CAGR

(FYE 2011 → FYE 2024)

13%

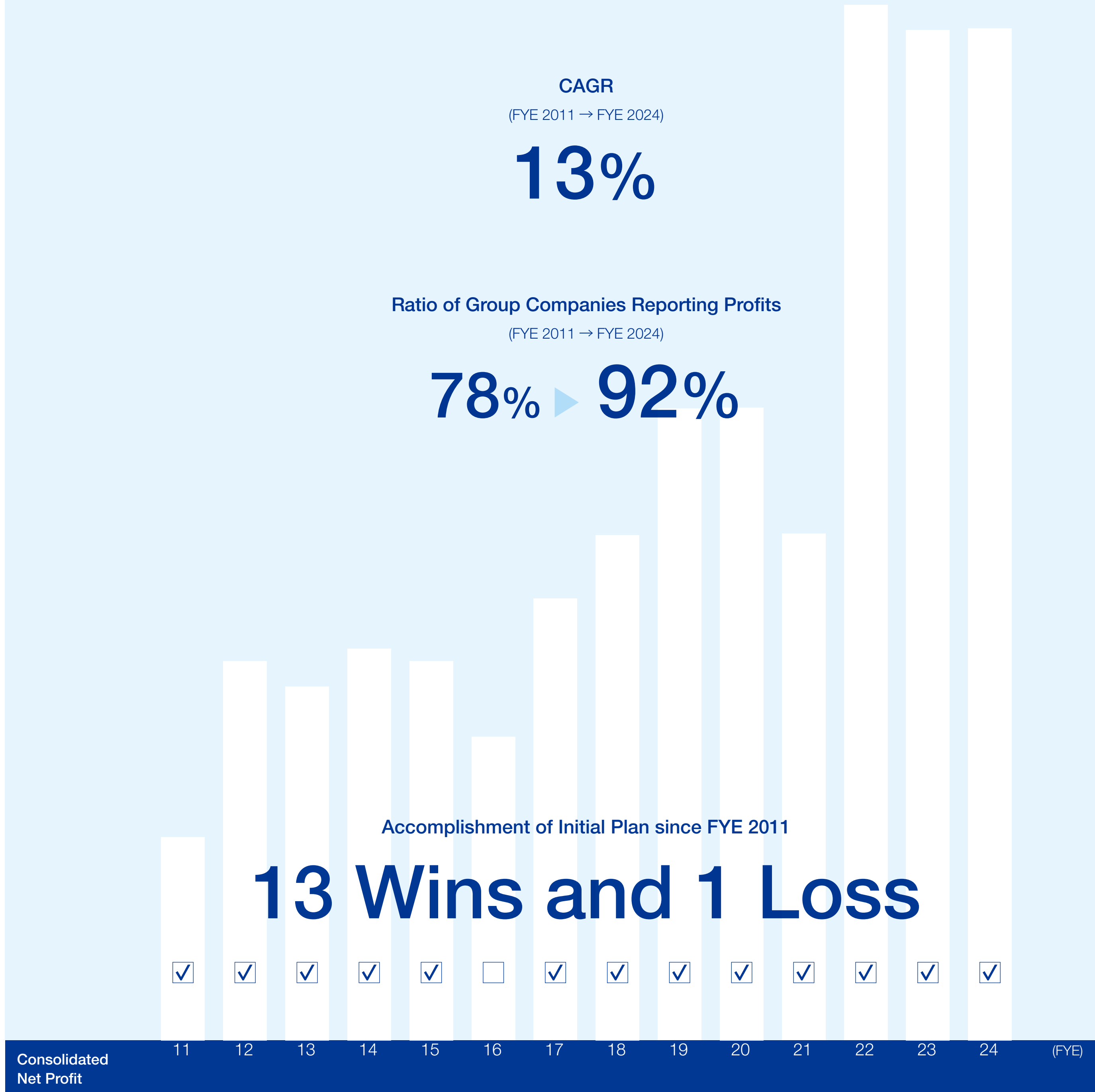
Ratio of Group Companies Reporting Profits

(FYE 2011 → FYE 2024)

78% ▶ 92%

Accomplishment of Initial Plan since FYE 2011

13 Wins and 1 Loss



Since FYE 2011, we have achieved 13 wins and 1 loss in accomplishment of initial plans, steadfastly practicing a commitment-based management where we deliver on our promises. To enhance the credibility of our long-term Management Policy, we believe it is crucial to demonstrate our track record of consistently accumulating profits and achieving targets each fiscal year. In this section, we present our past track record built up and the factors underpinning it. Additionally, we explain how we steer management based on our understanding of the external environment and countermeasures for risks.

SECTION 02

EXPAND CREATED VALUE

CONTENTS

Component of the Corporate Value Calculation Formula focused on in this section

Steady Accumulation of Profits and Achievement of Targets

Expand Created Value ⬆

Enhancement of Corporate Value ⬆ = Lower Cost of Capital ⬇ — Increase Growth Rate ⬆

Driving Force for Sustainable Value Creation (Total capital)

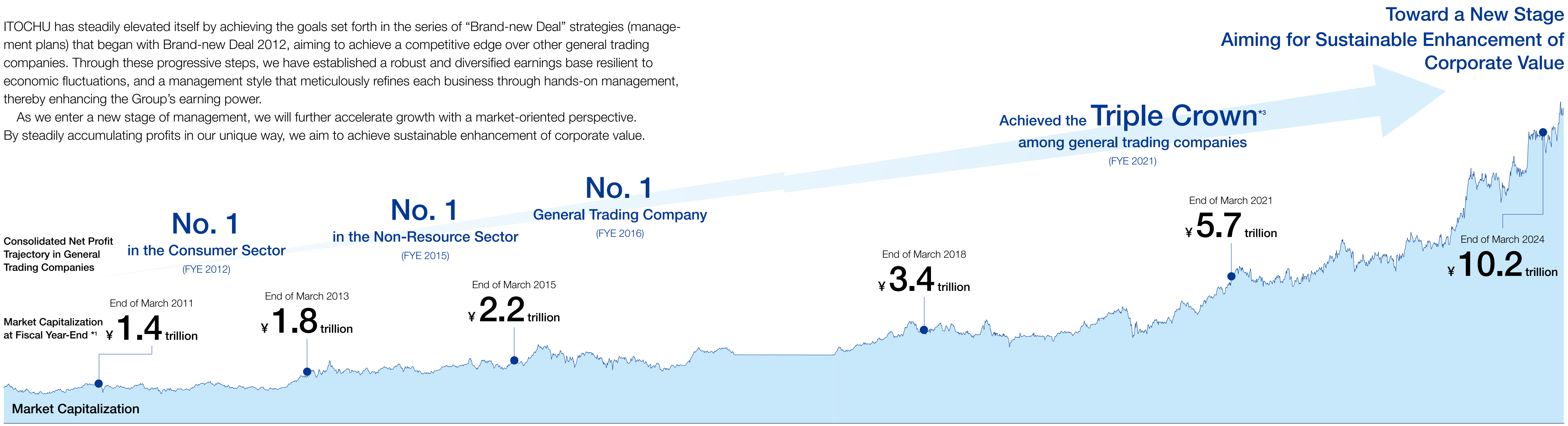
Initiatives and Systems Supporting Sustainable Growth

