

# 04

## Initiatives and Systems Supporting Sustainable Growth

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



### 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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PEST Analysis (Macroenvironmental Factors through 2030)



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.

How to understand this page

In the graph for each macroenvironmental factor, the upper part represents our view of the balance between the degrees of impact of risks and opportunities, while the lower part represents our projection of changes in the degrees of impact through 2030. It also identifies the related non-financial capital (NFC).

Balance of risks and opportunities

Long-term trend through 2030

Change in Investment Environment

Example: Change in Investment Environment

This represents instances where the effect of opportunity is greater than that of risk, and the degree of effect (investment opportunity) is expected to increase over the near- to medium-term, despite uncertainty. Moreover, this represents instances where the long-term outlook is difficult to predict.

P

Risks

Opportunities

Political Trends

Related NFC:

Business Portfolio

Client and Partner Assets

Natural Resources

Unpredictable policy changes and headwinds for the growth of profit

Deterioration of the global economy, decline in trade volume, and tightening of export and investment restrictions

Economic stagnation and financial market turmoil due to terrorism and military conflicts

Retreat of liberalism and democracy (political instability, inequality issues, etc.)

Intensification of conflict between different political systems (democracy vs. authoritarianism)

Geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)

Increase in business opportunities of consumer-related businesses

Reform of supply chains and difficulty in procuring food resources, energy, minerals, and resources

Increases in prices of related items accompanying decreases in production and supply volumes

Economic Policy Trends

Related NFC:

Business Know-How

Business Portfolio

Natural Resources

Slowdown in pace of economic growth

Higher interest rates and increase in tax burden

Focus on sustainability instead of growth

Normalization of fiscal and monetary policies

Stable economic growth

Accelerated deregulation and society's expectations of the private sector with respect to economic growth, etc.

Changes in the Tax Code and Regulations

Related NFC:

Business Know-How

Business Portfolio

Natural Resources

Relationships with Society

Disappearance of existing transactions

Shrinking of fossil fuel markets (coal, crude oil)

Shrinking of existing transactions and increase in tax burden

Increase in regulatory response costs and reputational decline or damage

Trade talks, agreements, and de-risking (TPP, RCEP, IPEF, etc. economic security)

Regulations to curb GHG emissions (Paris Agreement, etc.)

International tax trends (BEPS countermeasures, environmental taxes, corporate tax rate hikes)

Tighter regulations in the digital technology field (competitive environment, information management, handling of personal data, etc.)

Increase in trade volume and generation of new sales channels


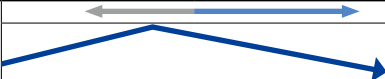

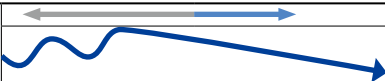
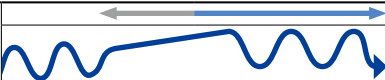
Expansion of renewable energy markets (wind, solar, hydrogen, ammonia, etc.)

Generation of new sales channels through introduction of new taxes

End of data monopolies held by existing platformers and increase in availability of open data

With the actualization of geopolitical risks, policies focus more on ongoing international cooperation as well as the stability of citizens' livelihoods. We will develop businesses amid the demand for appropriate corporate responses.

E


Risks		Opportunities	
Stagnation of the Global Economy — Related NFC: Business Know-How Business Portfolio Client and Partner Assets			
Decrease in business opportunities and trade volume		Emergence of new demand from changes in consumer and corporate behavior	
Greater Disparity in Economic Growth among Emerging Countries — Related NFC: Human and Organizational Capital Business Portfolio Client and Partner Assets			
Emergence of non-performing assets due to economic and social deterioration		In the global south, increase in consumer spending as standard of living improves and increase in demand for infrastructure and food resources as population grows	
Dollar Appreciation — Related NFC: Business Know-How Business Portfolio			
Depreciation in currencies of emerging countries; increase in overseas investment costs		Appreciation in value of assets denominated in foreign currencies and expansion of businesses that benefit from yen depreciation	
Volatility in Asset (Stocks, Real Estate) and Resource Prices — Related NFC: Business Portfolio Client and Partner Assets Natural Resources			
Formation and collapse of asset bubbles in specific fields and products		Growth in earnings from trading and increase in gains on asset disposal through timely disposal	
Change in Investment Environment — Related NFC: Business Know-How Business Portfolio Natural Resources			
Excessive swings in project value		Increase in expected returns as growth rebounds; more investment opportunities in fields and regions of strength	

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

S

Risks		Opportunities				
Responding to Climate Change (Decarbonization) — Related NFC: Business Know-How Business Portfolio Client and Partner Assets Natural Resources Relationships with Society						
Decrease in fossil fuel demand as awareness of the SDGs grows; increase in additional costs arising from decarbonization measures, higher power prices, and a reduction in the competitiveness of companies			Increase in business opportunities in energy supply chains; potential for acquisition of new customers due to heightening of added value or enhancement of brand value of existing products and services			
Cultivating a Workplace Environment — Related NFC: Human and Organizational Capital Business Know-How						
Labor shortages due to low birthrate; outflow of personnel; harassment, mental health, and long working hours; increases in health-related costs			Improvement in labor productivity due to utilization of IT tools and advancement of diversity; increase in flexibility of work systems; improvement in health and motivation; securement of outstanding human resources			
Respecting Human Rights — Related NFC: Client and Partner Assets Natural Resources Relationships with Society						
Human rights-related project delays and continuity risks (corporate image deterioration, lawsuits and contract cancellations, boycotts, strikes, etc.)			Business stabilization and recruitment through harmonious coexistence with local communities; enhancement of corporate image through promotion of ethical procurement			
Increasing Awareness on Health and Quality of Life — Related NFC: Human and Organizational Capital Business Know-How Business Portfolio Client and Partner Assets Relationships with Society						
Decrease in creditworthiness when safety and health issues occur, lower labor productivity, increase in resignation rate, and higher medical expense burden			Enhancement of productivity and brand image and lower medical expense burden; increase in demand for products and services compatible with a non-contact society, increase in demand for health promotion and visualization of food safety and security			
Ensuring Stable Procurement and Supply — Related NFC: Business Portfolio Client and Partner Assets Natural Resources						
Increase in additional costs arising from efforts to ensure stable procurement and stable supply of food resources, energy, mineral resources, etc.			Increase in demand for rare metals, rare earths, etc.; differentiation through construction of systems for stable procurement and supply provision that reflects consideration for environmental burden and economic security			
Strengthening Governance Structure — Related NFC: Human and Organizational Capital Business Portfolio Relationships with Society						
Decrease in corporate value assessment by investors; withdrawal of invested funds; exclusion from investment targets; decline in stock price			Rise in corporate value assessment by investors; inflow of investment funds; addition to investment targets; increase in stock prices			

Based on our corporate mission of "Sampo-yoshi," we will advance solutions to social issues by providing products and services that meet customer needs, creating new businesses, and replacing assets.

Risks		Opportunities				
Changes in Business Models Caused by Technological Innovation — Related NFC:		Human and Organizational Capital	Business Know-How	Business Portfolio	Client and Partner Assets	Relationships with Society
Obsolescence and extinction of existing business models due to proliferation of new technologies; leaks of internal data due to cyberattacks; confusion due to false information; increase in costs related to digital transformation						
	Creation and provision of innovative services and new business models; improve productivity and optimize overall supply chain through use of new technology					

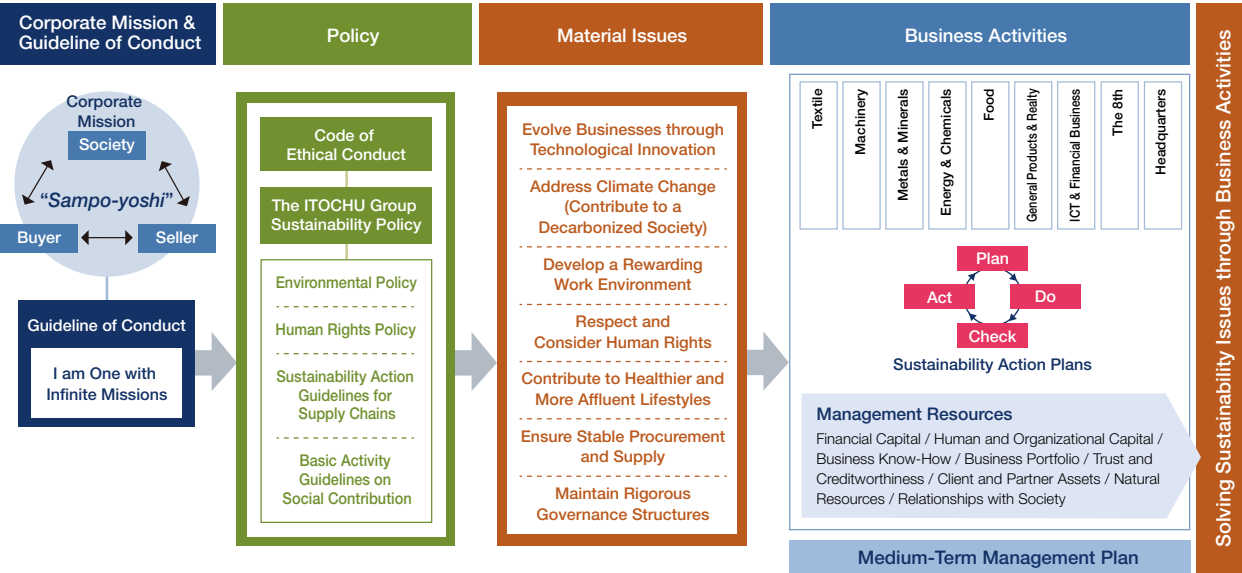
By taking a market-oriented perspective to address rapid technological innovation and changes in consumer behavior, we will advance and accelerate the self-transformation of business models.



