



## 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

### 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.

## 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 I became President in 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 ¥800.0 billion and maintained ¥800.0 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

## 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 assumed that the source of KYOCERA's strength must be its special technology and questioned the Founder about this. To this Mr. Inamori responded, “There is not anything special.” The visiting CEO thought, “That cannot be true.” But when he toured one of KYOCERA's factories, he found that the technology being used there appeared to be quite conventional, like those used at the factories of other companies. 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 through the strategy by our market-oriented perspective that helps us achieve special results.

There once was a period of time when ITOCHU also deliberately concentrated management resources into specific fields and, as a result, ended up weakening the

groups, and the depreciation of the yen also contributed to our strong performance. However, a point I would like to draw attention to is that while the other general trading companies associated with the *zaibatsu* industrial groups expect profits to fall over 20% on average in FYE 2024, ITOCHU is the only general trading company with expectations of low single-digit declines in profit of only 2.6%. In FYE 2024, which is the last year of “Brand-new Deal 2023,” the unclear and unstable business environment is expected to persist, and the situation will remain very difficult to navigate. While keeping an eye on the eventual normalization of natural resource prices and foreign exchange rates, we intend to firmly maintain the ¥800.0 billion consolidated net profit level while steadily preparing and implementing strategies for our next stage of earnings growth. (▶ Page 42 CSO Interview)

However, I would like to emphasize that this does not mean we plan on doing anything special. I think the most important thing is to simply maintain a focus on our business fundamentals, starting with steadfastly practicing our “earn, cut, prevent” principles, and stably 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.

businesses outside of our core areas. The Machinery Company was one such business. With its business spanning a wide range of sectors, it was in urgent need of restructuring to ensure it maintained business with major client companies in the heavy industries sector. After becoming President, I issued directions to change our investment criteria so that they are not uniform across the entire Company, but rather are separated into smaller categories aligned with the characteristics of each business, given that the Machinery Company has many businesses that stably accumulate earnings through existing businesses. Positive results have gradually emerged since these changes have been implemented, and by boosting our confidence we have been able to build a strong foundation necessary to grow many profitable businesses. In a little over a decade, consolidated net profit for the Machinery Company, which at the time was around several billion yen, expanded to over ¥100.0 billion in FYE 2023.

I have learned that if we rely too heavily on specific businesses, failure in one of them could lead to vulnerability in our entire Company. In line with this consideration, I have focused on consistent management that elevates our entire business and not just specific Division Companies. The reason I do not casually talk about specific businesses is that I adopt a management strategy that is mindful of all our businesses.

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 FYE 2024 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. (▶ Page 12 COO Message)

## Understanding Peoples' Emotions and Situations

After watching one of our TV commercials, a viewer 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 figured he and his team must be exhausted from their long flight, so to allow them to relax a bit we skipped the detailed briefing on 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 hit 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



Meeting with Berkshire Hathaway Inc.

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 businesses, especially in the downstream daily consumables realm that is close to consumers. Currently, our competitors are actively working to shift 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 (TOB) for CTC 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 diversifying customer needs in light of these trends, including responses to various SDGs-related issues, if the TOB is successful, we intend to further accelerate the implementation of strategies in the value chain of the ICT & Financial Business Company, and also use this to differentiate ITOCHU from our competitors. (▶ Page 70 Evolution of the Value Chain through Collaboration between CTC and Our Group of Digital Businesses)



## 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 companies, consumers, 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, since early in its history, our Company has a tradition of viewing people as capital, and as a source of value creation. More recently, we have spearheaded efforts to improve our work environment and implemented 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 enhances 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 Muraki, 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. Muraki, 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 obligatory retirement age 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 one more 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 ¥160 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 engages in healthy competition to 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 boughs from farmers in regions that were affected by the



Welcome ceremony viewed by families online

Great East Japan Earthquake. A trio of piano, violin, and cello added even more flair to this special 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 that their children joined 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 anxiously look forward to the day these many young and aspirational 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 realizing this vow. Going forward, I will continue to move full steam ahead with 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.



