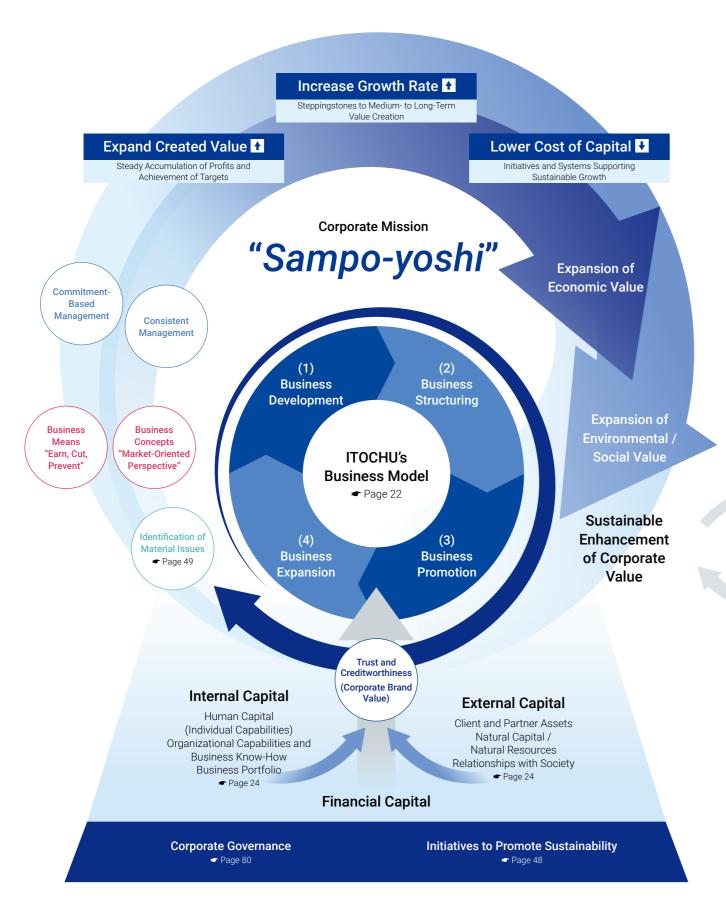
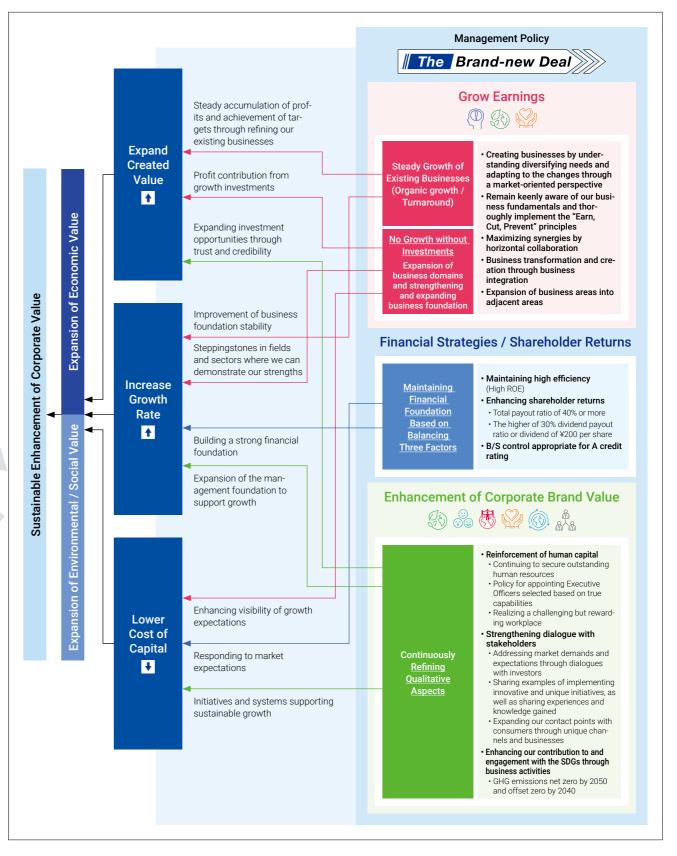
## The Merchant Value Creation Cycle



We are consistently guided by the spirit of "Sampo-yoshi," and believe that the ability to flexibly adapt to changes in society and customer needs is the true essence of management and the source of long-term value creation. Furthermore, by expanding both economic value and environmental and social value—through putting our management philosophy into practice and effectively utilizing accumulated capital—we aim to drive sustainable value creation and foster a virtuous cycle of further capital accumulation. In addition, by clearly demonstrating the connection between our Management Policy and our value creation process, we strive to further strengthen confidence in our efforts to enhance corporate value.

