



ITOCHU Corporation

# Annual Report Briefing

ITOCHU Corporation

November 29, 2023

## *Brand-new Deal*

This is the fourth annual report briefing. ITOCHU focuses on the Annual Report because the Company sees it as the only tool that can comprehensively organize and explain the management that the Company strives to achieve, including not just overall strategies and directions but also connections to specific measures and individual projects.

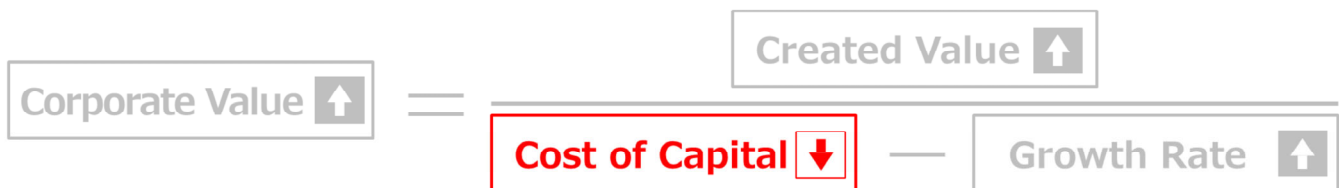
Since simultaneously disclosing the Japanese and English versions, we have been putting together a Chinese version. We think the Annual Report is the ultimate fair disclosure tool accessible to all stakeholders the world over.

In addition, according to the survey conducted at last fiscal year's briefing, we received feedback from multiple investors expressing opinions like "the content was easy to understand and comprehensive" and "Good opportunity to review the Annual Report again." To meet these kinds of needs effectively, we continue to hold these briefings every year.

Today, I will first introduce the ideas encapsulated in the cover and intro of Annual Report 2023, as well as explain the key points of the messages from the management. Later, I will go over major changes in Annual Report 2023 from the previous fiscal year's report, such as content that was newly created or updated to meet market expectations. After the main explanation, we will move on to the Q&A session.

Furthermore, I am very glad to be able to confirm that our fruitful dialogue with you has resulted in significant achievement. At the WICI Japan Integrated Report Awards, which is one of the major competitions for integrated reports, ITOCHU was able to win "Gold Award" for four consecutive years and "The Best Gold Award(the only recipient among Gold Award)" with high evaluations from all the judges. Thank you very much.

## The Aims of Today's Briefing



- ✓ Understanding the key points of ITOCHU's management through a detailed explanation of Annual Report 2023 and **engaging in dialogue with stakeholders on various issues common to the market**
- ✓ Promoting engagement regarding management strategy and our responses to issues in the unclear and uncertain business environment
- ✓ Achieving further enhancement of corporate value through the actions above

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First, at today's briefing, we will engage in further dialogue utilizing the Annual Report. Our aim is to enhance the understanding of the Company's management in a way that will lead to a reduction in the red ink of the "Corporate Value Calculation Formula," i.e. reducing the cost of capital, and an enhancement in corporate value.

Amid drastic changes in the business environment, continuously growing demands and expectations placed on companies, I hope to use this briefing to engage in dialogue with all of you on how we should address the various issues common to the market.

Regarding new issues brought to light through this dialogue, we intend to report them to management and reference them to evolve the Company's management going forward.

## Explanation of the Cover of Annual Report 2023



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

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So, first, I will expand upon the cover of Annual Report 2023.

Although the uncertain business environment still persists, the Japanese government lifted COVID-19 pandemic-related restrictions in May 2023, and everyday life has returned to normal. After COVID-19 pandemic, people's lives and workstyles changed significantly. But no matter the environment, ITOCHU will always continue to create businesses based on *"Sampo-yoshi"* closely stands by people's lives. The cover represents that role of a *"merchant."*



As we turn to the introductory page following the cover, we can see the overall theme of Annual Report 2023.

Amid an uncertain and unpredictable business environment, ITOCHU believes it is important to identify “things that should remain unchanged” and “things that should change.”

Regarding “things that should remain unchanged,” ITOCHU Mission of “*Sampo-yoshi*” has been the Company’s unwavering ideal continuing since its founding. In addition to being good for the seller and the buyer, trade must benefit the general public or society. If you cannot provide value to society, you will be unable to continue business for long. I believe this idea overlaps with the modern concept of SDGs.

However, in order to continuously evolve as a company, we need to effectively identify “things that should change.” We believe that if we take first-mover measures while meeting the demands and expectations of society and keeping an eye of modern trends, this will lead to the sustainable enhancement of corporate value.



## Theme of Annual Report 2023



p.1

**“Unchanging”**

ITOCHU Mission

**Sampo-yoshi**

Guideline of Conduct

I am One with Infinite Missions

From the Present to the Future  
First-mover strategy and  
commitment-based management

Accumulation of strengths  
and achievements as a  
general trading company  
From Our Founding to the Present

Evolution of  
**ITOCHU-ness**  
in an Era of Change  
**“Changing”**

Going forward, I will call attention to key points of Annual Report 2023 through the lens of “things that should remain unchanged” and “things that should change,” as described in the intro.

