

Sustainability and Our Business

Textile Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

Our scope of business spans all lifestyle categories as a customer-oriented marketing company and we have developed our business around a value chain that covers the entire textile industry, from raw materials / fabrics to garment manufacturing, brands, and industrial materials, demonstrating group-wide strengths.

In Japan, we are working to ascertain changing consumer trends, including inbound consumption, promote high-value-added manufacturing, and expand the number of brands under development. In addition, by forming capital alliances we are working to expand our fields of business in the retail and healthcare sectors. We are also augmenting our asset portfolio overseas and working to reinforce our operations in growth markets, including China, other parts of Asia, and emerging countries where consumption is expected to increase. One initiative involves a joint business with CITIC and CP Group. Further tariff liberalization should lead to more opportunities for us to respond to global consumers' needs as we begin to address the pan-Asia market. We will further reinforce manufacturing in the most suitable areas, remaining cognizant of customs benefits, and expand our value chain from materials procurement to sewing throughout China and the rest of Asia. Meanwhile, we will respect human rights and labor customs, protect the environment, and maintain harmony with communities.

As the Company plays a key role in the consumer-related sector and utilizes its position as the leading company in the textile business, we will steadily work on initiatives to strengthen our existing businesses and expand synergies within the ITOCHU Group as well as accelerate the accumulation of superior assets and the replacement of others. These efforts will enable us to solidify the Textile Company's earnings platform.







Shuichi Koseki
President, Textile
Company



| Earning Opportunities for Growth | Challenges to Address |
|--|---|
| <ul style="list-style-type: none">● Creating a stable structure for manufacturing by developing a supply chain that values human rights and achieves improvements in the working environment● Meet new consumer demand for sustainable and ethical practices by creating environmentally friendly businesses, such as those using recycled textiles | <ul style="list-style-type: none">● Improve the precision of supply chain management and conduct more in-depth and broader initiatives● Ensure business sustainability by responding swiftly and positively to environmental legislation |

Sustainability Action Plans

Key points of our FY2018 action plans

We will pursue further advancement in supply chain management through employee education as well as group-wide implementation of monitoring surveys to overseas manufacturing factories. We will also continue to promote socially and environmentally friendly businesses.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|----------------------------------|--|--|---|--|---|---------------------------------------|---------------|--------------------|
| Apparel Division 1 | Promotion of environmental conservation-oriented business | Propose environmentally friendly and ethical materials such as recycled polyester fibers and organic cotton, as well as recycling-oriented businesses such as recycling, in the uniform business. |  | We proposed fabrics that use recycled polyester as materials of uniforms such as office uniforms and work clothes and continued to deliver them throughout the year. | Improve the brand image of subject companies through measures such as proposing environmentally friendly and ethical materials, including recycled polyester fibers, as well as recycling-oriented businesses such as recycling, in the uniform business. | 2. | 1. | 12. |
| Apparel Division 2 | Promotion of environmental conservation-oriented business | We will try to expand the usage of OC by handling both POC and our new yarn brand "ONE (Organic natural Ethical) COTTON," which was launched in May 2016. |  | The transaction volume of our new yarn brand "ONE COTTON" increased, contributing to the adoption of OC in the Japanese market. | Continue to focus our efforts on increasing the visibility of the ONE COTTON brand through measures such as holding trade shows, aiming for the continued adoption of OC in the Japanese market. | 2. | 4. | 1. 3. 4. 12. |
| Brand Marketing Division 1 | Consideration of social issues, promotion of environmental conservation business | Carry out social contribution activities related to the brands and products we handle. |  | The brands we handle co-sponsored an outdoor festival for families and the "ITOCHU Children's Dream Fund." | Carry out social contribution activities related to the brands and products we handle. | 2. | 1. 2. | 4. |
| Brand Marketing Division 2 | Stake holder engagement | Continue support of Borneo Conservation Trust through Hunting World Japan (including activities to preserve a total of 3.1 hectares of land as Hunting World Kyosei no Mori and Borneo elephant rescue efforts.) |  | In FY2017, worldwide sales of charity goods were approximately 200 million yen (on a retail basis). Hunting World Japan diverted 1% of the sales to Borneo Conservation Trust to support its activities. | Continue support of Borneo Conservation Trust through Hunting World Japan (including activities to preserve a total of 3.1 hectares of land as Hunting World Kyosei no Mori and Borneo elephant rescue efforts) | 2. | 2. | 13. 15. |

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|------------------|--------------------------------|--|---|---|--|---------------------------------------|---------------|--------------------|
| All Divisions | Supply chain management | Conduct CSR checks of suppliers, share the issues facing the textile industry and seek solutions to social issues. |  | Conducted a field survey of a supplier, identified concerns, and addressed them meticulously. | Conduct CSR checks of suppliers, share the issues facing the textile industry and seek solutions to social issues. | 3. | 3. | 5. 6. 8. 13. |
| | | Endeavor to educate employees, deepen their awareness and prevent various risks by actively taking part in Headquarters- organized seminars, training and industry lectures. |  | Took part in multiple Headquarters- organized seminars and deepened employees' knowledge. | Endeavor to educate employees, deepen their awareness and prevent various risks by actively attend Headquarters- organized seminars, training and industry lectures. | 4. | 1. | 5. 6. 8. 13. |

*1 :Achieved :Nearly achieved :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

— Power Generation at SANKEI Plant as a Global Warming Initiative

SANKEI Co., Ltd., a subsidiary of ITOCHU, is a total supplier that supports manufacturing in the apparel industry by providing comprehensive services ranging from the provision of clothing materials to OEM of products. In August 2013, the company started solar power generation by installing solar panels on idle land on the premises of its Mikuni Plant in Fukui Prefecture, which is its base for the production, processing, and distribution of clothing materials. In August 2015, the facility was expanded to increase its annual generation capacity to 2 million kWh. As a result, the output was 2.37 million kWh in FY2017, with cumulative total output since the introduction at 5.05 million kWh. The facility thus contributes to creating clean energy. Also, in March 2012, the plant introduced a biomass boiler that uses wood biomass fuels. This boiler makes effective use of wood waste and wood chips generated in wood processing, wood from industrial waste, and other wood materials in addition to providing a cost advantage over the use of LPG as the conventional fuel. As a result, the boiler cut CO₂ emissions by 1,142 tons in FY2017 and by a cumulative total of 7,829 tons since its introduction. In this way, Mikuni Plant is tackling global warming by reducing CO₂ emissions.

■ Hunting World's Activities to Support Borneo

Hunting World is a luxury brand handled by ITOCHU Corporation. Since its creation in 1965, its logo has depicted a tuskless baby elephant. Besides symbolizing freedom and rebirth, this logo expresses the issue of protection of endangered species, and underscores the love and respect for nature felt by the brand's founder. To realize its dream of coexistence with nature, Hunting World Japan Co., Ltd., an ITOCHU Group company that sells the products of the brand in Japan, has been supporting activities for conservation of biodiversity by the NPO Borneo Conservation Trust (BCT) since 2008. The company designs and sells charity goods, and donates 1% of the proceeds from these sales. The donation is used for various conservation activities by the BCT. The fall of 2011 saw the birth of the first site of the Hunting World Kyosei no Mori (Symbiotic Forest of Hunting World) in four acres of land within the Green Corridor Plan* zone in Sabah, Malaysia, using the financial aid provided up to that point. In addition, an additional 1.5 hectares of land was purchased as the second site in February 2016. The financial aid was also used for establishing the Borneo Elephant Sanctuary, the first facility in the Wildlife Rescue Center project promoted by BCT Japan, which is supporting BCT.