## COO MESSAGE

**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*  
**Keita Ishii**  
 President & Chief Operating Officer

## Restarting 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 strive 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 & Chemicals 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 mutual growth 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 this incident 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

## COO MESSAGE

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 after fully considering 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 through its 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 non-resource sector in Japan, invested in this 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, career paths we have taken, and other factors that may separate us. I believe breaking down these walls will help further enhance ITOCHU's comprehensive strength. I have noticed "Three Walls" since becoming President & COO.

The first wall is the organizational structure. General trading companies usually build vertical structures in line with each industry and product line. When visiting customers, I envision the functions and expertise our partners require from our Company, and then bring along multiple employees from different Division Companies to be able to respond to as wide a range of their needs as possible. For example, the automotive industry is making a sharp turn toward EVs and electrification. When I visited the president of an automobile manufacturer, I was mindful of promoting cross-industry alliances, including those with IT companies,

battery manufacturers, and others to supplement the various functions that automobile manufacturers themselves do not maintain internally. I also brought along Energy & Chemicals Company employees well-versed in energy storage systems, the power business, and other relevant businesses in addition to Machinery Company employees, who have direct expertise in the automotive industry. EVs are more than vehicles for moving people and items. Through their ability to charge and discharge electricity at homes and buildings, they are likely to become an important tool in supporting regional electric power networks. ITOCHU has strengths in fields closely related to EVs, namely the value chain related to energy storage systems and electric power retail. Furthermore, we are leveraging the Company's comprehensive strength to steadily expand the business by utilizing solar power generation for EVs at ITOCHU ENEX CO., LTD., etc., and installing charging equipment at our FamilyMart stores. ITOCHU's concept of EV possibilities and our peripheral businesses are what the



president of the automobile manufacturer needed. After multiple discussions, ITOCHU was chosen as a partner, and an alliance was built to provide various 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 dinners and drinks among employees. This might be an outdated idea, but for ITOCHU, which considers people to be its greatest management resource, I believe these shared meals and other opportunities to meet socially allow employees to openly discuss business and their passionate ideas about the future help to build bonds of trust internally and facilitate the smooth execution of our businesses. Given the result of the engagement with junior employees, effective work styles are needed now. It is important to deepen relationships and enhance the quality of our internal communications. At the time I joined ITOCHU, we had the luxury of taking time to learn the business by watching the senior employees around us. But today, due to time constraints, I guess many employees are solely focused on the tasks directly in front of them, and do not take the time to converse with others about various topics. I believe

## Returning to the Front Lines

We have achieved two consecutive years of consolidated net profit of over ¥800.0 billion since I became President & COO. But honestly speaking, this was partially thanks to yen depreciation and high resource prices. To ensure the ¥800.0 billion profit level becomes a solid foundation, we must not become complacent with our current situation, nor should we stand still. Going forward, we will build a robust earnings base as we recognize FYE 2024 to be an extremely important year for our growth investment strategy, given the unprecedentedly volatile nature

that it is important for supervisors to not simply lead their subordinates by example, but to carefully explain expected roles, skills, and future visions, while showing and training them how to solve problems. Once subordinates understand the expectations placed on them by supervisors they can trust, they can go out to the front lines and find a sense of fulfillment in their work. This sense of fulfillment in turn will surely allow them to become absorbed in their work. Over ITOCHU's long history of more than 160 years, the tradition of succession, where people we have trained go on to train the next generation, has become strong. I will continue to tear down communication barriers and work in unison with the entire Company to expand our business.

The third and final wall was within my own self. I had primarily been involved in sales and marketing. Therefore, I was relatively unfamiliar with the realm of IR 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 give official answers as a firm. Against this backdrop, I received advice from an analyst who said, "You should be more yourself, you do not need to focus on small details. I prefer to hear your own ideas and views." I figured the field of IR 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 markets.

of the current business environment. We will maximize synergies through our hands-on management approach, and by leveraging the lessons learned from past mistakes. At the same time, we will continue to pursue our growth investments. Furthermore, I would like to thank all our stakeholders for their support until now, and look forward to your continued support in our future endeavors. (▶ Page 65 Special Feature 2: Polishing Our Existing Business and New Steppingstones)