

Collaborative Projects Briefing

ITOCHU Corporation

December 12, 2023



I am One with Infinite Missions



(Forward-Looking Statements)

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Collaborative Projects Briefing Program



Time	Contents	Speaker
9:00~9:05	Opening and Speaker Introduction	Suguru Amano General Manager, Investor Relations Division
	President and COO Address	Keita Ishii Member of the Board, President & Chief Operating Officer
9:05 ~ 9:45	ITOCHU Techno-Solutions Corporation (CTC)	Hiroshi Kajiwara Executive Officer, Chief Operating Officer, ICT Division Kiyoshi Sekikawa General Manager, Information Technology Business Department
9:50~ 10:25	DAIKEN CORPORATION	Yusuke Takasaka Junior Executive Officer, Chief Operating Officer, Construction & Real Estate Division Takashi Ozawa General Manager, Construction & Building Material Department
10:30~ 11:05	Hitachi Construction Machinery	Hiroshi Ushijima Executive Officer, Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division Masahiko Yoshikawa General Manager, Construction Machinery & Industrial Machinery Department
11:10~ 11:25	ITOCHU SDGs STUDIO	Tokuko Metani General Manager, Corporate Brand Initiative
11:25~11:30	Closing	Suguru Amano General Manager, Investor Relations Division

Today we will provide an overview of recent large-scale investment projects that have received significant market demand. This style will be different from the previous particular field-focused presentations.

Specifically, we will explain about investment projects related to ITOCHU Techno-Solutions Corporation(CTC), DAIKEN CORPORATION(DAIKEN), and Hitachi Construction Machinery. We hope that through this presentation, you will have a deeper understanding of our growth strategies in non-resource sectors, which are our strengths.

Furthermore, as our non-financial initiatives, we will introduce the facility of the "ITOCHU SDGs STUDIO" and related initiatives which have received extensive media coverage.

- Presentation and dialogue on **the growth strategy for large-scale investment projects** in non-resource sectors, which is our strength, and **ITOCHU SDGs STUDIO**, which is our non-financial initiative.

- Presentation emphasizing primarily **the increase in the "Growth Rate" (large-scale investment projects)** and the lowering the **"Cost of Capital" (ITOCHU SDGs STUDIO)** in the **"Corporate Value Calculation Formula."**



According to the "Corporate Value Calculation Formula" used in our annual report, investment projects primarily contribute to the increase in the "Growth Rate," while the initiatives of "ITOCHU SDGs STUDIO" primarily lead to the future lowering of the "Cost of Capital."

Keita Ishii

Member of the Board, President & Chief Operating Officer

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Today, the Chief Operating Officers of divisions and General Managers of departments who have worked on large investment projects, ITOCHU Techno-Solutions Corporation (CTC), DAIKEN CORPORATION (DAIKEN) and Hitachi Construction Machinery, from the feasibility study stage will provide a frontline perspective as they go over the polishing strategies we are currently considering, such as the collaborative and growth projections, the significance of each investment, and their respective strengths.

When we announced 1st half business results the other day, we explained that we revised the full-year results forecast for FYE 2024 upward and are eyeing a third consecutive year at ¥800.0 billion. However, I think there may be quite a few people who are concerned about whether we can actually maintain a profit stage of ¥800.0 billion if the current extreme yen depreciation and persistently high resource prices become normal going forward.

The strengths of ITOCHU's businesses lie in the non-resource sector, which is highly resilient to economic volatility, as you already know. By investing three large investment projects mentioned earlier, we can expect Group-wide synergy, future expansion of earnings and that will assuredly lead to make our strengths even more solid and reliable. In particular, CTC's IT system and application development capabilities are one of the important tools to break down silos of vertical organization structure among companies and transcend industry boundaries. We aim to further strengthen our solid revenue and profit base by enhancing the overall capabilities of our Group while leveraging IT and digital technologies.

As for large investment projects, FamilyMart and DESCENTE, for which ITOCHU previously conducted a TOB and increased its stake, rapidly enhanced their earnings level by deeply engraining hands-on management in the front lines and tapping into ITOCHU's comprehensive capabilities as a general trading company.

Similar to these projects, the large investment projects we will go over today are not investments into unfamiliar territory. They are investees with whom we have had long-term business relationships and known each other very well. We intend to nurture them into even higher profit levels together by steadfastly promoting ITOCHU's unique measures.

Furthermore, we have the four lessons for investments as follows (to rigorously prevent below):

- (1)Overpaying for investments,
- (2)Investments aimed at seizing profit from investees,
- (3)Overdependence on and overconfidence in partners and
- (4)Field with limited insight.

The lessons have been shared throughout the entire Company. We would like to carefully consider each project, leveraging our past experiences, to ensure thorough examination.

Moreover, we will go over the initiatives and targets related to ITOCHU SDGs STUDIO, which is ITOCHU's unique hub for promoting the SDGs. ITOCHU aims to enhance corporate value in both financial and non-financial terms, and the various initiatives for ITOCHU SDGs STUDIO are expected to not only help enhance the Company's corporate value but contribute to the sustainable society and the growth of children.

I hope you will gain a much deeper understanding of the Company's growth strategies and, through today's briefing, we look forward to engaging in valuable dialogue with diverse market participants. We would greatly appreciate your continued support and expectations for the future of ITOCHU Corporation.



ITOCHU Techno- Solutions Corporation (CTC)

Hiroshi Kajiwara

Executive Officer,
Chief Operating Officer, ICT Division

Kiyoshi Sekikawa

General Manager,
Information Technology Business Department

Chief Operating Officer, ICT Division, Hiroshi Kajiwara

The ICT Division has conducted business incubation from a market-oriented perspective underpinned by the pillar of access to innovation through start-up investment in such business fields as IT, mobile technology, and media.

Furthermore, we support DX for the entire Group while collaborating with the IT & Digital Strategy Division, which is a Company-wide organization.

General Manager, Information Technology Business Department, Kiyoshi Sekikawa

I was in charge of the tender offer bid (TOB) due in part to my deep connection to CTC, which spans more than 20 years, including my secondment to CTC and my involvement in its listing on the Tokyo Stock Exchange in 1999 and the acquisition of CTC's overseas business. After explaining CTC's unique characteristics, strength, background, and history with ITOCHU in the first half, I will go over the lead-up to the TOB and our aims as well as the policies and strategies going forward in the second half.

Overview of CTC



■ CTC is a major system integrator in Japan and one of the most important Group companies in the ITOCHU Group.



Challenging Tomorrow's Changes

Vendor Partners 300+ Companies	Customers in Various Industries 10,000+	Service Bases in Japan Approx. 100
40+ years R&D Track Record in Silicon Valley	Number of Engineers (Total Employees) 16,829	Vendor Certifications Held by Engineers 12,000+

*As of April 1, 2023

Company name	ITOCHU Techno-Solutions Corporation (CTC)
Founded	1972
Total employees	20,925 (Numbers of consolidated employees : 10,120) *As of April 1, 2023, including temporary and outsourced employees
Revenue	FYE2023 ¥571 Billions
Business lines	Sales, integration of computers and network systems; commissioned software development; maintenance and support; etc.



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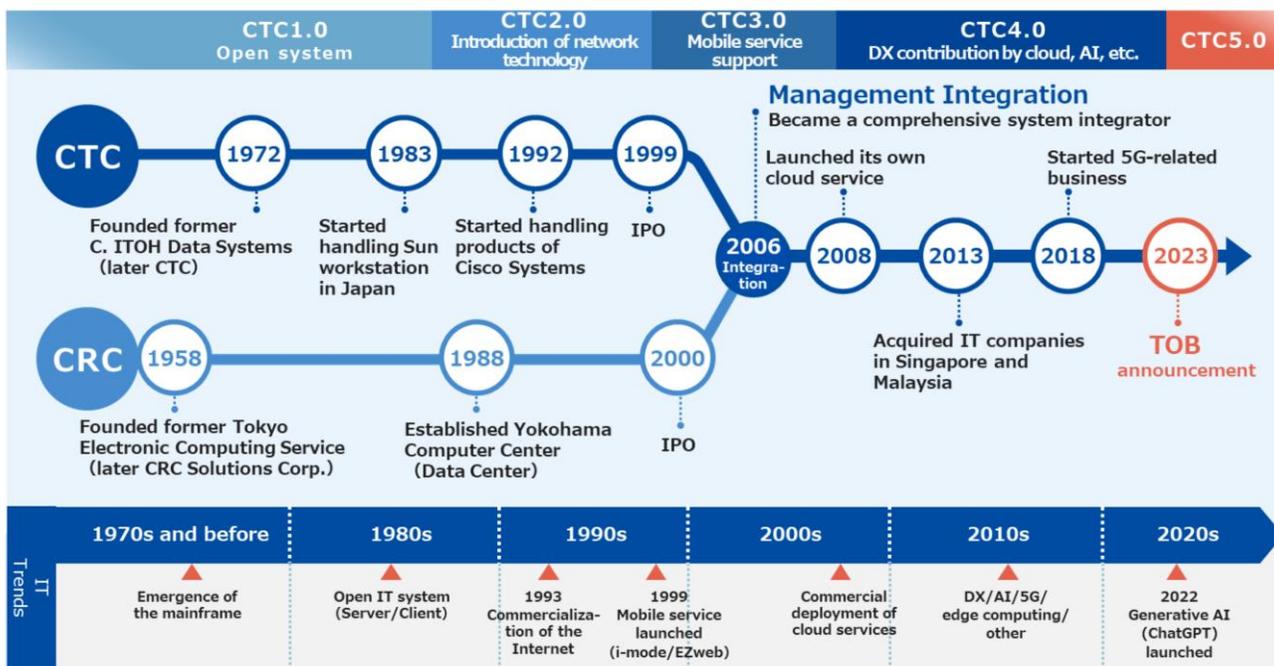
CTC was founded in 1972. CTC employs more than 20,000 people, including temporary and contracted employees, and achieved revenue of ¥571 billion in FYE 2023. CTC is a major system integrator in Japan and ITOCHU's one of the most important Group companies.

Their operating results have steadily increased overall, and the CAGR for revenue since CTC's listing is 4.5%. Over the past five years, this growth has accelerated to 6.0%. The growth rate of Japan's IT market in the last 20 years has been around 3%–4% per year, thus CTC has achieved a growth rate higher than the market. Although their operating results in FYE 2023 slumped due to effects of the temporary semiconductor shortage, these impacts are now gone and current operating results are doing remarkably well. The full-year forecast for FYE 2024 includes revenue of ¥625 billion and consolidated net profit of ¥40 billion, setting a new record high.

History of CTC



- CTC has grown by leveraging ITOCHU's network in North America and introducing advanced products and technologies to Japan since the 1980s.
- Through integration with CRC, CTC has grown into a comprehensive system integrator that consistently provides total functions including product sales, system development and maintenance and operations.



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CTC traces its origins back to both the former CTC and former CRC.

The former CTC was founded in 1972 by ITOCHU as C. ITOH Data Systems and grew by leveraging the overseas networks of a general trading company to uncover the most advanced IT products and technologies, mainly from North America, and rolling them out in the Japanese market.

Its strengths were centered in its ability to procure and market IT products.

They swiftly identified such trends as IT systems becoming more open in the 1980s as well as the commercialization of the internet and rapid development of mobile networks in the 1990s. Ahead of any competitors, CTC introduced into Japan the advanced IT products of companies that have now grown into global powerhouses, such as Cisco Systems (a major network device company) and Sun Microsystems (a major server device company subsequently acquired by Oracle) from Silicon Valley. Through this process, CTC nurtured its ability to build large-scale advanced IT infrastructure by being contracted to build network infrastructure for major communications carriers from the dawning of the internet age. This has since become a strength of CTC.

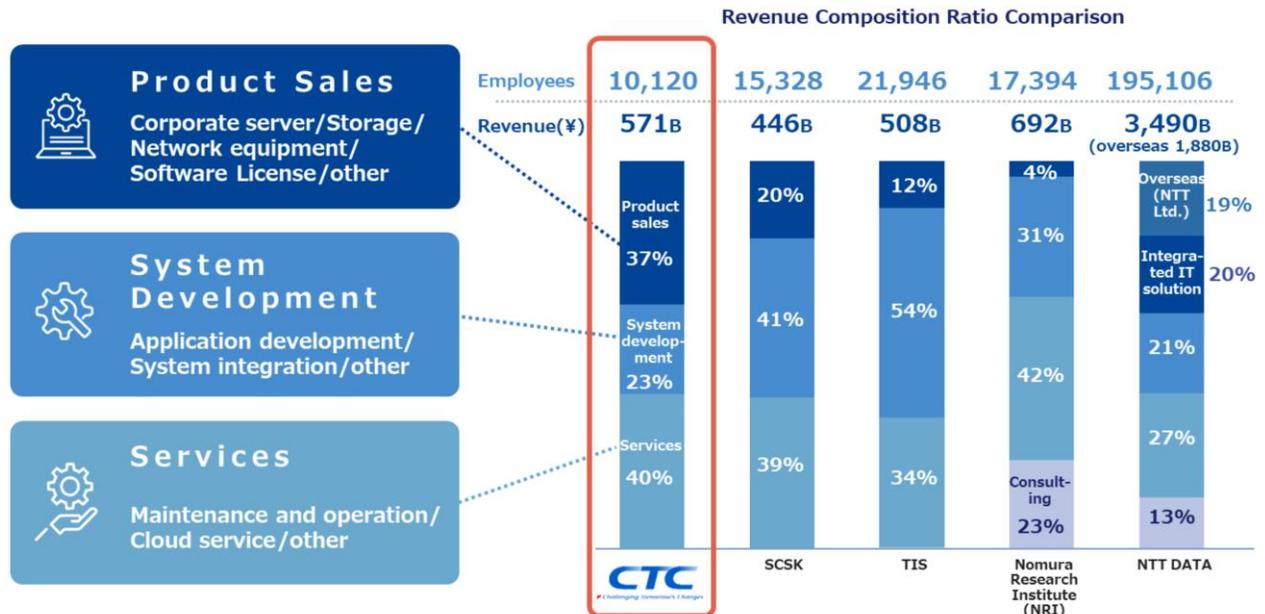
The former CRC, on the other hand, was founded in 1958 by ITOCHU as Tokyo Electronic Computing Service Co., Ltd. When it was founded, CRC provided data analysis and analytical simulations, such work as computing designs for the Tokaido Shinkansen and computing wait times for Olympic venues. From there, they conducted such operations as handling super computers and developing software, growing into a company with strengths in developing operational applications, managing data centers, and managing systems.

