Natural Rubber Procurement Policy</th>
<th>Sustainable Palm Oil Procurement Policy</th>
<th>Cocoa Bean Procurement Policy</th>
<th>Coffee Bean Procurement Policy</th>
<th>Commitment of Protecting Forests through Material Sourcing of MNCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>8382</td>
<td>Natural</td>
<td>Sustainable</td>
<td>Cocoa</td>
<td>Coffee</td>
<td>Commitment</td>
</tr>
</tbody>
</table>

Please refer to ITOCHU's website for more information about procurement policies for each product. [https://www.itochu.co.jp/en/csr/society/value_chain/activity/]

■ Human Rights Due Diligence

The ITOCHU Group is fulfilling its responsibility to respect human rights based on the ITOCHU Group Human Rights Policy established in April 2019. Specifically, we identify and evaluate the negative impact from the corporate activities of the ITOCHU Group on human rights that may affect society. We then work to prevent and mitigate such impact by taking the appropriate steps. With the cooperation of external experts, we have identified topics that each Division Company should focus on to prevent human rights risks in their business areas and also conducted risk mapping, referring to international guidelines and indicators such as SAI8000.

Risk Map by Business Area:

| Desk Research Identifying Human Rights Issues That Require Due Diligence in Each Business Area |
|---|---|---|---|---|---|
| Issue | Textile Machinery Metals & Minerals Orange & Food Products & Retail Oil & Gas Services The 1st | 1st | 1st | 1st | 1st |
| Freedom of Association and Right to Collective Bargaining | Child Labor | Working Hours | Remuneration | Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Discrimination | Supply Chain Slavery | Working Hours | Remuneration | Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Supply Chain Slavery | Working Hours | Remuneration | Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Working Hours | Remuneration | Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Remuneration | Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Migration Workers | Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Human Trafficking | Indigenous Human Rights | Impact on Local Communities and Residents |
| Indigenous Human Rights | Impact on Local Communities and Residents |

Based on the risk mapping by business area, we are working on human rights due diligence and have identified clothing, textiles, footwear, cotton, carpets, yams, bags, etc., in the Textile Company as the subject to be investigated for FYE 2023, and have disclosed the results of human rights due diligence. There were no issues identified as human rights issues that have already occurred or are immediately of concern, but regarding the confirmed issues, we engage with suppliers through interviews, additional survey questionnaires, etc., and discuss and request corrective actions regarding future response policies. We also follow up on progress in our supply chain sustainability surveys conducted every year. In FYE 2024, we are conducting human rights due diligence for the General Products & Retail Company and plan to implement this in other business fields in the future.

Human Rights Due Diligence Flow Chart

[https://www.itochu.co.jp/en/csr/human_rights/]

Overview of Human Rights Due Diligence in the Textile Company (FYE 2023)

<table>
<thead>
<tr>
<th>Issues Covered by the Survey</th>
<th>Countries Covered</th>
<th>Aged 10 years or older, in developing countries including Cambodia, the Philippines, Myanmar, and Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child labor, forced labor, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, migrant workers, and impact on local communities and residents</td>
<td>Commodity or primary suppliers located in the target countries</td>
<td></td>
</tr>
<tr>
<td>Child Labor</td>
<td>Freedom of Association and Right to Collective Bargaining</td>
<td>Discrimination</td>
</tr>
<tr>
<td>Working Hours</td>
<td>Remuneration</td>
<td>Migration Workers</td>
</tr>
<tr>
<td>Migrant Workers</td>
<td>Human Trafficking</td>
<td>Indigenous Human Rights</td>
</tr>
<tr>
<td>Impact on Local Communities and Residents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Survey Target</td>
<td>On-Site Visit Targets and investigative interview targets</td>
<td>On-Site Visit Targets and investigative interview targets</td>
</tr>
<tr>
<td>112 companies</td>
<td>21 companies</td>
<td>12 companies</td>
</tr>
</tbody>
</table>

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Further Enhancement of ITOCHU’s Corporate Governance System

ITOCHU has consistently reformed and strengthened its governance structure through various measures to implement measures pursuant to the Corporate Governance Code, shifting to a monitoring-focused Board of Directors, and establishing advisory committees to the Board of Directors that are led by a diverse group of outside officers. Following the General Meeting of Shareholders convened in June 2023, the Governance and Remuneration Committee and the Nomination Committee were reorganized to form the Governance, Nomination and Remuneration Committee, which is chaired by an Outside Director and has a majority of Outside Directors as members. This reorganization is aimed at invigorating discussions by establishing a system in which the same committee members cohesively deliberate nominations and remuneration, which are connected in many ways, and governance, which provides the overall framework for nominations and remuneration. In addition, with respect to succession plans, which is one of the important items discussed by the Governance, Nomination and Remuneration Committee, the CEO selection process and the policy on training CEO candidates have been disclosed. With a view to enhancing governance even further, ITOCHU will continue to place particular emphasis on the practical aspects of strengthening governance and to expand disclosure in light of trends related to the Corporate Governance Code and market feedback.

Structure of the Board of Directors

[Diagram showing the structure of the Board of Directors]

Overview of Corporate Governance and Internal Control System

[Diagram showing the overview of corporate governance and internal control system]

Evaluation of the Board of Directors

ITOCHU conducted evaluations on the effectiveness of the Board of Directors for all 10 Members of the Board and all 5 Audit & Supervisory Board Members for FYE 2023. The results of this evaluation confirmed that the Company’s Board of Directors continues to ensure its effectiveness in terms of the structure of the Board of Directors and advisory committees to the Board of Directors, the roles and duties of the Board of Directors, the operation status of the Board of Directors, the information provision to Members of the Board and Audit & Supervisory Board Members, training, and other attributes. The questionnaire responses showed improvement compared with those of FYE 2022, indicating that all areas focused on by the questionnaire are functioning at an advanced level. In addition, many positive comments were received, along with suggestions and remarks for further improvement. It was pointed out that the Group governance is a priority to be addressed in the medium- to long-term in the statements of the evaluation, reflecting expectations that the establishment of the Group CEO Office will strengthen group management.

Procedure for Evaluation of the Board of Directors

Results of the FYE 2023 Evaluation of the Board of Directors

[Table showing the results of the FYE 2023 Evaluation of the Board of Directors]

Initiatives and Progress in FYE 2023

• Held lively discussions at the Women’s Advancement Committee, which formulated policies on accelerating promotion to new positions and evolving flexible work styles, and implemented specific management-led measures
• Increased the percentage of female officers on the Board of Directors, thereby heightening diversity and facilitating in-depth discussions

Directions Going Forward

• Continue monitoring the Women’s Advancement Committee and the Board of Directors of the progress and effectiveness of measures to empower women
• Tackle the priority issue of securing diversity in core human resources by empowering women and deepen
• Continue strengthening the Group CEO Office to resolve conflicts among Group companies and to coordinate the development of new businesses
• Realize junior employees’ potential and effectiveness of measures to empower women.
• Continue discussions on strengthening management foundations, such as continuing to discuss rigorous evaluation of the “prevent” principle, opportunity-focused investment, and contribution to the SDGs.

Issues Identified in FYE 2023

[Table showing the issues identified in FYE 2023]
Members of the Board, Audit & Supervisory Board Members, and Executive Officers

As of July 1, 2023

**Members of the Board**

- **Chairman & Chief Executive Officer**
  - Masahiro Okutuji
  - President
  - 1987 Joined ITOCHU Corporation
  - Number of shares held: 300,720

- **Executive Vice Presidents**
  - Hiroyuki Kobayashi
  - Chief Operating Officer
  - 1987 Joined ITOCHU Corporation
  - Number of shares held: 181,924

- **Members of the Board**
  - Makiko Nakamori
  - 2006 Joined ITOCHU Corporation
  - Number of shares held: 12,400

- **Audit & Supervisory Board Members**
  - Makoto Kyoda
  - 1991 Joined ITOCHU Corporation
  - Number of shares held: 88,828

**Executive Officers**

- **Chairman & Chief Executive Officer**
  - Masahiro Okutuji
  - President
  - 1987 Joined ITOCHU Corporation
  - Number of shares held: 171,261

- **Executive Vice Presidents**
  - Yoshikuni Itagaki
  - Executive Vice President
  - 1982 Joined ITOCHU Corporation
  - Number of shares held: 16,308

For executives’ career profiles, please refer to ITOCHU’s website: [https://www.itochu.co.jp/en/about/officer/](https://www.itochu.co.jp/en/about/officer/)
Demonstrating the Functions of an Outside Officer

ITOUCHU’s outside officers comprise diverse human resources who can offer effective advice for promoting management strategies based on their wide-ranging experience, including lawyers, accountants, business management experienced professional, doctors, etc. Outside officers fulfill monitoring and supervisory functions, through the eyes of society and general shareholders, while leveraging the strengths gained from their own individual experience. They offer useful advice on highly unique measures directly connected to management strategies, such as health management and the establishment of the Women’s Advancement Committee.

I have been engaged in rule-making from the standpoint of public administration, since my time as Commissioner of the Consumer Affairs Agency, with a focus on “protecting” consumers. The main areas I covered were related to people’s everyday lives, such as housing administration that is strongly connected to people’s lives, as well as regional revitalization rooted in the local community. Notably, personal consumption underpins around 50% of Japan’s GDP. I believe the outlook for the Japanese economy is directly tied to the expansion of high-quality consumer spending. Starting from the government’s commitment to consumer protection, both consumers and companies have worked together on co-creation and the promotion of consumer-oriented management that enhances social value. “Sampo-yoshi,” which ITOCHU embodies, is similar to the consumer-oriented management I have promoted through listening to the voice of consumers. Going forward, I will leverage the expertise and experience I gained through consumer affairs, etc. to provide useful advice, thereby contributing to the sustainable development of ITOCHU.
The ratio of Outside Directors to more than one-third had been practiced after the transition to a monitoring-focused Board of Directors in FYE 2018 and continues to be followed. Activities of the Advisory Committees to the Board of Directors include the Governance and Remuneration Committee, which holds meetings to discuss and ensure adherence to Corporate Governance policies. These committees promote the sustainable growth of the company by formulating policies and ensuring effective governance.

Activities of the Advisory Committees to the Board of Directors

- Governance and Remuneration Committee
- Nomination Committee
- Women’s Advancement Committee

FYE 2023
- Total of four meetings held (two of which were held by paper circulation)
- With all members in attendance
- Main topics included the Board of Directors’ effectiveness evaluation, the conclusion of a company indemnification agreement, reorganization of the Governance and Remuneration Committee, and the Nomination Committee, and the continuation of share price-linked bonuses with the two fiscal years from FYE 2024 to FYE 2025 as a calculation period.
- Each member engaged in active deliberations on every topic.

FYE 2021
- Total of two meetings held
- With all members in attendance
- Main topics included the current status of new female appointees to and female candidates for senior management positions, initiatives for the promotion of female employees, and human capital disclosure in the Financial Information Report.

Deliberations at Meetings of the Board of Directors

- The Governance, Nomination and Remuneration Committee reports the results of deliberations to the Board of Directors, and the CEO is decided following discussions at Meetings of the Board of Directors.
- The Governance, Nomination and Remuneration Committee is chaired by an Outside Director and has a majority of Outside Directors as members.
- The Governance, Nomination and Remuneration Committee is responsible for the nomination and appointment of the CEO and other senior management members.

Succession Plan

The company positions succession plans as a material management issue in an effort to enhance management sustainability and medium- to long-term corporate value. As the CEO leading ITOCHU, a general trading company, it is assumed that the most important skill is to have “business capabilities as a merchant” and business sense, and to be able to practice “Sampo-yoshiki.” The CEO selection process and a policy on training CEO candidates are as follows.

CEO Selection Process

- The Chairman & CEO recommends candidates to the Governance, Nomination and Remuneration Committee based on input from executives because it is not only essential to have knowledge related to the businesses of the entire company to enhance medium- to long-term corporate value but also to have a deep understanding of the candidates’ careers, experience, character, and other factors.

Policy on Training CEO Candidates

Officers who have “business capabilities as a merchant” are positioned within the organization to enable them to thrive and gain experience. To train multiple candidates in leadership and enable them to learn how to engage with customers, we allow them to gain daily experience in highly challenging frontline operations, regardless of whether they are stationed at headquarters or a Group company, in Japan or overseas.

