

The business environment surrounding ITOCHU is changing day by day, while uncertainties increase. Through PEST analysis, we adequately assess the risks and opportunities related to non-financial capital in the context of macroeconomic factors, including the COVID-19 pandemic and trade friction between the United States and China. We use this assessment to build a stronger competitive edge while flexibly responding and adapting to changes in the business environment.

Changes in the Business Environment							
	P (Political / Legal)						
Risks							Opportunities
	Political Trends						
	1	2	3	4	5	6	
Global economic stagnation; decrease in trade volume, stricter export and investment regulations (U.S. trade policy, etc.)							Supply chain revisions
Decrease in trade volume and movement globalization (Brexit and protectionism)							Greater complexity in food and resource procurement; supply chain revisions
Destabilization of financial markets							
Coercive political management (U.S. presidential and Lower House elections)							Economic stimulus
Economic stagnation due to terrorism and armed conflict; disorder in financial markets							Geopolitical Risks (Middle East, North Korea, etc.)
	Changes in Tax Code and Regulations						
	1	2	3	4	5	6	
Decrease in trade volume							Trade Talks and Trade Agreements (Japan-U.S., U.S.-EU, USMCA, etc.)
Existing energy market shrinking (coal and crude oil)							Greenhouse Gas Containment Regulations (Paris Agreement, etc.)
Rising costs, such as those for establishing data governance; damage and decline of reputation							Expansion of new energy market (wind power, solar power, etc.)
Decrease in existing business transactions							Eliminating data monopolies held by existing platform; expansion of open data availability
	International Tax Trends (Measures to address tax avoidance and platformers) optimized taxation						
	Economic Policy Trends						
	1	2	3	4	5	6	
Destabilization of financial markets							Continuation of Monetary Easing Policy
Upward pressure on interest rates; higher taxes							Low cost of fundraising
	Expansionary Fiscal Policy						
	Expectations for private sector to drive economic growth; faster pace of deregulation						

Business development amid growing uncertainties and instability as countries prioritize bringing the back to normal during unstable international affairs

E (Economic)												
Risks						Opportunities						
Decrease in business opportunities and trade volume						Economic Slump in Developed Countries						
Emergence of non-performing assets and economic and social deterioration						Emergence of new demand from changes in consumer and corporate behavior						
Decrease in currencies of emerging countries, increase in overseas investment costs						Economic Growth in Emerging Countries						
Formation and collapse of asset bubbles in specific fields and products						Increase in consumer spending as standard of living improves; increase in demand for infrastructure and foodstuffs as population grows						
Excessive swings in project prices						Improvement in earnings environment due to yen depreciation						
						Asset (stocks, real estate) and Resource Price Increase						
						Increase in fundraising capacity due to higher value of existing assets; growth in earnings from trading						
						Change in Investment Environment						
						Increase in expected returns as growth rebounds; more investment opportunities in fields of strength in accordance with restructuring						

With only moderate recoveries in the economies of developed countries, and widening disparity in the economic growth potential of emerging countries, monitor the balance between growth fields and