Initiatives to Promote Sustainability

Sustainability Promotion Flow

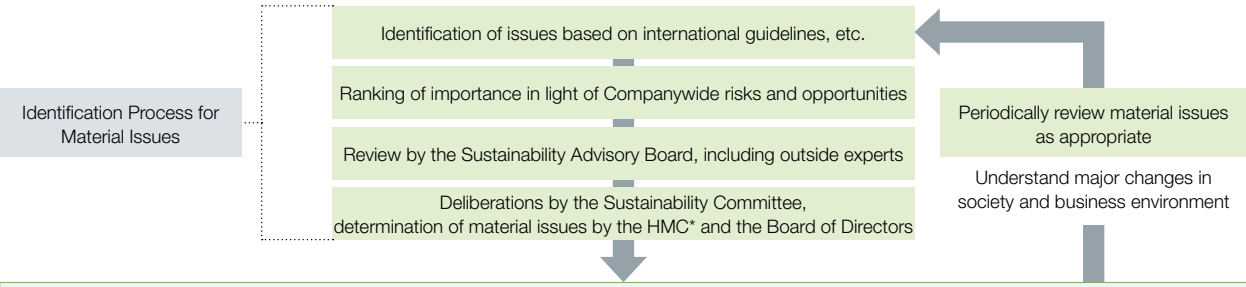
Under the ITOCHU Group Sustainability Policy, which was established in accordance with ITOCHU's corporate mission and changes in the external environment, the Company promotes sustainability initiatives systematically throughout its organization. Of particular note, each Division Company and administrative 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.



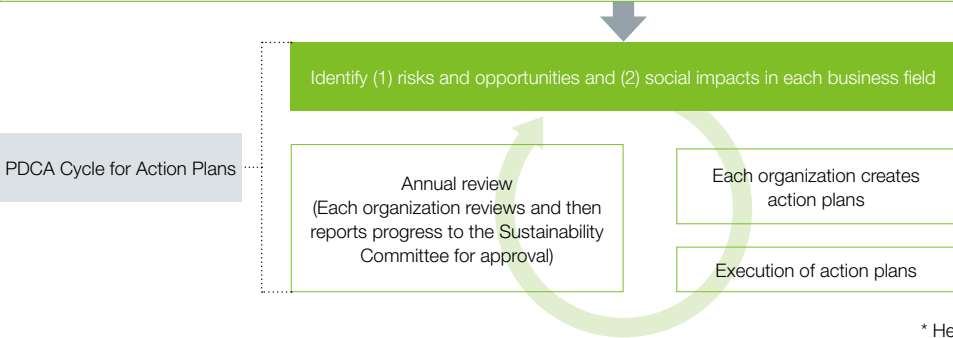
Identification Process for Material Issues and Incorporation into Action Plans

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 revised 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.



Material Issues		Related SDGs
	<b>Evolve Businesses through Technological Innovation</b> We are creating new value by proactively exploring new technologies as we adapt to changing industry structures by venturing beyond existing business frameworks.	
	<b>Address Climate Change (Contribute to a Decarbonized Society)</b> We are striving to adapt to the impact of climate change on our business activities, while also promoting business activities that contribute to a decarbonized society and seeking to reduce GHG emissions.	
	<b>Develop a Rewarding Work Environment</b> We are developing a work environment where all employees feel proud and motivated, and where they can leverage their diversity to demonstrate their abilities to the fullest.	
	<b>Respect and Consider Human Rights</b> We are promoting respect and consideration for human rights in our business operations and ensuring stability in our business, while also contributing to the development of local communities.	
	<b>Contribute to Healthier and More Affluent Lifestyles</b> We are striving to improve the quality of life for all people and are contributing to the creation of healthier and more affluent lifestyles.	
	<b>Ensure Stable Procurement and Supply</b> We are contributing to the creation of a recycling-oriented society by giving consideration to biodiversity and other environmental issues while undertaking the effective utilization of resources as well as their stable procurement and supply, in line with demand in each country.	
	<b>Maintain Rigorous Governance Structures</b> We are ensuring appropriate and efficient execution of operations through independent, objective, and effective oversight of management by the Board of Directors and increased transparency in decision-making.	



\* Headquarters Management Committee

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 2023, 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.



Please refer to ITOCHU's website for detailed information (in Japanese only).



ITOCHU SDGs STUDIO KIDS PARK

<https://www.itochu.co.jp/ja/kidspark/>



ITOCHU SDGs STUDIO RESTAURANT Hoshi no Kitchen

<https://www.itochu.co.jp/ja/hoshinokitchen/>



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.

\* The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB)

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 “Pulp 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/](https://www.itochu.co.jp/en/csr/environment/climate_change/)



Photo courtesy of BHP

Scenario Analysis

		Businesses for Which Transition Risks Are the Main Issues	Businesses for Which Physical Risks Are the Main Issues																								
Business		Iron ore business	Feed and grain trade business																								
Time frame		By 2050	By 2030																								
Temperature band scenario		1.5°C scenario	4°C scenario																								
Main risks and opportunities	Transition	<b>Opportunities</b> <ul style="list-style-type: none"><li>• The stable supply of low-carbon emission steelmaking raw materials</li><li>• Creation of a new low-carbon emission steelmaking raw materials business</li></ul> <b>Risk</b> <ul style="list-style-type: none"><li>• Increase in cost of fuels and materials due to the introduction of a carbon tax</li></ul>	<b>Opportunity</b> <ul style="list-style-type: none"><li>• We may capture demand with feed products and other low-carbon-related products which contribute to reducing GHG</li></ul>																								
	Physical	<b>Risks</b> <ul style="list-style-type: none"><li>• Increase in procurement costs due to the increased frequency of severe weather events and worsening water scarcity</li><li>• Disruption of iron ore supply chain due to frequent weather disasters</li></ul>	<b>Opportunity</b> <ul style="list-style-type: none"><li>• We may maintain a supply structure by diversifying the countries from where we import crops and capture demand for grain</li></ul> <b>Risks</b> <ul style="list-style-type: none"><li>• Decrease in the amount of crops harvested and logistics disruption due to large hurricanes, droughts and other abnormal weather in countries from where we import crops</li><li>• The amount of crops harvested may decrease and transaction prices may increase in countries from where we import crops due to rising temperatures</li></ul>																								
Business environment under the scenario Business impact assessment		<p>The introduction of a carbon tax is expected to increase the cost of fuel, materials, and other items. Nevertheless, the impact on earnings will be limited due to strengthened relationships with blue-chip business partners and improvement of operational efficiencies. Further growth is expected by focusing on the production of high-grade ore, for which demand is expected to increase due to the acceleration of the shift to decarbonization, and steadily seizing business opportunities in iron ore and related fields, such as creation of businesses related to low-carbon emission steelmaking raw materials.</p> <p><b>Analysis According to Consolidated Net Profit (%)</b></p> <table><tr><th>Category</th><th>Current situation</th><th>After taking the measures</th></tr><tr><td>Current situation</td><td>100</td><td>-</td></tr><tr><td>Risks and opportunities</td><td>-</td><td>~115</td></tr><tr><td>Measures and effects</td><td>-</td><td>~115</td></tr></table>	Category	Current situation	After taking the measures	Current situation	100	-	Risks and opportunities	-	~115	Measures and effects	-	~115	<p>The decrease in the amount of crops harvested due to weather disasters and rising temperatures may lead to supply instability and increases in prices. However, we can maintain a supply structure by diversifying the countries from where we import crops and then provide further opportunities for low-carbon-related products.</p> <p><b>Analysis According to Gross Trading Profit (%)</b></p> <table><tr><th>Category</th><th>Current situation</th><th>After taking the measures</th></tr><tr><td>Current situation</td><td>100</td><td>-</td></tr><tr><td>Risks and opportunities</td><td>-</td><td>~115</td></tr><tr><td>Measures and effects</td><td>-</td><td>~115</td></tr></table>	Category	Current situation	After taking the measures	Current situation	100	-	Risks and opportunities	-	~115	Measures and effects	-	~115
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Adaptation / mitigation measures, policies Business opportunities		<ul style="list-style-type: none"><li>• We will closely monitor trends in low-carbon emission steelmaking technologies and promote initiatives to ensure a stable supply of low-carbon emission steel-making raw materials</li><li>• Promote initiatives to reduce GHG emissions by strengthening relationships with business partners</li></ul>	<ul style="list-style-type: none"><li>• We will diversify the countries from where we import crops to prepare for the acute and chronic impacts from climate change</li><li>• We will engage in new environment-related business such as feed which leads to a curb on methane emissions</li></ul>																								

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 change 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.



Approach to Climate Change and Related Initiatives

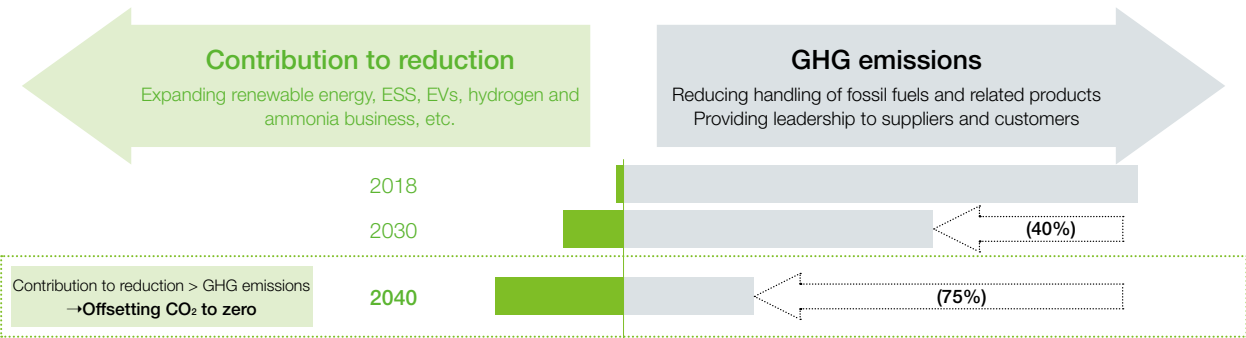
Climate Change Metrics and Targets

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 CO<sub>2</sub> to zero\*<sup>1</sup> by 2040 by actively promoting businesses that contribute to the reduction of GHG emissions.
- Complying with the Japanese government’s interim target\*<sup>2</sup> 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.