Selecting Management with a Focus on Practicality

As chair of the Governance, Nomination and Remuneration Committee, I emphasize practicality above all else in selecting senior management members. There are aspects of formally setting the CEO’s term and retirement age that are easy for stakeholders to comprehend, but amid this uncertain business environment, I do not believe that proceeding with generational replacement in line with just one set of rules necessarily leads to the sustainable growth and enhancement of corporate value. Corporate management is not conducted by the CEO alone. The presence of a robust management team supporting the CEO is crucial. The Governance, Nomination and Remuneration Committee discusses many important human resource matters, including management supporting the CEO. When selecting management, some aspects of character can be glimpsed from their experience to date and their daily interactions. It is also important, however, to uncover their unwavering resilience and trust qualities in line with the trends of the time. General trading companies have expanded business and changed their business structures in tandem with changes in the external environment. In addition to nimble innovation suited to the roles of companies demanded by each era, we need to assess whether they have a consistent core as a merchant and can demonstrate steadfast leadership. ITOCHU has many personnel who have a talent for doing business. As chair of the Governance, Nomination and Remuneration Committee, I will continue leading discussions on important personnel, such as the CEO and other senior management members, while assessing current trends, as well as utilizing my perspective as outside officer and as a former top management in the retail industry.
Overview of Remuneration System and Maximum Remuneration Limit

<table>
<thead>
<tr>
<th>Fixed / Variable</th>
<th>Overview</th>
<th>Remuneration Limit</th>
<th>Resolution of General Meeting of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly remuneration</td>
<td>Determined based on the standard amount by position and the level of contribution to ITOCHU, including its response to climate change, the SDGs, and ESG.</td>
<td>¥1.0 billion per year as total amount of monthly remuneration (including ¥0.1 billion per year as a portion paid to Outside Directors)</td>
<td></td>
</tr>
<tr>
<td>Performance-linked bonuses</td>
<td>Determined based on consolidated net profit and each individual amount payment is determined in relation to the position points for the Director.</td>
<td>¥3.0 billion per year as total amount of bonuses paid to all Directors. Not paid to Outside Directors</td>
<td></td>
</tr>
<tr>
<td>Share-price-linked bonuses</td>
<td>Calculated based on the increase in ITOCHU’s stock price for two consecutive fiscal years and relative growth rate of ITOCHU’s stock price compared to TOPIX.</td>
<td>The amounts below are limits for two fiscal years, for Directors and Executive Officers.</td>
<td></td>
</tr>
<tr>
<td>Performance-linked stock remuneration (non-monetary remuneration)</td>
<td>Total payment amount is determined based on consolidated net profit and each individual amount payment is determined in relation to the position points for the Director.</td>
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</tr>
</tbody>
</table>

Details of the Remuneration Paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2023

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of People</th>
<th>Total Amount of Remuneration (in millions yen)</th>
<th>Monthly Remuneration</th>
<th>Performance-linked Remuneration</th>
<th>Share Price-linked Bonuses</th>
<th>Performance-linked Stock Remuneration</th>
<th>Remuneration Image of Directors (Excluding Outside Directors)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Rounded to the nearest million yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Fixed remuneration approx. 25%</td>
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<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1) Monthly remuneration</td>
</tr>
<tr>
<td>Inside</td>
<td>6</td>
<td>2,044</td>
<td>321</td>
<td>1,825</td>
<td>168</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>Outside</td>
<td>3</td>
<td>81</td>
<td>81</td>
<td>81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>3,045</td>
<td>402</td>
<td>1,825</td>
<td>168</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members</td>
<td>6</td>
<td>111</td>
<td>111</td>
<td>—</td>
<td>—</td>
<td></td>
<td>(2) Performance-linked bonuses</td>
</tr>
<tr>
<td>Inside</td>
<td>3</td>
<td>60</td>
<td>60</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside</td>
<td>3</td>
<td>52</td>
<td>52</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>172</td>
<td>172</td>
<td>—</td>
<td>—</td>
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</tr>
</tbody>
</table>

Amount Paid to an Individual Director

The average value of the Tokyo Stock Price Index (TOPX) during the term of office, annual points are awarded (1 point = 1 share), and after retirement stock remuneration is paid from the trust in correspondence with accumulated points. Plans call for all of the stocks paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

Amount Paid to All Directors

Total amount paid to All Directors = [A + B + C] x Sum of position points for all the eligible Directors + 55 A = (Of consolidated net profit for FYE 2024, the portion exceeding ¥200.0 billion) x 0.35% B = (Of consolidated net profit for FYE 2024, the portion exceeding ¥100.0 billion but up to ¥200.0 billion) x 0.525% C = (Of consolidated net profit for FYE 2024, the portion exceeding ¥100.0 billion) x 0.025% (if, which, 0.175% as stock remuneration)
Promoting More Active Discussions at Meetings of the Board of Directors

To heighten the effectiveness of the Board of Directors, submission of and reporting on topics to the Board of Directors was continued in FYE 2023. The main topics that were reported on and submitted to the Board included sustainability-related initiatives, a report on cybersecurity readiness, and the progress of corporate branding strategies. Summaries of the Board’s discussions on these three topics are as follows.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Details of Discussions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability-Related Initiatives</td>
<td>Representatives of the Sustainability Management Division provided an overview of its operations and explained measures for the disclosure of non-financial information in the Financial Information Report, climate change measures, and the acquisition of ESG evaluations, and discussions on these subjects were held. A variety of discussions were held on the Company’s current climate change measures. For example, an Outside Director raised questions regarding the climate change measures of the Group. In addition, an Outside Director asked questions regarding the cybersecurity measures of the Group. In addition, an Outside Auditor &amp; Supervisory Board Member expressed the opinion that given the use of extremely sophisticated techniques combining cyberattack technologies and ordinary fraud, the Company should conduct case studies of actual breaches caused by identity theft and then educate officers and employees of the Company and its Group companies according to these measures that are being considered, including the establishment of a separate company to attract and retain cybersecurity experts. The aforementioned discussions will be helpful for the Company’s initiatives going forward.</td>
</tr>
<tr>
<td>Report on Cybersecurity Readiness</td>
<td>Representative of the IT A Digital Strategy Division explained the Group’s cybersecurity-related initiatives and in-house systems, and discussions on these subjects were held. An Outside Director asked questions regarding the cybersecurity measures of the Group. In addition, an Outside Director &amp; Supervisory Board Member expressed the opinion that given the use of extremely sophisticated techniques combining cyberattack technologies and ordinary fraud, the Company should conduct case studies of actual breaches caused by identity theft and then educate officers and employees of the Company and its Group companies according to these measures that are being considered, including the establishment of a separate company to attract and retain cybersecurity experts. The aforementioned discussions will be helpful for the Company’s initiatives going forward.</td>
</tr>
<tr>
<td>Progress of Corporate Branding Strategies</td>
<td>Representatives of the Corporate Brand Initiative (CBI) explained the social environment-driven evolution of the Company’s corporate branding strategies, examinations of the Company’s corporate image, and the opening of ITOCHU SDGs STUDIO KIDS PARK, and discussions on these subjects were held. Lastly, discussions were held on corporate branding strategies. For example, an Outside Director expressed the hope that ITOCHU SDGs STUDIO KIDS PARK, which enables children to play safely and free of charge in Tokyo, would continue because, given the strong public demand for such facilities, the initiative aligns with current social trends. Also, it is suggested to analyze the corporate branding strategies of competitors.</td>
</tr>
</tbody>
</table>

ITOCHU considers it indispensable to fully strengthen the management oversight and supervising functions of outside officers, who bring perspective of the public and shareholders, to invigorate the Board of Directors. As a place for outside officers to deepen their understanding of the Company, we strive to further invigorate the Board of Directors by taking such measures as holding deliberations at Meetings of the Board of Directors and off-site discussions from the aforementioned medium-term to long-term view.

Masatoshi Kawanabe
Outside Director

Mr. Kawanabe served as a Professor at the Research Institute of Medical Sciences of Osaka University in addition to other positions, where he gained a high level of experience in hospital management and acquired knowledge of medical care. He is an official of a member of the Board of Directors at CONEXIO in June 2019. He also possesses expertise to provide valuable medical opinions and suggestions on the field of health management and setting prevention measures against new infectious diseases such as COVID-19. As of FYE 2024, he serves on the Governance, Nomination and Remuneration Committee.

Makiko Nakamura
Outside Director

Ms. Nakamura possesses a high level of expertise in finance and accounting as a Certified Public Accountant in Japan, and has a wealth of experience as a corporate manager. She assumed her position as a member of the Board of Directors at ITOCHU in June 2019. She also offers professional insights based on her specialization in know-how and unique experiences in the fields of internal control, compliance, and internal control. As of FYE 2024, she serves as chair of the Corporate Governance Committee, a member of the Board of Directors, and a member of the Governance, Nomination and Remuneration Committee.

Asset Replacement with No Boundaries

The tender offer for CONEXIO was a major project that included discussions on governance matters related to the dissolution of parent–subsidiary listing, as well as business matters concerning large-scale asset replacement. After carefully monitoring the business environment of each Group company, both listed and unlisted, ITOCHU is promoting the replacement of low-efficiency businesses and businesses with diminished strategic significance. In addition, listed subsidiaries are of great concern to investors and other parties as they present corporate governance issues including risks related to conflicts of interests with minority shareholders. ITOCHU announced its policy related to the governance of listed subsidiaries, and, through its Corporate Governance Report and other documents, has explained that it will maintain a structure to avoid potential conflicts of interest. CONEXIO was originally spun off from a sales agency business for mobile phones, which ITOCHU had been involved in. The business contributed to profits for a long time and there were a lot of strong emotions involved within the Company, but we objectively reviewed its strategic significance and considered its standing as a listed subsidiary. As a result, it became subject to asset replacement. We decided that ITOCHU’s role was as an Outside Director by fulfilling check and supervisory function to ensure that the asset replacement process is conducted with no boundaries, while also considering the parent–subsidiary listing perspective.

Discussion of Meetings of the Board of Directors Related to an Individual Project

Based on the rules of the Board of Directors, investment or financing projects exceeding a certain monetary threshold require approval by the Board of Directors following approval by the HMC. In FYE 2023, multiple projects were submitted to the Board of Directors, including “Execution of Agreement to Tender Shares in CONEXIO Corporation*” in the ICT & Financial Business Company. CONEXIO’s main business is operating sales agencies for mobile phones and, until FYE 2021, it was a strong-performing Group company boosting nine consecutive years of profit growth. Following changes in the mobile phone sales industry, however, profitability began a downward trajectory. Amid this situation, ITOCHU and CONEXIO searched for further Group synergies and simultaneously worked to study all possible options. When the public tender was ultimately determined to be the optimal option to realize higher corporate value for ITOCHU and CONEXIO, we decided to sell. First, after conducting a briefing related to the project for the Board of Directors, the content of executive discussions from the HMC and the Investment Consultative Committee was reported to the Board. This covered the sales price, the fairness of the premium, the status of negotiations with buyers, synergies expected by the buyers, the probability of the buyer enhancing CONEXIO’s corporate value, and the opinions of related administrative organizations. Other points that were raised included reflecting on the business expansion of CONEXIO to date, the need to promote the diversification of businesses that take their own initiative, and CONEXIO’s need to identify changes in the business environment surrounding the mobile phone sales industry and engage in business while forecasting potential scenarios. These and other opinions connected to future businesses were provided at the Board meeting.

As a result of the discussions at the meeting, we decided that we need to consider how this sale might impact ITOCHU’s relationship with telecommunication carriers; it was difficult to create additional synergies between CONEXIO and the Group, we determined that the proposed sales price was rational and began implementing the sale without letting our guard down during final sales price negotiations. We confirmed the focus on quickly establishing a new earnings base for the ICT & Financial Business Company, and approved the policy of sale through a tender offer bid.
Policy on the Governance of Listed Subsidiaries

ITOCHU respects the autonomy of listed subsidiaries and prohibits any acts that contradict the principle of shareholder equality, in accordance with ITOCHU’s Policy on the Governance of its Listed Subsidiaries, which was announced in October 2019. Each subsidiary and ITOCHU are in a mutually beneficial relationship to enhance corporate value as business partners. With the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of these listed subsidiaries, we ensure independent decision-making at listed subsidiaries by encouraging them to establish well-functioning governance structures that effectively utilize independent outside directors. Further, the Company does not conclude governance-related agreements with any listed subsidiary.

ITOCHU periodically reviews the significance of holding listed subsidiaries in light of their position in management strategies and then purchases additional shares or disposes of shares as necessary. In FYE 2021, the Company privatized FamilyMart Co., Ltd., and in FYE 2023 the Company disposed of shares of CONEXIO Corporation. Going forward, the Company will continue to periodically review the significance of holding listed subsidiaries and further improve Group governance systems in light of the Corporate Governance Code. In addition, the Company has investments in multiple listed affiliates. The Company gives due consideration to avoiding conflicts of interest in transactions with such affiliates. Also, taking into consideration the actual situations of each affiliate, including capital relationships and the status of transactions, the Company implements measures in accordance with those implemented for listed subsidiaries as necessary.

