


Countermeasures for Business Risks and Other Risks

Due to the diverse and extensive nature of its businesses, the Group is exposed to a wide range of risks, including complex market-related risk, credit risk, and investment risk. As uncertainties that are highly difficult to predict are inherent with our businesses, they may have significant effects on the Group's future financial position and business performance. Viewing risk control as an important management task, we have established basic policies, administrative systems, and methods for managing the risks that we face.

Risk Description	Risk Description
(1) Risks Associated with Macroeconomic Factors and Business Model	(8) Risks Associated with Taxes
(2) Market Risk	(9) Risks Associated with Significant Lawsuits
a) Foreign Exchange Rate Risk	(10) Risks Associated with Laws and Regulations
b) Interest Rate Risk	(11) Risks Associated with Human Resources
c) Commodity Price Risk	(12) Risks Associated with the Environment and Society
d) Stock Price Risk	(13) Risks Associated with Natural Disasters
(3) Investment Risk	(14) Risks Associated with Information Systems and Information Security
(4) Risks Associated with Impairment Loss on Fixed Assets	
(5) Credit Risk	
(6) Country Risk	
(7) Risks Associated with Fund-raising	

For details, please refer to "Risk Information" in the Financial Information Report.

<https://www.itochu.co.jp/en/files/FIR2023E.pdf>





RISK 6
Country Risk

The ITOCHU Group is exposed to various country risks, including unforeseen situations arising from the political, economic, and social conditions of the overseas countries and regions in which the Group conducts product transactions and business activities. Country risk also includes the potential for state expropriation of assets owned by investees or remittance suspension due to changes in various laws and regulations. To control the aforementioned risks, the Group takes appropriate risk mitigation measures for each project while using in-house country credit ratings to establish Groupwide guidelines on limits for each country, and to maintain overall exposure to each country at a level that is appropriate considering the Group's financial strength.

(1) Russia-Related Business

As of March 31, 2023, ITOCHU's exposure to Russia was ¥35.0 billion. ITOCHU swiftly responded to the current Russia-Ukraine situation and quickly implemented "prevent" measures in an effort to reduce future risks, such as conducting reviews of assets owned in Russia. An affiliated company of ITOCHU is involved in aircraft leasing and other businesses in Russia, and had already recognized all relevant losses in FYE 2023 based on then-current situation. From the perspective of stably securing energy sources for Japan, the Company owns an interest in part of the Sakhalin-1 crude oil concession in Russia through a joint venture led by the Japanese Government. However, in light of recent developments, the Company has already implemented conservative provisions for future concerns related to this project. Regarding policies going forward, we will continue to collaborate closely with

relevant parties such as the Japanese Government, which is the largest shareholder in the joint venture, and other partners.

(2) China-Related Business

As of March 31, 2023, exposure to China was ¥1,330.1 billion. China's current economic state suggests that consumer activity has returned to normal following the lifting of the zero-COVID policy. However, the recovery in consumer spending and real estate investment has been lower than forecast, due to delayed improvement in employment, income levels and real estate markets. Furthermore, the economy is expected to face the stagnation of exports due to a slowdown in the economies of Europe and the United States.

ITOCHU has three types of China-related businesses: investment to CITIC, iron ore trading to China, and other trade and business investments. Given that it is a Chinese state-owned conglomerate, CITIC is expected to perform steadily thanks in part to the Chinese Government's longstanding policy of strengthening state-owned enterprises. We are working to reduce risks related to iron ore trading to China, such as using price hedging when appropriate while paying close attention to the balance of supply and demand, including trends in the Chinese Government's economic stimulus policies. As for other trade and business investments, the Company is mainly engaged in China's domestic consumer sector and is not engaged in businesses related to areas such as advanced technologies, which is currently the subject of concern over the effect of trade friction between the United States and China.



RISK 14
Risks Associated with Information Systems and Information Security

The Company strives to establish security rules and enhance its security infrastructure. ITOCHU Group companies have long been required to meet the ITOCHU Group Information Security Minimum Standards as a minimum level of compliance. Furthermore, we have strengthened information security measures by establishing the ITOCHU Computer Emergency Readiness, Response & Recovery Team (ITCCERT). This permanent in-house cybersecurity team is mainly comprised of advanced cybersecurity analysts. Furthermore, in FYE 2023, in order to further strengthen cybersecurity, we introduced a new framework that can judge the cybersecurity risks of each Group company based on the industry, business model, company size, etc., and determine the effective measures and operation systems based on the results. To support the operations of ITOCHU and each Group company's

sustainable and effective cybersecurity structure based on the framework, we established ITOCHU Cyber & Intelligence Inc. in February 2023 and transferred and expanded ITCCERT's functions. This company has a highly specialized cybersecurity team that collects information on the latest threats, analyzes risks, monitors security, and practices drills for simulated attacks on its systems. The company also provides cybersecurity programs that package together operations that require a wide range of advanced expertise. This company has already provided these programs to ITOCHU, seven overseas offices, and about 50 Group companies. We plan to expand the scope of these programs to cover around 200 Group companies by FYE 2026 in an ongoing effort to strengthen the Group's resilience in relation to information security.



Tomoyuki Takada
CDO-CIO*;
Executive Advisory Officer for Corporate Communications Division
* Chief Digital & Information Officer

CDO-CIO COMMENT
Strengthen the Business Foundation through Utilizing Specialized Personnel

I was newly named the CDO-CIO. The CDO-CIO supervises the IT & Digital Strategy Division, which is responsible for the Group's information security measures and digitalization strategies, and the Research & Business Development Division, which is responsible for creating overseas policies and taking care of diplomatic relations with foreign dignitaries. These are two highly specialized fields that underpin the Company's businesses. Given my career having served for a long time in positions related to corporate communication, I have been engaged in a wide range of fields, such as the Company's business overall, and analysis and research of economic trends, politics, and the latest technologies. After becoming the CDO-CIO and supervising such tasks as creating information security measures, digitalization strategies, and overseas policies, I have come to understand the true importance of specialized personnel who have a wealth of expertise related to the constantly changing economic trends, political landscape, technologies, and other matters including the knowledge for the Company's businesses overall. In order to be able to hire highly skilled personnel in these specialized fields, ITOCHU adopts special employment conditions for each of companies, such as salary and commuting systems, which are different from ITOCHU. Under the IT & Digital Strategy Division, ITOCHU Cyber & Intelligence Inc. has a team of cybersecurity analysts who understand the Group's diverse business fields support the cybersecurity operations of the Company and Group companies. In addition, the Research & Business Development Division has ITOCHU Research Institute Inc., which is the Group's in-house think tank. Economists specializing in specific regions and industries provide information relating to macroeconomics and politics in Japan and major regions of the world, and analysis of industrial and business trends to support the Group. Going forward, we will proactively train and cultivate the next generation of specialized personnel, for which demand is expected to grow. Amid this uncertain business environment and in my role as the CDO-CIO, I will continue to accurately assess the rapidly changing social conditions with the support of our highly skilled personnel with expertise in specialized fields, and strengthen the Group's business foundation.