\*1 Situations where reduction contributions exceed the Company's GHG emissions

\*2 The Japanese government’s target of a 46% reduction from the 2013 level by 2030 is a 39% reduction based on the year 2018.

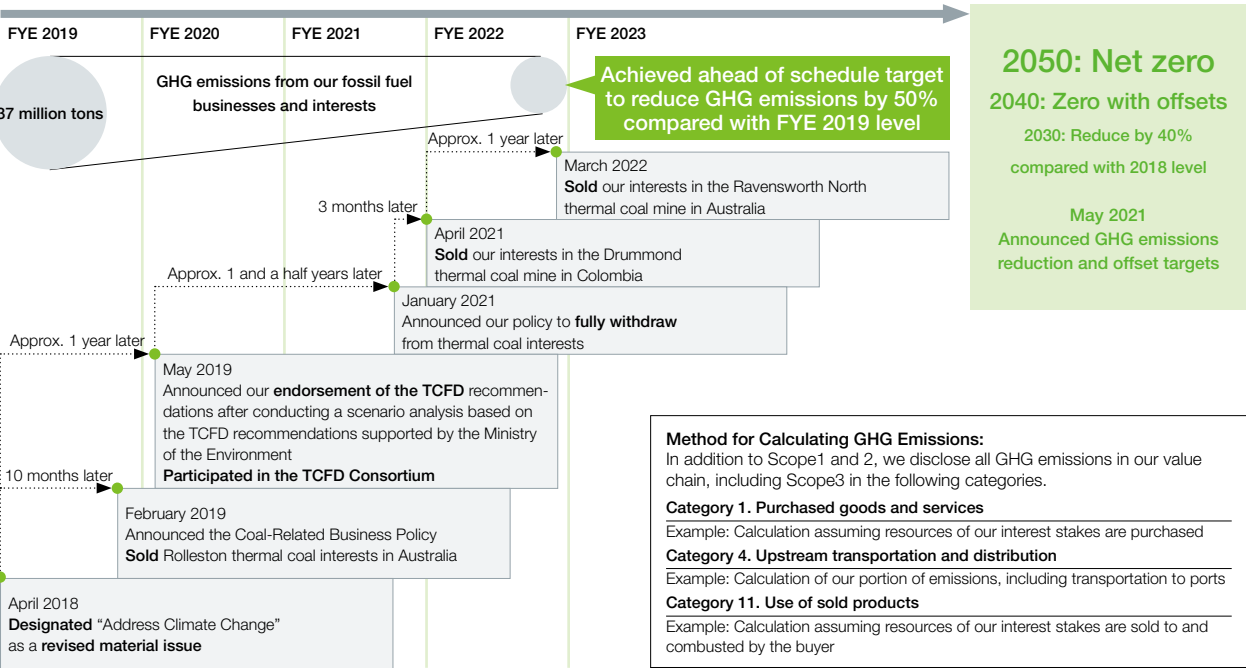


\*1 Scope of GHG emissions: Scopes1/2/3 + Fossil fuel businesses and interests (affiliates and general investments)

\*2 For environmental data on GHG emissions and other items, please see ▶ Page 116 ESG Data

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.



\* Fossil fuel businesses and interests (consolidated subsidiaries, affiliates, and general investments): (1) Coal interests (thermal and coking coal), (2) Coal-fired power generation, and (3) Oil and gas interests

Business Initiatives to Help Reduce GHG Emissions

Clean-Tech Business Metrics and Targets

We have established “GHG emissions reduction and offset targets,” as well as individual targets for clean-tech businesses, and are steadily moving forward with swift and decisive climate change measures.

Individual Targets and Initiatives for the Clean-Tech Business

Clean-Tech Business	Individual Targets and Initiatives
Renewable Energy Business	<ul style="list-style-type: none"><li>Increase the ratio of renewable energy capacity within our power generation portfolio to over 20% by FYE 2031</li><li>Invested in renewable energy generation of approximately 1,600 MW, such as in Cotton Plains (wind and solar power) and Prairie Switch (wind power), both of which are in the United States, and in Sarulla Operations (geothermal power) in Indonesia</li><li>Currently newly developing renewable energy business of approximately 2,000 MW to achieve a renewable energy ratio of over 20%</li></ul>
Fuel Ammonia-Related Business	<ul style="list-style-type: none"><li>Establish a value chain of fuel ammonia through integrated development including development, ownership, and operation of ammonia-fueled ships, development of fuel supply bases, and procurement of fuel ammonia</li><li>After 2026, contribute to decarbonization of international shipping by promoting the spread of ammonia-fueled ships and their social implementation</li></ul>
Energy Storage Systems (ESS)-Related Businesses	<ul style="list-style-type: none"><li>Aim for a cumulative capacity of ESS units sold of over 5 GWh by FYE 2031</li></ul>
Water Infrastructure-Related Business	<ul style="list-style-type: none"><li>Expand our achievements in Europe and Australia to other regions. Continue to build up excellent assets</li></ul>
Waste Management Project	<ul style="list-style-type: none"><li>Expand our achievements in Europe to the Middle East and other regions in Asia. Continue to build up excellent assets</li></ul>

Please refer to ITOCHU's website for detailed information.

<https://www.itochu.co.jp/en/business/cleantech/>



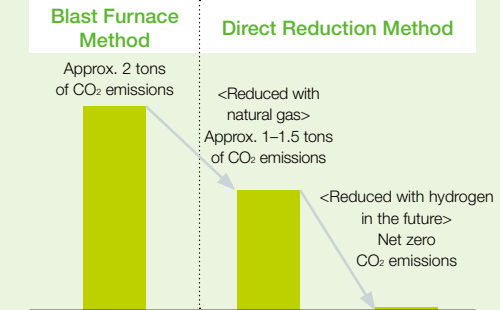
Creating a Supply Chain of the Ferrous Raw Material for Green Ironmaking with Low Carbon Emission

Steel is an irreplaceable material underpinning social infrastructure that is used by a wide range of industries, but reducing CO<sub>2</sub> 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 CO<sub>2</sub> emissions in the steelmaking process.

To ensure the stable supply of high-grade iron ore, which is indispensable raw material for the direct reduction method, ITOCHU acquired partial interests in the AMMC iron ore mining business operating in Canada, through ITOCHU 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 promote detailed commercialization surveys regarding the building of a low-carbon reduced steel supply chain with Emirates Steel Arkan, the largest steel manufacturer in the United Arab Emirates (UAE). In this business, we plan to utilize high-grade iron ore produced by CSN Mineração S.A., a Brazilian iron ore business that ITOCHU has invested in, as well. Conventional blast furnace steel produces approximately 2 tons of CO<sub>2</sub> emissions per ton of crude steel. The direct reduction method using natural gas competitively priced in the UAE, effectively cuts this to about 1 to 1.5 tons of CO<sub>2</sub> emissions. In addition, by processing the CO<sub>2</sub> emitted during the reduction process through carbon dioxide capture, utilization, and storage (CCUS) technologies that inject CO<sub>2</sub> into oil fields, we are able to further reduce CO<sub>2</sub> emissions. In the near future, by realizing reduction through hydrogen, we aim to achieve net zero CO<sub>2</sub> emissions.

Going forward, after conducting a detailed commercialization survey, we plan to begin producing low-carbon reduced iron from 2026 and will work to build a supply chain to serve the Asian market. To resolve various industrial issues, ITOCHU will help build a more robust decarbonized society through collaboration with customers and partners, including blue-chip companies, and the provision of new materials.

Comparison of CO<sub>2</sub> Emissions when Producing 1 Ton of Crude Steel



Low-carbon reduced iron



Exchange of MOU at the UAE Economic Mission

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 suppliers 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 hearings (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

Europe / CIS	Africa	Middle East	China	Asia (excluding China)	Oceania	Latin America	Japan
8 companies	8 companies	6 companies	78 companies	170 companies	3 companies	23 companies	24 companies

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/](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 reports 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.

Sustainable Procurement Policy on Natural Forests and Forest Resources	Natural Rubber Procurement Policy	Sustainable Palm Oil Procurement Policy	Cocoa Bean Procurement Policy
Coffee Bean Procurement Policy	Raw Material Tuna Procurement Policy	Commitment of Protecting Forests through Material Sourcing of MMCF	

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/](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 SA8000.

Risk Map by Business Area:

Desk Research Identifying Human Rights Issues That Require Due Diligence in Each Business Area

Issue	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th
Child Labor								
Forced Labor								
Health and Safety								
Freedom of Association and Right to Collective Bargaining								
Discrimination								
Disciplinary Practices								
Working Hours								
Remuneration								
Migrant Workers								
Human Trafficking								
Indigenous Human Rights								
Impact on Local Communities and Residents								
Land Acquisition and Resettlement								
Implementation Status of Human Rights Due Diligence	Implemented in FYE 2023	To be implemented in FYE 2025 or after	Implemented in FYE 2022	To be implemented in FYE 2025 or after	Implemented in FYE 2021	Being implemented in FYE 2024	To be implemented in FYE 2025 or after	To be implemented in FYE 2025 or after

Based on the risk mapping by business area, we are working on human rights due diligence and have identified clothing, textiles, footwear, cotton, carpets, yarns, 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 & Realty Company and plan to implement this in other business fields in the future.

