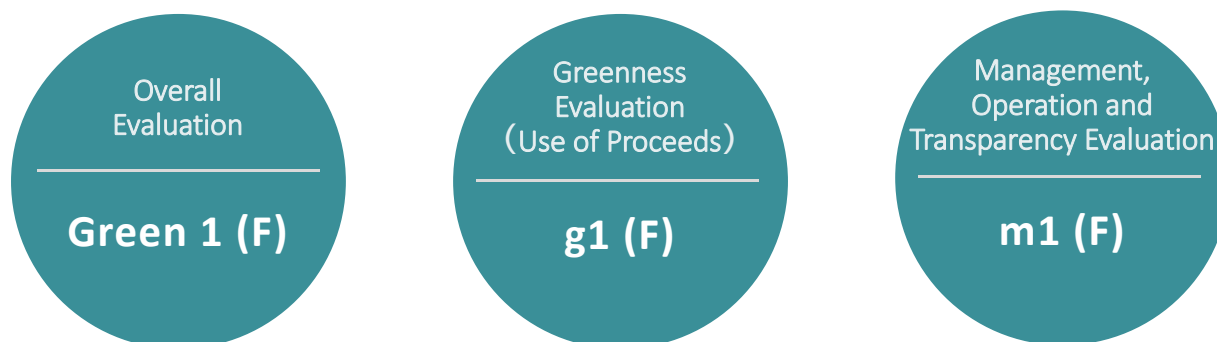


Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Framework Evaluation Results.

ITOCHU Corporation

Green Loan Framework

Assignment



Borrower	ITOCHU Corporation (security code: 8001)
Subject	ITOCHU Corporation Green Loan Framework

Evaluation Overview

▶▶▶ 1. Overview of ITOCHU Corporation

The history of ITOCHU Corporation, a Sogo-Shosha with strength in the consumer sector, including textile and food, dates back to 1858 when ITOCHU's founder, Chubei Itoh, commenced linen trading operations. With approximately 90 bases in 61 countries, ITOCHU is engaging in domestic trading, import and export, and overseas trading of various products, such as textile and food as well as machinery, metals, minerals, energy, chemicals, general products, realty, information and communications technology, and finance, as well as business investment in Japan and overseas. ITOCHU aims to achieve sustainable growth in its corporate value by practicing "*Sampo-yoshi* capitalism," which is the spirit of valuing stakeholders passed down from the founder Chubei Itoh, who was a merchant of the former Omi Province (present-day Shiga Prefecture).

Gross trading profit ratio by segment for the fiscal year ended March 31, 2023 is as follows: Food (15.5%), Energy & Chemicals (14.8%), ICT & Financial Business (13.4%), Machinery (11.0%),

General Products & Realty (10.6%), Metals & Minerals (10.4%), Textile (5.5%), and the 8th¹ (18.0%).

ITOCHU has a strong business foundation in a variety of fields and has built a well-balanced business portfolio that is not dependent on the resource sector. The ITOCHU Group has strengths particularly in the consumer sector. By leveraging its various business foundations, ITOCHU aims to integrate different industries and engage in cross-company initiatives.

Under its medium-term management plan "Brand-new Deal 2023" (from the fiscal year ended March 2022 to the fiscal year ending March 2024), ITOCHU is now moving forward with its business transformation from a market-oriented perspective, which characterizes ITOCHU. ITOCHU plans to evolve its FamilyMart business, which is the group's largest consumer base, transform the entire value chain from the downstream, and expand profit opportunities through data utilization and Digital Transformation (DX).

▶▶▶ 2. Company's Structure for Promoting Sustainability and Efforts toward Decarbonization

Based on "*Sampo-yoshi* (meaning good for the seller, good for the buyer, and good for society)," its corporate mission, ITOCHU operates business in order to meet its guideline of conduct, "I am One with Infinite Missions," considering taking countermeasures against global environment and social issues to be one of the most important aspects of its management policy.

ITOCHU established The ITOCHU Group Sustainability Policy in April 2006 to promote sustainability initiatives systematically and has revised it when necessary. Furthermore, in 2018, ITOCHU identified its own material issues (materiality) that pertain to sustainability from environmental, social, and governance (ESG) perspectives and announced that it would contribute to a sustainable society by addressing materiality. JCR evaluates that use of proceeds specified in the Framework contributes to resolving the issue of "addressing climate change (contributing to a decarbonized society)" among the items identified as materiality.

"Stepping up contribution to and engagement with SDGs," including climate change, is one of ITOCHU's sustainability policies set forth in its medium-term management plan "Brand-new Deal 2023," and ITOCHU declared in the policy that it would achieve "offset CO₂ to zero," which takes into account the amount of contribution to reduction of emissions by clean-tech business by 2040 in anticipation of exceeding the Japanese government's goal, "Carbon Neutrality by 2050."

To promote these initiatives, ITOCHU has set the Sustainability Committee, which monitors sustainability goal setting and progress and discusses existing sustainability-related risks and opportunities. And ITOCHU has the Sustainability Management Division, which plans sustainability measures and reports on their details. In addition, ITOCHU appoints management members of each Division Company and administrative division as Group ESG officers on the executive side. They manage and monitor the progress in various measures and initiatives for sustainability-related matters and report them to the Sustainability Committee.

