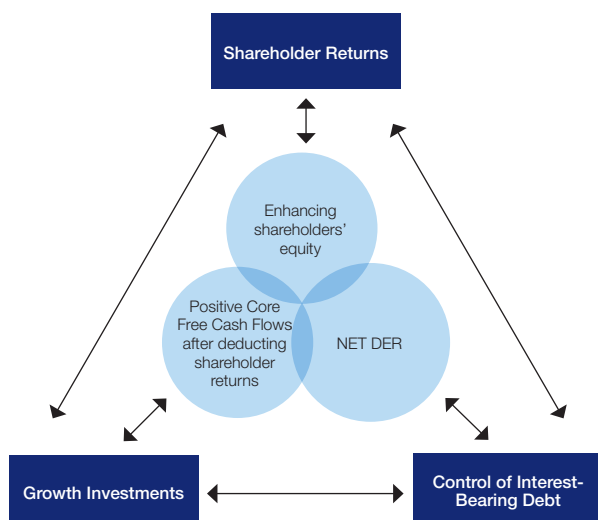


Achieve High ROE While Balancing Three Factors

procurement, we have secured sufficient liquidity mainly through ample cash and deposits as well as commitment line agreements with financial institutions.

Question 3

Could you discuss ITOCHU's investment policy as the economy teeters on the brink of recession?

Answer 3

Our policy is to minimize risks and carefully select investments that are certain to contribute to future earnings.

Amid concerns over geopolitical risks such as the U.S.–China trade friction and Brexit, and an emerging global economic recession due to COVID-19, we need to minimize risks surrounding growth investments and carefully select investments that are certain to contribute to future earnings.

Since investing in CITIC in FYE 2016, we were able to strengthen our financial position by restraining investment and promoting asset replacement. This has generated significant excess investment capacity. Going forward, we aim to achieve further profit growth by searching out investment opportunities. At the same time, to ensure “balance sheet control for maintaining A ratings” as outlined under the FYE 2021 short-term management plan, we intend to pay full attention to “maintaining our financial discipline.” In other words, I think it is crucial that we achieve a good balance and consider the broader picture when investing, such as staying away from investments at their peak in

order to refrain from unnecessary accumulation of goodwill, actively replacing low-efficiency or peaked-out assets, and ensuring sufficient shareholders' equity as a risk buffer.

On the other hand, to date, the number of outstanding investment projects that would be suitable candidates for a merger or acquisition has been limited, and acquisition prices have remained high. As the economy begins to change direction, however, there is a high probability that there will be an increase in opportunities to invest in companies that are undervalued relative to their potential.

When investing, we, of course, consider candidates in line with our stringent investment criteria by fully leveraging the advantages of having the CFO as the chair of the Investment Consultative Committee. We steadily conduct highly strategic investments that will reinforce the fields of strength that ITOCHU has long accumulated, and will underpin continued profit growth going forward.

Question 4

Please tell us about the measures aimed at further enhancing corporate value.

Answer 4

I believe it is important that we steadily achieve our announced targets and promote reliable dialogue.

While forecasts predict a precipitous drop in global economic growth for 2020 as it is currently difficult to discern a way out of the COVID-19 pandemic, it is regrettable that the share price valuation of general trading companies remains low.

To further enhance ITOCHU's corporate value, we will continue to steadily achieve the targets we announced, such as carrying out the aforementioned shareholder returns policy, maintaining a high ROE, and improving EPS over the medium to long term. Amid the COVID-19 pandemic, which continues to defy forecasts for containment, I think it is of the utmost importance that we continue to “disclose information” to facilitate deeper understanding and better decision-making, especially for all our shareholders and investors. As one of the leading general trading companies, we intend to continue fostering highly reliable dialogue through appropriate and timely disclosure. (➡ Page 48 The Positive Cycle of Dialogue and Enhancing Corporate Value)

In addition, speaking in ESG terms, due to the impact of COVID-19, greater attention is being paid not only to environmental efforts but also to corporate actions toward society. Because ITOCHU is a “general trading company” that sets importance on trade, we will continue working hard to resolve social issues by, for instance, providing a wide

