



**ITOCHU is advancing into a new stage.
Regardless of the changes we face,
we are committed to achieving growth and
steadily enhancing corporate value.**

Under “The Brand-new Deal” Management Policy, we will move forward into a higher phase of management by leveraging and further enhancing our accumulated strengths.

Masahiro Okafuji
Chairman & Chief Executive Officer

CEO MESSAGE



“Tigers’ Blood”

As a child, I vividly remember how my mother’s mood would sour whenever the professional baseball team beloved in my hometown of Osaka, the HANSHIN Tigers, lost a game. This naturally led me to begin rooting for the Tigers. In 2023, they won the Japan Series for the first time in 38 years, but my memories from those days are filled with their disappointing losses. Recently, I picked up a book about this baseball team titled, *Tora no Chi* (Tigers’ Blood), which focuses on Ichiro Kishi, the eighth manager of the Tigers. Few people are likely to know about this person. He led the team only for 33 games, less than two months. Despite having no professional baseball experience, he wrote a letter to the owner outlining his “Tigers Rebuilding Plan,” and was subsequently appointed as manager in the hope of turning around the struggling team. However, he was immediately met with resistance from all the players, and criticism from the media, ultimately leading to his resignation. The book suggests that this episode marked the beginning of

several negative traditions within the team, such as players’ arrogant behaviors, conflicts between management and the working level, and internal disputes.

From this nonfiction book, we can discern principles of organizational collapse that are also applicable to corporate management. One principle is that no matter how brilliant a professional manager’s theories may be, if they lack firsthand experience and understanding of the front lines, they cannot effectively run an organization. Another principle is the importance of the quality of interpersonal relationships. Deterioration in relationships between top management and the founding family, shareholders, or retired veteran employees, mistakes in successor selection, and conflicts among executives due to clashing egos, can render an organization dysfunctional. No matter how excellent the management strategies are, there are likely many companies that have faced decline for these reasons.

Scorecard for Managers

Even when reading a single book, if you consistently maintain an awareness of management issues, you will invariably glean some valuable lessons. I make it a habit to immediately take notes whenever I notice something, from everyday events to stories I hear during business meals, to seek out hints for better management. This continuous effort to learn from everything derives from my strong desire to always enhance corporate value as one of the management personnel. For a publicly listed company, enhancing corporate value essentially means raising the stock price and growing market capitalization. While one should not be overly concerned with the daily fluctuations of the stock price, it goes without saying that it is the most important indicator that we, as a public company, must always engage with as our scorecard.

I am constantly researching the various case studies from other companies, looking for management insights. Here, I would like to introduce three examples of significant market capitalization growth. The first case is that of a megabank. Back in 1989, its market capitalization was ranked fifth among Japanese banks. By executing bold M&A with a clear strategy to complement its weak domestic and international businesses and investment banking operations, the bank has now achieved second-highest market capitalization across all industries in Japan. The second case involves a general electric

manufacturer, that executed a selection and concentration strategy to reform its business portfolios aiming to eliminate the conglomerate discount and significantly increase its market capitalization. The third case is of an industry peer that made a significant impact on the market through aggressive shareholder returns, such as large-scale share buybacks and substantial dividend increases, as well as the stock split. These cases were shared and deeply discussed at our internal Management Meeting. I believe it is important to integrate these case studies to formulate our own strategies, taking into account the business characteristics of the general trading company industry and our inherent uniqueness.

The stock prices of general trading companies have significantly risen since Berkshire Hathaway Inc.’s acquisition of shares in the five major general trading companies in 2020, with each company taking turns in the spotlight. In FYE 2024, ITOCHU’s stock price benefited from the announcement of additional purchases by Berkshire Hathaway Inc. in June 2023, repeatedly hitting record highs. As a result, it outperformed the market average for the year, achieving an increase of around 50%. However, when compared to our peers, although our stock price has risen nearly tenfold since FYE 2011, an impressive feat that outshines others, we have unfortunately underperformed over the past year. This situation has caused me to feel a strong sense of urgency.