CTC, whose strength lies in building IT infrastructure, and CRC, whose strengths lie in developing operational applications and managing systems, merged in 2006, forming the current CTC, which is a comprehensive one-stop system integrator capable of providing everything from product sales to building infrastructure, developing applications, and conducting maintenance and operations. Since then, they began providing cloud services in the 2000s and, from the 2010s, have begun conducting businesses related to DX, AI, and 5G. They have expanded their technologies and services to address monumental technological revolutions in industries, such as those related to generative AI most recently.

CTC Business Model



- CTC consistently provides product sales, system development and maintenance and operation.
- CTC's strength is in advanced infrastructure integration involving the integration and operation of large-scale systems, with a high proportion of product sales.



*Prepared based on information in each company's annual securities report, financial results presentation materials, and information posted on their websites for the fiscal year ended March 31, 2023.

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CTC's business models are categorized into the three listed below.

1. Product sales (sales of IT products, software licenses, etc.)
2. System development (application development, system integration, etc.)
3. Services (system maintenance and operation, cloud services, etc.)

The current revenue ratio is 4:2:4. The high ratio of product sales is evidence that its fundamental business model is different from competitors in the same industry.

Looking at it from a slightly different perspective, if we categorize the models into system development and operation, which sells the work of engineers by the hour, and product sales and maintenance, which are not directly affected by personnel numbers, then CTC's ratio of the latter is higher than competitors. This is a unique characteristic of the company.

In the product sales business, there are many instances of competitors procuring products from CTC, and it holds a foundational position in the industry. The domestic IT market is expected to expand 4%–5% going forward, which is connected to their robust earnings base and expected stable growth.

Features and Strengths of CTC



- CTC is the largest IT reseller in Japan that implements advanced products and technologies from North America and other countries to Japan as a forerunner.
- CTC hires many engineers who handle a wide range of advanced products and technologies, and provides optimal solutions from a market-oriented perspective.



1. Products and Technologies Portfolio advanced and extensive

Vendor Partners
300+
Companies

- Utilizing ITOCHU's startup network in North America and 40+ years of R&D experience in Silicon Valley
- Be the first to identify and implement advanced products and technologies in Japan

**Japan's largest IT reseller
offering and supporting
advanced and diverse products**



2. IT Human Resources supporting a wide range of products and technologies

**Number of Engineers
(Total Employees)**
16,829

- Many highly skilled engineers to meet the advanced IT needs of client companies
- 12,000+ vendor certifications for products, etc.

**Providing optimal solutions to
customers by combining diverse
technologies**



3. Customer Base centered on companies utilizing advanced IT

Client Companies
10,000+

- Continuous business with communication carriers, financial institutions, and other companies utilizing advanced IT
- Involved in the development of mobile services since the early days, and leveraging its knowledge to expand its customer base

**Strong relationships with
companies developing
advanced IT use and
business applications**

*As of April 1, 2023

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CTC's characteristics and strengths are organized into three main categories.

The first is that it has an advanced and extensive portfolio of products and technologies and as Japan's largest IT reseller, having a long history of spearheading the introduction of advanced IT products from North America into Japan. This is my personal impression, but that CTC's level of more than 300 vendor partners is around 1.5–2 times more than its competitors.

The second is that it has a diverse set of engineers with highly skilled engineering capabilities. The provision of a wide range of IT products and technologies requires technical expertise to provide packages that combine multiple products and not simply resell items from right to left. Regarding sales of IT products and technologies, there is an industry-wide practice to not grant sales rights if there is not a certain number of engineers certified for the technology to be provided. CTC's ability to handle such a wide range of IT products and technologies proves that it has enough engineers to support that.

The third is its customer base especially centered on companies that utilized advanced IT. CTC has a strength in providing advanced overseas IT products and technologies to the Japanese market. Communication carriers, financial institutions, and other customers whose core of business and competitive advantages came from utilization of advanced IT choose CTC as partner, and we have built up robust relationships over many years.

Combining various products without relying on specific vendors and providing optimal systems for customer needs from a market-oriented perspective is CTC's strength.

Customer Base Built by Strengths



■ CTC has established a dominant position in infrastructure integration for communication carriers and has an advantage in Telecommunication segment compared to other companies in the industry.

Excellent and diverse customer base



Financial Services

- Mizuho Financial Group, Inc.
- Mitsubishi UFJ Financial Group, Inc.
- The Norinchukin Bank

etc.

Distribution

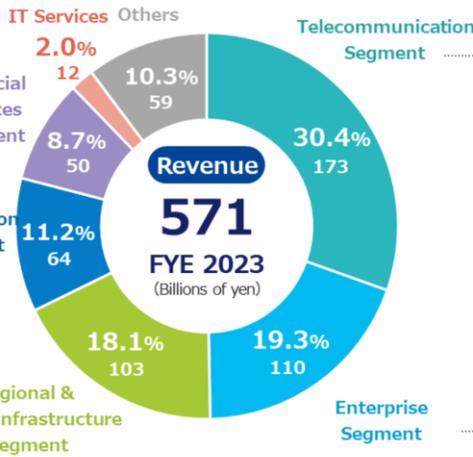
- ITOCHU Corporation, ITOCHU Group
- Idemitsu Kosan Co., Ltd.
- Asahi Group(group companies)

etc.

Regional & Social Infrastructure

- JAPAN POST Group(group companies)
- TOYOTA MOTOR CORPORATION
- Central Government Ministries and Agencies
- Local Government

etc.



Telecommunication

- NTT DOCOMO, INC.
- KDDI CORPORATION
- SoftBank Corp.

etc.

Enterprise

- Canon Inc.
- ANA HOLDINGS INC.
- CHUGAI PHARMACEUTICAL CO., LTD.

etc.

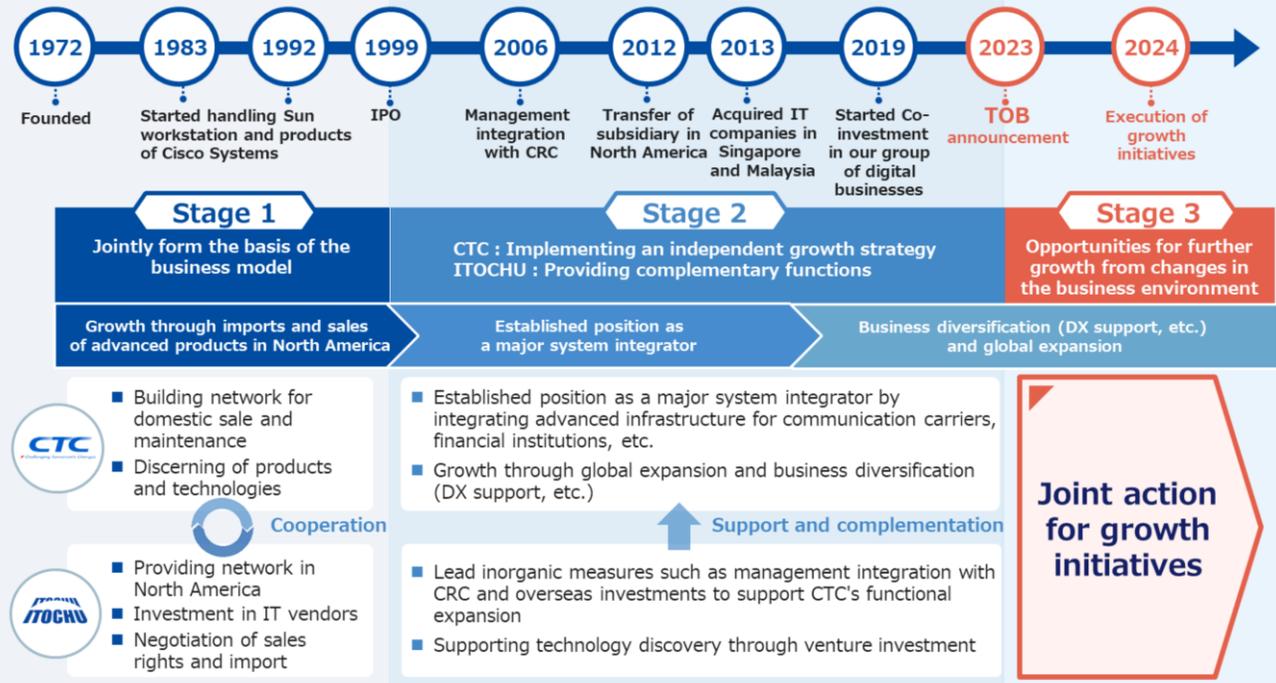
Strong customer base of 10,000+ companies

To provide more detail regarding the customer base, CTC conducts business with all of the three biggest communications carriers, and revenue from the telecommunications segment constitute the largest component. CTC has a dominant position in the provision of advanced system infrastructure, which was cultivated for communication carriers. By rolling out expertise gained from this business to other sectors, CTC conducts sustainable trade with some of the top companies in Japan.

Growth Progress of ITOCHU and CTC



- ITOCHU and CTC jointly formed the basis of the business model for the implementation of North American advanced products(Stage1).
- After listing, ITOCHU supported growth strategy by leading CTC's functional expansion and global expansion(Stage2).



Shifting our perspective, I will explain the relationship between CTC and ITOCHU and the lead-up to the TOB.

This slide shows the history of growth progress for CTC and ITOCHU, demarcating the period up to their listing in 1999 as Stage 1 and the period from their listing to present as Stage 2.

In Stage 1, they jointly formed the basis of the business model. Specifically, ITOCHU discovered IT products and technologies in North America, negotiated sales rights and relationships with IT vendors, and played a role in handling import to and export from Japan while CTC built sales and marketing network and maintenance services in Japan. In this collaborative way, we built the basis of our current business model. Around this same time, ITOCHU began investing in start-ups in Silicon Valley and forming personnel networks.

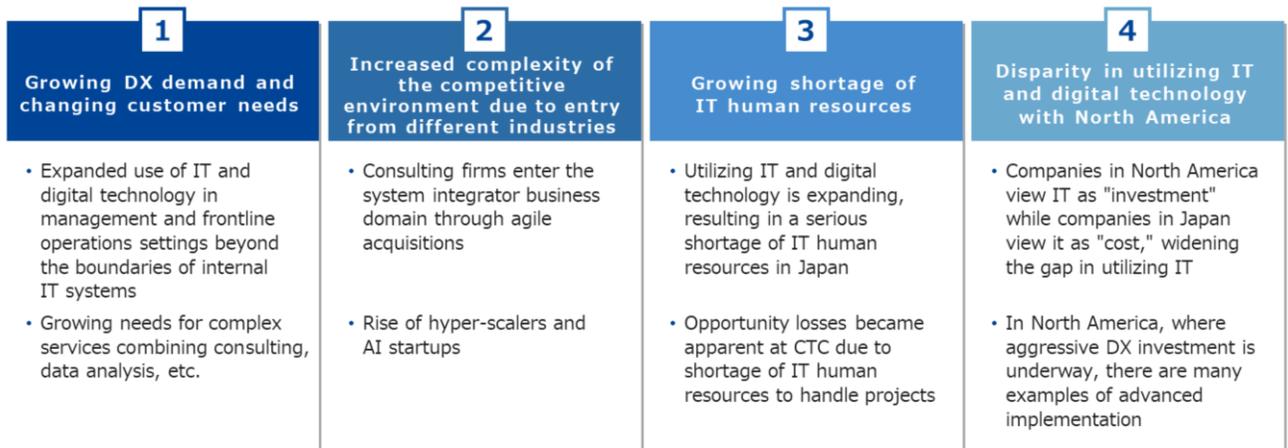
With the listing in 1999, our mutual roles changed and we moved onto Stage 2. As CTC independently implemented competitive strategies as a major system integrator and focused on organic sales expansion, ITOCHU supported CTC's growth strategies mainly by leading inorganic initiatives and dispatching personnel for management and planning from a position of support and augmentation. Specific examples include merging with CRC, global expansion including the acquisition of overseas business and the formation of digital businesses, which had been promoted before the TOB.

In this way, CTC and ITOCHU have grown through mutual prosperity while changing their roles. The recent IT industry is facing large, unprecedented environmental changes. By privatizing CTC, ITOCHU will completely unify mutual benefits and detriments. ITOCHU decided, CTC and ITOCHU once again jointly implement growth initiatives dynamically.

Background of TOB (1)



- ITOCHU decided to execute TOB in order to maximize the benefits of growth opportunity by responding to market environment and structural changes.



ITOCHU will respond to these changes and implement inorganic growth initiatives for CTC



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Now, I would like to explain the background and aims of the TOB.

ITOCHU has organized the rationale behind the TOB into the following four aspects.

1. Growing DX demand and changing customer needs
2. Increased complexity of the competitive environment due to entry from different industries
3. Growing shortage of IT human resources
4. Disparity in utilizing IT and digital technology with North America

These are simultaneously issues CTC should address and growth opportunities.

I will explain these details and CTC's inorganic growth initiatives as an approach to the issues.

Background of TOB (2)



1 Growing DX demand and changing customer needs

	Existing market	New market
Customer	Back-office-centered internal system use Customers are mainly IT departments	Utilizing IT for Business Growth and Competitiveness Customer touchpoints expanded to all departments of the company
IT Company	Contract-based IT infrastructure integration and application development System integration and provision of solutions in line with customer requirements	Complex IT offerings based on client business understanding Increased importance of upstream functions (consulting, data analysis, business design and marketing)

Rapid Growth

2 Increased complexity of the competitive environment due to entry from different industries

Expanding presence of companies with upstream functions, including entry from different industries

- Peers enrich upstream functions through M&A and investment in human resources to ensure high profitability and growth rates

Company	2018	2019	2020	2021	2022	2023
Operating Income (Billions of yen)	46	51	62	112	189	189
Operating Income Margin (%)	8.1%	11.5%	12.3%	11.9%	16.2%	10.4%

*CAGR is calculated from operating income over 5 years.

Rise of hyper-scalers and AI startups

- Cloud, generative AI and other factors are transforming IT infrastructure and system development.

To meet complex IT offering needs, upstream functions need to be strengthened

As more diverse and more complex functions are required, enrichment of capability is important

01 Enrichment of upstream functions Accelerate growth and add value by promoting M&A, etc. that contribute to strengthening functions such as consulting and data analysis

*Prepared based on information provided in each company's annual securities reports and financial results presentation materials for the fiscal years ended March 31, 2023 and 2019.