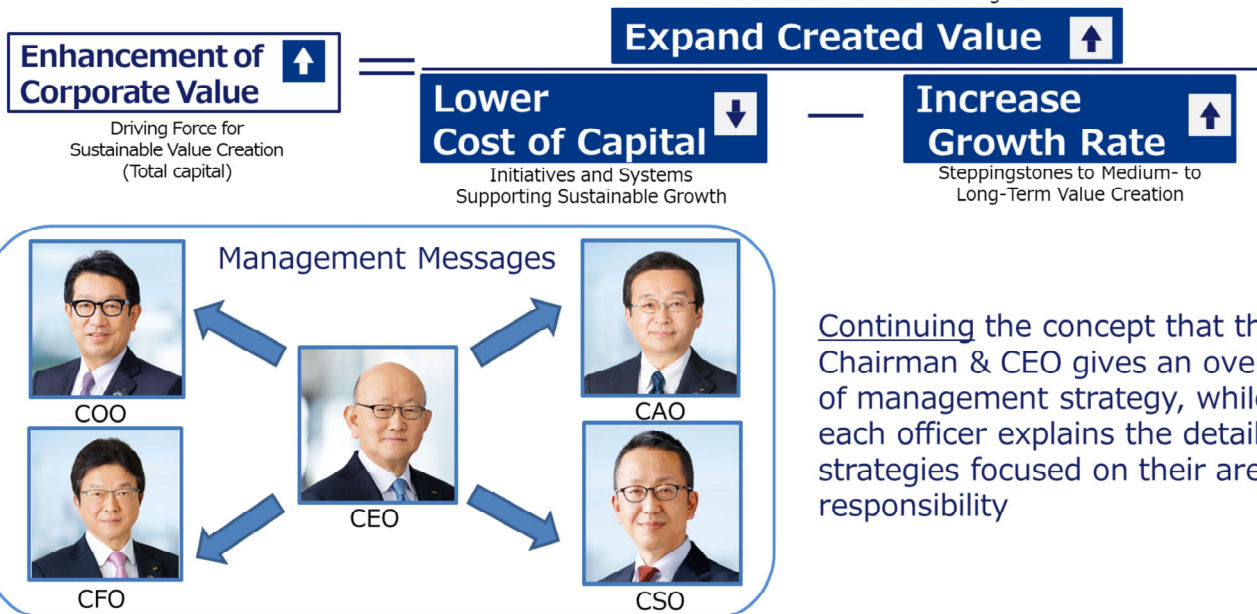
## Continuing Structure of Annual Report



Continuing to logically arrange information by using the "Corporate Value Calculation Formula (a perspective of investment decision)"

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Achievement of Short-Term Targets



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This is a major characteristic of the Company's Annual Report, and there are two general structures we have been using as "things that should remain unchanged."

The first way is a perspective of investment decision, or, in other words, logically arrange information by using the "Corporate Value Calculation Formula." Because general trading companies conduct various businesses, it can be difficult to understand how each business and measure connects with corporate value. While this involves some theory, by inputting each business and measure into each item of the "Corporate Value Calculation Formula," we try to visualize the connections of each business and measure. We make efforts to present information in a way that is visible through lines and surfaces, rather than just points.

In March, the Tokyo Stock Exchange published the request for action to implement management that is conscious of cost of capital and stock price. By using the "Corporate Value Calculation Formula," ITOCHU clarifies the connection between the enhancement of corporate value and business strategies and measures. In addition, we try to explain how we are conducting management conscious of the cost of capital.

The second item is the composition of the Management Messages. It maintains the concept of that the Chairman & CEO Okafuji discusses overall management and each officer explains details about the scope of their responsibilities from a specialist perspective.

From here, I would like to cover the main points of the message of the Chairman & CEO and of each officer.

## Highlights of the CEO Message



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### Role as the “Table of Contents” in the overall Annual Report

- 
- ✓ Without growing overconfident, I move full steam ahead at all times
  - ✓ Preparing and implementing strategies while keeping an eye on the eventual normalization of natural resource prices and foreign exchange rates
  - ✓ “Market-oriented perspective,” which understands peoples’ emotions
  - ✓ Steadfast Non-Financial Initiatives
  - ✓ Further evolve our corporate culture rooted in “Sampo-yoshi”
  - ✓ “Market-oriented perspective” for the stock market

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So, first, I will explain the CEO message as the most prominent part of the Annual Report. Accordingly, the CEO message condenses the essence of the Company’s management and serves as a guide to the entire Annual Report.

The first of six key points is “Without growing overconfident, move full steam ahead.” This conveys our management stance of not being overdependent or overconfident and valuing minute daily contributions, all the while maintaining a sense of caution that if we let our guard down we could lose the high acclaim and solid business performance we have established in an instant.

The second topic is “Preparing and implementing strategies while keeping an eye on the eventual normalization of natural resource prices and foreign exchange rates.” This means that, even amid an uncertain business environment, we aim to thoroughly implement our business fundamentals of the “Earn, Cut, Prevent” principles with an eye on normalizing natural resource prices and foreign exchange rates, as we strive to maintain an ¥800.0 billion profit stage and achieve an even higher profit stage.

The third topic is the “Market-oriented perspective which understands people’s emotions.” This explains our policy that by taking a market-oriented perspective to understand people’s emotions and situations in any circumstance as we provide what they seek, we hew close to downstream consumers and steadily undertake new businesses in the non-resource sector.

The fourth topic is “Steadfast non-financial initiatives.” This explains the idea that we will continue to increase not only our financial value but also our non-financial value in a balanced manner to sustainably enhance corporate value.

The fifth topic is “further evolve our corporate culture rooted in ‘*Sampo-yoshi*.’” This refers to our focus on highly unique human resource strategies as one of the non-financial initiatives.

The final topic is a “Market-oriented perspective for the stock market.” This refers to the Company’s policy which we repeatedly discuss internally based on dialogue with analysts and investors.



Changes in CEO Message			
2021	2022	2023	
Market-oriented perspective	Promoting business transformation with a "market-oriented perspective"	"Market-oriented perspective," understanding peoples' emotions	
Management strategy based on "Sampo-yoshi"	Businesses contributing to "Sampo-yoshi"	Our corporate culture rooted in "Sampo-yoshi"	
Taking initiatives by focusing the downstream	Preparing for post-normalization of resource prices	Preparing and implementing strategies for resource prices and exchange rates normalization	
Driving decarbonization based on a "market-oriented perspective"	Human resource strategies	Steadfast Non-Financial Initiatives	
Basic stance as a "merchant"	Lessons learned from history	Without overconfidence, move full steam ahead at all times	
Responding to the market expectations (shareholder returns)	Stance on shareholder returns based on dialogue	"Market-oriented perspective" for the stock market	

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This slide shows the changes in the key sentiments of the CEO message included in the annual reports of the last three years.

Our Chairman and CEO Okafuji is committed to delivering his message in his own words, rather than relying on imitation or quoting from other companies. He consistently communicates his message: our Company's way of thinking of market-oriented perspective and "Sampo-Yoshi," management strategies based on the business environment, efforts as a merchant, and dialogue with the market from time to time.

## Highlights of the COO Message



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### Resolutions for the Third Year as President & COO, Post-COVID-19 Restrictions

- ✓ Visiting our front lines to reinforce our businesses with our employees
- ✓ Strengthen “front-line capability” and reinforced “hands-on management”

### Approach to Decarbonization Efforts

- ✓ Continuous and steady Efforts to Reduce GHG Emissions

### Breaking Down the “Three Walls”

- ✓ Vertical organizational structure, Communications and Inner barrier within myself

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Next, I will turn to the COO message.