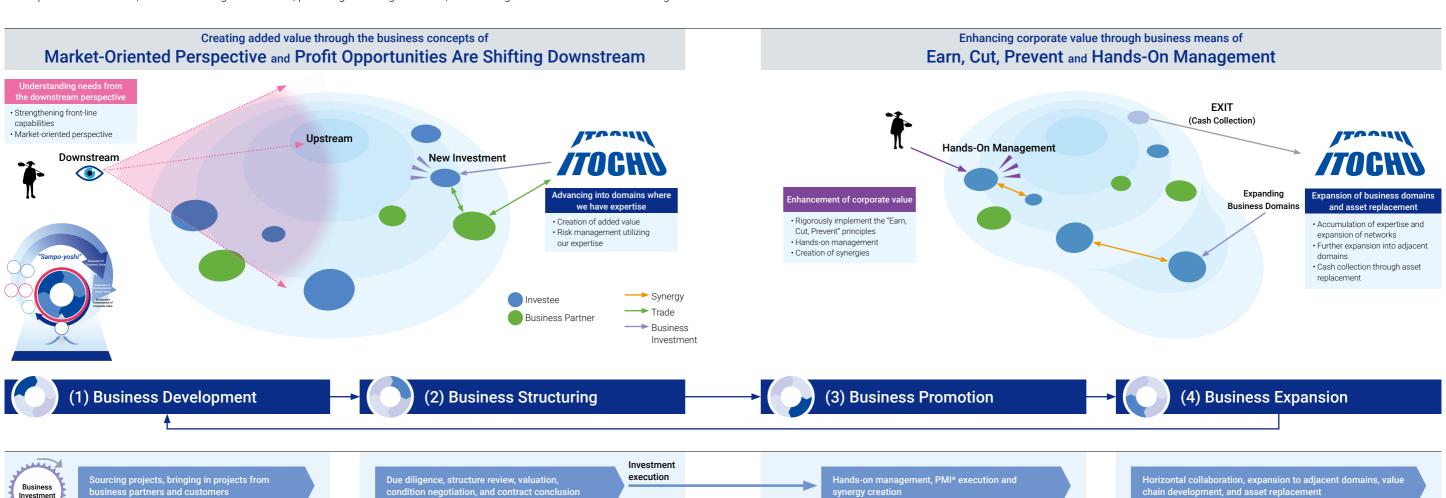


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Our business model is characterized by the dual approach of "business investment" and "trade," driving sustainable value creation through the generation of business opportunities from a downstream perspective based on merchant management philosophy. In other words, our strength lies in our ability to combine "points (business investments)" and "lines (trades)" to promote business development on "surfaces," such as building value chains, providing financing functions, and sharing customer bases and knowledge

## Differences between Typical Private Equity (PE) Funds and ITOCHU

	Typical PE Funds	ITOCHU
Investee Liquidity	In principle, unlisted	Either listed or unlisted
Holding Period	Around five years with an exit strategy	h an exit strategy Buy and hold
Personnel Secondment to Investee	Outside managers dispatched	ITOCHU personnel dispatched to management or front-line operations (Hands-on management style)
Synergies	In principle, none	Create synergies with existing businesses and expand business domains



Developing new customers and handling new products

- We develop businesses based on needs rather than strategy. With a market-oriented perspective, each Division Company considers business investments and new business opportunities from the
- We provide high-value-added products, services, and functions from the downstream in all domains from upstream to
- We do not only proactively search for opportunities ourselves but also search for new business opportunities through our existing networks of customers and partners.
- We place strong emphasis on materiality in creating new businesses, aiming to address social issues and pursue the spirit of "Sampo-yoshi." ( Page 49 Flow of Sustainability Promotion)

Negotiation of terms, credit screening, and

contract conclusion

Implement transaction

Delivery of goods, collection of payment, and handling of complaints

- We will thoroughly strengthen front-line capabilities and practice hands-on management to carefully develop each business and increase our corporate value.
- We dispatch our personnel to all departments, from management to front-line and administrative divisions, to identify issues facing our investees and resolve issues, and create added value, thereby enhancing corporate value.
- We rigorously implement the "Earn, Cut, Prevent" principles as the fundamental actions of our business, always preparing for change and risk, and consistently implementing lean management.
- We will realize synergies, such as expanding trade between our investees and our Group companies, while also making full use of our Group's management resources to enhance management efficiency.
- \* PMI: Post-Merger Integration

chain development, and asset replacement

Expanding business, strengthening relationships of trust with business partners, and understanding needs and industry trends through business transactions

