SECTION

01 DRIVING FORCE FOR SUSTAINABLE VALUE CREATION

CONTENTS

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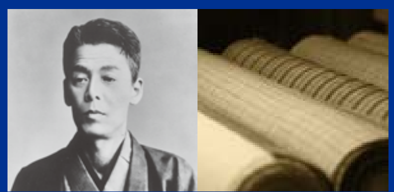


Chubei Itoh I

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.

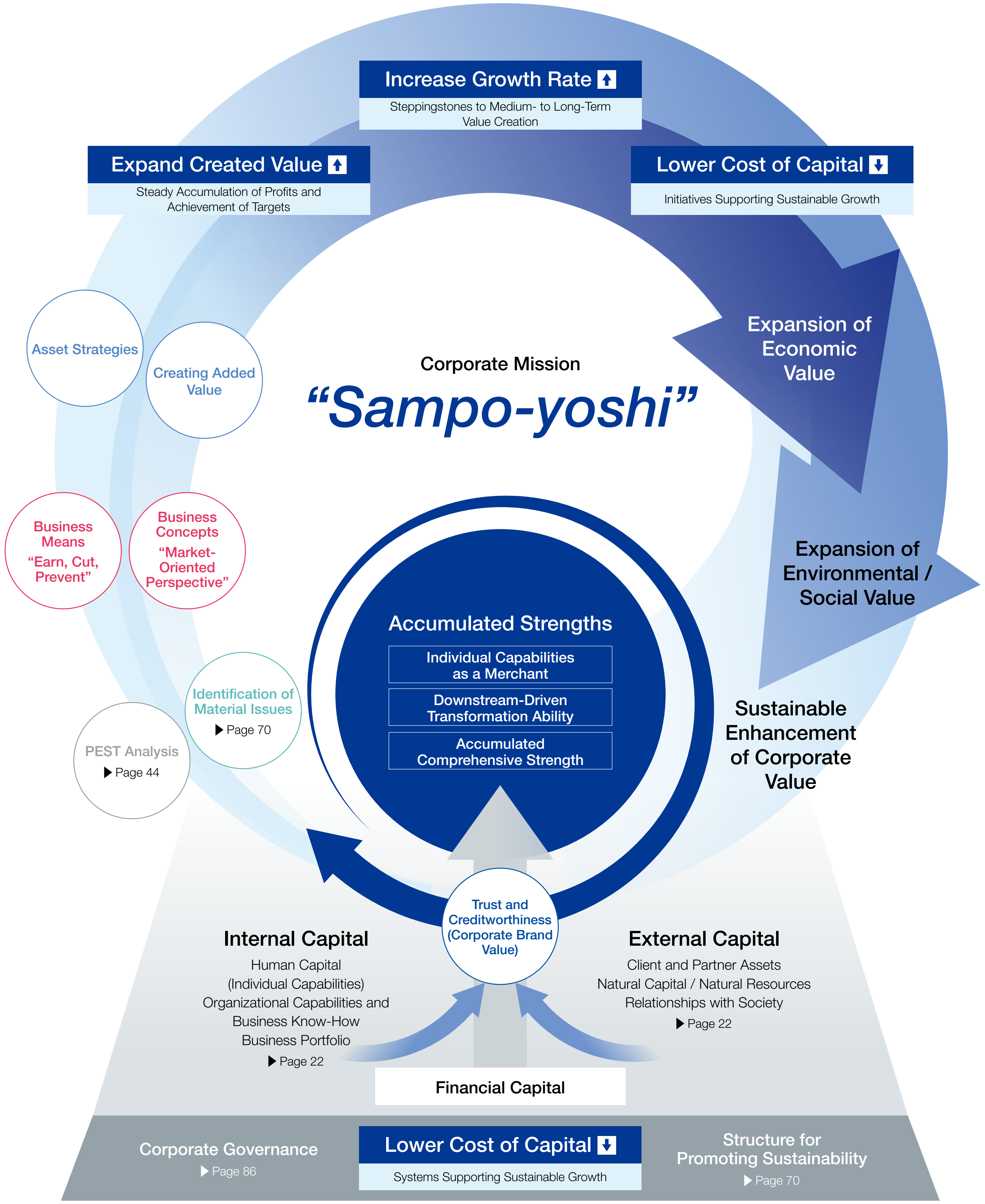
2010s–

中信 CITIC

Enhancing Comprehensive Strength through Downstream-Driven 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 the North American construction materials business, acquired the Dole business, increased stake in major Group companies, and privatized FamilyMart and CTC. While creating multifaceted businesses that connect for synergy through strategic investments, we have pursued downstream-driven business model transformation with a market-oriented perspective. This is exemplified by the establishment of The 8th Company and the expansion of our business fields of North American electric power business. By enhancing our comprehensive capabilities, we have built an earnings base that is resilient to economic fluctuations.

The Merchant Value Creation Cycle Centered on "*Sampo-yoshi*"



To achieve sustainable enhancement of corporate value, it is necessary to leverage our accumulated capital and strengths as driving forces to expand both our economic value and environmental / social value. Specifically, we will achieve sustainable value creation by aiming to expand created value (Steady Accumulation of Profits and Achievement of Targets), increase growth rate (Steppingstones to Medium- to Long-Term Value Creation), and lower cost of capital (Initiatives and Systems Supporting Sustainable Growth), thereby strengthening our capital and strengths, which are its driving forces, and continuing the virtuous cycle.

What is ITOCHU focusing on?

Sustaining Commitment-Based Management Centered on "*Sampo-yoshi*"

Centered on our corporate mission of "*Sampo-yoshi*," we advance our management strategies and initiatives swiftly and flexibly through a market-oriented perspective and rigorous implementation of the "earn, cut, prevent" principles. By consistently practicing commitment-based management, we will achieve sustainable enhancement of corporate value.

Building a Track Record, Enhancing Our Trust and Creditworthiness

We will steadily accumulate profits and build a track record by continuously and soundly achieving our stated targets, thereby enhancing our trust and creditworthiness, which will lead to the sustainable enhancement of value.