Our Long-Term Compass—Management Policy and Profit Opportunities Are Shifting Downstream

On April 3, 2024, approximately one month earlier than the usual May announcement of our management plan, we announced our Management Policy, “The Brand-new Deal,” which serves as a long-term management compass. Since the beginning of the year, ITOCHU’s stock price had significantly risen, hitting record highs five times. However, as other general trading companies began to catch up and raise their stock prices in February, our stock price was relatively stagnant. This prompted us to swiftly communicate our perspective to the market and our employees. Amid the increasingly complex international political and economic landscape, the volatility of the business environment has reached unprecedented levels. How many could have predicted the yen depreciation to nearly ¥160 to the U.S. dollar? In such unpredictable circumstances, I have always questioned the value of dedicating huge amounts of time and effort to formulating three- or five-year medium-term management plans based on assumptions that may need to be revised. I believe that what shareholders and investors are seeking is simply for us to consistently improve our performance and enhance shareholder returns, under any business environment.

In “The Brand-new Deal,” we set out three major pillars: Grow earnings, Enhancement of corporate brand value, and Shareholder returns. The phrase “we aim to achieve sustainable enhancement in corporate value” encapsulates the essence of “The Brand-new Deal.” (► Page 28 Management Policy ► Page 30 CFO Message)

It is extremely important to address the stock market with a market-oriented perspective. From the day of the announcement of our new Management Policy, our stock price rose significantly, hitting a record high, and in June 2024, our market capitalization reached over ¥12 trillion. This, we believe, is a testament to the market’s renewed appreciation of our commitment to continuous growth.

There is a Group company called ROYNE CO., LTD., founded in 1916, which primarily deals in underwear. Among our approximately 260 Group companies, only four were founded over 100 years ago, and ROYNE CO., LTD. is one of them. It is an old business handling a mature product like underwear, and with its profit level being only around ¥100 million back then, there was a time when we seriously considered whether we should shut it down. However, in 2018, the company developed and launched a functional underwear using fabric embedded with deodorant agents, which quickly gained consumer support and became a bestseller in mass retail stores. As a result, the company’s profit soared to ¥600 million. Although the company faced challenges due to significant yen depreciation and soaring raw material costs, it successfully rebranded by renewing the original product name, which was the same for both men and women, to new names that appealed specifically to each gender. Particularly for women, the product name was changed to something more approachable rather than directly emphasizing the deodorizing effect. By launching the product at a new price that absorbed the increased costs, the product once again gained consumer support and has now grown to a profit level over ¥1.2 billion. This is a prime example of how, even in the textile industry, which is often regarded as a mature industry, profits can be expanded through slight innovations with a market-oriented perspective.

In today’s market, where consumers hold the reins, a “product-out” approach can be fatal. The key to business success always lies downstream. ITOCHU must seriously change its perspectives and approaches. We have once again placed “Profit opportunities are shifting downstream” at the center of our Management Policy. By thoroughly adopting a market-oriented perspective and making growth investments that are generated from our strength downstream, we aim to further accelerate our transformation into a business model that generates high added value. (► Page 14 COO Message)

No Growth without Investments

When climbing a mountain, it can be discouraging to look at the summit right from the start. Instead, by focusing on each step and climbing steadily, only occasionally looking up to see your progress, and then concentrating on your steps again, you can reach the summit without losing motivation. This is exactly the approach ITOCHU has taken from FYE 2011 to FYE 2024. We have steadily increased our profit stage, securing an earnings base from ¥300.0 billion, to ¥400.0 billion, ¥500.0 billion, and then to ¥800.0 billion in FYE 2024. This steady growth and our unwavering commitment-based management must continue in the future.

From FYE 2011 to FYE 2024, ITOCHU has achieved

profit growth with a compound annual growth rate of 13%. In the single-year management plan for FYE 2025, we set a target of a 10% increase in profits, aiming for a record-high consolidated net profit of ¥880.0 billion. To achieve this, the principle of “No growth without investments” is critical, highlighting the necessity of growth investments. To demonstrate our commitment to growth through investment, in the FYE 2025 management plan we outlined our plan to invest up to ¥1 trillion, the largest for a single fiscal year.