1. Growing DX demand and changing customer needs

Customer IT needs, which had been centered on using such internal systems as accounting system, have recently been expanding into the DX field, as in using IT for competitive advantages, such as making operations more efficient and transforming business models. As a result, the customer engagement of system integrators has expanded into every department, including management planning and marketing, from just customers' IT departments. Therefore, the engagement of system integrators with customers goes beyond simply building systems according to their requirements. It involves understanding their business challenges and offering solutions through consulting and data analysis. The business model has undergone a transformation where the offering of these solutions precedes the acquisition of projects for subsequent system architect, integration, and operation.

2. Increased complexity of the competitive environment due to entry from different industries

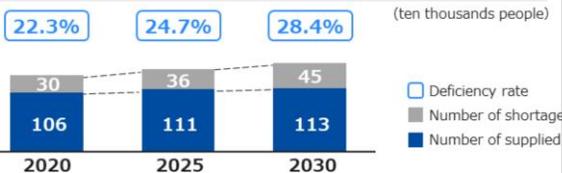
Among the companies that excel in assessing customer needs in more upstream areas, such as consulting firms that had been in a different industry, there are now some that are entering the downstream field of building IT systems. Even within the same industry, an increasing number of companies have achieved higher profitability and growth rates by expanding upstream functions by strengthening M&A and personnel investments. In addition, the functions required of system integrators are becoming more diverse and complex as system development rapidly changes, such as with the emergence of generative AI, the broader use of system development through low-code and no-code platforms*, and expanded use of hyper-scaler cloud provided by Amazon, Google, and Microsoft, etc.

As action to address these changes, we consider enrichment of upstream functions is important, such as consulting and data analysis, and realize the provision of higher value-added functions.

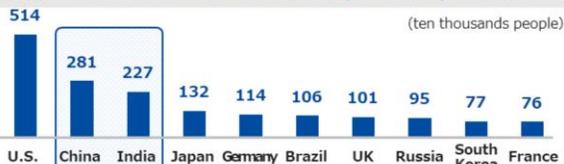
*Development methodology without using specialized programming languages

3 Growing shortage of IT human resources

Number of shortage of IT human resources*1



Number of IT human resources by Country in 2022*2



Demand of utilizing IT and digital technology is growing, but there is a shortage of IT human resources, and ensuring engineer resources is essential for capturing market growth

02

Ensuring engineer resources

Ensuring partners in Asia to strengthen development resources

*1 From Survey on IT Human Resource Supply and Demand (Ministry of Economy, Trade and Industry/Mizuho Information & Research Institute, Inc.)

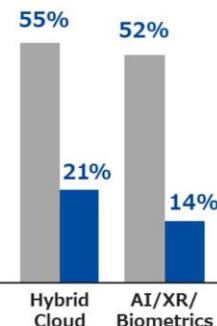
*2 From FYE2023 edition: World IT Engineer Report vol.5 in data (Human Resocia)

4 Disparity in utilizing IT and digital technology with North America

Ratio of DX investment to company sales(2021)*1



Percentage of advanced technology used(2022)*2



In addition to implementing advanced IT products and technologies, which is one of CTC's strengths, it is important to accumulate advanced case studies and knowledge

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Expansion of business base in North America

Accumulate advanced case studies and knowledge from North American companies for the Japanese market

*1. From Nikkei Newspaper(November 4, 2022) *2. From DX White Paper 2023 (Japan: n=543, U.S.: n=386) *3. Walmart: our estimate based on "eCommerce, technology, supply chain and other" investment / 7&i: our estimate based on DX investment after April 2020

3. Growing shortage of IT human resources

As DX demand expands in Japan, we expect the supply of IT human resource that could meet this demand over the next five to ten years to fall seriously short by around 20% to 30%. The opportunity loss ensuring this human resource shortage will grow every year, even for CTC.

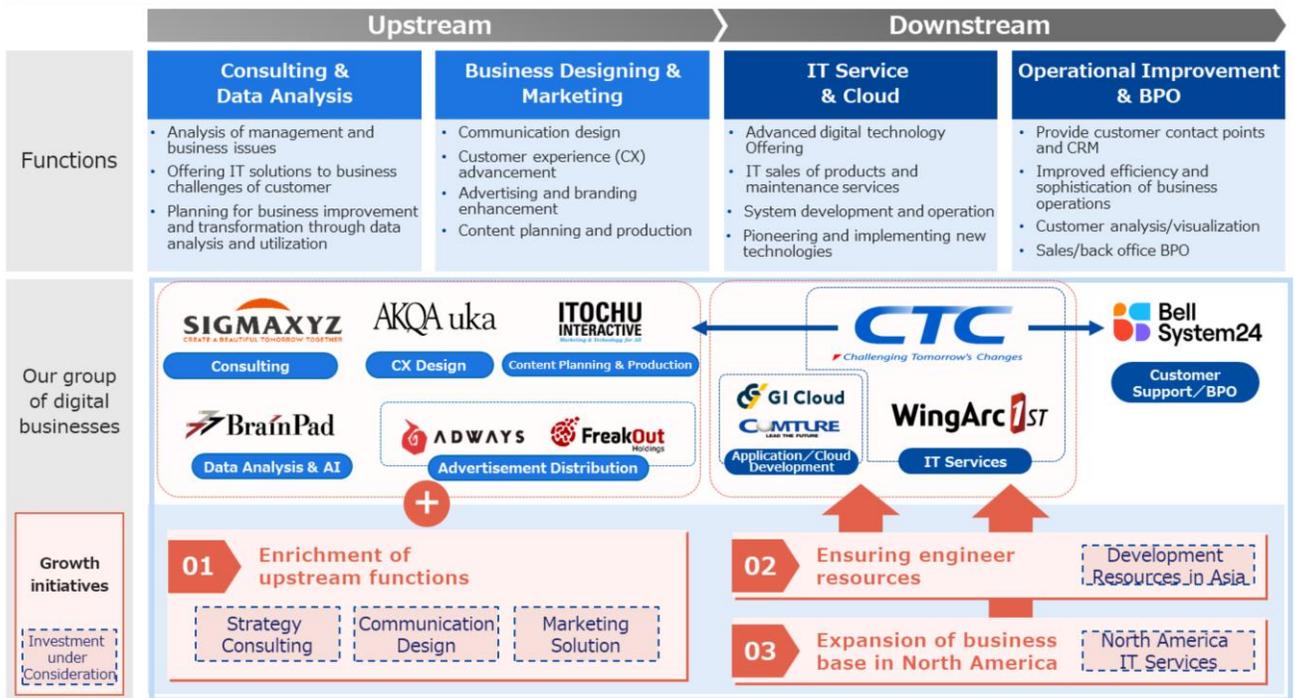
In an environment where demand exceeds supply, to capture demand, securing engineer resources is necessary. There are competitors who have worked to rapidly utilize overseas resources, and CTC is also working to ensure development resources through capital alliances with partners in the Asian region.

4. Disparity in utilizing IT and digital technology with North America

The progress gap in introducing DX and technology in North America compared to Japan is roughly two to three years in my personal opinion. There are many cases of early adopters in North America, but many Japanese companies consider IT a cost, rather than an investment. Maintaining a conservative stance toward IT investment, Japanese companies tend to shy away from introducing technologies without any track record. In this period of widespread adoption of DX, it is important to formalize case studies of advanced technologies and import them as solutions, in addition to advanced IT products and technologies, which have been CTC's strength to date. I believe expansion our business base in North America will be effective.

Digital Value Chain Strategy : CTC Growth Acceleration and Business Expansion

- By maximizing the use of ITOCHU's management resources, including its network and investment know-how, and by strengthening the digital value chain, CTC will accelerate its growth strategy and further expand earnings.



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To address changes in market environments and structures, ITOCHU intends to provide the value chain with integrated services, not just individual functions. We have worked to form Our Group of Digital Businesses through capital alliances with companies that possess these functions.

We organize the functions companies need to utilize IT and digital technologies into the upstream functions of “consulting and data analysis” and “business designing and marketing,” and the downstream functions of “IT service & cloud” and “operational improvement and BPO.”

In the downstream functions of IT services and BPO, ITOCHU has the core businesses of CTC and BellSystem24. For DX promotion, we aim to achieve high profitability in the value chain, including CTC and BellSystem24, by enrichment such upstream functions as data analysis, and consulting, which offer solutions by visualizing business issues, business design and marketing, which work to enhance the sophistication of branding and customer experience (CX) using digital technologies.

Over the last few years, we have achieved beneficial effects through a mutual alliance with CTC, carrying out a capital and business alliance with SIGMAXYZ and BrainPad in consulting and data analysis, establishing a joint venture with the major global company AKQA in design consulting, and carrying out a capital and business alliance with COMTURE in cloud services. Through privatization, CTC and ITOCHU will unite and achieve the further expansion of revenues and acceleration of CTC’s growth strategies by more dynamically and boldly promoting digital value chain strategies. Examples of initiatives currently under consideration are as follows: As for the enrichment of upstream functions, we are discussing the establishment of a joint venture with a major strategic consulting firm and the formation of a capital alliance with communication design and marketing solution-related businesses. Regarding the ensuring of engineer resources, we are discussing a capital alliance with a major IT human resource businesses in Asia. With respect to expansion of business base in North America, a capital alliance with an IT service operator in North America is under discussion.

■ Accelerate CTC's growth strategy by agile enrichment of the digital value chain.

	Aims and Measures	Sensitivity (approx.)	New Initiatives under Discussion
01 Enrichment of upstream functions	Accelerating Growth and Higher Value Addition <ul style="list-style-type: none"> Accelerate collaboration between existing our group of digital businesses with upstream functions and CTC to add value to projects New alliances with companies with upstream functions 	Operating income margin Improve 1% Operating income Approx. +¥5 Billions	<ul style="list-style-type: none"> Alliance with a leading consulting firm Alliance with marketing companies
02 Ensuring engineer resources	Minimizing Opportunity Losses <ul style="list-style-type: none"> Accelerate collaboration between existing our group of digital businesses with expertise in the application and cloud domain to expand development resources Ensure development resources in Asia 	Engineers Ensure 500 engineers Revenue Approx. +¥5 Billions	<ul style="list-style-type: none"> Alliance with IT human resource provider in Asia
03 Expansion of business base in North America	Accumulating Knowledge in Cutting-Edge Digital Utilization <ul style="list-style-type: none"> Accumulate knowledge of increasingly important utilizing IT and digital technology in addition to advanced product knowledge Acquire new technologies in areas that contribute to CTC's competitive advantage through investment in venture capital funds 	Operating income margin Improve 1% Operating income Approx. +¥5 Billions	<ul style="list-style-type: none"> Alliance with IT service providers in North America

We assessed the aims of three growth initiatives and the future quantitative impact on CTC in terms of sensitivity.

By enrichment of upstream functions, we aim to enhance business profitability by introducing CTC's IT services and moving away from providing such high value-added functions as consulting and data analysis functions.

By ensuring engineer resources, we aim to ensure projects, which we would otherwise miss out on due to resource shortages, and further expand revenue.

Regarding expansion of business base in North America, we are currently discussing investment in companies that have business relationships with excellent major companies in North America, but we aim to improve business profitability by enhancing the competitive advantages of solutions provided by CTC, such as technologies that have a short track record in Japan.

Future Collaboration and Growth Vision (Summary)



- ITOCHU aims to maximize corporate value by responding to changes in the business environment and expanding functions, scale, and competitive advantage together with CTC through agile inorganic initiatives and strengthened collaboration with our group of digital businesses.

Collaboration Field	Collaboration and Growth Vision	Timelines			Expected Returns		
		Short	Mid	Long	Low	Medium	High
1. Enrichment of upstream functions	<ul style="list-style-type: none"> ■ Increase in high-value project acquisitions through accelerated collaboration between our group of digital businesses and CTC ■ New alliances in consulting, marketing, and other areas 						
2. Ensuring engineer resources	<ul style="list-style-type: none"> ■ Maximize development resource utilization of our group of digital businesses in the application and cloud domains ■ New alliances to ensure development resources in Asia 						
3. Expansion of business base in North America	<ul style="list-style-type: none"> ■ Discover new technologies in cutting-edge areas through venture investment ■ Accumulate knowledge of utilizing IT and digital technology through alliance with IT service providers in North America 						

In addition to CTC's growth, ITOCHU will enhance corporate value through achieving Digital Transformation by integrating "Trading company" with "IT"

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- 1) Enrichment of upstream functions would augment and expand new functions and span the medium- to long-term but would be larger in terms of profit scale.
- 2) Ensuring engineer resources and 3) Expansion of business base in North America would enhance and expand existing operations and would be relatively swift and effective.

Through privatization, we aim to maximize CTC's corporate value by working to dynamically implement inorganic growth measures adapted to changes in the business environment jointly with CTC, strengthening our alliance, and further expanding our group of digital businesses.

Moreover, the aim of the TOB is to enhance corporate value through the business transformation of the ITOCHU Group itself. ITOCHU Group, which has tremendous strength in the consumer-related business, believes there is much more room for growth in the use of digital technologies and will accelerate the business transformation of ITOCHU Group by fully utilizing its expertise and resources in Digital Value Chain, especially CTC.



DAIKEN CORPORATION

Yusuke Takasaka

Junior Executive Officer,
Chief Operating Officer,
Construction & Real Estate Division

Takashi Ozawa

General Manager,
Construction & Building Material Department



Chief Operating Officer, Construction & Real Estate Division, Yusuke Takasaka

The Construction & Real Estate Division has traditionally been focused on real estate development, but since the transfer of the construction materials-related business to our division in 2019, we have been working to establish an integrated value chain that spans from building materials to real estate development, operation, and management.

The construction and civil engineering industries that our division interfaces with are currently facing various societal challenges such as SDGs and labor shortages. In response to these challenges, initiatives such as disaster prevention, increasing the longevity of buildings and infrastructure, and promoting labor-saving measures have become urgent priorities.

To contribute to addressing these challenges, our division has been promoting the strengthening of alliances in the construction and civil engineering industries. This includes recent capital and business alliances with Nishimatsu Construction and Oriental Shiraishi.

While maintaining a longstanding close relationship with DAIKEN CORPORATION (DAIKEN) as sibling companies, over the years, our company has particularly positioned DAIKEN as one of the key Group companies in the construction materials business since the capital and business alliance in 2018. We have been working collaboratively to enhance corporate value.

General Manager, Construction & Building Material Department, Takashi Ozawa

I have been actively involved in creating synergy through the expansion of DAIKEN's product sales and collaboration in new business ventures. Additionally, I have been responsible for facilitating discussions and negotiations with various stakeholders regarding the tender offer bid (TOB) for DAIKEN, starting from the evaluation stage.

