

***///The Brand-new Deal***

# Integrated Report Briefing

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December 4, 2024

ITOCHU Corporation (8001)



# The Aims of Today's Briefing

< Corporate Value Calculation Formula >

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

- ✓ By engaging in dialogue with shareholders, investors, and analysts about our management strategy and response to challenges, we aim to deepen understanding of our management, leading to the lowering cost of capital and enhancing corporate value.
- ✓ Engaging in broader and closer dialogues by conducting this briefing in a hybrid format, both in-person and online.
- ✓ We will report any issues recognized through these dialogues to management and utilize them in our strategies, as well as reflect them in the planning and production of next year's Integrated Report.

# Theme of Integrated Report 2024

The overall theme of Integrated Report 2024 is aligned with the long-term management policy of “The Brand-new Deal” announced in April this year.

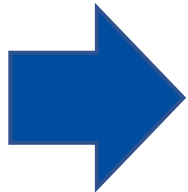
Management Policy – **/// The Brand-new Deal**



– 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.

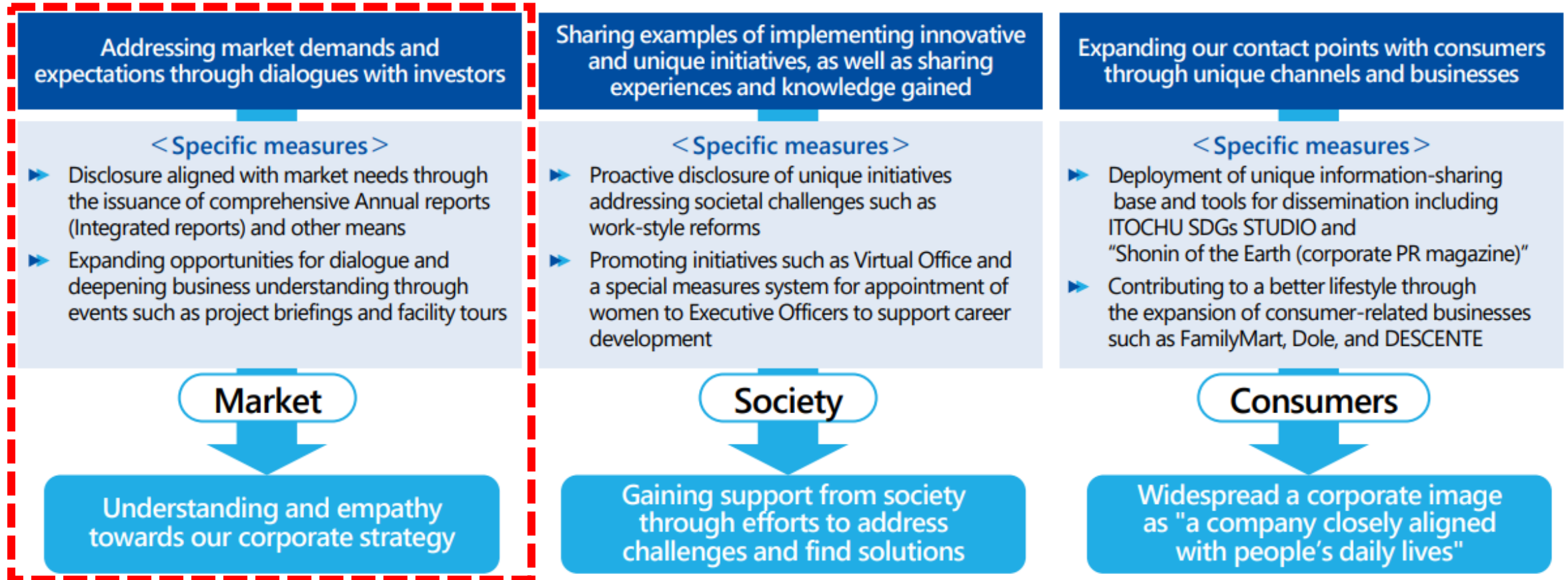
Grow earnings	No growth without investments
Enhancement of corporate brand value	Enhancement in qualitative aspects
Shareholder returns	Total payout ratio 40% or more The higher of 30% dividend payout ratio or dividend ¥200 per share



For more details, please refer to our website.  
<https://www.itochu.co.jp/en/about/plan/index.html>

# Strengthening Dialogue with Stakeholders

Strengthening "Communication" and "Dialogue" through distinctive initiatives and achievements, including through unique channels.



Enhancing brand value through building and accumulating trust from a wide range of stakeholders

# Theme of Integrated Report 2024

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Included key elements to enable our stakeholders, including investors and shareholders, to gain a deeper understanding of the Management Policy.

In particular, we introduce the underlying vision and content embedded in the Management Policy, the financial logic, and efforts aimed at maintaining highly efficient management (high ROE) and accelerating growth investments.

As an overall guide, we organize content to address the expectations and questions from our stakeholders.

## Contents that address the expectations and frequently asked questions from stakeholders

What are the contents of the Management Policy?	→	Page 28	Management Policy: The Brand-new Deal —Profit Opportunities Are Shifting Downstream—
What are the management's intentions, the shareholder return policy, and the financial logic behind the Management Policy?	→	Page 8 Page 14 Page 30	CEO Message COO Message CFO Message
What is the past track record that ensures future growth indicated in the Management Policy, and what has made it possible?	→	Page 36 Page 38	Trajectory of Corporate Value Enhancement Track Record of Profit Growth under "Brand-new Deal" Strategies
What are the current financial results, the analysis of macroeconomic factors, and the current state of China-related business?	→	Page 42 Page 44 Page 46	CSO Interview PEST Analysis (Macroeconomic Factors) Countermeasures for Business Risks
What initiatives are being undertaken to maintain highly efficient management and improve the success rates of investments?	→	Page 47 Page 66	Portfolio Management Business Investment
What are the key points in accelerating growth investments, and examples of businesses developments?	→	Page 50 Page 52 Page 55	CXO Interview Our Business Model, as Seen through Business Development Special Feature: Creating Businesses by Leveraging Our Strengths
What are the unique human resource strategies and sustainability initiatives?	→	Page 70 Page 78	Initiatives to Promote Sustainability Human Resource Strategy to Enhance Corporate Value
What improvements are being made to the governance system?	→	Page 82 Page 86 Page 93	Outside Directors & CAO Roundtable Corporate Governance Messages from Outside Directors



# (1) Management Messages



There is a concept that the Chairman & CEO gives an overview of management strategy, while each officer explains the details of strategies focused on their area of responsibility.

The CEO message serves as a guide to the entire Integrated Report.

# CEO Message



- ✓ CEO's strong commitment to further enhancing corporate value and his deep focus on the stock price and market capitalization, which he regards as the scorecard of a listed company
- ✓ The long-term management compass, the Management Policy, which was formulated with a market-oriented perspective to the stock market
- ✓ The key to business success always lies downstream = "Profit opportunities are shifting downstream"
- ✓ Aiming for growth investments to gain initiative and demonstrate the comprehensive strength of the Group = "No growth without investments"
- ✓ Enhancing corporate brand value by accumulating trust and credibility

# COO Message

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- ✓ Merchants who grow while feeling the joy of the front lines in any era
- ✓ The intention and a sense of crisis embedded in “Profit Opportunities Are Shifting Downstream”
  - Accurately capturing the needs of customers and end consumers
  - Expanding that domain of business with a down stream-driven approach
- ✓ Decarbonization throughout the entire value chain
- ✓ Reaching new heights together as a Group by generating new business with fully commit to a market-oriented perspective



# CFO Message

- ✓ Our steadfast commitment to steady profit growth and high growth rate
- ✓ Maintain highly efficient management through profit growth (a minimum ROE level of 15%)
- ✓ Financial strategies conscious of the matrix of growth rate, shareholder returns, and ROE in the Management Policy, as well as maintaining the financial foundation based on a balance between three factors:  
Growth investments, shareholder returns, and control of interest-bearing debt

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%



# CSO Interview

- ✓ The profit plan for current fiscal year considering the current business environment surrounding the Company
- ✓ Not concentrating investments in specific sectors or regions, promoting growth investments through investing in projects where our strengths can be demonstrated  
→The investment project released within this fiscal year :  
Privatization of DESCENTE,  
new investments in Kawasaki Motors,  
and additional investments in the Brazilian iron ore business, etc.



