Summary of Dialogue between Outside Directors and Institutional Investors

Date: April 13, 2026 (Mon), 13:30–15:00
Respondents: Masatoshi Kawana, Makiko Nakamori, Kunio Ishizuka, Akiko Ito (Outside Director),
Moderator: Kazunori Harada (General Manager, Investor Relations Division)

■CEO Succession Plan, Structure, and Corporate Governance System

A: (Kawana) Apart from the Governance, Nomination, and Remuneration Committee, there are many opportunities to meet with the Chairman & CEO and President & COO, and we engage in concrete discussions regarding successors. I feel strongly that Chairman & CEO Okafuji is eager to hear various opinions. Although the committee deliberates proposals from the Chairman & CEO, there is substantial communication beforehand. Candidates often gain experience by moving from Division Companies to Group companies and back, taking on different tasks, and coordinating difficult negotiations. Currently, Chairman & CEO Okafuji demonstrates no issues in intellect, stamina, or decisiveness, and I do not feel an urgent need to decide on a successor. Nevertheless, we regularly discuss contingency plans, and I believe the current officer-president system, including the President & COO, is fully capable of responding. Chairman & CEO Okafuji is also highly conscious of the impact on stock price. While there are no concrete discussions at this point, we are observing candidates and considering various succession methods and structures.

A: (Ito) I recognize two key points: whether the CEO should step down, and if so, who is the most suitable. Regarding the first point, we consider whether the current CEO causes any issues, whether there are concerns about the company's growth, and whether it is the right time for a transition; I do not believe that now is the appropriate time for a change. Chairman Okafuji himself is very attentive to successor candidates. In interviews with executives from Group companies and Division Company Presidents, we pay great attention to their management philosophy and leadership ability, making a conscious effort to assess their character. One reason Chairman & CEO Okafuji is an excellent leader is his skill in articulating his decisions. Rather than acting unilaterally, he explains the reasoning, seeks feedback, and verifies his decisions, creating an environment conducive to talent development. Chairman & CEO Okafuji was not as he is now when he first assigned to the top management; the company is not a sole proprietorship but a collective organization, and the ideal structure depends on the leader. While a leadership change could be impactful, it would not mean a sudden, drastic change for the whole company.

A: (Nakamori) I understand that making a sudden change to a system that is currently functioning well carries significant risks. As ITOCHU's market capitalization and presence have grown, I sense a clear intention to have a long-term vision and implement gradual and positive changes to minimize negative impacts from sudden transitions. Announcing specific successor candidates prematurely could create unnecessary commitments, so we should manage this with caution.

A: (Ishizuka) Whether Chairman & CEO Okafuji leaves suddenly or as planned, I believe that the influence, both positive and negative, would remain for one to two years. Although the Chairman & CEO sets the broad growth strategy, it is personnel at the Division Company and Group company level who drive performance, so I do not anticipate a major decline in earnings results after a leadership change. However, the stock price may fall due to the so-called "Okafuji premium" dissipating. The key is how quickly the new leader can establish his or her own management style within the one to two years of residual influence. The role of outside directors will be critical at that time, and we are prepared for that responsibility.

A: (Kawana) The ideal governance system should be discussed when transitioning to a new structure. Alongside succession, we should also consider the composition of outside directors. This was also raised in the board evaluation. It does not necessarily mean that the current structure should be maintained going forward.

A: (Nakamori) I understand the need to design a structure that enhances the company's sustainability without relying on individuals. On the other hand, ITOCHU values the ability to adapt as the optimal system changes over time, and we do not favor simply adhering to formality. I think the current structure is best for now, but if there is a change, we will consider the optimal structure at that time with outside directors involved. Rather than making premature decisions in advance, I believe it is more appropriate to address each issue as it arises.

A: (Ito) There are both principles and reality; the roles of officers and Division Company presidents may change, and we discuss the division of roles between internal and outside directors as well. The board evaluation also included discussions on the composition of outside directors. I do not consider the current system absolute. We are carefully considering both the ideal form and practical structure.