I will explain DAIKEN's features and strengths, along with the background, investment significance, and strategic aspects of the TOB.

History of DAIKEN CORPORATION



- Both DAIKEN and ITOCHU, though experiencing post-war mergers and divisions, share the same origin as sibling companies.
- With a shared history, the two companies have cultivated a longstanding business and capital relationship, establishing a close bond.

History of Establishment



Business Relationships

1957	1964	1994	2019	2022
Jointly launched the insulation board (soft fiberboard) business	Participated in the housing business	Jointly launched the MDF (Medium Density Fiberboard) business	Started JVs with CIPA and Pacific Woodtech (PWT)	Acquired the north American engineered wood products business through PWT

Capital Relationships

1953	2002	2018	2020	2023
Became the largest shareholder (approx. 8%)	Associated company integration (20%)	Capital and business alliance (33.4%)	Acquisition more shares in market (36.3%)	Consolidated subsidiarization (TOB) (Planned to reach 100%)

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DAIKEN was founded by spinning off the forestry department of Daiken Sangyo in 1945. DAIKEN and ITOCHU are sibling companies because ITOCHU also traces its origins back to Daiken Sangyo. Since DAIKEN became independent, ITOCHU and DAIKEN have maintained a long-lasting, close relationship.

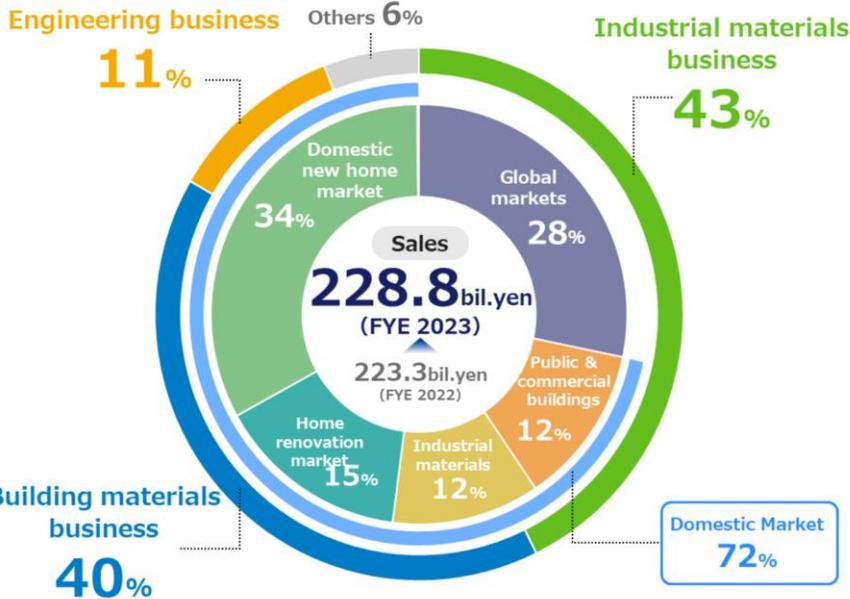
As for our business relationship, after jointly launching the insulation board business in 1957, both companies have expanded the wood industrial materials and construction materials business in Japan and North America. As for our capital relationship, after becoming the top shareholder in 1953, we incrementally increased our equity, and, in 2018, we formed a capital and business alliance. We are now converting DAIKEN into a consolidated subsidiary through TOB.

Overview of DAIKEN



- A wood interior building materials manufacturer with four main factories in Japan and seven main factories overseas. (Numbers of consolidated employees: 3,500+)
- A top market leader in wood board and flooring in Japan, leveraging strong research and development and manufacturing expertise.

Sales Composition by Business/Market



Factories	Location
Japan	Toyama, Okayama (also serves as a R&D center), Ibaraki, Mie
Overseas	New Zealand (2 factories), Malaysia (2 factories), Indonesia, China, Canada (CIPA)



Inami Factory (Toyama)



R&D Center (Okayama)

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DAIKEN has 4 main factories in Japan, 7 main factories overseas, 24 group companies and over 3,500 consolidated employees, making it one of Japan's largest manufacturers of wooden interior materials. Especially, by leveraging their strong research and development and manufacturing expertise, they have secured the No.1 market share in the wood board and flooring sector.

Their sales are around ¥230.0 billion, with 70% of sales arising from the domestic market. DAIKEN's businesses are broadly categorized into industrial materials, building materials, and engineering, with industrial materials and building materials being its mainstay businesses.

DAIKEN sells the products of these two businesses mainly in domestic housing market. In addition, they undertake sales for domestic non-housing market, such as condominiums and commercial facilities, as well as business in overseas markets, mainly North America.

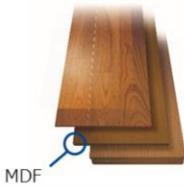
MDF (Medium Density Fiberboard)

DAIKEN holds the top domestic market share

- Wooden fiberboard using residual wood offcuts for main raw material and molded into a board
- DAIKEN's greatest strength lies in its advanced processing technology for wooden fiberboards.



Materials for flooring



Base materials for building and furniture
(Substrate of door, storage, and window frame)



Insulation board (Soft Fiberboard)



- Wooden fiberboard using construction demolition timber for main raw material and molded into a board
- DAIKEN holds the top domestic market share

DAILOTONE (Mineral fiberboard)

- Mineral fiberboard molded into a board using slag wool as a byproduct of steel



DAILITE (Inorganic material)

- An inorganic material molded into a board using an unused Shirasu (volcanic ash), and slag wool



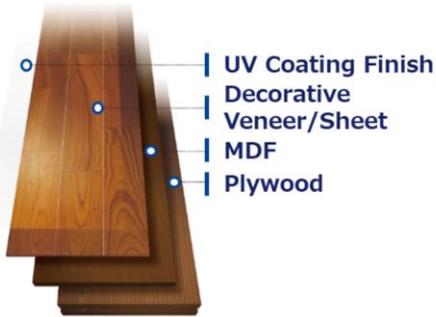
The main products of the industrial materials business are medium density fiberboard called MDF and soft fiberboard called insulation board, which are formed from fine fibers that are made by finely shaving, residual wood offcuts, construction demolition timber, and other such wooden materials.

DAIKEN's strength lies in its technology to process these materials to manufacture boards using adhesives, and both of the aforementioned products have the top market share in Japan. DAIKEN is also the market leader in Japan for both of the products, and we expect high profit contributions going forward.

In addition, DAIKEN manufactures ceiling materials called DAILOTONE and wall materials called DAILITE using slag wool, which is a byproduct of steelmaking, and Shirasu (volcanic ash), which had been an unused resource. By environmentally friendly products, they also contribute to the SDGs.

Flooring

DAIKEN holds the top domestic market share



Door, Cabinet, Stairs, Construction materials, etc.



In the building materials business, DAIKEN's diverse lineup of flooring in terms of design, capabilities, and other properties boasts a long history and has been the top in domestic market share. Furthermore, through proprietary technological developments, DAIKEN is actively promoting the utilization of domestically sourced wood materials. Besides flooring, DAIKEN also manufactures materials for doors and cabinets, and is capable of providing most of the wooden interior materials used in house construction. On the other hand, they also focus on expanding their lineup for non-housing.

- The domestic new housing market is trending downward. Streamlining management is crucial for DAIKEN's main business, domestic housing, to survive in this shrinking market.
- DAIKEN is exploring next strategies in domestic non-housing market (commercial / public sectors) and overseas market (especially in North America) as focusing markets.
- ITOCHU and DAIKEN are implementing management reforms and growth strategies, utilizing ITOCHU Group's resources to address challenges.

Current Situation Assessment					Approaches to Challenges
Market	Products	Market Share	Market Growth Potential	Profit Margin	
1. Domestic Housing	Industrial / Building materials	✓✓✓	✓	✓	Management efficiency optimization (Enhancing profitability and operational efficiency)
2. Domestic Non-Housing	Industrial / Building materials	✓	✓✓	✓✓	Expanding sales channels Diversifying product lineup Enhancing proposal capabilities
3. Overseas	Industrial materials	✓	✓✓✓	✓✓	Strengthening managerial resources overseas for business expansion

DAIKEN sells industrial and building materials in the domestic housing market, domestic non-housing market, and overseas market.

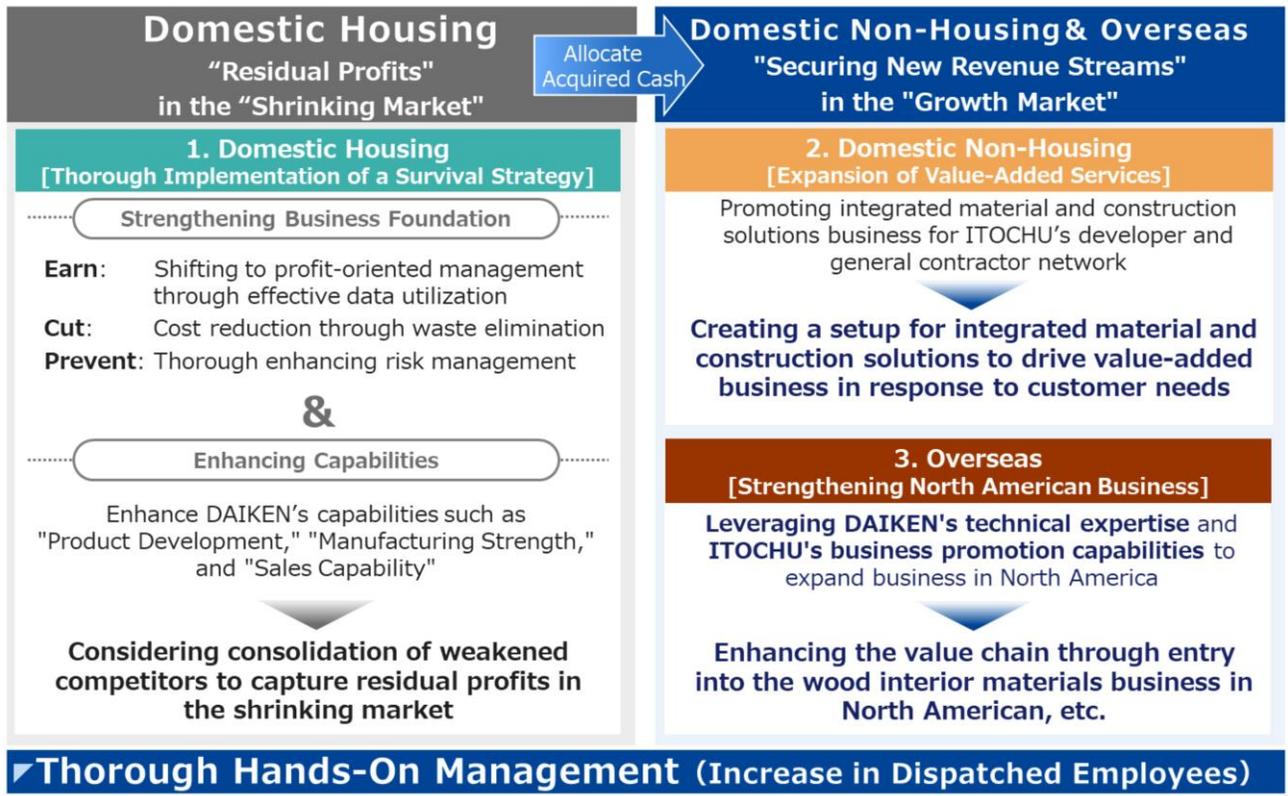
The mainstay domestic housing market is trending downward in line with the declining population in Japan and the falling number of housing construction projects every year. In addition, because the domestic housing market is mature, it is difficult to differentiate from competitors through value-added products. Accordingly, DAIKEN needs to make management more efficient.

Amid this situation, to achieve future growth, DAIKEN needs to expand business in the domestic non-housing and overseas markets, which are next focus markets.

As for domestic non-housing business, they need a customer network for general contractors and developers as well as the proposals capabilities regarding integrated material and construction solutions aligned with market needs.

Overseas, DAIKEN needs marketing capability, sales channels, and personnel training with a view to further business expansion business in North America.

Sharing a common awareness of each challenge, DAIKEN and ITOCHU agreed to implement management reforms and growth strategies by fully utilizing ITOCHU Group's resources in addition to promoting business in unison to address challenges.



DAIKEN and ITOCHU previously collaborated by forming joint teams and promoting cooperation under the name of 'Shin DI Cooperation,' derived from the initials of DAIKEN and ITOCHU, together, we have worked towards solving challenges. Moving forward, we aim for further progress in our collaboration.

First, we will continue polishing up DAIKEN's capabilities in addition to strengthening the business foundation by steadfastly practicing the "earn, cut, prevent" principles in domestic housing, especially "cut and prevent." Furthermore, we are considering the consolidation of weakened competitors to capture residual profits in the shrinking market. Then, we aim to achieve further growth by infusing cash acquired in the domestic housing market into the domestic non-housing market and the overseas market, both of which are growing.

In domestic non-housing, the need to use wood construction materials is expanding in light of the SDGs, and DAIKEN can leverage its strengths in this environment. We will offer integrated material and construction solutions finely tuned to meet customer specifications by utilizing ITOCHU Group's network and providing value-added functions to general contractors and developers.

