

Annual Report Briefing Q&A Summary

This document is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

Date: November 29, 2023 (Wed.) 10:00 to 11:30
Respondents: Suguru Amano, General Manager, Investor Relations Division
Yoshihito Tabe, General Manager, Sustainability Management Division
Definitions: GHG: Greenhouse Gas, SBT: Science Based Targets (GHG emission reduction targets consistent with the Paris Agreement), CTC: ITOCHU Techno-Solutions

Q: You explained that you are preparing a specific roadmap aimed at reducing GHG emissions. Are you currently considering acquiring SBT certification?

A: ITOCHU has been making appropriate preparations toward substantial SBT certification for a while now and is continuing to consider its acquisition. We realize that in order to meet the standards for SBT certification, we need to reduce Scope 1 and 2 GHG emissions by 42% and Scope 3 emissions by 25%, respectively, by 2030. The SBT certification standards do not match the GHG emission reduction targets set by the Japanese government, but ITOCHU's reduction target of achieving net zero GHG emission by 2050 does match the Japanese government's target. As Scope 1 and 2 emissions account for a limited ratio of overall GHG emission volume for ITOCHU and the Company's amount of fuel and electricity consumption is relatively fixed, reducing these emissions gradually is difficult, making it hard to set a time-based target. Regarding Scope 3, given ITOCHU's business characteristics as a general trading company, we are involved in many different supply chains. In addition, due to undetermined emission coefficients and other factors, it is possible that the GHG emissions we initially calculate could change. With its commitment-based management, ITOCHU intends to move forward with an application after creating a highly executable roadmap with a sharp focus on an achievable timeline.

Q: The Annual Report details growth-focused initiatives for FamilyMart as well as the value chain starting from FamilyMart, including the synergies, but it is difficult to quantitatively assess how much all of the ITOCHU Group's FamilyMart-related businesses have expanded. Are you able to disclose that kind of quantitative information?

A: When The 8th Company was first established, we implemented mutual holdings policy for Group companies conducting FamilyMart-related businesses and assessed the quantitative impact, including synergy, by reviewing publicly disclosed materials and the quarterly results of The 8th Company. Since then, the scheme has changed, including establishment of the Group CEO Office and dissolving the mutual holdings, and it has become difficult to assess the quantitative impact of FamilyMart-related businesses. Because Group companies that operated FamilyMart-related businesses include affiliates, disclosing the quantitative impact with revenues would be misleading, but it is possible to calculate the impact in terms of consolidated net profit, and we will consider disclosing that in the annual report from the next fiscal year onward.

Q: The logical arrangement of information by using the "Corporate Value Calculation Formula" in the Annual Report is very easy to understand, and I commend this effort, which no competitor has emulated. Going forward, I look forward to more expansive quantitative disclosures. For example, regarding methods for calculating and managing the cost of capital as well as synergy achievements and milestones, if the quantitative elements could be effectively represented with graphs and other visuals, it would raise the appeal to investors and analysts. If you are considering measures to enhance quantitative disclosure, could you share the ideas?

A: We are aware of the increasing demand for expanding quantitative information disclosure, especially related to return on investment. However, given the significant proportion of publicly listed companies among our major Group companies, it would be relatively difficult to enhance

disclosure solely based on ITOCHU's intention. However, due in part to the privatization of FamilyMart, CTC, and other core Group companies, regarding future quantitative targets based on past track records and growth strategies, we intend to continue working hard to enhance disclosure while consulting each individual Group company moving forward. Where it would be difficult to disclose specific quantitative information, we intend to qualitatively disclose the growth timelines and profit scale of the focus businesses. At the Collaborative Projects Briefing to be held in December, we plan to disclose both the growth timeline and profit scale of the focus businesses for CTC, DAIKEN, and Hitachi Construction Machinery. We continuously try to meet the expectations of investors, shareholders, and analysts through various methods.

