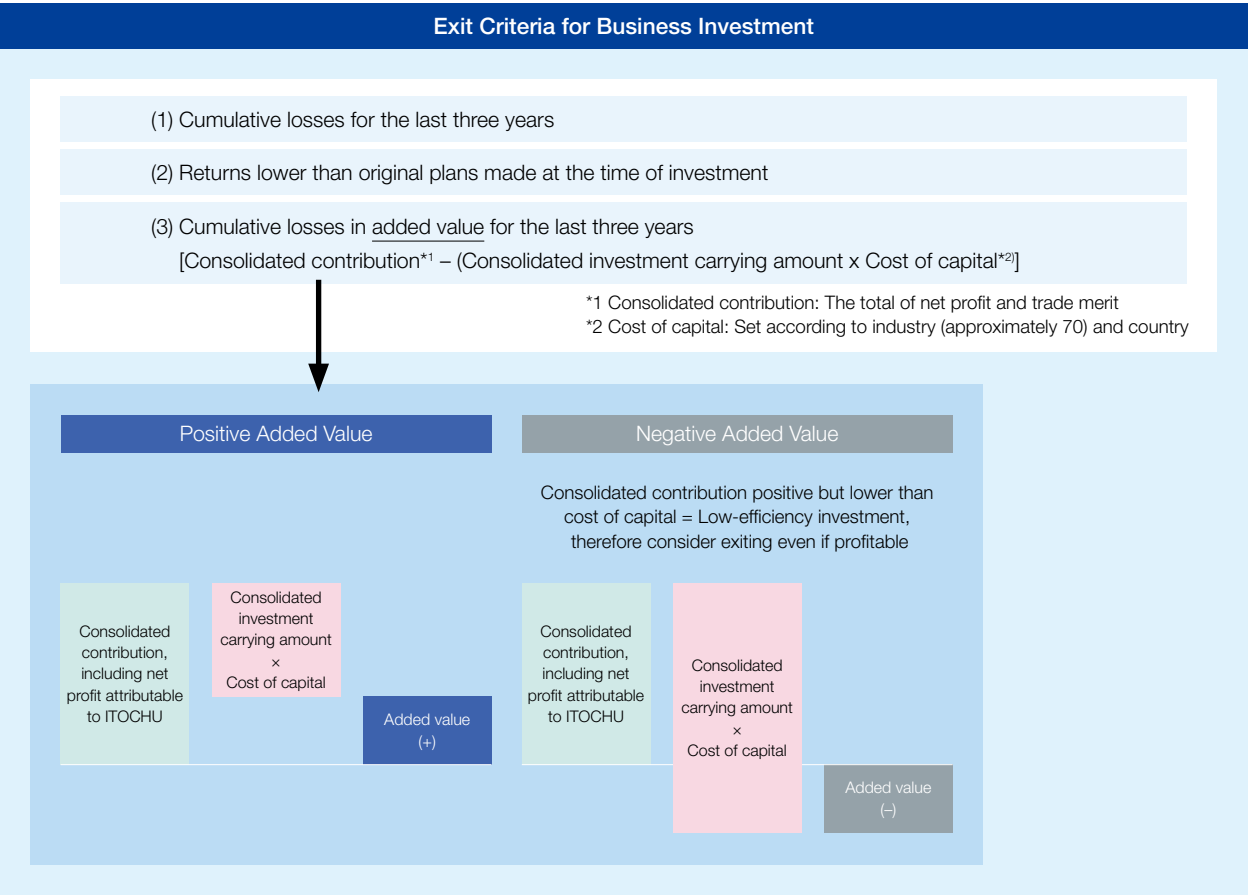


Business Investment



The Four Lessons for Investments

ITOCHU has compiled the lessons learned from past investment failures as “the Four Lessons for Investments” and repeatedly shares the lesson through training sessions based on cases of investment failures and at various management meetings throughout the whole company. In this way, we ensure that the lessons are kept in mind when investment projects are being considered in frontline operations. “The Four Lessons for Investments” are as follows.

The Four Lessons for Investments (To Rigorously Prevent Below)