■Discussion on CFO/CAO Personnel Changes

A: (Kawana) Under the long-term Management Policy "The Brand-new Deal," the financial matrix, starting from a total payout ratio of 40% and achieving around 10% profit growth to maintain ROE above 15%, will be upheld even under the new CFO, Mr. Naka. The roles played by former CFO Mr. Hachimura and former CAO Mr. Kobayashi under Chairman & CEO Okafuji were significant. Three years ago, when the time came to consider retirement from the executive position, the possibility of a personnel change was discussed, but given their irreplaceability, I commented, "Why not continue for another year?" Subsequently, Mr. Naka became chair of the Investment Consultative Committee and served as a CXO, leveraging his long experience as General Manager of Corporate Planning & Administration Division to gain a comprehensive understanding of the company. As an outside director, I am confident in supporting the transition in the Governance, Nomination, and Remuneration Committee, I supported the transition as an outside director. However, there are discussions on whether to take over all previous responsibilities or it would be better to share certain responsibilities with others. For investor relations activities, for example, the committee discussed strengthening external communications under the joint leadership of President & COO Ishii and CFO Naka, thereby further enhancing President Ishii’s contributions both domestically and internationally.

A: (Nakamori) Mr. Naka has long served as General Manager of Corporate Planning & Administration Division and has had many opportunities to speak with us outside directors, leaving a strong impression of competence. I have heard that former CFO Hachimura also has full trust in him. Serving as chair of the Investment Consultive Committee—one of the key aspects of our corporate governance—for two years is highly meaningful for succeeding as CFO.

A: (Ito) I have also observed how Mr. Naka coordinated the committee as chair, and there is no sense of abruptness in his appointment. Each committee's performance was thoroughly confirmed before the decision.

A: (Kawana) Mr. Nishiguchi, the new CAO, has a long relationship with outside directors as former General Manager of the Secretariat. He was judged to be the most suitable candidate and, as CAO, will primarily cover areas such as Human Resources and General Affairs.

A: (Nakamori) Serving as General Manager of the Secretariat, Mr. Nishiguchi has gained a deep understanding of top management’s thinking. With former CAO Mr. Kobayashi now serving as a Senior Advisor, I expect a smooth transition with his support for the time being.

■Group Governance

A: (Harada) I would like to supplement the explanation on the executive side. Upon joining ITOCHU, employees are assigned to vertical organizations such as Textile, Food, or Metals & Minerals, which determines their organizational belongings. There is also CFO Group, responsible for finance, accounting, business management, and risk management and whose organizational belonging is defined. Personnel from CFO Group are dispatched as managerial officers or CFOs to Group companies, where they are responsible for quantitative matters and internal controls. CFOs of each Division Company are assigned from CFO Group, and business management, accounting, and risk management personnel are also deployed from CFO Group, with some even seconded to Group companies. I have heard that at other trading companies, both business personnel and quantitative management personnel from the business divisions are often dispatched to major Group companies. But at ITOCHU, CFO manages personnel centrally and dispatches them to each frontline upon request from each Division Company, ensuring that quantitative management and internal control are not left to business divisions but are managed on a separate line. I believe this system is unique to our company.

A: (Ishizuka) As an outside director, I also found this the most difficult area to understand and pointed it out during the board evaluation. I requested greater "visibility" for these measures, and improvements have been made. In the past, there was a case of extraordinary loss at Blommer, a subsidiary of Fuji Oil, but I was unaware of the company at the time. There have also been cases of extraordinary losses at subsidiaries in other companies, and we have worked to improve visibility through meetings with full-time auditors and Division Company Presidents about subsidiary governance. We have informed the executive side of the need for vigilance in group governance. For fraud and accounting irregularities, the system for checking results from both the CFO lines and business lines ensures robust internal controls. We are aware of incidents at other companies, but we have confirmed that our system is well-organized to prevent such issues.

A: (Nakamori) Our structure ensures that management division and business division functions keep each other in check, raising performance while rigorously monitoring bad debts and fraud. There is no culture of manipulating financial figures for the sake of appearances. Even within Division Companies, there is an established system for accurate quantitative management, including unrealized gains and losses, and for communicating this to the CFO lines and corporate planning lines.

■Board Independence

A: (Ishizuka) I believe the independence of the board is ensured by having four outside directors. We value "quality over quantity," and the sense of unity and cooperation among us four is crucial. We frequently exchange opinions on individual matters, succession, personnel, etc., and this unity is the root of our independence. There have been cases in the past where all four outside directors discussed it among us, and with all of us opposing a certain proposal, the board rejected it. Such example clearly demonstrates that our independence is ensured.