The significance of holding each listed subsidiary from perspectives including the Group’s management strategy is as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Significance of Holding</th>
<th>Ratio of Independent Outside Directors</th>
<th>Advisory Committees to the Board of Directors</th>
<th>Ratio of Independent Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOKURASAI COMPANY</td>
<td>Uplifting its wide and diverse customer base. ITOCHU ENEX CO., LTD. is developing new sales, services to enhance logistic efficiency, and renewable energy businesses, etc., in addition to existing energy business and power business. It is an important and indispensable presence for the Group in order to build a stable earnings base in both in Japan and overseas. In addition, ITOCHU ENEX CO., LTD., utilizing the Group’s extensive domestic and international network, promotes initiatives in the new energy field which contributes to achieving the SDGs, and carries out the fuel supply businesses for the Group companies.</td>
<td>38% (3 out of 8 directors)</td>
<td>Governance Committee / Special Committee</td>
<td>50% (3 out of 6 directors)</td>
</tr>
<tr>
<td>C.I. TAIRON CORPORATION</td>
<td>C.I. TAIRON Corporation is positioned as a core enterprise in the Group’s plastic, steel business, due to its advanced technological capabilities and large-scale production capacity. C.I. TAIRON Corporation utilizes the Group’s extensive domestic and international network for overseas expansion of C.I. TAIRON Corporation’s functional film business, stable procurement of competitive raw materials, and expansion of sales of C.I. TAIRON Corporation’s various products.</td>
<td>43% (3 out of 7 directors)</td>
<td>Nomination / Remuneration Committee / Governance Committee</td>
<td>50% (3 out of 4 directors)</td>
</tr>
<tr>
<td>ISC</td>
<td>The principal and main business of ITOCHU-SHOKUHIN CO., LTD. is the sale and distribution of alcoholic beverages and processed foods. Based on its presence, ITOCHU secures stable contact points with various domestic retailers, and maximizes profit in the food distribution field by utilizing this sales channel. In addition, by utilizing the Group’s diverse customer base and knowledge in implementing the growth strategy of ITOCHU-SHOKUHIN CO., LTD., such as “Contribution to customers through creating sales floors which utilize DX,” etc., ITOCHU is contributing to the expansion and evolution of the services provided by ITOCHU-SHOKUHIN CO., LTD.</td>
<td>33% (3 out of 9 directors)</td>
<td>Governance Committee</td>
<td>50% (3 out of 4 directors)</td>
</tr>
<tr>
<td>PRIMA MILD PACKERS CO., LTD.</td>
<td>The principal and main business of Prima Meat Packers, Ltd. is to sell meat and processed livestock products, and it assumes the important role of selling final products to the ITOCHU Group’s livestock value chain. Prima Meat Packers Ltd. utilizes the Group’s extensive domestic and international network to ensure a stable supply of high-quality imported raw materials for its core products and to jointly develop pork brands with overseas partners in the Group.</td>
<td>60% (3 out of 5 directors)</td>
<td>Management Committee / Sustainability Committee</td>
<td>50% (3 out of 4 directors)</td>
</tr>
<tr>
<td>CTC</td>
<td>CTC serves as a sales channel for products and services using cutting-edge technology held by the Group’s investees and business partners, and utilizes the Group’s extensive network. In addition, CTC is expanding its business through cooperation with ITOCHU, such as joint investments in promising new business areas and joint proposals.</td>
<td>57% (4 out of 7 directors)</td>
<td>Nomination Committee / Remuneration Committee / Governance Committee / Diversity Committee</td>
<td>50% (3 out of 4 directors)</td>
</tr>
</tbody>
</table>

* In August 2023, ITOCHU announced a tender offer bid for CTC aimed at privatizing the company.
# Financial Summary

## Segment Overview

<table>
<thead>
<tr>
<th></th>
<th>3-year average</th>
<th>ROA*1,2</th>
<th>Core operating cash flows</th>
<th>Core profit*2</th>
<th>Number of employees (Consolidated)</th>
<th>Total assets</th>
<th>Non-resource</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Textile Company</strong></td>
<td></td>
<td>3.9%</td>
<td>2.6%</td>
<td>11.4</td>
<td>5.5%</td>
<td></td>
<td></td>
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<tr>
<td><strong>Machinery Company</strong></td>
<td></td>
<td>5.6%</td>
<td>11.2</td>
<td>9.5</td>
<td>10.5</td>
<td></td>
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</tr>
<tr>
<td><strong>Metals &amp; Minerals Company</strong></td>
<td></td>
<td>17.2%</td>
<td>28.4</td>
<td>29.4</td>
<td>30.8</td>
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<td></td>
</tr>
<tr>
<td><strong>Energy &amp; Chemicals Company</strong></td>
<td></td>
<td>6.0%</td>
<td>16.1</td>
<td>16.3</td>
<td>9.8</td>
<td></td>
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<tr>
<td><strong>Food Company</strong></td>
<td></td>
<td>2.5%</td>
<td>10.7</td>
<td>11.2</td>
<td>14.7</td>
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<tr>
<td><strong>General Products &amp; Realty Company</strong></td>
<td></td>
<td>5.9%</td>
<td>9.6</td>
<td>9.3</td>
<td>11.2</td>
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<tr>
<td><strong>ICT &amp; Financial Business Company</strong></td>
<td></td>
<td>4.9%</td>
<td>10.7</td>
<td>10.2</td>
<td>11.4</td>
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<tr>
<td><strong>The 8th Company</strong></td>
<td></td>
<td>0.7%</td>
<td>11.6</td>
<td>9.8</td>
<td>7.8</td>
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<tr>
<td><strong>Others, Adjustments &amp; Eliminations</strong></td>
<td></td>
<td>13.9%</td>
<td>7.8</td>
<td>9.8</td>
<td>7.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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*1 In calculating average ROA, core profit has been used.
*2 On July 1, 2019, the 8th Company was established, and ITOCHU began mutual holdings in which the 8th Company was the minority shareholder and the other Division Companies were the majority shareholders.

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## Macroenvironmental Factors Impacting Division Company Performances in FYE 2024

<table>
<thead>
<tr>
<th>Macroenvironmental Factor</th>
<th>High Impact</th>
<th>Medium Impact</th>
<th>Low Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile Company</td>
<td>US$</td>
<td>Cotton, denim, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>Machinery Company</td>
<td>US$</td>
<td>Steel prices, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>Metals &amp; Minerals Company</td>
<td>US$</td>
<td>LME prices, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>Energy &amp; Chemicals Company</td>
<td>US$</td>
<td>Energy prices, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>Food Company</td>
<td>US$</td>
<td>Dairy prices, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>General Products &amp; Realty Company</td>
<td>US$</td>
<td>Pulp prices, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>ICT &amp; Financial Business Company</td>
<td>US$</td>
<td>Exchange rates, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>The 8th Company</td>
<td>US$</td>
<td>Exchange rates, etc.</td>
<td>China, North America, Japan</td>
</tr>
<tr>
<td>Others, Adjustments &amp; Eliminations</td>
<td>US$</td>
<td>Exchange rates, etc.</td>
<td>China, North America, Japan</td>
</tr>
</tbody>
</table>

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*Based on U.S. GAAP through FYE 2014, IFRS from FYE 2015.

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*1 In April 2016, the ICT, General Products & Realty Company was reorganized into the General Products & Realty Company and the ICT & Financial Business Company.
*2 On July 1, 2019, the 8th Company was established, and ITOCHU began mutual holdings in which the 8th Company was the minority shareholder and the other Division Companies were the majority shareholders. On October 1, 2022, ITOCHU dissolved such mutual holdings. Therefore, the results from FYE 2018 to FYE 2021 have been presented based on the mutual holdings, while the results from FYE 2022 to FYE 2023 have been presented based on the dissolution of the mutual holdings.
Hideo Nakanishi  
President, Textile Company

Ryoma Omuro  
Chief Financial Officer

Manabu Fukugaki  
Chief Operating Officer, ITOCHU Corporation

Hideto Takeuchi  
From left: Chief Operating Officer, Apparel Division

Katsushi Adachi  
Chief Financial Officer, ITOCHU Corporation

Yotaka Nishikawa  
Third from left: President, Textile Company

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

Acquisition of Marketing Rights and License Rights for Reebok in Japan

ITOCHU has acquired the marketing rights and license rights for Reebok in Japan, a brand that boasts outstanding designs and advanced functions that has earned it strong brand recognition and popularity worldwide. ITOCHU, which has extensive expertise and networks in the brand business, and JADE GROUP Inc., which offers retail know-how centered on e-commerce, have jointly established RBKJ Corporation, a domestic business management company that began its operations in October 2022. By marketing a broad lineup of merchandise and strengthening promotional activities, we will further enhance the value of the Reebok brand in Japan. ITOCHU will cater to market and consumer needs through the adoption of a market-oriented perspective to further strengthen the earnings base for business activities in the footwear-related business, which is a key component of the Textile Company.

Brand Marketing Section 5, Brand Marketing Department 1  
From left: Megumi Mitsugi (Right end)  
Keisuke Muraoka  
Rie Mori, Megumi Mitsugi  
Yoichi Ishikawa (Dispatched)

*Instapump Fury,* a signature Reebok shoes

![Image](https://www.itochu.co.jp/en/files/ar2023E_12.pdf)

Business Fields

- Brand business (import and licenses for garments, fashion accessories, lifestyle brands, etc.)
- Apparel (raw materials, textile fabrics, garment materials, textile products, etc.)
- Industrial materials (fiber materials for industrial and manufacturing use, lifestyle-related products, etc.)

Company Strengths

- Strong position as the unmistakable leader among general trading companies in the textile industry
- Full-spectrum value chain that includes everything from upstream to downstream operations in the textile industry
- Solid business relationships with blue-chip partners in each business area in Japan and overseas

Business Development

Quantitative information  
Page 126–133

Business Fields

Textile Company

Brand Business

- Participation in management / Trademark rights
- Inclusive import and distribution rights / Master license rights

Industrial Materials

Products: Fiber materials used for hygiene, automobile interior materials, electronics materials, building and civil engineering materials for industry and manufacturing, and lifestyle-related products, etc.

- Establishment of local supply chains that match customer needs and locations
- Focus regions: China and other parts of Asia

 Apparel

Products: Raw materials, textile fabrics, garment materials, and textile products, etc.

- Product planning and sales base for the European market
- ITOCHU Europe
- ITOCHU Textile Prominent (ASIA)

- Product planning and sales base for the North American market
- ITOCHU Prominent U.S.A.

- Production bases spreading throughout China and other parts of Asia

Production bases spreading throughout China and other parts of Asia

Product planning, production, and sales bases targeting Japan, Chinese, Asian, and global markets

- ITOCHU + EDWIN
- Samu
- DESCENT
- COME
- UNICO
- ROYNE

Spreading the business model established in Japan, China, and other parts of Asia throughout the world

Brand Business

- Converse
- Under Armour
- Lululemon
- Reebok
- Leilin
- Paul Smith
- Fred Perry
- Yoyogi Kobo

Primary brands handled:

- CONVERSE HUNTING WORLD, L.Lean
- Lejjagisan: OUTDOOR PRODUCTS, Paul Smith
- Primary brands handled:
- FILA, LAMIN, Reebok, Vivenne Westwood

The list of major subsidiaries and associated companies is available on ITOCHU's website.


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Machinery Company

Business Fields

- Urban environment and power infrastructure (water and environmental business, independent power producer (IPP), infrastructure, chemical plants, renewable energy, etc.)
- Marine and aerospace (brokerage of new vessels and secondhand vessels, ship ownership, sales of commercial aircraft, aircraft leasing, satellite information services, drones, etc.)
- Automobile (sales and financing, etc., of passenger cars and commercial vehicles in the domestic and international markets)
- Construction machinery and industrial machinery (sales and finance, etc., in domestic and international markets)

Company Strengths

- Diverse businesses in developed countries and business development in emerging countries while minimizing country risk
- Solid business relationships with blue-chip partners in the waste treatment / renewable energy areas and advanced project development capabilities
- Broad business portfolio encompassing both trading (in automobile, construction machinery) and, other areas as well as business investment in areas such as wholesale, retail, and finance businesses, widely spread in Japan and overseas

Business Development

Quantitative information

Page 126–133

<table>
<thead>
<tr>
<th>Plant / Marine / Aerospace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dacwa Waste Management Company (Energy-from-Waste project)</td>
</tr>
<tr>
<td>Satellis Operations (Satellite ERP)</td>
</tr>
<tr>
<td>JAMCO (Manufactures of aircraft components)</td>
</tr>
<tr>
<td>Tokyo Century (Financial services, etc.)</td>
</tr>
<tr>
<td>Aquasafe (Water treatment and desalination)</td>
</tr>
<tr>
<td>TENC (Energy developer; development of power-generating businesses, including renewable energy)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Automotive / Construction Machinery / Industrial Machinery</th>
</tr>
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<tbody>
<tr>
<td>TOCHU/MAKRO (Trade Finance)</td>
</tr>
<tr>
<td>Tokyo Century (Financial services, etc.)</td>
</tr>
<tr>
<td>Hitachi Construction Machinery (Construction machinery distributor)</td>
</tr>
<tr>
<td>NEXA Finance Indonesia (Construction machinery finance)</td>
</tr>
<tr>
<td>Multiquip (Manufactures of construction machinery)</td>
</tr>
</tbody>
</table>

Specific Example of Enhancing Our Contribution to and Engagement with the SDGs

Solving Complex and Interlinked Environmental, Decarbonization, Waste Management, and Energy Conversion Problems through Business

Bioe Data Energia d.o.o., in which TOCHU has invested through i-ENVIRONMENT INVESTMENTS LIMITED in the United Kingdom, is engaged in an Integrated Energy-from-Waste business in Belgrade, the capital of the Republic of Serbia. The company has already begun providing certain services, including the operation of managed landfill sites and construction demolition waste recycling. Once the Energy-from-Waste facility is completed, the company will begin supplying clean electricity and heat to up to 10% of the households in the metropolitan area of the Republic of Serbia in 2023. The business will make a multifaceted contribution to the achievement of the SDGs. In addition to addressing the country’s long-standing environmental and waste problems, the business will help realize energy conservation, decarbonization, and European Union accession, which are high priority national policies. TOCHU will continue to help address social issues by leveraging its accumulated expertise and competence in the development, design, construction, and operation of businesses to realize high-value-added infrastructure projects.

