

## COO MESSAGE

**We will continue to build a solid foundation for sustainable growth by assessing the drastic changes in the business environment at the front lines, and by breaking down the “Three Walls” to enhance our comprehensive strength.**

Taking to heart the words I have long valued when conducting our business — “front lines” and “trust” — I will steadily and swiftly promote growth strategies that will contribute to the fortification of economic value and environmental / social value.



**Keita Ishii**

President & Chief Operating Officer

## Restarting as a “Merchant”

In May 2023, all COVID-19 pandemic-related restrictions were lifted in Japan. Since becoming President & COO over two years ago, I have long awaited the time when I could go out to the front lines of our businesses, be who I am, and work energetically, with no need for masks or partitions. In FYE 2024, which is the last year of “Brand-new Deal 2023,” I will strive as a “merchant” to continue to visit our front lines in Japan and overseas to steadily reinforce our businesses with our employees.

The two years of COVID-19 pandemic-related restrictions implemented after I became President & COO allowed me to carefully study our entire business with a broader perspective from the confines of my desk. Furthermore, this experience enhanced my viewpoint as the “Chief Operating Officer” in charge of our overall management strategy. At the same time, I remained firmly attached to the front lines and continued to visit customers as much as possible, while taking every precaution to prevent infection. By meeting with clients directly, we are able to confirm what our customers are thinking and understand their challenges. These strong connections are an important reason why customers choose us as the first choice for their business partner. Also, I consider these strong bonds of trust as one of the most important aspects of cultivating new relationships and expanding business, and I believe they represent the unique strengths of our business as a “merchant” that cannot be replicated by using machines and AI at this moment.

And of course, there are also many overseas customers who are indispensable to general trading companies. In FYE 2023, I took business trips to Thailand, where I had been the president of the overseas office, and to South Korea, which I know well from my time at the Energy & Chemicals Company. I was able to visit customers I had been longing to meet. This year, I also traveled to China and the United States, two places I had wanted to visit as soon as I became President & COO. In China, I was able to meet Chairman Zhu of CITIC for the first time, and we exchanged opinions about mutual growth strategies and possibilities for collaboration. I also learned that we have many common acquaintances among the senior management of Japanese companies, and through our discussions of these acquaintances I felt an even stronger connection with Chairman Zhu. I have been able to expand our business over the years by placing a high value upon our connections with people. Going

forward, as a leader on the front lines, I will continue working to swiftly strengthen relationships with domestic and overseas customers, and to discover new business opportunities.

In addition, these overseas business trips were excellent opportunities to better assess the real economic conditions of those countries. With still no end in sight to the effects of inflation, I felt that consumers abroad were really cutting back on their spending, even more than I had expected. I have often talked about the importance and necessity of obtaining vital information from the front lines, but in FYE 2023 there were businesses that unexpectedly underperformed because of misreading changes in the external environment. For example, the profitability of the Dole business had been declining due in part to a rapid rise in logistics costs caused by supply chain disruptions, but we expected an improvement in profitability by our attempts to pass on the higher costs to customers during peak demand periods, such as the Thanksgiving and Christmas holidays. However, in the United States, which is a major region of demand for the Dole business, consumer sentiment was already falling by the end of the year due to the surge in inflation. Consequently, consumers did not accept significant sales price increases at that time. What was the most problematic about this incident was the fact that ITOCHU, who claims to have a “market-oriented perspective” and engage in “hands-on management,” left the marketing strategy to be decided by the locally hired manager despite the tough business environment, and was managing the business indirectly and remotely from the distant Singapore headquarters without grasping the local consumption situation nor the pricing of competitors. One of our Company’s employees, who has professional knowledge, has already been dispatched to fill the marketing manager position immediately, and is working to turn around the business in their main battlefield of the United States and restore its performance. In July 2023, I also visited the United States and confirmed with my own eyes that the reinforced “hands-on management” approach was making steady progress there. We will renew our commitment to strengthen front-line capabilities to prevent employees from losing awareness of actual conditions on the front lines, supported by the rapid adoption of online tools.

## Status of Decarbonization Efforts

Through meetings with domestic and overseas customers, I noticed a change in decarbonization trends. Although there were discussions about the long-term direction of decarbonization at the G7 Summit in Hiroshima in May

2023, a specific roadmap for reducing GHG emissions has not yet been released. With the soaring prices of LNG and other energy sources since the Russian invasion of Ukraine, demand for thermal coal in Europe has surged