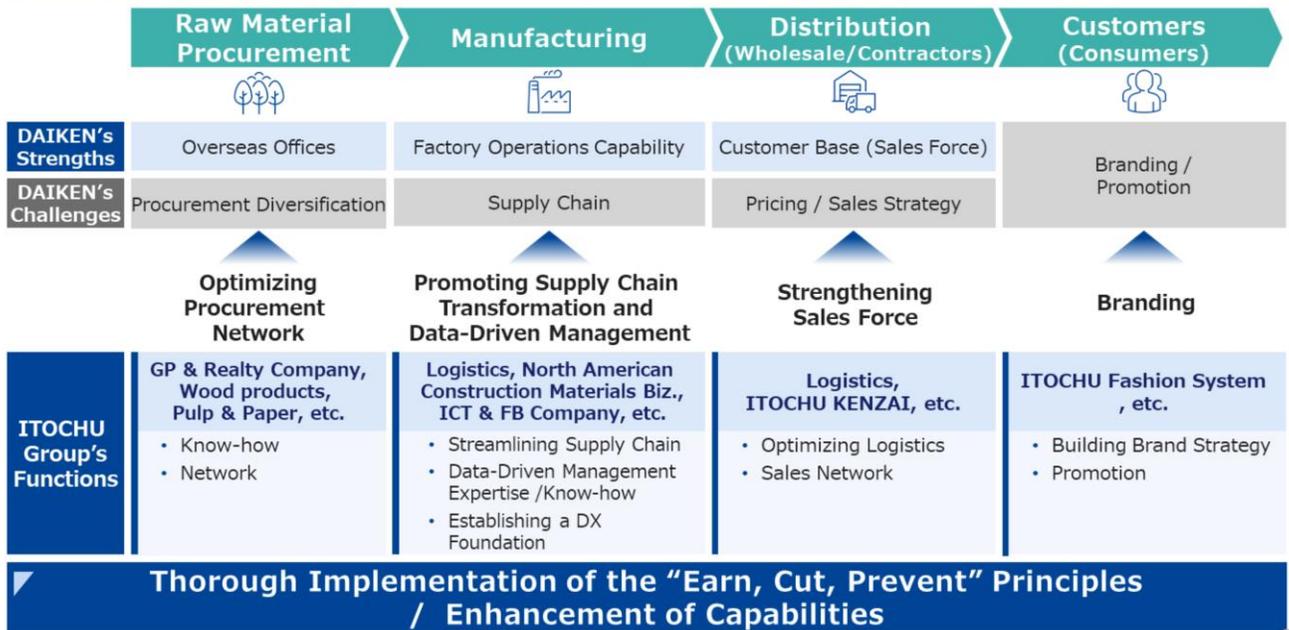
As for overseas, in North America, we believe further business expansion utilizing DAIKEN's manufacturing expertise will be possible going forward due to the need for value-added construction materials. Based on a market-oriented perspective, we will continue expanding business by utilizing the know-how of ITOCHU's North American construction materials business.

To advance our collaborative business, ITOCHU will dispatch personnel not just to management positions but also those on the front lines as we conduct hands-on management in unison with DAIKEN.

1. Domestic Housing



- Enhancing management foundation by thoroughly implementing the "Earn, Cut, Prevent" principles and enhancing capabilities leveraging ITOCHU Group's comprehensive strength.
- Exploring opportunities to capture residual profits, considering consolidation of competitors in the mature market with potential industry restructuring.



In domestic housing, fully utilizing the know-how of hands-on management cultivated in the North American construction materials business, we will continue promoting management reforms. We will implement the following measures in the supply chain, from raw materials procurement to manufacturing, distribution, and customers.

In raw material procurement, we will diversify the procurement network by utilizing the know-how cultivated in ITOCHU's timber, paper and pulp businesses.

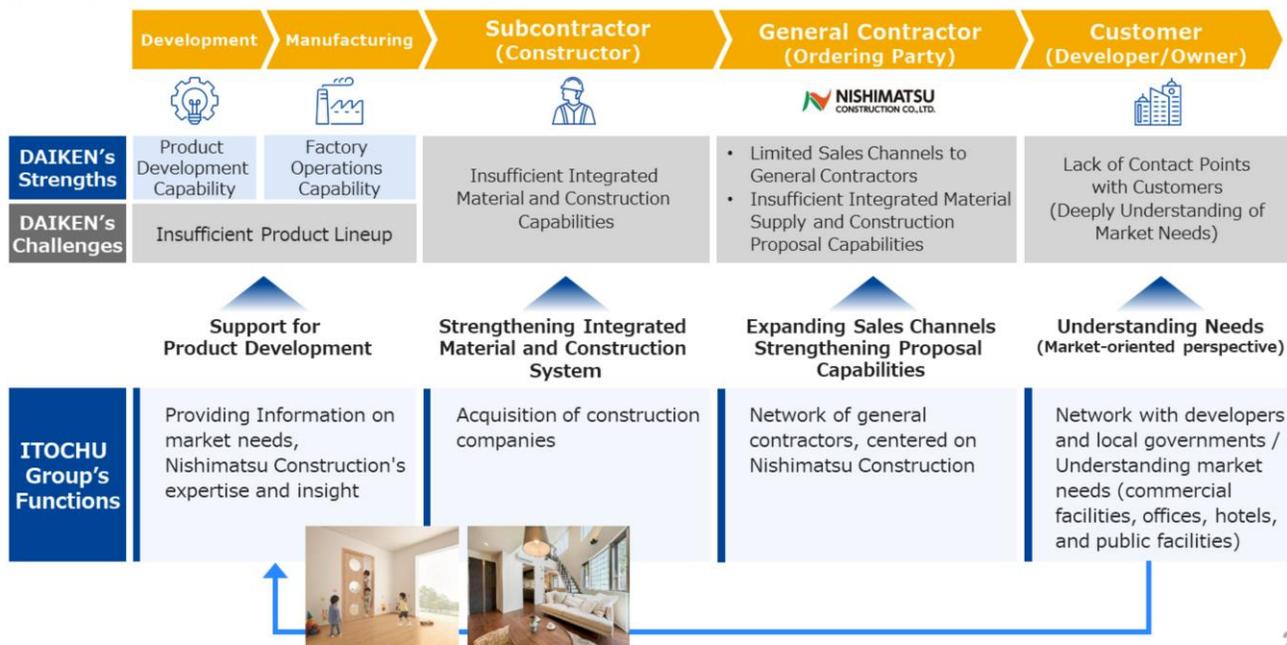
In manufacturing and distribution, we will promote supply chain transformation and data management based on supply and demand data to build a profit-oriented management. Specifically, from demand predictions to manufacturing and procurement plans, data will be centrally managed at the headquarters as we work to appropriately distribute inventory and ensure appropriate inventory levels at branches. Furthermore, by utilizing know-how cultivated in ITOCHU's logistics business, we will promote central management of logistics facilities, such as warehouses. Through this, we aim to enhance logistics operations in manufacturing and distribution processes, promoting further efficiency and cost reduction.

In addition, we aim to utilize CTC and our group of digital businesses, strengthen the sales network through collaboration with ITOCHU KENZAI, and capture customers by taking branding and promotion measures based on a market-oriented perspective.

Thinking about it from the perspective of the "earn, cut, prevent" principles, we intend to thoroughly implement profit-focused management eliminating excess by using data as the "earn and cut" principle and strengthen risk management such as the diversification of procurement network as the "prevent" principle.

2. Domestic Non-Housing

- Utilizing ITOCHU's network of general contractors, centered on Nishimatsu Construction to understand market needs and expand sales channels.
- Strengthening the integrated system of material supply and construction through the acquisition of construction companies.



In domestic non-housing, there is a growing need to use wood construction materials for condominiums and commercial facilities in light of the SDGs, and DAIKEN can leverage its strengths in this environment.

On the other hand, for general contractors, who place orders for condominiums and commercial facilities, we need to not just supply construction materials but to offer sets bundling the supply of construction materials and construction services together. Although DAIKEN has engineering capabilities, especially DAIKEN Engineering, it is limited to the construction of ceilings and walls.

Accordingly, we will first utilize ITOCHU's networks, including local governments, major developers, and such general contractors as Nishimatsu Construction, our alliance partner, to expand the product lineup based on market needs. Simultaneously, through collaboration with ITOCHU KENZAI and others, we aim to establish a framework that responds to the attractive proposals and customer requirements from general contractors, developers, and other stakeholders.

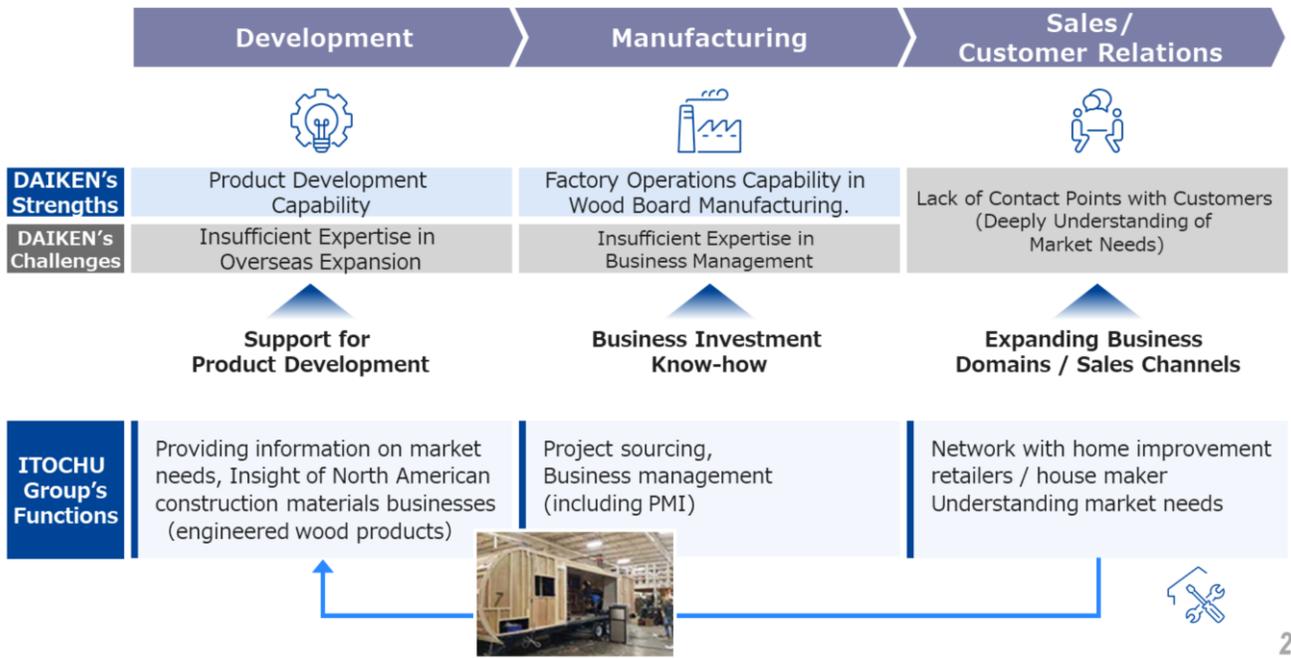
At the same time, we will acquire construction companies that will strengthen and augment the capability of DAIKEN Engineering as we work to reinforce a framework that can offer not just the supply of construction materials but also sets bundling construction services.

To say just a bit more about ITOCHU's collaboration with Nishimatsu Construction, based on the uncovered market needs from both the ITOCHU Group's perspective as a developer and Nishimatsu Construction's perspective as a general contractor, DAIKEN intends to continue promoting the research and development of new products as a construction materials manufacturer.

3. Overseas



- Collaborating with North American construction materials businesses to jointly expand wood board business, a strength of DAIKEN.
- Leveraging DAIKEN's unique wood board products to capture demand for alternatives such as lauan plywood due to concerns for supply and price increases.



Overseas, we are considering jointly expanding the wood board business, which is the strength of DAIKEN in North America, alongside ITOCHU's North American construction materials business.

In North America, there is a growing need for products to replace lauan plywood, which is a basic interior material due to concerns about the supply of South Sea timber, which is a raw material associated with tropical rainforest conservation efforts in Southeast Asia, and the soaring prices of plywood.

DAIKEN aims to meet needs to replace lauan plywood by leveraging their wood board technology. We have already felt a firm response when we conducted marketing to major home improvement retailers utilizing the network of ITOCHU's North American construction materials business and therefore are considering beginning local production.

Future Collaboration and Growth Vision (Summary)



- Taking the opportunity of privatization, promoting management reforms and growth strategies by fully utilizing ITOCHU Group's resources. Aiming to position DAIKEN as one of the key group companies in the Construction & Real Estate Division.
- Previously, profit from investees of DAIKEN was around 2 billion yen. By implementing the following measures after privatization, aiming to increase to approximately 7-8 billion yen.

Collaboration Field	Collaboration and Growth Vision	Timelines			Expected Returns		
		Short	Mid	Long	Low	Medium	High
1. Domestic Housing	<ul style="list-style-type: none"> ■ Thoroughly implementing the "Earn, Cut, Prevent" principles (especially "Cut, Prevent") and enhancing capabilities leveraging ITOCHU Group's comprehensive strength, to capture residual profits, in the mature market 						
2. Domestic Non-Housing	<ul style="list-style-type: none"> ■ Utilizing ITOCHU's network of general contractors, centered on Nishimatsu Construction to understand market needs and expand sales channels ■ Strengthening the integrated system of material supply and construction through the acquisition of construction companies 						
3. Overseas	<ul style="list-style-type: none"> ■ Collaborating with North American construction materials businesses to jointly expand wood board business, a strength of DAIKEN 						

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When taking DAIKEN private through a TOB, we will fully utilize the Group's resources to promote management reforms and growth strategies to solve DAIKEN's issues and nurture it into a one of the key Group companies in the Construction & Real Estate Division.

As for quantifying the significance of our investment, profit from investees arising from DAIKEN was around ¥2.0 billion before the TOB. However, after privatization, by implementing each measure, it is the current objective, to expand the profit from investees to at least ¥7.0 in the short-term and around ¥8.0 billion in the medium- to long-term.

Through each initiative with ITOCHU after privatization, besides organic growth, in the short term, we will thoroughly implement the "earn, cut, prevent" principles in domestic housing, especially "cut and prevent" principles, and enhance DAIKEN's capabilities to accumulate around ¥0.5 to ¥1.0 billion in additional profit. In the medium- to long-term, we will continue working to achieve our target of accumulating additional profit of around ¥0.5 billion in domestic non-housing and around ¥0.5 to ¥1.0 billion in the overseas business.



Hitachi Construction Machinery

Hiroshi Ushijima

Executive Officer,
Chief Operating Officer, Automobile, Construction Machinery &
Industrial Machinery Division

Masahiko Yoshikawa

General Manager, Construction Machinery &
Industrial Machinery Department

Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division, Hiroshi Ushijima

The facing industry in our division is rapidly changing due to the acceleration of electrification driven by the decarbonization trend and the utilization of digital technology. Manufacturers themselves are strengthening their customer touchpoints and business models are evolving quickly. In our division, we are capturing these changes in the facing industry and expanding the value chain through the utilization of owned platforms such as rentals and leases, moving away from a sales-centric approach.

ITOCHU acquired 26% of the shares of Hitachi Construction Machinery through an SPC established with Japan Industrial Partners in August 2022, becoming the top shareholder. Hitachi Construction Machinery has dissolved its joint venture with Deere & Company in the United States and is working with ITOCHU as a business partner to build its own sales channels in North America.

As part of these efforts to enhance the corporate value of Hitachi Construction Machinery, we are collaborating with Tokyo Century to establish a finance company.