Enhancement of Corporate Value = Expand Created Value / (Lower Cost of Capital − Increase Growth Rate)

Enhancement of Corporate Value: Driving Force for Sustainable Value Creation (Total capital)

Expand Created Value: Steady Accumulation of Profits and Achievement of Targets

Lower Cost of Capital: Initiatives and Systems Supporting Sustainable Growth

Increase Growth Rate: Steppingstones to Medium- to Long-Term Value Creation

Establishing a Management Foundation to Support Sustainable Growth

By enhancing dialogue with our stakeholders and continuously refining qualitative aspects such as our unique human resource strategy and corporate governance, we will achieve sustainable enhancement of corporate value.

No Growth without Investments

To sustain medium- to long-term growth, we will accelerate downstream-driven growth investments, leveraging our stable business foundation, and strive for further growth through the expansion of business areas and strengthening and expanding the business foundation.

Business Concepts "Market-Oriented Perspective"

Creating businesses by understanding diverse needs, adapting to changes, and providing high added value.

Business Means "Earn, Cut, Prevent"

"Earn": Conduct business aligning with changes in the world and customer needs

"Cut": Reduce expenses that are not cost-effective and cut down on unnecessary meetings and documents, etc., ensuring proper expense control

"Prevent": Prevent outflows due to losses on receivables and impairment losses

Creating Added Value

By leveraging our unique ability as a general trading company to act as a coordinator, upgrade business management, and create synergies, we continuously create added value from customers' point of views, stabilize commercial rights, expand trade, and increase the overall value of businesses, including investees.

Asset Strategies

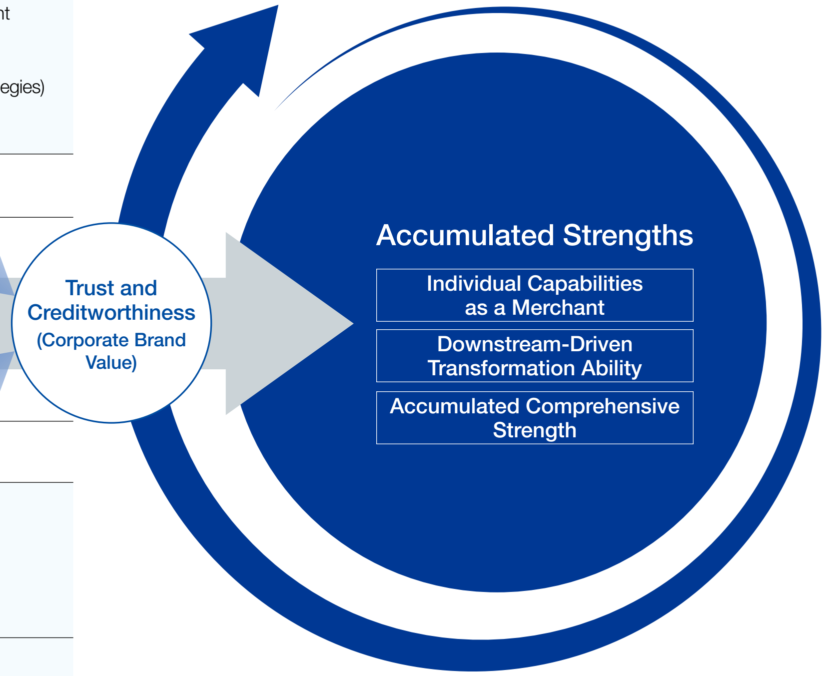
In addition to investing in areas where we have strengths, we are promoting growth investments that expand business areas and strengthen our business foundation. At the same time, we are committed to thoroughly managing risks and executing asset strategies that pursue asset efficiency, taking into account the characteristics of each segment.

Sustainable Value Creation through Accumulation of Capital and Strengthening of Trust and Creditworthiness

ITOCHU conducts its business through both trade and business investment. During our history of more than 160 years, we have steadily accumulated and evolved our internal capital through our business, such as human capital, organizational capabilities, and business know-how. Trust and creditworthiness are extremely important for the symbiosis of internal and external capital, which mutually influence each other. Moreover, we believe that trust and creditworthiness foster a favorable social reputation, which in turn enhances corporate brand value. By always remaining conscious of trust and creditworthiness in our management practices, we aim to continuously enhance corporate value through realizing growth in both economic value and environmental / social value.

