

SAPPHIRETERRA CAPITAL

Sapphireterra Capital Calls for Privatization of ITOCHU-SHOKUHHN by ITOCHU Corporation

Sapphireterra Capital (“Sapphireterra”), a Chicago-based investment management firm specializing in engagement investing in Japanese equities, announced its proposals regarding ITOCHU-SHOKUHHN Co., Ltd. (TSE: 2692, “ITOCHU-SHOKUHHN”), in which it has been a shareholder since 2023 through funds inherited from Curi RMB and other vehicles.

Sapphireterra’s View

ITOCHU-SHOKUHHN is a publicly listed subsidiary of ITOCHU Corporation (TSE: 8001, “ITOCHU” or the “Parent Company”), which currently holds 52.46% of ITOCHU-SHOKUHHN’s outstanding shares. While Sapphireterra acknowledges ITOCHU-SHOKUHHN’s strong competitive position in Japan’s food wholesale sector, we believe its current market valuation significantly understates its intrinsic value.

As a listed subsidiary, ITOCHU-SHOKUHHN is subject to potential conflicts of interest between the Parent Company and minority shareholders, an overhang we believe contributes meaningfully to its persistent undervaluation.

To address this issue, Sapphireterra has presented two strategic alternatives to ITOCHU-SHOKUHHN’s board:

Proposal 1: Full Privatization via Tender Offer by ITOCHU Corporation

Given the close operational and strategic ties between ITOCHU and ITOCHU-SHOKUHHN, Sapphireterra believes the most logical resolution is for ITOCHU to acquire all remaining shares through a tender offer and convert ITOCHU-SHOKUHHN into a wholly owned subsidiary.

Provided the process is conducted fairly and at an appropriate price, Sapphireterra, as a minority shareholder, would support such a transaction.

Based on our DCF analysis, we estimate the fair value of ITOCHU-SHOKUHHN at approximately ¥14,000 per share (“the Price”), representing a 50.5% premium to the current market price of ¥9,300 (as of November 13rd, 2025). This valuation implies:

- Price-to-book ratio (PBR): ~1.6x
- EV/EBITDA multiple: ~8x

The Price reflects the company’s robust profitability and competitive positioning, as well as its potential to benefit from domestic food price inflation. Notably, it excludes any synergies with the broader ITOCHU Group.

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At this valuation, ITOCHU-SHOKUHHIN's market capitalization would be approximately ¥177 billion, of which ¥91 billion, or roughly 51%, is accounted for by excess cash and marketable securities.

Proposal 2: Remain Public and Return Capital via Special Dividend

Should ITOCHU-SHOKUHHIN choose to remain listed, we urge management to take decisive steps to enhance shareholder value. Specifically, we propose a special dividend of ¥7,000 per share (¥88.7 billion in total), funded as follows:

- ¥4,000 per share from ¥56.2 billion in surplus cash currently held as “group deposits” with the Parent Company
- ¥3,000 per share from the sale of ¥39.8 billion in cross-held equity securities

We believe this capital return would significantly improve capital efficiency and raise return on equity (ROE) from the current 7% to over 20%, thereby unlocking meaningful valuation upside.

Summary of Proposals

1. Full Privatization by ITOCHU Corporation via Tender Offer at ¥14,000 per Share
2. Remain Listed and Pay Special Dividend Totaling ¥7,000 per Share

Sapphireterra urges ITOCHU-SHOKUHHIN's management to give these proposals serious and timely consideration in the best interest of all shareholders.

For further information:

Contact: info@sapphireterra.com

Website: <https://sapphireterra.com>