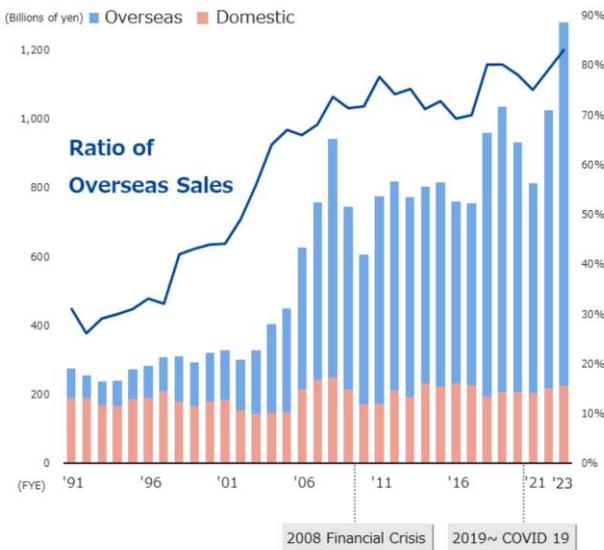
General Manager, Construction Machinery & Industrial Machinery Department, Masahiko Yoshikawa

I have been responsible for the discussions and negotiations with relevant companies since the consideration stage of the capital alliance with Hitachi Construction Machinery. Drawing on my experience of being stationed in North America, which is a crucial region for collaboration with Hitachi Construction Machinery, I will actively engage in various collaborative projects.

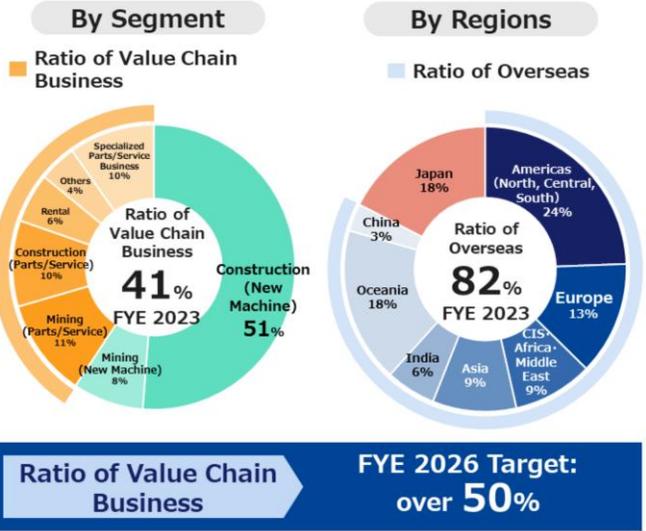
Overview of Hitachi Construction Machinery (Strength and Growth Strategy)

- Hitachi Construction Machinery has been executing their strategies for global expansion leveraging brand strength with its world's top-class market such as hydraulic excavators.
- In addition to strengthening its mining and value chain business, Hitachi Construction Machinery now focus on Americas (North, Central and South America) regions where they aim for potentials for further growth.
- In FYE 2024, the sales is expected to ¥1.36 trillion and the consolidated net profit is expected to a record high of ¥98 billion.

Domestic/Overseas Sales Ratio



Sales Portfolio



First, as an overview of Hitachi Construction Machinery, I will go over their strengths and growth strategies.

Hitachi Construction Machinery has strong brand power, including a world's top-class share of the hydraulic excavator market. The overseas sales ratio was around 30% in the early '90s but has recently topped 80% amid their global business expansion.

Under the medium-term management plan from FYE 2024 to 2026, Hitachi Construction Machinery has focused on expanding business in North, Central and South America, in addition to strengthening the mining business and the downstream businesses, such as rentals, parts sales, and maintenance services (other than new machinery sales), which are referred to as the value chain business.

Because sales of new machinery are easily affected by economic volatility, Hitachi Construction Machinery's strategy is to enhance the stability of its overall business by becoming relatively resilient to economic volatility and increasing the ratio of the value chain business, which has a high profit margin.

The ratio of the value chain business in FYE 2023 is 41%, but they have set a target of increasing the ratio to 50% or higher by FYE 2026.

Purpose of the Capital Alliance / Collaboration Policy

- A rise in downstream businesses, in collaboration with Hitachi Construction Machinery which has a policy of enhancing its value chain businesses.
- Besides the conventional approach as a dealer, ITOCHU provides various functions as a “business partner.” (Expansion of downstream business including financing, used equipment sales, and repair/maintenance etc.)
- Not only collaboration in North America which is the most important market, but also accelerate collaboration in other markets like Central and South America or Africa, which have significant potential.

Business Portfolio

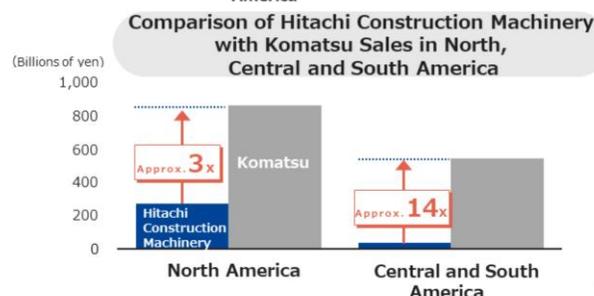
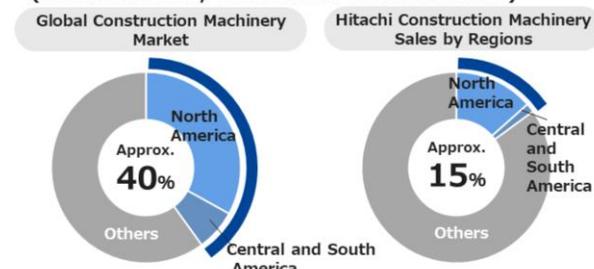
New Machinery Sales



Value Chain Business



Opportunity in American Market (FYE 2023) (North America, Central and South America)



When deciding on the capital alliance with Hitachi Construction Machinery, ITOCHU thought this would help enhance corporate value in terms of below points.

Hitachi Construction Machinery has a large share of hydraulic excavators, but its overall product lineup is sparse compared to those of Caterpillar and Komatsu. Hitachi Construction Machinery has set out a policy of not just increasing its lineup but of utilizing its current lineup to enhance its downstream businesses, which it refers to as the value chain business.

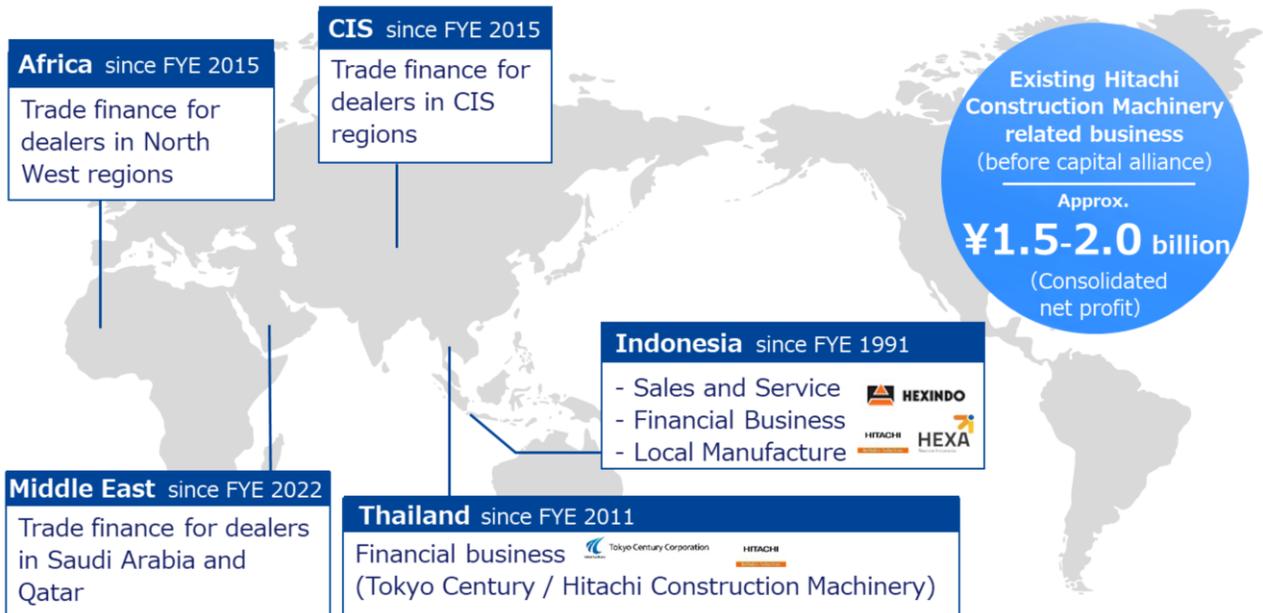
This aligns with the direction ITOCHU is heading as it aims to shift its portfolio to downstream businesses, such as rentals and services, and away from businesses centered on sales in the construction machinery industry, in which there is a shift from purchasing equipment to renting it. The Company intends to continue supporting the enhancement of these downstream businesses by providing all manner of functions, including financial and logistics functions, as a business partner.

Hitachi Construction Machinery dissolved its joint venture that had operated in the Americas with the United States-based Deere & Company for more than 30 years and launched its own business expansion in the Americas in March 2022. The construction machinery market in the North, Central and South America accounts for around 40% of the global market on a monetary basis. For comparison, during the period of the joint venture with Deere & Company, that region only accounted for around 15% of Hitachi Construction Machinery's net sales, and Komatsu's sales in North America were around three times higher while Komatsu's sales were almost 14 times more in Central and South America, showing there's room to grow.

ITOCHU's policy is to support Hitachi Construction Machinery's own expansion in North America while utilizing Multiquip, which is a major Group company in the North American construction machinery-related business.

History of Collaboration with Hitachi Construction Machinery and ITOCHU Group

- Expanded businesses with Hitachi Construction Machinery through trade business and establishment of joint ventures since 1990s.
- 30 years of collaboration in the fields of manufacturing, sales, and finance in Indonesia.
- Established achievement of trade business for Africa, Middle east, and CIS regions.



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We have built up business relations with Hitachi Construction Machinery, including joint ventures, before arriving at the current capital alliance. In particular, in Indonesia, they operated a three-pronged joint venture of sales, manufacturing, and finance for more than 30 years. In the finance business, ITOCHU is the top shareholder and has dispatched the president. Moreover, we have accumulated know-how in the finance business through the three-company joint venture (HEXA) that includes Tokyo Century, which is a major Group company in the Machinery Company. In addition, we have been collaborating in sales and finance in the Middle East, Africa, and other regions.

The close relationship from top management to the front lines has been a significant advantage in our capital alliance.

Major Projects after Capital Alliance



Collaboration Field	Overview
1. Finance	<ul style="list-style-type: none"> As a first round of collaboration after capital alliance, Hitachi Construction Machinery, Tokyo Century, and ITOCHU established North American construction machinery finance company which accelerated more collaborations in North American business. (since August 2023) 
2. Logistics & Sales channel expansion	<ul style="list-style-type: none"> Utilize customer network and logistics function of ITOCHU group to support building sales channels. Plan to share the customer network and the service system, and also utilize the online sales channel of Multiquip, which covers more than 5,000 rental companies in North America. 
3. Electrification	<ul style="list-style-type: none"> Starting from European Market, collaborate on constructing the surrounding environment for development and spread of electric construction machinery, which contributes to decarbonization of the entire construction machinery industry. 

Next, I will go over the three collaborative projects we are working on since the investment.

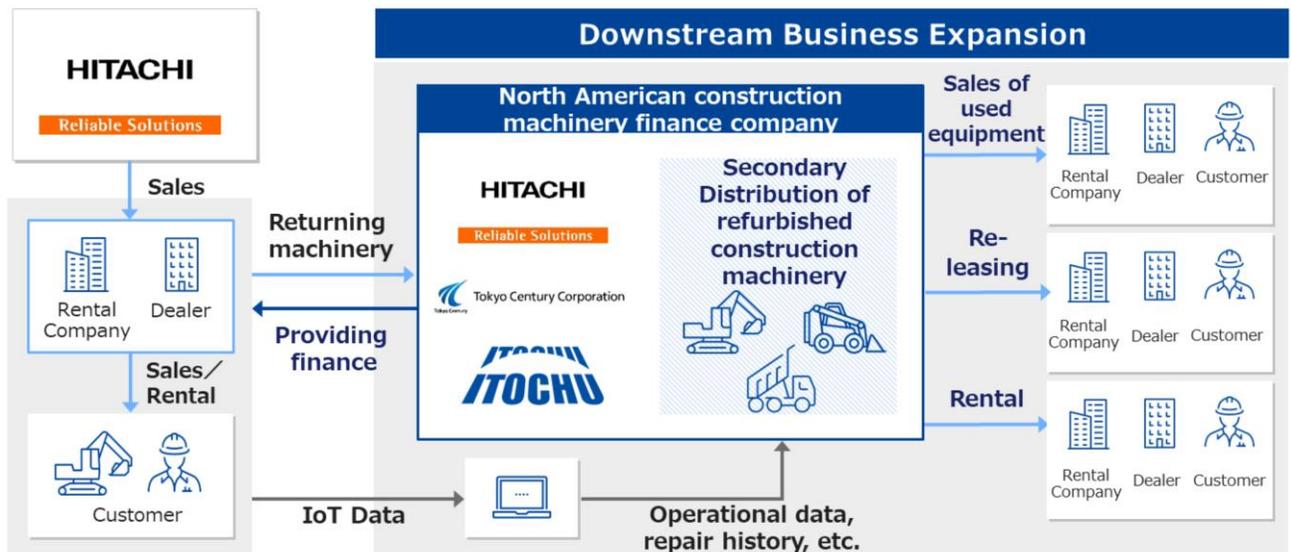
The first is in finance. As the first round of collaboration after capital alliance, we established ZAXIS Finance, which is a three-way joint venture that includes Tokyo Century, Hitachi Construction Machinery and ITOCHU in North America. Utilizing the know-how of the finance business through the three-way joint venture in Indonesia, ZAXIS Finance will continue helping expand sales in North America.

The second is logistics and sales channel expansion. The policy is to utilize the ITOCHU's global customer contacts and distribution functions to support Hitachi Construction Machinery's sales. In particular, we will continue working to launch online sales and utilize the sales channels of Multiquip, which is the Company's major Group company in the North American construction machinery-related business.

The third is electrification. The trend of decarbonization is gaining ground in the construction machinery market. The Company announced its partnership with Hitachi Construction Machinery in the European market, which is leading the way in commercializing electric construction machinery. Going forward, we will continue building marketing systems and establishing infrastructure aimed at developing and promoting the widespread adoption of electric construction machinery while utilizing the Company's insights in the energy storage system business of the Energy & Chemicals Company.

