Approach to Climate Change and Related Initiatives

ITOCHU discloses the GHG emissions of all fossil fuel businesses and interests associated with the Company, and it will fully withdraw from thermal coal interests during the period of the current medium-term management plan. By reducing GHG emissions and proactively advancing business that help reduce emissions, we are contributing to the realization of the Japanese Government's "2050 Carbon Neutral" goal.

Our Company also recognizes the importance of disclosing climate-related financial information and has worked to disclose information based on TCFD* recommendations since expressing support for them in May 2019.

* The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB)

Governance for Climate Change

At ITOCHU, the Sustainability Management Division plans and proposes measures and initiatives to address risks and opportunities related to climate change, and the Sustainability Committee deliberates and decides these measures and initiatives. The CAO, the Representative Director responsible for climate change-related issues, chairs the Sustainability Committee, and is responsible for presenting and reporting to the Board of Directors the matters duly deliberated and decided at the Sustainability Committee. This allows the Board of Directors to properly supervise the appropriate promotion of business strategies that respond to environmental and social risks and opportunities based on the deliberations and decisions of the Sustainability Committee. The Board of Directors deliberates and decides important matters, such as management plans based on GHG emissions reduction goals and initiatives.

Additionally, we periodically engage in dialogue with external stakeholders, such as the Sustainability Advisory Board, to understand society's expectations and demands, etc., regarding our policies, initiatives, and systems related to climate change and incorporate them into measures addressing climate change.

Climate Change Strategy

ITOCHU sets GHG emissions reduction and offset targets (▶ Page 80), analyzes scenarios based on TCFD recommendations and continuously considers business strategies and asset replacement. As a result of conducting scenario analysis in accordance with TCFD recommendations, we can maintain a strong business foundation by transitioning to environmentally friendly products and services that customers demand and also by reviewing our business portfolio.

Since FYE 2020, we have analyzed and disclosed transition risks such as policy and regulatory risks under scenarios of less than 2°C as well as physical risks such as natural disasters under a 4°C scenario for the "Power Generation Business," "Energy Business," "Coal Business," "Dole Business," and "Pulp Business."

Additionally, for FYE 2023, we newly analyzed and disclosed the "Iron Ore Business," "Automobile Business," "Chemicals Business," and "Feed and Grain Trade Business" under a 1.5°C scenario.

The results of scenario analysis of the "Iron Ore Business," which faces transition risks as the main challenge, and the "Feed and Grain Trade Business," which faces physical risks as the main challenge, are shown on the following page.

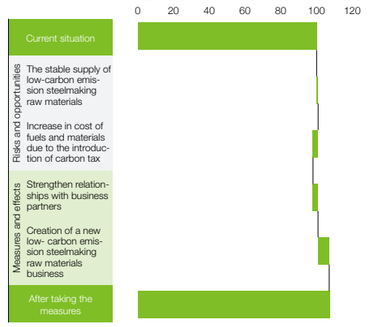
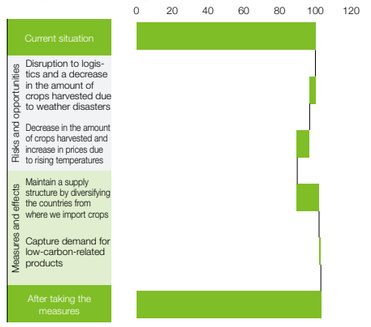
Please refer to ITOCHU's website for detailed information about its scenario analysis for the "Iron Ore Business" and the "Feed and Grain Trade Business."