Human Rights Due Diligence Flow Chart



Please refer to ITOCHU's website for more information about human rights due diligence.

[https://www.itochu.co.jp/en/csr/society/human\\_rights/](https://www.itochu.co.jp/en/csr/society/human_rights/)



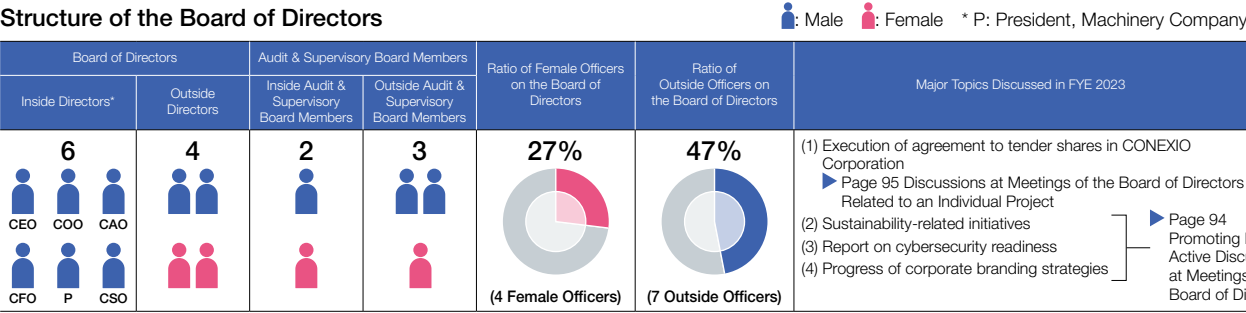
Overview of Human Rights Due Diligence in the Textile Company (FYE 2023)

Subjects	Details	Issues
Issues Covered by the Survey	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	As items were discovered that could become human rights issues in the future, including items related to health and safety, discrimination, and a lack of policies and manuals, we will continue conducting follow-ups through such measures as supply chain and sustainability surveys.
Countries Covered	22 countries and regions including India, Thailand, Pakistan, Bangladesh, and China	
Amount Criteria	Purchase amounts of ¥100 million or more (overseas) / Purchase amounts of ¥300 million or more (domestic)	
Surveyed Companies (First Screening)	Primary or secondary suppliers located in the target countries	
Surveyed Companies	112 companies (covering about 70% of all Textile Company suppliers based on purchase amounts)	
Additional Survey Target (Second Screening)	21 companies	
On-Site Visit Targets and Investigative Interview Targets	12 companies	

Corporate Governance

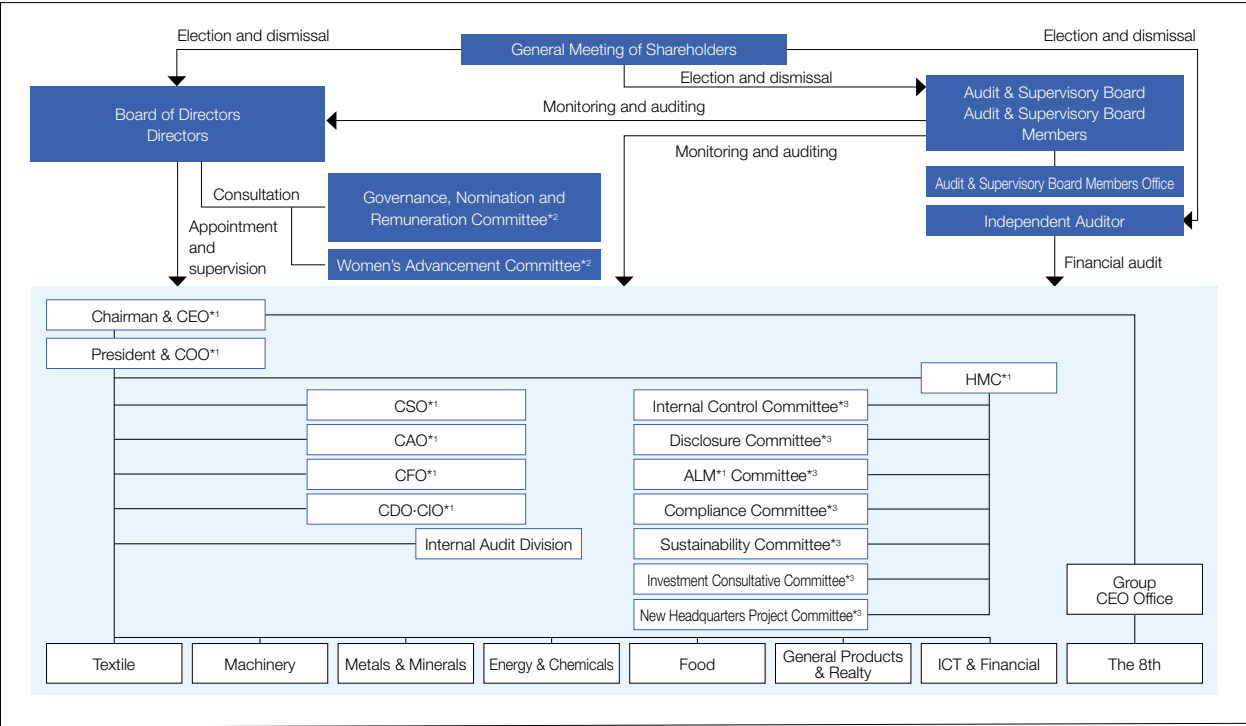
Further Enhancement of ITOCHU’s Corporate Governance System

ITOCHU has consistently reformed and strengthened its governance structure through such measures as implementing 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 plan, 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 candidate 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.



Overview of Corporate Governance and Internal Control System

(As of July 1, 2023)



\*1 CEO = Chief Executive Officer COO = Chief Operating Officer CSO = Chief Strategy Officer CAO = Chief Administrative Officer CFO = Chief Financial Officer CDO-CIO = Chief Digital & Information Officer HMC = Headquarters Management Committee ALM = Asset Liability Management  
\*2 Established advisory committees under the Board of Directors to enhance the transparency of the decision-making process and strengthen supervisory functions.  
\*3 Chairperson is indicated in parentheses. For the Investment Consultative Committee, Vice-Chairperson is also indicated. Internal Control Committee (CSO): Deliberates on issues related to the development of internal control systems. Disclosure Committee (CFO): Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting. ALM Committee (CFO): Deliberates on issues related to risk management systems and balance sheet management. Compliance Committee (CAO): Deliberates on issues related to compliance. Sustainability Committee (CAO): Deliberates on issues related to sustainability, the SDGs, and ESG, excluding governance-related issues. Investment Consultative Committee (CFO, Vice-Chairperson: CSO): Deliberates on issues related to investment and financing. New Headquarters Project Committee (CAO): Deliberates on issues related to new headquarters project.  
\*4 CAO is the Chief Officer for Compliance. Also, each Division Company has a Division Company President.  
\*5 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