# CXO Interview

- ✓ The role of the CXO  
(Chief Transformation Officer) :  
Beyond simple operational efficiency, the role is to transform the core mechanisms of business creation
- ✓ The key to accelerating growth investments :  
Adhering to the "Four Lessons for Investments," complementing our functions with a wide range of partners, collaboration between the business and administrative divisions within the Company to refine projects
- ✓ Maximizing synergies through horizontal collaboration and driving business transformation and creation through business integration



# Outside Directors and CAO Roundtable

- ✓ Incorporates insights from actual dialogues held during a small meeting with Outside Directors, investors, and analysts
- ✓ Appointed five female Executive Officers internally for women's advancement and hoping that the initiatives will gradually permeate the Company's culture and collectively create a significant impact
- ✓ The close interaction between Outside Directors and the management talent pool itself contributes to the preparation for succession planning
- ✓ Further growth through mechanisms that generate synergies among Division Companies and leveraging our comprehensive capabilities
- ✓ "*Sampo-yoshi*" and enhancing Corporate Brand Value to become the best company in Japan



Director Nakamori  
(The chair of the Women's  
Advancement Committee)

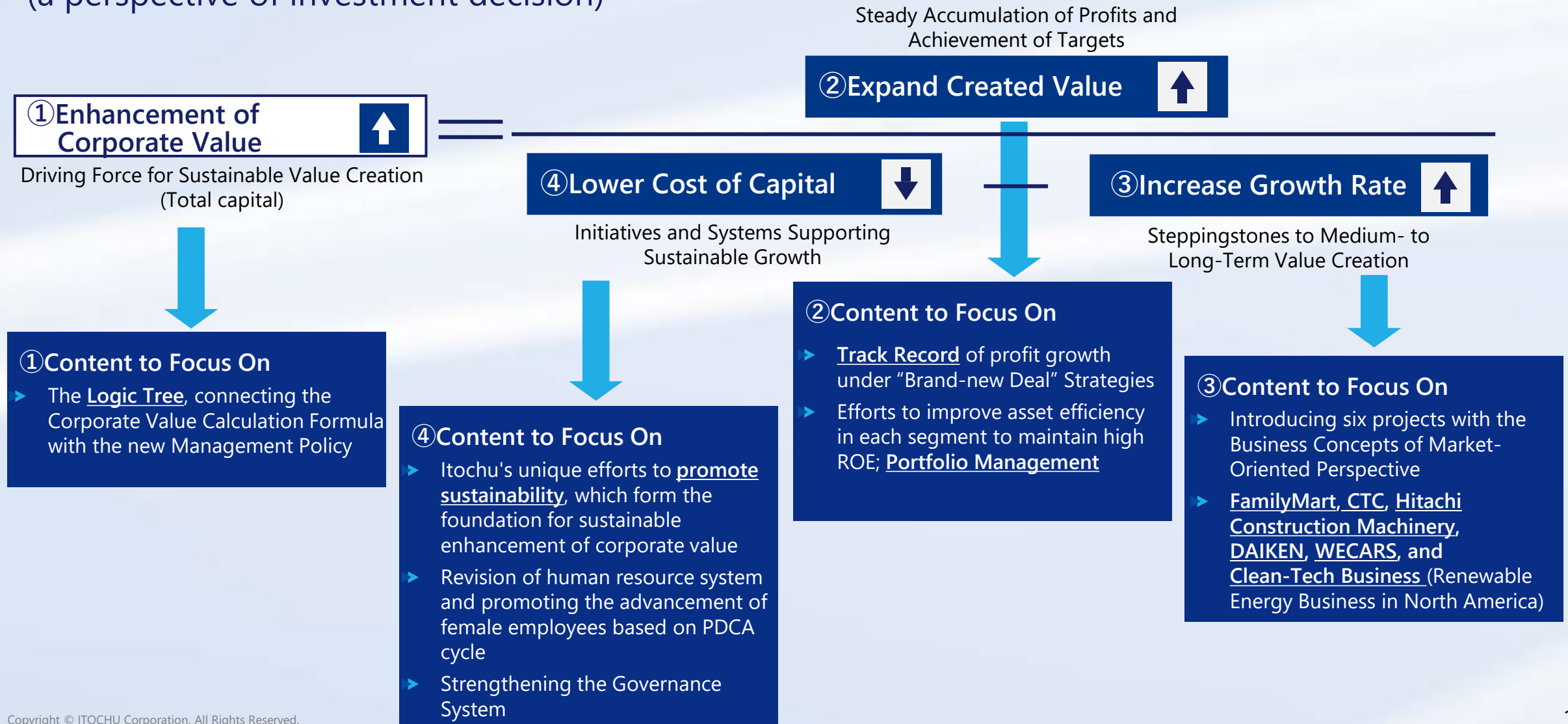
CAO Kobayashi

Director Ishizuka  
(The chair of the Governance, Nomination,  
and Remuneration Committee)



## ( 2 ) Newly created contents with Corporate Value Calculation Formula

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





# The Logic Tree, connecting the Corporate Value Calculation Formula with the new Management Policy

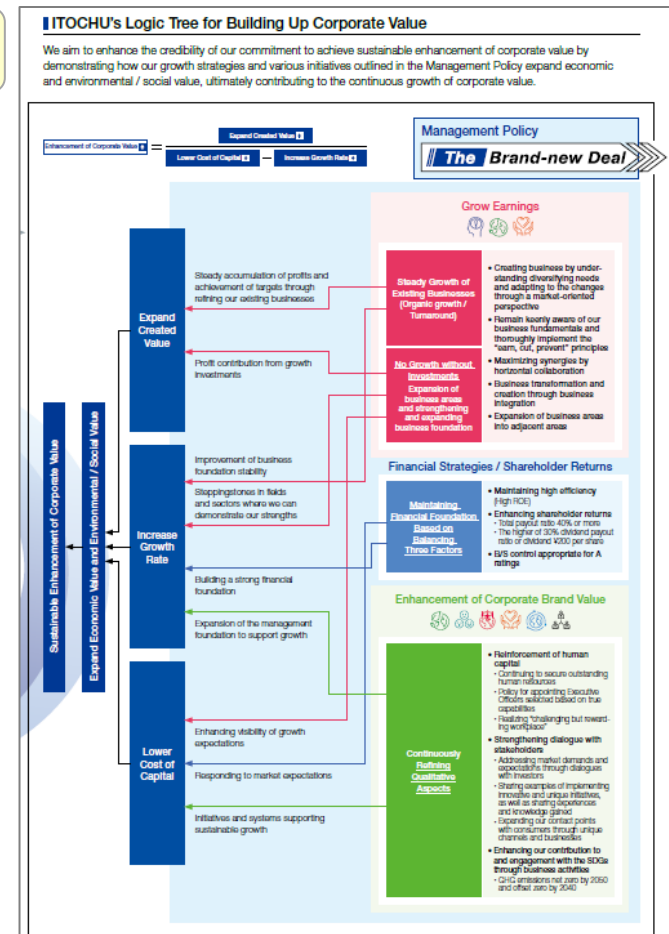
We are breaking down and linking the Corporate Value Calculation Formula that have been consistently used in our Integrated Report and Management Policy. This involves organizing how each initiative under the Management Policy is intended to contribute to enhancing corporate value.

