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.