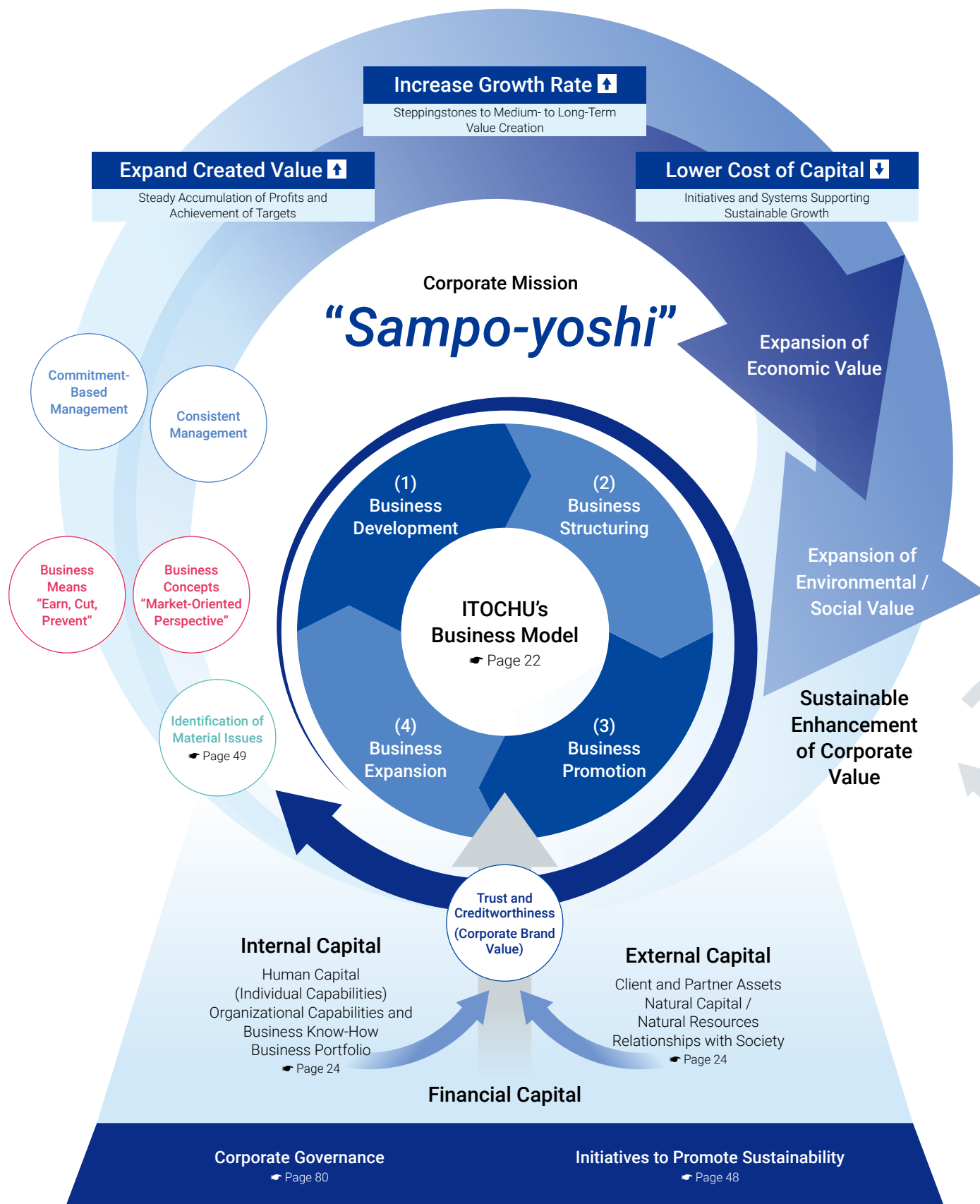