Elements of  
**Corporate Value Calculation Formula**  
consistently used in Integrated Report



The theme of this year's Integrated Report:  
**Management Policy**  
**"The Brand-new Deal"**

P.27



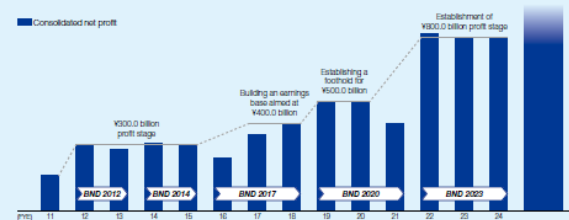
# Track Record of Profit Growth

- ✓ Explained two key factors that supported steady profit growth since FYE 2011
- ✓ In transitioning to a style combining a long-term Management Policy with annual management plans, we reviewed factors that enabled us to achieve our track record to date, using graphs and actual figures.
- ✓ **Point 1:** High growth rate through a diversified earnings base with high resilience to economic fluctuations
- ✓ **Point 2:** Steady profit growth, supported by a high ratio of profitable companies driven by the thorough implementation of the “earn, cut, prevent” principles

P.38-39

## 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.

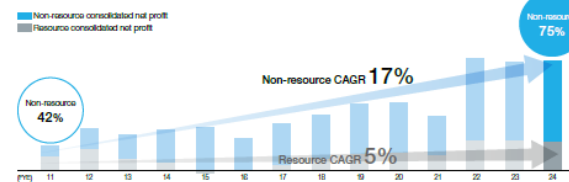


Point 1 CAGR: 13%

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%

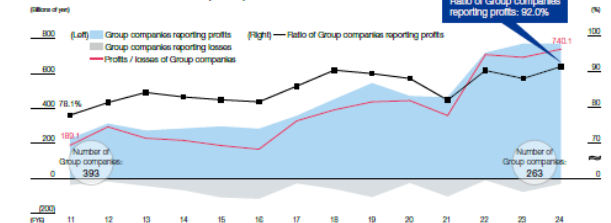


\* Since FYE 2011 reported loss due to the impairment loss on Orion Corporation, etc., CAGR is shown from FYE 2012 onwards.

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

	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
Manuburi-tochu 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	8.8	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

# Portfolio Management and Analysis of Key Management Indicators

Highlighted efforts at the operational level to improve ROA, aiming to maintain highly efficient management and achieve high ROE. This is the first time this perspective has been featured in the Integrated Report.

## P.32 CFO Message

In addition, having served as the chair of the ALM<sup>\*1</sup> 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)

<sup>\*1</sup> ALM: Asset Liability Management

## P.47

### 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<sup>\*1</sup> of each Division Company and are reported to the ALM<sup>\*2</sup> Committee, driving more effective initiatives. (▶ Page 30 CFO Message)

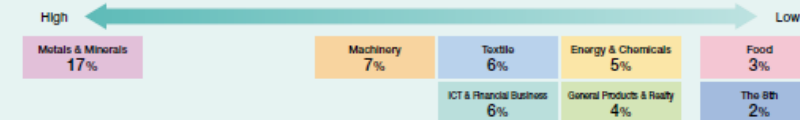
<sup>\*1</sup> DMC: Division Company Management Committee  
<sup>\*2</sup> ALM: Asset Liability Management

#### 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)



(▶ Page 100 Performance Trends by Segment)

# Introducing six projects with the Business Concepts of Market-Oriented Perspective

Within our Management Policy, we organized “Market-Oriented Perspective” and “Earn, Cut, Prevent” as the 'concept' and 'means' of our business, and introduced projects with this perspective.

P.55

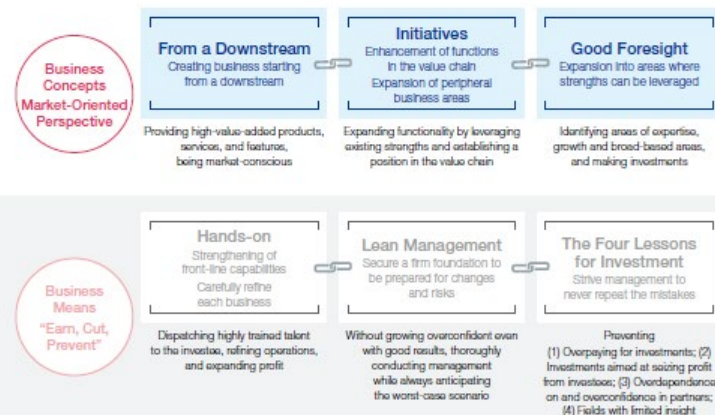
## Market-Oriented Perspective: From a Downstream × Initiatives × Good Foresight

- ◆ Expanding the Group's Earnings Base by Leveraging Combined Strengths, Centered on FamilyMart
- ◆ Accelerating the Growth and Expanding Business of CTC through the Digital Value Chain Strategy
- ◆ Evolving Our Collaboration with Hitachi Construction Machinery: Initiatives in Downstream Business Expansion and Horizontal Alliances
- ◆ DAIKEN's Growth Strategies and Business Expansion Combining Technical Expertise and Management Capabilities
- ◆ Rebuilding WECARS by Leveraging Our Comprehensive Capabilities
- ◆ Clean-Tech Business with Swift and Steady Execution



### Special Feature **Creating Businesses by Leveraging Our Strengths** — Business Concepts and Means —

ITOCHU has sustained value creation by focusing on fields where it can demonstrate strengths and by creating and expanding multifaceted, linked businesses. In this special feature, we highlight specific examples of how ITOCHU is driving profit growth while strengthening our business foundation. This is achieved by thoroughly implementing the business concepts of a market-oriented perspective and the business means of “earn, cut, prevent,” which are fundamental to our business. In particular, we break down our market-oriented perspective into three categories—“From a downstream,” “Initiatives,” and “Good foresight”—and present the key points of each case through these lenses.





# (Ref) Grow Earnings: Areas with High Growth Potential

Excerpt from the FYE 2025 1st Half  
Business Results Summary

- Leveraging our expertise and networks to steadily build business opportunities from a frontline perspective and expand our business across all segments
- Achieving sustainable growth by advancing both enhancement of existing businesses and new investments that offer high profit contribution visibility

## Textile

- ▶ Expanding sports business centered around DESCENTE, and strengthening the value chain of the footwear business
- ▶ Enhancing core brands and improving profitability through the strengthening of directly managed stores

## Machinery

- ▶ Strengthening the value chain by overseas partnerships with Japanese manufacturers in the automobile and construction machinery areas
- ▶ Enhancing functions in the North American electric-power-related business, including renewable energy, and in the marine and aerospace areas

## Metals & Minerals

- ▶ Adding high-quality assets in iron ore and coking coal, etc.
- ▶ Engaging in projects that contribute to the realization of a decarbonized society (direct reduced iron, aluminum, hydrogen, ammonia, etc.)

## Energy & Chemicals

- ▶ Expanding business in core group companies such as C.I. TAKIRON
- ▶ Laying steppingstones for future initiatives in the next-generation power business

Market-oriented  
perspective



<Major Investments in FYE 2025 (Including scheduled projects)>  
**DESCENTE**

North American electric-power-related business

Overseas Energy-from-Waste project

Iron ore business in Western Australia

C.I. TAKIRON WECARS

North American construction-materials-related business

Nishimatsu Construction PASCO Corporation

## Food

- ▶ Strengthening functions and competitiveness in the food distribution field by leveraging group capabilities
- ▶ Improving profitability by expanding transactions of high value-added raw materials

## General Products & Realty

- ▶ Expanding functions and strengthening profitability in the North American construction-materials-related business with DAIKEN and acquisitions of competitors
- ▶ Strengthening and expanding construction and building materials alliances
- ▶ Rebuilding of WECARS

## ICT & Financial Businesses

- ▶ Strengthening the digital value chain centered around CTC
- ▶ Expanding overseas business in the retail finance and insurance areas
- ▶ Expanding the business foundation in growth areas such as space and satellite, healthcare, circular-economy-related business, etc.