		Explanation of Each Capital (Importance)	Examples of Strengthening Measures	Examples of KPI and Monitoring Indicators
Internal Capital	Human Capital (Individual Capabilities)	Aiming to be a company that is a challenging but rewarding workplace, we have made human resource strategy one of our key management strategies. By increasing labor productivity through improving employees' motivation and willingness to contribute, we are linking individual capabilities to the enhancement of corporate value. Additionally, through accumulating extensive frontline experience, we are heightening the individual capabilities as a Merchant.	• Realization of corporate mission and Guideline of Conduct • Conducting PDCA cycle based on engagement surveys • Morning-Focused Flextime System and adoption of the work from home system (for all employees) • Health management (Support for Balancing Cancer Care and Work, etc.) • Strengthening frontline capabilities, including overseas assignments and dispatches to Group companies • Establishment of the Women's Advancement Committee as an advisory committee to the Board of Directors • Enhancing diversity and expanding promotion opportunities through a new policy for appointing Executive Officers	• Company ranking among jobseekers • Engagement survey • Labor productivity of employees • Investment in human resource development • Percentage of career-track employees sent overseas training • Ratio of females among all officers (▶ Page 78 Human Resource Strategy to Enhance Corporate Value) (▶ Page 118 ESG Data)
	Organizational Capabilities and Business Know-How	We have established business divisions with deep insights and experience across various industries, as well as highly specialized administrative divisions. Under a quick decision-making system, both divisions collaborate closely together, effectively exercising their respective functions. Our extensive and advanced business know-how, which includes lessons learned from past failures, has accumulated into an intangible asset that is indispensable for creating new businesses.	• Creation of business by business divisions with strong frontline capabilities • Implementation of business support and control function by administrative divisions with specialized expertise • Rigorous application of the "earn, cut, prevent" principles through collaboration between business divisions and administrative divisions • Transforming business models based on a market-oriented perspective • Refining businesses through hands-on management • Rigorous focus on the Four Lessons for Investments, as well as implementation of trainings on investment failure cases and PMI* case studies	• Compound annual growth rate of consolidated net profit • Management efficiency indicators (ROE, etc.) • Ratio of Group companies reporting profits • Number of employees participating in training (Training on investment failure cases and PMI case studies) (▶ Page 38 Track Record of Profit Growth under "Brand-new Deal" Strategies) (▶ Page 66 Business Investment)
	Business Portfolio	Eight Division Companies operate businesses across a wide range of industries. By swiftly responding to rapid changes in business environment and diverse consumer needs, we create multifaceted, linked businesses and drive business model transformation, leading to a highly flexible, wide-ranging, and balanced business portfolio.	• Breaking down product silos and strengthening collaboration among Division Companies • Pursuit of highly efficient management (rigorously selected investments and continuous asset replacement) • Analysis of key management indicators • Practice of consistent management that elevates our entire business	• Compound annual growth rate of consolidated net profit by segment • Management efficiency indicators by segment (ROA, etc.) (▶ Page 38 Track Record of Profit Growth under "Brand-new Deal" Strategies) (▶ Page 47 Portfolio Management) (▶ Page 98 Business Portfolio)
	Financial Capital	We steadily accumulate profits and maintain financial foundation based on balancing three factors: growth investments, shareholder returns, and control of interest-bearing debt.	• Reinforcement of shareholders' equity • Steady improvement in NET DER • B/S control appropriate for A credit rating • Obtained the highest credit ratings among the trading companies from all major credit rating agencies	• EPS · BPS • NET DER • Credit ratings • Shareholder returns (dividends and share buybacks) • Share price and market capitalization, TSR (▶ Page 30 CFO Message)
External Capital	Client and Partner Assets	We maintain win–win relationships with our clients and partners, which include a large number of leading companies. This is vital for acquiring and developing trade, as well as expanding business domains. Our abundant client and partner assets enable sustainable earnings growth and contribute to "*Sampo-yoshi*."	• Selection and securing of blue-chip partners • Collaboration with partners who complement functions each other • Complying with Environment, Health, and Safety (EHS) Guidelines • Building of secure and safe supply chains	• Profits from initiatives with blue-chip partners • Number of clients and partners
	Natural Capital / Natural Resources	Through our business in the non-resource and resource sectors, we meet social demand for stable procurement and supply of natural resources. At the same time, we recognize that our broad value chain both depends on and impacts the bounty of all kinds of natural capital, and we capture new business opportunities in responding to social issues outlined in the SDGs.	• Aiming for GHG emissions net zero by 2050 and offset zero by 2040 • Withdrawing completely from thermal coal interests • Enhancement of disclosures in line with TCFD and TNFD frameworks • Strengthening the sustainability management of the supply chain and business investees • Enhancing our contribution to and engagement with the SDGs through eco-friendly businesses, etc. • Expansion of opportunities for dialogue and deeper business understanding through events such as project briefings and facility tours for analysts and institutional investors • Deployment of unique information-sharing bases and tools for dissemination, including ITOCHU SDGs STUDIO and SHONIN of the Earth (corporate PR magazine)	• Renewable energy ratio • GHG emissions • Electricity consumption • Water withdrawal • Waste volume • Number of engagements with stakeholders • Number of sustainability surveys conducted • Number and percentage of employees participating in sustainability and compliance-related internal training • Number of compliance violation incidents • External evaluation by ESG rating agencies, etc., and inclusions to indices (▶ Page 63 Clean-Tech Business with Swift and Steady Execution) (▶ Page 70 Initiatives to Promote Sustainability) (▶ Page 118 ESG Data) (▶ Page 132 IR Activities)
	Relationships with Society	ITOCHU engages in continuous and constructive communication with its stakeholders to grasp and address their expectations and demands toward the Company. These efforts enable us to stably promote business activities in Japan and overseas and heighten corporate brand value, thereby further enhancing corporate value.		
		Explanation of Each Capital (Importance)	Examples of Strengthening Measures	Examples of KPI and Monitoring Indicators

* PMI: Post-Merger Integration



Non-consolidated employees (People)

4,098

(FYE 2024)

Consolidated employees (People)

113,733

(FYE 2024)

The spirit of the Merchants of Ohmi, which serves as the foundation of all our endeavors, and the entrepreneurial DNA of pioneering business endeavors, has been steadily passed down through the eras until the present as 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 of the Merchants of Ohmi 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 individuals, who are also referred to as “brave warriors,” have built the business by personally visiting the front lines where the customers are located. The ability of individuals to understand and respond to customers’ constantly changing needs and to create business through their own discretion on the front lines is a characteristic of the Company and the driving force for sustainable value creation.
Going forward, each ITOCHU employee—regardless of their department or job responsibilities—will enhance their marketing capabilities and continue to create added value by understanding peoples’ emotions and situations and providing them with what we believe they desire.

Individual Capabilities as a Merchant

The Merchants of Ohmi, based in the former Ohmi Province, transported their wares on shoulder poles, peddling items nationwide. Chubei Ito I began his business by trading linen and gradually expanded into the textile sector. Over time, as customer and societal needs evolved, the Company adapted flexibly by capturing these shifts at the front lines and employing strategies such as expanding the value chain from upstream to downstream and moving into brand businesses in the Textile Company. The transformation ability driven by downstream areas such as FamilyMart, the Group’s largest consumer touchpoint, has been a driving force for sustainable growth. Going forward, we will continue to leverage our stable business foundation in the downstream areas, along with assets and expertise in the upstream and midstream areas, to create businesses with a market-oriented perspective.

Downstream-Driven Transformation Ability

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

Compound Annual Growth Rate (CAGR) of Consolidated Net Profit

13%

(FYE 2011–FYE 2024)

ITOCHU has achieved sustainable growth by flexibly transforming the business model in response to changes in the external environment.

Virtuous cycle of strengths that interact with each other and heighten sustainability

Accumulated Comprehensive Strength

Ratio of Group companies reporting profits

92%

(FYE 2024)

Engaging in a wide range of businesses across eight Division Companies while maintaining connections with various industries, we are building a robust Group earnings base through the thorough implementation of the “earn, cut, prevent” principles.

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. By accumulating strengths in the non-resource sector while continuing initiatives in the resource sector, we are strengthening an earnings base that is diversified across many fields and more resilient to economic volatility, thereby enabling the stable generation of cash flow.