¹The 8th Company is a division that aims to create new business and develop new customers in collaboration with the existing seven Division Companies.

▶▶▶ 3. ITOCHU's Green Loan Framework

The subject of this evaluation is Green Loan Framework (the "Framework") published by ITOCHU to use the proceeds from Green Loans only to expenditures to the projects to improve environment. JCR evaluates whether this Framework aligns with the "Green Loan Principles"² and the "Green Loan Guidelines."³ These principles and guidelines are not legally regulated based on evidences. JCR, however, refers these principles and guidelines as they are referred to as unified standards domestically and globally.

Under the Framework, ITOCHU uses the proceeds to make new investments in or refinance projects that meet predetermined eligibility criteria, and considers negative impacts on the environment and society and takes appropriate measures in implementing eligible projects. Based on the above, JCR evaluates the use of proceeds in this Framework is expected to improve the environment.

Furthermore, the Framework appropriately stipulates that the management should be involved in the process of selecting eligible projects. The proceeds are appropriately managed, which is monitored through external audits, etc. Reporting items pertaining to the status of appropriation and environmental improvement effects are appropriately selected and disclosed on Company's website, etc. Based on the above, JCR evaluated that the management and operation system of ITOCHU has been appropriately established and is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1 (F)" for the overall "JCR Green Loan Framework Evaluation." The Framework meets the standards for the items required in the Green Loan Principles and the Green Loan Guidelines.

² Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), Loan Syndications and Trading Association (LSTA) "Green Loan Principles 2023" <https://www.lsta.org/content/guidance-on-green-loan-principles-glp/>

³ Ministry of the Environment "Green Loan Guidelines 2022 Edition" <https://www.env.go.jp/content/000062495.pdf>

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I. The overview of Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds set out in the Framework is used for green projects that have clear environmental improvement effects. Then, in cases where the use of proceeds is expected to have a negative impact on the environment, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its workaround and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs.)





▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation








Under the Framework, proceeds will be used for new investments or refinancing related to projects for renewable energy power generation, waste treatment power generation, and circular economy, and as described below, environmental improvements will be expected in all eligible projects.

The Framework for Use of Proceeds

Use of Proceeds

ITOCHU will allocate an amount equal to the net proceeds from the implementation of Green Loans to new or existing projects that meet at least one of the Eligibility Criteria set forth below ("Eligible Projects"). Eligible Projects are comprised of "Eligible Green Projects". For allocation to existing projects, projects financed up to 36 months prior to the date of the relevant loans execution will be eligible.

Eligible Category	Eligible Criteria	Environmental Objective	SDGs Alignment
Renewable Energy	Renewable Energy Power Generation Projects <ul style="list-style-type: none"> Development, construction, acquisition, management, and/or Operation & Maintenance of renewable energy power generation projects such as solar power, wind power, and hydropower. 	Climate change mitigation (Reduction of greenhouse gas emissions, Introduction of renewable energy)	   

Pollution Prevention and Control	Energy from Waste Projects (Advanced collection and disposal of waste)	Contribution to the realization of the circular economy (Reduction of an amount of landfill waste, Reduction of greenhouse gas emissions)	    
Projects concerning production technologies and processes and environmentally friendly products for the circular economy	Projects for the circular economy Waste-to-Renewable Hydrogen and Renewable Fuels	Climate change mitigation (Reduction of greenhouse gas emissions)	 
Pollution Prevention and Control			

Exclusionary Criteria

ITOCHU has developed an exclusionary criteria to be applied to the allocation of the proceeds from Green Loans. In this regard, ITOCHU commits to not knowingly allocating the net proceeds for projects included in the following:

- Landfill related to waste treatment, among the project scope of Energy-from-Waste

[JCR's Evaluation for the Framework]

1. Environmental improvement effects of the project

(1) Eligible Project 1: Renewable Energy Power Generation Projects

Eligible Project 1 applies the proceeds to developing, acquiring, managing, operating, and maintaining renewable energy power generation projects, such as solar, wind, and hydroelectric power generation. The use of the proceeds falls under "renewable energy" in the "Green Loan Principles" and "projects for renewable energy" among the uses of the proceeds listed as examples in the "Green Loan Guidelines."

Renewable energy is permanent energy sources among solar, wind, and other non-fossil energy sources and includes solar power, wind power, hydropower, geothermal heat, and solar heat, heat in the atmosphere, and other heat in the natural world, and biomass. Since renewable energy does not emit greenhouse gases ("GHG") during power generation, JCR evaluates that

expanding its introduction is essential for global warming countermeasures in the energy conversion sector, such as electric power. And renewable energy is becoming increasingly important as energy locally produced and consumed as it can be produced in the natural environment of each region.