https://www.itochu.co.jp/en/csr/environment/climate_change/




Photo courtesy of BHP

Scenario Analysis

		Businesses for Which Transition Risks Are the Main Issues	Businesses for Which Physical Risks Are the Main Issues
Business		Iron ore business	Feed and grain trade business
Time frame		By 2050	By 2030
Temperature band scenario		1.5°C scenario	4°C scenario
Main risks and opportunities	Transition	**Opportunities** • The stable supply of low-carbon emission steelmaking raw materials • Creation of a new low-carbon emission steelmaking raw materials business **Risk** • Increase in cost of fuels and materials due to the introduction of a carbon tax	**Opportunity** • We may capture demand with feed products and other low-carbon-related products which contribute to reducing GHG
	Physical	**Risks** • Increase in procurement costs due to the increased frequency of severe weather events and worsening water scarcity • Disruption of iron ore supply chain due to frequent weather disasters	**Opportunity** • We may maintain a supply structure by diversifying the countries from where we import crops and capture demand for grain **Risks** • Decrease in the amount of crops harvested and logistics disruption due to large hurricanes, droughts and other abnormal weather in countries from where we import crops • The amount of crops harvested may decrease and transaction prices may increase in countries from where we import crops due to rising temperatures
Business environment under the scenario Business impact assessment		The introduction of a carbon tax is expected to increase the cost of fuel, materials, and other items. Nevertheless, the impact on earnings will be limited due to strengthened relationships with blue-chip business partners and improvement of operational efficiencies. Further growth is expected by focusing on the production of high-grade ore, for which demand is expected to increase due to the acceleration of the shift to decarbonization, and steadily seizing business opportunities in iron ore and related fields, such as creation of businesses related to low-carbon emission steelmaking raw materials. **Analysis According to Consolidated Net Profit** (%) 	The decrease in the amount of crops harvested due to weather disasters and rising temperatures may lead to supply instability and increases in prices. However, we can maintain a supply structure by diversifying the countries from where we import crops and then provide further opportunities for low-carbon-related products. **Analysis According to Gross Trading Profit** (%) 
Adaptation / mitigation measures, policies Business opportunities		• We will closely monitor trends in low-carbon emission steelmaking technologies and promote initiatives to ensure a stable supply of low-carbon emission steelmaking raw materials • Promote initiatives to reduce GHG emissions by strengthening relationships with business partners	• We will diversify the countries from where we import crops to prepare for the acute and chronic impacts from climate change • We will engage in new environment-related business such as feed which leads to a curb on methane emissions

Climate Change Risk Management

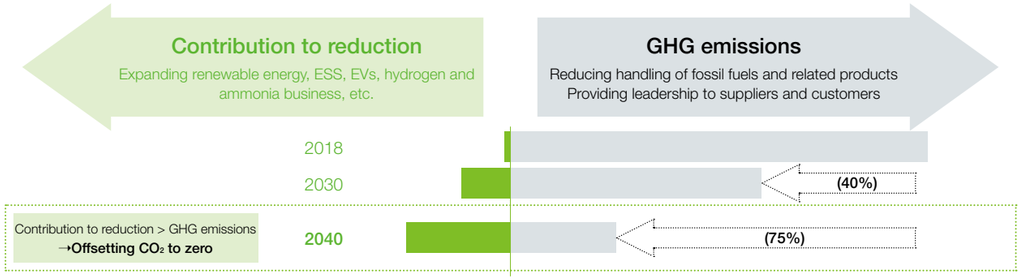
Engaged in global business operations, ITOCHU constantly monitors climate change policies in each country, abnormal weather conditions around the world, or changes in average temperatures. Climate change risks identified from information regarding climate change related regulations and abnormal weather, etc., are managed as one of the major risks, "environmental and social risks," in risk analyses conducted across the entire Group. Additionally, the identified climate change risks are evaluated and examined during the investment decision-making process, and each department in charge of risk management is responsible for constructing a consolidated basis to identify, evaluate, manage, and monitor risks.