- By utilizing the network and accumulated knowledge expanded with the growth of our investees, we aim to expand our business domain and strengthen our business foundations, such as by expanding and optimizing the value chain, thereby expanding our profitability and improving our asset efficiency.
- We promptly respond to changes in the business environment, and from the perspectives of asset efficiency and risk management, we reorganize or exit assets with diminished strategic significance, appropriately replacing assets. While ensuring the collection of cash, we reinvest the collected capital into new businesses to build a more robust earnings base.
- We will not only focus on our traditional strengths in the downstream area but also fully utilize our assets and know-how in the upstream and midstream areas, aiming to maximize synergies through horizontal collaboration between Division Companies, and to transform and create new businesses by business integration.

- We not only participate in trading but also seek to strengthen our functions within the value chain, expand into adjacent domains, and secure positions where we can exercise initiative within the business flow
- We place particular emphasis on leveraging the capital and strengths we have accumulated, while rigorously applying "The Four Lessons for Investments" from past investments failures.
- We thoroughly prepare risk countermeasures for unforeseen circumstances and ensure that necessary rights and future protection measures are incorporated into our contracts.

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Explanation of Each Capital (Importance)

## ITOCHU's Capital (Financial and Non-Financial)

We have accumulated internal capital that forms the foundation of our competitive strengths-including human capital, organizational capabilities, and business know-how-over more than 160 years. This has been achieved through our business activities, which are driven by both trading and business investment. To strengthen both our internal and external capital, we always focus on conducting business based on the trust and credibility we have developed throughout our history. By enhancing our corporate brand value, we aim to create more economic, environmental, and social value, thereby achieving further capital accumulation and the sustainable enhancement of our corporate value.

## Relationship between Material Issues and Capital

We assess the impact of opportunities to increase, and risks that could impair, our capital according to changes in the business environment. Based on this assessment, we identify material issues—key challenges that must be addressed to achieve sustainable growth—and work to resolve them through our core business activities.

( Page 49 Flow of Sustainability Promotion)



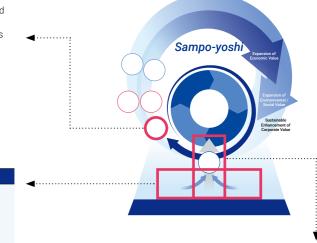






Examples of KPI and Monitoring Indicators





Relationship between Business Model and Capital -Strategic and Integrated Utilization of Capital to Sustain Competitive Advantage-



We utilize our networks with customers and partners, as well as our corporate brand, to carve out new business opportunities by focusing on downstream driven and the front-line capability.



We combine the expertise of our organizational functions and human capital, integrating a diverse range of business resources to create new initiatives and high-value-added businesses.





We utilize cash generated from divestments and reinvest it to continuously expand our business domains, including building value chains and supporting Group companies in entering adjacent business domains.