We remain committed to not boldly investing in unfamiliar areas. However, as seen in cases such as CTC and our North American construction materials business,

both ITOCHU and its Group companies are steadily expanding our business domains. Many fields that were previously beyond our reach are now within neighboring areas, not too far off. This is similar to how, as a person grows, we can reach areas we couldn't before. What we grasp in these new areas can lead to new opportunities. In addition, our growth investments are not limited to downstream areas. As long as the investment starts from a market-oriented perspective, we are also willing to invest actively in upstream and midstream areas. Given the increasing scale of our profits, it goes without saying that we must carefully evaluate investments to avoid significant losses. It is also crucial to assess whether synergies can be expected in terms of stabilizing and expanding trade and gaining initiatives in the supply chain. FamilyMart, which is not only expanding inter-Group trade but also creating new businesses such as advertising, media, and financial services, and Hitachi Construction Machinery Co., Ltd., which strengthens the Group's profits through trade expansion and the growth of Group companies, are prime examples. Furthermore, ITOCHU aims for a higher level of growth by moving to a

stage where the Group CEO Office acts as the central hub, maximizing synergies through cross-segment collaboration. (▶ Page 50 CXO Interview ▶ Page 55 Special Feature: Creating Businesses by Leveraging Our Strengths)

One notable example where I have great expectations in demonstrating the Group's comprehensive strengths is WECARS Co., Ltd. The first step in the transformation is to embody the principle of customers first, by sincerely engaging with customers and society, earning their trust, and becoming a company they find attractive. WECARS Co., Ltd., which boasts one of the largest used car business platforms in Japan with around 250 stores nationwide, has significant potential to leverage the Group's comprehensive strengths through a wide range of Group companies with downstream advantages. We are fully aware that rebuilding will require considerable time and effort, but we view the revitalization of this business as a social mission aligned with our corporate mission of "Sampo-yoshi." (▶ Page 62 Rebuilding WECARS by Leveraging Our Comprehensive Capabilities)

Nurturing People

Mr. Noriyuki Inoue, Chairman Emeritus of Daikin Industries, Ltd. who retired from the position of Chairman of the Board in June 2024, has grown the company into the world's No. 1 air conditioning manufacturer through proactive M&A efforts. I have tremendous respect for him, and have learned many valuable lessons from his management skills. Under the belief that the cumulative growth of all employees is the foundation for the company's development, he has thoroughly implemented "People-Centered Management." Based on his belief in the inherent goodness of people, that there are no significant differences in individual abilities and that every employee has potential, he continuously provides opportunities and challenges, believing that growth curves vary for each person and waiting for results to emerge. This explains how Daikin Industries, Ltd. has a low employee turnover rate of around 3%, compared to the Japanese manufacturing industry's average of around 10%. I am deeply impressed by his courage and patience in his management style of "waiting for growth."

In April 2024, ITOCHU introduced a new policy for appointing Executive Officers. The key points of this system include expanding the management talent pool, promoting rejuvenation of Executive Officers and providing opportunities to employees, and accelerating women's advancement. In particular, based on the proposals from the Women's Advancement Committee, which is chaired by an Outside Director, we have established a new framework aimed at providing female employees with opportunities to gain management experience and involvement as Executive Officers. As a result, five new female Executive Officers have been appointed. ITOCHU is committed to continuously providing opportunities and challenges to our diverse range of capable employees and occasionally "waiting for growth," to foster an environment which nurtures more talented individuals. This philosophy applies not only to executives but also to all employees. We will continue executing reforms to achieve this goal. (▶ Page 78 Human Resource Strategy to Enhance Corporate Value)

Enhancement of Corporate Brand Value

During my business trip to Osaka, I was greeted at Haneda Airport by a female Executive Officer from the airline, who immediately remarked, "It's impressive that ITOCHU ranked No. 1 in the student employment popularity rankings among all companies!" I also heard that, in a video message at the Population Strategy Symposium, Prime Minister Kishida mentioned that our Company's initiatives, such as the establishment of a childcare center for employees and introduction of the Morning-Focused Working System, as examples that

have contributed to raising the birthrate, and encouraged other companies to implement similar workplace reforms. Our initiatives have also been highly regarded in South Korea, which is eagerly promoting initiatives to address its declining birthrate. The Vice Chairman of the Presidential Committee on Ageing Society and Population Policy, which is chaired by the President of the country, visited Japan to learn about work-style reform initiatives. I am delighted that our Company's advanced initiatives are increasingly being recognized in various



qualitative aspects. These are truly moments where we can feel the spirit of "good for society" within the "Sampo-yoshi" corporate mission of "good for the seller, good for the buyer, and good for society."