FYE 2023 Review (Specific Accomplishments)

In addition to the investment in Hitachi Construction Machinery Co., Ltd., a joint venture finance company for construction machinery business was then established in North America by the three companies—Hitachi Construction Machinery Co., Ltd., Tokyo Century Corporation, and TOCHU—as the first collaboration.

- Received certification of carbon credit from Gold Standard, an international certification organization in Switzerland, in the Energy-from-Waste business in the Republic of Serbia
- Concluded an agreement for an investment in a new wind power plant (Prairie Switch) in Texas, the United States, to accelerate the renewable energy business in North America
- Received an approval in principle from Nippon Koji Ryokai (ClassNK) for the design of an ammonia-fueled ship, together with partner companies that have been jointly selected by the Green Innovation Fund Projects of the New Energy and Industrial Technology Development Organization (NEDO)
- Established a system that provides charging solutions as well as providing battery leasing solutions that reflect battery degradation projection analysis as a partner of the "E-Vision" total solution program for users of electric trucks of Isuzu Motors Limited
- Strengthened the earnings base by hands-on management approach along with an increase in our ownership in YANASE & CO., LTD.

Growth Opportunities (Sustainable Growth)

- Expanding peripheral functions, such as the operation and maintenance of plants and the provision of demand and supply balancing services, in addition to strengthening business development capabilities in the renewable energy field
- Developing / owning zero-emission ships, which use ammonia as fuel, and promoting the fuel supply business with the goal of reducing marine GHG emissions
- Expanding value-added businesses in the water and environmental businesses, both in terms of geographies and functions, to meet social needs and spur the transition to a circular economy
- Expanding the value chain to include leasing, rental, after-sales services, used vehicle sales, etc., and promoting the introduction of EVs in the automobile and construction machinery fields
- Expanding the value chain for the construction machinery business through our capital alliance with Hitachi Construction Machinery Co., Ltd.

Risk Responses (Lower Cost of Capital)

- Complying with policies related to coal-fired power generation and promoting renewable energy power generation projects in consideration of national and regional energy situations
- Reducing environmental impact by expanding mobility services and promoting EVs, autonomous cruising vehicles, and aircraft electrification, etc.

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 ITOCHU’s website: https://www.tochucorp.com/en/michikoro/isap/expense/
Metals & Minerals Company

Business Fields

- Development of metal & mineral resource projects (iron ore, coal, non-ferrous metals, rare metals, etc.)
- Trading of raw materials for steelmaking (iron ore, coal, etc.), fuel for power generation (coal and uranium), non-ferrous raw materials and products (aluminum, etc.), and recycling business (metal scrap, waste treatment, etc.)
- Decarbonization-related business (hydrogen; ammonia; carbon dioxide capture, utilization, and storage (CCUS); emissions trading, etc.)
- Steel-related business (import and export to/from Japan; trading in non-Japanese markets; processing, etc.)

Company Strengths

- Strong relationships with blue-chip business partners in each business area
- Ownership of superior natural resource assets, in particular iron ore and coking coal
- Broad-ranging trade flows that run from upstream (metal & mineral resources and metal materials) to downstream (steel / non-ferrous products)

Business Portfolio

- Owner of superior natural resource assets, in particular iron ore and coking coal
- Broad-ranging trade flows that run from upstream (metal & mineral resources and metal materials) to downstream (steel / non-ferrous products)

Specific Example of Enhancing Our Contribution to and Engagement with the SDGs

Acquisition of a Partial Interest in an Iron Ore Project in Canada (AMMC)

Through ITOCHU Minerals & Energy of Australia Pty Ltd, ITOCHU has acquired a partial interest in the AMMC iron ore project in Canada, which is operated by the major steel companies ArcelorMittal of Europe, Fosco Holdings Inc. of South Korea, and China Steel Corporation of Taiwan. AMMC has a steady output of 25 million tons of iron ore and pellets annually, and conducts integrated operations through its own shipment of mines, railway, a port, and pellet production facilities in eastern Quebec, Canada. The high-grade iron ore produced by AMMC is an essential raw material for direct reduced iron (DRI), which contributes to lower carbon emissions of the steel industry.

In addressing the need to respond to climate change, we have added this interest to our existing portfolio of iron ore businesses to strengthen our ability to provide stable supplies of high-grade iron ore, which is seeing increasing demand worldwide. Together with our partners, ITOCHU will continue to contribute to reducing carbon emissions of the steel industry.

FYE 2023 Review (Specific Accomplishments)

- Invested in the AMMC iron ore project in Canada to secure stable supply of high-grade iron ore that helps reduce carbon emissions of the steel industry
- Sought to expand our business platform for the next generation by steadily advancing the development of the Allegheny coking coal mine in the United States and concluding an agreement on the acquisition of a partial interest in the Fitzroy coking coal project in Australia
- Became the first company in Japan to procure and sell environment-friendly raw materials for aluminum produced through the use of solar power
- Began the full-scale operation of U.S. company GE Digital’s operation and asset management efficiency improvement system, which contributes to the promotion of digitalization, at the iron ore mine of CSN Mineração S.A. in Brazil

Growing Opportunities (Sustainable Growth)

- Increasing interest in and realizing stable supplies of metal resources, which underpin the base of economic activities and are indispensable for the transition to a decarbonized society
- Leveraging our solid relationships with steel manufacturers and power companies to strengthen our initiatives related to DRI and other low-carbon raw materials that help realize a decarbonized society, CO2S projects, emissions rights, and hydrogen and ammonia projects
- Steadily promoting initiatives for “venous industries” (industries where wastes are turned into reusable resources) to help build a circular economy, that entails recycling and appropriate waste treatment
- Developing businesses that respond to structural changes in society, such as EVs and FCVs, energy storage systems (ESS), and lighter-weight materials that improve energy efficiency

Risk Responses (Lower Cost of Capital)

- Pursuing efforts to completely withdraw from thermal coal mine investments and promoting technological development that contributes to GHGs emissions reductions
- Promoting businesses that facilitate weight reduction of vehicles and EVs (including wider use of aluminum, rare metals, and other materials)
- Optimizing our asset portfolio to support stable supply of raw materials and fuels to meet social needs
- Complying with our Environment, Health, and Safety (EHS) Guidelines, continuing employee education on these Guidelines, and contributing to local communities where we do business through the provision of healthcare, education, donations, and assistance in the establishment of regional infrastructure
- Promoting increases in efficiency through mining operations and facility management utilizing digital transformation, and conversion to automated operation of mining equipment

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 ITOCHU’s website: https://www.itochu.co.jp/en/ir/sustainability/fiscal2023/plan/
**Energy & Chemicals Company**

**Business Fields**
- Energy projects and trading (crude oil, petroleum products, LPG, LNG, natural gas, hydrogen and ammonia, renewable fuel, etc.)
- Chemical products business and trading (basic petrochemicals, synthetic resins, household goods, fine chemicals, pharmaceuticals, functional food ingredients, electronic materials, eco-friendly materials, etc.)
- Power and environmental solutions business and trading renewable energy power generation, power trading, heat supply, solar panels, energy storage systems, solid biomass fuel, and other related materials)

**Company Strengths**
- Development and trading of eco-friendly energy through collaborations with blue-chip business partners
- Business development capabilities in the chemical field that leverage robust Group companies and overseas locations
- Comprehensive value chain in the next-generation power sector consisting of both business investments and trade businesses

**Energy**
- **Oil & gas project**
  - ACG Project (BP / Azerbaijan)
  - BTC Project (BP / Azerbaijan)
  - West Qurna 1 Project (BP / Iraq)
  - Eastern Siberia Project
  - Vankor Project (Russia)
  - Sakhalin I Project (Russia)
  - Pazflor LNG Project (Equatorial Guinea)
  - Oman LNG Project (Oman)

**Chemicals**
- **Production**
  - G.I. TARPOV (Synthetic resin materials)
  - Sanriku Company Co. Ltd. (Household goods)
  - SHIBUYA METHYL (Basic chemicals / Chemicals)

- **Retail & Trading**
  - ITOCU CHEMICAL FRONTIER (Fine chemicals)
  - ITOCU PLASTICS (Synthetic resin materials)
  - SIG International (Synthetic resin materials / the U.S.)
  - ITOCU Retail Link (Commercial materials)
  - RENJILE PHARMACEUTICALS (Pharmaceuticals / China)

**Power & Environmental Solution**
- **Renewable energy**
  - Asayama Solar (Renewable energy development)
  - GRID SOLUTIONS (Retail and renewable energy business)
  - Clean Energy Connect (Supplier of green energy to companies)

**Retail & Trading**
- **ITOCHU CHEMICAL FRONTIER**
  - Fine chemicals

**Sustainable business**
- **Renewable energy**
  - Asayama Solar (Renewable energy development)

**Energy storage system (ESS) / Next generation business**
- Griffin Japan (Battery optimal control AI)
- NIKKISO Technologies (Manufacture of next-generation ESS)
- JAM Technologies (Development and manufacture of semiconductor memory batteries / the U.S.)

**Smart city / Energy solution**
- TRENDE (Peer-to-peer power trading)

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**Specific Example of Enhancing Our Contribution to and Engagement with the SDGs**

**Expansion of Renewable Energy-Based Electric Supply Business**
Since beginning capital participation in Clean Energy Connect, Inc. (CEC), in November 2021, TOCHU has been supporting the rapid promotion and expansion of the renewable energy-based electricity supply business. We have been helping CEC realize its plan to introduce approximately 6,000 locations of solar power generation in Japan with a cumulative total output of 500 MW by FYE 2026, without relying on feed-in tariffs (FIT). As part of these efforts, we have concluded power purchase agreements (PPAs) through CEC to supply renewable energy to the Amazon Group, and other companies in Japan on a long-term basis. These agreements are helping the Amazon Group to reach its goal of operating its own business entirely on renewable energy by 2025. Through its initiatives with CEC, TOCHU seeks to become one of the largest off-site Corporate PPA (Power Sales Contracts for Industries) operators in Japan. With these and other efforts, we will help promote the further introduction of renewable energy.

---

**FYE 2023 Review (Specific Accomplishments)**

- Began supplying sustainable aviation fuel (SAF) produced by Neste Oyj of Finland to Japan Airlines Co., Ltd. and Elihad Airways Plc.
- Participated in a demonstration project promoted by the Ministry of Land, Infrastructure, Transport and Tourism’s Civil Aviation Bureau, became the first Japanese importer of “heat SAF,” which has significant GHG emission reduction effect, blended SAF and jet fuel in Japan, and began supplying the blend to commercial airlines in Japan and overseas.
- Invested in growth to further strengthen the business foundations of the synthetic resins business and expanded its business network.
- Worked with excellent partners to develop applications and products for environment-friendly materials, which included packing materials that use 100% naturally derived, biodegradable resins, and stationery products made from recycled ocean plastic waste.
- Partnered with electricity retailers and utilized GridShare Japan Corporation’s Energy Storage Systems AI service to begin proof-of-concept tests to make adjustments to the electricity supply-demand balance.
- Since beginning capital participation in Clean Energy Connect, Inc. (CEC), in November 2021, TOCHU has been supporting the rapid promotion and expansion of the renewable energy-based electricity supply business. We have been helping CEC realize its plan to introduce approximately 6,000 locations of solar power generation in Japan with a cumulative total output of 500 MW by FYE 2026, without relying on feed-in tariffs (FIT). As part of these efforts, we have concluded power purchase agreements (PPAs) through CEC to supply renewable energy to the Amazon Group, and other companies in Japan on a long-term basis. These agreements are helping the Amazon Group to reach its goal of operating its own business entirely on renewable energy by 2025. Through its initiatives with CEC, TOCHU seeks to become one of the largest off-site Corporate PPA (Power Sales Contracts for Industries) operators in Japan. With these and other efforts, we will help promote the further introduction of renewable energy.