Steppingstones to Medium- to Long-Term Value Creation

Trajectory of Corporate Value Enhancement (Review of Previous Medium-Term Management Plans)

ITOCHU has steadily elevated itself by achieving the goals set forth in the series of "Brand-new Deal" strategies (management plans) that began with Brand-new Deal 2012, aiming to achieve a competitive edge over other general trading companies. Through these progressive steps, we have established a robust and diversified earnings base resilient to economic fluctuations, and a management style that meticulously refines each business through hands-on management, thereby enhancing the Group's earning power.

As we enter a new stage of management, we will further accelerate growth with a market-oriented perspective. By steadily accumulating profits in our unique way, we aim to achieve sustainable enhancement of corporate value.



Brand-new Deal 2012
(FYE 2012–2013)

"Earn, Cut, Prevent"

Basic Policies

- Strengthen Our Front-Line Capabilities
- Proactively Seek New Opportunities
- Expand Our Scale of Operations

No. 1 in the Consumer Sector

Expanded scale through the accumulation of high-quality assets
Enhanced foundation to harness individual capabilities

- Formulated and implemented the "earn, cut, prevent" principles
- Increased earnings through aggressive new investments
- Strengthened management foundations by reinforcing corporate governance etc.

Major Investments

- Kwik-Fit (Tire retailer in the U.K.)
- Metsä Fibre (Pulp business in Finland)

Total New Investments*2: Approx. ¥970 billion

Total EXIT: Approx. ¥270 billion

Brand-new Deal 2014
(FYE 2014–2015)

"Aiming to be the No. 1 Trading Company in the Non-Resource Sector"

Basic Policies

- Boost Profitability
- Pursue Balanced Growth
- Maintain Financial Discipline and Lean Management

No. 1 in the Non-Resource Sector

Enhanced our strengths through strategic investments in the non-resource sector

- Commenced strategic business alliance and capital participation with CITIC and CP Group
- Reformed work styles by introducing the Morning-Focused Working System etc.

Major Investments

- Dole
- Jimblebar (Iron ore project in western Australia)
- C.P. Pokphand Co. Ltd.

Total New Investments*2: Approx. ¥880 billion

Total EXIT: Approx. ¥270 billion

Brand-new Deal 2017
(FYE 2016–2018)

"Challenge"
"Engaging All Employees to Lead a New Era for the *Sogo Shosha*"
"Infinite Missions Transcending Growth"

Basic Policies

- Strengthen Our Financial Position
- Build Solid Earnings Base to Generate ¥400.0 Billion Level Consolidated Net Profit

Established a Robust Business Foundation in the China and Asia Markets

- Built an earnings base for consolidated net profit of ¥400.0 billion
- Received Moody's A rating for the first time in roughly 20 years
- Entrenched work-style reforms and increased the Outside Directors' ratio to at least one-third etc.

Major Investments

- CITIC

Total New Investments*2: Approx. ¥1,455 billion

Total EXIT: Approx. ¥485 billion

Brand-new Deal 2020
(FYE 2019–2020)

ITOCHU: INFINITE MISSIONS: INNOVATION
"Evolution to Next-Generation Growth Models"
+
"Medium- to Long-Term Shareholder Return Policy (October 2018)"

Basic Policies

- Reinvention of Business
- Smart Management
- No. 1 Health Management

\+

FYE 2021 Management Plan
(FYE 2021)

Single-year plan reflecting the COVID-19 pandemic

Basic Policies

- Thoroughly instilling the "earn, cut, prevent" principles as the core of our business

Achieved Triple Crown

Enhanced value throughout the consumer-related value chain

- Established a foothold for consolidated net profit of ¥500.0 billion
- Established The 8th Company
- Revised the Group corporate mission
- Became the first general trading company to be included in all ESG-related investment indices adopted by the Government Pension Investment Fund (GPIF) etc.

Major Investments

- FamilyMart conversion into consolidated subsidiary, followed by privatization
- DESCENTE LTD. additional acquisition

Total New Investments*2: Approx. ¥1,820 billion

Total EXIT: Approx. ¥755 billion

Brand-new Deal 2023
(FYE 2022–2024)

Basic Policies

- Realizing business transformation by shifting to a market-oriented perspective
- Enhancing our contribution to and engagement with the SDGs through business activities

Downstream-driven transformation of the entire value chain with a market-oriented perspective

- Established consolidated net profit stage of ¥800.0 billion
- Upgraded by Moody's, etc.
- Established the Women's Advancement Committee and evolved unique work-style reform measures etc.