The COO message discusses resolutions for the third year as President & COO, post-COVID-19 restrictions, approach to decarbonization efforts, and breaking down the “Three Walls.”

The first point discusses what happened after restrictions were lifted and how the COO himself was able to visit the front lines with employees to steadily reinforce our businesses. Additionally, this refers to our efforts to strengthen front-line capabilities and practice hands-on management approach.

The second point is about withdrawing from thermal coal interests based on the business environment. In addition, he explains the importance of connecting the “earn” principle to solving industrial issues, or, in other words, building up the SDGs business, which simultaneously pursues economic value, along with environmental and social value.

The third point is about the “Three Walls”: the wall of vertical organizational structure, the wall of internal communication, and the inner barrier within the COO himself. He reveals his own ideas based on the experience of the President & COO Ishii about how we should break down each of these walls.



### Visualizing the “non-visible value” and the way sustainability runs

- ✓ Shared their mission of enriching the world through business
- ✓ A “common language” to talk about sustainability
- ✓ The point where PBR exceed 1 time marks “non-visible value = human resource”

The CAO Dialogue is entitled “*RONGO (Ethics) and SOROBAN (Economy)*” and “*Sampo-yoshi*.” Mr. Ken Shibusawa talked with the CAO about visualizing “non-visible value” and the way sustainability runs.

Eiichi Shibusawa’s book “*RONGO (Ethics) and SOROBAN (Economy)*” and Chubei Itoh I’s “*Sampo-yoshi*” may be different in words, but both men embrace a common sense of duty to help enrich the world through business, not just the seller and buyer. They exchanged opinions that this point has been passed down to the current era as a “thing that should remain unchanged.”

From Mr. Ken Shibusawa, in addition, to talk about sustainability, there needs to be a “common language” between companies and all stakeholders. Regarding various demands and expectations, he indicated the importance of proactively and flexibly revealing initiatives based on the business characteristics of general trading companies.

Moreover, they discussed human capital as “non-visible value.” We received praise for the Company’s highly unique human resource strategies resulting in higher labor productivity and the fact that the “non-visible value” of people is reflected in our PBR.

## Highlights of the CSO Interview



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### High Resilience to Economic Volatility in an Uncertain Business Environment

- ✓ The current business environment surrounding ITOCHU
- ✓ The points when making growth investments

#### The Four Lessons for Investments (To Rigorously Prevent Below)

- ① Overpaying for investments
- ② Investments aimed at seizing profit from investees
- ③ Overdependence on and overconfidence in partners
- ④ Lack of hands-on management

- ✓ Forecasts for CITIC's performance
- ✓ Background behind newly establishing the Group CEO Office

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In the CSO interview, under the key phrase of “high resilience to economic volatility in an uncertain business environment,” he talked about his view of the current business environment surrounding the Company, key points when making growth investments, the performance of CITIC, and the background behind establishing the Group CEO Office.

The first item is about the business environment where multiple variables interact complexly, such as resource prices, inflation, rising interest rates, and yen depreciation, in addition to a view for the macroeconomic based on external data. Despite such a business environment, the initial plan of core profit totaling ¥800.0 billion, which is a record high for the third consecutive year, considering the Company's stable earning power with strong resilience to economic volatility.

The second item goes over “the Four Lessons for Investments” gained from previous failures as a key point of focus when making growth investments.

The third item he covers is about the performance forecast for CITIC, which expects firm business results based on a solid business foundation.

The fourth item is about the background behind establishing the Group CEO Office to strengthen Group management more than ever before. It explains the policy that the office further supports both Group companies and Division Companies to tap into ITOCHU's comprehensive strengths under the direct leadership of the Chairman & CEO.



## Highlights of the CFO Interview

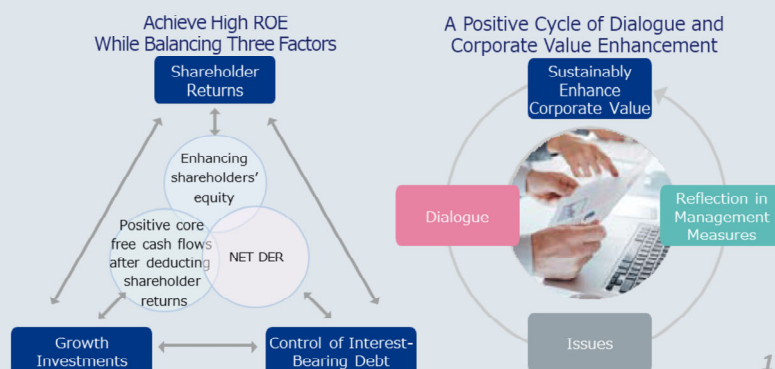


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### Firmly maintaining our financial and capital strategies to balance three factors

- ✓ Expansion of our financial and capital foundations, which will underpin our growth strategy
- ✓ Upgrade in credit rating to ensure funding
- ✓ The shareholder returns policy for FYE 2024
- ✓ The policy for growth investments in FYE 2024



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In the CFO interview, it continuously explains the policy aligned with “executing well-balanced and consistent financial and capital strategies to balance three factors.”

This discusses the emphasis to date on balancing the three factors of growth investments, shareholder returns, and controlling of interest-bearing debt as well as focusing on realizing high ROE, positive core free cash flows after deducting shareholder returns, and thoroughly practicing hands-on management. Moreover, the CFO shares his stance on the need to expand shareholders’ equity and enhance financial indicators especially amid an uncertain business environment.

He goes on to address that ITOCHU secured the highest credit rating for a general trading company including an upgrade from Moody’s in FYE 2023, and this ensures to widen our options for diverse funding in the future.

The third point the CFO covers the shareholder returns policy in FYE 2024 and how we will continue expanding shareholder returns in FYE 2024 with a focus on the words “actively and continuously.”

The fourth point explains our stance on growth investments in FYE 2024 while reflecting the relationship of core operating cash flows, net investment executed, and shareholder return during the period of the last three medium-term management plans. We also explained that we forecast an increase in growth investments, including the tender offer bids (TOBs) for CTC and DAIKEN. Moreover, he talked about our insights of maintaining high ROE through profit growth while aiming to achieve a profit stage above ¥800.0 billion in the future.