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**Growth Opportunities (Sustainable Growth)**
- Building a sustainable fuel value chain for products including hydrogen and ammonia
- Shifting up CO2S-related projects utilizing our expertise in the oil and gas exploration business, and collaborating with leading partners
- Utilizing advanced and highly economical recycling technologies developed in Europe, which leads the large-scale introduction of solar power generation, and promoting the establishment of a recycling chain for solar panels
- Enhancing activities to further minimize the environmental impact of our existing business portfolio

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**Risk Responses (Lower Cost of Capital)**
- Accelerating initiatives to strengthen the environment-related businesses, such as sustainable fuels, chemicals recycling services, and renewable energy, which contribute to decarbonization across society
- Contribute to the Sustainable Action Plans are indicated with a mark for the corresponding material issues.
- Notes: Details of the action plans are available on TOCHU's website: [https://www.itochu.co.jp/en/sustainability/](https://www.itochu.co.jp/en/sustainability/)
- Evolving Businesses through Technological Innovation
- Addressing Climate Change Contributions to a Decarbonized Society
- Developing a Rewarding Work Environment
- Responsible and Considerate Partner Rights
- Contribute to Healthier and More Affluent Lifestyles
- Ensure Stable Procurement and Supply
- Maintain Rigorous Governance Structures

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**Yoji Mito, President, Energy & Chemicals Company**

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**Notes:** The list of major subsidiaries and associated companies is available on TOCHU’s website: [https://www.itochu.co.jp/en/file/it0203e_13.pdf](https://www.itochu.co.jp/en/file/it0203e_13.pdf)
Food Company

Business Fields

- Food resources and ingredients (vegetable oils, soybeans, grain, coffee, fresh produce, meats, marine products, etc.)
- Food production and processing (feed, sugar, processed agricultural products, processed meat products, processed marine products, industrial chocolate, soybean processing materials, etc.)
- Food marketing and distribution (import and sale of raw materials for food products, wholesale of foods, etc.)

Company Strengths

- Top-class food distribution and retail network
- Worldwide network of production, distribution, and sales value chain for fresh foods (marine, meat, and agricultural products)
- Global supply chain for resource foods

Business Development

Quantitative information in Page 126–133

Food Resources & Ingredients

<table>
<thead>
<tr>
<th>Resource</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESENCE OILS (Manufacture of vegetable oil)</td>
<td></td>
</tr>
<tr>
<td>JOY Oil International (Production and sale of vegetable oil)</td>
<td></td>
</tr>
<tr>
<td>Waxes (Wax for functional vegetable oil)</td>
<td></td>
</tr>
<tr>
<td>CBG Grain collection, soybean processing, and storage</td>
<td></td>
</tr>
<tr>
<td>Quality Technology International (Sale of functional feed addendum)</td>
<td></td>
</tr>
<tr>
<td>MEX (KUATAMALI) (Marketing and export of coffee)</td>
<td></td>
</tr>
</tbody>
</table>

Food Production & Processing

<table>
<thead>
<tr>
<th>Product</th>
<th>Details</th>
</tr>
</thead>
</table>
| FUSE OIL | Vegetable chocolate
| Fuze | 1st share of the domestic market
| Fuze | 3rd share of the global market
| Soybean | 1st share of the domestic market
| WELLNED SUGAR | Production, processing, and sale of sugar
| ITOCHU FEED MILLS | Production and sale of compound feed and feedstuff |

Food Marketing & Distribution

<table>
<thead>
<tr>
<th>Product</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITOCHU Food Sales and Marketing</td>
<td>Import and sale of raw materials for food products</td>
</tr>
<tr>
<td>ITOCHU SUGAR</td>
<td>(Production and distribution of foods, etc.)</td>
</tr>
</tbody>
</table>

Retailers Consumer

Dole
- Dole Organic (Packaging and sale of pineapple and pineapple juice)

NIPON ACCESS
- General wholesale for convenience stores and general merchandise stores
- ITOCHU FOOD DISTRIBUTION

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

Building a Rooibos Tea Value Chain

Rooibos tea is attracting attention due to its caffeine-free qualities. In response to growing consumer interest in health and beauty, we are importing rooibos tea ingredients, which we process, brand, and sell to beverage manufacturers and convenience stores. Rooibos is a rare plant cultivated only in the Republic of South Africa. Over the past 10 years, exports of this plant to Japan have grown rapidly, and increased approximately sevenfold. Together with ITOCHU Food Sales and Marketing Co., Ltd., ITOCHU functions as an organizer in building the entire value chain and holds an overwhelming share of approximately 50% of rooibos products sold to major Japanese beverage manufacturers.

Based on a market-oriented perspective, we will continue developing high-value-added ingredients and rolling out products that cater to consumer demands.

FYE 2023 Review (Specific Accomplishments)

Responded to demographic changes and the diversification of sugar demand in Japan by integrating the management of ITOCHU SUGAR Co., Ltd., and Nissin Sugar Co., Ltd., to establish a holding company, WELLNED SUGAR Co., Ltd.

Launched the “wellbeans” plant-based food brand, which combines a market-oriented perspective with food technology, uses environment-friendly beans, and emphasizes taste, ingredients, health, and the environment.

Promoted the reduction of food waste and the effective utilization of waste bananas through the “Mottainai Banana Project” of Dole

Growth Opportunities (Sustainable Growth)

- Expanding production bases and developing a stable supply network to ensure food safety and security
- Leveraging the Group’s wide range of products, functions, and expertise with new technologies to diversify the value we provide in the food business
- Responding to changing consumer lifestyles and expanding our business foundations overseas, centered on high-value-added raw materials and products that meet consumer needs
- Supporting development to create employment and improve living circumstances by nurturing local industries in regions which produce food ingredients and materials
- Expanding functions in food distribution to strengthen the value chain and rationalize logistics operations

Risk Responses (Lower Cost of Capital)

- Diversifying the geographic distribution of food manufacturers to ensure stable supplies of fresh foods and avoid risks of disruption related to weather and epidemics
- Strengthening our sustainable food resource procurement structure, which protects the environment and respects human rights
- Reducing our environmental burden by using clean energy in our packaged foods business
- Enhancing the capabilities of employees holding international qualifications for inspections under the food safety management system (FSMS)
- Creating a procurement system that complies with third-party certification standards and our business partners’ own codes of conduct

Notes: Items related to Sustainability Action Plans are indicated with a for the corresponding main issue.
Details of the action plans are available on ITOCHU’s website: [https://www.itochu.co.jp/en/csr/itochu/actionplan/](https://www.itochu.co.jp/en/csr/itochu/actionplan/)
**General Products & Realty Company**

**Business Fields**
- Paper and pulp products, paper hygiene materials, new wood-based materials, wood chips, etc.
- Goods and materials (natural rubber, tissue, cement, slag, ceramics, etc.)
- Wood products and materials (logs, fumage, fences, wooden structural materials and components, wood floorboards, 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 North America
- Competitive pulp manufacturing business and a worldwide network for pulp sales
- The No. 1 tire retailer network and brand in the United Kingdom and a vertically integrated logistics network extending from wholesaler to post-consumer car tires recycling
- Stable real estate development by leveraging the distinctive and diverse networks of a general trading company

**Business Development**

<table>
<thead>
<tr>
<th>Paper / Pulp / Hygiene</th>
<th>Natural Rubber / Tires / Ceramics</th>
<th>Wood Products &amp; Materials</th>
<th>Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITOCHU Pulp &amp; Paper</td>
<td>European Tyre Enterprise</td>
<td>METZRAL PULP &amp; PAPER</td>
<td>ITOCHU KENZAI</td>
</tr>
<tr>
<td>(Manufacture of paper, paperboard, and processed paper products)</td>
<td>(Manufacture of synthetic rubber, tires, and wheel tread rubbers)</td>
<td>(Development of softwood pulp)</td>
<td>(Wholesale of wood products and building materials)</td>
</tr>
</tbody>
</table>

**Development & Operation of Real Estate**

- Nihon Advance Construction (Construction business, real estate-related business, etc.)
- General Brokerage (Maintenance and repair of bridges, etc.)
- TOWA (Building materials and parts) | Compresses logistics solutions (freight forwarding, warehousing, logistics and associated services)
- Nishimatsu Construction Co., Ltd. | ITOCHU LOGISTICS (China) | ETLAND (China)
-心相共 (Construction business) | (Manufacturing of ceramic raw materials and products) | (Engineering, planning, and construction of plants, logistics facilities, etc.)
- Business and operational management of parking lots | (Comprehensive logistics services in China) | (Comprehensive logistics services in China) |

**Logistics**

- TOWA (Building materials and parts) | Compresses logistics solutions (freight forwarding, warehousing, logistics and associated services)
- Nishimatsu Construction Co., Ltd. | ITOCHU LOGISTICS (China) | ETLAND (China)
-心相共 (Construction business) | (Manufacturing of ceramic raw materials and products) | (Engineering, planning, and construction of plants, logistics facilities, etc.)
- Business and operational management of parking lots | (Comprehensive logistics services in China) | (Comprehensive logistics services in China)
ICT & Financial Business Company

Business Fields

- Information technology (IT solutions, BPO, digital marketing, venture capital, healthcare, etc.)
- Communications (mobile devices, related equipment and services, and satellites, media and content, etc.)
- Finance (retail finance, corporate finance, etc.)
- Insurance (insurance shop, retail insurance, corporate insurance broker- age, reinsurance, credit guarantee, etc.)

Company Strengths

- Earnings base and synergies, driven by Group companies with leading scale and presence in the domestic ICT field
- Development of retail businesses together with market-driving core Group companies in the financial and insurance business
- Network of start-ups and leading-edge companies in Japan and overseas through relationships with top-tier venture capital firms in North America, Europe, and other regions

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

Conversion of Major Provider of a Foreign Exchange Margin Transactions (FX) Platform, Gaitame.Com Co., Ltd. into an Affiliate

In September 2022, the major provider of an FX margin transaction platform, Gaitame.Com Co., Ltd. (Gaitame.Com), became an affiliate of ITOCHU. The FX market continues to grow steadily, posting record high trading volumes in 2022. With its customer-first philosophy, Gaitame.Com's strengths lie in its ability to provide thoroughly customer-centric services that offer one of the lowest fees in the industry, savings-type services that allow customers to build their assets over the long term, and high-quality FX-related information. Based on these strengths, Gaitame.Com has grown its number of accounts to approximately 590 thousands as of March 2023, and is continuing to expand its number of users.

ITOCHU will support the further expansion of Gaitame.Com’s customer base through collaboration with ITOCHU’s retail finance business in relation to loans and payments. At the same time, we are developing services in the field of asset management that cater to consumer needs.

FISCAL 2023 Review (Specific Accomplishments)

- Established AKGA UKA Inc., a joint venture with the United Kingdom’s WPP Group, which is one of the world’s largest advertising agencies, to develop a consulting business specializing in customer experience
- Implemented recapitalization through a share consolidation of HOKEN NO MADOGUCHI GROUP INC.
- Conversion of major provider of a foreign exchange margin transactions (FX) platform, Gaitame.Com into an affiliate
- Implemented recapitalization through a share consolidation of HOKEN NO MADOGUCHI GROUP INC.
- Concluded a comprehensive business alliance between Belong Inc., which is engaged in the used mobile device distribution and retail business, and Uber Eats Japan Inc., for the development of an initiative to advance the sustainability of the food delivery business
- Growing our business foundations both inside and outside of Japan by leveraging new retail finance services
- Creating an insurance business value chain in the retail sector

Business Development

Information Technology / Communications

<table>
<thead>
<tr>
<th>Percentage of Earnings from Domestic Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTOCHU Techno-Solutions</td>
</tr>
<tr>
<td>DOCQUITY HOLDINGS</td>
</tr>
</tbody>
</table>

Corporate Insurance

Retail Finance Business

- United Asia Finance
- RENTO SUGA

Oversea

- Southeast Asia
- Europe
- China and other Asian countries

* Customer Relationship Management

The list of major subsidiaries and associated companies is available on ITOCHU's website.

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

#### Further Development and Expansion of the Digital Advertising Distribution Business

In October 2023, ITOCHU established Data One Corp. with FamilyMart Co., Ltd., NTT DOCOMO, Inc., and CyberAgent, Inc. Leverage the advantages of the purchasing data of FamilyMart together with approximately 29 million licensed advertisement IDs, one of the largest collections of such IDs in Japan. Data One Corp. is developing a unique advertising business that offers end-to-end services from digital advertisement distribution to effectiveness verification. For example, beginning with the partnership with Pan Pacific International Holdings Corporation started in April 2023, we will increase data collaborations in the retail media field with retailers and other companies. At the same time, we will combine digital advertising with digital signage to be installed at 10,000 FamilyMart stores by 2023, with the aim of integrating physical and digital media and further evolving the advertising business. We will accelerate growth of the advertising business and improve the customer experience by delivering information that customers want in a timely manner.