Based on my past experience in the brand business while I was with the Textile Company, I fully understand the significance of brands. The same principle applies to corporate names. For example, the NISSIN FOODS Group has achieved numerous successes in areas far removed from its original instant noodle business, such as lactic acid beverages. This demonstrates that the name "NISSIN" on a product instills trust in consumers,

which clearly reflects the value of the corporate brand. Similarly, ITOCHU has enhanced its corporate brand value through high external evaluations in qualitative aspects, such as company rankings among jobseekers. In other words, this is synonymous with enhancing our trust and creditworthiness garnered from the society. We believe that the synergy between these qualitative evaluations and our quantitative performance will lead to further enhancement of our corporate value. This is why "Enhancement of corporate brand value" is one of the pillars of our Management Policy. (▶ Page 82 Outside Directors & CAO Roundtable)

Aiming to Sustainably Enhance Corporate Value

Let's return to the topic of books. *The Man from Tehran* is another book I recently read, and it provided valuable insights from a managerial perspective. It details the journey of how the once prestigious Toshiba Corporation underwent significant change. Readers may have different interpretations, but as I mentioned at the beginning, it reaffirmed to me that successful corporate management is achieved through a sense of unity. Over the past 14 years of elevating our profit stage, I have always strived to foster a sense of unity among the management team, including our Group companies. In addition, I have placed great importance on building unity and empathy with all stakeholders, including employees, shareholders, and business partners.

"I was filled with pride when a friend complimented me, saying, 'ITOCHU has really changed for the better now.' Thank you for making ITOCHU a great company." Recently, I received a letter from a former senior colleague expressing the gratitude with these words. Every time I receive words of appreciation from our esteemed predecessors and individual shareholders, or receive praise from institutional investors, I am filled with a sense

of fulfillment as a manager. The joy of celebrating the growth of the ITOCHU Group together with everyone, and the desire to share further joy, is what motivates my corporate management. It is an utmost joy for me to see this translates into enhanced corporate value.

I wake up every morning just after 4:00 a.m. and arrive at the office at 5:45 a.m. After that, I convey the thoughts I had from the previous day to my secretary and give instructions to officers who arrive at around 6:30 a.m. With the desire to make ITOCHU an even better company, I devote myself to management every day. There is still much to be done to achieve this goal. As the top executive entrusted with the current ITOCHU Group, my primary duty is to demonstrate that we can continue to sustainably grow in the future. If we can achieve this, we will see a new profit level in the not-too-distant future. However, we view this as merely a milestone in our growth journey, and I will continue to drive management forward to ensure ongoing growth beyond that.

With the announcement of "The Brand-new Deal" Management Policy, I am renewing my commitment and determination to this vision.



COO MESSAGE



**While sharing the joy of the front lines,
we will drive the expansion of
our business fields and steadily advance
toward new heights.**

By thoroughly embracing the basic principles of business with all employees working together,
we will steadily execute growth strategies based on the initiative of
“Profit opportunities are shifting downstream,” as outlined in the Management Policy.

Keita Ishii
President & Chief Operating Officer

The Joy of the Front Lines

It has been three years since I assumed the role of President. With the lifting of restrictions related to the COVID-19 pandemic, I was finally able to travel around to various front lines in FYE 2024. While appreciating the simple yet precious experience of face-to-face interactions with colleagues, I met with employees stationed overseas and Group company members in person, enabling them to understand my character, and sharing with them the direction our Group is heading. Although I receive a variety of information every day, I still believe that it is crucial to see and experience firsthand what is happening at the front lines.

During my visits to overseas sites, I was delighted to witness some very encouraging scenes. At ITOCHU, even junior employees who have only been with us for a few years are sent out to various frontline assignments, including secondments to overseas Group companies. At one of our Group companies in the United States, I saw a junior employee working energetically alongside local staff, fully engaged in the role. Given the limited personnel at each site, this junior employee was assigned substantial role within the team and worked with a strong sense of mission, full of energy and determination to meet expectations. The younger generation, often referred to as Generation Z, is sometimes labeled as indifferent or only willing to do what is within their bounds.