## Evolution of Our Annual Report



“Unchanging”

ITOCHU Mission

*Sampo-yoshi*

Guideline of Conduct

I am One with Infinite Missions

Accumulation of strengths  
and achievements as a  
general trading company

From Our Founding to the Present

From the Present to the Future  
First-mover strategy and  
commitment-based management

We have captured the trends of the times and steadily evolved our business model, human resource strategy, sustainability initiatives, governance, and more.

Evolution of  
*ITOCHU-ness*  
in an Era of Change  
“Changing”

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From here, I will explain the changes in our annual report during the period of the current medium-term management plan with the phrase “things that should change.” In addition, I will go over content that was newly created or upgraded to meet market expectations in Annual Report 2023, as well as ESG-related updates since publishing Annual Report 2023.



This slide explains the changes in business environment during the current medium-term management plan period as well as evolution of our annual report.

As for the response to COVID-19, it was downgraded to a category 5 infectious disease in May 2023 after pandemic. In terms of geopolitical risks, there are situation in Israel and Palestine currently in addition to the Russia-Ukraine situation. Each company needs to respond quickly to the rapidly changing business environment. Moreover, foreign exchange rates and interest rates have also significantly fluctuated during these three years, the uncertain and unpredictable situation has been continued.

On the non-financial front, we are being asked to disclose our efforts for sustainability, strengthening governance, and expanding disclosure on securities report such as the revised corporate governance code and the Japanese government's announcement of GHG emission reduction targets. The importance of and interest in nonfinancial information is further increasing.

In response to these changes, in the Annual Report, we have steadily enhanced and expanded disclosure regarding our action on and analysis of risks. Furthermore, based on the concerns of market players and market trends, we created a special feature regarding the Company's measures and initiatives, and expanded corporate disclosure in order to evolve our annual report.

## Evolution of Annual Report 2023



### **New** 1. Newly created contents

- ① Business environment and risk analysis
- ② Special Feature2:  
Polishing our existing business and new steppingstones

### **Update** 2. The contents updated to meet market expectations

- ③ Special Feature1:  
Human resource strategy to enhance corporate value
- ④ Approach to climate change / sustainability management  
(Expansion of scenario analysis, Human rights due diligence etc.)
- ⑤ Corporate governance  
(Succession plan, Discussions at meetings of the board of directors)

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In Annual Report 2023, we created two new types of contents regarding the analysis of business environment and risks as well as content conscious of large-scale projects for which we have announced TOBs in August 2023.

In addition, as interest further grows in non-financial information, we expanded content on the human resource strategies the Company has undertaken and other ESG information in order to meet the needs in the market.

I will elaborate on this starting from the next slide.



# ① Business environment and risk analysis



## p.42 CSO Interview

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

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

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

## RISK 6 Country Risk

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

### (1) Russia-Related Business

2024 December 31st (Fiscal Year)

### 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.



Political/Legal	Economical	Social/Cultural	Technological
Unpredictable policy changes and political instability	Global economic recession and inflationary pressure	Demographic changes and social inequality	AI and digital transformation
Deliberation of the global economy, decline in trade volume, and tightening financial and monetary conditions	Intensification of competition for resources and energy	Intensification of competition for talent and skills	Intensification of competition for talent and skills
Escalating geopolitical tensions and increasing geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)	Escalating geopolitical tensions and increasing geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)	Escalating geopolitical tensions and increasing geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)	Escalating geopolitical tensions and increasing geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)

## p.50 Country Risk

relevant parties such as the Japanese Government, which is the largest shareholder in the joint venture, and other partners.

### (2) China-Related Business

As of March 31, 2023, exposure to China was ¥1,330.1 billion. China's current economic state suggests that consumer activity has returned to normal following the lifting of the zero-COVID policy. However, the recovery in consumer spending and real estate investment has been lower than forecast, due to delayed improvement in employment, income levels and real estate markets. Furthermore, the economy is expected to face the stagnation of exports due to a slowdown in the economies of Europe and the United States.

ITOCHU has three types of China-related businesses:

## New p.99 Impact on Performance

Macroenvironmental Factors Impacting Division Company Performances in FYE 2024	Sensitivity	National Macroeconomy			Rebound from decline caused by COVID-19
		China	North America	Japan	
Textile Company	Foreign Exchange Rate				
Machinery Company	US\$				
Metals & Minerals Company	US\$ - AUD	Iron ore price, coal price, etc.			
Energy & Chemicals Company	US\$	Crude oil price, LNG price, etc.			
Food Company		Pork price, feed price, etc.			
General Products & Realty Company	US\$	Pulp price, etc.			
ICT & Financial Business Company					
The 8th Company					
Others, Adjustments & Eliminations	US\$	Pork price, etc.			

✓ Analysis of the Impact of Macroenvironmental Factors impacting Division Company performance

## New p.118 Selected Financial Data

Fiscal Years Ended March 31	IFRS			
	2020	2021	2022	2023
Return on risk assets:				
RORA (Non-resource) (%) **	17.9	12.3	23.2	20.7
Consolidated net profit (loss) (Non-resource, billions of yen)	378.3	292.7	610.3	587.8
RORA (Resource) (%) **	44.6	37.6	73.4	64.5
Consolidated net profit (loss) (Resource, billions of yen)	126.8	107.9	221.6	215.6

✓ Disclosed return on risk assets for Non-resource/Resource (RORA)

First is the analysis of business environment and risks. ITOCHU explained its overall understanding of changes in the business environment in the management parts. The Company explains its recognition and action status for the risks, including currently increasing country risks in the section of "Countermeasures for Business Risks and Other Risks."

In addition, in the PEST analysis, we describe our viewpoint for the risks and opportunities for the Company's business and their impacts while analyzing macroenvironmental factors, such as geopolitical risk and SDGs responses from a medium- to long-term perspective through 2030.

In Annual Report 2023, we newly included a list of impacts on the Division Companies from such factors as market conditions, foreign exchange rates, and the macro economic changes for each country.

Moreover, due in part to the requests from overseas investors, we disclosed returns on non-resource and resource risk assets as financial information. Over the past 10 years, the return on non-resource risk assets has held steady at around 20%, clear evidence demonstrating the high efficiency of the Company's business.