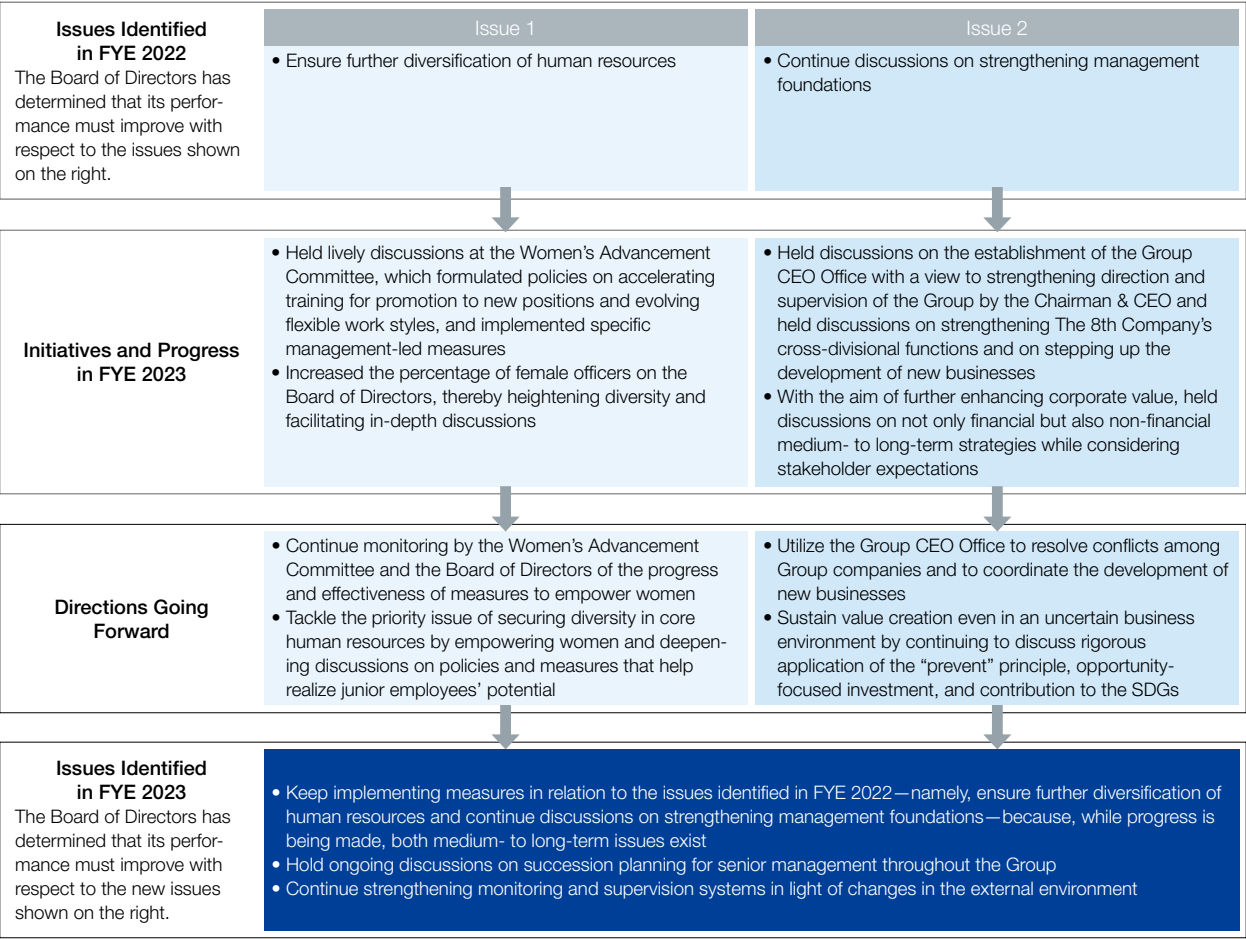
Evaluation of the Board of Directors

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

Respondents	All 10 Members of the Board and all 5 Audit & Supervisory Board Members in FYE 2023
Implementation and Evaluation Method	Step 1: Enlist external consultants to conduct questionnaires and individual interviews with each member (anonymous responses) Step 2: Have external consultants compile and analyze respondents’ answers Step 3: Conduct analysis at the Governance and Remuneration Committee with reference to the compiled answers and analysis of the external consultants Step 4: Conduct analysis and evaluation at the Board of Directors
Items Covered by Questionnaire	• Structure of the Board of Directors • Structure of advisory committees to the Board of Directors, etc. • Role and duties of the Board of Directors • Operation status of the Board of Directors • Information provision and training for Members of the Board and Audit & Supervisory Board Members • Other important items

Results of the FYE 2023 Evaluation of the Board of Directors





Corporate Governance

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

As of July 1, 2023



From left:  
Kumi Kobayashi, Tsutomu Fujita, Akiko Ito, Fumihiko Kobayashi, Masatoshi Kawana, Masahiro Okafuji, Keita Ishii

From left:  
Tsuyoshi Hachimura, Hiroyuki Naka, Makiko Nakamori, Hiroyuki Tsubai, Kunio Ishizuka, Kentaro Uryu, Yoshiko Matoba, Makoto Kyoda

Members of the Board

Chairman & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation  
2018 Chairman & Chief Executive Officer  
Number of shares held: 389,728 (217,833<sup>(\*)</sup>)

Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer  
1991 Joined ITOCHU Corporation  
2021 Executive Vice President  
Number of shares held: 181,924 (93,224<sup>(\*)</sup>)

Member of the Board<sup>(\*)2</sup>

Masatoshi Kawana

2018 Outside Director,  
ITOCHU Corporation  
Number of shares held: 11,000

President & Chief Operating Officer

Keita Ishii

1983 Joined ITOCHU Corporation  
2021 President & Chief Operating Officer  
Number of shares held: 177,963 (111,060<sup>(\*)</sup>)

Member of the Board

Hiroyuki Tsubai

President, Machinery Company  
1982 Joined ITOCHU Corporation  
2023 Executive Vice President  
Number of shares held: 88,828 (47,973<sup>(\*)</sup>)

Member of the Board<sup>(\*)2</sup>

Makiko Nakamori

2019 Outside Director,  
ITOCHU Corporation  
Number of shares held: 12,400

Member of the Board

Fumihiko Kobayashi

Chief Administrative Officer  
1980 Joined ITOCHU Corporation  
2021 Executive Vice President  
Number of shares held: 181,137 (95,957<sup>(\*)</sup>)

Member of the Board

Hiroyuki Naka

Chief Strategy Officer;  
General Manager, Group CEO Office  
1987 Joined ITOCHU Corporation  
2022 Executive Officer  
Number of shares held: 42,630 (20,901<sup>(\*)</sup>)

Member of the Board<sup>(\*)2</sup>

Kunio Ishizuka

2021 Outside Director,  
ITOCHU Corporation  
Number of shares held: 3,500

Member of the Board<sup>(\*)2</sup>

Akiko Ito<sup>(\*)3</sup>

2023 Outside Director,  
ITOCHU Corporation  
Number of shares held: 0

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Makoto Kyoda

1987 Joined ITOCHU Corporation  
2020 Audit & Supervisory Board Member  
Number of shares held: 27,110

Audit & Supervisory Board Member

Yoshiko Matoba

1986 Joined ITOCHU Corporation  
2023 Audit & Supervisory Board Member  
Number of shares held: 48,745

Audit & Supervisory Board Member<sup>(\*)4</sup>

Kentaro Uryu

2015 Audit & Supervisory Board Member  
Number of shares held: 8,500

Audit & Supervisory Board Member<sup>(\*)4</sup>

Tsutomu Fujita

2023 Audit & Supervisory Board Member  
Number of shares held: 0

Audit & Supervisory Board Member<sup>(\*)4</sup>

Kumi Kobayashi<sup>(\*)5</sup>

2023 Audit & Supervisory Board Member  
Number of shares held: 0

Executive Officers

Chairman & Chief Executive Officer

Masahiro Okafuji

President & Chief Operating Officer

Keita Ishii

Executive Vice Presidents

Fumihiko Kobayashi

Chief Administrative Officer

Tsuyoshi Hachimura

Chief Financial Officer

Hiroyuki Tsubai

President, Machinery Company

Managing Executive Officers

Mitsuru Chino<sup>(\*)6</sup>

General Manager, Corporate Communications Division  
Number of shares held: 33,104

Hiroyuki Kaizuka

President & CEO, ITOCHU International Inc.;  
Chairman, Director, Dole Asia Holdings Pte. Ltd.  
Number of shares held: 64,097

Tomoyuki Takada

Chief Digital & Information Officer;  
Executive Advisory Officer for Corporate Communications Division  
Number of shares held: 73,417 (27,117<sup>(\*)</sup>)

Tatsushi Shingu

President, ICT & Financial Business Company  
Number of shares held: 91,874 (54,274<sup>(\*)</sup>)

Executive Officers

Masaya Tanaka

President, Energy & Chemicals Company  
Number of shares held: 61,968 (31,968<sup>(\*)</sup>)

Kenji Seto

President, Metals & Minerals Company  
Number of shares held: 74,837 (39,487<sup>(\*)</sup>)

Hiroyuki Naka

Chief Strategy Officer;  
General Manager, Group CEO Office

Shuichi Kato

Chief Executive for Europe & CIS Bloc;  
CEO, ITOCHU Europe PLC  
Number of shares held: 38,655

Masatoshi Maki

President, General Products & Realty Company  
Number of shares held: 45,117 (15,594<sup>(\*)</sup>)

Tadayoshi Yamaguchi

Chief Operating Officer, Financial & Insurance Business Division  
Number of shares held: 11,212

Hideto Takeuchi

President, Textile Company;  
Executive Advisory Officer for Osaka Headquarters  
Number of shares held: 27,375 (5,614<sup>(\*)</sup>)

Kotaro Yamamoto

Director, President & CEO, ITOCHU Building Products Holdings Inc.  
Number of shares held: 10,587

Hiroshi Kajiware

Chief Operating Officer, ICT Division  
Number of shares held: 26,222 (3,219<sup>(\*)</sup>)

Akira Saito

CEO for East Asia Bloc  
Number of shares held: 21,499

Yoshinori Kitajima

Chief Executive Officer, Representative Director, DOME CORPORATION  
Number of shares held: 23,630 (1,395<sup>(\*)</sup>)

Tomokuni Nishiguchi

General Manager, Secretariat  
Number of shares held: 25,348 (1,395<sup>(\*)</sup>)

Kazuaki Yamaguchi

General Manager, Finance Division  
Number of shares held: 25,098 (1,395<sup>(\*)</sup>)

Nobuyuki Tabata

Chief Operating Officer, Chemicals Division  
Number of shares held: 24,989 (1,395<sup>(\*)</sup>)

Naohiko Yoshikawa

Chief Operating Officer, Plant Project, Marine & Aerospace Division  
Number of shares held: 22,419 (1,395<sup>(\*)</sup>)

Kotaro Yamamoto

Director, President & CEO, ITOCHU Building Products Holdings Inc.  
Number of shares held: 10,587

Kuniaki Abe

Chief Operating Officer, Fresh Food Division  
Number of shares held: 22,785 (1,395<sup>(\*)</sup>)

Shuichi Miyamoto

President, Food Company  
Number of shares held: 23,551 (2,395<sup>(\*)</sup>)

Jun Inomata

Chief Operating Officer, Metal & Mineral Resources Division  
Number of shares held: 22,836

Tsutomu Yamauchi

Chief Operating Officer, Forest Products, General Merchandise & Logistics Division  
Number of shares held: 19,810

Manabu Fukugaki

Chief Operating Officer, Brand Marketing Division  
Number of shares held: 21,209

Toshiyuki Kakimi

General Manager, Human Resources & General Affairs Division  
Number of shares held: 20,079

Tadashi Ishibashi

Vice President, East Asia Bloc (East China);  
Chairman, ITOCHU SHANGHAI LTD.;  
Managing Director, ITOCHU SHANGHAI LTD.  
Number of shares held: 20,747

Hiroshi Ushijima

Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division  
Number of shares held: 22,762

<sup>(\*)</sup>Number of shares held" indicates the number of ITOCHU shares.

<sup>(\*)1</sup> Figures indicate the number of shares scheduled to be granted post-retirement based on the stock remuneration plan (figures corresponding to points for rights determined under the performance-linked stock remuneration plan (trust type)). The number of shares held includes these shares.

<sup>(\*)2</sup> Indicates an Outside Director as provided in Article 2, Item 15 of the Companies Act.