Climate Change Metrics and Targets

GHG Emissions Reduction and Offset Targets

- Achieving net zero GHG emissions by 2050 to comply with the Japanese government's target. In addition, aiming to offset CO_2 to zero*1 by 2040 by actively promoting businesses that contribute to the reduction of GHG emissions.
- Complying with the Japanese government's interim target*2 by achieving a 40% reduction from 2018 level by 2030.
- Based on the understanding that ongoing initiatives to reduce GHG emissions are key, **flexibly and dynamically adjusting "reduction pathways" while paying attention to the unique traits of client industries**, assuming it is possible to expand business while addressing societal demands at the same time.
- **Steadily reducing emissions from a medium- to long-term perspective through initiatives in supply chains**, including reviews of products handled in light of changes in client industries, and transitions to improve fuel economy in logistics networks, centered on the non-resource sector where the Company has strengths.

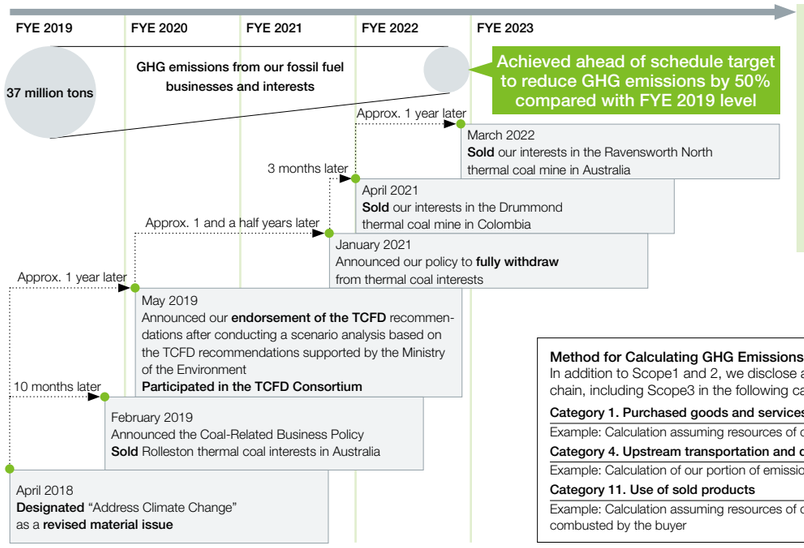
*1 Situations where reduction contributions exceed the Company's GHG emissions
*2 The Japanese government's target of a 46% reduction from the 2013 level by 2030 is a 39% reduction based on the year 2018.



*1 Scope of GHG emissions: Scopes1/2/3 + Fossil fuel businesses and interests (affiliates and general investments)
*2 For environmental data on GHG emissions and other items, please see ▶ Page 116 ESG Data

Efforts to Reduce GHG Emissions from Fossil Fuel Businesses and Interests

After announcing a policy of completely withdrawing from its thermal coal interests during the medium-term management plan, our Company proceeded to sell its Ravensworth North thermal coal interest in Australia following the sale of its Drummond thermal coal interest in Colombia, achieving a **50% reduction** in GHG emissions from fossil fuel businesses and interests* **compared to those of FYE 2019** ahead of schedule. While fulfilling its responsibility for stable supplies of natural resources and energy, we will continue to actively promote efforts to reduce environmental impact.



2050: Net zero
2040: Zero with offsets
2030: Reduce by 40% compared with 2018 level
May 2021
Announced GHG emissions reduction and offset targets

Method for Calculating GHG Emissions:
In addition to Scope1 and 2, we disclose all GHG emissions in our value chain, including Scope3 in the following categories.

Category 1. Purchased goods and services
Example: Calculation assuming resources of our interest stakes are purchased

Category 4. Upstream transportation and distribution
Example: Calculation of our portion of emissions, including transportation to ports

Category 11. Use of sold products
Example: Calculation assuming resources of our interest stakes are sold to and combusted by the buyer

* Fossil fuel businesses and interests (consolidated subsidiaries, affiliates, and general investments): (1) Coal interests (thermal and coking coal), (2) Coal-fired power generation, and (3) Oil and gas interests

Business Initiatives to Help Reduce GHG Emissions

Clean-Tech Business Metrics and Targets

We have established "GHG emissions reduction and offset targets," as well as individual targets for clean-tech businesses, and are steadily moving forward with swift and decisive climate change measures.

