Strengths Accumulated as a Merchant

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

(Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University)

Based in the former Ohmi Province (present-day Shiga Prefecture), the merchants of Ohmi transported their wares on shoulder poles, peddling items into neighboring provinces (pursuing business in all parts of Japan from the Kansai region). ITOCHU was started by Chubei Itoh I, who engaged in the linen trade.

Accumulated Strength

Comprehensive Strength and Ability of Self-Transformation

Compound Annual Growth Rate of Consolidated Net Profit

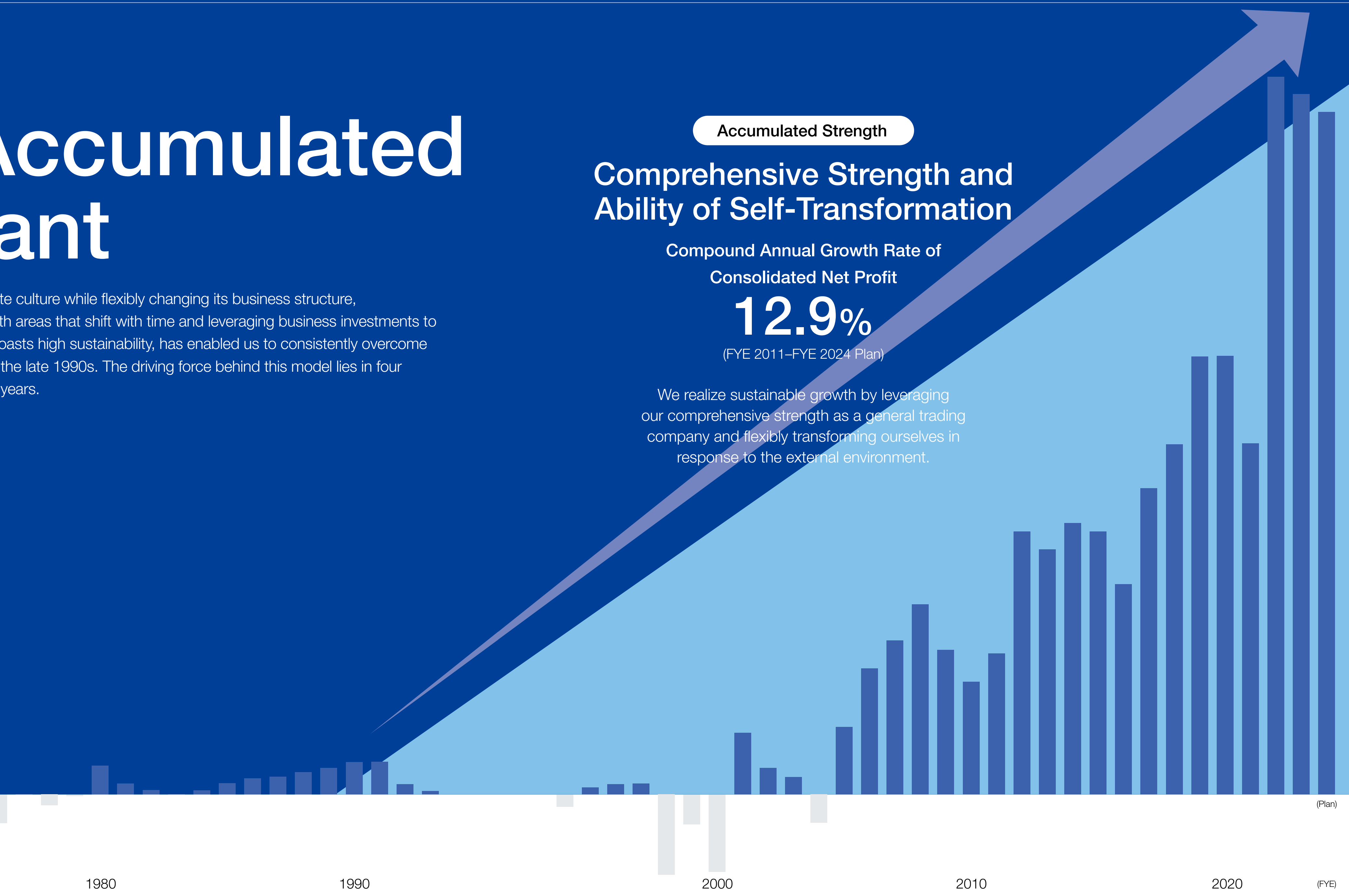
12.9%

(FYE 2011–FYE 2024 Plan)

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

01 Driving Force for Sustainable Value Creation

Consolidated Net Profit



Founded–

Chubei Itoh I

Focus Mainly on the Textile Sector

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

1950s–

Diversification, Including Automobiles, Petroleum, and Food

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

1980s–

Expansion in the ICT Sector

As yen appreciation became a fixture of the economy, we promoted internationalization and globalization. We moved aggressively into the ICT field and entered the satellite business.

1990s–

Set the Steppingstones for the Current Business

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

2010s–

中信 CITIC

Enhancing Comprehensive Strength by Harnessing Our Ability of Self-Transformation

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

Accumulated Strength

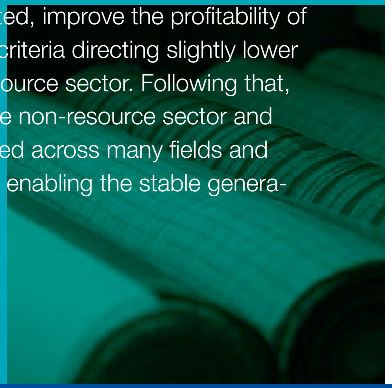
Earning Power in the Non-Resource Sector

▶ Page 65 Special Feature 2

Further Enhancing Earning Power in the Non-Resource Sector

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

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



Core Profit in the Non-Resource Sector

¥574.5 billion

(FYE 2023)

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

Expanding Business into China

1972

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

Accumulated Strength

Experience and Track Record in China and Other Parts of Asia

Laying a Strategic Foundation for the Future in Markets in China and Other Parts of Asia

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

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

Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University

Accumulated Strength

Individual Capabilities

▶ Page 30 Special Feature 1: Human Resource Strategy to Enhance Corporate Value

Strengthening Our Foundation to Harness Individual Capabilities

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

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

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.19 billion

(FYE 2023)

From the Company's founding, merchants developed business by balancing their wares on shoulder poles as they traveled on foot to distant locales. This DNA has been steadily passed down through the eras until the present as "individual capabilities."