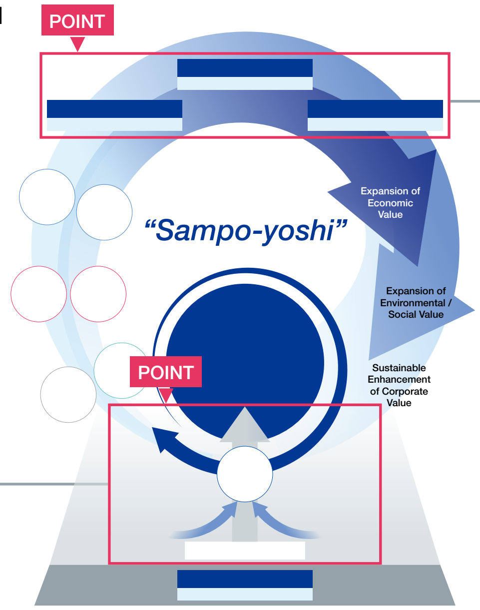
Even with the growing importance of business investment, about two-thirds of our Group companies generate profits of less than ¥2 billion. However, the combined contributions from these companies enhance our overall earning power. Going forward, we aim to maximize synergies by horizontal collaboration among Division Companies. In accelerating growth investments, we will fully utilize our Group’s resources and by enabling business divisions and administrative divisions to work together as one to develop projects and set the steppingstone for sustained growth.

Eight Division Companies

Logic Tree (Strategic Framework for Growth in Corporate Value)

Maintaining and Upgrading of Non-Financial Capital and Its Relationship to Material Issues

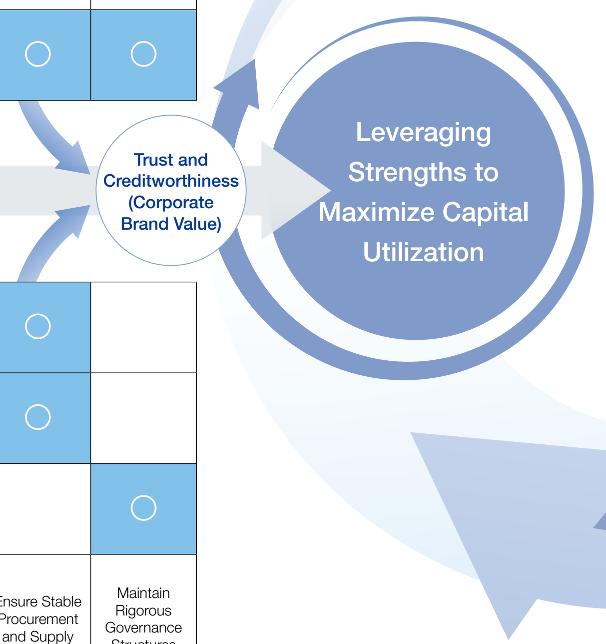
ITOCHU analyzes the magnitude of opportunities to increase its non-financial capital as well as the magnitude of risks with the potential to damage such capital. Based on its findings, the Company identifies as its material issues those social issues that require prioritized and proactive initiatives by the Company. We then set out to resolve the identified material issues through business operations. By leveraging trust and creditworthiness garnered over many years, we will maintain and further grow our non-financial capital.



Relationships between Non-Financial Capital and Material Issues

		Evolve Businesses through Technological Innovation	Address Climate Change (Contribute to a Decarbonized Society)	Develop a Rewarding Work Environment	Respect and Consider Human Rights	Contribute to Healthier and More Affluent Lifestyles	Ensure Stable Procurement and Supply	Maintain Rigorous Governance Structures
Internal Capital	Human Capital (Individual Capabilities)	○		○	○	○		○
Internal Capital	Organizational Capabilities and Business Know-How	○	○	○		○		
Internal Capital	Business Portfolio	○	○			○	○	○
External Capital	Client and Partner Assets	○	○		○	○	○	
External Capital	Natural Capital / Natural Resources	○	○		○		○	
External Capital	Relationships with Society		○	○	○	○		○

