

Addressing Climate Change

ITOCHU uses the scenario analysis* in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the impact of climate change on the Group's businesses and their continuity, and to build business strategies based on the various opportunities and risks associated with climate change. We use the "under 2°C" scenario mainly for businesses related to fossil fuels, which will be heavily impacted by transition risk arising from changes in policies, technologies, and markets following the transition to a low-carbon society. Meanwhile, we use the "around 4°C" scenario for businesses in the consumer-related sector, which will be heavily impacted by physical risk arising from increases in average temperatures and changes in weather patterns. In this way, the TCFD scenarios allow a well-balanced analysis covering all of our asset portfolio. Taking the impacts from the above scenarios on each business into account, we will take appropriate steps to prepare for the future, and work to further enhance the continuity of our robust earnings base centered on our businesses in the consumer sector.

Risks and Opportunities

Risks	Opportunities
Transition risk <ul style="list-style-type: none"> Reduction in demand for fossil fuels due to business restrictions on GHG emissions Physical risk <ul style="list-style-type: none"> Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons, and hurricanes) 	<ul style="list-style-type: none"> Increase in renewable energy and other business opportunities which will contribute to alleviating climate change Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather flexibly

Governance

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Metrics and Targets

Metrics	Targets	FYE 2020 Results
Electricity consumption of Tokyo and Osaka headquarters, branches and offices in Japan, and other business facilities in Japan	Reduction of 30% compared with FYE 2011 levels in FYE 2021	Reduction of 44% compared with FYE 2011 levels
	Average annual reduction of at least 1%	Reduction of 2.3% compared with FYE 2019 levels
Renewable energy ratio	More than 20% by FYE 2031	12.5%

Risk Management

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Strategy

• ITOCHU recognizes that the various risks and opportunities associated with climate change are an important perspective for business strategy.

* Scenario Analysis

- In considering scenarios analysis, we established the two scenarios, making reference to the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC): one where average temperature increase by the end of this century is "under 2°C" and one where it is "around 4°C."
- In terms of transition and physical risks, we have identified financially important businesses that could potentially be affected heavily by climate change.

Agreement with the TCFD Recommendations and Policy on Coal-Related Businesses

In May 2019, ITOCHU announced its endorsement of the TCFD recommendations after conducting a scenario analysis* based on the recommendations with regard to its power generation-related business with support from the Ministry of the Environment. At the same time, we also participated in the TCFD Consortium established by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency, as a body for promoting discussion and deliberation among companies and financial institutions supporting the TCFD mission. Our policy going forward is to continue analyzing the impacts of climate change on our overall business in line with the TCFD recommendations and to provide timely, appropriate disclosure of relevant information. Moreover, we recognize that the coal-related business has a particularly significant impact on our business and stakeholders. We therefore conducted scenario

analysis an urgent priority, and in February 2019 announced a policy of neither developing any new coal-fired power generation business nor acquiring any new thermal coal mining interest.

We will conduct ongoing reviews and asset replacement with regard to our existing thermal coal mining business, while continuing to respond to social demand from customers in Japan and overseas for a stable supply of energy. At the same time, we will maintain our participation in technological research that contributes to reducing GHG emissions. Our goal in doing so is to contribute to the development of a sustainable society.

* Please see the website below for details on scenario analysis and business impact evaluation.
Ministry of the Environment "Practical guide for Scenario Analysis in line with TCFD recommendations":

<http://www.env.go.jp/en/headline/2396.html>