Major Investments

- Hitachi Construction Machinery Co., Ltd.
- AMMC (Iron ore project in Canada)
- CTC privatization
- DAIKEN CORPORATION privatization

Total New Investments*2: Approx. ¥1,679 billion

Total EXIT: Approx. ¥719 billion

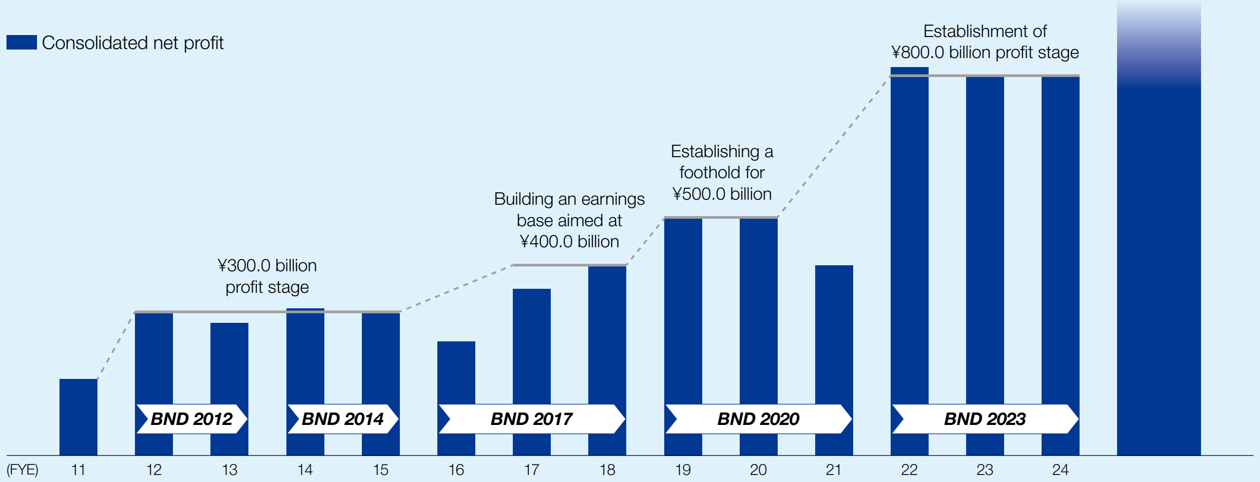
External Environment Management Issues, etc.

- Uncertain outlook due to slumping resource prices
- Temporary deterioration in financial indicators due to an investment in CITIC
- Concerns over obsolescence of existing businesses with the advancement of technology
- COVID-19 pandemic
- Uncertainty due to geopolitical risks and the diversification of consumer needs

*1 Including treasury stock *2 Payments and collections for substantive investment and capital expenditure *3 Market capitalization, stock price, and consolidated net profit

Track Record of Profit Growth under "Brand-new Deal" Strategies

Under the series of "Brand-new Deal" strategies (management plans) that started with Brand-new Deal 2012, we have achieved steady, upward growth despite various environmental changes. This profit growth has been supported by high growth rates realized in each segment and the steady accumulation of Group company profits, bolstered by a high ratio of profitable companies through the thorough implementation of the "earn, cut, prevent" principles.

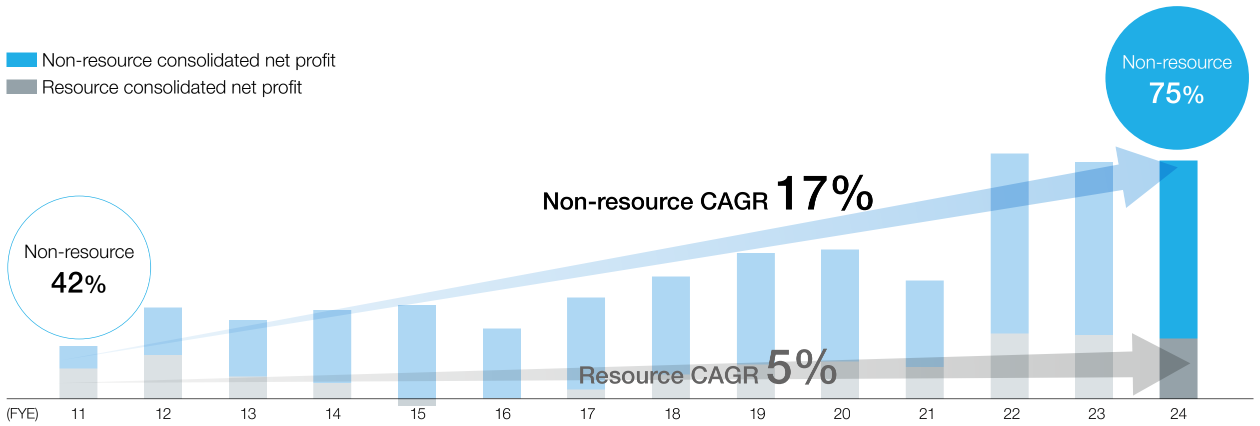


Point 1 CAGR: 13%

Rather than concentrating management resources in specific areas, we adopt a management approach that provides growth investment opportunities across all segments, while carefully turning around underperforming businesses.
By improving underperforming businesses and enhancing well-performing ones, we raise the Company's overall average. This approach fosters a foundation for many profitable businesses to grow across all segments. The compound annual growth rate (CAGR) of our consolidated net profit from FYE 2011 to FYE 2024 is 13%. While the strong profitability in the resource sector has provided solid support, we have achieved a high CAGR of 17% in the non-resource sector, steadily building a diversified and robust earnings base with high resilience to economic fluctuations.

CAGR of Consolidated Net Profit for Each Segment (FYE 2011 to FYE 2024)

Textile 4%	Machinery 22%	Metals & Minerals 6%	Energy & Chemicals 16%
Food 10%	General Products & Realty 13%	ICT & Financial Business* 14%	The 8th 18%