In Japan, the Cabinet approved the Sixth Strategic Energy Plan in October 2021. It aims to achieve carbon neutrality in 2050 (announced in October 2020), a 46% GHG reduction in FY2030 (compared to FY2013), and an ambitious new high of a further 50% reduction (announced in April 2021). In order to achieve the targets, the Japanese government makes an all-out effort to turn renewable energy into the main power source, prioritizes them, and encourages its introduction to the maximum extent while minimizing the burden on the public and coexisting with local communities, first and most importantly, based on S + 3E (safety plus energy security, economic efficiency, and environment). According to the Agency for Natural Resources and Energy, renewable energy account for roughly 19.8% in electric power in FY2020.⁴

From the perspective of carbon neutrality, renewable energy power generation is becoming increasingly important in overseas as well. In the United States, as an example, President Biden officially rejoined the Paris Agreement in 2021 after the former Trump administration pulled out of it. The Biden administration has moved forward with its efforts against climate change at full scale by declaring that it will reduce CO₂ emissions by 50-52% compared to 2005 by 2030 and achieve carbon neutrality by 2050. It also aims to decarbonize the electric power sector by 2035. To that end, it is considered essential to significantly expand renewable energy facilities, including solar power generation. According to the Annual Energy Outlook 2023 (AEO2023) published by Energy Information Administration (EIA), the U.S. Department of Energy (DoE), renewable energy power generation facilities in the US, in the Reference Case, are expected to significantly increase power-generating capacity from 309GW in 2022 to 1,163GW by 2050. The Inflation Reduction Act enacted in 2022 includes tax credits for expanding renewable energy power generation facilities and promoting carbon dioxide capture and storage (CCS). JCR has evaluated that they are also an important use of the proceeds to achieve carbon neutrality goals in the United States.

From the above, projects for developing, acquiring, managing, operating, and maintaining renewable energy power generation projects, such as solar, wind, and hydroelectric power generation, which ITOCHU uses the proceeds for, are initiative that will contribute to the realization of carbon neutrality in each country. Since the selection of eligible projects takes into consideration impacts on the environment and society in implementing projects, JCR evaluates that it has an environmental improvement effect.

(2) Eligible Project 2: Energy-from-Waste Business (Advanced collection and disposal of waste)

Eligible Project 2 applies proceeds to power generation projects using heat generated during waste treatment. The use of the proceeds falls under "Pollution Prevention and Control" in the "Green Loan Principles" and "Projects for Pollution Prevention and Control" in the "Green Loan Guidelines."

Waste generated at homes, offices, stores, etc. is divided into combustibles, non-combustibles, and items to be recycled. Combustibles are then incinerated to reduce the volume and those

⁴"Future Renewable Energy Policy" published by the Agency for Natural Resources and Energy
https://www.meti.go.jp/shingikai/enecho/denryoku_gas/saisei_kano/pdf/040_01_00.pdf

with economic value (metals, cement, etc.) in the residue are turned into resources by recycling them. And the rest is buried at the landfill at a final disposal site.

The Energy-from-Waste business is a business to collect energy and generate electric power by turning a turbine, using heat generated by incinerating waste, in the process of the above waste treatment. Thermal energy used for waste incineration is usually discharged directly outside the facility. Given that it enables to utilize energy effectively in that way, JCR has evaluated that the business has an environmental improvement effect because it generates electric power for supply.

On the other hand, it is a point to note at incinerating waste that toxic chemicals, such as dioxins, are likely to be contained in it. It may be desirable to monitor emission gas after incineration on a regular basis so as to prevent toxic chemicals from damaging the human body and the surrounding environment.

(3) Eligible Project 3: Project for the Circular Economy

Eligible Project 3 applies the proceeds to circular economy-related projects, such as producing renewable hydrogen and fuel from municipal waste. The use of the proceeds falls under "projects concerning eco-efficient products and production technologies and processes" in the "Green Loan Principles" and "Projects concerning production technologies and processes and environmentally friendly products for the circular economy" in the "Green Loan Guidelines."

Circular economy is an economic activity that creates added value through servitization as well as the traditional 3Rs principles of reuse, reduce, and recycle, inputting and consuming less resources and effectively utilizing stock, and aims to maximize the value of resources and products, minimize resource consumption, and reduce waste generation. Furthermore, the transition to a circular economy has the potential to increase the sustainability of corporate business activities, and new business models are emerging both domestically and internationally.

Since circular economy involves various efforts in each process, from product design to production, use, and disposal, they need to be monitored by project.

ITOCHU has actively formed alliances with and invested in businesses that contribute to the circular economy, and promoted initiatives to create products with new added value by effectively utilizing resources that are otherwise to be disposed of.

ITOCHU will use the proceeds for a project that produces renewable hydrogen and fuel from municipal waste. The generated municipal waste is incinerated and landfilled as described above in the waste treatment power generation system. By producing hydrogen and synthetic fuel from municipal waste, it is possible to incinerate municipal waste and to reduce environmental burden of landfills, which is calculated to two billion tonnage CO₂. It can also replace the use of fossil fuels, contributing to the reduction of CO₂ emissions derived from fossil fuels.

Concerning this proceeds, there is a possibility that fossil fuels will be used during the production process of renewable hydrogen and synthetic fuel. In that case, from the perspective of the business lifecycle, JCR evaluates the projects with CO₂ reduction effects as having environmental improvement effects.