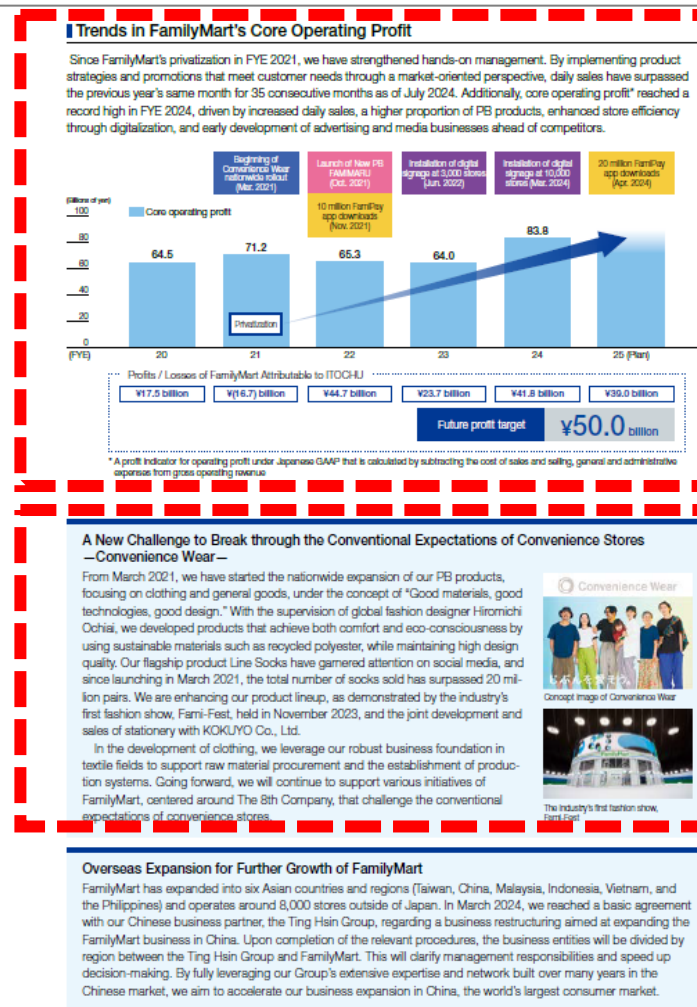
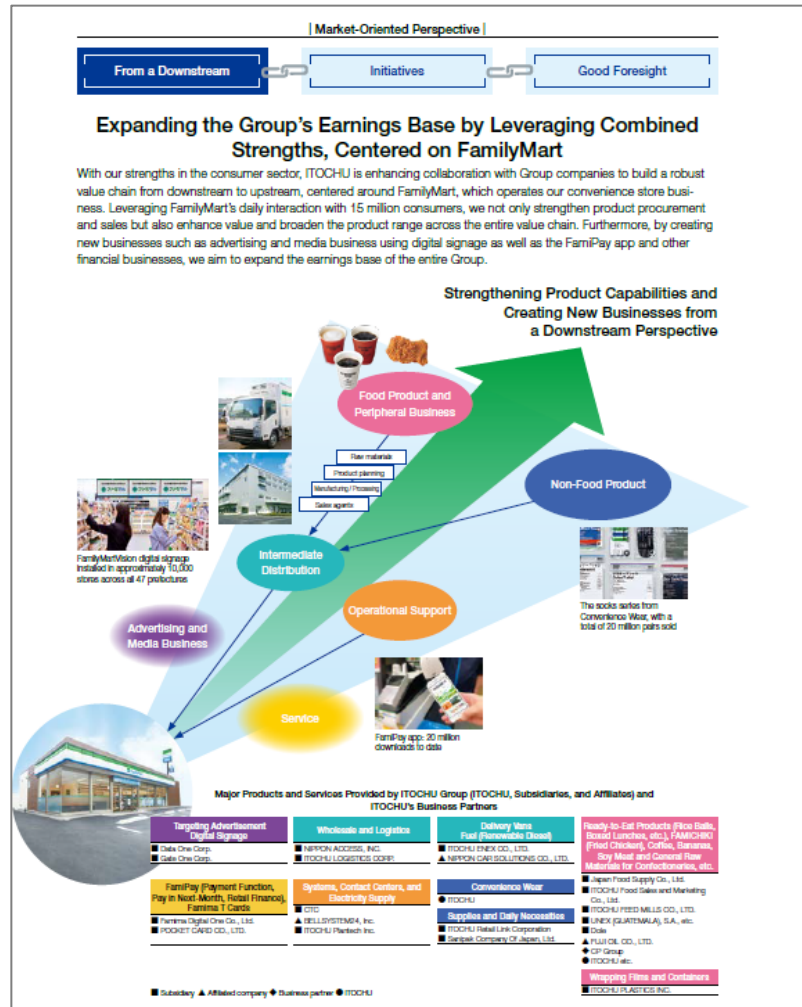
## The 8th

- ▶ Enhancing FamilyMart's convenience store business while creating and expanding new businesses by leveraging FamilyMart's business foundation
- ▶ Creating new consumer-related businesses



# Expanding the Group's Earnings Base by Leveraging Combined Strengths, Centered on FamilyMart

P.56-57



- ✓ After privatization in FYE 2021, steadily promoted new initiatives such as advertising and media business and the financial business, thereby accumulating profits
- ✓ Promoted the expansion of convenience wear by fully leveraging our expertise and business foundation in the textile field

# Clean-Tech Business with Swift and Steady Execution

- ✓ Perceiving climate change risks as business opportunities, we simultaneously pursue business expansion through “earn” principle and the enhancement of environmental and social value that addresses societal demands and industry challenges.

## ◆ Renewable Energy Business in North America:

- Expanding business by leveraging the know-how cultivated through various power generation projects and enhancing diversified functions and services.
- Capturing high growth rate, while contributing to the realization of a decarbonized society

▶ Details will be explained at the North American Power Business Briefing.

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### Clean-Tech Business with Swift and Steady Execution

ITOCHU views climate change and other environmental risks as opportunities. We are engaged in clean-tech businesses that simultaneously pursue economic value as well as environmental and social value by expanding our operations through our “earn” principle while addressing societal demands and industry challenges. By setting individual targets and advancing climate change initiatives with swift and steady execution, we will steadily accumulate GHG avoided emissions.

Avoided emissions are quantifications of the GHG emissions reductions that can be realized in the value chain by replacing existing (baseline) products and services with new products and services. In FYE 2024, our avoided emissions reached 12.3 million t-CO<sub>2</sub>e through the expansion of renewable energy businesses centered on the power generation business. We aim to create a volume of avoided emissions that exceeds our GHG emissions by 2040.

#### Accumulation of Avoided Emissions

FYE	Avoided Emissions (million t-CO <sub>2</sub> e)
19	1
23	6.4
24	12.3

Renewable energy: 11,792 thousand t-CO<sub>2</sub>e  
 Energy Storage System: 457 thousand t-CO<sub>2</sub>e  
 Renewable fuels: 17 thousand t-CO<sub>2</sub>e

#### Individual Targets and Initiatives for the Clean-Tech Business

Clean-Tech Business	Targets and Initiatives
Renewable Energy Business	<ul style="list-style-type: none"> <li>• Increase the ratio of renewable energy capacity within our power generation portfolio to over 20% by FYE 2031</li> <li>• Invested in renewable energy generation of approximately 2,100 MW in total as of July 2024, such as in Cotton Plains (wind and solar power) and Prairie Switch (wind power), both of which are in the United States, and in Sarulla Operations (geothermal power) in Indonesia</li> <li>• As of July 2024, we have developed and promoted a cumulative total of approximately 5,000 MW of renewable energy projects in the United States, including sold projects</li> </ul>
Fuel Ammonia-Related Business	<ul style="list-style-type: none"> <li>• Establish a value chain of fuel ammonia through integrated development including development, ownership, and operation of ammonia-fueled ships, development of fuel supply bases, and procurement of fuel ammonia</li> <li>• As part of international shipping's 2050 net zero emissions target, promote the spread of ammonia-fueled ships and their social implementation, contributing to the industry's decarbonization</li> </ul>
Energy Storage Systems (ESS)-Related Business	<ul style="list-style-type: none"> <li>• Aim to sell a cumulative capacity of over 2GWh in ESS units by FYE 2031</li> </ul>
Water Infrastructure-Related Business	<ul style="list-style-type: none"> <li>• Expand our achievements in Europe and Australia to other regions; continue to build up high-quality assets</li> </ul>
Waste Management Project	<ul style="list-style-type: none"> <li>• Expand our achievements in Europe to the Middle East and other regions in Asia; continue to build up high-quality assets</li> </ul>