## ② Polishing our existing business and steppingstones for the future

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Explanation of  
“Polishing Our Existing  
Business” in FamilyMart,  
the North American  
Construction Materials  
Business and CTC as our  
strengths.



As new steppingstones  
for the future growth,  
the structure considers  
the TOB for CTC and  
DAIKEN announced in  
August.

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Next is about polishing existing businesses and the steppingstones for the future.

Because the TOBs for two large-scale projects of CTC and DAIKEN had not yet been completed at the time of publishing the Annual Report, we were unable to include details on post-investment synergy, but we illustrated with the direction of two large-scale projects as new steppingstones, as well as by releasing results of past initiatives in relevant businesses in a concept of “polishing.”

In addition to the investment purpose and aspirations of these large-scale projects, we plan to explain the details of post-investment synergy at the collaborative projects briefing to be held in December.

### ③ Human resource strategy to enhance corporate value



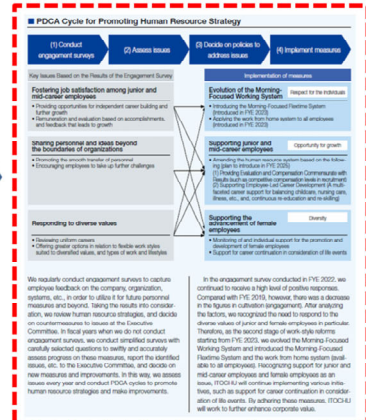
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p.31-34

Update

Detailed and evolution for each measure



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Update

Major Indicators on Human Resource Strategy

Major Indicators on Human Resource Strategy		FYE 2015	FYE 2016	FYE 2021	FYE 2022
Human Resource Strategy	Labor productivity*	1.0	1.5	2.5	6.7
	Consolidated employees (People)	67,636	105,800	129,044	110,698
	Non-consolidated employees (People)	4,261	4,279	4,275	4,112
	Career track employees (People)	3,267	3,367	3,435	3,331
Recruiting Outstanding Human Resources	Female career track employees (People) (%)	374 (8.4%)	394 (8.7%)	346 (10.1%)	375 (11.2%)
	Non-career employees as a percentage of total employees*	44.0%	17.1%	20.9%	20.2%
	Female employees as a percentage of employees	25.5%	25.8%	25.4%	24.7%
	Percentage of employees working in Morning-Focused Working System*	—	40%	57%	54%
Evolving Work Styles	Monthly average overtime hours (Hours/Monthly)*	25.4	22.7	25.2	22.0
	Female past leave acquisition rate	51.9%	34.1%	52.6%	62.0%
	Childcare leave acquisition rate of male employees (Days)	50	2	10	36
	Investment for health and productivity measures (Millions of yen)*	723	654	907	870
Enhancing Health	Percentage for screening among people targeted for special cancer checkups	—	—	98.2%	93.1%
	Total investment in human resource development (Billions of yen)	1.00	1.30	1.10	1.00
	Investment in human resource development per employee (Thousands of yen)	243	304	280	286
	Employees with Chinese language qualifications (People)	196	626	1,191	1,593
Supporting Employee-Led Career Development	Percentage of career track employees sent overseas training for the eighth year of joining the Company	91.0%	87.0%	80.9%	89.4%
	Average years employed (Year)	16.8	16.7	17.9	18.3
	Voluntary resignation rate	0.2%	1.1%	1.3%	1.8%
	Average annual salary (Millions of yen)	12.64	13.63	14.28	17.30
Providing Evaluation and Compensation with Results	Managers (People)	2,461	2,639	2,588	2,647
	Female managers (People) (%)	87 (3.5%)	136 (5.1%)	209 (8.1%)	219 (8.3%)
	Percentage of membership in the Employee Shareholding Association	56%	62%	Almost 100%	Almost 100%
	Increasing Awareness of Participation in Management				

- ✓ Explanation of the evolutions and detailed contents of each measure on highly unique human resource strategy undertaken from the past
- ✓ Identify major indicators on human resource strategy and disclose with linking related measures together

$$\text{Corporate Value} \uparrow = \frac{\text{Created Value} \uparrow}{\text{Cost of Capital} \downarrow - \text{Growth Rate} \downarrow}$$

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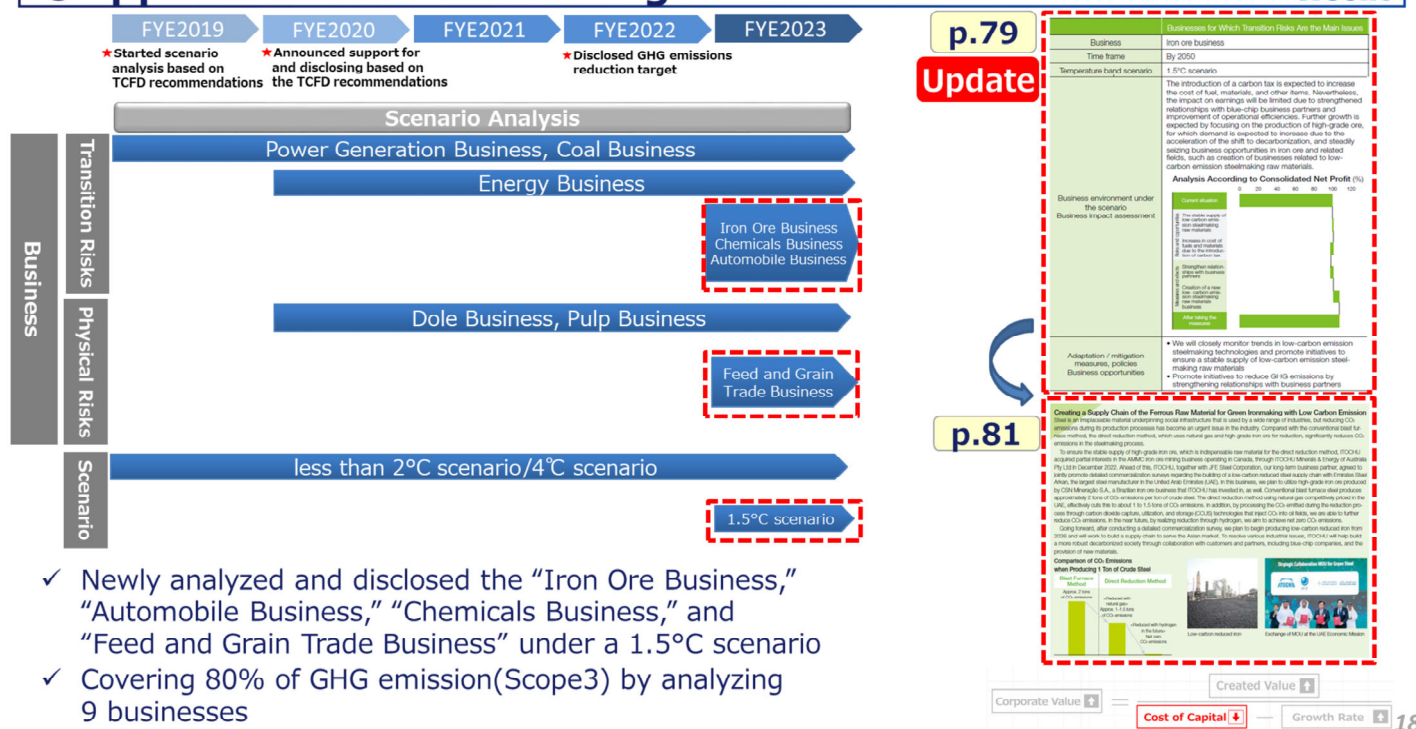
Now I will move the briefing on to address sustainability, including climate change.

