



ITOCHU Corporation

Sustainability Report 2018



Editing Policy

ITOCHU Corporation's Perspectives on Sustainability

ITOCHU Corporation believes that responding to the expectation of society through business activities keeps our Sustainability and further growth. This report presents our initiatives for promotion of Sustainability.

Referenced Guidelines

GRI Standards 2016 issued by Global Sustainability Standards Board (GSSB)
Environmental Reporting Guidelines (2012 version) issued by the Ministry of the Environment of Japan
ISO 26000 (Guidance on social responsibility)

 A side-by-side comparison of GRI Standards and the UN Global Compact can be found at: www.itochu.co.jp/en/csr/report/gri/

Reporting Period

This report principally covers actual data for the fiscal year beginning on April 1, 2017, and ended on March 31, 2018 (FY2018). However, some of the most recent information on our activities and initiatives are also included.

Publication Information

Publication: September 2018
Next publication (scheduled): September 2019
Previous publication: September 2017

Reporting Boundary

This report covers ITOCHU Corporation (9 domestic offices and 99 overseas offices) and its major group companies.

Corporate Profile

Company name	ITOCHU Corporation
Founded	1858
Incorporated	December 1, 1949
Headquarters	Tokyo: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan Osaka: 1-3, Umeda 3-chome, Kita-ku, Osaka 530-8448, Japan
President & CEO	Masahiro Okafuji
Common Stock	¥253,448 million
Number of offices	Domestic offices 9 Overseas offices 99
Number of employees*	Consolidated 102,086 Non-consolidated 4,285

(As of March 31, 2018)

* The number of consolidated employees is based on actual working employees excluding temporary staff.



Tokyo Headquarters



Osaka Headquarters
(North Gate Building)

Disclosure of Sustainability-related Information

To make information on ITOCHU's sustainability initiatives widely accessible, information is disclosed through the following media.

Corporate Website Sustainability Pages

Information is disclosed regarding ITOCHU Corporation's sustainability activities in a format that provides detailed coverage across a wide range of themes. Moreover, information on activities conducted during the current year is disseminated on a timely basis.

www.itochu.co.jp/en/csr/



Sustainability Report

Wide-ranging information covered in detail on the website Sustainability pages is published in PDF format as an annual Sustainability Report. The reports provide an ongoing perspective of ITOCHU's sustainability activities.

www.itochu.co.jp/en/csr/report/



Annual Report

Aimed at investors and other stakeholders, we provide particularly important reporting on ITOCHU's Sustainability activities, along with information such as management results and future growth strategies, in a comprehensive manner from a perspective based on the characteristics of the business activities of a sogo shosha.

www.itochu.co.jp/en/ir/



From the cover

Power outages occur frequently in Sumatra, Indonesia. ITOCHU has been involved in one of the world's largest geothermal power projects in Indonesia's Sarulla region in North Sumatra, and construction was completed in May 2018.

Geothermal power is an extremely stable renewable energy source, and the total output of the three generators is 330 megawatts. This initiative to provide electric light to neighboring villages after dark will lead to improvement in living standards in the region and is linked to ITOCHU's mission "Committed to the Global Good" which involves building sustainable societies through business activities.



Inquiries

ITOCHU Corporation
Sustainability Management Department
Tel: +81-3-3497-4069
Fax: +81-3-3497-7547
E-mail: csr@itochu.co.jp

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Sustainable growth through a reinvented *sampo yoshi* approach

With a rich history spanning over 160 years, ITOCHU is excited to create a brighter future founded on innovation. Passed down from generation to generation since our founding, the ITOCHU spirit of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society) needs to adapt to world's rapidly changing business environment and to evolve into "reinvented *sampo yoshi*." Besides being the best global partner playing an integral role in supporting prosperous lifestyles, we need to try to reinvent our "earn, cut, prevent" principles by utilizing new technologies to evolve and advance our business model. We also need to reinvent working styles for higher productivity through steps to ensure our employees feel motivated and improve their health.

I believe that through these activities we will "create the future" and "display social leadership" and that this is reinvented *sampo yoshi*. By combining material sustainability issues that look ahead to 2030 and 2050 with the theme of "reinvention" that is central to the Brand-new Deal 2020, ITOCHU aims to achieve sustainable growth through reinvented *sampo yoshi*.

A handwritten signature in black ink, appearing to read "M. Okafuji". The signature is fluid and cursive.

Masahiro Okafuji

Member of the Board
Chairman & Chief Executive Officer



Rising to the challenge of reinvention

ITOCHU Corporation has developed new businesses and expanded its operations, always trying to stay a step ahead of the times without fearing failure. However, the world is changing at dizzying speed amid technological breakthroughs such as the IoT and AI, collectively dubbed the Fourth Industrial Revolution. ITOCHU needs to embark on the "reinvention of its business" with a sense of urgency. At the same time, we live in an age where the ESG (environmental, social and governance) approach is becoming more widely adopted. A number of our existing businesses will probably no longer be able to survive in the future and we need to consider business initiatives from an ESG perspective. In this environment, ITOCHU will continue to rise to new

challenges, achieving sustainable growth as a reinvented company, while integrating ESG considerations into its business activities, focusing on seven newly identified material sustainability issues in its main business, and returning the fruits of these endeavors to its stakeholders, society and employees.