Charity bag by Hunting World



Panoramic view of the rescue center

* Green Corridor Plan: An initiative for conservation of biodiversity, by buying back land, separating forest preserves and protected forests in order to create a corridor for wild animals to move between those forests.

■ Supply chain management system aimed at sustainable manufacturing

Our optimal global location sourcing system, which is at the roots of the Textile Company, also takes into account labor practices and the environment in the supply chain to promote sustainable manufacturing. We think it is important to gain the understanding and cooperation of suppliers with regard to our procurement policies, and to that end we pursue initiatives with suppliers that are consistent with ITOCHU Corporation's CSR Action Guidelines for Supply Chains. We also conduct ongoing monitoring surveys of Japanese and overseas production plants, including those of Group companies. In FY2017, we conducted a field survey of PT.SANKYO INDONESIA, which manufactures electric blankets, with external specialists. We will continue striving to improve the accuracy of supply chain management.



Field survey of PT. SANKYO INDONESIA

Machinery Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

In IPP, water supply, environmental, energy, transport and other infrastructure businesses, we will strive to promote a balance between the accumulation of superior assets in industrialized countries and highly profitable development projects in developing countries. We will endeavor to expand trade in fields of conventional strength, including marine, aerospace, automobile, construction machinery, and industrial machinery, and reconfigure and reinforce the value chain business. We will also strive to generate stable earnings through stringently selected investments in peripheral sectors. Furthermore, we will promote the construction of a medical device value chain to meet anticipated future growth in medical device businesses, aiming to further enhance business investment and trade.

We will maximize earnings from existing business, promoting the accumulation of superior assets and asset replacement, and conducting trade in related and ancillary fields.

In promoting infrastructure projects in emerging countries, we will give due consideration to environmental protection and local communities to ensure projects proceed smoothly. The world faces such issues as climate change, waste management, and water resource securement; the Machinery Company views these as promising medium- to long-term business opportunities. As such, we are taking part in renewable energy-related businesses involving wind and geothermal power, as well as waste management projects. We are also involved actively in seawater desalination and other water-related projects.

Furthermore, based on our strategic business and capital alliance agreement with CITIC and CP Group, we are considering joint investment and trade expansion that will leverage that group's characteristics, particularly in China and the ASEAN region.



Kazutaka Yoshida
President, Machinery Company


| Earning Opportunities for Growth | Challenges to Address |
|---|--|
| <ul style="list-style-type: none"> ● Growing needs for leading-edge medical devices in advanced countries as their societies ● Participation in renewable energy projects, including geothermal and wind power generation ● Initiatives in water-related businesses in response to increasing demand for water | <ul style="list-style-type: none"> ● In infrastructure-related businesses, consideration for environmental protection, local communities, and human rights in development regions ● In medical businesses, response to the rapid aging of society ● Response to a low-carbon society by utilization of renewable energy |

Sustainability Action Plans

Key Points of the FY2018 Action Plan

In FY2018, we will consider the impact on the environment as we continue to actively develop our social infrastructure businesses, including renewable energy-related businesses such as wind and geothermal power, waste treatment and power generation businesses, water-related businesses such as seawater desalination and railway-related businesses.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--|---|---|----------|--|---|---------------------------------------|----------------|-----------------|
| Plant Project, Marine & Aerospace Division | Conservation and development of water resources; supplying of safe, clean water | Contribute to addressing water shortage and improving life infrastructure by working on desalination, water supply and sewage projects. | | Continued to manufacture and supply RO membranes for maintenance of existing RO plants. | Contribute to addressing water shortage and improving life infrastructure by working on desalination, water supply and sewage projects. | 2. | 1. 2. 4. | 3. 6. 12. |
| | Effective use of renewable energy | <ul style="list-style-type: none"> Target plant construction at the stable operation of the geothermal power generation project. Supply clean electricity through wind power generation projects. | | <ul style="list-style-type: none"> Geothermal power (Indonesia): Started commercial operations at first unit in March 2017. Wind power: Continued with operations at Keenan II and Shepherds Flat projects in North America. New projects: Invested in an offshore wind power plant in Butendiek (Germany) in March 2017, and in a power plant in Cotton Plains (North America) in April. | <ul style="list-style-type: none"> Geothermal power: Maintain stable operations at first unit, and continue with plant construction to ensure stable operations at second and third units. Wind power: Supply clean power via the following renewable energy projects. [USA] 1) Keenan II wind power project 2) Shepherds Flat wind power project 3) Cotton Plains wind/solar power project [Europe] 4) Butendiek (Germany) offshore wind power project | 2. | 1. 2. 4. | 7. 13. |
| | Maintain and improve public health | Contribute to reduce direct landfill waste and greenhouse gases through initiatives for waste incineration power generation projects. | | Involved in four energy-from-waste projects in the UK, and working to develop new energy-from-waste projects in the Middle East, Europe, etc. | Make a direct contribution to reducing waste sent to landfill and cutting greenhouse gasses, by working on energy-from-waste projects. | 2. | 1. 2. 4. | 3. 7. 13. |
| Automobile Division | Better communication with stakeholders | Contribute to society through improved CS, safety and energy efficiency by holding seminars on ways to improve transportation efficiency, reducing accidents, fuel-efficient driving and other topics. | | Co-Organized seminars at Isuzu's Hokkaido test course, aimed at improving transport efficiency, reducing accidents, saving fuel while driving, etc. | Conduct CSR surveys and site visits, and monitor improvements in priority areas in particular, since starting surveys the year before last. | 2. | 4. | 13. |

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--|---|---|---|---|--|---------------------------------------|---------------|------------------|
| Construction Machinery & Industrial Machinery Division | Continuation of environmental conservation- oriented businesses and contributions to local communities | Advance preparations for mass production of drive units for electric power-assisted bicycles and sales activities, aiming to begin marketing the products in the second half of FY2017. |  | Started taking mass production orders. Scheduled start of mass production shipments from the first half of FY2018. | Continue to secure orders and fulfill mass production shipments. Open up business talks for model units in 2018, through exhibitions, etc., and continue with activities targeting built-in specifications. | 3. | 4. | 3. 11. 13. |

*1  :Achieved  :Nearly achieved  :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

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Major Sustainable Initiatives

Participation in geothermal power generation project in Indonesia

In Indonesia's Sarulla region in North Sumatra, one of the world's largest geothermal power projects (net capacity of 320.8MW by three units) is underway by Sarulla Operations Ltd. (SOL), which was jointly established by ITOCHU Corporation, Kyushu Electric Power Co., Inc., INPEX Corporation, PT Medco Power Indonesia, and Ormat Technologies, Inc.(USA).

In 2013, SOL signed a 30-year long-term, power purchase agreement with Indonesia's state-owned electricity company, and began the construction of power plant and steam field drilling, of which commercial operation of the first unit commenced on March 18, 2017. With ongoing construction, the second unit is set to achieve commercial operation in 2017, followed by the third in 2018.