1. Finance (A First Round of Collaboration with ITOCHU Group)

- In the North American market, approximately 90% of the customers use financing menus to purchase construction machinery from dealers. A captive finance company with rapid financing investigations and competitive financing is essential.
- Aiming for acquiring secondary profit including resale or re-lease the used equipment once returned from customer in the value chain business.



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I will go over ZAXIS Finance, which is a construction machinery finance company established in North America.

In North America, because around 90% of customers purchase construction machinery with financing, sales activities utilizing captive finance companies, which are finance companies specific to each manufacturer, are very important. ZAXIS Finance provides both floor financing to dealers and retail financing to their customers.

By closely collaborating with the manufacturer Hitachi Construction Machinery, we will continue expanding the finance business while tapping into the strengths unique to captive companies, such as providing finance plans attuned to seasonality (so payments are minimized in winter when there's less construction work) and utilizing operational data in sales and credit assessments.

In addition, our strategy is to work with Hitachi Construction Machinery to secure secondary profits in the value chain business, such as by having the finance companies own, re-lease, and rent out construction machinery returned after the expiration of the lease or selling said machinery as pre-owned machinery.

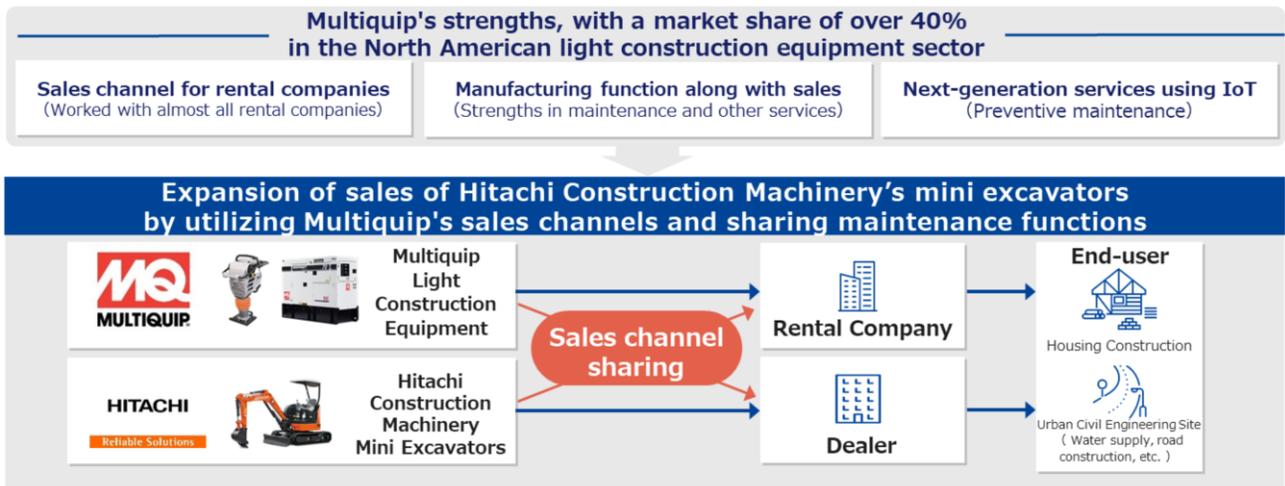
By the way, the total assets of Komatsu's captive finance companies, which leads in North American market share, has reached around ¥1 trillion, with an ROA of around 2.6%. ZAXIS Finance intends to rapidly build up its assets to the hundreds of billions of yen in line with Hitachi Construction Machinery's expanding market share.

Moreover, Komatsu operates its own captive finance company, and all of its finance-related assets are on its balance sheet, but because ZAXIS Finance is a three-way joint venture, its assets are not included in the balance sheets of Hitachi Construction Machinery or ITOCHU, which contributes to an improvement in asset efficiency.

2. Logistics & Sales Channel Expansion - Expected Roles of ITOCHU Group

- Leverage ITOCHU's diverse customer contacts to contribute to increased sales of products of Hitachi Construction Machinery, including general construction machinery and mining machinery.
- Expand sales channels using ITOCHU's network. Expand sales of light construction equipment by utilizing Multiquip's sales channels for rental companies, support sales of mining machinery to interests owned by the Metals & Minerals Company, etc.
- In the future, develop successful cases in sales and financing fields in North Americas and Indonesia to other regions.

An Idea of Collaboration with Multiquip



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Next, I will explain the expansion of sales channels.

Utilizing ITOCHU's division companies as well as its domestic and international network, a variety of projects have launched, such as introducing candidates of dealer and approaching mining customers. We are also promoting specific initiatives, such as business negotiations about acquiring Hitachi Construction Machinery products for mines where the Metals & Minerals Company already holds stakes.

In particular, we will continue promoting collaboration with Multiquip, which is a major Group company in North America. Multiquip has manufacturing capabilities in addition to selling light construction equipment, which North American rental companies use for many different purposes, such as machinery to flatten dug up land called rammers and portable generators. We have sales channels to almost all North American rental companies with a market share exceeding 40%.

In construction sites where these Multiquip products are used (e.g. water supply, road construction and housing construction), Hitachi Construction Machinery's mini excavators are often used in concert.

Going forward, we intend to utilize Multiquip's sales channels when expanding sales of Hitachi Construction Machinery's products to rental companies. In the meantime, we intend to also work to sell Multiquip's products in the dealer network of Hitachi Construction Machinery. Furthermore, we will also consider jointly building a maintenance system because Multiquip's generators and Hitachi Construction Machinery's hydraulic excavators use similar small-scale engines.

3. Electrification - Expected Roles of ITOCHU Group

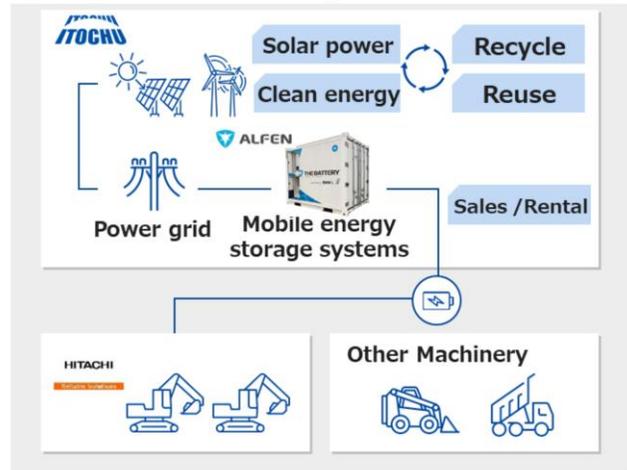


- Started sales and rentals of mobile energy storage manufactured by Alfen (Netherlands). Provide energy storage system which is a key for widespread adoption in the European market, where demand for electric construction machinery is high.
- Plan to collaborate with the Energy & Chemicals Company on the use of renewable energy and battery recycle/reuse.
- Plan to expand into the North American and Japanese markets, etc., in the future utilizing our know-how in the European market.

■ Mobile energy storage systems supplying power to battery-powered excavators



■ Operations at sites where electric construction machinery is used



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The next section is about electrification initiatives.

Electric construction machinery refers to replacing the power of diesel engine-run hydraulic excavators with secondary batteries and motors. Electric construction machinery contributes to decarbonization of construction sites. Europe is leading the way on the electrification of construction machinery as the governments are enhancing support, such as subsidies. Hitachi Construction Machinery has seized some of this market share by collaborating with European partners to establish a product lineup.

However, with current storage battery technology, even small-scale construction machinery can only operate for around three to four hours. As a result, in Europe, they place a mobile energy storage called a power bank on site. Machinery used from the morning that loses a lot of power can be rapidly charged during lunch breaks so it can again be used until evening. These kind of use cases are becoming increasingly common.

ITOCHU has partnered with Alfen, a Dutch mobile energy storage manufacturer, to sell and rent out chargers in Europe. Going forward, ITOCHU plans to support the creation of a financing, distribution, and sales system for mobile energy storage in Europe, which is leading the way on electrification.

In addition, while collaborating with the storage battery business of the Energy & Chemicals Company, we will continue working to expand peripheral businesses, including recycling and reuse, battery ownership, and secure green electric power.

Furthermore, going forward, after accumulating this kind of know-how in Europe, we will roll out this expertise to other markets, including Japan and the United States.

Future Collaboration and Growth Vision (Summary)



- Focus on creating more strategic collaboration projects with Hitachi Construction Machinery besides the conventional approaches as a dealer.
- Aim for expansion of business and profit increase of each other as a business partner. (win-win relationship)
- Consolidated net profit of construction machinery-related business for FYE 2024 is expected to achieve over ¥15 billion, aiming for over ¥20 billion in the future.

Collaboration Field	Collaboration and Growth Vision	Timelines			Expected Returns		
		Short	Mid	Long	Low	Medium	High
1. Finance	<ul style="list-style-type: none"> ■ Expand finance and rental businesses in North America ■ Provide financial services in Central and South America etc. 						
2. Logistics & Sales channel expansion	<ul style="list-style-type: none"> ■ Share Multiquip's customer network and service system ■ Optimize and reduce the cost of logistics between Japan and North America, and land logistics within the United States 						
3. Electrification	<ul style="list-style-type: none"> ■ Propose solutions for electrification ■ Plan to expand into the North American and Japanese markets, etc., in the future utilizing our know-how in the European market 						

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Finally, I will talk about our vision for future collaboration and growth vision.

We have engaged in joint ventures and sales collaborations for more than 30 years. However, since the start of the capital alliance, we intend to go beyond just offering the existing functions of a dealer and instead understand Hitachi Construction Machinery's issues as a business partner in order to help enhance their corporate value by solving those issues.

We will also work to further advance the three previously mentioned collaborative projects and, in the future, roll out the North American collaborative model (including for financing) to other regions, support distribution (including cost reductions and more efficient shipping in the United States), and utilize such next-generation technologies as remote operations and automated driving.

By steadily building up these collaborative projects, we intend to growth the consolidated net profit of the overall construction machinery-related business, including business related to Hitachi Construction Machinery, to ¥20.0 billion or more.



ITOCHU SDGs STUDIO

Tokuko Metani

General Manager, Corporate Brand Initiative

General Manager, Corporate Brand Initiative, Tokuko Metani

The Corporate Brand Initiative was established in 2020 as a direct reporting unit to the Chief Administrative Officer (CAO). It is responsible for centralizing efforts related to corporate branding, including the quarterly corporate magazine "SHONIN of the Earth," TV commercials, corporate advertisements, and the ITOCHU SDGs STUDIO that will be explained today.

Today I will explain ITOCHU SDGs STUDIO, which is the Company's unique non-financial initiative aimed at enhancing corporate value.

ITOCHU Group
Corporate Mission



In our medium-term management plan "Brand-new Deal 2023", we set forth a basic policy to enhance our contribution to and engagement with the SDGs through business activities. We opened ITOCHU SDGs STUDIO in April 2021 as an information sharing hub to communicate and raise public awareness of various SDGs initiatives.



World's top model Ai Tominaga serves as an evangelist in an effort to bolster our communication capability to various audience.



The gallery space is lent out free of charge to organizations and individuals engaged in activities related to SDGs.



Established a permanent recording booth for radio shows and social media platforms as an information hub for SDGs activities.

Contribute to a sustainable society by supporting various SDGs initiatives of not only our own but of other efforts around the world as well.

ITOCHU established "Sampo-yoshi" as the ITOCHU Group Corporate Mission in 2020. But before re-establishing it as the corporate mission, we had already been continuously conducting operations aligned with the "Sampo-yoshi" principle of business for more than 160 years. The spirit of the "Sampo-yoshi" management philosophy also overlaps with the philosophy of the SDGs. In step with this, we have established "Enhancing our contribution to and engagement with the SDGs through business activities" as the basic management policy in the current medium-term management plan.

ITOCHU SDGs STUDIO, which I will explain today, is one specific effort to enhance our contribution to the SDGs.

The Company promotes achieving the SDGs through its own business and supports SDG-related initiatives around the world. We also consider conducting education and awareness-raising activities for the next generation, which bears the mission of achieving the SDGs, an extremely important social mission. We opened this facility in April 2021 with the belief that these kinds of awareness-raising activities can help realize a sustainable society.

The studio is a space where various organizations, including SDG-related NGOs and NPOs, can spread information about their activities as well as a place where every consumer can learn about the SDGs up close. We offer the studio as an exhibition space and a recording booth free of charge and have worked hard to promote awareness-raising activities through the Company's radio program and social media.

In addition, we have recruited Ai Tominaga, one of the world's top models, as an evangelist in an effort to bolster our communication capability.

Main Exhibitions and Events

Host Organizations etc.

■ “World Food Day” related exhibition	Ministry of Agriculture, Forestry and Fisheries
■ “World Oceans Day” related exhibition	WWF Japan
■ “CHILD FOR A DAY” exhibition	Kodomo no Shiten Labo
■ “International Women's Day” related online events	JOICFP (Japan-based international NGO)
■ “World Children's Day” related exhibitions and classes	Children Without Borders / Euglena Co., Ltd.
■ Online classes for junior high school students	Save the Children Japan
■ J-WAVE Radio Program “ITOCHU DEAR LIFE, DEAR FUTURE”	Various famous guests invited each month

“CHILD FOR A DAY” exhibition



A long waiting line of exhibition visitors



Temporary exhibition at the Children and Families Agency

Three location online recording hosted by J-WAVE



An online interaction was held with attendance of elementary school students from Shiga Prefecture, Aoyama (Tokyo), and London (SDGs education program)

ITOCHU SDGs STUDIO initially launched from the two facilities of “GALLERY” and “RADIO STATION.”

The main exhibitions by NPOs and other organizations are as shown. Held in summer 2022, “CHILD FOR A DAY” exhibition enabled adults to view the world around them from a child’s perspective. This experience provided an opportunity to think about how to communicate with children and about building a society where children can live peacefully and safely. Over a two-month period, more than 15,000 people visited the studio. Many mass media outlets picked this up, helping us raise awareness around the world as was our aim. The Japanese government’s Children and Families Agency (CFA) is working to realize a child-centric society, and this exhibition was clearly aligned with their measures. In summer 2023, we were invited to exhibit at the CFA’s booth for Children Kasumigaseki Tour Day.