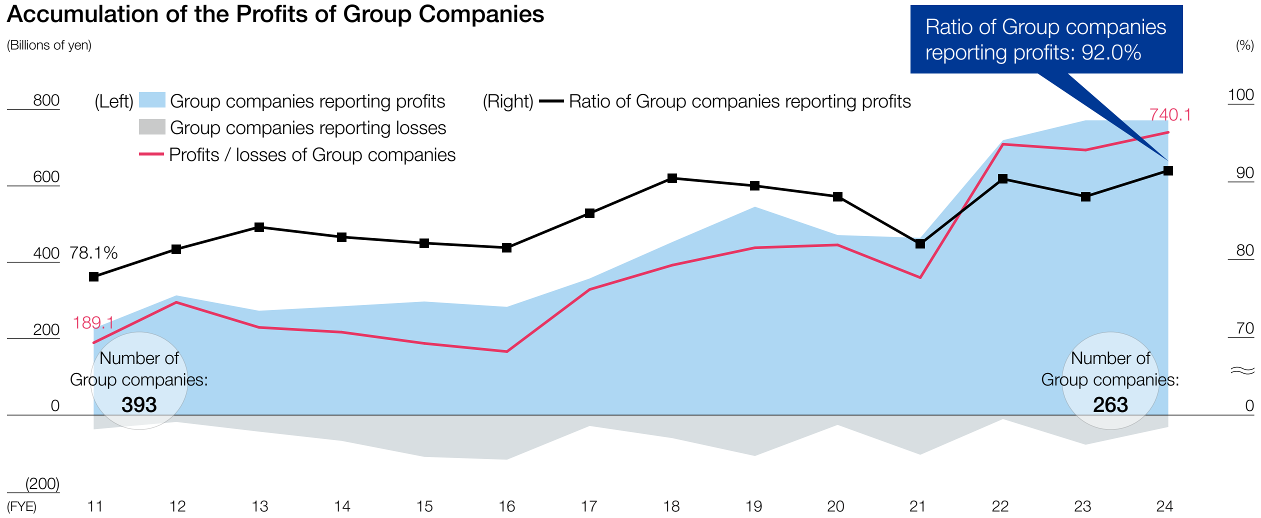


* Since FYE 2011 reported loss due to the impairment loss on Orient Corporation, etc., CAGR is shown from FYE 2012 onwards.

Point 2 Profitable Group companies: Over 90%

The profit growth of the Group is supported by the earnings base of Group companies. By thoroughly implementing hands-on management across all Group companies and strengthening monitoring from the headquarters through various reviews and effective asset replacement, we have achieved a record-high 92% ratio of Group companies reporting profits in FYE 2024. While the number of Group companies in FYE 2024 is about 70% of that in FYE 2011, the profits and losses of Group companies have reached approximately ¥740 billion, steadily realizing high Group profitability.

Accumulation of the Profits of Group Companies



The enhancement of profitability in each Group company supports the overall accumulation of Group profits. Through rigorous management efforts, including the thorough implementation of the "earn, cut, prevent" principles, each Group company has steadily achieved profit growth. As a result, the profit scale per company has expanded approximately sixfold from FYE 2011 to FYE 2024, significantly contributing to the establishment of our earnings base.

Trend of Profits / Losses from Major Group Companies

	BND 2012	BND 2014	BND 2017	BND 2020	BND 2023
(Billions of yen)	FYE 2011	FYE 2015	FYE 2018	FYE 2021	FYE 2024
DESCENTE	Non-disclosed	Non-disclosed	1.4	1.6	5.3
Tokyo Century	4.0	9.1	12.5	13.5	23.4
YANASE	Non-disclosed	Non-disclosed	3.7	4.6	12.8
ITOCHU Minerals & Energy of Australia	80.1	42.3	62.3	90.6	166.9
Marubeni-Itochu Steel	6.8	12.8	9.2	8.7	40.1
ITOCHU ENEX	2.2	2.8	6.0	6.6	7.4
ITOCHU CHEMICAL FRONTIER	2.0	3.1	3.7	4.7	8.2
NIPPON ACCESS	6.5	8.6	9.8	7.1	21.0
ITOCHU LOGISTICS	0.7	1.9	2.7	3.0	6.1
DAIKEN	0.2	0.7	1.6	2.0	5.2
CTC	6.3	10.2	13.6	17.8	37.6
FamilyMart	4.0	8.1	11.8	(16.7)	41.8
Orchid Alliance Holdings	—	—	67.9	72.5	98.3

Business Results for FYE 2024 / FYE 2025 Management Plan

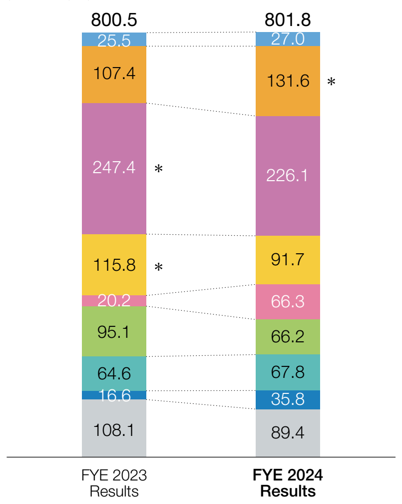
In FYE 2024, the final year of our previous medium-term management plan Brand-new Deal 2023, we established a profit stage of ¥800.0 billion in preparation for the next phase of growth. In the FYE 2025 management plan, we outline record-high investment of up to ¥1 trillion and project profit growth of approximately 10%.

Business Results

(Billions of yen)	FYE 2023 Results	FYE 2024 Results	Increase / Decrease
Consolidated net profit	800.5	801.8	+1.3
Extraordinary gains and losses	13.0	13.0	–
Core profit	Approx. 787.5	* Approx. 789.0	Approx. +1.5
Non-resource	587.8	603.5	+15.7
Resource	215.6	204.6	(11.0)
Others	(2.8)	(6.2)	(3.4)
Non-resource	73%	75%	+2%
Profits / losses of Group companies	693.7	740.1	+46.3
Ratio of Group companies reporting profits	88.6%	* 92.0%	Increased 3.5pt
EPS	¥546.10	* ¥553.00	+¥6.90

* Record high

Consolidated Net Profit by Segment



Textile / Machinery / Metals & Minerals / Energy & Chemicals / Food / General Products & Realty / ICT & Financial Business / The 8th / Others, Adjustments & Eliminations

Cash Flows

Cash Flows

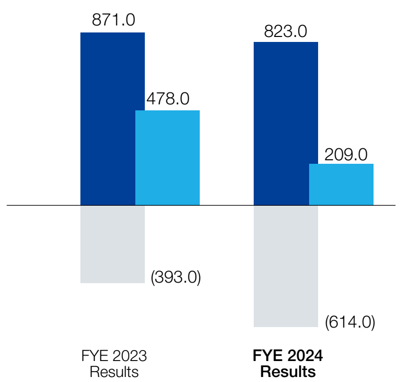
(Billions of yen)	FYE 2023 Results	FYE 2024 Results
Cash flows from operating activities	938.1	* 978.1
Cash flows from investing activities	(453.8)	(206.0)
Free cash flows	*484.3*	*772.1*
Cash flows from financing activities	(500.1)	(801.2)

Core Free Cash Flows

(Billions of yen)	FYE 2023 Results	FYE 2024 Results
Core operating cash flows*1	* 871.0	823.0
Net investment cash flows*2	(393.0)	(614.0)
Core free cash flows	478.0	209.0