Indonesia stands out as the home of one of the world's largest geothermal reserves and the Indonesian government is aggressively promoting its development as a strategic source of electricity. Amid growing infrastructure demand around the world, ITOCHU continues to promote investments in business opportunities which make contributions to the economic development of emerging countries with due consideration paid to environmental protection and local communities.



The first unit of the Sarulla Geothermal IPP Project

- A stable supply of water, essential for life

- **The largest seawater desalination project in the Sultanate of Oman –**

Water demand in the Sultanate of Oman is expected to rise by around 6% per annum. A shortage of potable water arising from population growth and urbanization has become a serious issue for the country. In March 2016, Barka Desalination Company, whose shareholders include ITOCHU Corporation, agreed to conclude a contract to build and operate a new seawater desalination plant with a capacity of 281,000 m³ per day at Barka, located in the northern part of Oman. This project is a joint public-private project involving the government of the Sultanate and provides for the construction and operation for 20 years of a reverse osmosis desalination plant with surrounding facilities. The plant will begin supplying drinking water in April 2018. It will be the largest seawater desalination project in the Sultanate, with a total project cost of approximately \$300M. ITOCHU sees the water business as a promising business area in light of soaring water demand arising from rapid worldwide population growth, economic development, global warming and other factors, and has been expanding seawater desalination, water and sewage utilities, and other water businesses. We are keen to promote projects that contribute to the effective utilization of water resources in regions around the world.



Seawater desalination plant (under construction)

Metals & Minerals Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

We will grow by striking a balance between investment and trade, creating a stable earnings base, and taking advantage of new growth opportunities.

In the resource development business, we will strengthen our resistance to fluctuations in market prices through acquisition of prime projects that are cost competitive and have other superior characteristics, as well as continuous improvement in production efficiency of existing projects. Also, we will further expand and optimize our asset portfolio, including through the acquisition of non-ferrous resources and rare metal interests, where stable supply is an issue.

In the trading business, we will expand resource and fuel trading based on our equity interests. We will also create a value chain including manufactured product fields and leverage the collective strengths of the ITOCHU Group to create added value. Through these measures, we will develop a broad and deep flow of trade spanning upstream and downstream categories.

By strengthening ties with our strategic partner, the CITIC and CP Group, we will promote collaborative projects on the resource development and trading fronts by leveraging each other's strengths.

To ensure a stable supply of metals and mineral resources, we will work with our business partners to develop metals and mineral resources in a sustainable manner, taking into consideration the environment at development sites and harmony with local communities, and giving thorough consideration to safety in the workplace.

Furthermore, we will aggressively take up the challenge of environmentally friendly businesses, including the mega-solar, biomass-related trade, and recycling businesses.






Eiichi Yonekura
President, Metals &
Minerals Company

| Earning Opportunities for Growth | Challenges to Address |
|--|--|
| <ul style="list-style-type: none"> ● Proliferation and gain in momentum of solar and other types of renewable energy ● Progress in the biomass power generation business and expansion of the market for biomass fuels | <ul style="list-style-type: none"> ● Sustainable resource development with consideration for local communities, working environments, and the environment ● Thorough enactment and ongoing monitoring of supply chain management |

Sustainability Action Plans

Key points of our FY2018 action plans

As a global company, we will promote environmental management both domestically and at overseas Group companies. In concert with our partners, we are accelerating eco-friendly businesses through various activities to enhance sustainable use of natural resources such as solar businesses, biomass fuel businesses, and recycling business, and also promoting harmony with local communities and consideration for safety, health, and environment.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|---|---|--|---|--|--|---------------------------------------|----------------------|------------|
| Mineral Resources Division | Strengthening and improvement of safety and security in resource development projects. | Share the thorough implementation of safety management during mining and exploration with JV partners at quarterly JV meetings. |  | Full implementation of safety management was confirmed at quarterly JV meetings. | Share the thorough implementation of safety management during mining and exploration with JV partners at quarterly JV meetings. | 2. 3. 4. 5. | 2. 3. 4. 5. | 8. |
| Steel, Non- Ferrous & Solar Division | Appropriate treatment of wastes, and prevention of ozone destruction | <ul style="list-style-type: none"> Expand the penetration of electronic manifests (electronic industrial waste management) to Group companies and client companies. Maintain the system for the proper disposal of greenhouse gases (fluorocarbons) and improve monitoring system. |  | <ul style="list-style-type: none"> Worked on introducing manifests at new clients, and establishing manifests at existing clients, all year round. Received monthly reports from operators and compiled them into a database, and continued to share information with stakeholders. | <ul style="list-style-type: none"> Expand the penetration of electronic manifests (electronic industrial waste management) to Group companies and client companies. Compile CFC Recovery and Destruction reports into a database, and continue to share information with stakeholders. | 2. | 1. 2. | 13. |
| | Exploring environment- friendly energies and providing a stable supply of them | Contribute to measures against climate change through domestic and overseas solar power projects and bio-fuel trading. |  | <ul style="list-style-type: none"> Promoted trading of solar panels, materials for solar power generation, and biomass fuels. Maintained domestic mega-solar operations, including Shin-Okayama Mega-Solar Power Plant, which started commercial operations in January 2017. Continued with construction of other ongoing project according to plan. | <ul style="list-style-type: none"> Increase sales of solar panels /materials and biomass-fuel.Promote mega-solar projects in Japan. Strengthen cooperation with Group companies and other partners, and promote the use of solar and biomass power worldwide. | 2. | 1. 2. 4. | 12. 13. |

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|---------------|---|--|----------|--|---|---------------------------------------|----------------------------|------------------|
| All Divisions | Further strengthening supply chain management and advancing CSR initiatives at a group-wide level | <ul style="list-style-type: none"> Continue to examine and check supply chains and conduct enlightenment activities for business partners. Raise awareness of CSR among domestic and overseas Group companies. | | <ul style="list-style-type: none"> Conducted CSR surveys (23). Continued to raise awareness of CSR among domestic and overseas Group companies. | Continue to conduct CSR surveys, and to work in cooperation with business partners on CSR. | 1. 2. 3. 4. | 1. 2. 3. 4. 5. | 8. 12. 16. |
| | Thorough safety in resource development, production and mining operations | Continued implementation of EHS guidelines. | | <ul style="list-style-type: none"> Continued to implement EHS guidelines. Organized domestic training on resource development, and raised awareness of EHS guidelines. | Continue to raise awareness of EHS guidelines, and ensure that guidelines are implemented correctly in each case. | 3. 4. | 1. 2. 3. 4. 5. | 8. 12. |

*1 :Achieved :Nearly achieved :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

— EHS guidelines (mining business)

The Metals & Minerals Company has established its own EHS(Environmental, Health, and Safety) guidelines (for mining business). EHS guidelines have been introduced to avoid and/or mitigate the risks related to environment, health and safety issues. These risks include environmental pollution due to exploration, development and production of metals, coal and uranium resources, and health issues or accidents suffered by those involved with business activities. We respect preservation of biodiversity as well as harmony with local communities under the guidelines.