First, I will elaborate on the human resource strategy described in this year's special feature. In Annual Report 2023, we explain the details of each measure of the Company's highly unique human resource strategy, which are connected to enhancing corporate value, and even disclosed the major indicators for each measure.

In addition, we utilized an engagement survey to assess current issues, decide on policies to address issues, and steadily implement measures, thereby conducting PDCA cycles for improvement.



**ИТОЧУ**



Next, I would like to explain our approach to climate change and related initiatives. At the Annual Report briefing in the previous fiscal year, we received high praise for our continual improvement of the TCFD analysis. ITOCHU emphasizes expanding disclosure of climate change strategy and scenario analysis to encourage understanding of the wide-ranging businesses of the general trading company.

The Company has disclosed initiatives and scenario analysis results in line with TCFD recommendations from FYE 2019, which was relatively early. At the time, the main scenario was under 2°C, but we are currently beginning to prepare information for disclosure in line with the 1.5°C scenario. Regarding “Dole Business” and “Pulp Business,” which are significantly affected by physical risks, we have conducted analyses using the 4°C scenario and disclosed the results.

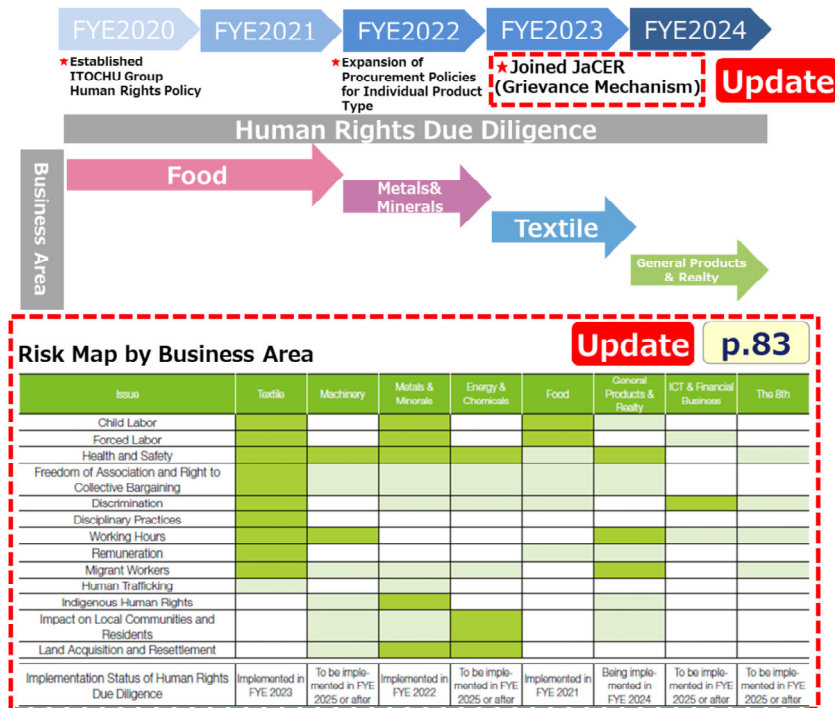
In FYE 2023, we expanded the businesses subject to scenario analysis, and conducted analyses and disclosed results for the “Iron Ore Business,” “Chemicals Business,” “Automobile Business,” and “Feed and Grain Trade Business.”

We introduced initiatives on reduced iron as a case where these kinds of ongoing analyses led to specific business transformation.

In addition, through the analysis of these nine businesses, we were able to expand up to a level that covers 80% on a Scope 3 basis. We think this will also significantly contribute to your analysis on our Company's business centered on climate change.



#### ④ Sustainability management (human rights due diligence)



- ✓ Starting with FYE 2009, Supply Chain Sustainability Survey, we have steadily promoted initiatives related to human rights, capturing the changes of the times
- ✓ Conducted Risk Map by Business Area and identify key themes for proactively addressing human rights risks
- ✓ Joining JaCER, we became the first general trading company to establish a grievance mechanism

Next, I will review our action on human rights.

ITOCHU began conducting surveys of its suppliers from FYE 2009 and established a human rights policy in FYE 2020 after confirming whether there were human rights problems in the supply chain.

The Company conducts business in a wide range of sectors and conducts risk mapping to identify projects that conduct human rights due diligence. We establish human rights-related themes that need attention in each business sector.