Individual Targets and Initiatives for the Clean-Tech Business

Clean-Tech Business	Individual Targets and Initiatives
Renewable Energy Business	• Increase the ratio of renewable energy capacity within our power generation portfolio to over 20% by FYE 2031 • Invested in renewable energy generation of approximately 1,600 MW, such as in Cotton Plains (wind and solar power) and Prairie Switch (wind power), both of which are in the United States, and in Sarulla Operations (geothermal power) in Indonesia • Currently newly developing renewable energy business of approximately 2,000 MW to achieve a renewable energy ratio of over 20%
Fuel Ammonia-Related Business	• Establish a value chain of fuel ammonia through integrated development including development, ownership, and operation of ammonia-fueled ships, development of fuel supply bases, and procurement of fuel ammonia • After 2026, contribute to decarbonization of international shipping by promoting the spread of ammonia-fueled ships and their social implementation
Energy Storage Systems (ESS)-Related Businesses	• Aim for a cumulative capacity of ESS units sold of over 5 GWh by FYE 2031
Water Infrastructure-Related Business	• Expand our achievements in Europe and Australia to other regions. Continue to build up excellent assets
Waste Management Project	• Expand our achievements in Europe to the Middle East and other regions in Asia. Continue to build up excellent assets

Please refer to ITOCHU's website for detailed information.
https://www.itochu.co.jp/en/business/cleantech/

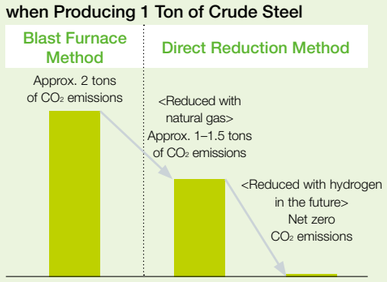
Creating a Supply Chain of the Ferrous Raw Material for Green Ironmaking with Low Carbon Emission

Steel is an irreplaceable material underpinning social infrastructure that is used by a wide range of industries, but reducing CO_2 emissions during its production processes has become an urgent issue in the industry. Compared with the conventional blast furnace method, the direct reduction method, which uses natural gas and high-grade iron ore for reduction, significantly reduces CO_2 emissions in the steelmaking process.

To ensure the stable supply of high-grade iron ore, which is indispensable raw material for the direct reduction method, ITOCHU acquired partial interests in the AMMC iron ore mining business operating in Canada, through ITOCHU Minerals & Energy of Australia Pty Ltd in December 2022. Ahead of this, ITOCHU, together with JFE Steel Corporation, our long-term business partner, agreed to jointly promote detailed commercialization surveys regarding the building of a low-carbon reduced steel supply chain with Emirates Steel Arkan, the largest steel manufacturer in the United Arab Emirates (UAE). In this business, we plan to utilize high-grade iron ore produced by CSN Mineração S.A., a Brazilian iron ore business that ITOCHU has invested in, as well. Conventional blast furnace steel produces approximately 2 tons of CO_2 emissions per ton of crude steel. The direct reduction method using natural gas competitively priced in the UAE, effectively cuts this to about 1 to 1.5 tons of CO_2 emissions. In addition, by processing the CO_2 emitted during the reduction process through carbon dioxide capture, utilization, and storage (CCUS) technologies that inject CO_2 into oil fields, we are able to further reduce CO_2 emissions. In the near future, by realizing reduction through hydrogen, we aim to achieve net zero CO_2 emissions.

Going forward, after conducting a detailed commercialization survey, we plan to begin producing low-carbon reduced iron from 2026 and will work to build a supply chain to serve the Asian market. To resolve various industrial issues, ITOCHU will help build a more robust decarbonized society through collaboration with customers and partners, including blue-chip companies, and the provision of new materials.

Comparison of CO_2 Emissions when Producing 1 Ton of Crude Steel




Low-carbon reduced iron

Exchange of MOU at the UAE Economic Mission