For details on the clean-tech business, please visit ITOCHU's website, which describes individual projects including the content outlined above in detail.  
<https://www.itochu.co.jp/en/business/cleantech/>

For details on avoided emissions, please visit ITOCHU's website.  
<https://www.itochu.co.jp/en/csr/data/>

### Expanding the Renewable Energy Business in North America

Our subsidiary, Tyr Energy, Inc. (based in the U.S.) established Tyr Energy Development Renewables, LLC (TED) in 2022, a company dedicated to renewable energy development. As of July 2024, TED and Tyr Energy, Inc. have developed over 30 solar power plants totaling around 5,000 MW (equivalent to five nuclear power plants), including sold projects. TED has built a development platform that completes a series of operations in-house, including land acquisition, obtaining various permits and approvals, power grid connection, negotiating and concluding power purchase agreements, selecting and negotiating with major equipment and construction contractors, and arranging financing. In February 2024, TED completed development of three projects with a total generating capacity of 333 MW (equivalent to around 72,000 standard U.S. households) and an expected annual CO<sub>2</sub> reduction of around 600,000 tons. Moreover, our subsidiary NAES Corporation, also based in the U.S., is one of the world's largest independent power plant operations and maintenance service providers, offering asset management and operations and maintenance services for around 1,400 renewable energy sites, including 2,000 MW of solar power plants and 1,100 MW of wind power plants. Furthermore, in 2023 we launched a fund targeting renewable energy development assets in North America and plan to engage in projects worth up to US\$2 billion through this fund.

By leveraging the know-how cultivated through various power generation projects and expanding the scope of our business by enhancing diversified functions and services, we aim to capture the high growth rate of the North American renewable energy market, while contributing to the realization of a decarbonized and sustainable local society.

NAES: Operation, maintenance, and asset management  
 TED: Development in renewable energy  
 TYR ENERGY: Power plant development, Energy management, Asset ownership  
 Enhancement of renewable energy-related business

# Established Medium- to Long-Term Materiality Targets

For the four material issues among the seven total that have particularly high impact, we have disclosed company-wide medium- to long-term numerical targets and their achievements in addition to the Sustainability Action Plans set for each business section.

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## Sustainability Action Plans

For more details, please refer to our website.

<https://www.itochu.co.jp/en/csr/itochu/actionplan/>

- ✓ Setting specific goals and initiatives for each division corresponding to material issues
- ✓ Review the progress annually and steadily promote by implementing the PDCA cycle.







Scope3 disclosure :

Preparing for mandatory disclosures based on ISSB/SSBJ by analyzing and verifying aggregation methods, examining emission factors, and engaging with business partners, aiming to improve the accuracy of the data.

## Medium- to Long-Term Materiality Targets

With respect to its seven material issues, ITOCHU has identified four material issues that have a particularly significant impact on the Company. As well as addressing these issues through the Sustainability Action Plans established for each business field, ITOCHU tackles the issues by setting medium- to long-term numerical targets for the entire Company and managing progress toward them.

Material Issues	Medium- to Long-Term Targets	Achievements		
 <b>Evolve Businesses through Technological Innovation</b>	The ITOCHU Group creates avoided emissions that exceed its GHG emissions by 2040 and achieves offset zero	Created avoided emissions • FYE 2024: 12.3 million t-CO <sub>2</sub> e • FYE 2023: 6.4 million t-CO <sub>2</sub> e • FYE 2019: 1 million t-CO <sub>2</sub> e		
 <b>Address Climate Change (Contribute to a Decarbonized Society)</b>	The ITOCHU Group achieves 75% GHG reduction from 2018 levels by 2040 and net zero GHG emissions by 2050	Scope 1, 2, and 3 total <sup>*3</sup> (thousand t-CO <sub>2</sub> e)	FYE 2019 4,161	FYE 2023 4,103
		Compared to FYE 2019 (%)	(1.4)	(5.7)
		<sup>*3</sup> Total of Scope 1, 2, and 3 emissions disclosed in ESG data		
 <b>Develop a Rewarding Work Environment</b>	ITOCHU increases the ratio of female officers (including Executive Officers) to 30% or higher by 2030	As a result of appointing five new female Executive Officers as of April 1, 2024, the ratio of female officers is 21%		
 <b>Respect and Consider Human Rights</b>	ITOCHU conducts Sustainability Surveys of key suppliers every year, with the aim of reducing the number of noncompliant suppliers requiring corrective action to zero	• In FYE 2024, the Sustainability Survey was conducted for 305 suppliers • Requests of reconfirmation: 34 • Requests of corrective actions: 0 • Suppliers in violation: 0		

Steadily addressing material issues





# Conducting business analysis based on the final TNFD recommendations

Included a page on natural capital and biodiversity for the first time in this year's Integrated Report

P.74-75

- ✓ Mapping the dependency and impact scores of 28 business groups through company-wide portfolio analysis
- ✓ Conducted a secondary evaluation(trial) of metal & minerals business which was identified as having a high impact on natural capital
- ✓ Established procurement policies for individual products in businesses involving forest commodities, which have high dependency on natural capital
- ✓ Analysis based on the AR3T action framework is also conducted. Introducing initiatives that are applied to specific products and businesses

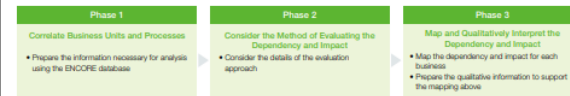
## Our Approach and Initiatives on Natural Capital and Biodiversity

ITOCHU invests in businesses and trades globally from upstream to downstream business fields. We depend heavily on renewable and non-renewable natural capital which benefits people, such as plants, animals, the air, water, land, and minerals. Our businesses may also have a negative impact on that natural capital. We see addressing global environmental issues, including natural capital and biodiversity, as a top management priority. In the same manner that we established systems for climate change, we are building appropriate governance and risk management systems for global environmental issues.

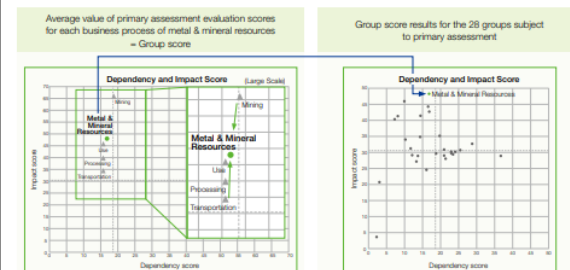
In addition, we participate in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. We will endeavor to realize disclosure in line with the final TNFD recommendations.

### Companywide Portfolio Analysis on Natural Capital and Biodiversity

In conducting business analysis based on the final TNFD recommendations, the Company identified in-house business activities of our Group that have a significant dependence and impact on natural capital and biodiversity by conducting its own primary assessment on trial basis.



Specifically, while taking into account our degree of involvement in the stages (processes) of the value chains of our businesses, we calculated scores for each dependency and impact and then calculated the average of these scores. For example, our metal & mineral resources business can be broken down into the processes of mining, transportation, processing, and use. The average score for these processes is presented as the result of the aforementioned business analysis.



\* The dashed lines show the average dependency and impact scores of all ENCODE processes.