*1 "Cash flows from operating activities" – "Changes in working capital" + "Repayment of lease liabilities, etc."
*2 Payments and collections for substantive investment and capital expenditure "Investment cash flows" + "Equity transactions with non-controlling interests" – "Changes in loan receivables," etc.
* Record high

Core Free Cash Flows



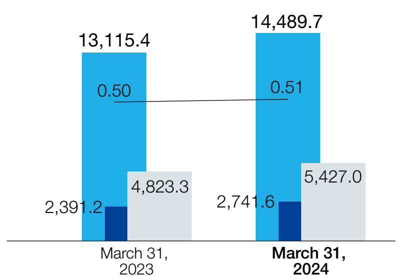
Core free cash flows / Core operating cash flows*1 / Net investment cash flows*2

Financial Position

(Billions of yen)	March 31, 2023	March 31, 2024	Increase / Decrease
Total assets	13,115.4	* 14,489.7	+1,374.3
Net interest-bearing debt	2,391.2	2,741.6	+350.4
Total shareholders' equity	4,823.3	* 5,427.0	+603.7
Ratio of shareholders' equity to total assets	36.8%	* 37.5%	Increased 0.7pt
NET DER	* 0.50 times	0.51 times	Increased 0.01
ROE	17.7%	15.6%	Decreased 2.1pt

* Record high as of the end of the fiscal year (NET DER: Best record)

Financial Position



Total assets / Net interest-bearing debt / Total shareholders' equity / — NET DER (Times)

FYE 2025 Management Plan

Profit Plan

Consolidated net profit
¥880.0 billion

ROE
16%

Shareholder Returns

Total payout ratio
Aiming at **50%**

Dividends
The higher of **30%** payout ratio or dividend **¥200** per share

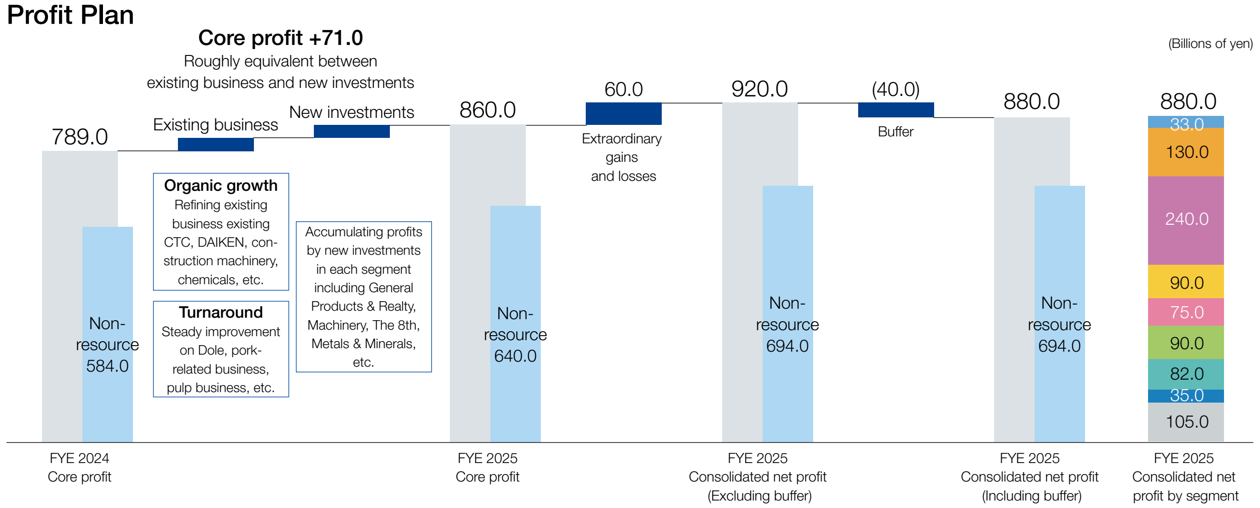
Share buybacks
Approx. ¥150.0 billion

Growth Investments

Maximum **¥1 trillion**
Core operating cash flows after deducting shareholder returns in FYE 2025
+ Surplus capital in the previous medium-term management plan

NET DER
Less than 0.6 times

Profit Plan

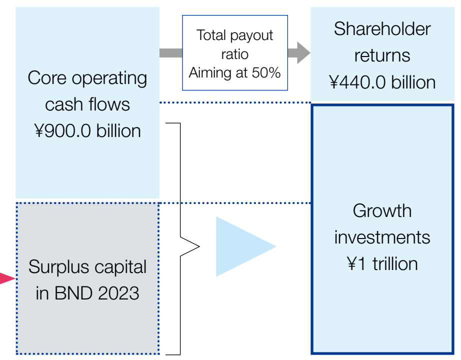


Cash Allocation / NET DER

(Billions of yen)	BND 2017 Total	BND 2020 Total*4	BND 2023 Total
Core operating cash flows*3	1,255.0	1,691.0	2,484.0
Net investment cash flows	(970.0)	(1,065.0)	(960.0)
*Proportion**5	*77%*	*63%*	*39%*
Shareholder returns	(318.5)	(528.9)	(818.9)
*Proportion**5	*25%*	*31%*	*33%*
Core free cash flows after deducting shareholder returns	(33.5)	+97.0	+705.0
NET DER (Times)*6	0.87	0.78	0.51

*3 "Cash flows from operating activities" – "Changes in working capital" + "Repayment of lease liabilities, etc."
*4 BND 2020 includes the FYE 2021 management plan.
*5 The proportion of core operating cash flows.
*6 NET DER are the figures of the final fiscal year.