		Cynlometics of Fook Conital (Immostance)	Francisco of Channethonian Massives	Everyles of VDI and Manifesius Indicators
Internal Capital	Human Capital (Individual Capabilities)	Explanation of Each Capital (Importance)  Aiming to be a company that is a challenging but rewarding workplace, we have made human resource strategy one of our key management strategies.  By increasing labor productivity through improving employees' motivation and willingness to contribute, we are linking individual capabilities to the enhancement of corporate value. Additionally, through accumulating extensive front-line experience, we are heightening the individual capabilities as a merchant.	Realization of corporate mission and Guideline of Conduct Conducting PDCA cycle based on engagement surveys Morning-Focused Flextime System and adoption of the work from home system (for all employees) Health management (Support for Balancing Cancer Care and Work, etc.) Strengthening front-line capabilities, including overseas assignments and dispatches to Group companies Establishment of the Women's Advancement Committee as an advisory committee to the Board of Directors Enhancing diversity and expanding promotion opportunities through a new policy for appointing Executive Officers	Examples of KPI and Monitoring Indicators      Labor productivity of employees     Company ranking among jobseekers     Engagement survey     Investment in human resource development     Percentage of career-track employees sent overseas assignment     Ratio of females among all officers     ✓ Page 44 Human Resource Strategy)     ✓ Page 94 ESG Data)
	Organizational Capabilities and Business Know-How	We have established business divisions with deep insights and experience across various industries, as well as highly specialized administrative divisions. Under a swift decision-making system, both divisions collaborate closely together, effectively exercising their respective functions. Our extensive and advanced business know-how, which includes lessons learned from past failures, has accumulated into an intangible asset that is indispensable for creating new businesses.	Creation of business by business divisions with strong front-line capabilities     Implementation of business support and control function by administrative divisions with specialized expertise     Rigorous application of the "Earn, Cut, Prevent" principles through collaboration between business divisions and administrative divisions     Transforming business models based on a market-oriented perspective     Refining businesses through hands-on management     Rigorous focus on "The Four Lessons for Investments," as well as implementation of trainings on investment failure cases and PMI case studies	Compound annual growth rate of consolidated net profit     Management efficiency indicators (ROE, etc.)     Ratio of Group companies reporting profits     Number of employees participating in training     (Training on investment failure cases and PMI case studies)     ✓ Page 34 Business Investment)
	Business Portfolio	Eight Division Companies operate businesses across a wide range of industries. By swiftly responding to rapid changes in the business environment and diverse consumer needs, we create multifaceted, linked businesses and drive business model transformation, leading to a highly flexible, wide-ranging, and balanced business portfolio.	Practice of consistent management that elevates our entire business Breaking down product silos and strengthening collaboration among Division Companies Pursuit of highly efficient management (rigorously selected investments and continuous asset replacement) Analysis of key management indicators	Compound annual growth rate of consolidated net profit by segment Management efficiency indicators by segment (ROA, etc.)  Page 36 Portfolio Management)  Page 62 Business Portfolio)
Financial Capital		We steadily accumulate profits and maintain financial foundation based on balancing three factors: growth investments, shareholder returns, and control of interest-bearing debt.	Reinforcement of shareholders' equity     Steady improvement in NET DER     B/S control appropriate for A credit rating     Obtained the highest credit ratings among the trading companies from all major credit rating agencies	EPS · BPS     NET DER     Credit ratings     Shareholder returns (dividends and share buybacks)     Share price and market capitalization, TSR     (✓ Page 28 CFO Interview)     (✓ Page 32 Financial Strategy)
External Capital	Client and Partner Assets	We maintain win-win relationships with our clients and partners, which include a large number of leading companies. This is vital for acquiring and developing trade, as well as expanding business domains. Our abundant client and partner assets enable sustainable earnings growth and contribute to "Sampo-yoshi."	Selection and securing of blue-chip partners     Collaboration with partners who complement each other's functions     Complying with Environment, Health, and Safety (EHS) Guidelines     Building of secure and safe supply chains	Profits from initiatives with blue-chip partners Number of clients and partners (Page 60 Expanding Collaboration with Leading Domestic Companies by Leveraging "Trust and Credibility")
	Natural Capital / Natural Resources	Through our business in the non-resource and resource sectors, we meet social demand for stable procurement and supply of natural resources. At the same time, we recognize that our broad value chain both depends on and impacts the bounty of all kinds of natural capital, and we capture new business opportunities in responding to social issues outlined in the SDGs.	Aiming for GHG emissions net zero by 2050 and offset zero by 2040 Withdrawing completely from thermal coal interests Enhancement of disclosures in line with TCFD and TNFD frameworks Strengthening the sustainability management of the supply chain and business investees Enhancing our contribution to and engagement with the SDGs through environmentally friendly businesses, etc. Expansion of opportunities for dialogue and deeper business understanding through events such as project briefings and facility tours for analysts and	Ratio of renewable energy GHG emissions Electricity consumption Water withdrawal Waste volume Number of engagements with institutional investors and stakeholders External evaluations related to IR activities Number of sustainability surveys conducted Number and percentage of employees participating in sustainability and compliance-related internal training Number of compliance violation incidents
	Relationships with Society	We engage in continuous and constructive communication with its stakeholders to grasp and address their expectations and demands toward the Company. These efforts enable us to stably promote business activities in Japan and overseas and heighten corporate brand value, thereby further enhancing corporate value.	institutional investors  • Deployment of unique information-sharing bases and tools for dissemination, including ITOCHU SDGs STUDIO and SHONIN of the Earth (corporate PR magazine)	External evaluation by ESG rating agencies, etc., and inclusions to indices     (▼ Page 48 Initiatives to Promote Sustainability)     (▼ Page 94 ESG Data)     (▼ Page 96 Dialogue with Stakeholders)  For further details on the ESG data listed as monitoring indicators, please refer to ITOCHU's website:     □ https://www.itochu.co.jp/en/csr/data/

**Examples of Strengthening Measures** 

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