■Human Resource Issues

A: (Kawana) From a global perspective, I would like to highlight the promotion of local national staff (NS). During overseas site visit, I met many NSs who are highly loyal, talented, and contribute greatly, and we are discussing ways to assign them at Tokyo HQ. Another point is Digital Transformation and AI talent; as outside directors, we have made many suggestions, and while business process improvement is progressing, there is a need for even more advanced talent in business creation. Many such personnel exist at CTC and Group companies, but there is a sense of challenge at headquarters.

A: (Nakamori) In terms of demographics, men in their late 40s to 50s dominate decision-making roles. In recent years, about 30% of those in their 30s or younger are female, but decision-making positions are still predominantly held by male senior management. Engagement surveys show the age group with the highest engagement is employees in their 50s, while the lowest engagement is seen among those in their 30s and 40s, suggesting possible challenges in work style and involvement in decision-making for those 10–15 years after they become managers after their eighth year within the company. Time may resolve some issues, but we need to think concretely about maximizing productivity with smaller teams in their 30s–40s. For Group company management, sending executives from HQ ensures a sense of unity, but it is also necessary to integrate talented in-house personnel in Group companies, which remains a future challenge.

A: (Ito) Based on my government experience, it is difficult for people to have perspectives beyond their own roles or organizations. While dispatching presidents of Group companies from HQ is good, in-house personnel also need management experience to gain management point of view, and such appointments are important. Attitude and mindset change with position. In government, vertical silos are strong, and people tend to focus only on their own jobs, which are not productive. ITOCHU also faces such silo issues, as people tend to view things through the lens of their Division Companies. Recent initiatives like internal recruitment and collaboration are important, and learning other ways of working is crucial. From a human resource development perspective, early management experience is also important—bundling and making decisions as a young leader builds people.

A: (Ishizuka) I have been aware of silo issues, but the structure of accumulating results by each Division Company is also a strength. Recently, there have been business cases like Seven & i Holdings, Seven Bank, and JR East where efforts are made to break down silos, and the executive side is focusing more on cross-divisional initiatives, gradually resolving long-standing issues.

A: (Kawana) Through discussions with younger employees, I understand that many want to make decisions on the frontlines rather than working just at their desks, although this is often difficult due to assignments or years of experience. With the advance of AI and the possible disappearance of many white-collar tasks, ITOCHU's expertise in training personnel who gain trust through face-to-face interaction and tough negotiation in the field is unparalleled. I feel this strength should be emphasized more.

A: (Ishizuka) Not only in limited young employee discussions, but also in overseas site visits, I sense a strong environment for developing people on the frontlines, and employees who gain experience in the field are extremely motivated.

A: (Nakamori) Even in challenging overseas locations, many employees do their best wherever they are assigned. ITOCHU tends to value personnel who know the company culture well and is also promoting initiatives such as strengthening alumni hires.

■Asset Efficiency of CITIC Investment

A: (Nakamori) In 2015, ITOCHU jointly invested in CITIC with CP Group, with the share amounting to approximately 600.0 billion yen. This is recognized as an important medium- to long-term value-creating investment, which ITOCHU continues to hold. ITOCHU were designated as a "friendly trading company" by China in the 1970s, and our significant presence in China is a differentiating factor among trading companies. The opportunity to invest in Chinese state-owned enterprises by partnering with CP was extremely rare. It is also significant from a qualitative standpoint, allowing access to high-quality information regarding the Chinese economy, networks, and individual projects. Although the stock price has been sluggish, it likely reflects factors such as conglomerate discount and market risks specific to Hong Kong. For accounting purposes, we evaluate investment based on value-in-use rather than stock price. Since this value in use far exceeds book value, there is no need to rush to recognize an impairment loss. Therefore, we emphasize qualitative significance and, with no concern for losses, maintain a long-term holding policy. The board reviews CITIC and the Chinese economy every quarter. Approximately 80% of CITIC's business is financial services, and we are informed that there is currently no significant deterioration of assets, with expectations of recovery. In quarterly meetings with full-time Audit & Supervisory Board Members, we are briefed in detail in addition to receiving reports provided by the audit firm. We keep a close eye on major projects and always respond to situations with agility. During the real estate crisis, thorough investigations were conducted, and the Board received reports from the then-CFO and then-General Manager of the Corporate Planning Division. We have a system in place for rapid information gathering and immediate reporting, so there are currently no urgent concerns.