Improving customer experience through advertisement distribution based on purchasing data

#### FYE 2023 Review (Specific Accomplishments)

- **Achieved year-on-year growth in daily sales throughout the year by strengthening the competitiveness of FamilyMart (merchandising), and successfully implementing the "FAMIMARU" private brand 1st Anniversary thank sale and various other measures at FamilyMart stores**
- **Began the full-fledged introduction of humanoid AI assistants to improve management capabilities and reduce manpower requirements at FamilyMart stores**
- **Data One Corp. installed "FamilyMartVision" digital signage at approximately 3,000 stores**
- **Data One Corp. provided a digital advertising distribution platform utilizing purchasing data**
- **Formed a capital and business alliance with Idein Inc., which has sophisticated technological capabilities including the ability to develop software that executes advanced AI-based analysis while operating on low-cost devices**

#### Growth Opportunities (Sustainable Growth)

- **Expanding FamilyMart's earnings base by strengthening the convenience store business (product sales and services) and increasing the sophistication of the entire supply chain**
- **Increasing customer contact points and business revenues by adding media center functions to FamilyMart stores**
- **Enlarging our data infrastructure and developing new businesses, such as advertising, media, and financial services that leverage customer data**
- **Developing retail solutions through alliances with companies that have advanced technological capabilities**
- **Expanding our business domains by forming alliances with other retailers, companies in other sectors, and other business formats**

#### Risk Responses (Lower Cost of Capital)

- **Strengthening supply chain risk management in response to such factors as fluctuations in raw material prices**
- **Respecting the shortage of workers by leveraging digital technologies**

Notes: Items related to Sustainability Action Plans are indicated with a mark for the corresponding material issues.
For details on the basis of emissions calculation methods used in each category, please refer to ITOCHU’s website.

Inclusion in ESG-Related Indices

- MSCI Japan ESG Select Leaders Index*4
- FTSE4Good Index Series*2
- FTSE Blossom Japan Sector Relative Index**
- Dow Jones Sustainability Indices (World / Asia Pacific Index)
- S&P/JPCR Carbon Efficient Index
- SMOI Sustainability Index
- MiiKansei: Japan ex-REIT Gender Diversity Toll Index*

*1 The ratio includes new hires and mid-career recruitments.
*2 The figure adds up the amount of time that exceeds the legal working hours of eight hours per day.
*3 The completeness awareness survey is conducted once every two years. The survey targets (33,163) people of ITOCHU and its subsidiaries’ officers and employees (excluding listed subsidiaries conducting surveys independently).

ESG Data
### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5,579,763</td>
<td>5,530,895</td>
</tr>
<tr>
<td>2014</td>
<td>5,587,526</td>
<td>5,091,435</td>
</tr>
<tr>
<td>2015</td>
<td>5,083,536</td>
<td>4,838,464</td>
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<td>2016</td>
<td>5,105,029</td>
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<td>2017</td>
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<tr>
<td>2018</td>
<td>10,962,628</td>
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<td>2020</td>
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<td>10,120,304</td>
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<tr>
<td>2021</td>
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<td>10,120,304</td>
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<tr>
<td>2022</td>
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</tr>
<tr>
<td>2023</td>
<td>10,120,304</td>
<td>10,120,304</td>
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</tbody>
</table>

### Cash Flows from Investing Activities

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<th>Period</th>
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<th>Millions of yen</th>
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</thead>
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<td>2014</td>
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<td>2015</td>
<td>2,420,272</td>
<td>2,420,713</td>
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<td>2016</td>
<td>2,769,345</td>
<td>2,555,644</td>
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<tr>
<td>2017</td>
<td>2,386,245</td>
<td>2,231,988</td>
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<tr>
<td>2018</td>
<td>2,420,713</td>
<td>2,386,245</td>
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<td>2019</td>
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<td>2,231,988</td>
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<tr>
<td>2020</td>
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<td>2,231,988</td>
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<tr>
<td>2022</td>
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<tr>
<td>2023</td>
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### Cash Flows from Financing Activities

<table>
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<th>Period</th>
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### B/S (As of March 31)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets</th>
<th>Short-term interest-bearing debt</th>
<th>Long-term interest-bearing debt</th>
<th>Interest-bearing debt</th>
<th>Interest-bearing debt</th>
<th>Leasing liabilities</th>
<th>Leasing liabilities</th>
<th>Total shareholders' equity</th>
<th>Total comprehensive income attributable to ITOCHU</th>
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<tbody>
<tr>
<td>2013</td>
<td>915,873</td>
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<td>2,185,623</td>
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<td>2,769,345</td>
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<td>1,117,051</td>
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<td>2,279,915</td>
<td>2,386,245</td>
<td>1,117,051</td>
</tr>
</tbody>
</table>
## Consolidated Financial Statements

**Consolidated Statement of Financial Position**

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>572,030</td>
<td>4,558</td>
</tr>
<tr>
<td>Time deposits</td>
<td></td>
<td>5,051</td>
<td>71</td>
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<tr>
<td>Trade receivables</td>
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<td>2,397,808</td>
<td>19,972</td>
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<tr>
<td>Other current receivables</td>
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<td>168,968</td>
<td>1,820</td>
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<tr>
<td>Other current financial assets</td>
<td></td>
<td>43,132</td>
<td>549</td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>937,183</td>
<td>9,773</td>
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<tr>
<td>Advances to suppliers</td>
<td></td>
<td>98,051</td>
<td>1,070</td>
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<tr>
<td>Other current assets</td>
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<tr>
<td>Total current assets</td>
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<tr>
<td>Non-current assets</td>
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<td></td>
</tr>
<tr>
<td>Investments accounted for by the equity method</td>
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<tr>
<td>Other investments</td>
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<tr>
<td>Non-current receivables</td>
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<td>618,762</td>
<td>6,030</td>
</tr>
<tr>
<td>Non-current financial assets other than investments and receivables</td>
<td></td>
<td>270,116</td>
<td>1,219</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
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<td>14,967</td>
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<tr>
<td>Investment property</td>
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<tr>
<td>Goodwill</td>
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<tr>
<td>Intangible assets</td>
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<tr>
<td>Deferred tax assets</td>
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<tr>
<td>Other non-current assets</td>
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<td>81,697</td>
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<tr>
<td>Total non-current assets</td>
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<td>5,690,883</td>
<td>59,839</td>
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<tr>
<td>Total assets</td>
<td></td>
<td>¥10,098,703</td>
<td>¥98,193</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Equity</th>
<th>As of March 31</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities and equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td></td>
<td>2,332,928</td>
<td>17,576</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td>107,934</td>
<td>728</td>
</tr>
<tr>
<td>Other non-current financial liabilities</td>
<td></td>
<td>215,809</td>
<td>423</td>
</tr>
<tr>
<td>Non-current liabilities for employee benefits</td>
<td></td>
<td>124,418</td>
<td>728</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td>267,499</td>
<td>2,045</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td>142,769</td>
<td>1,224</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
<td>3,067,213</td>
<td>27,733</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>4,819,511</td>
<td>57,276</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td></td>
<td>253,448</td>
<td>1,898</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td>49,584</td>
<td>1,169</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>2,826,243</td>
<td>23,155</td>
</tr>
<tr>
<td>Other components of equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation adjustments</td>
<td></td>
<td>81,037</td>
<td>3,434</td>
</tr>
<tr>
<td>FVTOC financial assets</td>
<td></td>
<td>49,764</td>
<td>904</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td></td>
<td>403</td>
<td>231</td>
</tr>
<tr>
<td>Total other components of equity</td>
<td></td>
<td>131,234</td>
<td>4,469</td>
</tr>
<tr>
<td>Treasury stock</td>
<td></td>
<td>(105,601)</td>
<td>(221)</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td></td>
<td>2,336,608</td>
<td>26,655</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>753,208</td>
<td>4,824</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>3,089,816</td>
<td>32,480</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td></td>
<td>¥10,098,703</td>
<td>¥98,193</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Comprehensive Income

**Fiscal Years Ended March 31**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenues</strong></td>
<td>¥12,650,631</td>
<td>¥12,962,028</td>
<td>¥12,299,348</td>
<td>¥13,545,633</td>
<td>¥10,362,628</td>
<td>¥8,904,535</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>(8,925,532)</td>
<td>(8,906,532)</td>
<td>(10,345,633)</td>
<td>(10,628,614)</td>
<td>(9,305,532)</td>
<td>(8,305,532)</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>(1,419,121)</td>
<td>(1,419,121)</td>
<td>(1,419,121)</td>
<td>(1,419,121)</td>
<td>(1,419,121)</td>
<td>(1,419,121)</td>
</tr>
<tr>
<td><strong>Equity in earnings of associates</strong></td>
<td>500,523</td>
<td>501,322</td>
<td>401,433</td>
<td>820,269</td>
<td>800,519</td>
<td>5,995</td>
</tr>
<tr>
<td><strong>Other comprehensive income attributable to ITOCHU</strong></td>
<td>545,689</td>
<td>559,209</td>
<td>440,883</td>
<td>878,973</td>
<td>844,681</td>
<td>6,326</td>
</tr>
<tr>
<td><strong>Other comprehensive income attributable to non-controlling interests</strong></td>
<td>45,166</td>
<td>57,887</td>
<td>39,450</td>
<td>58,704</td>
<td>44,162</td>
<td>331</td>
</tr>
<tr>
<td><strong>Other comprehensive income, net of tax</strong></td>
<td>530,523</td>
<td>501,322</td>
<td>401,433</td>
<td>820,269</td>
<td>800,519</td>
<td>5,995</td>
</tr>
<tr>
<td><strong>Total other comprehensive income attributable to ITOCHU</strong></td>
<td>303,034</td>
<td>57,801</td>
<td>4,105</td>
<td>31,851</td>
<td>211,851</td>
<td>203,034</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to non-controlling interests</strong></td>
<td>464,785</td>
<td>270,832</td>
<td>655,299</td>
<td>1,086,431</td>
<td>876,260</td>
<td>5,652</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to non-controlling interests</strong></td>
<td>460,851</td>
<td>58,112</td>
<td>74,320</td>
<td>62,708</td>
<td>46,873</td>
<td>350</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Changes in Equity

**Fiscal Years Ended March 31**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retained earnings</strong></td>
<td>500,523</td>
<td>501,322</td>
<td>401,433</td>
<td>820,269</td>
<td>800,519</td>
<td>5,995</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>2,688,243</td>
<td>2,948,135</td>
<td>3,238,948</td>
<td>3,811,991</td>
<td>4,272,244</td>
<td>53,195</td>
</tr>
<tr>
<td><strong>Treasury stock</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash dividends to non-controlling interests</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,688,243</td>
<td>2,948,135</td>
<td>3,238,948</td>
<td>3,811,991</td>
<td>4,272,244</td>
<td>53,195</td>
</tr>
</tbody>
</table>

### Common stock

- Balance at the beginning of the year: ¥253,448
- Issuance of common stock: —
- Balance at the end of the year: ¥253,448

### Capital surplus

- Balance at the beginning of the year: 160,271
- Net increase in sale (purchase) of subsidiary shares to (from) non-controlling interests: —
- Balance at the end of the year: 160,271

### Non-controlling interests

- Balance at the beginning of the year: 49,564
- Balance at the end of the year: 49,564

### Other comprehensive income attributable to ITOCHU

- Balance at the beginning of the year: 500,523
- Net increase of new accounting standards: —
- Balance at the end of the year: 500,523

### Balance at the end of the year

- Total shareholders' equity: ¥4,272,244
- Non-controlling interests: ¥5,995
- Total: ¥4,278,239
**Consolidated Financial Statements**

### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>¥545,689</td>
<td>¥559,209</td>
<td>¥440,883</td>
<td>¥878,073</td>
<td>¥8,444,681</td>
</tr>
<tr>
<td>Adjustments to reconcile net profit to net cash provided by operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>154,942</td>
<td>422,624</td>
<td>424,297</td>
<td>404,184</td>
<td>409,962</td>
</tr>
<tr>
<td>(Gains) losses on investments</td>
<td>(203,034)</td>
<td>(57,801)</td>
<td>(4,105)</td>
<td>(211,861)</td>
<td>(67,167)</td>
</tr>
<tr>
<td>(Gains) losses on property, plant, equipment and intangible assets</td>
<td>12,041</td>
<td>4,396</td>
<td>157,524</td>
<td>17,601</td>
<td>50,118</td>
</tr>
<tr>
<td>Financial (income) loss</td>
<td>(54,112)</td>
<td>(44,141)</td>
<td>(40,041)</td>
<td>(72,177)</td>
<td>(52,172)</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>(98,052)</td>
<td>(205,860)</td>
<td>(277,493)</td>
<td>(266,974)</td>
<td>(320,666)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>149,694</td>
<td>142,221</td>
<td>71,592</td>
<td>271,536</td>
<td>262,160</td>
</tr>
<tr>
<td>Provision for doubtful accounts and other provisions</td>
<td>1,394</td>
<td>22,154</td>
<td>30,504</td>
<td>(2,689)</td>
<td>(3,338)</td>
</tr>
<tr>
<td>Changes in assets and liabilities, other-net</td>
<td>(27,738)</td>
<td>23,574</td>
<td>58,076</td>
<td>(241,655)</td>
<td>(163,716)</td>
</tr>
<tr>
<td>Proceeds from interest</td>
<td>37,525</td>
<td>34,460</td>
<td>34,142</td>
<td>15,706</td>
<td>35,029</td>
</tr>
<tr>
<td>Proceeds from dividends</td>
<td>140,146</td>
<td>152,862</td>
<td>144,732</td>
<td>201,532</td>
<td>212,890</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>432,140</td>
<td>572,030</td>
<td>611,223</td>
<td>544,009</td>
<td>611,715</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>432,140</td>
<td>572,030</td>
<td>611,223</td>
<td>544,009</td>
<td>611,715</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Major Indicators