At the RADIO STATION, J-WAVE, a radio station on which ITOCHU has a flagship program, also publicly records broadcasts, with various guests invited each month to share information related to the SDGs. For example, the model Hikari Mori, who works as an ambassador for the international NGO Plan International, was invited as a guest to talk about sustainable lifestyles from the perspective of fashion and cuisine.

In addition, in line with our belief that children, who will lead the future, are indispensable to the SDGs, we connected three elementary schools over the internet: the nearby Aoyama Elementary School, Toyosato Elementary School, in the Company’s birthplace of Shiga, and an elementary school in London. We announced each of their SDG-related initiatives and used radio to promote our initiative to hold global opinion exchanges. In this way, we are conducting next-generation education only possible with ITOCHU.

Evolution of ITOCHU SDGs STUDIO



GALLERY



RADIO STATION



DOME

Evolved into an integrated facility that attracts an estimate of 180,000 visitors annually, providing opportunities to educate and raise awareness of the next generation, in addition to promoting ITOCHU Group products.

Hoshi no Kitchen restaurant / KIDS PARK / Project Exhibition / Radio show etc., it provides opportunities to encounter SDGs through people's daily lives.



Hoshi no Kitchen restaurant



"CHILD FOR A DAY" Cafe



KIDS PARK (indoor playground)

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ITOCHU SDGs STUDIO, which launched in April 2021 from "GALLERY" and "RADIO STATION," later opened "KIDS PARK" in July 2022 and established "CHILD FOR A DAY Cafe" in April 2023 and "Hoshi No Kitchen restaurant" in July 2023. We expect the annual total number of visitors to reach around 180,000 during FYE2024. Over the past two and a half years, we have succeeded in significantly evolving this into an integrated facility where visitors can experience the SDGs from various perspectives.

"KIDS PARK" has gained popularity as a free facility where kids can engage in safe and care-free play while learning about the SDGs. The facility has received tremendously positive feedback. Every single day since opening, we've hit the reservation limit of 300 people per day.

The newly opened "ITOCHU SDGs STUDIO RESTAURANT Hoshi No Kitchen" provides opportunities to learn about the SDGs through food, which is most deeply connected to people's daily lives, in addition to the initiatives we have promoted to date. We use ingredients associated with diverse food sustainability practices, such as organic farming, local production for local consumption, fair trade, and animal welfare. In recent days, when the evolution of food is being questioned for the future of the planet and the health of humanity, we hope this restaurant can be one step toward spreading future-focused sustainable food culture.

This restaurant proactively utilizes sustainable ingredients from ITOCHU Group, including Dole, FUJI OIL HOLDINGS, and ITOCHU FEED MILLS. In addition, providing a place for B-to-B Group companies like FUJI OIL HOLDINGS and ITOCHU FEED MILLS enables them to directly engage with consumers, hear their frank opinions, and utilize the feedback in product development and marketing. In this way, we tap into the Group's synergy and connect it with enhancing the Group's capabilities.

Visitors and Media Exposure of ITOCHU SDGs STUDIO



ITOCHU SDGs STUDIO opening

Expanding touchpoints with consumers

Apr/2021

Jul/2022

Apr/2023

Jul/2023



GALLERY



KIDS PARK



"CHILD FOR A DAY"
Cafe

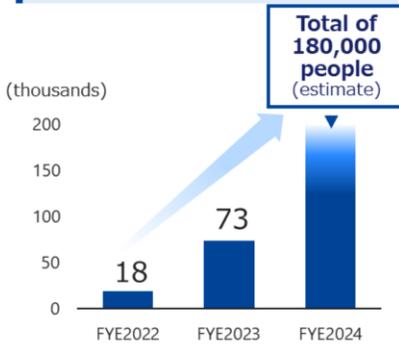


Hoshi no
Kitchen restaurant

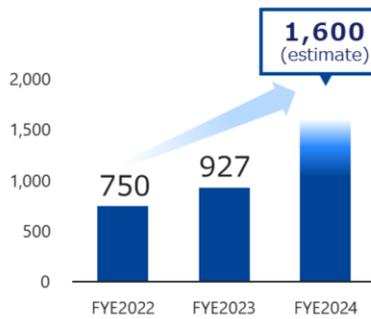


RADIO STATION

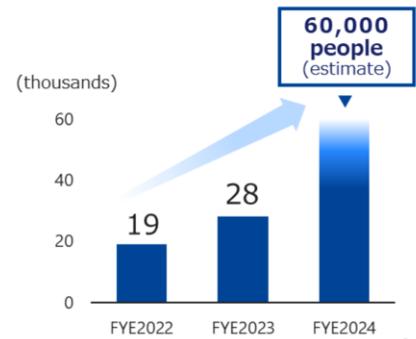
Visitors



Instances of media exposure



Official social media account followers



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These kinds of initiatives have been featured on many television programs. The advertising value equivalents provided through ITOCHU SDGs STUDIO has grown every year as the facility has expanded, helping to build up ITOCHU's brand image as a company closely aligned with people's daily lives.

This has also significantly contributed to boosting ITOCHU's profile among the family demographic comprising people in their 20s and 30s with small children, a demographic where ITOCHU previously had few points of contact. The number of visitors, instances of media exposure, and followers on official social media accounts have also significantly increased compared to FYE 2022.

Summary of Social Media Response



- Over 90% of the comments regarding our social media posts about ITOCHU SDGs STUDIO have been positive for the past two years.
- Influencers and media accounts have posted about our facility of their own volition. It spreads through social media and other platforms, transforming into a popular facility.

Data for the past 2 years



Example of posts

A post by the media account with approximately 470,000 followers

A post by the media account with approximately 140,000 followers

F **fashionsnapcom**
*English translation of the original post:
[New Spot] ITOCHU Corporation has opened the "ITOCHU SDGs STUDIO," a communication hub for SDGs, within the ITOCHU Garden on their Tokyo headquarters premises. In the "Ethical Convenience Store" established inside the facility, various products related to SDGs, ranging from apparel to cosmetics, food, and miscellaneous goods, are being proposed under the direction of Ash Bé France. The exhibition and photography space is available for free to organizations engaged in SDGs. The interior design was handled by Joe Nagasaka of Schemata Architects.

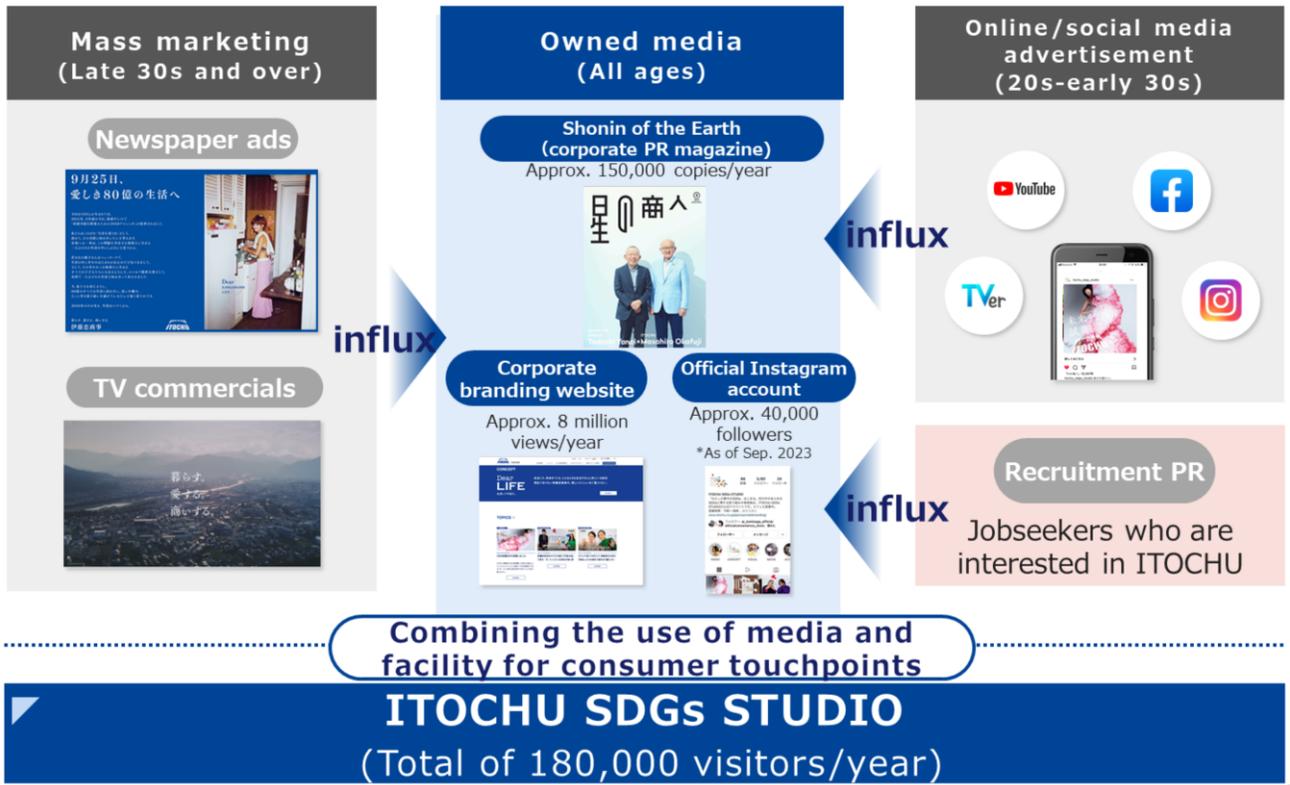
ふらいと(今西洋介)@小児科医・新生児科医
@doctor_mw
*English translation of the original post:
The "CHILD FOR A DAY Cafe" in Minato-ku, Tokyo, which opened in April, is gaining attention. The impact of the 21kg head and the 19kg school bag, calculated based on an adult's weight, is quite remarkable. Some parents are even adjusting their approach to their children's behavior after experiencing the "child's eye view" and trying not to get angry too often.

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This is an overview of the response ITOCHU SDGs STUDIO has received on social media.

During the past two years of social media posts, over 90% of the comments related to the facility were positive. In addition, influencers and media accounts have posted about the facility of their own volition. It spreads through social media and other platforms, transforming into a popular facility.

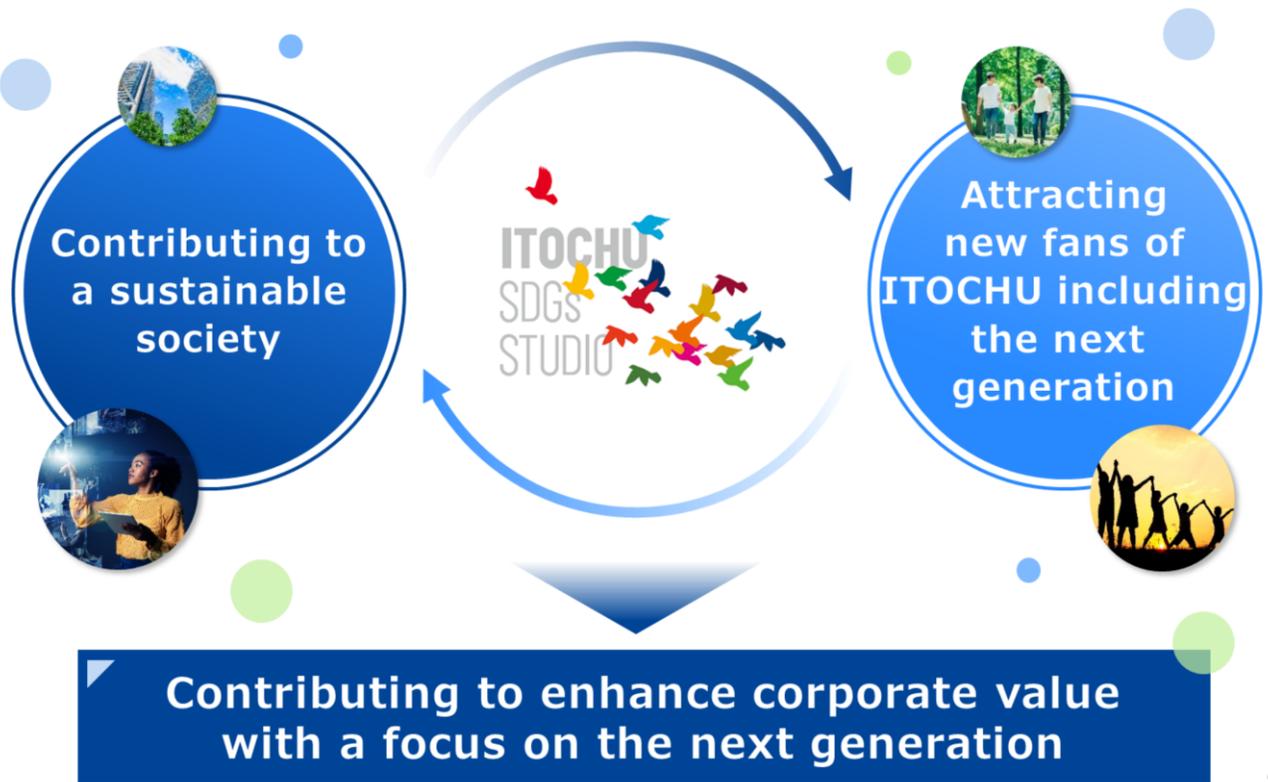
Collaboration in Multifaceted Branding



ITOCHU SDGs STUDIO has achieved a prominent position in the corporate branding strategy, which ITOCHU promotes in a multifaceted way that encompasses TV commercials, newspaper ads, the quarterly corporate magazine “SHONIN of the Earth,” social media, and more. However, we believe that owning a real space is important, not just one-way advertising.

Actually, on a television program featuring this facility, the commentator (a university adjunct professor) remarked: “Recently, many customers and investors want to know what brands (companies) are doing to make the world a better place. Releasing ESG reports and other publications online is one such method, but the most effective method is, of course, providing customers with sustainable experiences through products and services.”

This reaffirmed the significance of owning real spaces. Going forward, we intend to further expand engagement with consumers by merging media and real spaces.



ITOCHU SDGs STUDIO has gone beyond its initial purpose of being a base for sharing information on all the SDGs and racked up accomplishments beyond our imagination. We really feel that it has steadily influenced society.

The facility has received rave reviews from everyone, regardless of age or gender, and is garnering the attention of students as well. Moving forward, this facility will be able to gain new fans, including the next generation, by helping realize a sustainable society as a base for sharing information on SDG-related initiatives.

Through these kinds of initiatives, we intend to continue fulfilling our social mission and connecting those efforts to enhancing the Company's future corporate value.

I am One with Infinite Missions



www.itochu.co.jp/