### Initiatives in Businesses with a High Impact on Natural Capital

In the recent primary assessment, metal & mineral resources business was identified as having a high impact on natural capital. Utilizing the LEAP Approach<sup>1)</sup> recommended by the TNFD, we conducted a trial secondary evaluation of this business. First, we identified ecologically sensitive locations in the Locate analysis. Taking into consideration the importance of this business, we also identified relevant biome and ecosystem information for some of our business sites and conducted the Evaluate analysis for the dependency and impact on natural capital. The results confirmed that the mining process of the business has a high impact on natural capital, as was suggested in the initial assessment of the trial.

Since the validity of the survey using ENCODE has been confirmed by utilizing the LEAP approach, we will further consider evaluating the projects and taking actions related to natural capital based on the knowledge gained through this trial analysis.

<sup>1)</sup> This is a method for clarifying the nature-related issues of a target business through four steps: Locate, Evaluate, Assess, and Prepare.

### Initiatives for Businesses with a High Dependency on Natural Capital

Our businesses with a high dependency on natural capital are the procurement, manufacturing, processing, and distribution of forest commodities (food, timber, natural rubber, palm oil, etc.). We have established procurement policies for each product to improve the sustainability of these businesses. We strive to procure products certified by international third parties, which allow us to identify the procurement area through traceability.

#### Procurement Policies for Individual Product Type

Sustainable Procurement Policy on Natural Forests and Forest Resources	Natural Rubber Procurement Policy	Sustainable Palm Oil Procurement Policy	Cocoa Bean Procurement Policy
Coffee Bean Procurement Policy	Raw Material Tuna Procurement Policy	Commitment of Protecting Forests through Material Sourcing of MMCF	

Please visit ITOCHU's website for details on the management of nature-related risks and initiatives in business-related areas.  
<https://www.itochu.co.jp/en/csr/environment/biodiversity/>

Please visit ITOCHU's website for more information about procurement policies for each product.  
[https://www.itochu.co.jp/en/csr/society/value\\_chain/initiative/](https://www.itochu.co.jp/en/csr/society/value_chain/initiative/)

The position of the TNFD is "in responding to risks and opportunities, business actions that avoid or minimize negative impacts on nature should be prioritized over pursuit of restoration efforts or mitigation of existing damage through restorative or compensatory measures." An example of this analytical approach is the AR3T Action Framework.<sup>2)</sup> Using this framework, we analyzed various businesses and initiatives that are significantly dependent on natural capital and confirmed that we are advancing nature-related risk reduction initiatives in various businesses as shown below. By promoting businesses that help to Avoid, Reduce, and Restore & Regenerate and by creating social change through Transformative Action, we will continue contributing to nature positive outcomes that halt and reverse biodiversity loss.

<sup>2)</sup> This is a method that aims to curb the negative impacts on natural capital by classifying and organizing business initiatives into four categories: Avoid, Reduce, Restore & Regenerate, and Transformative Action.

#### Examples of ITOCHU Initiatives in Line with the AR3T Action Framework

AR3T Action Framework classification: Avoid Reduce Restore & Regenerate Transform		
Major Categories	Commodities	Specific Initiatives
Forest resources	Timber	Achieving a handling ratio of certified or highly controlled materials of 100%
	Natural rubber	Engaging with NGOs
	Palm oil	Participating in the Global Platform for Sustainable Natural Rubber (GPSNR) as a founding member and cooperating in formulating and operating platform standards
	Biomass fuel	Achieving 100% traceability at the mill level
Food	Cocoa beans and coffee beans	Joined the Roundtable on Sustainable Palm Oil (RSPO) and promoting initiatives
		Enhancing the handling of sustainable certified coffee beans (FYE 2031 Target: 100% / FYE 2024 Result: 64%)
		Enhance the handling of sustainable certified coffee beans (FYE 2031 Target: 50% / FYE 2024 Result: 31%)
	Dairy products	Providing technical support to small farmers such as by giving them agricultural technology to improve productivity
	Meat	Reducing ecological degradation by raising dairy cows while changing their grazing land regularly in New Zealand
	Marine products	Built a system to enable 100% trace back to the production stage for all meat suppliers
Textile raw materials	Cotton	Acquired certification for distribution and processing management (CoC) from the Marine Stewardship Council (MSC)
	Eco-friendly materials	Encouraging fishermen about skipjack and yellowfin for which MSC certification is limited
Apparel	Outdoor apparel	Using clean energy in our Dole business
		Acquired Global Organic Textile Standard (GOTS) certification and achieving 100% traceability for our procurement of organic cotton in India
		Rollout of recycled polyester under the RENU project with the aim of realizing a circular economy
		Planning and selling charity goods, with a portion of the proceeds used for tropical rainforest restoration and the protection of Borneo elephants

# Initiatives to enhance the sustainability of our supply chain

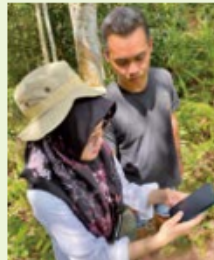
## Description of visits to the production and training sites of the sustainable natural rubber value chain PROJECT TREE

### P.76

#### Visiting the Production Sites of the PROJECT TREE Sustainable Natural Rubber Value Chain

Natural rubber is widely used for daily necessities and industrial rubber products, such as tires. Most of this rubber is produced in Southeast Asia. The raw material for natural rubber is sap from the para rubber tree, which is collected by millions of smallholders (small-scale farmers). However, there are many problems associated with natural rubber, including illegal logging of natural forests, poverty among smallholders, and a lack of sophisticated agricultural technology. Together with other companies in the tire value chain, we are promoting PROJECT TREE, a scheme in which natural rubber that has origin information is procured, sold to tire manufacturers, and a portion of the sales of tires produced by participating companies that use the rubber is returned to smallholders.

A team of dedicated personnel from PT. Aneka Bumi Pratama, a natural rubber processing company in Indonesia, visits production sites scattered throughout the country on a daily basis to provide smallholders with assistance in inputting production site data, conducting on-site audits, and offering training activities aimed at enhancing the efficiency of raw material production. During the training, the team uses illustrations to communicate the challenges of the natural rubber industry in an easy-to-understand manner and explains ways of enhancing productivity, such as the height, angle, and frequency of cutting when collecting raw material sap. The content of the training often prompts a lively flurry of questions from participants. By increasing the number of smallholders participating in the project, we aim to realize a sustainable natural rubber industry.



Identifying production areas by using GPS



Conducting training on productivity enhancement



For details on PROJECT TREE, please visit the project website.  
<https://project-tree-natural-rubber.com/>

Overview and results of the human rights due diligence conducted on the General Products & Realty Company. While no severe issues were found, improvements identified from the on-site perspective were requested to be addressed

### P.77

#### Overview of Human Rights Due Diligence in the General Products & Realty Company (FYE 2024)

Subjects	Details	Issues and Discovered Items
Issues covered by the survey	Child labor, forced labor, safe and healthy workplace environment, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, and impact on local communities and residents	Human rights issues: None identified
Products covered	Timber products, wood chips, pulp, natural rubber	Discovered items: Implementation and dissemination of information on measures for occupational safety; health and hygiene; and reporting systems. We will recommend measures in relation to the above items and continue monitoring the progress of measures through supply chain and sustainability surveys.
Selection criteria for survey targets	Transaction value and country of origin (Covering 60% of natural rubber, 70% of others)	
Questionnaire survey	64 companies	
Additional investigation by consultant	31 companies	
Site visits and interviews	3 companies	

In FYE 2024, ITOCHU conducted surveys on the timber products, wood chips, pulp, and natural rubber handled by the General Products & Realty Company, as described in the above Human Rights Due Diligence Flow Chart. With respect to the topics of the survey, there were no items indicating human rights infringements or adverse impacts on human health and safety that had already occurred, or where there is imminent concern that they will occur. However, investigative interviews with management team members and employees, which were held during on-site audits conducted with external experts, discovered companies that had room for improvement in the dissemination of information about occupational safety, health and hygiene in employee living quarters and factories, and the establishment of anonymous grievance mechanism. We asked these companies to implement improvement measures and report back. We will continuously monitor the progress of measures by including said companies in our annual supply chain sustainability surveys.