FYE 2025 Image



Assumptions

	FYE 2023 Results	FYE 2024 Results	FYE 2025 Plan	(Reference) Sensitivities on consolidated net profit for FYE 2025
Exchange rate (Yen/US$ Average)	134.48	144.59	145	Approx. ±¥3.5 billion*7
Exchange rate (Yen/US$ Closing)	133.53	151.41	140	–
Interest rate (%) TIBOR 3M (¥)	0.07%	0.08%	0.4%	–*8
Interest rate (%) LIBOR 3M (US$)*9	3.52%	–	–	–
Interest rate (%) SOFR 3M (US$)*9	–	5.30%	5.0%	–*8
Crude oil (Brent) (US$/BBL)	95.07	82.08	80	±¥0.27 billion*10
Iron ore (CFR China) (US$/ton)	117*11	119*11	N.A.*12	±¥1.60 billion*10

*7 The impact in case the average exchange rate during FYE 2025 depreciated (increased)/appreciated (decreased) is shown.
*8 It is assumed that the increase/decrease in interest income/expense will be offset by the impact of interest rate fluctuation on the transaction prices. However, in the situation that interest rate fluctuates significantly, interest cost may have temporary impact on the Company's performance.
*9 Due to the cessation of LIBOR publication in June 2023, the US$ benchmark interest rate has been changed to Term SOFR.
*10 The above sensitivities vary according to changes in sales volume, foreign exchange rates, production cost, etc.
*11 FYE 2023 and FYE 2024 prices for iron ore are prices that ITOCHU regards as general transaction prices based on the market.
*12 The prices of iron ore used in the FYE 2025 Plan are assumptions made in consideration of general transaction prices based on the market. The actual prices are not presented, as they are subject to negotiation with individual customers and vary by ore type.

CSO INTERVIEW

Kenji Seto

Member of the Board,
Executive Officer, CSO

We will aim for stable, sustainable profit growth by accelerating growth investments in areas where we can leverage ITOCHU's strengths, without being limited to any specific field, while swiftly and thoroughly assessing changes in the global business environment.

I was recently appointed Chief Strategy Officer (CSO).

Since joining the Company around four decades ago, I have worked in metal and resource-related businesses in the current Metals & Minerals Company, mainly iron ore, coal, non-ferrous metals, and steel products. In cyclical, long-lived resource businesses, we need to be attentive to what is taking place on the front lines, while assessing international conditions and economic trends from a macro perspective. I have engaged in trade and business investments with a constant focus on staying one step ahead. Leveraging the insights I have cultivated, I intend to steadily formulate and execute strategies while scrutinizing changes in the external environment and responding both swiftly and flexibly.

Please tell us about the current business environment surrounding ITOCHU and the management plan for FYE 2025.

We will maintain a high growth rate by growing existing businesses and gaining profit contributions from new investments, while carefully assessing changes in the external environment.

In April 2024, the International Monetary Fund revised the global economic growth forecast for the year upwards to 3.2%, and the July outlook maintained this same level. We also anticipate the resilience of the U.S. economy and the Chinese government's fiscal support underpinning the Chinese economy. However, concerns remain, including persistent inflationary pressures and the effects of prolonged monetary tightening, particularly in Europe and the United States, as well as rising tensions in the Middle East. In Japan, high costs for raw materials and other items eased, but concerns remain for a further rise in prices due to rising crude oil prices and effects from yen depreciation. However, we expect a modest recovery in consumer sentiment as the effects of higher wages gradually emerge. Although yen depreciation is beneficial in the short term for general trading companies as profits from overseas businesses are expected to increase, we believe that in the medium to long term, it will lead to cost-push inflation due to the rising prices of energy and food, given Japan's low self-sufficiency rates, resulting in negative impacts on Japan overall.

Regarding China, the real GDP growth target for 2024 was set at around 5% during the National People's Congress held in March 2024. That's on par with 2023, but there are concerns about uncertainty for employment and income amid the collapse in the real estate market, the cooling consumer sentiment, and stagnation of domestic demand. The Chinese government has implemented economic stimulation measures through the expansion of infrastructure investment, and the economic impact of these measures is anticipated. (▶Page 44 PEST Analysis (Macroenvironmental Factors))

Amid such a business environment, we set a record-high consolidated net profit of ¥880.0 billion in the FYE 2025 management plan, up around 10% from ¥801.8 billion in FYE 2024. We are assuming the continuation of a strong dollar and a weak yen, and realistic resource prices based on the conditions at the time the plan was formulated. We also expect core profit excluding extraordinary gains and losses to reach a record high of ¥860.0 billion, and we will steadily achieve our plan through growth in existing businesses and profit contributions from new investments. Regarding growth investments, we plan to invest up to ¥1.0 trillion in FYE 2025, and to show that we are serious about aiming for high profit growth centered on investment.
(▶Page 40 Business Results for FYE 2024 / FYE 2025 Management Plan)

In accelerating growth investments, are there any particular sectors or regions ITOCHU is focusing on?

We will continue promoting high-quality growth investments where we can leverage our strengths, without limiting ourselves to specific sectors and with a broad focus on various regions.

ITOCHU's strategy is to not concentrate its investments in specific sectors. Every business in upstream, midstream, and downstream has its own strengths, and we believe there is still room to grow by leveraging these strengths to add value to our businesses through a market-oriented perspective. Regarding regions, there are many growth opportunities not only in Japan, where we have strength in the consumer-related business, but also overseas, particularly in North America and Asia. For example, even if the investment target is a Japanese company such as Hitachi Construction Machinery Co., Ltd., we can capture higher growth rates abroad that surpass those in Japan by jointly advancing new overseas expansions. While competition over Japanese domestic projects is heating up due to increasing interest from overseas and the depreciation of the yen leads to higher investment amounts for overseas projects, we will carefully assess each project, understand the various trends in the external environment, and actively pursue investments that contribute to our Company's growth.

Please tell us about your Clean-Tech Business.

We will build up businesses that contribute to reducing GHG emissions as part of our primary operations.

When we announced the previous medium-term management plan, we also disclosed targets aiming to achieve offset zero by 2040, and net zero by 2050 for GHG emissions from Scope 1, 2, and 3 sources and all fossil fuel businesses and interests. We will continue to pursue these initiatives with a medium- to long-term perspective, believing that it is important to steadily work on reducing GHG emissions while also gradually accumulating avoided emissions. (▶Page 72 Approach to Climate Change and Related Initiatives)

Our initiatives toward accumulating avoided emissions include participation in the green hydrogen value chain; carbon dioxide capture, utilization, and storage (CCUS) efforts; developing and owning ammonia-fueled ships; renewable energy businesses (including wind and solar power); and businesses related to energy storage systems. However, none of these can be achieved by ITOCHU alone and we need to work together with many partners. For example, the steel industry is facing the issue of reducing GHG emissions from steel production. However, they can achieve significant reductions by using high-grade iron ore produced from iron ore projects in which we have invested and are employing the direct reduction method with natural gas or hydrogen. We identified these kinds of customer needs and in collaboration with JFE Steel Corporation and the largest steel manufacturer in the United Arab Emirates, Emirates Steel Arkan, we are working to build a supply chain for low-carbon direct reduced iron, promoting decarbonization in the steel industry. Furthermore, in Europe, which is leading the hydrogen society, we have, together with a subsidiary of Osaka Gas Co., Ltd., invested in Everfuel A/S, a Danish company engaged in the production and distribution of green hydrogen, and have thus fully embarked on the hydrogen business. These initiatives are in line with the concept of "Profit opportunities are shifting downstream," as outlined in the Management Policy. Going forward, we will continue to expand business while meeting social demands from ITOCHU's unique market-oriented perspective. (▶Page 63 Clean-Tech Business with Swift and Steady Execution)

PEST Analysis (Macroenvironmental Factors)

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 environmental and social risks—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.