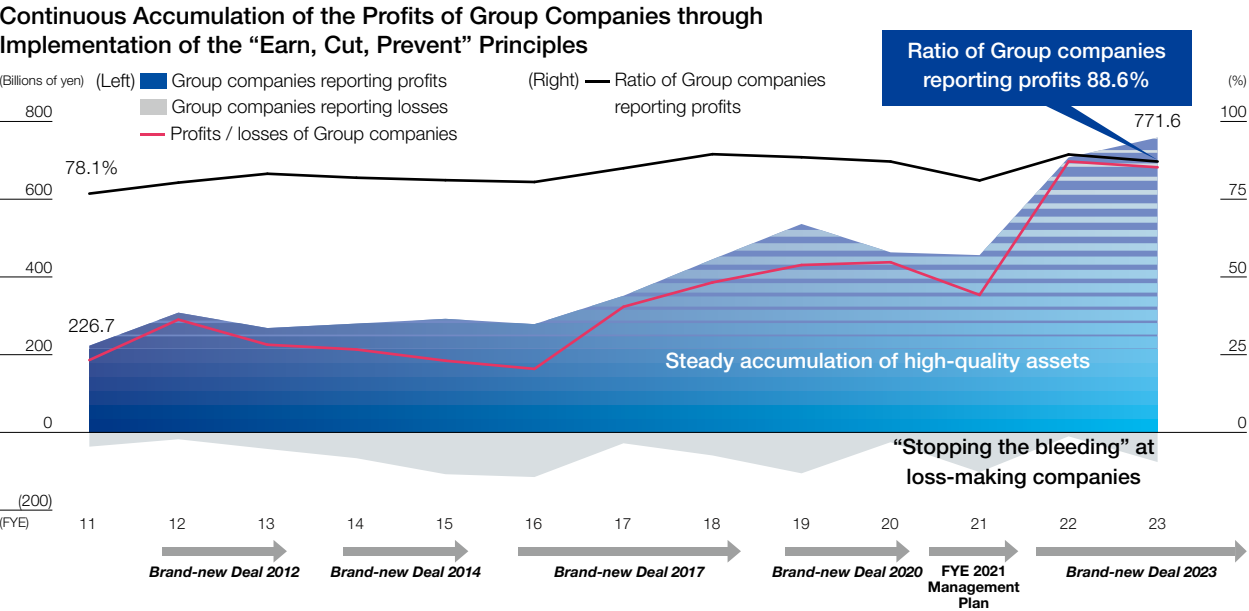
(1) Overpaying for investments	• Make investments at a low price to minimize future risk of impairment loss
(2) Investments aimed at seizing profit from investees	• Avoid shortsighted investments in a field or area with limited insight that only target current profit contributions
(3) Overdependence on and overconfidence in partners	• Do not engage in projects where ITOCHU must rely on partners or sales from the specific customers
(4) Lack of hands-on management	• Do not engage in projects where ITOCHU cannot seize management control or take the initiative

Training sessions based on cases of investment failures aim to understand the essence of past investment failures so that we avoid repeating the mistakes that led to them. The Global Risk Management Division prepares training materials based on interviews with relevant parties regarding the decision-making process at the time of investment and regarding discussions at the DMC*1 and the HMC*2. In FYE 2023, the training sessions included five specific examples, such as points to keep in mind in relation to projects purchased from investment funds or introduced by investment banks and examples of failures in overseas business investment. In the past, only mid-career employees participated in the training sessions. Beginning from FYE 2023, however, the scope was expanded to all employees, and a large number of employees participated in each training session. Through training sessions based on cases of investment failures, we will continue to utilize the lessons learned from the past in investment decisions and monitoring. In this way, we will strengthen and increase the rigor of measures that “prevent” the occurrence of unforeseen impairment losses, thereby heightening the success rate of investments.

*1 Division Company Management Committee
*2 Headquarters Management Committee

Enhancing the Corporate Value of Group Companies

ITOCHU enhances the corporate value of Group companies by rigorously implementing the “earn, cut, prevent” principles and strengthening monitoring, which is based on various types of assessments. For example, we steadily accumulate high-quality assets by conducting qualitative and quantitative verifications that consider synergies in assessing investment efficiency and the strategic significance and earnings scale of business investments. Moreover, in relation to concern over possible future losses, at an early stage, we evaluate investments and take appropriate measures by consistently applying conservative premises both for credit management and evaluations of the recoverability of various types of assets. Thanks to these activities, we have built a robust earnings base that is diversified across a wide range of business areas mainly in the non-resource sector. Even in an uncertain business environment, the ratio of Group companies reporting profits remains at the high level of approximately 90%.



Group Companies Management Awards Program

ITOCHU has a Group Companies Management Awards Program that is aimed at invigorating the Group’s management. The following is an overview of the awards for this program.

Best Management of the Year Award	Group companies (with profit from investees of ¥1.0 billion or more) that have achieved outstanding management results and helped enhance ITOCHU’s consolidated financial results and the ITOCHU Group’s value
Management Award	Group companies (with profit from investees of ¥0.2 billion or more) that have endeavored to improve management through market development, product or technology development, rationalization, and other measures to strengthen management efficiency
Chairman & CEO Special Award	Group companies that have realized noteworthy qualitative achievements

The criteria for selections include quantitative target achievement and year-on-year increase in profit from investees in relation to the “earn” principle as well as year-on-year improvement in the ratio of SG&A expenses to gross trading profit in relation to the “cut” principle, with Group companies required to satisfy multiple criteria.

Each Division Company nominates Group companies that satisfy both qualitative and quantitative criteria, and the final award winners are determined by the HMC. At the awards ceremony, prize money is also granted to the award-winning company to allow executives and employees of the companies to share in their joy and contribute to heighten their motivation.



The 37th Group Companies Management Awards ceremony