<Eligibility of Use of Proceeds>

ITOCHU explains in the Framework that it sets a policy of defining projects that are likely to have a positive long-term impact on the environment, comply with laws, regulations, and relevant rules, and follow a proper process in receiving approval and undergoing environmental impact

assessments only as eligible ones and that other projects are excluded from the scope of eligible projects, in order to ensure that use of proceeds specified under the Framework is eligible for Green Loan financing. As described above in the Framework, ITOCHU verifies 28 requirements on the ESG checklist when implementing a project, and, in some cases, it does not invest in projects that do not meet them. This applies only to projects that use the proceeds for environmental benefits, are implemented without backlashes of local communities, comply with laws of the regions where ITOCHU implements the project. JCR has assessed that setting the eligibility criteria is appropriate.

2. Negative Impacts on the Environment and Society

The Framework regarding Negative Impacts on the Environment and Society

Responding to environmental and social risks

- In order to promote sustainability as part of a company-wide risk management, the ITOCHU Group has related committees centered on the Sustainability Committee regarding ESG risks such as human rights, occupational safety, climate change, natural disasters, and ESG investment. After discussing ESG risk policies and measures and the penetration of risk management systems, the ITOCHU Group reports to the Board of Directors at least once a year.
- In the business investment process, the ITOCHU Group has introduced ESG risk evaluation⁵ as one of the items to consider when making investment decisions. Specifically, the ITOCHU Group evaluates in advance the impact on the environment, society and the governance status of investment targets using an ESG checklist consisting of 33 items. In addition, even after the investment has been made, ESG assessments are conducted from various perspectives, such as by visiting sites, with the aim of preventing environmental pollution at group companies.
- Against the background of expansion of business domain, ITOCHU's supply chain has become wider and more complicated, and not only processes that can be directly managed by the company, but also human rights, labor and environment in raw material procurement, production areas, intermediate distribution and consumption areas, etc. Risk management is more needed. In particular, on-site management of suppliers with a relatively high share of their purchasing is considered to be a matter that should be prioritized because of its great consideration and responsibility.
- ITOCHU has established the "Sustainability Action Guidelines for Supply Chains" and is working to prevent problems from occurring by conducting the following surveys and reviews, and if problems are found, ITOCHU improves them through dialogue with suppliers. In order to understand the actual situation of suppliers, each company and applicable group companies select important suppliers based on certain guidelines such as high-risk countries, products handled, and transaction amount, with the seven core subjects of ISO26000 as essential survey items. The sales staff of each company and the staff of overseas subsidiaries and group companies visit the suppliers and conduct hearings. In addition, the ITOCHU Group has been conducting a sustainability survey⁶ in the form of a questionnaire (sustainability checklist) since fiscal 2008.

The ITOCHU Group will continue to monitor ESG risks and ESG controversies, including the above risk measures, even when Green Loans are repaid.

ITOCHU has introduced ESG risk assessment in the process of investing in eligible projects. In the assessment, impacts on the environment and society and the governance status of

⁵ ESG Report FY2023 (for the year ended March 31, 2023) P192

⁶ ESG Report FY2023 (for the year ended March 31, 2023) P148

investment targets are reviewed based on the checklist. JCR has evaluated that ITOCHU's efforts are appropriate in that they are effective for preventing ESG risks from being overlooked and for avoiding negative impacts on the environment and society not only by ITOCHU but also the project launched.

Each eligible project takes a different approach in identifying negative impacts on the environment and society and in taking countermeasures against them. As an example, waste treatment power generation projects and circular economy-related projects retain environmental advisors beforehand when necessary in preparation for addressing risks of contaminating soil and a pollution issue to rise. After conducting an environment assessment, ITOCHU obtains approval from the authority of the country where the project is implemented. JCR assumes that ITOCHU will establish the system to report complaints from business partners or consumers (local residents, etc.) and receive feedback to / from the government authority on a regular basis.

After analyzing these risks, the Division Company Management Committee ("DMC") and Headquarters Management Committee ("HMC"), which discuss important matters, look into sustainability-related risks.

Given that ITOCHU also conducts on-site ESG assessments after investment, JCR has evaluated that it manages post-investment risks.

ITOCHU verifies whether the assets meet the eligibility criteria as per the Framework in selecting eligible projects from the perspective of whether the use of the proceeds from Green Loans is appropriate. This includes making sure that the project has a positive impact on the environment for a long period of time and verifying that approval acquisition and the process of conducting environmental impact assessments are in accordance with laws and regulations.

JCR considers that the aforementioned verification items are appropriate and that negative impacts on the environment and society are identified and are likely to be addressed properly.

3. Consistency with SDGs

JCR evaluated the use of proceeds set out in the Framework contributes to the following SDGs' goals and targets in reference to International Capital Market Association's SDGs mapping.



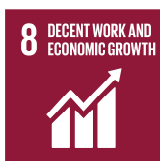
Goal 3: Ensure healthy lives and promote well-being for all at all ages

Target 3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix



Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



Goal 12: Ensure sustainable consumption and production patterns

Target 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR confirms that the objectives to be achieved through green financing, the appropriateness of green project selection standards and processes, and whether or not a series of processes are properly disclosed to lenders and others.