<sup>(\*)3</sup> Registered name is Akiko Noda.

<sup>(\*)4</sup> Indicates an Outside Audit & Supervisory Board Member as provided in Article 2, Item 16 of the Companies Act.

<sup>(\*)5</sup> Registered name is Kumi Nojiri.

<sup>(\*)6</sup> Registered name is Mitsuru Ike.

For executives' career profiles, please refer to ITOCHU's website:

 <https://www.itochu.co.jp/en/about/officer/>



<sup>(\*)</sup> In FYE 2013, ITOCHU established Guidelines for Share Ownership of ITOCHU Stock for Executive Officers designed to align executives with shareholders and increase their commitment to enhancing the share price of ITOCHU.

Guidelines for Share Ownership of ITOCHU Stock for Executive Officers: The guidelines for stock ownership by executive officers are as follows.

Chairman / President 100,000 shares, Executive Vice President 50,000 shares, Senior Managing Executive Officer 40,000 shares, Managing Executive Officer 30,000 shares, Executive Officer 20,000 shares.


















Corporate Governance

Skills Matrix of Corporate Officers and Structure of Advisory Committees

ITOCHU’s corporate officers, regardless of whether they are inside or outside, bring their knowledge, experience, and high level of insight in their respective fields to management. The areas in which Inside Directors have knowledge and experience are indicated by the symbol ○. To fully utilize the professional perspectives and high level of insight of each outside officer and Full-time Audit & Supervisory Board Member, the areas in which they are expected to make a particular contribution are indicated by the symbol ●, after consultation with each officer.

\*1 In addition to the members shown below, the General Manager of the Human Resources & General Affairs Division is a member of the Women’s Advancement Committee.  
\*2 Harufumi Mochizuki and Atsuko Muraki, both of whom are former Outside Directors of the Company; Kotaro Ohno, former Outside Audit & Supervisory Board Member of the Company; and Shotaro Yachi provide advice on the business management of the Company in their capacities as members of the Advisory Board, enabling their extensive experience and expertise to be utilized in the business management of the Company.

Name	Title	Gender	Principal Specialized Area of Experience / Area in Which Officers Are Expected to Make a Particular Contribution											Governance, Nomination and Remuneration Committee	Women's Advancement Committee**	Main Role, Career History, Qualifications, etc.
			All Aspects of Management	Global	Marketing / Sales	Self-Transformation / Digital Transformation	SDGs & ESG		Health & Medical Care	Finance, Accounting & Risk Management	Human Resource Strategy	Internal Control & Legal Affairs / Compliance				
Masahiro Okafuji	Chairman & CEO		○	○	○	○	○		○	○	○	○	□		President, Textile Company; President & CEO, ITOCHU Corporation	
Keita Ishii	President & COO		○	○	○	○	○		○	○	○	○	□		President, Energy & Chemicals Company, ITOCHU Corporation	
Fumihiko Kobayashi	Director		○	○		○	○		○	○	○	○	□	□	General Manager of Human Resources & General Affairs Division; Chief Administrative Officer, ITOCHU Corporation	
Tsuyoshi Hachimura	Director		○	○	○	○	○			○	○	○			General Manager of Finance Division; Chief Financial Officer, ITOCHU Corporation	
Hiroyuki Tsubai	Director		○	○	○	○	○			○	○	○			CEO for Africa Bloc; CEO for Europe Bloc; President, Machinery Company, ITOCHU Corporation	
Hiroyuki Naka	Director		○	○	○	○	○			○	○	○			General Manager of Corporate Planning & Administration Division; Chief Strategy Officer; Chief Digital & Information Officer, ITOCHU Corporation	
Masatoshi Kawana	Outside Director		●				●		●				□		Vice-president of Tokyo Women's Medical University Hospital; Doctor of Medicine	
Makiko Nakamori	Outside Director					●				●		●	□	■	Certified Public Accountant in Japan	
Kunio Ishizuka	Outside Director		●		●						●		■		President and CEO / Chairman, Isetan Mitsukoshi Holdings Ltd.	
Akiko Ito	Outside Director						●		●		●		□		Commissioner, Consumer Affairs Agency	
Makoto Kyoda	Full-time Audit & Supervisory Board Member						●			●		●			CFO, Food Company, ITOCHU Corporation	
Yoshiko Matoba	Full-time Audit & Supervisory Board Member			●			●				●			□	General Manager of Research & Public Relations Division, General Manager of Human Resources & General Affairs Division, ITOCHU Corporation	
Kentaro Uryu	Outside Audit & Supervisory Board Member				●					●		●	※		Managing Partner, URYU & ITOGA; Attorney-At-Law in Japan	
Tsutomu Fujita	Outside Audit & Supervisory Board Member		●	●						●				□	Vice Chairman and a board member, Citigroup Global Markets Japan Inc.	
Kumi Kobayashi	Outside Audit & Supervisory Board Member					●				●		●		□	Certified Public Accountant in Japan; Certified Public Tax Accountant in Japan	

■ Chair □ Member ※ Observer

Area	Reasons for Selection
All Aspects of Management	ITOCHU is a general trading company that operates in diverse business sectors. The oversight of business operations requires knowledge of this area in order to participate in discussions about business plans and strategies that can enhance corporate value based on the spirit of “ <i>Sampo-yoshi</i> .”
Global	Knowledge of this area based on understanding different cultures and geopolitics is required because ITOCHU operates on a global scale as a general trading company.
Marketing / Sales	Knowledge of these areas is required because promotion of “earn” measures is a key element of ITOCHU’s operations, which depend on leveraging sales capabilities as a “Merchant,” from a market-oriented perspective.
Self-Transformation / Digital Transformation	ITOCHU realizes sustained growth by drawing on comprehensive strengths as a general trading company accompanied by self-transformation in a flexible manner that reflects changes in the external environment. ITOCHU does not make DX itself a target. Instead, by self-transformation, ITOCHU steadily builds up individual projects that are expected to swiftly contribute to profit namely those that optimize supply chains, etc. while leveraging existing business foundations. Knowledge of these areas is required for taking these actions.
SDGs & ESG	ITOCHU aims for sustained growth with a commitment to capitalism with greater emphasis on serving all stakeholders, which is “ <i>Sampo-yoshi</i> capitalism.” ITOCHU sets to solve the seven identified material issues through business operations, including addressing climate change, to contribute to accomplishing the Sustainable Development Goals (SDGs). Consequently, knowledge of these areas is required.
Health & Medical Care	People is the most valued management resource of ITOCHU. Developing capability and enhancing the health is essential for maintaining a powerful workforce that can fulfill our Guideline of Conduct: “I am One with Infinite Missions.” Consequently, knowledge of these areas is required.
Finance, Accounting & Risk Management	Sustained growth requires strong financial foundation, accurate financial reports, and the analysis of risks when examining M&A and other projects. A quantitative framework of administrative divisions which support business divisions is also essential. Consequently, knowledge of these areas is required for constantly implementing the “earn, cut, prevent” principles.
Human Resource Strategy	ITOCHU clearly identifies human resources as a key component of management strategy. Knowledge of this area is required in order to effectively implement various initiatives, such as work-style reforms to enhance corporate value.
Internal Control & Legal Affairs / Compliance	ITOCHU maintains an appropriate structure for the monitoring and audit of management in order to ensure appropriate and efficient execution of operation. Knowledge of these areas is required in order to make constant improvements to this structure and implement “prevent” measures.

Demonstrating the Functions of an Outside Officer



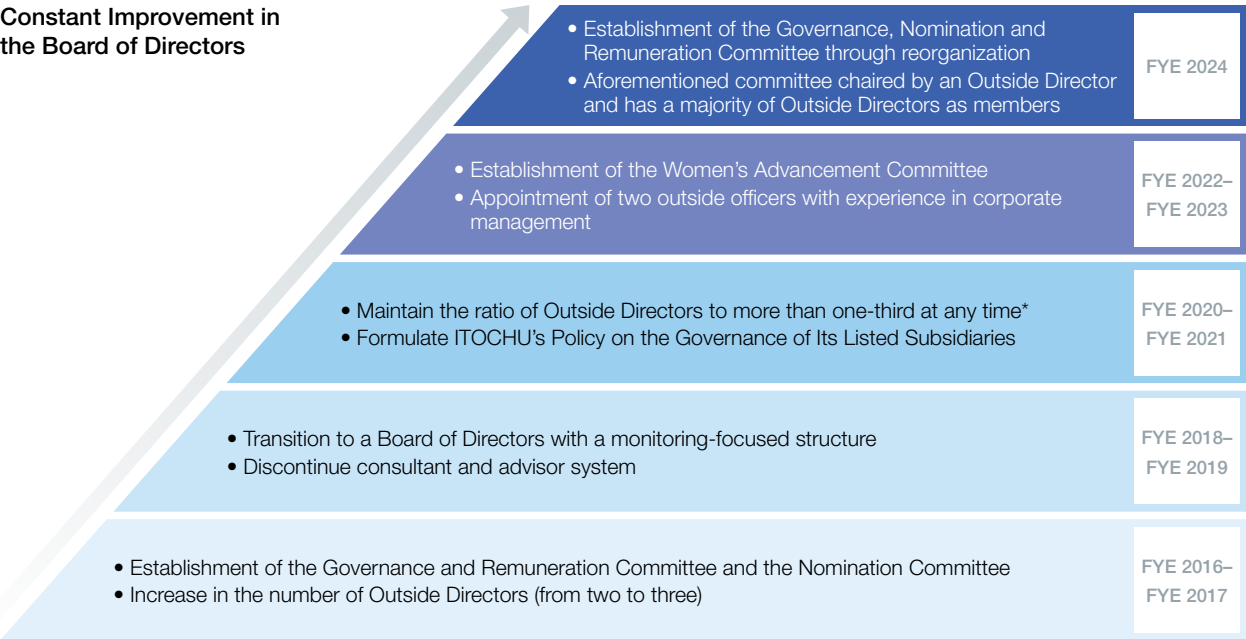
**Akiko Ito**  
Outside Director

Ms. Ito served as Commissioner of the Consumer Affairs Agency after playing other vital roles. As Director-General of the Housing Bureau, she became the first female Director in the Ministry of Land, Infrastructure, Transport and Tourism. Subsequently, she served as Councillor in the Cabinet Secretariat, as well as Director General in the Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan. She brings extensive knowledge on consumer issues. She assumed her position as a member of the Board of Directors at ITOCHU in June 2023 and was appointed to the Governance, Nomination and Remuneration Committee in FYE 2024.