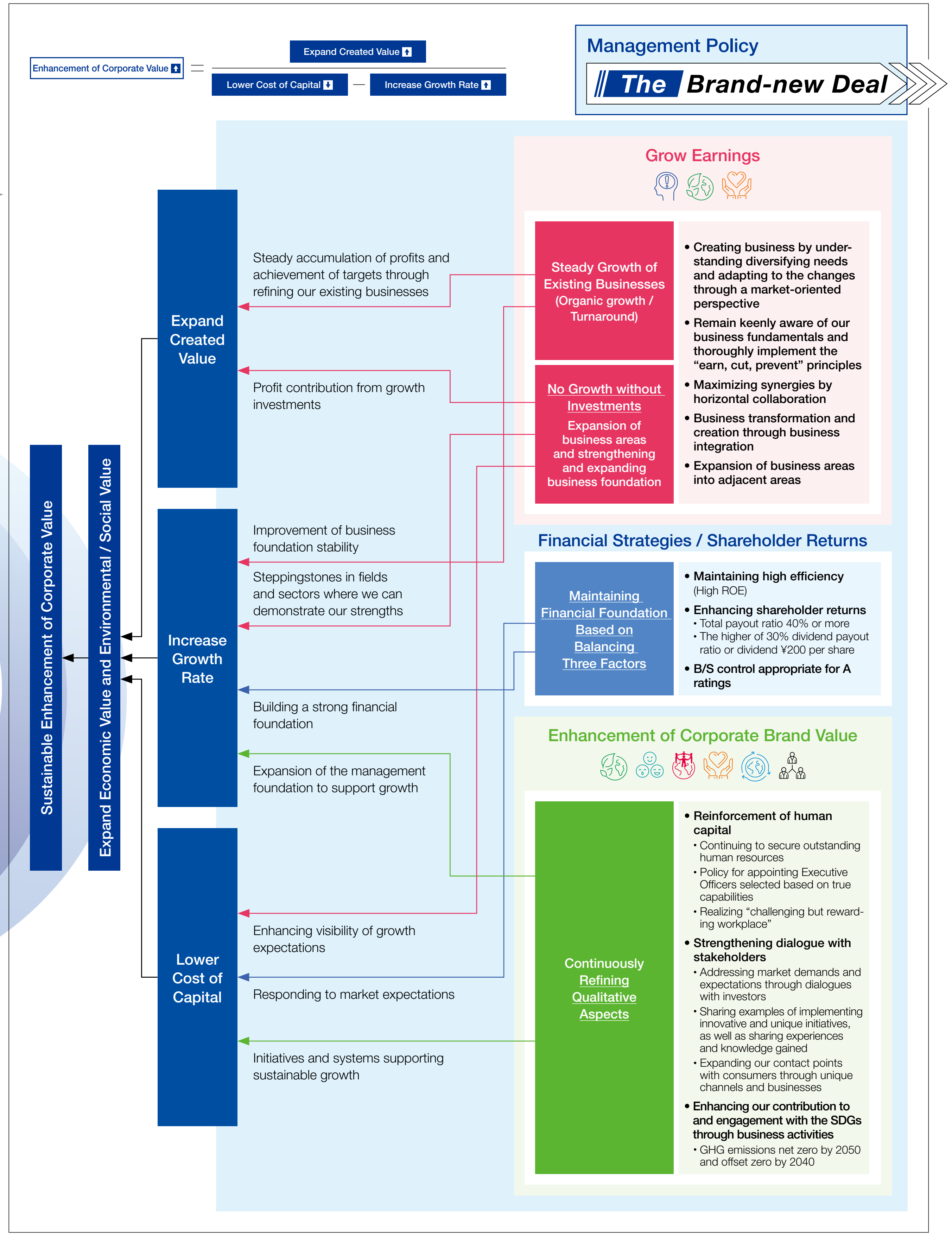
Material Issues



○ Indicates non-financial capital deemed to have particularly high relevance to material issues.
We also recognize that trust and creditworthiness are strongly related to all of our material issues.

ITOCHU’s Logic Tree for Building Up Corporate Value

We aim to enhance the credibility of our commitment to achieve sustainable enhancement of corporate value by demonstrating how our growth strategies and various initiatives outlined in the Management Policy expand economic and environmental / social value, ultimately contributing to the continuous growth of corporate value.



Since 2011, ITOCHU has formulated and implemented a total of five medium-term management plans, starting with Brand-new Deal 2012 and most recently Brand-new Deal 2023. Typically, FYE 2025 would be the time to announce a new medium-term management plan. However, considering the rapidly changing global situation, we have decided to discontinue the formulation of a three-year plan, as it could be significantly affected by factors such as exchange rates and resource prices, instead of simply following past precedents. To provide more useful information to our stakeholders, we have decided to establish a Management Policy that will serve as a long-term management compass, and announce it together with a single-year management plan, which we can confidently promise for the upcoming year.

We have titled our Management Policy "The Brand-new Deal" to signify the continuation of the fundamental principles and management methods that have supported our growth over the past decade.

The Brand-new Deal

—Profit Opportunities Are Shifting Downstream—

We aim to achieve sustainable enhancement in corporate value, by having all employees, from the business divisions to the administrative divisions, always enhancing their marketing capabilities, leveraging the assets and expertise of upstream and midstream, which we have been building up for over 160 years since our founding, while developing and evolving downstream businesses that are closer to consumers.

Grow Earnings	No growth without investments
Enhancement of Corporate Brand Value	Enhancement in qualitative aspects
Shareholder Returns	Total payout ratio 40% or more The higher of 30% dividend payout ratio or dividend ¥200 per share

Enhancement of Corporate Brand Value: Enhancement in Qualitative Aspects

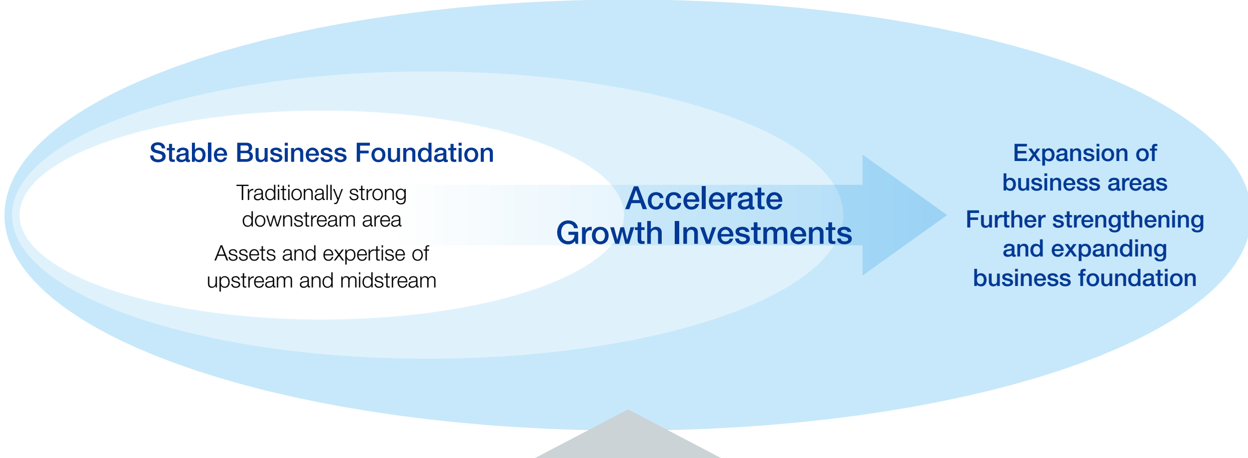
- Built a corporate brand through high external evaluations based on the accumulation of innovative initiatives, creating a synergy effect with financial growth, thereby enhancing corporate value
- Based on the market-oriented perspective, we aim to further enhance brand value by listening to the voices of the market, society, and consumers, and continuing to refine our qualitative aspects diligently

Reinforcement of Human Capital	• Continuing to secure outstanding human resources by maintaining our position as the No. 1 company selected by students • Continuously cultivating a diverse pool of management talent based on their capabilities, regardless of age or gender, through our Executive Officer appointment policy • Improving employees' willingness to contribute by realizing "challenging but rewarding workplace" and pursue further labor productivity (▶ Page 78 Human Resource Strategy to Enhance Corporate Value)
Strengthening Dialogue with Stakeholders	• Building and accumulating trust through actively incorporating insights gained from a wide range of dialogues into our management (▶ Page 5 Contents that addresses the expectations and frequently asked questions from stakeholders) • Enhancing our presence through expanding our contact points with consumers through unique channels and businesses
Enhancing Our Contribution to and Engagement with the SDGs through Business Activities	• Continuously responding to social demand by aiming to balance both sustaining the basic policies outlined in the previous medium-term management plan and promoting businesses that contribute to GHG emissions reduction (Resolving social Issues by addressing material issues) (▶ Page 70 Initiatives to Promote Sustainability)

Grow Earnings: No Growth without Investments

▶ Page 52 Our Business Model, as Seen through Business Development

- Accelerate growth investments starting from a downstream, leveraging a stable business foundation, to grow earnings
- Strive for further growth through the expansion of business areas and strengthening and expanding business foundation