A handwritten signature in black ink, appearing to read 'Y. Suzuki', written in a cursive style.

Yoshihisa Suzuki

Member of the Board
President & Chief Operating Officer

Message from Chief Administrative & Information Officer



We will achieve sustainable growth as a reinvented merchant, through further evolution of the *sampo yoshi* approach that has been passed down for 160 years

— The *sampo yoshi* approach that has carved a 160-year history

—We will pursue the highest level of productivity in the sector through the adoption of a Human Resources Strategy as a management policy.

ITOCHU is a company, which for 160 years, ever since its founding by founder Chubei Itoh, an Ohmi merchant, has developed business while carrying on the spirit of *sampo yoshi*. In addition to this, a Human Resources Strategy to ensure that individuals perform at their full potential is essential, and this idea is also encapsulated in the corporate message "I am one with infinite missions." In recent years, with a small group of capable talent, ITOCHU has been involved in cutthroat competition with other companies, and the importance of the Human Resources Strategy has, therefore, increased still further.

ITOCHU's pioneering workstyle reforms, such as the morning-focused working system, have had a significant impact on Japanese society, including the government. The focus of these reforms is the "pursuit of productivity." We moved beyond streamlining operations to freeing up time by eliminating waste for customer service and devised a strategic package of measures to increase employee motivation, develop skills, support active participation by diverse human resources, and improve health. For example, the aim of the Support Measure for Balancing Cancer Care and Work introduced in FY2018 in accordance with ITOCHU Health Charter is to achieve a work environment in which every employee fighting cancer can continue working without concern while maintaining motivation and challenging work, thus ensuring that individuals and organizations perform at their full potential. The health of individual employees underpins a company and enables employees to do good work and business and achieve good returns and this is again in the interests of all stakeholders. At the same time, I believe that, through our employees' fulfilment of "infinite missions" via our main business, we will be able to fulfil our responsibilities for achievement of the UN Sustainable Development Goals (SDG's).

Under the new Medium-Term Management Plan "Brand-new Deal 2020," we will pursue the highest level of productivity in the industry by implementing various measures that only ITOCHU can implement and promoting "reinvented workstyle reforms" based on the plan's basic policies of "Smart Management" and "No. 1 Health Management Company."

— Reinvented sustainability

—We will help solve social issues through our main business, grounded in the *sampo yoshi* spirit.

"Itinerant trading" is business that only Ohmi merchants could do, consisting of going to lands far away from the Ohmi region and negotiating with only a sample of cloth and delivering the goods afterwards. The *sampo yoshi* spirit developed by the Ohmi merchants as they gained the confidence and trust of sellers, buyers and the regions they traded with is also still alive today as a management philosophy that values not only the company's own profit but also business partners, employees, shareholders and various other stakeholders. To demonstrate our intent to honor this approach to the international society, since 2009 we have participated in the UN Global Compact. In April 2018, we formulated a Basic Policy on Promotion of Sustainability as a direction for initiatives based on the ESG perspective and the *sampo yoshi* spirit.

ITOCHU's groupwide sustainability promotion measures are planned by the Sustainability Promotion Department and decided by the Chief Administrative & Information Officer as Chief Officers, before being implemented by each organization in Japan and overseas. The formulation of policies and important matters are discussed and determined by the Sustainability Committee, which is an important internal committee. In addition to the role of chairing the committee, the Sustainability Committee Chairperson attends board meetings, and the HMC and Investment Consultative Committee, and the status of major activities to promote sustainability are reported to board meetings in the form of regular reports and, through this and other measures, impacts on the environment and society are also taken into consideration in the decision-making process. By regularly seeking dialogue with stakeholders inside and outside the company, including the Advisory Board, we grasp society's expectations and demands of us and use these in the promotion of sustainability. We also recently appointed an ESG officer to each company and function and put in place a framework for contributing to the realization of a sustainable society through our main business.

— Revision of Material Issues

Since ITOCHU identified material issues based on CSR for the first time in 2013, the company has regularly reviewed the issues in light of trends in international society and expectations of its stakeholders. We took the launch of the latest Medium-Term Management Plan as an opportunity to identify seven new material issues, taking into consideration the adoption of SDGs, the entry into force of the Paris Agreement and the ESG perspective. Each company will formulate targets and performance indicators corresponding to issues, further strengthen initiatives through their business, and conduct business activities based on an awareness of contributing to the SDGs. We would then like us to translate this into sustainable growth through a reinvented *sampo yoshi* approach, which is our aim under the Brand-new Deal 2020.

Fumihiko Kobayashi

Member of the Board

Senior Managing Executive Officer

Chief Administrative & Information Officer

Sustainability for ITOCHU Corporation

ITOCHU Corporation is pursuing multi-faceted corporate activities in various regions of the world and a wide range of fields, and as such, we strongly believe that responding to the expectation of society through business activities keeps our sustainability and further growth.