▶▶▶ **Current Status of Evaluation Targets and JCR's Evaluation**

JCR considers that the management team is appropriately involved in the criteria and process of selecting goals and green projects in the Framework and that transparency is ensured.

1. Goals

The Framework for Goals

2. Approach to SDGs

ITOCHU Group conducting business globally under the spirit of “*Sampo-yoshi*” which is our Corporate Mission, considers that addressing global environmental and social issues is one of the top priority issues in our management policy. We contribute to the realization of a sustainable society based on the ITOCHU Group Code of Ethic Conduct, in order to achieve the goals of The ITOCHU Group Corporate Guideline of Conduct, “I am One with Infinite Missions”.

In order to implement our initiatives to further sustainability organizationally and systematically, we established the “The ITOCHU Group Sustainability Policy”.

(1) **Identification of Material Issues and Promotion of Businesses that Address the Social Issues**

As a member of the international community, we will identify and assess material issues where we can create the most social and environmental value for that can enhance the sustainable growth of both society and our business.

(2) **Establishment of Mutual Trust with Society**

We will take necessary measures to ensure that we disclose accurate and clear information and expand the information we disclose, and maintain a communicative relationship with our stakeholders. In doing so, we aim to be receptive and responsive to the expectations and demands of society.

(3) **Strengthening Sustainable Supply Chain and Business Investment Management**

We will promote sustainable business activities by preventing and continuing to give consideration to problems for the conservation of the global environment, climate change mitigation and adaption, pollution control, resource recycling, protection of biodiversity and ecosystems, and basic human and labor rights.

We will endeavor to effectively use resources (such as air, water, land, food, minerals, fossil fuels, animals and plants), respect human rights and consider occupational health and safety in the businesses where we invest and in the supply chains of the products we handle.

We request our business partners to understand and implement the concept of sustainability in the ITOCHU Group, and aim to build a sustainable value chain.

We will respect the legal systems of each country and international norms. We will strive to understand the cultures, traditions and customs of countries and regions around the world.

We will then engage in fair and sincere corporate activities.

(4) **Education and Awareness of Employees to Promote Sustainability**

We believe that the promotion of sustainability starts with each and every employee.

Therefore, we will take necessary measures to educate our employees on the material issues we have identified and nurture a sustainability mindset among the workforce. Every employee is expected to adhere to this policy by executing respective action plans drafted in alignment to this policy.

To provide a range of goods and services that will support people's lives, the ITOCHU Group operates in a comprehensive array of business domains, from upstream areas, such as transactions involving raw materials, to downstream domains, such as retail and consists of 8 Companies. Under the Basic Policy on Promotion of Sustainability, the ITOCHU Group encourages each business line to promote sustainability and to commit to the Sustainable Development Goals (SDGs) adopted by the United Nations (U.N.), enhancing sustainability initiatives as a whole group. The ITOCHU Group as a whole is strongly committed to all of the 17 U.N SDGs.

Furthermore, the ITOCHU Group announced "FY 2022-2024 Outline of Medium-Term Management Plan" on May 10, 2021, and stated its enhanced contribution to and engagement with the SDGs as follows:

- **【Sampo-yoshi capitalism】**
 - To realize a sustainable society, embrace an approach to capitalism with greater emphasis on serving all stakeholders.
 - Through our business activities, we will contribute to the achievement of SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.
- **【Priority Measures】**

- Promoting decarbonization by fully divesting thermal coal mining assets.
- Reinforcing initiatives related to environmentally friendly products and circular economy businesses and services. (e.g., sustainable materials, recycling, storage batteries, water and waste management)

The ITOCHU Group intends to contribute to the realization of the SDGs while achieving growth through business format reforms in response to the expansion of business opportunities due to the growing social demand for the SDGs.

[JCR's Evaluation for the Framework]

ITOCHU operates business in alignment with its corporate mission "*Sampo-yoshi* (meaning good for the seller, good for the buyer, and good for society)," taking global environment and social issues as one of its paramount important management policies and embracing its guideline of conduct "I am One with Infinite Missions."

In April 2006, the ITOCHU Group set out the "ITOCHU Group Sustainability Policy" to promote sustainability initiatives systemically throughout its organization, and ITOCHU has revised the policy timely and appropriately. In 2018, ITOCHU identified its own sustainability issues (materiality) from the SDGs perspectives and expressed its intention to contribute to sustainable society by addressing them.

JCR has evaluated that use of proceeds specified in the Framework will contribute to solving the issue of "Address Climate Change (Contribute to a Decarbonized Society)" among the materiality identified and back up the efforts to promote decarbonization, reinforce initiatives related to environmentally friendly products and circular economy businesses and services which are the main SDG measures of its medium-term management plan.

Based on the above, JCR has evaluated that Green Loans implemented in alignment with the Framework should contribute to ITOCHU's initiatives and materiality around sustainability and to expansion of the businesses identified in its medium-term management plan.

2. Selection criteria

The eligibility criteria for this framework are described in Evaluation Phase 1 of this report. JCR evaluates that the selection criteria for the project are appropriate.