ITOCHU'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 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.

Constant Improvement in the Board of Directors



\* 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 has been adopted and adhered to as a policy.

Activities of the Advisory Committees to the Board of Directors

Governance and Remuneration Committee

In FYE 2023, a total of four meetings were held (two of which were held by paper circulation), with all members in attendance. The 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. In deliberations on the reorganization of the Governance and Remuneration Committee and the Nomination Committee, opinions were expressed to the effect that integration of the committees would promote even livelier discussions and that a committee with a composition reflecting the different roles of Directors and Audit & Supervisory Board Members would enable them to better fulfill their respective roles.

Nomination Committee

In FYE 2023, a total of four meetings were held (one of which was held by paper circulation). One of the in-person meetings was attended only by the Chairman & CEO and the committee members who are outside officers. The other two meetings were attended by all committee members. The committee members deliberated such matters as FYE 2024 personnel matters related to Executive Officers, succession plans, and other items, and held lively discussions on important personnel matters, including the continued appointment of the CAO and CFO and the appointment of Directors, Audit & Supervisory Board Members, and Executive Officers. In addition, future-oriented discussions on succession planning will continue to be held.

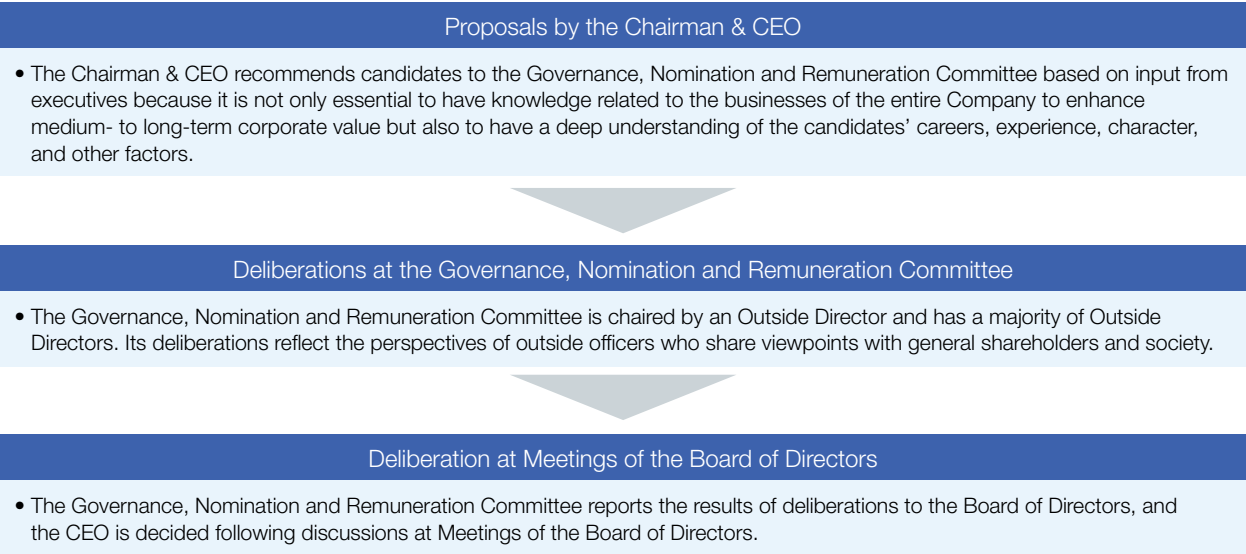
Women's Advancement Committee

In FYE 2023, a total of two meetings were held, with all members in attendance. The 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. Each member engaged in active deliberations on every topic. Regarding new female appointees to senior management positions, the committee received reports stating that, partly thanks to initiatives to date, steady progress is being made in appointing women to important positions, including the appointment of the first female president of an overseas office and the appointment of a first female president of a domestic Group company. Also, opinions were provided to the effect that in achieving further favorable results, it was necessary to share examples of female career-track employees who have successfully assumed important positions, and to understand and support from the front lines in which female employees are actually promoted.

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-yoshi." The CEO selection process and a policy on training CEO candidates are as follows.

CEO Selection Process



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.



Kunio Ishizuka

Outside Director

Mr. Ishizuka has extensive knowledge of corporate management and the retail industry, which was earned through his experience as President and Chairman of Isetan Mitsukoshi Holdings Ltd. and as a Vice Chair of Nippon Keidanren (Japan Business Federation). He assumed his position as a member of the Board of Directors at ITOCHU in June 2021. As of FYE 2024, he serves as chair of the Governance, Nomination and Remuneration Committee.

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 will necessarily lead 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 true 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.



Corporate Officer Remuneration

ITOCHU’s remuneration plan for Directors is designed to be an incentive to grow business performance. Variable remuneration ratio is extremely high, even when compared to other companies. The system clarifies management’s responsibility, with Director remuneration increasing as performance improves, and significantly decreasing if performance deteriorates. Furthermore, this remuneration plan, including the calculation method, has been previously disclosed publicly, making it highly transparent. More specifically, the remuneration plan consists of fixed remuneration (1) monthly remuneration, and variable remuneration (2) performance-linked bonuses, (3) share price-linked bonuses, and (4) performance-linked stock remuneration, with performance-linked bonuses reflecting short-term performance and share price-linked bonuses and performance-linked stock remuneration reflecting the enhancement of corporate value in the medium to long term.

Monthly remuneration is decided based on the standard amount by position and the level of contribution to ITOCHU, including its response to climate change, the SDGs, and ESG.

The Company has adopted consolidated net profit as the linked indicator for the performance-linked bonus and performance-linked stock remuneration, as it is the source of capital for growth-oriented investment and returns to shareholders, and is of high interest on the stock market. In the unlikely event that consolidated net profit falls into a deficit, there is a strict system whereby no such bonus or remuneration is paid out. Furthermore, the share-price linked bonuses, which are indices linked to ITOCHU’s share price, are calculated based on the increase in ITOCHU’s stock price for each consecutive two fiscal years and relative evaluation between the growth rate of the average value of ITOCHU’s share price and the growth rate of the average value of the Tokyo Stock Price Index (TOPIX).

Overview of Remuneration System and Maximum Remuneration Limit

Fixed / Variable	Overview	Remuneration Limit	Resolution at General Meeting of Shareholders
Fixed remuneration	<b>(1) Monthly remuneration</b> 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.	¥1.0 billion per year as total amount of monthly remuneration (including ¥0.1 billion per year as a portion paid to Outside Directors)	June 24, 2022
Variable remuneration (Single year)	<b>(2) Performance-linked bonuses</b> Determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director.	¥3.0 billion per year as total bonuses paid to all Directors * Not paid to Outside Directors	
Variable remuneration (Medium- to long-term)	<b>(3) Share price-linked bonuses</b> 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.		
	<b>(4) Performance-linked stock remuneration (non-monetary remuneration)</b> Total payment amount is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonuses.	The amounts below are limits for two fiscal years, for Directors and Executive Officers <ul style="list-style-type: none"><li>• Limit on contribution to trust by ITOCHU: ¥1.5 billion</li><li>• Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share)</li></ul> * Not paid to Outside Directors	June 24, 2016

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

(Rounded to the nearest million yen)

Type		Number of People	Total Amount of Remuneration (Millions of yen)	Details (Millions of yen)			
				Monthly Remuneration	Performance-Linked Remuneration		
					Performance-Linked Bonuses	Share Price-Linked Bonuses	Stock Remuneration
Directors	Inside	6	2,964	581	1,825	168	390
	Outside	4	81	81	—	—	—
	Total	10	3,045	662	1,825	168	390
Audit & Supervisory Board Members	Inside	3	111	111	—	—	—
	Outside	3	60	60	—	—	—
	Total	6	172	172	—	—	—

Calculation Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked Stock Remuneration

Total 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 up to ¥200.0 billion) x 0.35%  
B = (Of consolidated net profit for FYE 2024, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%  
C = (Of consolidated net profit for FYE 2024, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock remuneration)

The total amount paid shall be the sum of A, B, and C, which shall be adjusted with due regard to the increase / decrease in the number of eligible Directors, the change in position, and other factors. (Remuneration limits exist on bonuses and stock remuneration.)