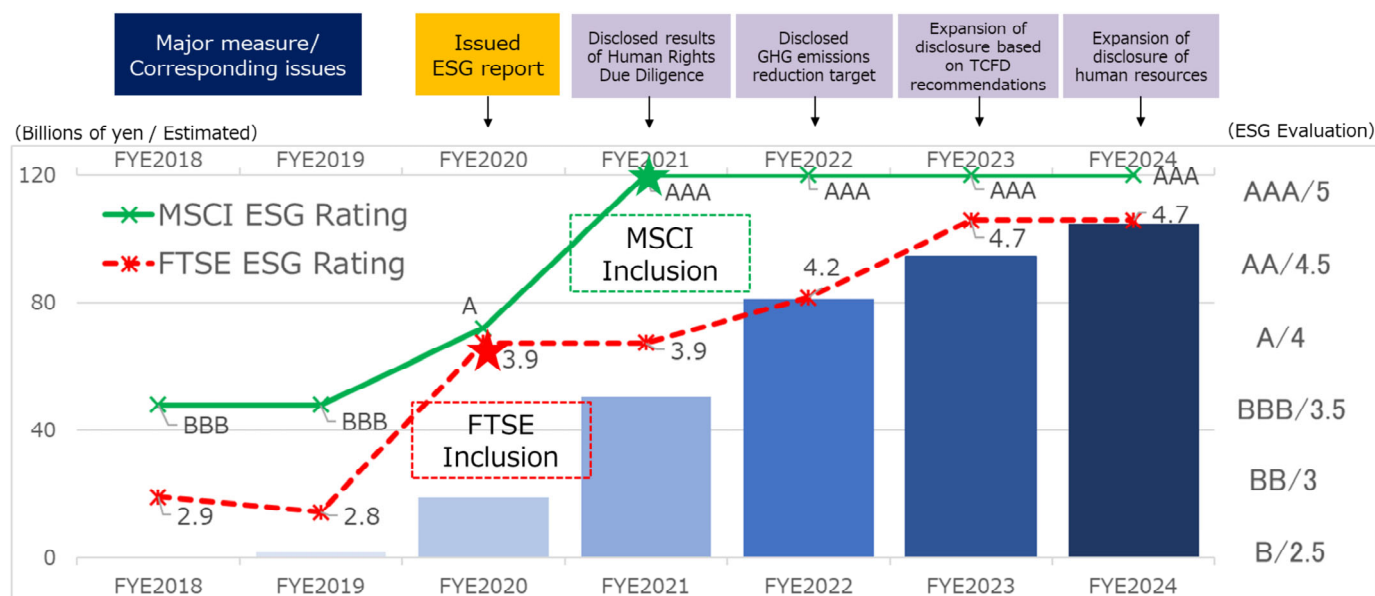
Since FYE 2020, we have conducted human rights due diligence in the Food Company, Metals & Minerals Company, and Textile Company. In FYE 2024, we will conduct due diligence for wood products, pulp and chips, and natural rubber in the General Products & Realty Company. Going forward, we plan to conduct human rights due diligence for all business sectors within a few years.

Although I explained this at the briefing in the previous fiscal year, from FYE 2023, we joined 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." We will continue to work on solutions to fundamental human rights issues.

## (Ref) Transition of ESG evaluation / ESG investment amount



<Our major ESG measures and ESG evaluation / GPIF ESG investment amount>



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Next, I will explain our action on ESG evaluations.

In Japan, ESG investment expanded when the Government Pension Investment Fund (GPIF) commenced ESG investments in 2017, and GPIF's total domestic ESG investment amounted to ¥6.9 trillion as of March 31, 2023.

At present, there are only 35 Japanese companies with an AAA ESG rating from MSCI. We have also secured a 4.7 ESG rating from FTSE, which is the top among Japanese companies. We claimed the No. 1 ratings for both in our industry.

Although ITOCHU received zero ESG investment from GPIF in 2017, since then we have published ESG reports, disclosed human rights due diligence efforts, set GHG reduction targets, expanded TCFD and human capital disclosures, and steadily enhanced non-financial initiatives and disclosures every year. The Company's efforts were recognized by each ESG evaluation organization, and we think it has resulted in improved evaluations.

In line with the improvement in these ESG evaluations, we have been included in more ESG indexes utilized by GPIF. We are now included in all six of GPIF's domestic ESG indices, and the ESG investment amount invested in ITOCHU is increasing.

Calls for non-financial initiatives and disclosures are growing every day, and we intend to continue evolving the Company's initiatives.

## ⑤ Corporate Governance Succession plan / Discussions at meetings of the board of directors



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

#### CEO Selection Process

Proposed by the Chairman & CEO

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

#### Deliberations at the Governance, Nomination and Remuneration Committee

- The Governance, Nomination and Remuneration Committee is chaired by an Outside Director and has a majority of Outside Directors. Its deliberations reflect the perspectives of outside officers who share viewpoints with general shareholders and society.

#### Deliberation at Meetings of the Board of Directors

- The Governance, Nomination and Remuneration Committee reports the results of deliberations to the Board of Directors, and the CEO is decided following discussions at Meetings of the Board of Directors.

#### 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.

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Update



**Kunio Ishiyama**  
Outside Director  
Mr. Ishiyama has extensive knowledge of corporate management and the retail industry, which was gained through the experience as President and Chairman of Japan Mitsubishi Holdings Ltd. and as a Vice Chair of Japan Postbank Group (former Postbank). He was appointed as an Outside Director of ITOCHU in June 2021. He is also a member of the Board of Directors, and a member 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 the 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.

- ✓ Regarding succession plan, include the selection process, training policy, and a comment from the Chair of the Governance, Nomination, and Remuneration Committee

### ■ 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 IMC.



In FYE 2023, multiple projects were submitted to the Board of Directors, including "Disposal of Agreement to Transfer 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 ultimately 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 IMC and the Investment 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 scenarios 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 its communication centers. It was difficult to create additional synergies between CONEXIO and the Group, we determined that this 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.

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Update



**Makiko Nakamura**  
Outside Director  
Ms. Nakamura possesses a high level of expertise in finance and accounting as a Certified Public Accountant in Japan, and has a wealth of experience as a corporate manager. She assumed her position as a member of the Board of Directors of ITOCHU in June 2019. She often provides insight and advice based on her extensive knowledge and unique experience in the fields of internal control, compliance, and CSR. As of FYE 2024, she serves as one of the Outside Directors, and a member of the Governance, Nomination and Remuneration Committee.

#### Asset Replacement with No Boundaries

The tender offer for CONEXIO was a major project that included discussions on governance matters related to 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 interests. 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.

- ✓ Included the discussion contents at Meetings of the Board of Directors related to specific examples of asset replacement

$$\text{Corporate Value} = \frac{\text{Created Value}}{\text{Cost of Capital}} \times \text{Growth Rate}$$

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Next, I will turn to governance-related topics.