■Future Growth Strategy

A: (Kawana) In recent years, it is true that our growth investment has been weighted toward domestic projects, mainly additional acquisitions and privatizations. Currently, considering soaring resource prices, the revaluation of resource portfolios, and the increased market's preference for stocks in other trading companies, the recent Management Committee devoted significant time to discussing growth strategies. While I refrain from detailed comments as new management plans have yet to be announced, various large-scale investments and business expansions are being planned and actively pursued, so please look forward to them.

A: (Nakamori) ITOCHU has achieved remarkable enhancement of corporate value through sustained growth. Now that ITOCHU is among the industry leaders in size, the market expects us to enter the next growth stage and pursue a new vision. Considering these expectations, I feel that a direction is becoming clearer toward focusing on investments and initiatives unique to ITOCHU, with a major social impact and scale.

A: (Ishizuka) "No growth without investment" is exactly right. I am paying close attention to how the composition of our investments will evolve. There is a growing emphasis on growth investments that go beyond simply building up short-term profits. Investment projects in resource area at other trading companies also contribute to long-term profits, and I expect ITOCHU will also develop strategic initiatives to support future profit growth over similar timeframes.

A: (Ito) I understand that ITOCHU's strength and unique features are our accumulation-based business model and our downside resilience which comes from the fact that once profit levels are built up, it is difficult to erode and trust from the market. On the other hand, there is volatility risk in medium-term sustainable growth. Incorporating these perspectives, the opinion of Outside Directors is actively sought in management meetings, and multifaceted discussions were held. While we, including executive side, are aware of the need to shift growth phases, it is important to proceed steadily in ways that do not undermine our strengths, without leaning heavily into sudden large-scale investments.

■ITOCHU's Organizational Strengths and Aspirations

A: (Kawana) Comparing the management of general trading companies to hospital or healthcare management, there is much to learn. In medical settings, social significance often takes precedence over profit and given the current state of university hospitals' management and finances, even greater management efforts are needed for sustainable operations. General trading companies have seen dramatic increases in corporate brand value over the past decade or so, and I hope to enhance global recognition that the Japanese “Sogo Shosha” business model is viable worldwide.

A: (Nakamori) ITOCHU’s standout feature is overwhelming speed. Compared to start-ups and foreign companies I have been involved with, ITOCHU’s business decision-making process is clear and fast, with strong links between decision-making and leadership. These organic connections also help bring out the full potential of those on the front lines. The company also has sophisticated branding and marketing expertise. As chair of the Women's Advancement Committee, I hope to further promote diversity and support young and/or female employees to maximize their abilities. For example, while there is still some traditional "trade-centric mindset", the younger generation’s perspectives are vital for adapting to a business model centered on the management of business investments. I want to help build an organization capable of delegating decisions to the younger generation while effectively navigating them.

A: (Ishizuka) Compared to other industries and companies I have experienced, ITOCHU’s governance, internal controls, and management mindset stand out in terms of quality and passion. The level of energy devoted to discussing growth and determination by each Division Company to achieve it is rarely seen elsewhere. While the role of Outside Directors is to oversee whether the executive team is steadily realizing sustainable growth and value enhancement, I feel reassured that ITOCHU is sincerely working toward growth. Looking ahead, identifying as a “merchant” myself, I strongly resonate with principles like "*Sampo-Yoshi*" and "I am One with Infinite Missions." I believe that thoroughly embodying these corporate mission and guideline alongside tangible results, is the ideal future state ITOCHU should strive for.

A: (Ito) I see ITOCHU’s strengths as speed and an almost "greedy" spirit of challenge. As a “Sogo Shosha,” ITOCHU has the potential to further strengthen our role as a "platform" connecting society. To evolve into a responsible platform capable of achieving mutual growth for both ITOCHU and our partners, I feel the challenge lies in exploring initiatives in the medium term while maintaining sound risk control rather than focusing solely on the short-term perspectives. I also deeply resonate with our founder Chubei Itoh I’s "Three Loves Principle": The phrase "Love your origin, love your business, love your wife" is truly emotional and the concept "love your wife" extends to employees, families, and partners. I hope we can continue to develop while cherishing these values.