3. Processes

The Framework for processes

3.2 Process for Project Evaluation and Selection

The following departments will cooperate and decide on the following items for the projects which the proceeds from the issuance of Green Loans will be allocated.

Relevant departments (the following relevant departments will cooperate and decide)

- Finance Division

- Sustainability Management Division

Decision items

- Evaluating the compliance of proposed assets with the eligibility criteria
Eligibility:
 - Projects with positive long-term effects on the environment/society
 - Projects with appropriate procedures such as complying with laws and regulations, obtaining permits and licenses, and environmental assessment.
- Ensuring that the portfolio of Eligible Assets is aligned with the categories and criteria as specified in the “Use of Proceeds” section
- Replacing investments that no longer meet the eligibility criteria
- Confirming the content of the Framework, and reflecting/updating the relevant changes in ITOCHU’s business strategy, technology and market developments

[JCR's Evaluation for the Framework]

ITOCHU makes a list of eligible projects announced in the past three years that it has already financed or will finance within 24 months, and the Finance Division is responsible for listing such projects. The Finance Division together with members responsible for ESG promotion from each Division Company discuss whether the projects on the list are eligible Green Loans and whether information required for reporting is available for disclosure and select projects. And the General Manager of the Finance Division approves them.

Based on the above, JCR has evaluated that the Framework for processes is appropriate in that Divisions with expertise of eligible projects are involved in the selection process and the selection process is also disclosed in this evaluation report.

II. Management of the Proceeds

[JCR's Key Consideration on This Factor]

It is usually assumed that the management of the proceeds varies widely depending on issuers/borrowers. JCR confirms whether the proceeds are surely allocated to the green project and whether a mechanism and internal system are in place to make tracking easy.

JCR also focuses on whether the proceeds are scheduled to be used for a green project at an early stage and on the management and operation methods for unallocated funds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has assessed that Company's management of the proceeds is transparent because the system to manage the proceeds has been properly established and the approach of managing the proceeds is disclosed in this evaluation report.

The Framework for Management of the Proceeds

3.3 Management of the Proceeds

ITOCHU's Finance Division will allocate and manage the proceeds from Green Loans to Eligible Projects. The Finance Division will also monitor an amount equal to the net proceeds from Green Loans based on the Framework to applicable Eligible Projects and periodically adjusted to match allocations to eligible projects/categories. Any pending allocation will be invested temporarily in cash and cash equivalents. In case a project is cancelled or postponed, proceeds will be reallocated to projects that are compliant with the Framework. Proceeds will be allocated within 24 months.

[JCR's Evaluation for the Framework]

The proceeds from Green Loans will be allocated immediately to refinancing and new investments within 24 months as stated in the Framework.

The Finance Division and the Sustainability Management Division work together to track the progress of appropriation, and the General Manager of each Division responsible for the project approve the appropriation status.

The Finance Division manages the proceeds from Green Loans, using the in-house accounting system, so that the total amount allocated to eligible projects does not fall below the proceeds and the system clearly shows that the amount is recorded as the proceeds.

ITOCHU will directly or indirectly invest in or finance projects that its affiliated companies implement and manage the proceeds allocated to them through its in-house accounting system.

The Finance Division will make payments to eligible projects based on authority regulations. As aforementioned, ITOCHU makes payments for projects that are implemented by its affiliate companies directly or indirectly based on the above authority regulations. The affiliates pay out money based on their own authority regulations.

Third-party audits by an internal organization or an external audit firm will be included in the scope of internal and external audits from the perspective of funding.

The Finance Division will keep documents such as Loan Agreement for seven years after the final repayment.

When a project diverge from eligible project or a project is cancelled or sold and, as a result, some proceeds are left unallocated, cash or cash equivalents will be used until the proceeds are allocated to an alternative eligible project.

Based on the above, JCR has evaluated that the Framework for management of the proceeds is transparent, considering that ITOCHU has properly established the system to manage the proceeds and how it manages the proceeds will be disclosed in this evaluation report and the Green Loan Framework.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for lenders before and after the implementation of green loans, which is implemented with reference to the Framework, is planned in detail and in an effective manner.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has assessed that ITOCHU will appropriately report both the status of appropriation and environmental improvement effects to the lenders.

The Framework for Reporting

3.4 Reporting

ITOCHU will report on our website annually until all of the funds raised for Green Loans under this Framework are applied to eligible businesses. In addition, we will report any significant changes in the appropriation business as appropriate.