Market-Oriented Perspective

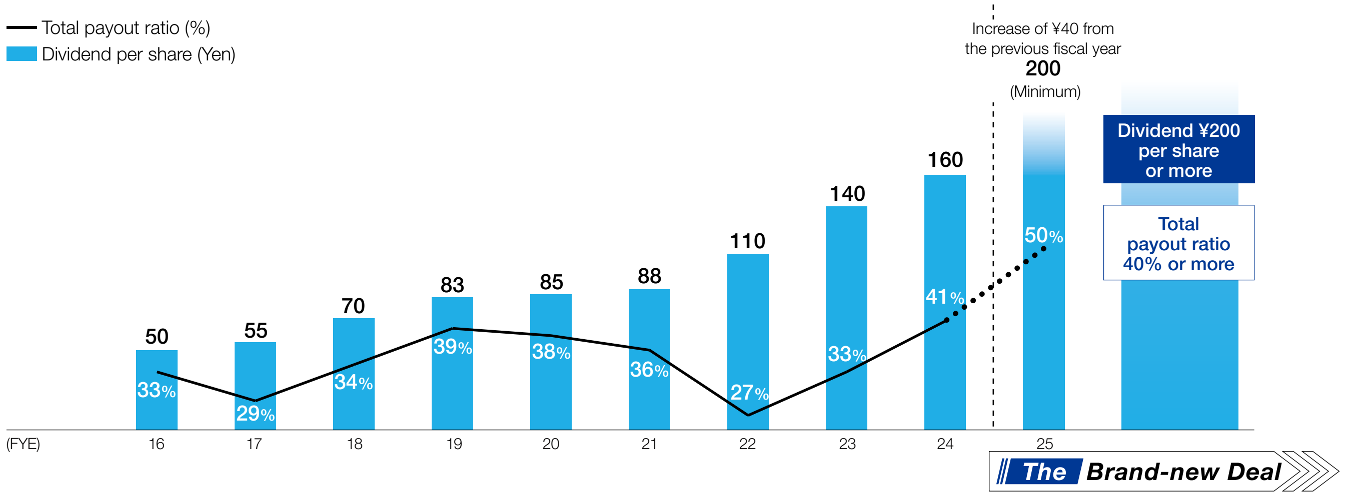
Developing and Evolving Downstream Businesses That Are Closer to Consumers

Maximizing synergies by horizontal collaboration among Division Companies
Business transformation and creation through business integration

Shareholder Return / Financial Policy

▶ Page 30 CFO Message

Shareholder Return Policy	Total Payout Ratio	40% or more
	Dividends	The higher of 30% payout ratio or dividend of ¥200 per share While based on the principle of 30% payout ratio, also consider the minimum dividend of ¥200 per share with an eye to the profit stage in the future



(FYE)	17	18	19	20	21	22	23	24	25	The Brand-new Deal
Share buybacks (Billions of yen)	16.2	27.9	68.0	62.0	13.5	60.0	60.0	100.0	150.0 (Disclosed)	Execute share buybacks actively and continuously

Financial Policy	**Maintaining financial foundation based on balancing three factors** (Growth investments, shareholder returns, and control of interest-bearing debt)

CFO MESSAGE

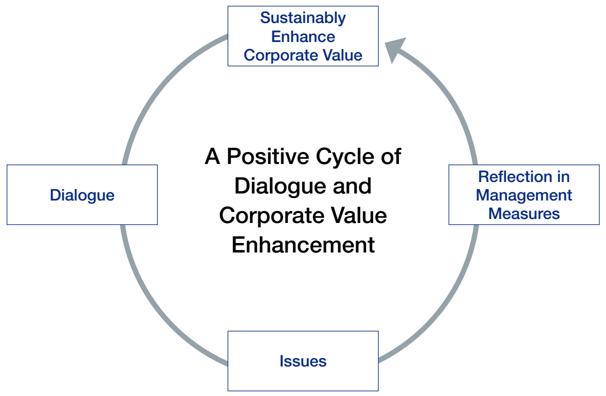
Tsuyoshi Hachimura
Member of the Board,
Executive Vice President, CFO

With a commitment to highly efficient management in line with global standards, and the consistent adherence to our financial policies, I will continue to support the enhancement of our corporate value under the new Management Policy.

Reflecting Dialogue with the Market into the Management Policy that Now Serves as Our New Management Framework

As the head of investor relations, one of my key responsibilities is to engage in various discussions with institutional investors and analysts all over the world, including Berkshire Hathaway Inc. Entering my tenth year as CFO, these candid exchanges of opinions based on the trust built with our long-term shareholders provide invaluable insights. In anticipation of starting a new medium-term management plan from FYE 2025, I have particularly focused the dialogue on the future direction of ITOCHU. During these discussions, I have come to understand that the market is highly interested in two key aspects: "growth" (the future growth of ITOCHU and its achievable profit levels) and "highly efficient management" (the targeted ROE levels, balancing growth and shareholder returns). Both are crucial points for realizing the sustainable enhancement of corporate value. I have brought these opinions back to the management team and shaped the direction to ensure they are thoroughly discussed in our management meetings. The outcome of these discussions is the long-term Management Policy we announced this April. This is the culmination of the series of "Brand-new Deal" strategies (medium-term management plans) started from FYE 2012, and simultaneously embodies a new growth strategy aimed at achieving sustainable enhancement of corporate value. (▶ Page 28 Management Policy)

Reflecting on the past decade and considering the key phrases that encapsulate our performance, I would summarize it from a CFO's perspective as "a proven track record of achieving growth" and the consistent practice of "highly efficient management." In formulating the new Management Policy, we have earnestly pondered and deliberated on how to maintain our steadfast commitment to high growth and high efficiency, and how we should confidently and persuasively demonstrate this based on our past track record.