In Annual Report 2023, we explained the selection process and the policy on training regarding succession plan, which are of great interest to market players. Moreover, we included the comments from the chair of the Governance, Nomination, and Remuneration Committee about continually holding discussions on successors and other key people after discerning the resources needed as a top of general trading company not being formally set term limits and retirement ages.

In addition, we explained the specific content of discussions at Board of Directors meetings regarding the sale of CONEXIO. I think many companies only include the agenda of Board of Directors meetings in their integrated reports, but ITOCHU emphasizes reality and discloses the content of discussions actually held at Meeting of the Board of Directors while introducing comments from Outside Directors together.

Moreover, after selling CONEXIO and completing the TOB for CTC, the number of listed subsidiaries will be reduced from six, as of the end of FYE 2021, to four currently.

Finally...



“Unchanging”

ITOCHU Mission

*Sampo-yoshi*

Guideline of Conduct

I am One with Infinite Missions

Accumulation of strengths  
and achievements as a  
general trading company

From Our Founding to the Present

From the Present to the Future  
First-mover strategy and  
commitment-based management

Evolution of  
*ITOCHU-ness*  
in an Era of Change  
“Changing”

22

Let's circle back to the intro. As indicated on the slide by the red box, ITOCHU's laid out its first-mover strategies and commitment-based management and, by addressing issues and taking new measures, has steadily increased corporate value.

Every year, at the annual report briefing, we have laid out the issues ITOCHU thinks it needs to address going forward. So, finally, let me explain the status of our commitment to these issues.



Progress in addressing issues and Issues in 2024 and beyond			ITOCHU
Major issues raised in Annual Report Briefing 2021 and 2022	Progress in addressing issues	Issues in 2024 and beyond	
Studying and implementing investment projects that help further strengthen our earnings base	Steadily executing investments in non-resource sector including CTC, DAIKEN and Hitachi Construction Machinery	Realization of synergy from major investments	
Presenting specific results of the FamilyMart Business and collaboration with CITIC and CP Group	Presenting specific progress and results of the strategy and measures of FamilyMart Business after privatization	Presentation of specific results of medium- to long-term initiatives with the CITIC and CP Group	
Cash allocation under an uncertain business environment	Enhance shareholder returns, promote growth investments, upgrade our credit ratings	Presentation of the shareholder returns policy and growth investment policy of next management plan	
Expanding our disclosure and building up our track record related to climate change, such as GHG reduction results	Sell two thermal coal interests and reduce GHG emissions	Creating an effective roadmap, addressing new regulations and disclosure requirements including ISSB and TNFD	
Continual discussion and explanation related to ownership and increasing in stake of listed subsidiaries (6 companies)	Privatization of CTC and Sale of CONEXIO	Further explanation of the strategic significance of owning a listed subsidiaries	
Explaining our policy and discussion content related to the succession plan of top management	Presentation of the succession plan including the selection process and the training policy	Expansion of dialogue between Outside Directors and the market	

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This slide shows the issues that ITOCHU recognizes and explained at the annual report briefings in FYE 2022 and FYE 2023, the status of action during the current medium-term management plan, and issues the Company thinks it should address going forward.

For the six issues listed on this slide, we have steadily promoted initiatives during the period of the current medium-term management plan, but after reflecting business environmental changes and market opinions, we realize that there are many issues we should continually address and need to take measures for each issue while maintaining dialogue with all stakeholders.

First, regarding the study and implementing investments projects that help further strengthen our earnings base, we have steadily executed growth investments in the non-resource sector, including CTC, DAIKEN, and Hitachi Construction Machinery. We try to explain continuously about the progress of synergy creation for these projects at the collaborative projects briefing to be held in December and even in the next annual report.

Regarding the presenting specific results of the FamilyMart Business and collaboration with CITIC and CP Group, we have disclosed such results as the advertising and media business and the polishing of the existing business after the privatization of FamilyMart. Although we could not disclose significant progress made on the collaboration with CITIC and CP Group during the period of the current medium-term management plan, the position itself of the medium- to long-term initiative remains unchanged in China market with a population of 1.4 billion people. Currently, however, attention must be focused on China's political trends and economic situation. We will continue more carefully conducting business without increasing our exposure in the meantime.



Regarding cash allocation under an uncertain business environment, there is no change in our policy of emphasizing the balancing of the three factors. Currently, we successfully expanded shareholder returns by turning words into accomplishments, steadily executed growth investments including CTC and DAIKEN, and achieved an upgrading credit rating from Moody's. Regarding our policy on shareholder returns and growth investments going forward, we will continue to hold discussions internally on the next management plan.

Next, regarding the expanding our disclosure and building up of our track record related to climate change, such as GHG reductions results, we have progressively sold two thermal coal interests for the 37-million-ton GHG reduction in fossil fuel businesses and interests described in the current medium-term management plan. Currently, we are creating a specific road map for GHG emission reductions while holding continuous discussions internally mainly for the Machinery Company, Metals & Minerals Company, and Energy & Chemicals Company, which all have an especially high amount of GHG emissions. In addition, we are steadily working to respond to new disclosure demands, such as those from the ISSB and TNFD, in the FYE 2023 securities report and the ESG Report 2023.

Regarding the further explanation of the strategic significance related to owning and increasing stakes in listed subsidiaries (six companies), we regularly review the significance of owning the stakes. Moreover, as a result of conducting sales and TOBs, we have also eliminated some listed parent-subsidary relationships. We intend to continue explaining the strategic significance of owning the remaining four listed companies going forward.

Finally, regarding the explanation of our policy and discussion content related to the succession plans of top management, although it is an extremely difficult issue, we are fully aware of the high interest from the market. In Annual Report 2023, we disclosed the basic selection process and policy on training, and the comments from the chair of the Governance, Nomination, and Remuneration Committee.

Going forward, in addressing similar topics of exceptional market interest, we intend to strive for two-way communication by, for example, creating opportunities for dialogue between Outside Directors and market players.

A photograph of a bright blue sky with scattered white clouds. The clouds are more concentrated in the lower half of the image, creating a sense of depth. The text "I am One with Infinite Missions" is centered in the upper half of the image.

I am One with Infinite Missions