However, regardless of generation, when people are given responsible roles and feel that they are contributing to their team or organization, they find fulfillment and work hard. This is the joy of the front lines unique to a general trading company, and it reinforced my belief in nurturing Merchants through accumulated frontline experiences. It also reminded me of my own early days, running around on the front lines with the same enthusiasm.

I joined ITOCHU in 1983, and in the Chemicals Division, I devoted myself to sales activities, experiencing the joy of the front lines through both failures and successes. I encountered many failures by misreading customer needs and making procedural mistakes. However, failure is not always a bad thing. The drive to recover from failure forces us to dive back into work with full force and teaches us the importance of having options for when things don't go as planned. In today's rapidly changing world, it is normal for things to not go as expected. Therefore, having multiple options is fundamental to doing business. Accordingly, when deliberating projects at Management Committees, I always ensure that we discuss not only based on the assumptions outlined in the presented materials, but also how we can handle unexpected circumstances and how many options have been prepared.

The Era of “Profit Opportunities Are Shifting Downstream”

The way of doing business in my early years was entirely different from today. Back then, as a general trading company acting as a sales agent for manufacturers, our role was to vigorously sell whatever products the manufacturer wanted to sell. It was truly the era of “product-out.” I found great satisfaction in traveling worldwide to secure products from manufacturers, swiftly delivering market information and developing new sales channels.

But how about now? Today, we can access the same quality of information simultaneously from anywhere through the internet. If manufacturers connect directly with their buyers, they can negotiate deals without the need for a general trading company. The significance of general trading companies is diminishing, and we now need to take on greater risks to stay involved in business. Without offering new functions, networks, or solutions that address customer challenges, we cannot create or sustain business. ITOCHU’s response to these changes is “Profit opportunities are shifting downstream” and the “market-oriented perspective.” The driving force behind business has shifted downstream, which is closer to customers and end consumers. By leveraging our downstream business foundation that is among the most robust of any general trading company, ITOCHU will continue creating business opportunities through the market-oriented perspective, accurately capturing the needs of customers and end consumers.

There is another meaning behind “Profit opportunities are shifting downstream.” It refers to our initiative of capturing business insights from a downstream perspective, and significantly expanding that domain with a downstream-driven approach. ITOCHU was founded as a textile business, but has diversified its business portfolio in all directions, centering on customer touchpoints and the closely related consumer sector, including food, finance, and retail. The prime example is FamilyMart. While FamilyMart itself strives to increase customer visits and daily sales for further growth, we leverage direct daily interaction with around 15 million customers through FamilyMart to nurture related businesses such as food



Visits to a Group company in the United Kingdom

distribution, packaging development, private brand (PB) development, and even the establishment of an advertisement and media business, thereby expanding profits across the entire Group. Additionally, CTC, which was privatized in 2023, is expanding the entire digital value chain from upstream to downstream, including consulting and data analysis to meet the rising digitalization needs of customers. By integrating the ITOCHU Group and our customers in various industries with the digital value chain centered on CTC, we aim to further expand these business fields. (▶ Page 55 Special Feature: Creating Businesses by Leveraging Our Strengths)

On the other hand, I also have a sense of crisis. For example, in the environment surrounding EVs, which are expected to become widely adopted going forward. Having grown up in the Chemicals Division, I realize that if someone is, for example, a sales representative for plastic raw materials and exclusively focuses on the current business of today, their business field is unlikely to expand going forward and the business itself could even disappear entirely. The needs of society and our customers are constantly changing day by day. For example, with the shift from gasoline cars to EVs, the structure of the vehicle bodies changes. In addition, because vehicle batteries are heavy, there is a need and challenge for weight reduction. Is a stronger yet lighter structural material a metal other than steel? Or is it a synthetic resin? What about adhesives and coatings used on these materials? What functions are required for EV tires? What about the lifespan and recyclability of onboard batteries? What are the application areas of EV communication functions? Identifying these questions and gathering knowledge through conversations with customers is the starting point of business. From there, by interacting and engaging in dialogue with related industries internally, such as the automotive team of the Machinery Company and the battery team of the Energy & Chemicals Company, and the Metals & Minerals Company, we may expand into a broad range of business opportunities. In today’s market, such multifaceted agility has come to be highly valued, and if we fail to meet this expectation, we will not survive. Conversely, by leveraging our networks and connections as a general trading company and providing broad solutions to the various needs and challenges faced by customers, we can sustain and expand our business. This approach to business is precisely what is required in an era where “Profit opportunities are shifting downstream.” This is why the subtitle of our Management Policy is “Profit opportunities are shifting downstream.” (▶ Page 28 Management Policy)