The guidelines are used when we assess new mining projects and also for existing projects as necessary. The guidelines will be kept compliant with international standards always, and shared throughout our group by educational campaign with specific case examples.

■ Start of commercial operation of the Shin-Okayama Mega-Solar Power Plant

– Initiatives in the renewable energy sector –

Preventing global warming, and to achieve that, creating a low-carbon society is a top global priority. With efforts underway to introduce and promote worldwide the use of renewable energy, such as solar and biomass power, the renewable energy market is expected to continue growing steadily in the future.

Following on from the Oita Hiyoshibaru Mega-Solar Power Plant (generating capacity of 44,800kw), which went online in March 2016, commercial operations got underway at the Shin-Okayama Mega-Solar Power Plant in January 2017. The plant has a generating capacity of 37,000kw, which is enough to meet power demand for approximately 7,600 households, and is expected to reduce CO₂ emissions of around 26,000 tons. In addition, the Saijo-Komatsu Mega-Solar Power Plant in Ehime prefecture is already up and running, and construction is underway on another plant in Saga prefecture. ITOCHU is committed to actively expanding its power generation business and related trading business worldwide in the future, underpinned by renewable energy.



Shin-Okayama Mega-Solar Power Plant

Energy & Chemicals Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

With regard to the energy trading, we are going to expand conventional flows of business—importing and wholesaling products between two countries in Asia. At the same time, we aim to take business chances based on new product flows from North America to Asia.

In energy projects areas, we utilize our accumulated expertise and experience in the industry to expand existing projects while we try to curtail risk together with excellent partners, and to enlarge our business base for future earnings through participation in cost-competitive new projects. We recognize that factors such as considerations for the environment, symbiosis with local communities, and safe working environments are essential to sustainability. Accordingly, we and our partners take necessary measures to these considerations. In chemicals areas, we endeavor to expand our business field in organic chemicals, plastics, and inorganic chemicals by utilizing our global trading capabilities. We aim to advance projects in various areas to secure competitive raw materials, while taking steps to bolster our supply chains, especially in the retail area including pharmaceuticals, plastics processing, electronic materials, and fine chemicals. With regard to handling of chemical products, we make sure compliance with chemical-related laws in any jurisdiction by appropriate education as well as strengthened control over the supply chain, from raw materials to our products that reach end purchasers. Furthermore, we plan to continue creating synergies with CITIC and CP Group in line with the strategic business alliance and capital participation agreement.






Masahiro Imai
President, Energy &
Chemicals Company

| Earning Opportunities for Growth | Challenges to Address |
|--|--|
| <ul style="list-style-type: none"> ● Rising food demand in line with a growing world population (methionine, fertilizers, etc.) ● Needs for environment-friendly energy and products | <ul style="list-style-type: none"> ● Strengthening the compliance system for changing chemical-related legislations ● Energy development with consideration for local communities, working environments, and the environment ● Needs for environment-friendly energy and products |

Sustainability Action Plans

Key points of our FY2018 action plans

While working for the stable acquisition and supply of energy resources by conventional development of oil fields, ITOCHU is simultaneously developing new businesses that are gentle to the global environment, as exemplified by businesses related to lithium-ion batteries, which have good prospects for demand expansion as a form of clean energy. Meanwhile, we continue to implement programs of education and training in laws, regulations, and safety related to energy and chemicals.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--------------------|--|--|---|--|---|---------------------------------------|----------------|-----------------|
| Energy Division | Further enhance employee training to prevent accidents, achieve environmental measures | Implement tanker training about twice a year to notify all personnel about safety management. |  | Outside experts on tanker operations were brought in to conduct training sessions, and knowledge on tanker operations and chartering was obtained. Training was provided in areas including tanker-related safety management and how to respond to accidents. | Implement tanker training about twice a year to inform all personnel about safety management. | 2. 4. | 1. 2. 5. | 6. 14. |
| | Strengthen the supply chain with a focus on the environment and local communities | Help protect the environment by increasing efforts to encourage operators and partners through operation meetings and HSE (Health, Safety and Environment) meetings. |  | Attended project meetings and encouraged HSE management and environmental conservation appropriate to each project. | Protect the environment by increasing efforts to encourage operators and partners through operation meetings and HSE (Health, Safety and Environment) meetings. | 3. | 2. 3. 4. | 3. 6. 7. |
| | Contribution to local society | Contribution to local communities of the project sites in aspects including education and cultural activities, and maintenance / strengthening of good relations. |  | Offered scholarships of 1.5 million dollars, an amount for 45 students, through the Qatar Foundation. Provided placements for 35 participants as part of the Qatar Leadership development program, aimed at human resources from Qatar. Donated fund and goods worth 10,000 dollars to Azerbaijan for orphanages and children with disabilities. | Contribution to local communities of the project sites in aspects including education and cultural activities, and maintenance / strengthening of good relations. | 5. | 4. 5. | 3. 4. 10. |

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|-----------------------|---|---|----------|---|--|---------------------------------------|---------------|--------|
| Chemicals Division | Management of hazardous and harmful chemical substances | <ul style="list-style-type: none"> Provide exhaustive information about laws and regulations relevant to chemicals (including study sessions) and confirmed the relevant laws and regulations before starting to offer new products. Share information on GHS response in each country, including China, Taiwan and South Korea, and facilitated sharing of information about these countries within the Group. | 🌱🌱🌱 | <ul style="list-style-type: none"> Organized e-learning course on chemical and related legislation, and reinforced measures to verify legislation before stocking new products. Gathered information, particularly on Southeast Asia. | <ul style="list-style-type: none"> Register existing products on the legislation management system developed in FY2017, and strengthen management systems for verifying domestic legislation applicable to registered products. Gather information on the introduction of and revisions to chemical and related legislation, particularly in Southeast Asia, and continue to share information throughout the Group. | 3. | 🌱 | 3. |
| | Procure safe and reliable products | Develop sustainable environmental conservation businesses by expanding sales of ESS in Japan and other countries. | 🌱🌱 | Increased sales of ESS in Japan, particularly for home applications. | Continue to increase sales of ESS as an environmental business, focusing on Japan. | 2. | 1. 2. | 13. |

*1 🌱🌱🌱:Achieved 🌱🌱:Nearly achieved 🌱:Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

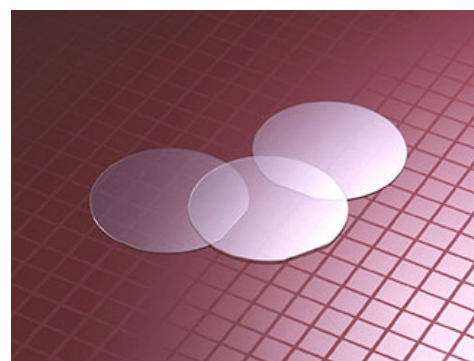
*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

— Compound semiconductor initiatives aimed at saving energy

ITOCHU PLASTICS INC. (CIPS) is committed to actively developing energy-saving technologies and applications for resource-saving technologies, to help create a more technologically sustainable society.