Unwaveringly Continuing Build Up Strengths

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

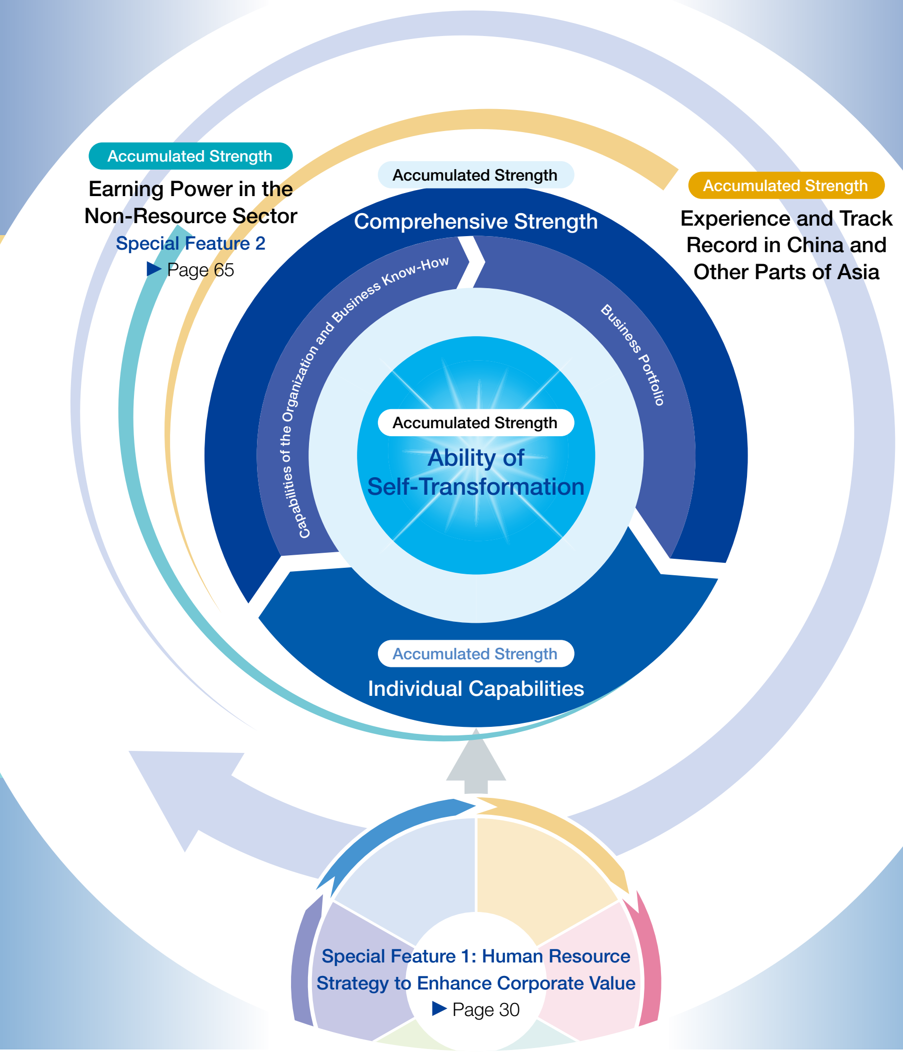
FYE 2016
Steppingstones toward China and Other Parts of Asia
No.1 General Trading Company in Consolidated Net Profit

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

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

Virtuous Cycle That Increases the Sustainability of Strengths

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



Toward Establishment of a Robust Earnings Base

In FYE 2023, we achieved consolidated net profit of more than ¥800.0 billion for the second consecutive year by further growing our core profit in the non-resource sector through augmentation of existing strengths and the steady stepping up of our performance.

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

Individual Capabilities	Since its founding, ITOCHU has focused on businesses in the non-resource sector, where we have established many customer contact points. As a result, we have developed a strong frontline presence that makes us keenly alert to the constant changes in consumer needs and enhances our individual capabilities.
Comprehensive Strength Capabilities of the Organization and Business Know-How	Supported by a corporate culture that encourages constant awareness of our "*Sampo-yoshi*" corporate mission, business divisions and administrative divisions work as a team to fully realize the individual capabilities of employees in the development of businesses, thereby building up both the capabilities of the organization and business know-how.
Comprehensive Strength Business Portfolio	Our individual capabilities that accompany a strong frontline presence, together with the accumulated capabilities of the organization and business know-how, enable the flexible combinations of internal capital in response to social changes and continuous self-transformation.
Earning Power in the Non-Resource Sector Experience and Track Record in China and Other Parts of Asia	Through continuous self-transformation, we avoid the obsolescence of existing businesses and steadily seize new business opportunities. In this way, we increase our strengths, namely, our "earning power in the non-resource sector" and our "experience and track record in China and other parts of Asia." Increasing these strengths create further business opportunities and bolsters individual capabilities while enabling the sustained enhancement of all the strengths we have accumulated.

* For an explanation of the importance of the internal capital that contains our strengths, please see ▶ Page 20 Accumulation of Non-Financial Capital