**Selling, General and Administrative (SG&A) Expenses, Provision for Doubtful Accounts, and Expense Ratio**

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A expenses</td>
<td>¥588.4</td>
<td>¥588.9</td>
<td>¥588.9</td>
<td>¥585.5</td>
<td>¥616.8</td>
</tr>
<tr>
<td>Other SG&amp;A expenses</td>
<td>654.9</td>
<td>784.0</td>
<td>777.5</td>
<td>761.2</td>
<td>403.9</td>
</tr>
<tr>
<td>Total SG&amp;A expenses (A)</td>
<td>1,243.3</td>
<td>1,372.9</td>
<td>1,366.4</td>
<td>1,346.7</td>
<td>1,419.1</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>9.0</td>
<td>17.4</td>
<td>10.8</td>
<td>7.9</td>
<td>8.9</td>
</tr>
<tr>
<td>SG&amp;A expenses and provision for doubtful accounts (A)</td>
<td>1,252.3</td>
<td>1,390.3</td>
<td>1,377.3</td>
<td>1,354.6</td>
<td>1,428.0</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>¥1,863.8</td>
<td>¥1,791.8</td>
<td>¥1,780.1</td>
<td>¥1,707.2</td>
<td>¥1,329.3</td>
</tr>
<tr>
<td>Net interest expenses</td>
<td>143.9</td>
<td>223.3</td>
<td>193.1</td>
<td>6.6</td>
<td>(27.5)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>48.4</td>
<td>68.5</td>
<td>53.1</td>
<td>80.7</td>
<td>79.7</td>
</tr>
<tr>
<td>Total (B)</td>
<td>¥1,765.5</td>
<td>¥1,555.6</td>
<td>¥1,487.9</td>
<td>¥1,376.3</td>
<td>¥1,722.1</td>
</tr>
<tr>
<td>Expense ratio (A) × 100%</td>
<td>74.7</td>
<td>75.0</td>
<td>75.9</td>
<td>87.0</td>
<td>65.0</td>
</tr>
</tbody>
</table>

* Expense ratio is the ratio of total SG&A expenses to the combined total of gross trading profit, net interest expenses, and dividends received.

**Interest-Bearing Debt, Shareholders’ Equity, and Net Debt-to-Shareholders’ Equity Ratio**

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing debt</td>
<td>¥352.0</td>
<td>¥286.4</td>
<td>¥282.8</td>
<td>¥275.9</td>
<td>¥332.2</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>30.5</td>
<td>32.0</td>
<td>15.0</td>
<td>30.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Current maturities of long-term borrowings</td>
<td>313.6</td>
<td>287.7</td>
<td>302.0</td>
<td>230.3</td>
<td>248.8</td>
</tr>
<tr>
<td>Current maturities of debentures</td>
<td>71.7</td>
<td>78.3</td>
<td>110.3</td>
<td>95.3</td>
<td>90.1</td>
</tr>
<tr>
<td>Short-term total</td>
<td>583.9</td>
<td>601.4</td>
<td>644.8</td>
<td>542.6</td>
<td>573.7</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>2,023.4</td>
<td>1,636.3</td>
<td>2,256.8</td>
<td>2,235.3</td>
<td>2,225.7</td>
</tr>
<tr>
<td>Debentures</td>
<td>329.5</td>
<td>239.0</td>
<td>192.5</td>
<td>146.2</td>
<td>121.5</td>
</tr>
<tr>
<td>Long-term total</td>
<td>2,352.9</td>
<td>1,875.3</td>
<td>2,448.3</td>
<td>2,381.5</td>
<td>2,347.2</td>
</tr>
<tr>
<td>Total interest-bearing debt (A)</td>
<td>2,385.8</td>
<td>2,377.0</td>
<td>2,936.7</td>
<td>2,505.8</td>
<td>3,006.6</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>201.1</td>
<td>200.0</td>
<td>144.5</td>
<td>243.7</td>
<td>232.5</td>
</tr>
<tr>
<td>Net interest-bearing debt (A-B)</td>
<td>1,184.7</td>
<td>1,140.8</td>
<td>1,492.0</td>
<td>1,262.1</td>
<td>1,774.1</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>4,942.6</td>
<td>4,701.6</td>
<td>4,366.3</td>
<td>4,452.4</td>
<td>4,578.3</td>
</tr>
<tr>
<td>Net debt-to-shareholders’ equity ratio (%)</td>
<td>25.1</td>
<td>25.2</td>
<td>34.4</td>
<td>23.8</td>
<td>39.0</td>
</tr>
</tbody>
</table>

* Net debt-to-shareholders’ equity ratio = Net interest-bearing debt / Shareholders’ equity

**Profits / Losses of Group Companies**

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits of group companies</td>
<td>¥1,943.9</td>
<td>¥1,944.1</td>
<td>¥1,463.8</td>
<td>¥1,710.5</td>
<td>¥1,771.8</td>
</tr>
<tr>
<td>Losses of group companies</td>
<td>(107.4)</td>
<td>(25.9)</td>
<td>(104.2)</td>
<td>(10.6)</td>
<td>(77.6)</td>
</tr>
<tr>
<td>Total</td>
<td>1,836.5</td>
<td>1,918.3</td>
<td>1,361.4</td>
<td>1,699.9</td>
<td>1,694.2</td>
</tr>
<tr>
<td>Reporting profits (%)</td>
<td>90.0</td>
<td>88.6</td>
<td>82.4</td>
<td>90.9</td>
<td>88.6</td>
</tr>
</tbody>
</table>

**Risk Buffer and Risk Assets**

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk buffer</td>
<td>¥3,960.1</td>
<td>¥3,840.1</td>
<td>¥3,870.2</td>
<td>¥4,783.7</td>
<td>¥4,863.9</td>
</tr>
<tr>
<td>Risk assets</td>
<td>2,267.7</td>
<td>2,588.4</td>
<td>2,815.3</td>
<td>3,088.0</td>
<td>3,337.1</td>
</tr>
</tbody>
</table>

* Risk assets include assets held for sale. The amount of "Repayments of lease liabilities" for the Fiscal Year ended March 31, 2019, is not reclassified.

**Data Section**

- Billions of yen
- U.S. dollars
- Millions of yen
- Millions of U.S. dollars

---

124 125
Performance Trends by Segment

Consolidated Net Profit & Core Profit
(Billions of yen)

Total Assets
(Billions of yen)

Core Operating Cash Flows*
(Billions of yen)

ROA (%)

* “Cash flows from operating activities” – “Changes in working capital” – “Prepayment of lease liabilities”, etc.

On July 1, 2019, The 8th Company was established, and TOCHU began mutual holdings in which The 8th Company was the minority shareholder and the other Division Companies were the majority shareholders. On October 1, 2022, TOCHU dissolved such mutual holdings. Therefore, the results from FYE2019 to FYE2021 have been presented based on the mutual holdings, while the results from FYE2022 to FYE2023 have been presented based on the dissolution of the mutual holdings.
Performance Trends by Segment

### Segment Information by Operating Segment

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Textile</strong></td>
<td>¥ 593.6</td>
<td>¥ 537.4</td>
<td>¥ 435.0</td>
<td>¥ 444.8</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>118.9</td>
<td>107.5</td>
<td>95.9</td>
<td>96.8</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>8.4</td>
<td>3.7</td>
<td>2.0</td>
<td>4.5</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>9.7</td>
<td>9.9</td>
<td>5.3</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Machinery</strong></td>
<td>1,640.4</td>
<td>1,765.3</td>
<td>1,799.3</td>
<td>1,979.5</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>379.0</td>
<td>397.9</td>
<td>413.2</td>
<td>413.7</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>8.7</td>
<td>9.9</td>
<td>13.7</td>
<td>16.5</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>5.7</td>
<td>7.4</td>
<td>7.5</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Metals &amp; Minerals</strong></td>
<td>1,288.7</td>
<td>1,237.2</td>
<td>1,279.2</td>
<td>1,489.3</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>312.4</td>
<td>260.3</td>
<td>218.0</td>
<td>244.8</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>8.4</td>
<td>9.9</td>
<td>1.6</td>
<td>4.5</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>12.1</td>
<td>9.9</td>
<td>12.5</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Energy &amp; Chemicals</strong></td>
<td>3,124.4</td>
<td>2,603.2</td>
<td>2,180.4</td>
<td>2,348.8</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>82.8</td>
<td>105.2</td>
<td>110.4</td>
<td>179.0</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>20.1</td>
<td>22.3</td>
<td>26.2</td>
<td>42.2</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>6.3</td>
<td>6.4</td>
<td>5.5</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td>1,180.3</td>
<td>1,207.7</td>
<td>1,124.9</td>
<td>1,302.7</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>227.6</td>
<td>304.0</td>
<td>332.1</td>
<td>320.4</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>17.5</td>
<td>15.6</td>
<td>12.3</td>
<td>16.7</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>9.4</td>
<td>9.9</td>
<td>9.4</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>General Products &amp; Realty</strong></td>
<td>980.1</td>
<td>808.1</td>
<td>755.4</td>
<td>1,037.0</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>164.1</td>
<td>157.0</td>
<td>147.4</td>
<td>190.3</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>30.2</td>
<td>5.1</td>
<td>5.2</td>
<td>33.3</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>16.5</td>
<td>10.2</td>
<td>9.2</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>ICT &amp; Financial Business</strong></td>
<td>844.4</td>
<td>2,603.2</td>
<td>2,180.4</td>
<td>2,348.8</td>
</tr>
<tr>
<td>Gross trading profit</td>
<td>72.8</td>
<td>751.1</td>
<td>751.2</td>
<td>864.0</td>
</tr>
<tr>
<td>Equity in earnings of associates and joint ventures</td>
<td>20.7</td>
<td>249.7</td>
<td>280.6</td>
<td>295.9</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>9.7</td>
<td>7.6</td>
<td>7.5</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,922.9</td>
<td>7,734.0</td>
<td>7,435.1</td>
<td>8,567.5</td>
</tr>
<tr>
<td>Total assets as of March 31</td>
<td>¥ 2,314.6</td>
<td>¥ 3,428.3</td>
<td>¥ 3,184.0</td>
<td>¥ 3,128.6</td>
</tr>
<tr>
<td>Core operating cash flows</td>
<td>286.2</td>
<td>286.2</td>
<td>286.2</td>
<td>286.2</td>
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<tr>
<td>ROA (%)</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
</tr>
</tbody>
</table>

### Segment Information by Geographical Area

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>¥ 8,096.9</td>
<td>¥ 8,686.0</td>
<td>¥ 8,351.7</td>
<td>¥ 7,874.7</td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td>668.1</td>
<td>534.2</td>
<td>406.7</td>
<td>658.6</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>712.6</td>
<td>588.6</td>
<td>463.0</td>
<td>558.4</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>106.4</td>
<td>222.4</td>
<td>262.3</td>
<td>378.5</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td>327.5</td>
<td>207.0</td>
<td>203.9</td>
<td>308.8</td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td>¥11,605.5</td>
<td>¥10,983.0</td>
<td>¥10,362.6</td>
<td>¥12,293.3</td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td>¥13,945.5</td>
<td>¥10,983.0</td>
<td>¥10,362.6</td>
<td>¥12,293.3</td>
</tr>
<tr>
<td><strong>Others, Adjustments &amp; Eliminations</strong></td>
<td>¥13,945.5</td>
<td>¥10,983.0</td>
<td>¥10,362.6</td>
<td>¥12,293.3</td>
</tr>
</tbody>
</table>

*1 On July 1, 2019, the 8th company was established, and TOCHU began mutual holdings in which The 8th Company was the minority shareholder and GIC the Division Companies were the majority shareholders. On October 1, 2021, TOCHU dissolved such mutual holdings. Therefore, the results from FYE 2021 to FYE 2023 have been presented based on the mutual holdings, while the results from FYE 2019 to FYE 2021 have been presented based on the dissolution of the mutual holdings.

*2 "Others, Adjustments & Eliminations" includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in CTRC Limited and C.P. Polymak Ltd. Co. and the profits and losses from them are included in this segment.
## Quarterly Financial Information

### Quarterly Segment Information by Operating Segment

<table>
<thead>
<tr>
<th>Fiscal Years Ended March 31</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Machinery</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Metal &amp; Minerals</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Energy &amp; Chemicals</strong></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Food</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Products &amp; Realty</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ICT &amp; Financial Business</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The 8th</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Others, Adjustments &amp; Eliminations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Data Section

---

**Net profit attributable to ITOCHU**

- Revenues from sale of goods: ¥2,419.4 billion, ¥2,428.0 billion, ¥2,059.5 billion, ¥2,049.7 billion.
- Revenues from cross-border and inter-regional: ¥313.7 billion, ¥326.5 billion, ¥323.3 billion, ¥344.2 billion.

