

Macroenvironmental PEST Analysis

The business environment surrounding ITOCHU is changing day by day, while uncertainties increase. Through a 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.

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.-China Conflict (Trade disputes, forced technology transfer)				Supply chain revisions
Decrease in trade volume and movement; destabilization of financial markets	Anti-globalization Movement (Brexit and protectionism)				Greater complexity in food and resource procurement; supply chain revisions
Overly political management	Elections (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.)				Increase in crude oil prices
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.)				Supply chain revisions
Existing energy market shrinkage (coal and crude oil)	Greenhouse Gas Containment Regulations (Paris Agreement, etc.)				Expansion of new energy market (wind power, solar power, etc.)
Rising costs, such as those for establishing data governance; damage and decline of reputation	Tightening Regulations on Handling of Personal Data				Expansion of open data availability
Decrease in existing business transactions	International Tax Trends (Measures to address tax avoidance and platformers)				Improvement in corporate performance; optimized taxation
Economic Policy Trends					
1	2	3	4	5	6
Destabilization of financial markets	Continuation of Monetary Easing Policy				Stable low cost of fundraising
Upward pressure on interest rates; higher taxes	Change in 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 their own economies 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 new demand from changes in consumer and corporate behavior
	1	2	3	4	5	6	
Emergence of non-performing assets due to economic and social deterioration	Greater Disparities in Economic Growth in Emerging Countries						Increase in consumer spending as standard of living improves; increase in demand for infrastructure and foodstuffs as population grows
	1	2	3	4	5	6	
Decrease in currencies of emerging countries; increase in overseas investment costs	Dollar Appreciation						Improvement in earnings environment due to yen depreciation
	1	2	3	4	5	6	
Formation and collapse of asset bubbles in specific fields and products	Asset (stocks, real estate) and Resource Price Increase						Increase in fundraising capacity due to higher value of existing assets; growth in earnings from trading
	1	2	3	4	5	6	
Excessive swings in project prices	Change in Investment Environment						Increase in expected returns as growth rebounds; more investment opportunities in fields of strength in accordance with restructuring
	1	2	3	4	5	6	

With only moderate recovery in the economies of developed countries, and widening disparities in the economic growth potential of emerging countries, monitor the balance between growth fields and fields peaking out