Allocation Reporting

ITOCHU will report to the extent feasible, including the following components:

- Allocated amount and appropriation of Eligible Green Projects in the following business categories (including the ratio of refinancing and new financing)
 1. Renewable Energy Power Generation Projects
 2. Energy from Waste Projects
 3. Projects for the circular economy
- The balance of any unallocated proceeds and information on how unallocated proceeds, if any, have been held in line with the guideline set in the “Management of the Proceeds”

Impact Reporting

ITOCHU will strive to report on the environmental impact of Eligible Projects financed by Green Loans based on the Framework when feasible and subject to data availability:

1. Renewable Energy

Renewable Energy Power generation

- Power generation capacity (KW)
- Power generation amount / Estimated power generation amount (kWh)
- Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)

2. Pollution Prevention and Control

**Energy from Waste Projects
(Advanced collection and disposal of waste)**

- Power generation amount / Estimated power generation amount (kWh)
- Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)
- Amount of metal recovered from bottom ash / Estimated amount of metal recovered from bottom ash (t)

3. Projects concerning production technologies and processes and environmentally friendly products for the circular economy
Pollution Prevention and Control
Projects for the circular economy

- Hydrogen production amount (MT) and fuel production amount (BBL)

[JCR's Evaluation for the Framework]
Reporting on the allocation status of the proceeds

The use of proceeds from Green Loans will be disclosed annually on ITOCHU's website until the entire amount is allocated to eligible projects. In the event that any significant changes occur regarding the appropriated business, they will be appropriately disclosed on the website.

Reporting on environmental improvement effects

ITOCHU plans to disclose the content stipulated in this framework on ITOCHU's website annually until the funds are fully allocated, as a report on the environmental improvement effects of eligible green projects.

The content of the report that ITOCHU plans to disclose will include information on power generation and CO₂ emission reductions in the renewable energy business and waste treatment power generation business, and hydrogen production in the circular economy-related business. (MT) and fuel production volume (BBL), both of which include quantitative indicators.

Based on the above, JCR evaluates that ITOCHU's reporting system regarding the status of fund allocation and environmental improvement effects is appropriate.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management of the borrower positions sustainability issues as a high priority for management and whether the sustainability policy, process and selection criteria for green projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

At JCR, ITOCHU positions sustainability-related issues as important management issues, and in addition to having a meeting body on sustainability-related issues and working on them from a practical and management perspective, we also work with internal departments in charge of practical matters and external experts. We highly value the fact that ITOCHU is formulating the details of its sustainability initiatives while incorporating the knowledge of other companies.

At ITOCHU, each Division Company and functional organization incorporates materiality, which has been determined as an important issue to be solved on a priority basis, into a "Sustainability Action Plan". Through our business activities, ITOCHU strive to achieve both sustainable improvement of corporate value and resolution of social issues.

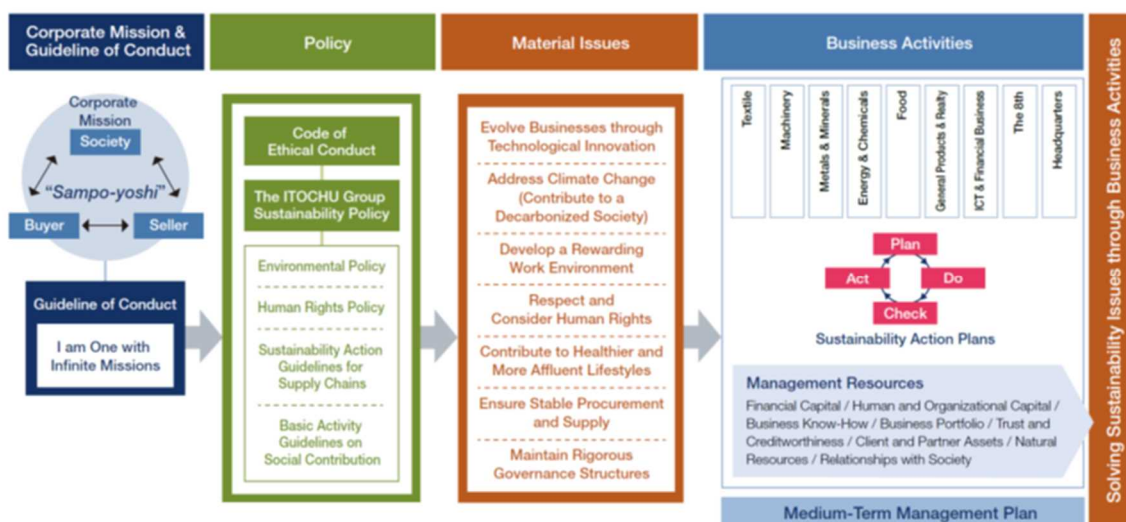


Figure 1: Sustainability promotion Flow⁷

ITOCHU's Sustainability Committee examines the setting and progress of sustainability-related goals, as well as current sustainability-related risks and opportunities. In addition, ITOCHU has a Sustainability Management Division as a department that plans and formulates promotion of sustainability initiatives and reports on the content of measures. The managers of each Company Division and functional department of ITOCHU has been appointed as those in charge of the ESG on the executive part. The person in charge of ESG manages and monitors the progress of various measures and initiatives regarding sustainability-related matters, and makes report to the Sustainability Committee. The matters discussed in the Sustainability Committee is going to be discussed and decided upon at HMC, an organization established directly under the Chairman

⁷ITOCHU website https://www.itochu.co.jp/en/ir/doc/annual_report/online2023/

and CEO and President and Chief Administrative Officer, and the contents are reported to the Board of Directors.

Regarding the sustainability policy, ITOCHU published it after confirming the consistency with international standards from the perspective of external consulting company, and also invited external experts called the Sustainability Advisory Board to discuss ITOCHU's initiatives. ITOCHU regularly make efforts to hear outside opinions on issues.