Interviewing management team members



Auditing a plant

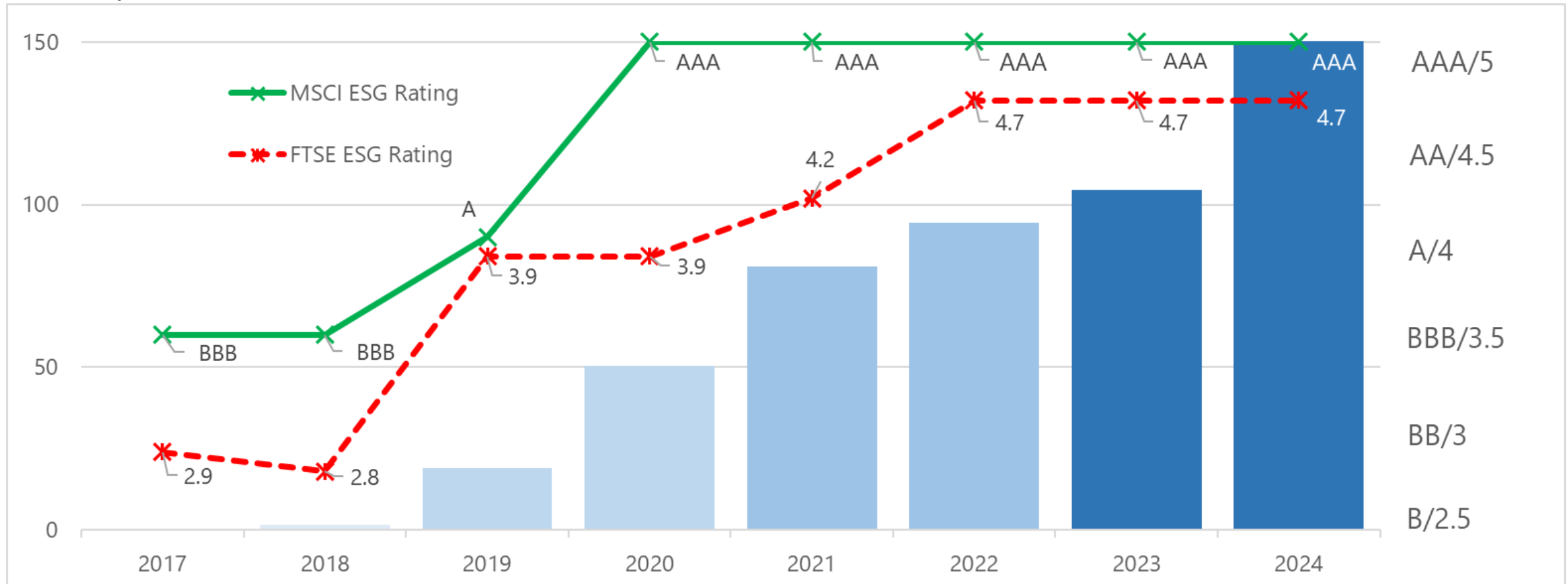


# (Ref) Transition of ESG evaluation / GPIF ESG investment amount

- ✓ Received high scores in global ESG ratings such as MSCI and FTSE, consistently maintaining the No. 1 rating in the industry.
- ✓ The amount of ESG investment in our company by the GPIF has also been increasing year by year.

(Billions of yen / Estimated amount for ESG investment amount)

(ESG evaluation)



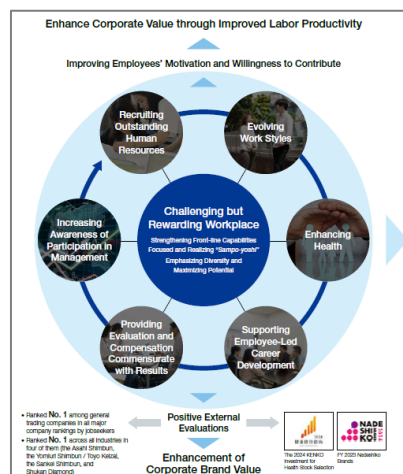
# Revision of human resource system and promoting the advancement of female employees based on PDCA cycle



Focus on the latest initiatives related to the talent strategy, which was featured last year.

- ✓ Explained of initiatives based on the PDCA cycle for problem-solving, such as the revision of our human resource system and the promotion of women's advancement

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For more details about work-style reform, please refer to our website.  
[https://www.itochu.co.jp/en/about/work\\_style/index.html](https://www.itochu.co.jp/en/about/work_style/index.html)

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## PDCA Cycle for Promoting Human Resource Strategy



ITOCHU conducts an engagement survey every three to four years (in the years when the full survey is not conducted, we perform a small survey focusing on key items) to identify and address issues in a timely manner, thereby establishing a PDCA cycle to promote human resource strategies. In the FYE 2024 small survey, the items about “whether the Company values and is considerate of its employees” and “whether it has a high-performance culture of achievement” continued to receive high positive response rates. However, employees continued to have strong interest in the Company’s further improvement of job satisfaction for junior and mid-career employees and addressing diverse values. In FYE 2024, after conducting a detailed analysis of these results and reporting issues and countermeasures to the Management Meeting, we implemented a major revision of our human resource system for the first time in about 10 years. The next steps include promoting evaluations and compensation commensurate with results, and supporting employee-led career development that takes life events into consideration. The main issues and countermeasures are as follows.

### Key Issues Identified Based on the Engagement Survey

Fostering job satisfaction among junior and mid-career employees	Sharing personnel and ideas beyond the boundaries of organizations	Responding to diverse values
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Specific Measure:  
Supporting Junior and Mid-Career Employees

### Revision of Human Resource System

Since the introduction of the current human resource system in FYE 2000, we have consistently implemented revisions aimed at maintaining recruitment competitiveness and enhancing job satisfaction, based on the BAND system (fixed salary) tied to job roles and performance-linked bonuses (variable salary). The recent revision is driven by the need to strengthen differentiation in compensation according to individual efforts, the decline in motivation among junior and mid-career employees due to seniority-based promotion management, and the increasing demand for support measures for employees facing childcare and other challenges as the number of dual-income employees rises. In response to these issues, starting from FYE 2025, we have raised salary levels mainly for junior and mid-career employees and revised the ratio of variable pay, which was previously similar for individual and corporate performance, to focus more on individual performance, thereby strengthening

the differentiation in compensation. When the degree of contribution is especially high, it is possible to achieve top-class compensation in general trading companies, with an annual income of ¥30 million for section general managers and ¥35 million for department general managers, realizing evaluation and compensation with clear incentives based on performance. For employees with high contributions, we will continue to provide even more competitive compensation going forward. In addition, we have introduced a system to promote outstanding junior and mid-career employees early, such as enabling those to gain management experience as managers at Group companies around the age of 30, eliminating seniority-based elements. Furthermore, we have started initiatives to support the work-life balance by exempting employees facing childcare and other constraints from having to relocate to other locations, and reducing their authority and discretion for a certain period.

### Supporting Employee-Led Career Development

ITOCHU provides each employee with opportunities for self-directed learning and challenging experiences, and promotes Groupwide career-building support and personnel development suited to diverse capabilities and characteristics. Since the introduction of the human resource assessment system in FYE 2002, we have conducted annual career vision

interviews for all employees, and have provided specialized support through the Career Counseling Office since FYE 2003. Furthermore, starting from FYE 2025, we have been implementing initiatives to alleviate career-related anxieties by sharing a personal career plan image tailored to each new career-track employee based on their individual

characteristics, and conducting regular interviews. Additionally, as part of our internal personnel mobilization measures, we have established systems to support employee-led career development, such as the Virtual Office and Challenge Career System (an internal job posting system) that allow employees to take on the jobs they are interested in beyond the boundaries of their affiliated organizations. Moreover, in response to changes in the internal and

external environment, technological innovation, and business model transformation, we are incorporating “continuous learning” (reskilling) elements into individual performance goals for all employees, in order to acquire the necessary knowledge and skills based on management strategies. This fosters a culture of continuous learning within the Company, leading to employee career development, job satisfaction, and the stimulation of the organization.