CIPS is particularly focused on gallium nitride compound semiconductors, which have properties that are not possible with silicon semiconductors, including light emitting capabilities, high speed switching, and high dielectric strength. They are expected to be used for purposes such as next-generation LEDs capable of producing natural light color, high-efficiency LEDs, high-capacity devices that will be needed for 5G communications in the future, and high-voltage, high-output semiconductor devices for use in electric vehicles (EV). CIPS is working with universities and public research institutions to develop the cutting-edge technologies required for next-generation light sources and advanced low-loss power devices.



Gallium nitride semiconductor substrates

From the research and development stages through to sales and marketing, CIPS will continue to contribute to society by improving the environment and paving the way for economic growth.

Oil field development in the Caspian Sea aimed at ensuring the stability of resources

ITOCHU Corporation has, through its wholly owned subsidiary ITOCHU Oil Exploration (Azerbaijan) Inc., been involved in a project in the ACG field in the Caspian Sea in Azerbaijan.

ACG Field is located in the Caspian Sea in Azerbaijan, which is approx. 100 kilometers to the east of the capital city Baku. ITOCHU acquired a 3.9205% interest in the ACG field in 1996. In August 2010, the company acquired an additional interest in the project, increasing its operating interest to 4.2986%, and has since been striving to ensure the stability of the resources.

In 2014, additional production of crude oil began in the Chirag Oil Project, a large-scale project covering Chirag oil field and the deepwater portion of the Gunashli oil field, including those shallow parts, where ITOCHU had been undertaking developing work in the ACG Field.

Crude oil produced in the ACG project is being supplied to countries including those in the European market via the BTC Pipeline, in which ITOCHU has a stake through its subsidiary ITOCHU Oil Exploration (BTC) Inc. and CIECO BTC (UK) LIMITED.

ITOCHU will continue to be involved in development projects aimed at maximizing the value of the ACG project and will strive to secure crude oil supply sources.



Acquisition of ISO 22301 certification aimed at making the tank terminal safe, secure, and resilient to disaster

Chemical Logitec Co., Ltd. manages and operates Nagoya Chemport, which is engaged in work centered around the storage, receipt, and supply of liquid chemicals at the No. 9 lot in the Port of Nagoya. It is an important link in our supply chain in the Nagoya and surrounding areas. Learning from the Great East Japan Earthquake that struck on March 11, 2011, the company has since been preparing its facilities for the anticipated Nankai Trough Earthquake. It worked for two years on initiatives in the areas of employee education and training, facility improvement and systemic arrangements, aiming to make the chemical port safe, secure, and resilient to disaster. As a result, the company obtained ISO 22301-2012 certification for the first time on May 1, 2014, and successfully renewed certification on May 1, 2017.



ISO 22301 is a standard for management systems for maximizing an organization's ability to continue to provide services in the event of a disaster or accident that causes a discontinuation or inhibition of business, by resuming the business quickly and minimizing the impact on customers and other stakeholders. This was a milestone event, because Chemical Logitec Co., Ltd. became the first company in Japan's chemical tank industry and the ITOCHU Group to be given such certification.

The company continuously reviews internal and external issues, striving to make improvements accordingly. In FY2016, it conducted a safety drill in the presence of cargo owners by assuming an accident took place when only a few people are ready to respond to it, such as at night and on a holiday. Night-time training was also organized in FY2017. It thus checked for problems in their response to the accident. The company continues striving to ensure safety in the event of a disaster, placing maximum priority on human life, and provide education and training to its organizations repeatedly to retain the trust of customers.

■ Reducing the environmental footprint with the introduction of side shrink packaging

As an initiative to reduce its environmental footprint, ITOCHU PLASTICS INC. ("CIPS" hereafter) has supported the introduction of "side shrink film" at all stores operated by FamilyMart Co., Ltd., its domestic area franchise company locations, and Circle K Sunkus stores (collectively, "FamilyMart"). Side shrink film is a style of packaging in which the plastic film around a package for a boxed lunch, sushi or noodle product only covers the area where the container and lid meet.

FamilyMart has introduced "side shrink packaging" to nationwide stores in February 2015. The switch to side shrink packaging from full shrink packaging, where an entire container is covered with cling film, has made packages easier to open, improved the visibility of contents and offered advanced blocking properties. The new packaging also plays a major role in reducing the burden on the environment by decreasing waste, cutting the amount of plastic materials used in packaging and lowering CO₂ emissions



Bento Box with Side Shrink Packaging

* The results in FY 2017(Comparison with previous full shrink packaging)

Cutting the amount of plastic materials: Approx. 430 tons, Lowering CO₂ emissions: Approx. 1,540 tons

CIPS has corporate philosophy "Providing lifestyle comfort and convenience with chemical and plastic materials. A corporate culture of integrity propelling us forward, together. ITOCHU Plastics." Through support for the introduction of shrink film and other endeavors, CIPS promotes corporate activities that balance a better global environment with economic growth and strives to preserve the environment, helping to realize a sustainable society.

Food Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

In Japan, the environment in which the Food Company operates is characterized by personal consumption that remains lackluster given factors such as sluggish growth in household income. Furthermore while the international situation is being destabilized, exchange and stock markets are difficult to forecast, sapping consumer sentiment. These and other elements are rendering the environment even more difficult. On the other hand, business opportunities are increasing overseas, as growing populations and rising levels of income in Asian and other emerging countries drive demand higher. Against this backdrop, and in line with the companywide policy of "reinforcing our financial position," the Food Company will work to further improve the quality and efficiency of its assets through asset replacement. We will also continue building a value chain that is high-value-added in Japan, China, and other parts of Asia, as well as throughout the world, concentrating specifically on the Dole business and joint business development with CITIC and CP Group.

Simultaneously, we will endeavor to ensure a stable supply of food resources, thereby addressing food issues that affect all of humankind. Also recognizing that ensuring food safety and security is our topmost objective, the Food Company will undertake a wide range of measures to ensure safety in the foodstuffs business. For example, we will identify overseas suppliers for on-site inspections and determine inspection frequency according to their control systems, product characteristics, sanitation risks during processing, and other individual circumstances. Going forward, the Food Company will continue working with investees and partners to further enhance its management system.





Yozo Kubo
President, Food
Company

| Earning Opportunities for Growth | Challenges to Address |
|--|--|
| <ul style="list-style-type: none"> ● Further increase in consumer awareness toward food safety and security ● Reinforcement of the structure to supply sustainable raw materials | <ul style="list-style-type: none"> ● Ensuring a stable supply of foodstuffs ● Responding to the risk of climate change ● Responding to supply chain management (human rights, labor practices, and the environment) |