	Macroenvironmental Factors	Opportunities (Items with significant impact are highlighted in blue)	Risks (Items with significant impact are highlighted in red)	Impact Levels over Various Timeframes: Short-term	Medium-term	Long-term	(Reference) Related Business Risks (▶Page 46 Countermeasures for Business Risks)
P Political/Legal	Political Trends • Retreat of liberalism and democracy (political instability, inequality issues, etc.) • Intensification of conflict between different political systems (democracy vs. authoritarianism) • Geopolitical risks (Russia, East China Sea, South China Sea, Middle East, North Korea, etc.)	• Increase in business opportunities of consumer-related businesses influenced by the prioritization of consideration for citizens' lives • Expansion of general trading company functions due to the restructuring of supply chains and the increasing difficulty in procuring food, energy, and mineral resources • Increases in prices of related items accompanying decreases in production and supply volumes	**• Unpredictable policy changes and headwinds for the growth of profit** **• Deterioration of the global economy; decline in trade volume; tightening of export and investment restrictions; tariff increase** **• Supply disruptions, economic stagnation, and financial market turmoil due to terrorism and armed conflicts**				• Market Risk • Country Risk • Risks Associated with Fund-raising • Risks Associated with Taxes • Risks Associated with Laws and Regulations • Risks Associated with the Environment and Society
	Economic Policy Trends • Shifting from inflation control to prioritizing economic growth • Normalization of fiscal and monetary policies	**• Recovery of the economic growth rate** • Accelerated deregulation and society's expectations of the private sector with respect to economic growth, etc.	• Reacceleration of inflation due to economic overheating **• Higher interest rates in Japan; yen appreciation against the dollar; increase in tax burdens**				
	Changes in the Tax Code and Regulations • Trade talks, agreements, and de-risking (TPP, RCEP, IPEF, etc., economic security) • Regulations to curb GHG emissions (Paris Agreement, etc.) • International tax trends (BEPS countermeasures, environmental taxes, corporate tax rate hikes) • Tighter regulations in the digital technology field (competitive environment, information management, handling of personal data, etc.)	**• Increase in trade volume and generation of new business channels** **• Expansion of renewable energy markets (wind, solar, hydrogen, ammonia, etc.)** **• Generation of new business channels through introduction of new taxes** **• End of data monopolies held by existing platformers and increase in availability of open data**	• Disappearance of existing transactions • Shrinking of fossil fuel markets (coal, crude oil) • Shrinking of existing transactions and increase in tax burden • Increase in regulatory response costs and reputational decline or damage				
E Economical	Macroeconomic Environment (Developed Countries, Emerging Countries)	**The emergence of new demand driven by economic recovery in developed countries; increased consumer spending as the standard of living rises in the Global South; growing demand for infrastructure and food resources as the population grows**	Emergence of non-performing assets due to monetary tightening or reduction of easing measures				• Risks Associated with Macroeconomic Factors and Business Model • Market Risk • Investment Risk • Risks Associated with Impairment Loss on Fixed Assets • Credit Risk • Country Risk • Risks Associated with Fund-raising
	Chinese Economy	**Expansion of business opportunities in sectors benefiting from economic stimulus measures**	**Decreased demand in related sectors due to prolonged adjustment in the real estate market**				
	Exchange Rates and Interest Rates	Reduction in overseas financing costs driven by decreased interest rates as inflation subsides	**• Increase in financing costs in Japan due to rising interest rates** **• Negative impact on domestic consumption in Japan caused by excessive yen depreciation**				
	Asset Prices and Commodity Markets (Stocks, Real Estate, Resource Prices, etc.)	Expansion of trading profits due to increased price volatility	**A sharp decline in asset and commodity prices in specific sectors**				
	Investment Environment (Intensified Competition Due to Increased Players, Industry Restructuring)	**Increase in expected returns as growth rebounds; more investment opportunities in fields and regions of strength**	Excessive swings in project value				
S Social/Cultural	Responding to Climate Change and Environmental Issues	Increase in business opportunities through the transformation of energy supply chains and the transition to a circular economy; potential for acquisition of new customers due to heightening of added value or enhancement of brand value of existing products and services	Decrease in fossil fuel demand; increase in investment costs due to decarbonization and resource recycling; rising electricity prices				• Risks Associated with Significant Lawsuits • Risks Associated with Human Resources • Risks Associated with the Environment and Society • Risks Associated with Natural Disasters
	Cultivating a Workplace Environment	Improvement in labor productivity due to education, utilization of IT tools, and advancement of diversity; increase in flexibility of work systems; improvement in health and motivation; securement of outstanding human resources	Labor shortages due to low birthrate; outflow of personnel; harassment, mental health, and long working hours; increases in health-related costs				
	Respect and Consideration for Human Rights	Business stabilization and recruitment through harmonious coexistence with local communities; enhancement of corporate image through promotion of ethical procurement	Human rights-related project delays and continuity risks (corporate image deterioration, lawsuits and contract cancellations, boycotts, strikes, etc.)				
	Increasing Awareness on Health and Quality of Life	Enhancement of productivity and brand image and lower medical expense burden; increase in demand for products and services compatible with a non-contact society, increase in demand for health promotion and visualization of food safety and security	Decrease in creditworthiness when safety and health issues occur; lower labor productivity; increase in resignation rate; higher medical expense burden				
	Ensuring Stable Procurement and Supply	Increase in demand for rare metals, rare earths, etc.; differentiation through construction of systems for stable procurement and supply provision that reflects consideration for environmental burden and economic security	Increase in additional costs arising from efforts to ensure stable procurement and stable supply of food resources, energy, mineral resources, etc.				
	Strengthening Governance Structure	Rise in corporate value assessment by investors; inflow of investment funds; addition to investment targets; increase in stock prices	Decrease in corporate value assessment by investors; withdrawal of invested funds; exclusion from investment targets; decline in stock price				
T Technological	Changes in Business Models Caused by Technological Innovation	Creation and provision of innovative services and new business models; improve productivity and optimize overall supply chain through use of new technology	Obsolescence and extinction of existing business models due to proliferation of new technologies; leaks of internal data due to cyberattacks; confusion due to false information; increase in costs related to digital transformation				• Risks Associated with Information Systems and Information Security