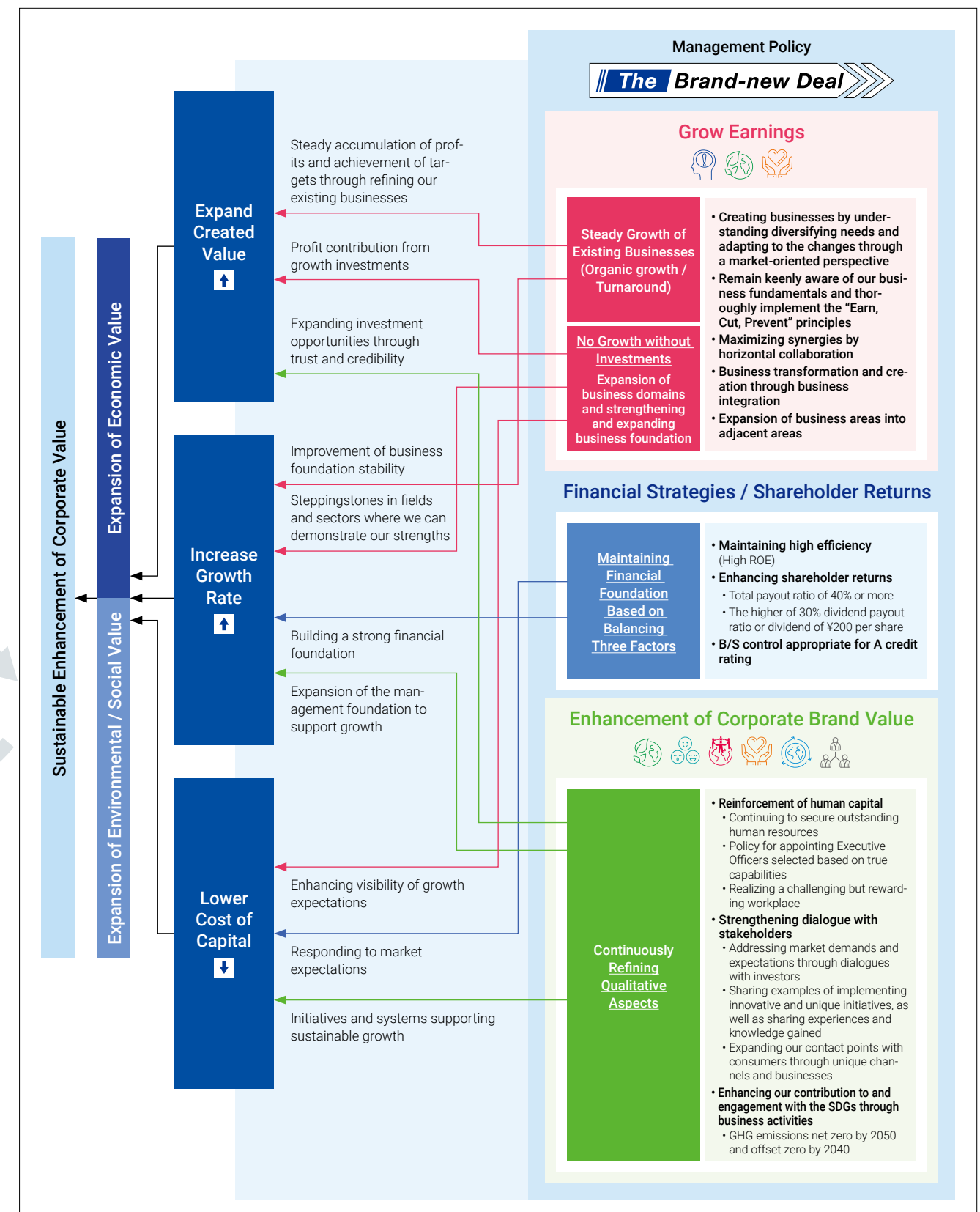