- Q: For new investees and companies subject to TOBs, such as CTC and DAIKEN, engraining ITOCHU's management philosophy and policies is an important and yet difficult endeavor, but how is ITOCHU going about this? Could you tell us about the method and the timeline?
- A: As for the timeline, that depends on the investee and its relationship with ITOCHU. For example, regarding CTC, because they have had robust personnel exchanges with ITOCHU from before, they have a good understanding of ITOCHU's management philosophy, so our efforts probably will not take much time. Regarding new investees, personnel exchanges are especially important, so we intend to dispatch personnel not just at the management level but on the front lines to engrain the management philosophy. However, there are cases where it will be difficult to thoroughly engrain ITOCHU's management philosophy in the case of affiliates, over which we only have the influence of voting rights, compared with subsidiaries who we have control over. Nevertheless, in cases like DESCENTE, although it was an affiliate, we increased our stake and dispatched top management and many personnel to the front lines, resulting in a significant transformation in management style, as you may be aware. Although we cannot make a blanket statement about the time it will take to engrain the management philosophy, we think it will not take much time and will strive to rack up some accomplishments within around five years.
- Q: This year's Annual Report included content of significant interest to investors, such as comments from Outside Directors and details of specific discussions related to individual investment projects. Could you tell us about any specific examples of Outside Directors proactively offering advice to the Board of Directors?
- A: One distinctive characteristic of ITOCHU is that it gains a long track record of beneficial advices related to management strategies and measures, such as health management and promoting the advancement of women, from its diverse, expert stable of Outside Directors, including Outside Director Masatoshi Kawana, who is a doctor, and the former Outside Director Atsuko Muraki, who was the Vice Minister of Health, Labour and Welfare. Even now, regarding investment projects where deliberations are complex, Outside Directors offer a wide range of comments, such as quantitative impacts for investment, motivation management of investee employees, and reputational risk. These comments help stimulate active discussion by the Board of Directors.
- Q: Today's briefing aligned with the interests of investors in daily dialogues and clearly showed the Company is aware of management issues in the next fiscal year and onward, which was reassuring. ITOCHU's Annual Report details management issues as well as strategies and measures to address them in a way that is easy to understand even without specialized knowledge, which is useful for not just investors but also internal and external stakeholders. Are you implementing initiatives to raise awareness of the content of the Annual Report throughout the entire Group, including Group companies and overseas offices?
- A: The Annual Report is distributed in physical form to the top management of Group companies in Japan and overseas in addition to all of ITOCHU's executive officers and employees. We have focused on distributing physical copies to enable people to readily reference it and keep it close at hand in the belief that it is difficult to raise awareness of the content just by reading about it

online. In addition, we hold internal Annual Report briefings to offer employees opportunities to comprehensively understand management's policies as well as management strategies and measures. Moreover, we get many requests from lecturers at research conferences and university classes (business administration), providing many opportunities to utilize the Company's Annual Report in academic settings. In addition, with a great many opportunities to receive consultations related to the content and organization of the Annual Report from major manufacturers and other important business partners, the administrative divisions also respond to advice and opinion exchanges to contribute to the expansion of the Company's businesses in a different way.

Q: ITOCHU's Annual Report shows the relationship between each measure and each component of the Corporate Value Calculation Formula, such as how human rights due diligence and other sustainability management efforts are connected to the lower cost of capital in the Corporate Value Calculation Formula. This Annual Report has expanded disclosure related to human rights due diligence, but are you currently considering the preparation and disclosure of a roadmap indicating the schedule and scope of surveys going forward? In addition, regarding the grievance mechanism, is it possible to include specific response methods when there is a report?

A: ITOCHU has set a theme of steadfastly working to prevent the emergence of human rights risks in the business fields of each division company and is expanding disclosure as risk mapping by business field. After assessing the risks and regions of products handled by division companies, we prioritize conducting human rights due diligence in business fields assumed to have high risks. Although we are considering the creation of a roadmap for human rights due diligence, we will first continue to steadily conduct surveys of business fields determined to currently have high risks. Human rights due diligence requires significant effort, our action is limited to around one or two division companies per year, and we expect to need around three years to cover all our business fields. Because the businesses of general trading companies span a wide range of sectors, human rights due diligence is steadily conducted one item at a time in line with a prioritized ranking, just like with the TCFD scenario analyses. In addition, since joining JaCER* in 2022, there have been no reports against ITOCHU. JaCER will not only alert us if it receives a report against ITOCHU but also provides an engagement and remedy platform that enables discussion regarding action policies and other matters going forward. Besides JaCER, ITOCHU has set up a grievance mechanism on its website and other places. We publicly release the number of reports in the ESG Report and take appropriate action. In addition, we disclose all results of the human rights due diligence we conduct. At present, although there are no concerns about the emergence or increase in matters identified as human rights issues, we determined our grievance mechanism system is insufficient and therefore joined JaCER in 2022.

*Japan Center for Engagement and Remedy on Business and Human Rights (JaCER): A general incorporate association that provides an Engagement and Remedy Platform in compliance with the United Nations "Guiding Principles on Business and Human Rights"

A: An illustration of the "Merchant" Business Model is presented on page 16 of the Annual Report. In consideration of the international integrated reporting framework promoted by the former IIRC,* we included the core matters representing the relationship of important philosophies, management strategies, and measures in the Company's management, including the ITOCHU Group Corporate Mission, the Four Strengths, and the "earn, cut, prevent" principles. The sustainability promotion system and corporate governance directly affect financial capital and are positioned as important elements that support the Company's entire business model. While this involves some theory, plugging these components into the Corporate Value Calculation Formula helps structure the report and facilitates understanding by stakeholders, including investors.

*Former International Integrated Reporting Council (IIRC): This international organization developed and promoted the International Integrated Report Framework for disclosing not just financial data but also non-financial data. After merging with the Sustainability Accounting Standards Board (SASB), the organization also merged with the International

Sustainability Standards Board (ISSB), which is under the umbrella of the International Financial Reporting Standards (IFRS). Post-merger, the role and importance of the framework remain unchanged.

Q: Highly transparent disclosure of non-financial data not only visualizes corporate risks but also helps strengthen bonds with society and local communities and enhances corporate brand value, thereby expanding business opportunities. I would like ITOCHU to continue disclosing such information by all means going forward.