Sustainability Action Plans

— Key points of our FY2018 action plans

We will continue advancing initiatives that meet a variety of societal needs, such as ensuring the stable supply of food resources, protecting the environment, strengthening convenience store functions as social and lifestyle infrastructure, developing healthier foods and improving inspection systems to ensure food safety.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|---|---|---|---|---|--|---------------------------------------|----------------|----------------|
| Provisions Division | Ensure a stable supply of safe and reliable raw materials | Promote business in food resource procurement and establish a stable supply (expansion of sites for supply of materials in North America, South America, Australia, etc.). |  | While North America enjoyed a good harvest, CGB and EGT as operating companies continued procurement as sources for the stable supply of materials of feed grains. They also carried out stable procurement of materials from other production regions (Black Sea, South America, and Australia) | Promote business in food resource procurement and establish a stable supply (expansion of sites for supply of materials in North America, South America, Australia, etc.). | 3. | 1. 2. 4. | 2. |
| Fresh Food & Food Business Solutions Division | Improve and strengthen the management system for production bases inside and outside Japan | Support the following CSR activities undertaken by Dole as ITOCHU Corporation. 1) Environmental tree planting, conducting river improvements and preserving scenery in the production regions 2) Activities to donate learning materials, facilities and school lunches to local schools 3) Provision of water supply facilities to regional communities and healthcare support |  | Through the Dole business, we were able to promote the CSR activities listed on the left by cooperating effectively with local communities. | Promote the following CSR activities at Dole as an operating company of Agri Products Department. 1) Environmental protection in production regions 2) Contribution to regional infrastructures | 3. | 2. 4. | 3. 4. 9. |

| Div./Dept. | CSR Issues/Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|---|---|--|----------|---|--|------------------------------------|----------------------|-----------|
| Food Products Marketing & Distribution Division | Provided a food environment in response to the aging society and to changes in the household structure. | <ul style="list-style-type: none"> Development of products using euglena ingredients as a sustainable food resource, expanded sales and awareness-raising activities. Continue to implement disaster prevention and control programs in Thailand, Vietnam, and Indonesia by making use of the Global Children's Fund of FamilyMart and help promote programs for developing the next generation with recipients through project-specific donations. | | <ul style="list-style-type: none"> Continued to develop euglena-related products and expanded their sales at FamilyMart/ UNY Group. We also provided support for the development of low-carb foods supervised by RIZAP. In Thailand, we launched a project for developing participatory educational materials for preventing drowning of children. In Vietnam, we launched a project for improving the ability of susceptible populations to respond to disaster and climate change in Dong Thap Province of Mekong Delta. | <ul style="list-style-type: none"> Development of products using euglena ingredients as a sustainable food resource, expanded sales and awareness-raising activities. Provide a food environment in response to social changes. Support the following CSR activities undertaken by FamilyMart. <ol style="list-style-type: none"> 1) Give programs for developing future generations and provide food aid to children all over the world by making use of in-store fund-raising activities. 2) Continue to implement disaster prevention and control programs in Thailand and Vietnam by making use of the FamilyMart Global Children's Fund. | 2. 5. | 1. 2. 3. 4. | 2. 11. |
| All Divisions | Improve the level of food safety and compliance management | <ul style="list-style-type: none"> Conduct audits to confirm the state of compliance with the Food Safety Management Manual and compliance program at each division in ITOCHU Corporation. Conduct audits of Group companies with the aim of improving the state of food safety and compliance management. Seek to further improve the food and hygiene management level of China suppliers through regular audits and follow-up audits by the China Food Safety Management Team. | | <ul style="list-style-type: none"> In FY2017, we conducted a total of 153 audits for 153 plants. We conducted on-site audits of ITOCHU Group companies (ITOCHU Feed Mills G and ITOCHU Sugar G) to check the state of food safety and compliance management. Personnel from the Food Safety and Compliance Management Office (people qualified as auditors) checked the audit report of the China Food Safety Management Team as needed, in an attempt to improve the auditing skills of the team, and advised Chinese suppliers to improve the level of their food safety management. | <ul style="list-style-type: none"> Promote exhaustive on-site audits of overseas suppliers. Improve the food and hygiene management level of Chinese suppliers further through regular and follow-up audits that are conducted separately by the China Food Safety Management Team. Conduct audits of Group companies with the aim of improving the state of food safety and compliance management. | 3. | | 2. |

*1 :Achieved :Nearly achieved :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

— Towards sustainable farm operation that responds to climate change

In April 2013, ITOCHU acquired the Asia Fresh Food business and the Worldwide Packaged Food business of Dole Food Company, Inc., a U.S. company.

After the acquisition, typhoons, drought, diseases and insect damage, among other disasters, hit the Philippines, the leading production site of Dole's major products. As a result, the production volume of bananas was 440,000 tons in FY2017, down 40% from the level prior to the acquisition. To recover and increase the production volume of bananas, we took steps to improve productivity, including the introduction of irrigation equipment, consolidation and expansion of farms, and measures to combat disease and insect damage. We also improved the productivity of pineapples through equipment investment in farms and reviews of cultivation methods. We are diversifying the regions where we produce our products in order to mitigate the risk of bad weather and other problems. Meanwhile, we made management improvements, refined our business and product focus and disposed of underperforming businesses.



Banana Field

In FY2017, earnings improved due to favorable prices and the effects of various cost-cutting measures. Moving forward, we will be ready to increase production in the Philippines to 800,000 tons of bananas and 1,000,000 tons of pineapples by FY2021, aiming to be the largest integrator of agricultural products in Asia.

In addition, based on its belief that people, environment, and society are the most important resources for the survival and development of a company, Dole spent more than 2.5 million dollars in 2016 on social contribution activities in the Philippines, Sri Lanka, Japan, South Korea, China, Thailand, North America and elsewhere. These activities included the donation of textbooks, desks, chairs, computers, and other equipment to dozens of schools in various places, the maintenance of school buildings, the granting of scholarships, and the provision of educational opportunities for children with disabilities. The company also provided daily necessities and healthcare support to areas affected by natural disasters, and implemented initiatives for maintaining and promoting good health such as blood donations, hygiene education, and food aid.

— Production of safe, secure, delicious pork meat

ITOCHU Corporation holds a 49.9% share in HyLife Group Holdings Ltd. (hereafter, "HyLife"), which conducts the pork meat production business in Manitoba, Canada. HyLife undertakes integrated production covering live production, food mill, and pork processing. This enables the company to manage and coordinate the supply chain on its own. Taking advantage of this integrated production system, HyLife ensures the stable supply of safe, secure, high-quality products with established traceability. In addition, the integrated production system has enabled the individual needs of customers to be provided to hog farms, and HyLife has established a specialty program for providing customized products to the Japanese market. This program is highly evaluated in the market, and as a result, HyLife has become No.1 in Canada in the export of refrigerated pork meat to Japan. In the specialty program for Japan, under the supervision of its in-house nutritionists and veterinarians, HyLife produces hybrid hogs bred from three different breeds it has selected and gives them feed produced mainly from wheat and barley from Manitoba, which is a renowned production area of high-quality wheat and barley. The company undertakes comprehensive daily management and supervision of the processes by involving expatriates from ITOCHU Corporation.



Pork meat processing process

■ Ensuring food safety through regular auditing of overseas suppliers

Against a backdrop of increasingly diverse dietary lifestyles, the globalization of food distribution and increased awareness of health, consumers are taking an even greater interest in the safety and security of food. Meanwhile, incidents and problems have been occurring that threaten the safety and security of food, such as the BSE problem, violations of residue standards with pesticides and other substances and the distribution of foods using additives untested for safety. In FY2003, ITOCHU Corporation set up the Food Safety and Compliance Management Office and has since taken broad measures to ensure safety in the trading of food. Since FY2012, as part of these measures, ITOCHU has been regularly visiting and auditing food processing plants of overseas suppliers for imported food.