The Merchant Value Creation Cycle



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.

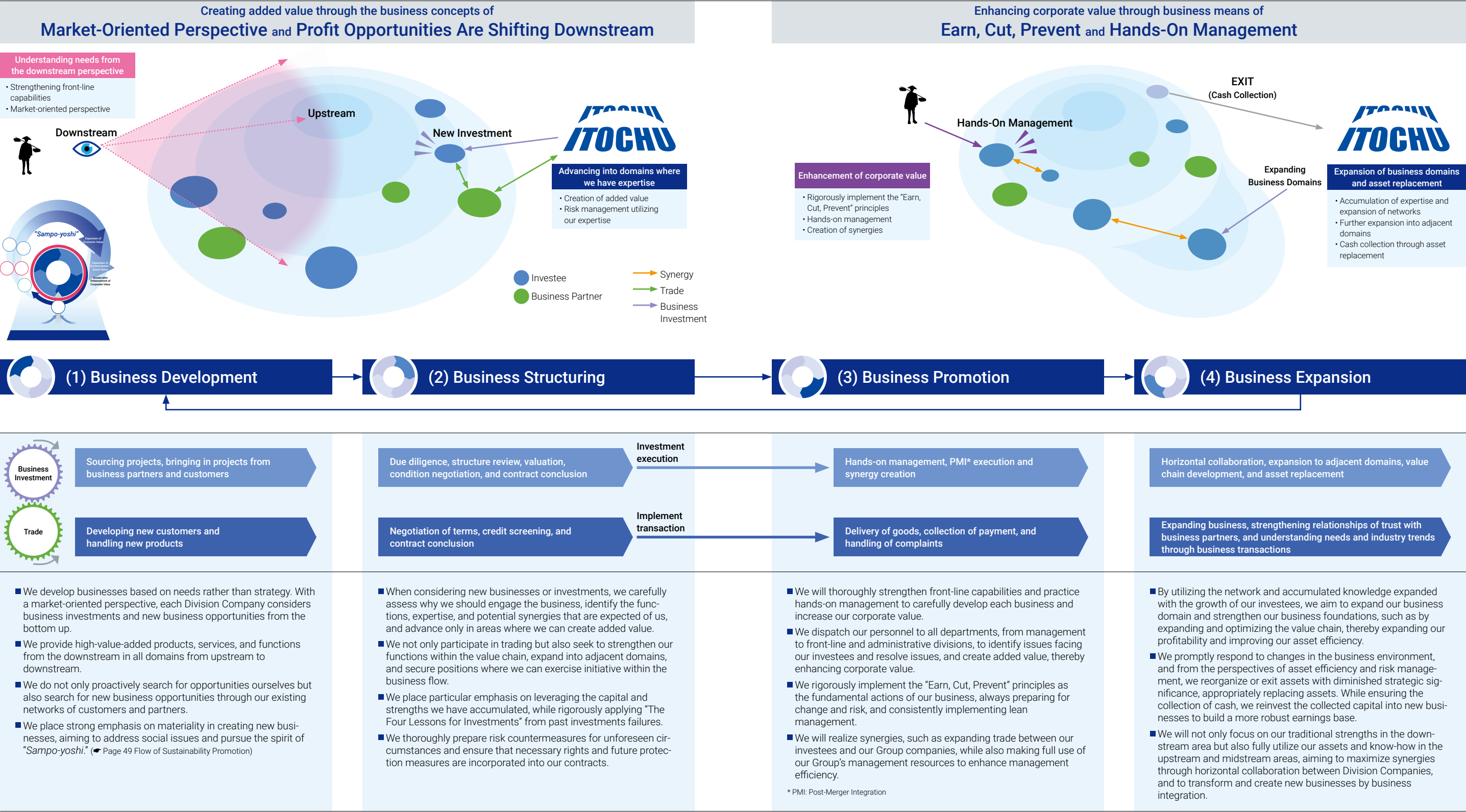


ITOCHU's Business Model

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	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



ITOCHU's Capital (Financial and Non-Financial)

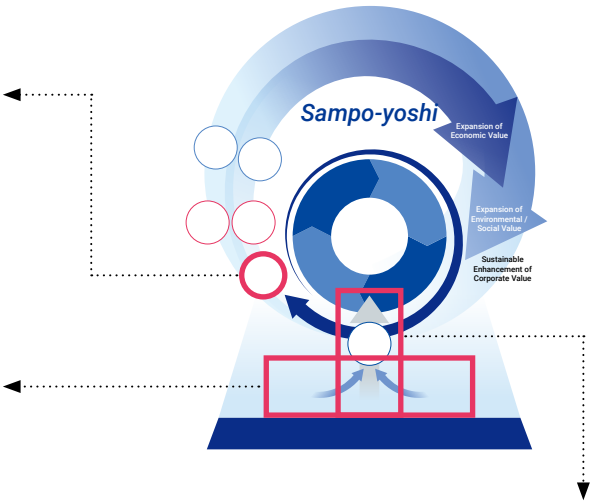
We have accumulated internal capital that forms the foundation of our competitive strengths—including human capital, organizational capabilities, and business know-how—over more than 160 years. This has been achieved through our business activities, which are driven by both trading and business investment. 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.