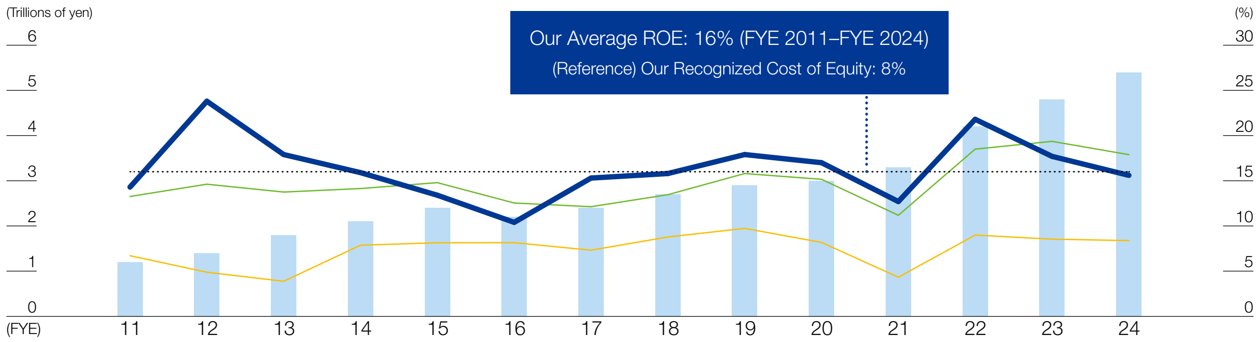


Our Commitment to Profit Growth and ROE Enhancement

Under the series of "Brand-new Deal" strategies, we have achieved steady profit growth. In FYE 2011, our consolidated net profit was less than ¥200.0 billion, but we consistently elevated our profit stage, and under Brand-new Deal 2023, we established a solid stage of ¥800.0 billion. During this period, our consolidated net profit has grown at a compound annual growth rate of 13%, surpassing the economic growth rate in major countries around the world, including Japan, the United States, China, and India. As a result, our market capitalization, which was around ¥1 trillion in 2010, has reached over ¥12 trillion in June 2024. One of the factors that made this possible was certainly our steady profit growth and high growth rate. However, while the market has recognized our past growth, questions have also risen about the next profit stage and whether we can truly continue to grow from here. I strongly felt the need to provide clear answers to these questions. The answer lies in one of the pillars of our Management Policy: "Grow earnings." The top management team continues to steer the Company without wavering. Based on the track record built by this management team, we recognize the utmost importance of continuing to achieve growth with a consistent management style. In FYE 2024, although it was a slight increase, we were the only one among the five general trading companies to achieve a year-on-year profit increase and, while some others are expecting their profits to decline in FYE 2025, ITOCHU is planning nearly 10% growth in both consolidated net profit and core profit. FYE 2025 will be an important year for us to continue achieving high growth rate moving ahead. As CFO, I am committed to first firmly managing the Company at present to ensure steady profit growth, as well as securing high growth rate going forward. (▶ Page 38 Track Record of Profit Growth under "Brand-new Deal" Strategies)

Another key topic in our dialogue with the market was highly efficient management. With around 40% of our investors being overseas institutional investors, I fully understand as CFO that a minimum ROE of 15% is a threshold for being considered a viable investment under global standards, and that if we do not reach this threshold, we may not even pass the initial screening by investors. To continue receiving high evaluations from our investors, it is crucial to maintain an average ROE of 15% or higher over the medium to long term. We have achieved an average ROE of 16% over FYE 2011 to FYE 2024, which demonstrates one of our competitive advantages. The commitment to highly efficient management, specifically achieving high ROE, has been a consistent focus since I assumed the role of CFO, and I intend to continue this with unwavering conviction.

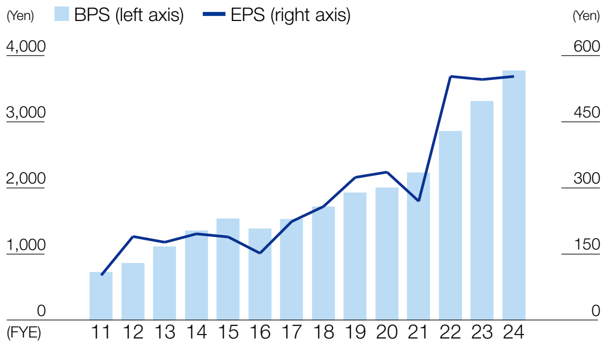
ROE and Shareholders' Equity



(Made by ITOCHU based on Bloomberg data)

Furthermore, the way we achieve the high ROE is also important. While excessive shareholder returns can improve ROE by decreasing the denominator, equity (E), this is not at all healthy from the perspective of enhancing equity, specifically expanding the risk buffer. ROE improvement should be realized through the enhancement of return (R). In this sense, sustainable profit growth is synonymous with sustainable EPS growth. Our long-standing approach of achieving high ROE management through sustained EPS growth and steady expansion of BPS remains unchanged.

EPS and BPS



In addition, having served as the chair of the ALM*1 Committee for many years, I have consistently emphasized the improvement of ROA in each business segment. Since we manage our leverage across the Company, I have continually emphasized the importance of improving ROA at the operational level as a way to enhance ROE. While ROIC management is often discussed recently, achieving high efficiency requires practical effectiveness over theoretical concepts. For individual businesses, we make management decisions based on the cost of capital. However, from the perspective of portfolio management, considering that ITOCHU, including our subsidiaries, has traditionally operated with significant operating receivables, we have consistently emphasized the importance of ROA. This awareness has steadily taken root at the operational level. Going forward, it is necessary to focus on efficiency at the operational level more than ever before. In some cases, it may be necessary to significantly overhaul the way existing businesses are conducted. In order to continue refining the Company's strengths, I, as CFO, will steadfastly maintain this commitment. (▶ Page 47 Portfolio Management)

*1 ALM: Asset Liability Management

Financial Strategies Conscious of the Matrix of Growth Rate, Shareholder Returns, and ROE

Starting this fiscal year, we have decided to stop releasing medium-term management plans and instead disclose a long-term management policy and single-year management plans. Backcasting from an extremely uncertain future does not convey the correct message to the market. Under the Management Policy, we have deliberately refrained from specifying concrete profit targets. However, I believed it would be difficult to garner the market's trust if we do not at least present specific figures for our financial strategies. Therefore, as part of our long-term policy, we have made a specific commitment regarding shareholder returns: a total payout ratio of 40% or more, and the higher of 30% dividend payout ratio or a dividend of ¥200 per share. Starting with the total payout ratio of 40% or more, if we achieve approximately 10% profit growth based on our past track record, we can realize an ROE of 15% or higher. This matrix has always been in my mind. Based on this financial logic, the Management Policy and financial strategy were formulated with a balance between profit growth and shareholder returns in mind. Given the large scale of our profits, there may be short-term fluctuations in performance. However, within the long-term management framework we have presented, we are committed to a total payout ratio of 40% or more and to achieving long-term profit growth and high growth rates, thereby maintaining a high ROE level that meets global standards. I hope you will understand this approach.

