

Frequently Asked Questions about Our Business Model

This section explains the key features of our business model and provides examples of it with the aim of addressing questions that are often asked by investors, shareholders, and other stakeholders.

Q1. What are differences between investment business of ITOCHU and typical private equity fund?
There are certain similar aspects, such as the desire to contribute proactively to investees' management and maximize the corporate value of investees. However, we are aware that there are differences in terms of dispatching our personnel, focusing on generating synergies with existing businesses, and enjoying returns centered on trading profits and dividends.

	Typical Private Equity Fund	ITOCHU
Investee Liquidity	In principle, unlisted	Either listed or unlisted
Investee Ownership Ratio	In principle, majority stake up to 100%	Decided individually, based on business conditions and market environment
Investee Ownership Period	Buy and hold with an exit strategy	Buy and hold
Personnel Secondment to Investee	Outside managers dispatched	ITOCHU personnel dispatched to management or frontline operations
Synergies	In principle, none	Create synergies with existing businesses
Returns	Capital gains and dividends	In principle, trading profits and dividends

Q2. What are differences between trading business of ITOCHU and typical commodity trading companies?
Traditionally, general trading companies' core businesses are engaged in trade. By buying, selling, and brokering products, we build relationships with customers and partners, and form sales channel of all kinds of products and information networks that have global reach. Although there exist similarities in the trading of such resources as crude oil and iron ore, and grains that is handled by ITOCHU and typical commodity trading companies in terms of buying, selling, and brokering products through global networks, we are aware that there are differences in terms of the products handled, nature of trading and volatility, etc.

	Typical Commodity Trading Companies	ITOCHU
Products Handled	In principle, upstream market-sensitive commodities	All types of products, from upstream to downstream
Nature of Trading	Trading for speculative purposes and / or based on actual demand	In principle, trading based on actual demand
Volatility of Returns	High	Low
Personnel Attributes	In principle, expertise in a single product	In addition to expertise in a single product, knowledge of peripheral businesses
Synergies	In principle, none	Creation of synergies through broad value chains

Q3. Could you describe a specific case of asset replacement that took advantage of changes in the business environment?

One example of asset replacement in FYE 2023 was the sale of CONEXIO Corporation (CONEXIO). CONEXIO was a Group company that was originally spun off from ITOCHU's mobile phone agency business, and it had been contributed to the Group's profits over many years. However, as the business environment grew harsher in the mobile phone sales industry, such as declining sales of new devices, ITOCHU determined that accepting a tender offer for CONEXIO disclosed in FYE 2023 would further enhance the corporate value of both CONEXIO and the Company, and so we decided to implement strategic asset replacement. ▶ Page 95 Discussions at Meetings of the Board of Directors Related to an Individual Project)

On the other hand, to take advantage of the growth in the used mobile phone device market against a backdrop of increasingly expensive new mobile devices and SDGs trends, we founded Belong Inc. in February 2019 as a foundation for building a new profit base. Leveraging the expertise that ITOCHU accumulated through the mobile phone device trade, along with the know-how and supplier network cultivated through mobile phone agency business, Belong Inc. buys back and sells used mobile phones and tablets with its own operation center for inspection, repair, storage, and delivery. In addition, Belong Inc. launched a business to rent out and buy back devices from corporate customers to address their needs for used mobile phones and tablets mainly due to rising prices of new devices. Furthermore, the company is working to diversify its businesses, such as starting an initiative to promote sustainability in food delivery businesses with Uber Eats Japan, Inc., with whom we are collaborating on a project to collect and reuse tablets.



Operation center at Belong Inc.

Special Feature 2 Polishing Our Existing Business and New Steppingstones

By focusing on fields where we can demonstrate strengths, and creating multifaceted, linked businesses, we strive to achieve sustainable value creation. In this special feature, we will illustrate examples in which we create new added values by thoroughly polishing existing business and steadily setting new steppingstones.

Polishing Value Chain, Starting with FamilyMart and Steppingstones for Further Growth

Polishing Our Existing Business

New Steppingstones

Physical Store

Advertising and Media Businesses

Value Chains Starting with FamilyMart

Data Utilization

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Polishing and Further Expanding the Earnings Base of the North American Construction Materials Business through a Hands-on Management Style

Polishing Our Existing Business

New Steppingstones

Fences Business

Residential-related Business

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Evolution of the Value Chain through Collaboration between CTC and Our Group of Digital Businesses

Polishing Our Existing Business

New Steppingstones

CTC

Group of Digital Businesses

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