Regarding climate change initiatives, ITOCHU recognizes the importance of risks and opportunities that climate change affects to its's business. ITOCHU endorsed the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations in 2019, and set out four scenarios in which climate change could be held to 1.5 degrees and less than 2 degrees Celsius. ITOCHU is conducting an analysis of opportunities and risks based on scenarios in which the temperature rises by approximately 4 degrees Celsius scenario. Extreme weather conditions would worsen the yield of bananas and pineapples in the Philippines, ITOCHU started a pineapple production business in Sierra Leone in West Africa as part of its business diversification. ITOCHU is also conducting the study that in a below 2 degrees Celsius scenario, by promoting renewable energy business projects, ITOCHU can be possible to offset the costs incurred by carbon taxes and CCUS, which are transition risks. Through these projects, ITOCHU utilizes scenario analysis for its decision making.

In addition, in ITOCHU's medium-term management plan "Brand-new Deal 2023," ITOCHU has established "Enhancing our contribution to and engagement with the SDGs through business activities," including climate change, as one of its basic policies. Based on the goal of government of Japan's "Carbon Neutrality by 2050", ITOCHU has declared "Offset Zero" that aims to exceed national goal by ten years, 2040. "Offset Zero" is taking into account the reduction contribution from clean tech projects. "Offset Zero" is defined by ITOCHU as "a state in which the reduction contribution exceeds ITOCHU's GHG emissions," and refers to the reduction in CO₂ emissions achieved through various clean tech projects including renewable energy projects. This is an effort to balance the contribution amount with the amount of GHG emissions generated from fossil fuels.

In order to reduce GHG emissions, ITOCHU announced that it stops both new development of coal-fired power generation plant and acquire thermal coal mining interest in February 2019. Regarding decarbonization efforts, ITOCHU decided to withdraw from thermal coal mining interests, sold all equity interests in Rolleston thermal coal mines held through Australia's IMEA in 2019, and in April 2021 ITOCHU has completed the sale of its Drummond interest and has completed its withdrawal from coal mining interests that produce thermal coal. ITOCHU is also selling interests in Ravensworth North in Australia, which produces steam coal as well as coking coal. On the one hand, ITOCHU is keeping an eye on a stable supply of energy, and on the other hand, ITOCHU is rapidly decreasing the deal of coal and other fossil fuels as quickly as possible. JCR believes that ITOCHU's ongoing efforts to reduce the amount of fossil fuel is a sign that ITOCHU's sustainability efforts are being steadily implemented while keeping an eye on reality.

The business that ITOCHU conducts is wide-ranging, from upstream to downstream, and is constantly exposed to risks related to sustainability, including human rights, in its supply chain and in its investees. ITOCHU conducts due diligence regarding human rights, avoids doing business with companies that engage in inappropriate treatment. ITOCHU conducts surveys in the supply chain, and formulates procurement policies for each product. ITOCHU is strengthening its sustainability efforts.

Based on the above, JCR evaluates ITOCHU positions sustainability-related issues as important management issues, and in addition to having a governing body on sustainability-related issues and working on them from a practical and management perspective. ITOCHU also work with internal departments in charge of practical matters and external parties. JCR highly evaluated ITOCHU's efforts to promote sustainability while incorporating the knowledge of experts in the field.

**Evaluation Phase 3:
Evaluation result(Conclusion)**
Green 1 (F)

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for the "Greenness Evaluation (Uses of Proceeds)" and "m1 (F)" for the "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1 (F)" for the "JCR Green Finance Framework Evaluation." The Framework meets the standards for the items required in the Green Loan Principles and the Green Loan Guidelines.

		Management, Operation, and Transparency Evaluation				
		m1 (F)	m2 (F)	m3 (F)	m4 (F)	m5 (F)
Greenness Evaluation	g1 (F)	Green 1 (F)	Green 2 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)
	g2 (F)	Green 2 (F)	Green 2 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)
	g3 (F)	Green 3 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)	Not qualified
	g4 (F)	Green 4 (F)	Green 4 (F)	Green 5 (F)	Not qualified	Not qualified
	g5 (F)	Green 5 (F)	Green 5 (F)	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Rieko Kikuchi, and Kosuke Kajiwara

Important explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Green Finance Framework Evaluation

JCR Green Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, JCR Green Finance Framework Evaluation is not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green finance evaluation, a separate evaluation is needed. JCR Green Finance Framework Evaluation does not prove the environmental improvement effects of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental improvement effects. JCR confirms the environmental improvement effects of funds procured under the Green Finance Framework measured quantitatively and qualitatively by the issuer or by a third party nominated by the issuer, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

3. Relationship with Acts Concerning Credit Rating Business

JCR Green Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

5. Third-Party Evaluation of JCR Green Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

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■ Glossary

JCR Green Finance Framework Evaluation: This evaluates the extent to which the funds procured through Green Finance are appropriated for green projects as defined by JCR and the degree to which the management, operation and transparency of the Green Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green 1(F), Green 2(F), Green 3(F), Green 4(F), and Green 5(F) symbols.

■ Status of Registration as an External Evaluator of Green Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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