A food audit underway

ITOCHU determines the subjects and frequency of audits in correspondence with various factors, including the management setup in the host country, product characteristics and sanitation risks in processing steps. Our employees, local staff and/or Group company employees make on-site visits to carry out audits based on our own Plant Audit Check Sheet and make proposals for improvements as necessary. In FY2017, we conducted on-site audits for 153 suppliers. In addition to these measures, in January 2015 we set up the China Food Safety Management Team in Beijing to bolster safety management on foods imported from China. We have dispatched dedicated Japanese staffs who are highly experienced in factory audits (ISO 22000 Lead Auditors accredited by IRCA*) in our efforts to create a management structure comparable to the one we have in operation in Japan. In addition to having several Chinese staff dedicated to conducting regular audits, we have increased the opportunities for mutual checks through follow-up audits and similar, thereby making continuous improvements. In FY2017, we conducted regular audits and follow-up audits of 53 companies, having increased the cumulative total to 100 companies.

* International Register of Certificated Auditors

General Products & Realty Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

This company, which is active in the consumer-related sectors of ITOCHU's operations, comprises the Forest Products & General Merchandise Division, which handles products closely linked to people's lives—paper and pulp, natural rubber and tires, wood resources and housing materials, etc.—and the Construction, Realty & Logistics Division. This division is involved in housing, logistics facilities, and other development projects, as well as the logistics business, including 3PL and international transport. We work to provide new value to society through the comprehensive strengths and global networks these divisions possess, thereby contributing to more bountiful lifestyles. We will expand our portfolio through aggressive asset replacement, proactively develop our business to meet expected rises in consumption in China and other Asian markets, and promote collaboration with the CITIC and CP Group.



Yasuyuki Harada
President, General
Products & Realty
Company



Meanwhile, we view societal and environmental issues as business opportunities. For instance, we consider ensuring stable forestry resources in the paper and pulp field and building businesses that achieve harmony with local communities to be priority issues. Accordingly, we strive toward sustainable forest management. In the condominium business, we take a customer/consumer viewpoint in providing environmentally conscious housing (energy-saving technologies, design, equipment, etc.) and offering universal design that suits housing to use by multiple generations. In addition to quality control of products, we cultivate an energy-saving awareness among condominium inhabitants and take a proactive stance toward developing communities that foster connections between communities and residents.



| Earning Opportunities for Growth | Challenges to Address |
|--|--|
| <ul style="list-style-type: none"> ● Demand for environmentally conscious products and construction materials ● Need for certified forestry products | <ul style="list-style-type: none"> ● Sustainable use of resources ● Harmony with local communities |

Sustainability Action Plans

— Key points of our FY2018 action plans

Our development of environment-friendly business may be exemplified by transactions for lumber from certified forests linked to sustainable resource use, energy management solution business utilizing IT, and development of environment-friendly condominiums. In the fields of construction and finance, we will contribute to the revitalization of local communities in Japan and other countries.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--|---|--|---|---|--|---------------------------------------|----------------------|-------------------|
| Forest Products & General Merchandise Division | Enhance the traceability of raw materials/ protect natural forest/ensure the observance of labor laws and regulations | Conduct questionnaires on CSR and on-site surveys of suppliers to review traceability and the status of compliance with laws and regulations on the protection of natural forests as well as those on labor, and provide education for personnel with specific duties as an opportunity to learn about issues. |  | Conducted questionnaires and on-site surveys of all the 54 subject suppliers and reviewed how they address the issues. Also provided education for personnel with specific duties, in which they learned about the operational management of work with a significant environmental impact in which each division is involved. | Conduct questionnaires on CSR and on-site surveys of suppliers to review traceability and the status of compliance with laws and regulations on the protection of natural forests as well as those on labor, and provide education for personnel with specific duties as an opportunity to learn about issues. | 1. | 1. 2. 3. 5. | 8. 12. 15. |
| | Handle internationally certified forest products as well as health-safe products | Maintain and increase the ratios of internationally certified materials handled (around 90% for both pulp and wood chips) by continuing to request that non-certified suppliers acquire certification. *Starting from FY2017, all internationally certified materials are included in the subjects. |  | Encouraged non-certified suppliers to acquire certification, which resulted in ratios of internationally certified materials of 90% for both pulp and wood chips. The target value of pulp was maintained. | Maintain and increase the ratios of internationally certified materials or wood resources confirmed to be subject to a high level of management equivalent to certified materials that are handled (around 80% for wood resources and around 90% for pulp and wood chips) by continuing to request that non-certified suppliers acquire certification. | 3. | 1. 2. | 12. 13. 15. |

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | Status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--|--|---|--|---|--|---------------------------------------|----------------|------------------|
| Construction, Realty & Financial Business Division | Care extensively for the environment and communities | Actively promote projects that contribute to the environment and local communities in condominiums and elsewhere. |  | Took steps to contribute to solving local issues in the condominium business. At CREVIA Totsuka, ITOCHU Property Development, Ltd. provided childcare support, etc. by establishing a childcare facility in the condominium in public- private cooperation with Yokohama City Housing Development Public Corporation, etc. | Actively promote projects that contribute to the environment and local communities in condominiums and elsewhere. | 1. 2. | 1. 2. 4. | 11. |
| | Participate in local and international communities and contribute to their development | Seek to develop high- quality facilities as we expand the construction business in Asia. |  | Continued to attract Japanese companies to an industrial park in Indonesia and began to sell new lots totaling 168 hectares, aiming for further expansion. Participated in projects for developing and wholesaling logistics facilities in China and Malaysia. | Seek to develop high- quality facilities as we expand the construction business in Asia. | 1. 5. | 4. | 8. 11. 16. |

*1  :Achieved  :Nearly achieved  :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

— Stable supply of sustainable forest resources

ITOCHU Corporation holds a stake in Metsä Fibre Oy (hereafter, "Metsä Fibre") in Finland, which is one of the world's largest softwood pulp producers. Metsä Fibre boasts annual pulp production of around 2.3 million tons. It commissions sales of the softwood pulp it produces, which is intended mainly for the Asian market, to ITOCHU Corporation as an exclusive agent. Metsä Fibre has decided to increase its production significantly, by around 800,000 tons, and its annual pulp production is expected to reach about 3.1 million tons by 2018. Finland is capable of the long-term stable supply of raw wood because the amount of raw wood growth exceeds its consumption. In addition, Metsä Fibre generates power from its pulp production process for its own consumption and supplies surplus power to the surrounding area, thereby contributing to reducing fossil fuel consumption in the local area. By promoting initiatives with such an excellent partner, we will promote the sustainable use of forest resources and continue to strengthen our business.



Metsä Fibre

— The World's No.1 Trader of Blast-Furnace Slag, a Cement Alternative

Blast furnace slag, a by-product from iron and steel manufacturing, is commonly perceived as an eco-friendly product being used as a cement alternative and thus helps save natural resources such as cement raw materials and limestone. It also enables concrete manufacturers, who need cement as their prime raw material, to reduce energy consumption and CO₂ emissions by approximately 40%* compared to producing concrete only from cement.

More than 20 years ago, ITOCHU started to handle blast-furnace slag, which was then generated in Japan and some other countries and could not be fully consumed locally. Since then, we have developed and expanded our customer base and now we supply the product to more than ten countries in Asia, Latin America and other parts of the world.