### Virtual Office (In-House Dual Job System)

In April 2023, the Company formally introduced the Virtual Office, an online platform for cross-organization collaboration that enables passionate employees to participate in projects they have interest in beyond organizational boundaries, with the aim of further accelerating the promotion of cross-organizational projects and the creation of new businesses. Taking into consideration the balance with their duties in their affiliated organizations, the activity period for each project has been set between three to six months. In FYE 2024, a total of 82 employees, including those stationed overseas, participated in 16 projects. Through these initiatives, we aim to foster the exchange of insights that break down the industry silos, a common challenge for general trading companies, while stimulating a spirit of challenge and growth ambition among junior and mid-career employees, leading to their revitalization and growth.



Specific Measure:  
Promoting the Advancement of Female Employees

### Accelerating the Development and Promotion of Female Employees

ITOCHU has been engaging in the advancement of women under the consistent belief that diversity within the organization is important for sustainably enhancing both individual and organizational capabilities and increasing earning power. Through the work-style reforms carried out from 2010, we established an environment where women can continue working without giving up their careers, and have simultaneously provided detailed individual support to remove obstacles to career development considering personal circumstances such as life events. Specifically, we have implemented the Morning-Focused Flextime System, the support for employees hoping to return to work early after child birth (a system to subsidize childcare costs for early return from childcare leave), and to support the challenge of taking on the important career opportunities of an overseas assignment, we have provided individual support for accompanying only children and subsidies for egg freezing and infertility treatments. As a result, the number of female managers increased from 35 in April 2021 to 61 in April 2024, and appointments to key management positions such as overseas office heads, and presidents of Group companies in Japan and overseas, are progressing.

To further promote appointments to managerial positions, the Board of Directors decided in December 2023

to establish special measures to appoint women to Executive Officer positions starting from FYE 2025, and five new Executive Officers were appointed as of April 1. For female employees who lack sufficient experience in key management positions or in a wide range of jobs, we have temporarily taken affirmative action by specially providing opportunities to be involved in Companywide management, thereby promoting further growth and bringing out the potential and job satisfaction of women. ITOCHU aims not only to meet the Japanese government’s requirement of raising the ratio of female officers on the Board of Directors to 30% or higher by 2030 but also to achieve a 30% or higher ratio of female officers (including Executive Officers), by 2030. (▶ Page 82 Outside Directors & CAO Roundtable)

Additionally, to realize a work environment where female employees do not have to give up their career development, we have responded to diversifying health issues specific to women through femtech, aiming to improve labor productivity and promote understanding among colleagues. From FYE 2025, we have also made it mandatory for male employees to take childcare leave (at least five calendar days within one year after child birth), leading to a change of male employees’ mindset.

# Strengthening the Governance System

- ✓ Conducted interviews with all outside directors and the IR department to directly hear their thoughts on our company's management, and reflected these as messages from outside directors
- ✓ Outside Director Kawana :  
Through visits to the iron ore business and seawater desalination project in Australia, realized the importance of hands-on management and the thorough implementation of "earn, cut, prevent"
- ✓ Outside Director Ito :  
Based on government administrative experience, suggested breaking down the traditional vertical silos and promoting new business development that leverages horizontal connections

## P.93

### Messages from Outside Directors



**Masatoshi Kawana**  
Outside Director

Mr. Kawana served as Vice-president of Tokyo Women's Medical University Hospital. In addition to other positions, where he gained a high level of experience in hospital management and advanced knowledge of medical care. He assumed his position as a member of the Board of Directors at ITOCHU in June 2018. He uses his expertise to provide many useful proposals and suggestions in the fields of health management and setting preventive measures against in-office infection of post COVID-19. As of FYE 2025, he serves on the Governance, Nomination and Remuneration Committee.

#### Activities of Outside Officers Focused on the Front Lines

To enhance the effectiveness of the Board of Directors, ITOCHU actively creates opportunities for outside officers to gain a deep understanding of the diverse businesses of the general trading company, as well as challenges the Company faces. Specifically, the Company facilitates one-on-one meetings with key internal executives and top management of the Group companies, arranges site visits to global operations, and organizes discussions with junior and mid-career employees. These efforts include numerous opportunities to engage directly with frontline employees. From my experience, compared to other companies, ITOCHU offers significantly more opportunities for outside officers to interact with the frontlines and its personnel. In FYE 2024, we conducted site visits to iron ore operations and seawater desalination projects in Australia. These visits went beyond simple business tours, allowing us to directly sense the atmosphere of the front lines and the motivation of employees through exchanges of opinions, thereby gaining a deeper understanding of the significance of our business endeavors. Additionally, I experienced firsthand how our employees are deeply embedded in the front lines, and how the thorough implementation of the "earn, cut, prevent" principles through hands-on management have permeated every aspect of the Group companies, highlighting our strengths. Based on the profound understanding gained from these frontline visits, I will engage in more comprehensive and substantive discussions at Board of Directors' meetings, thereby fulfilling oversight and monitoring functions as Outside Directors, and contributing to the sustainable enhancement of corporate value.



Site visit to iron ore operations and seawater desalination projects in Australia

#### Expectations for Horizontal Collaboration toward Further Growth of ITOCHU

It has been one year since I assumed the position of Outside Director of ITOCHU. Through dialogues with Inside Directors and interviews with Group companies, I have deepened my understanding of various businesses, and we have had active discussions among the Outside Directors, who bring a wide range of experiences. One particularly memorable discussion this past year was about WECARS Co., Ltd., which has garnered significant attention from society and sparked various opinions at the Board of Directors' meetings. While we anticipate future growth by leveraging our extensive expertise, the prerequisite for this is to thoroughly reform the organizational culture. I will leverage my experience in engaging with people's lives and lifestyles from a consumer's perspective to fulfill my oversight and supervisory function as a Director of WECARS Co., Ltd. (▶ Page 62 Rebuilding WECARS by Leveraging Our Comprehensive Capabilities)

From my many years of experience in government administration, I have recognized both the strengths and limitations of vertically structured organizations. At ITOCHU, while these vertical silos have provided a robust business foundation for our growth, they now pose significant challenges in addressing the increasingly diverse needs of consumers. However, this also presents a substantial growth opportunity. In order for ITOCHU to break down traditional silos with a comprehensive downstream perspective and promote new business developments through horizontal collaboration, I aim to leverage my insights to offer valuable recommendations, and contribute to the sustainable enhancement of our corporate value.



**Akiko Ito**  
Outside Director

Ms. Ito served as Commissioner of the Consumer Affairs Agency after playing other vital roles. As Director-General of the Housing Bureau, she became the first female Director in the Ministry of Land, Infrastructure, Transport and Tourism. Subsequently, she served as Councilor in the Cabinet Secretariat, as well as Director General in the Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan. She brings extensive knowledge on consumer issues. She assumed her position as a member of the Board of Directors at ITOCHU in June 2023. As of FYE 2025, she serves on the Governance, Nomination and Remuneration Committee.



# Afterword ~Thoughts Embedded in the Cover and Introduction~

The cover's title, "The Brand-new Deal," represents our Management Policy. We have expressed our Management Policy as a compass for long-term management, indicating the design that shows lighting the path to the future.

The word "The" is designed to appear in various colors when viewed from different angles, representing the gathering of the eight division companies with diverse personalities.



The first page of the introduction combines photos of Lake Biwa, symbolizing our origins as the Merchants of Ohmi, and the area around our current headquarters in Tokyo, expressing the merchant spirit of "*Sampo-yoshi*" that we have consistently upheld.

The second page of the introduction features photos of our employees. Employees from each of the eight division companies are included. We hope it conveys the diverse and unique characteristics of our employees.