An Image of the Profit Growth Rate Required to Maintain an ROE of 15% or Higher, with a Total Payout Ratio of 40%

		Total Payout Ratio			
		60%	50%	40%	30%
ROE	13%	5%	7%	8%	9%
	14%	6%	7%	8%	10%
	15%	6%	8%	9%	11%
	16%	6%	8%	10%	11%
	17%	7%	9%	10%	12%
	18%	7%	9%	11%	13%

Firmly Balancing Three Factors

There is another key concept that I have focused on and incorporated into the Management Policy as CFO. That is maintaining our financial foundation based on a balance between three factors (growth investments, shareholder returns, and control of interest-bearing debt), which we have continuously practiced. Considering the need for further diversification of funding in a world where interest rates matter again, maintaining a high credit rating will be extremely important. To sustain our current highest credit rating among general trading companies from all major credit rating agencies, we are committed to keeping NET DER at less than 0.6 times in the FYE 2025 management plan, even while making significant growth investments.

Moreover, for the first time, we have clearly outlined our cash allocation for a single fiscal year in numerical terms. For FYE 2025, we plan to allocate core operating cash flows approximately "1:1" between growth investments and shareholder returns, with a total payout ratio aiming at 50% for the year. In addition, the carryover of core free cash flows after deducting shareholder returns during the previous medium-term management plan period, totaling around ¥700.0 billion, will be fully allocated to growth investments. Under the principle of "No growth without investments," we will proactively conduct growth investments up to a maximum of ¥1 trillion in FYE 2025. However, I want to emphasize that there will be no change to our investment discipline or internal rules related to investments. We remain committed to meticulously planning, structuring and executing investments that contribute to growth.

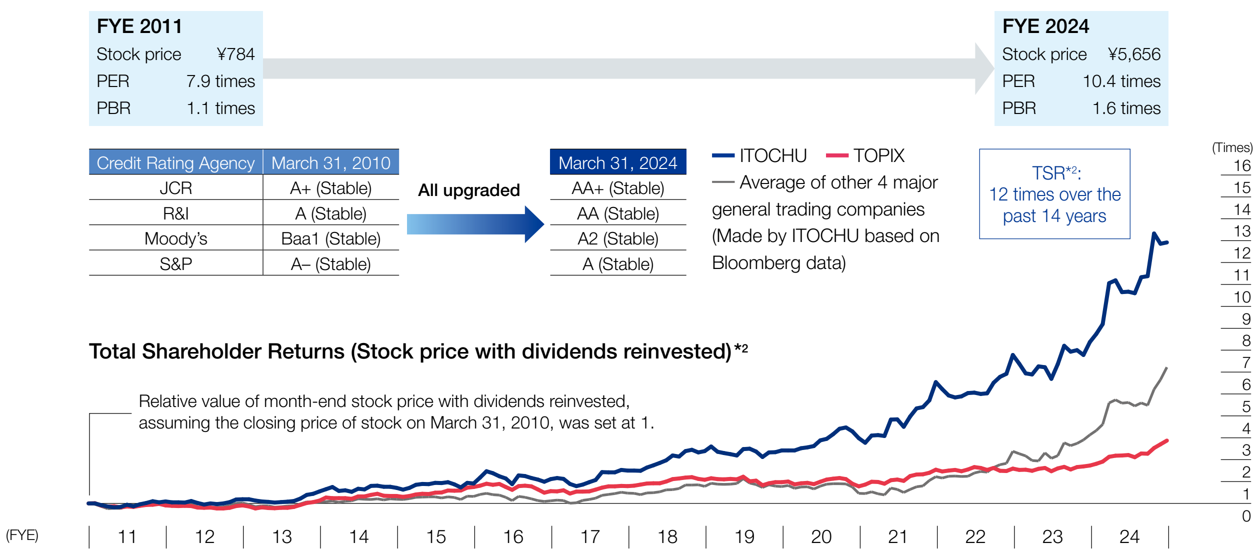
The financial policy we have adhered to over the years has supported the enhancement of our corporate value. I am committed to unwaveringly continue our financial and capital strategies, firmly balancing the three factors in my tenth year as CFO.

Enhancement of Corporate Value and the Role of CFO

In the long-term dividend policy mentioned earlier, the theoretically derived profit level based on "the higher of 30% dividend payout ratio or a dividend of ¥200 per share" is ¥960.0 billion. While we have not specified the timeline for achieving this, the target is set with the belief that it can be reached in the near future. The long-term Management Policy outlines a path toward sustainable corporate value enhancement, incorporating various financial logic, including growth rates, shareholder returns, and high ROE. Management requires both change and consistency, and the same applies to financial and capital strategies. My role as CFO is to diligently promote both aspects and deliver results. This commitment remains unchanged as I enter my tenth year in the position. I am determined to continue steadily realizing sustainable corporate value enhancement.

Stock Price / PER / PBR / TSR*2

Stock price: Annual average of daily trading value
PER: Daily average of (Stock price x Number of issued shares excluding treasury stock / Forecast of consolidated net profit, announced by ITOCHU)
PBR: Daily average of (Stock price x Number of issued shares excluding treasury stock / Most-recent results of shareholders' equity)



TSR*2 as of March 31, 2024

Ownership Period	1 year	2 years	3 years	4 years	5 years	10 years
ITOCHU	54.4%	66.0% (28.8%)	97.5% (25.5%)	224.9% (34.3%)	277.5% (30.4%)	653.6% (22.4%)
TOPIX	41.4%	49.5% (22.3%)	52.5% (15.1%)	117.1% (21.4%)	96.3% (14.4%)	188.6% (11.2%)
Average of other 4 major general trading companies	77.9%	117.9% (47.6%)	227.7% (48.5%)	394.3% (49.1%)	318.1% (33.1%)	520.7% (20.0%)

*2 Total Shareholder Returns (TSR): Returns on investment assuming that dividends are reinvested. The chart above shows relative value of month-end stock price with dividends reinvested, assuming the closing price of stock on March 31, 2010, was set at 1. The table above indicates returns on investment during each period of holdings preceding from March 31, 2024. (Figures in brackets are rate of returns converted to the annual average by the geometric mean.)