Decarbonization throughout the Entire Value Chain

At the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change, held from November 2023, the call was reiterated for an energy transition away from fossil fuels. Meanwhile, against the backdrop of soaring global energy prices triggered by Russia’s invasion of Ukraine, countries are confronting the challenging issue of balancing decarbonization with energy security. ITOCHU is also promoting the reduction of GHG emissions in its fossil fuel projects and interests. Since FYE 2019, we have already divested three out of four thermal coal interests. For the remaining interest, we are paying close attention to the situation to ensure a flexible and agile exit, carefully considering our supply responsibilities to the relevant industry, as well as the potential sale price.

With the expansion of data utilization, including generative AI, and the explosive increase in power demand, it will be challenging in the near term to meet the demand solely by decarbonized and low-carbon energy sources, including renewable energy. These decarbonization and low-carbon projects will not be sustainable without economic viability. In particular, renewable energy initiatives will require collaboration between value chain participants, unlike resource interests businesses where only rights holders profit. In hydrogen and ammonia initiatives, it is necessary to take a comprehensive approach by securing green hydrogen, ensuring high-efficiency

production and operation, developing transportation methods such as vessels, and establishing storage and distribution centers in consumption areas. For instance, involving the maritime industry, particularly operators of ammonia-fueled vessels, is also crucial. Furthermore, energy storage systems (ESS), which serve as hubs connecting unstable renewable energy sources, are areas I have long emphasized for their importance, and I am pleased to see growing interest in this field. If we can store electric power like we store water in dams, it can become an even more effective power source. The potential for business is limitless with the further deployment of household ESS, the installation of industrial ESS to meet the decarbonization needs of operators, and the construction of network for grid-scale energy storage plant connecting renewable energy with customers.

Our new Management Policy continues the basic policy of “Enhancing our contribution to and engagement with the SDGs through business activities” set forth in the previous medium-term management plan. By leveraging our networks and connections as a general trading company and involving partners from various industries, we will continue to steadily promote new SDGs-aligned businesses while pursuing economic value as well as environmental and social value. (▶ Page 63 Clean-Tech Business with Swift and Steady Execution)

Reaching New Heights Together as a Group

ITOCHU’s roots trace back to the Merchants of Ohmi, who traveled far and wide across Japan, understanding customer needs through dialogue and observation. They scoured the country for the best products to meet those needs, earning trust and expanding their business. This embodies the concept of a market-oriented perspective and represents ITOCHU’s fundamental business principle of responding accurately to needs, as a Merchant flexible as water. There was another important principle the Merchants of Ohmi valued. Chubei Itoh I held a casual gathering called “Sukiyaki parties” six times a month, for all employees. I feel that this family-like management approach has evolved into a culture of valuing everyone involved with ITOCHU, including Group companies. For example, while many companies hold orientation ceremonies welcoming new recruits, we also host retirement ceremonies. At these semi-annual events, I, as President, hand out letters of appreciation to each employee who has loyally served the Company for many years. We seek to make these events memorable, with warm, handmade touches like reviewing photos and videos from their early and mid-career years. Another distinctive initiative is our Group Companies Management Awards Program, where

we celebrate and reward Group companies that have achieved outstanding business results, sharing the joy with employees. The ratio of Group companies reporting profits is at a very high 92%, and many Group companies achieved record-high profits in FYE 2024, steadily improving their performance. I think this success is built on our unified management with Group companies, which we believe are the treasures that support the steady growth of the Group.

As for consolidated net profit in FYE 2025, which is the first year of the new Management Policy, we plan to achieve a 10% increase year on year to ¥880.0 billion. ITOCHU aims to steadily achieve the plan while striving to reach an even higher stage, and we have no time to waste. As we head for new heights, everyone, from business and administrative divisions to both young and veteran employees, as well as the Group companies, will come together to fully commit to a market-oriented perspective and generate new downstream-driven businesses. I would like to thank all our stakeholders for the support thus far and humbly request your continued support in our future endeavors.