Impact High ... Low

Countermeasures for Business Risks

Due to the diverse and extensive nature of its businesses, the ITOCHU Group is exposed to a wide range of risks, including complex market-related risk, credit risk, and investment risk. As uncertainties that are highly difficult to predict are inherent in our businesses, they may have significant effects on the Group's future financial position and business performance. Recognizing risk control as an important management issue, we have established basic policies for risk management and have developed the necessary risk control systems and methods to address these risks.

Risk Factors	
(1) Risks Associated with Macroeconomic Factors and Business Model	(▶Page 44)
(2) Market Risk	(▶Page 44)
a) Foreign Exchange Rate Risk	
b) Interest Rate Risk	
c) Commodity Price Risk	
d) Stock Price Risk	
(3) Investment Risk	(▶Page 66)
(4) Risks Associated with Impairment Loss on Fixed Assets	
(5) Credit Risk	
(6) Country Risk	

Risk Factors	
(7) Risks Associated with Fund-raising	(▶Page 30)
(8) Risks Associated with Taxes	
(9) Risks Associated with Significant Lawsuits	
(10) Risks Associated with Laws and Regulations	
(11) Risks Associated with Human Resources	(▶Page 78)
(12) Risks Associated with the Environment and Society	(▶Page 70)
(13) Risks Associated with Natural Disasters	
(14) Risks Associated with Information Systems and Information Security	

For details, please refer to "Risk Information" in the Financial Information Report.
https://www.itochu.co.jp/en/files/FIR2024E.pdf

Country Risk

Please refer to ITOCHU's website for exposure by major countries as of the end of March 2024.
https://www.itochu.co.jp/en/ir/financial_statements/2024/

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 investees or remittance 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.

China-Related Business

As of the end of March 2024, our exposure to China stands at ¥1,515.9 billion. A significant portion of this is attributed to our investment in CITIC. Our China-related business profits comprise three types of businesses: investment in CITIC, iron ore trading to China, and other trade and business investments.

The performance of CITIC, a Chinese state-owned conglomerate, has remained steady, primarily driven by CITIC Bank, under the Chinese government's policy of strengthening state-owned enterprises. The financial services sector, which is CITIC's core business, contributes approximately 80–90% of CITIC's overall profits. Within this sector, CITIC Bank has been a key contributor, achieving nine consecutive years of profit growth since our investment in CITIC in 2015. Despite the ongoing downturn in the real estate market, the non-performing loan ratio has gradually improved, and the balance of loans to real estate corporations has been decreasing. We believe that risk management is being appropriately conducted by leveraging the relationship with the Chinese government. In our consolidated financial closing process, we calculate the recoverable amount of our investment in CITIC every quarter, considering the stock price level of CITIC, and confirm that it exceeds the book value. When estimating future cash flows, we consider the profitability based on the growth outlook of the Chinese economy and the impact of regulations on the Chinese financial sector.

Our iron ore trading to China, which began in the 1960s, is driven by projects with overwhelming cost advantages. Currently, along with the real estate market downturn, domestic demand in China, particularly consumer spending, remains weak. We are focused on risk reduction by closely monitoring the supply-demand balance, considering factors such as the Chinese government's economic stimulus measures.

Additionally, other trade and business investments focus primarily on consumer sectors such as textiles and chemicals within China. Excluding the solid profit contributions expected from CITIC and iron ore trading to China, the impact of other China-related businesses on our overall consolidated net profit is extremely limited.

Portfolio Management

As ITOCHU operates businesses across various industries, it is essential to set target levels for asset efficiency that consider the unique characteristics and trends of each sector. To sustain highly efficient management in any business environment, it is crucial not only to incrementally accumulate high-quality business investments but also to steadily improve asset efficiency within each segment. We conduct an annual analysis of key management indicators by Division Company to assess asset efficiency in each segment, analyzing trends over past years and comparing them with benchmark companies. Furthermore, we are discussing measures aimed at improving asset efficiency in the future, including detailed management of assets such as accounts receivable and inventory, and close monitoring of rapid asset increases resulting from accelerated growth investment. These topics are discussed in the DMC*1 of each Division Company and are reported to the ALM*2 Committee, driving more effective initiatives. (▶Page 30 CFO Message)

*1 DMC: Division Company Management Committee
*2 ALM: Asset Liability Management

Analysis of Key Management Indicators

Key Topics

- Analysis of asset efficiency (ROA, etc.) and operating cash flows by segment according to the characteristics of each Division Company
- Countermeasures based on changes in the external environment (geopolitical risks, increases in resource and raw material prices, interest rate increases, and inflation, etc.)
- Issues and improvement measures for low-margin trades and low-efficiency businesses
- Profit growth and profitability improvement strategies, along with measures for enhancing asset efficiency (ROA, etc.) at major Group companies

Segment ROA (FYE 2024 Results, Based on Core Profit)

High ← → Low

Metals & Minerals 17%
Machinery 7%
Textile 6%
ICT & Financial Business 6%
Energy & Chemicals 5%
General Products & Realty 4%
Food 3%
The 8th 2%

(▶Page 100 Performance Trends by Segment)

(Reference) Macroenvironmental Factors Impacting Division Company Performances

	Sensitivity		National Macroeconomy		
	Exchange Rate	Commodity Prices	China	North America	Japan
Textile					
Machinery	US$				
Metals & Minerals	US$ · AU$	Iron ore, Coal, etc.			
Energy & Chemicals	US$	Crude oil, LNG, etc.			
Food		Pork, Feed, etc.			
General Products & Realty	US$	Pulp, etc.			
ICT & Financial Business					
The 8th					
Others, Adjustments & Eliminations	US$	Pork, etc.			

Impact High ← → Low