Amount Paid to an Individual Director

Amount paid to an individual Director = Total amount paid to all Directors x Position points ÷ Sum of position points for all the eligible Directors. Amount paid to an individual Director is determined by dividing total amount paid to all Directors based on points assigned by position shown below:

Chairman	President	Executive Vice President	Senior Managing Executive Officers	Managing Executive Officers	Executive Officers
10	7.5	5	4	3	2.2

Of the amount paid to an individual Director, the portion corresponding to A and B is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock remuneration and the balance is paid in cash. Furthermore, 80%\*1 of the amount paid in cash is linked to a rate determined based on the plan achievement rate of the consolidated net profit of the assigned division / department. In regard to stock remuneration 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

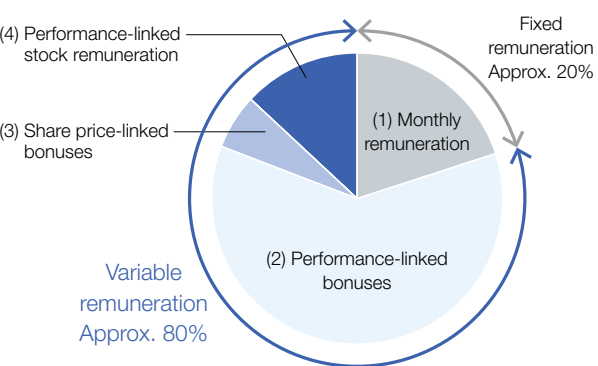
all of the stocks paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.  
\*1 Formula for 80% of the amount paid in cash to an individual Director: (Total base amount paid to all Directors x Position point / Sum of position points for all the eligible Directors) x 80% x (Rate determined based on plan achievement rate of the consolidated net profit of the assigned division / department\*2)  
\*2 Rate determined based on plan achievement rate of the consolidated net profit of the assigned division / department: 100% + (Plan achievement rate of the consolidated net profit of the assigned division / department – 100%) x 2 (if negative, it will be 0%. Maximum will be 200%.)  
\*3 Among the Company’s Directors in FYE 2024, a Director has been assigned the Machinery Company as the division / department whose business performance evaluation is reflected. The plan value for the consolidated net profit of the Machinery Company in FYE 2024 is ¥105.0 billion (announced on May 9, 2023). However, the standard amount for business performance evaluation has been set at ¥110.0 billion to provide an incentive for further enhancement of business performance.  
\*4 The plan achievement rate shall be 100% for the eligible Director for whom no plan achievement rate is measurable.

Calculation Formula for (3) Share Price-Linked Bonuses

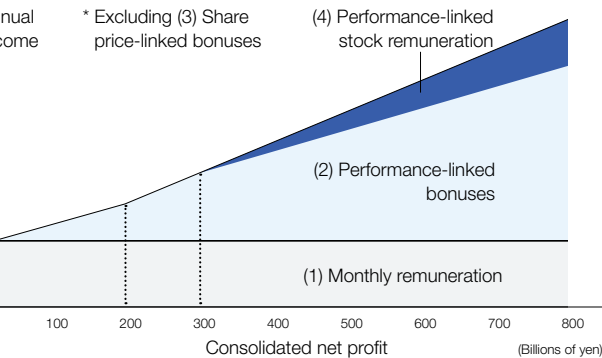
Amount paid to an individual Director\*1 (FYE 2024)  
= ((Simple average of daily closing price of ITOCHU stock in FYE 2024) – (Simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023)) x 1,300,000 x (Position points\*2 of FYE 2024) / (108.8 points) x Relative stock price growth rate\*3 x 1/2  
Amount Paid to an Individual Director\*1 (FYE 2025)  
= ((Simple average of daily closing price of ITOCHU stock from FYE 2024 to FYE 2025) – (Simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023)) x 1,300,000 x (Total position points\*2 of FYE 2024 and FYE 2025) / (108.8 points x 2) x Relative stock price growth rate\*4 – Share Price-linked Bonuses of FYE 2024

\*1 Share price-linked bonus amounts are determined and paid after the Director retires (after the Executive Officer retires, in the case of taking on the position of Executive Officer after retirement of the Director). If the amount calculated based on the calculation formula is negative, the amount paid to an individual Director for the relevant year will be zero.  
\*2 The position points assigned to each Director are the same as those applied for calculating (2) performance-linked bonuses.  
\*3 Relative stock price growth rate = (Simple average of daily closing price of ITOCHU stock in FYE 2024 / Simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023) / (Simple average of daily TOPIX in FYE 2024 / Simple average of daily TOPIX from FYE 2022 to FYE 2023)  
\*4 Relative stock price growth rate = (Simple average of daily closing price of ITOCHU stock from FYE 2024 to FYE 2025 / Simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023) / (Simple average of daily TOPIX from FYE 2024 to FYE 2025 / Simple average of TOPIX from FYE 2022 to FYE 2023)

Composition of Remuneration for Directors (Excluding Outside Directors) (FYE 2023)



Remuneration Image of Directors (Excluding Outside Directors)



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.

Topic	Details of Discussions
Sustainability-Related Initiatives	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 inquired about the prospects of the Company achieving its goal of a 40% reduction in GHG emissions by 2030 compared with those of 2018. A representative of the department replied that it is continuing to prepare a roadmap that takes into account the actual business conditions of each Division Company and the impact of such factors as future technological innovations.
Report on Cybersecurity Readiness	Representatives of the IT & 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 Audit & 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 on false remittances caused by identity theft and then educate officers and employees of the Company and its Group companies accordingly. An Inside Director explained the 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. ▶ Page 51 Risks Associated with Information Systems and Information Security
Progress of Corporate Branding Strategies	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. Lively 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 was suggested to analyze the corporate branding strategies of competitors.  * Established in January 2020, the CBI promotes corporate branding and reports directly to the CAO.

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- to long-term view.



Masatoshi Kawana

Outside Director

Mr. Kawana served as Vice-president of Tokyo Women's Medical University Hospital, in addition to other positions, where he gained a high level of experience in hospital management and advanced knowledge of medical care. He assumed his position as a member of the Board of Directors at ITOCHU in June 2018. He uses his expertise to provide many useful proposals and suggestions in the fields of health management and setting preventive measures against in-office infection of COVID-19. As of FYE 2024, he serves on the Governance, Nomination and Remuneration Committee.

Systems to Support and Provide Information to Outside Officers

ITOCHU expands opportunities for on-site observations and briefings ahead of Meetings of the Board of Directors to enhance outside officers' understanding of the issues, and to provide an overview of the wide variety of businesses that general trading companies are engaged in. From FYE 2022, in response to calls from outside officers as well, the Board of Directors has held regular discussions centered on non-financial themes, such as corporate branding and sustainability. These and similar agenda items help enhance medium- to long-term corporate value, further deepening our understanding of ITOCHU's vision. In FYE 2023, we held the internal reporting meeting, in which outside officers also participated, to examine strategies connected to the medium- to long-term enhancement of ITOCHU's corporate value. This meeting focused on how to help achieve growth strategies (through human resource strategies, financial and capital strategies, etc.), in addition to examining actual growth strategies based on the strengths of Division Companies and specific business expansion efforts going forward. Before the internal reporting meeting, Division Companies and administrative divisions held strategy workshops separate from daily operations. Through these focused discussions, they were able to deepen the understanding of outside officers by providing well-developed explanations on the key measures of each division at the reporting meeting. Going forward, ITOCHU will begin to implement the strategies and reach the stage of working to further expand its earnings base. The progress will be monitored by the Board of Directors and other bodies. Side by side, the outside officers will proactively offer advice mainly in fields expected to contribute to progress in order to expand Groupwide business results and enhance corporate value.

Discussions at 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 boasting 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 discussions at Meetings of the Board of Directors, we realized 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.

\* Headquarters Management Committee



Makiko Nakamori

Outside Director

Ms. Nakamori 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 often provides insightful advice based on her specialized knowledge and unique experience in the fields of internal control, compliance, and DX. As of FYE 2024, she serves as chair of the Women's Advancement Committee, 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 dissolution of parent–subsidiary listing, as well as business matters centering on 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. I hold the intention to exercise my role 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.



## Corporate Governance
















## 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:

(As of July 1, 2023)

Company Name	Significance of Holding	Ratio of Independent Outside Directors	Advisory Committees to the Board of Directors	Ratio of Independent Outside Audit & Supervisory Board Members
 ITOCHU ENEX CO., LTD.	Utilizing its wide and diverse domestic customer base, ITOCHU ENEX CO., LTD. is developing new fuel sales, services to enhance logistics efficiency, and next-generation 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 both in Japan and overseas. In addition, ITOCHU ENEX CO., LTD., with utilizing the Group's extensive domestic and international network, promotes initiatives in the new energy field which contributes to achieve the SDGs, and carries out the fuel supply businesses for the Group companies.	<b>38%</b>  (3 out of 8 directors)	<ul style="list-style-type: none"> <li>Governance Committee</li> <li>Special Committee</li> </ul>	<b>50%</b>  (2 out of 4 members)
 C.I. TAKIRON	C.I. TAKIRON Corporation is positioned as a core enterprise in the Group's plastic resin business, due to its advanced technological capabilities and large-scale production capacity. C.I. TAKIRON Corporation utilizes the Group's extensive domestic and international network for overseas expansion of C.I. TAKIRON Corporation's functional film business, stable procurement of competitive raw materials, and expansion of sales of C.I. TAKIRON Corporation's various products.	<b>43%</b>  (3 out of 7 directors)	<ul style="list-style-type: none"> <li>Nomination / Remuneration Committee</li> <li>Governance Committee</li> </ul>	<b>50%</b>  (2 out of 4 members)
 ISC ITOCHU SHOKUHIN Co., Ltd.	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.	<b>33%</b>  (3 out of 9 directors)	<ul style="list-style-type: none"> <li>Governance Committee</li> </ul>	<b>50%</b>  (2 out of 4 members)
 PRIMA MEAT PACKERS, LTD.	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 in 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.	<b>60%</b>  (3 out of 5 directors)	<ul style="list-style-type: none"> <li>Management Advisory Committee</li> <li>Sustainability Committee</li> </ul>	<b>50%</b>  (2 out of 4 members)
 CTC*	CTC serves a function 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.	<b>57%</b>  (4 out of 7 directors)	<ul style="list-style-type: none"> <li>Nomination Committee</li> <li>Remuneration Committee</li> <li>Governance Committee</li> <li>Diversity Committee</li> </ul>	<b>50%</b>  (2 out of 4 members)

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