**Gross trading profit**

- ICT & Financial Business: ¥39.2 billion, ¥50.8 billion, ¥60.1 billion, ¥68.0 billion.
- Metals & Minerals: ¥43.6 billion, ¥46.7 billion, ¥31.9 billion, ¥50.6 billion.

**Metals & Minerals**

- ¥2,848.9 billion, ¥2,463.0 billion, ¥2,362.8 billion, ¥2,898.6 billion.

**ICT & Financial Business**

- ¥237.9 billion, ¥277.5 billion, ¥277.5 billion, ¥277.5 billion.

**Gains (losses) on property, plant, equipment and intangible assets**

- ¥(3.2) billion, ¥3.0 billion, ¥1.4 billion, ¥(1.7) billion.

**Interest income**

- ¥4.3 billion, ¥4.3 billion, ¥4.3 billion, ¥4.3 billion.

**Other-net**

- ¥3.2 billion, ¥1.4 billion, ¥2.4 billion, ¥3.0 billion.

---

**Note:**

1. Billions of yen

---

**Quarterly Segment Information by Operating Segment**

### Data Section

---

**Net profit attributable to ITOCHU**

- Revenues from sale of goods: ¥2,419.4 billion, ¥2,428.0 billion, ¥2,059.5 billion, ¥2,049.7 billion.
- Revenues from cross-border and inter-regional: ¥313.7 billion, ¥326.5 billion, ¥323.3 billion, ¥344.2 billion.

**Gross trading profit**

- ICT & Financial Business: ¥39.2 billion, ¥50.8 billion, ¥60.1 billion, ¥68.0 billion.
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**Interest income**

- ¥4.3 billion, ¥4.3 billion, ¥4.3 billion, ¥4.3 billion.

**Other-net**

- ¥3.2 billion, ¥1.4 billion, ¥2.4 billion, ¥3.0 billion.

---

**Note:**

1. Billions of yen

---

**Quarterly Segment Information by Operating Segment**

### Data Section

---

**Net profit attributable to ITOCHU**

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**Gross trading profit**

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- ¥2,848.9 billion, ¥2,463.0 billion, ¥2,362.8 billion, ¥2,898.6 billion.

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**Gains (losses) on property, plant, equipment and intangible assets**

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**Interest income**

- ¥4.3 billion, ¥4.3 billion, ¥4.3 billion, ¥4.3 billion.

**Other-net**

- ¥3.2 billion, ¥1.4 billion, ¥2.4 billion, ¥3.0 billion.

---

**Note:**

1. Billions of yen

---

**Quarterly Segment Information by Operating Segment**

### Data Section

---

**Net profit attributable to ITOCHU**

- Revenues from sale of goods: ¥2,419.4 billion, ¥2,428.0 billion, ¥2,059.5 billion, ¥2,049.7 billion.
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- ¥237.9 billion, ¥277.5 billion, ¥277.5 billion, ¥277.5 billion.

**Gains (losses) on property, plant, equipment and intangible assets**

- ¥(3.2) billion, ¥3.0 billion, ¥1.4 billion, ¥(1.7) billion.

**Interest income**

- ¥4.3 billion, ¥4.3 billion, ¥4.3 billion, ¥4.3 billion.

**Other-net**

- ¥3.2 billion, ¥1.4 billion, ¥2.4 billion, ¥3.0 billion.

---

**Note:**

1. Billions of yen
### Textile Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAN TEXTILE CORPORATION</td>
<td>100.0%</td>
<td>(36.4)</td>
<td>8.4</td>
</tr>
<tr>
<td>NIPPON ACCESS, INC.*6</td>
<td>40.0%</td>
<td>0.0%</td>
<td>2.7</td>
</tr>
<tr>
<td>MARUBENI-Itochu Steel Inc.</td>
<td>50.0%</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CITRUS INVESTMENT LLC*4</td>
<td>100.0%</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
| Food Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dole International Holdings, Inc.</td>
<td>100.0%</td>
<td>(3.8)</td>
<td>8.4</td>
</tr>
<tr>
<td>FUJI OIL HOLDINGS INC.</td>
<td>43.9%</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Machinery Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Century Corporation</td>
<td>30.0%</td>
<td>13.0</td>
<td>18.0</td>
</tr>
<tr>
<td>i-Power Investment Inc.</td>
<td>100.0%</td>
<td>2.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

### Metals & Minerals Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU MINERALS &amp; ENERGY OF AUSTRALIA Pty Ltd</td>
<td>100.0%</td>
<td>90.6</td>
<td>156.7</td>
</tr>
<tr>
<td>JAPÃO BRASIL MINERAS DE FERRO PARTICIPAÇÕES LTDA*3 (ESN Mineração)</td>
<td>77.3%</td>
<td>5.5</td>
<td>3.7</td>
</tr>
</tbody>
</table>

### Energy & Chemicals Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU OIL &amp; NATURAL RESOURCES Co., Ltd.</td>
<td>100.0%</td>
<td>1.0</td>
<td>6.9</td>
</tr>
<tr>
<td>ROCKU PETROLEUM CO., LIMITED (SINGAPORE) PTE. LTD.</td>
<td>100.0%</td>
<td>1.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### General Products & Realty Company

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST RESPONSE Finance Ltd.</td>
<td>100.0%</td>
<td>1.5</td>
<td>2.5</td>
</tr>
<tr>
<td>GCT MANAGEMENT (THAILAND) LTD.</td>
<td>100.0%</td>
<td>4.3</td>
<td>4.0</td>
</tr>
</tbody>
</table>

**Notes:**

*1 Ownership percentages are as of June 30, 2023.

*2 ‘FYE 2024 (Plan)’ indicates initial plans disclosed on May 9, 2023.

*3 The ownership on the left side is based on the mutual holdings, while the ownership on the right side is based on the dissolution of the mutual holdings.

*4 The figures include net profit from Hitachi Construction Machinery Co., Ltd., which is the affiliate of the Company. The figures do not include the interest income, etc. resulting from ITOCHU’s loan to the partner.

*5 The figures are the sum of results / forecast of the Group companies engaged in the North American construction materials business.

*6 The ownership on the left side is based on the dissolution of the mutual holdings. The ownership on the right side is based on the dissolution of the mutual holdings. The figures do not include the interest income, etc. resulting from ITOCHU’s loan to the partner.

*7 The figures are the sum of results / forecast of the Group companies engaged in the North American construction materials business.

*8 The figures are the sum of results / forecast of the Group companies engaged in the mobile-phone related business.

*9 The figures are the sum of results / forecast of the Group companies engaged in the mobile-phone related business.

*10 Breakdown of Profits / Losses from Major Group Companies

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU, Teknon-Solutions Corporation</td>
<td>61.3%</td>
<td>17.8</td>
<td>20.7</td>
</tr>
</tbody>
</table>

**Data Section**

---

**Breakdown of Profits / Losses from Major Group Companies (Continued)**

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU PETROLEUM CO., LIMITED (SINGAPORE) PTE. LTD.</td>
<td>100.0%</td>
<td>(2.6)</td>
<td>2.5</td>
</tr>
<tr>
<td>ROCKU, Fibre Limited (METSA Fibre)</td>
<td>100.0%</td>
<td>(1.2)</td>
<td>17.8</td>
</tr>
<tr>
<td>ROCKU, Pulp &amp; Paper Corporation**</td>
<td>90.0% / 100.0%</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>DOME PETROCHEM CORPORATION</td>
<td>100.0%</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>ROCKU LOGISTICS CORP**</td>
<td>95.2% / 100.0%</td>
<td>2.8</td>
<td>4.6</td>
</tr>
</tbody>
</table>

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**Breakdown of Profits / Losses from Major Group Companies (Continued)**

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU, Kjenian Corporation</td>
<td>100.0%</td>
<td>2.7</td>
<td>8.0</td>
</tr>
<tr>
<td>DAWIKI CORPORATION</td>
<td>100.0%</td>
<td>3.3</td>
<td>4.2</td>
</tr>
<tr>
<td>ROCKU Property Development, Ltd.</td>
<td>100.0%</td>
<td>3.1</td>
<td>3.0</td>
</tr>
</tbody>
</table>

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**Breakdown of Profits / Losses from Major Group Companies (Continued)**

<table>
<thead>
<tr>
<th>Ownership %</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023 (Plan)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCKU, Urban Community Ltd.</td>
<td>100.0%</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>ITOCHU Corporation Annual Report 2023</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IR Activities

ITOCHU engages in communication with analysts, institutional investors, individual investors, and all other stakeholders. While explaining our thinking to our stakeholders, we proactively report the valuable opinions received through the communications to the management team in order to facilitate enhancement of corporate value.

Major IR Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>FYE 2021 Results</th>
<th>FYE 2022 Results</th>
<th>FYE 2023 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual meetings with institutional investors</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Investor briefings on financial results for analysts and institutional investors</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Briefings on operating segments and projects / sustainability briefings / site tours for analysts and institutional investors</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Overview IR meetings</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Conferences sponsored by securities companies</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Meetings for individual investors</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

- To prevent the spread of COVID-19, overseas travel had been suspended and individual meetings have been held online in FYE 2021 and FYE 2022.

External Evaluations of Our IR Activities

Annual Report

- Government Pension Investment Fund (GPIF)
- WICI Japan

Outstanding Integrated Report

- WSC Japan
- Gold Award
- NIKKEI Integrated Report Award 2022
- Grand Prize

IR Website

- Daiwa Investor Relations Co., Ltd.
- Grand Prize (1st Place)
- Overall Ranking: AAA Grade

BroadBand Security, Inc.
- Gomez IR Site Ranking 2022
- Gold Ranking

Credit Ratings (As of July 2023)

- Japan Credit Rating Agency (JCR)
  - AA / Stable
  - A1+ (Short-Term)
- Moody’s Investors Service
  - A2 / Stable
  - P-1
- S&P Global Ratings
  - A / Stable
  - A-1

ESG Ratings (As of July 2023)

- MSCI ESG Rating: A
- S&P Global ESG Score 2020: Top 1%

Message from the Investor Relations Division

Thank you for reading ITOCHU’s Annual Report 2023. We hope the report furthers your understanding of how, in all types of business environments, we enhance corporate value by realizing individual capabilities, by rigorously preparing to secure a firm foundation for our business, and by steadily laying the steppingstones for the future. This report has been edited and produced primarily by the Investor Relations Division with the aim of systematically and comprehensively providing an explanation and illustration on ITOCHU’s management goals and strategies, as well as the Company’s progress in addressing issues that have been identified through daily dialogues. As the division responsible for the report’s production, the Investor Relations Division confirms the production process, which includes in-house discussions and interviews with representatives of the senior management team and relevant divisions, and information included in the report, are appropriate. Going forward, we will continue proactively engaging in dialogue with all of our stakeholders, ensuring timely and appropriate disclosure while sincerely advancing investor relations activities aimed at enhancing corporate value even further.

For more information about IR, please refer to ITOCHU’s website.


- Financial statements
- TSE filings
- ITOCHU at a Glance
- Shareholders and stock information
- Graphs related to operating results and financial position, ESG data, etc.

Stock and Shareholder Information (As of March 31, 2023)

Basic Information about Our Stock

- Stock listing: Tokyo
- Category: Wholesale, Trade
- Stock code: 8001
- Minimum number of stocks allowed per trade: 100
- Fiscal year: From April 1 to March 31
- Shareholder fixed day for dividend payment: March 31 (Interim: September 30)
- Number of common shares issued: 4,506,803,104 shares
- Number of shareholders: 243,736
- Transfer agent of common stock: Sumitomo Mitsui Trust Bank, Limited

Status of inclusion in indices (excluding ESG indices)

- JPX-Nikkei Index 400
- JPX-Primex 150 Index
- TOPIX Core 30 / TOPIX 100 / TOPIX 1000
- Nikkei Stock Average (Nikkei 225)
- Nikkei Stock Index 300 / Nikkei 500 Stock Average
- MSCI Japan Index*1
- WICI Japan Index

*1 The inclusion of ITOCHU in any MSCI Index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of ITOCHU by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. The names and logos of MSCI indices are trademarks or service marks of MSCI or its affiliates.

Breakdown of Shareholders

- Domestic Institutions: 36.71%
- Financial Institutions: 36.87%
- Financial Institutions and other: 12.50%
- Individuals and other: 12.33%
- Foreign investors: 0.06%

Major Shareholders

- The Mizuho Trust & Banking Co., Ltd.
- Japan Life Insurance Company
- CP WORLDWIDE INVESTMENT COMPANY LIMITED
- Nippon Life Insurance Company
- Meitoku Bank, Ltd.
- STATE STREET BANK WEST CLIENT - TRUST - 5050128
- Nippon Mutual Life Insurance Company
- DBS-CLIENT CANADIAN ACCOUNT
- JP MORGAN CHASE BANK (JBP5/61)

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