		Explanation of Each Capital (Importance)	Examples of Strengthening Measures		Examples of KPI and Monitoring Indicators
Internal Capital	Human Capital (Individual Capabilities)	Aiming to be a company that is a challenging but rewarding workplace, we have made human resource strategy one of our key management strategies. By increasing labor productivity through improving employees' motivation and willingness to contribute, we are linking individual capabilities to the enhancement of corporate value. Additionally, through accumulating extensive front-line experience, we are heightening the individual capabilities as a merchant.	<ul style="list-style-type: none">Realization of corporate mission and Guideline of ConductConducting PDCA cycle based on engagement surveysMorning-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 companiesEstablishment of the Women's Advancement Committee as an advisory committee to the Board of DirectorsEnhancing diversity and expanding promotion opportunities through a new policy for appointing Executive Officers		<ul style="list-style-type: none">Labor productivity of employeesCompany ranking among jobseekersEngagement surveyInvestment in human resource developmentPercentage of career-track employees sent overseas assignmentRatio 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.	<ul style="list-style-type: none">Creation of business by business divisions with strong front-line capabilitiesImplementation of business support and control function by administrative divisions with specialized expertiseRigorous application of the "Earn, Cut, Prevent" principles through collaboration between business divisions and administrative divisionsTransforming business models based on a market-oriented perspectiveRefining businesses through hands-on managementRigorous focus on "The Four Lessons for Investments," as well as implementation of trainings on investment failure cases and PMI case studies		<ul style="list-style-type: none">Compound annual growth rate of consolidated net profitManagement efficiency indicators (ROE, etc.)Ratio of Group companies reporting profitsNumber 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.	<ul style="list-style-type: none">Practice of consistent management that elevates our entire businessBreaking down product silos and strengthening collaboration among Division CompaniesPursuit of highly efficient management (rigorously selected investments and continuous asset replacement)Analysis of key management indicators		<ul style="list-style-type: none">Compound annual growth rate of consolidated net profit by segmentManagement 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.	<ul style="list-style-type: none">Reinforcement of shareholders' equitySteady improvement in NET DERB/S control appropriate for A credit ratingObtained the highest credit ratings among the trading companies from all major credit rating agencies		<ul style="list-style-type: none">EPS · BPSNET DERCredit ratingsShareholder 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."	<ul style="list-style-type: none">Selection and securing of blue-chip partnersCollaboration with partners who complement each other's functionsComplying with Environment, Health, and Safety (EHS) GuidelinesBuilding of secure and safe supply chains		<ul style="list-style-type: none">Profits from initiatives with blue-chip partnersNumber 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.	<ul style="list-style-type: none">Aiming for GHG emissions net zero by 2050 and offset zero by 2040Withdrawing completely from thermal coal interestsEnhancement of disclosures in line with TCFD and TNFD frameworksStrengthening the sustainability management of the supply chain and business investeesEnhancing 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 institutional investorsDeployment of unique information-sharing bases and tools for dissemination, including ITOCHU SDGs STUDIO and SHONIN of the Earth (corporate PR magazine)		<ul style="list-style-type: none">Ratio of renewable energyGHG emissions<ul style="list-style-type: none">Electricity consumptionWater withdrawalWaste volumeNumber of engagements with institutional investors and stakeholdersExternal evaluations related to IR activitiesNumber of sustainability surveys conductedNumber and percentage of employees participating in sustainability and compliance-related internal trainingNumber of compliance violation incidentsExternal 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)
	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.			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/
		Explanation of Each Capital (Importance)	Examples of Strengthening Measures		Examples of KPI and Monitoring Indicators

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)



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

(1) Business Development

Invested Capital

Human Capital (Individual Capabilities) ↔ Client and Partner Assets ↔ Relationships with Society

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.

(2) Business Structuring

Invested Capital

Organizational Capabilities and Business Know-How ↔ Business Portfolio ↔ Human Capital (Individual Capabilities)

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.

(3) Business Promotion

Invested Capital

Human Capital (Individual Capabilities) ↔ Financial Capital ↔ Business Portfolio

We rigorously implement the "Earn, Cut, Prevent" principles through hands-on management. We enhance our corporate value by creating synergies within the ITOCHU Group and leveraging inorganic measures, such as the financial capital investment.

(4) Business Expansion

Invested Capital

Financial Capital ↔ Business Portfolio ↔ Client and Partner Assets

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.