Today, we are the No.1 blast-furnace slag trader by volume in the world. In addition to serving our customers with financial and logistics functions as a trader, we are also contributing to the effective use of resources on a global scale, which we are proud of.

* Estimated by assuming a ratio of cement to blast-furnace slag of 55 to 45.



A structure constructed using blast-furnace slag

— Karawang International Industrial City: Growing Together with the Local Community

ITOCHU Corporation operates the Karawang International Industrial City (KIIC), located in the east of Jakarta, the capital of Indonesia, jointly with a local partner. More than 150 tenant companies operate on a site of approx. 1,400 hectares. Aiming for co-existence and shared prosperity with the local community and residents, KIIC companies have continued to pursue various CSR activities over the long term in healthcare, agriculture, the environment, education, and other areas.

The unique activities of KIIC include support for the establishment of the baby health centers for community at six nearby villages and the provision of medical equipment for birth attendants.



Tree Planting Activities

In addition, KIIC built smart street lights*, making KIIC the first industrial park in Indonesia with lights of this kind, in an effort to reduce its environmental impact.

Joint activities with tenant companies include donating saplings and tree planting to local municipalities, which are carried out on World Environment Day each year. In addition, KIIC has established an agricultural park on its premises to promote education, training, and other activities related to agriculture, environmental protection, and others. In this park, specialists provide local farmers advice on farming and more than 10,000 saplings for forestation are grown each year.

As the secretariat for CSR activities of tenant companies, KIIC proactively supports activities including the monthly supply of baby food to local babies and toddlers, provision of scholarships to junior high and high school students, support for flood damage, and pest control.

Through these CSR activities, KIIC aims to be an industrial park that grows together with the local community.

* Smart street lights: An IoT solution that controls power consumption and CO₂ emissions by adding a dimmer control function to power-saving, high-efficiency LED, thereby improving the efficiency of the operation, maintenance, and management of street lights (making street lights smart). Approx. 1,200 smart streets lights were built in KIIC.

ICT & Financial Business Company

– Sustainability Management –

Medium to Long-Term Growth Strategies

The ICT & Financial Business Company is developing its business in markets affected by rapid change. We comprise some of the Group's leading companies in various sectors of business. We strive to augment synergies between Group companies and undertake new initiatives to proactively provide support for changes in the business environment, thereby expanding our business foundation.

In the information and communication technology sector, the much further development of leading-edge IT services is required to cultivate new markets. We will introduce some of the world's leading technologies through venture investments, using these technologies to lead the market and achieve ongoing growth by fostering the development of Group companies' business foundations.

In the finance and insurance fields, we will further develop our strength in the retail finance business and create a new investment and lending business targeting corporate customers. We also intend to bolster earnings further in our agency, brokerage, and reinsurance businesses.

Viewing societal and environmental issues as business opportunities, in the information and communications field we will provide indirect support to promote preventive medicine, which should help to increase the percentage of people undergoing medical checkups. In the finance and insurance sector, through collaboration with regional banks we intend to contribute to the revitalization of regional economies.






Yoshihisa Suzuki
President, ICT &
Financial Business
Company

| Earning Opportunities for Growth | Challenges to Address |
|---|---|
| <ul style="list-style-type: none"> ● Expansion of the infrastructure services business in response to increasingly specialized and sophisticated business processes ● Improved business efficiency and higher productivity through the use of AI and IoT ● Cultivation and business development support for excellent companies in regional Japanese locations | <ul style="list-style-type: none"> ● Responding to the fast-changing business environment and regulations in various sectors ● Thorough information management in the ICT, healthcare, and financial businesses |

Sustainability Action Plans

Key points of our FY2018 action plans

In the field of ICT, we will strive to increase the percentage of people who receive medical checkups as a measure for promoting preventive care. In the field of finance, we will contribute to revitalizing regional economies by collaborating with regional banks.

| Div./Dept. | CSR Issues/ Societal Issues | FY2017 action plans | status*1 | FY2017 results | FY2018 action plans | Basic Policies for CSR Promotion*2 | Materiality*3 | SDGs*4 |
|--------------------------------|--|---|---|--|---|------------------------------------|---------------|--------|
| ICT Division | Address preventive healthcare | Contribute to increase the percentage of those who receive medical checkups by providing medical checkup arrangement services for companies and health insurance associations, and at the same time, providing them with support in awareness-raising activities such as creation and distribution of information booklets. (Annual target number of people who receive medical checkups: Approx. 170,000). |  | Increased the number of people receiving medical checkups to approximately 170,000, by adding new services such as the mobile health promotion app Re:Body, as well as standard health check services. | Expand services offering online access to health check data, in order to help raise health awareness amongst workers (target number of people managing health data: 600,000). | 2. | 4. | 3. |
| | Creating businesses based on the 3R philosophy | Discuss and enact various measures to promote penetration of the MOTTAINAI philosophy. |  | <ul style="list-style-type: none"> Launched crowd funding scheme MOTTAINAI Motto Planted 11,057,181 seedlings from 2008 to 2016 as part of the MOTTAINAI Green Project, 3,822,871 of which have grown into trees. Promoted the MOTTAINAI philosophy through events (flea markets, eco events, etc.) and PR activities (Facebook, blogs, and paper ads). | Discuss and enact various measures to promote penetration of the MOTTAINAI philosophy | 2. | 2. 4. | 12. |
| Financial & Insurance Business | Contribution to the local community | Contribute to revitalizing regional economies by taking initiatives including collaborations with regional banks as shareholders of GL Connect Co., Ltd. (equity-method affiliate). |  | Worked with local banks and suppliers to conduct ongoing research into expanding customer sales channels, and identified customers' finance needs. | Contribute to revitalizing regional economies by taking initiatives including collaborations with regional banks as shareholders of GL Connect Co., Ltd. (equity-method affiliate). | 2. | 4. | 8. |

*1 :Achieved :Nearly achieved :Unachieved

*2 For further information about Basic Policies for CSR Promotion, please see P11~12.

*3 For further information about Materiality, please see P14~15.

*4 For further information about SDGs, please see P13.

Major Sustainable Initiatives

- Contributing to corporate health management and healthier employees through a mobile app that assists with health management and promotion

Employers are increasingly being required to assist employees in managing and improving their health, as evidenced by the introduction of mandatory stress checks and data health plans for those covered under company or health insurance union policies. Every year, the Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry publish a "Health & Productivity Stock Selection," reflecting an increase in the number of companies looking to reduce medical costs, increase productivity and enhance corporate value by improving employee health management.

ITOCHU has designed and developed a mobile app called "Re:Body" in conjunction with Wellness Communications Corporation, a company 100%-owned by ITOCHU and NTT DOCOMO. Launched in April 2017, the app is designed to assist companies with health management and promotion. As well viewing and comparing annual health check results, it enables integrated management of data on users' everyday lives, including data on exercise and sleep from wearable devices, data such as weight and body fat from smart scales, and the contents of food diaries. Other features include communication with registered dieticians and other such specialists, so that users can access advice on improving their health, as well as managing and viewing health-related data.

ITOCHU will be providing Re:Body to corporate customers as an employee health management solution in the near future, in an effort to contribute to corporate health management and healthier employees.



Smartphone Application linked with a wearable device