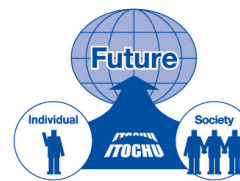
We believe that corporate social responsibility (CSR) lies in corporate thought and action on the question of how to play a role in building sustainable societies through business activities. We also believe that our mission is to fulfill our Corporate Social Responsibility as a global enterprise, always working from the viewpoint of whether we are contributing to the countries of the world and to society.

ITOCHU Group Corporate Message

ITOCHU founder Chubei Itoh first launched a wholesale linen business in 1858. For more than 150 years since, ITOCHU has passed down the spirit of sampo yoshi (good for the buyer, seller and society), a management philosophy embraced by Ohmi merchants that is the source of its sustainability thinking today. After considering ways to demonstrate its commitment to society as an international corporation and to put this commitment into practice, in 1992 ITOCHU formulated "Committed to the Global Good" as a corporate philosophy. The conceptual framework for this philosophy was reorganized in 2009. In order for all employees to properly understand the responsibility that the ITOCHU Group is charged with fulfilling for society and to make this philosophy an integral part of actions everyday, its core element, "Committed to the Global Good," was set as the ITOCHU Mission for the entire ITOCHU Group. Accompanying this is a new set of five values, called the ITOCHU Values, considered vital for enabling each employee to fulfill their role in realizing the ITOCHU Mission. To embed the ITOCHU Values, ITOCHU has formulated "5 self-tests" that employees can refer to in order to determine that the five values are present in their actions.

In June 2014, we formulated our corporate message, "I am One with Infinite Missions," which clarifies our corporate philosophy of "Committed to the Global Good" and is a promise to society that we will fulfill our responsibilities. The Corporate Message incorporates our promise to society, that we will continue to provide the abundance that results from business activities, and it also incorporates diverse aspects "typical to ITOCHU," such as the rich personalities of our employees, our free spirited corporate culture, and "individual capabilities." In this way, the Corporate Message expresses the values that must be shared by all employees as we take on further challenges.

ITOCHU Mission Committed to the Global Good



The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.

ITOCHU Values



Mistake me not for just any ordinary person. I am one with countless missions.
My workplace is the entire world. I engage in business across borders,
touching people's lives and creating new lifestyles.
Through my business, I bring about a brighter tomorrow for all around me.
I dedicate myself to our common future, mindful of my responsibility to
promote the prosperity of all earthly beings.
In the end, I believe this leads to my own betterment.
I am Itochu, with infinite missions around the world.

Sampo Yoshi and ITOCHU Sustainability

Basic Perspective on Sustainability at ITOCHU

ITOCHU Corporation strongly believes that responding to the expectation of society through business activities keeps our sustainability and further growth.

We also believe that corporate social responsibility (CSR) is to think about how corporations can play a role, in order to achieve sustainable society through business activities. This concept ties into our management philosophy of *sampo yoshi*, which was the foundation of our founder, Chubei Itoh, to build his business. We believe that our mission is to understand diverse values as a global enterprise, meet the expectations of the society, and continue to be a corporation that is needed by the society.



"Itoh Itomise" thread and yarn store at the time of its opening in 1893

Our Founder Chubei Itoh and *Sampo Yoshi*

The foundation of ITOCHU Corporation traces back to 1858, the year in which Chubei Itoh set out from Toyosato Village, in Shiga Prefecture, to Nagasaki as a traveling linen merchant.

The base of Chubei Itoh's business was the spirit of *sampo yoshi*, which was a management philosophy of merchants in Ohmi, a province where he was born. The philosophy started in the shogunate era. Due to the merchants' contributions to the society, they were permitted to promote business activities in the region. Since then, not only good for the seller and the buyer, but also for the society became the management philosophy. This can be said to be the roots of today's idea of sustainability, which requires corporations to balance their business activities with the interests of a variety of stakeholders. That spirit is evident in Chubei Itoh's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society."



Our founder
Chubei Itoh
(1842 - 1903)



Ohmi merchants
(courtesy of
Museum of Ohmi
Merchant)

The Roots of a Management Philosophy Inherited Since the Foundation

Our founder Chubei Itoh established a "store law" in 1872, and adopted a meeting system. The store law was a set of house rules covering what in modern parlance called management philosophy, a human resources system and employment regulations, which subsequently became the foundation of ITOCHU Corporation's management philosophy. Emphasizing communication with employees, Chubei Itoh chaired meetings himself. Moreover, he incorporated a series of what were at the time groundbreaking management systems, including the codification of "sharing of profit by three parties"^(*) and western bookkeeping methods. Those initiatives built the foundations of mutual trust between the store owner and the employees. Since that era, we have based our corporate management on sustainability.

* Sharing of profit by three parties: In a predominately feudal era, this was an extremely progressive philosophy of sharing profits with employees. The store's net profit was divided among three parties: the store owner, the store's reserve fund, and store employees.



A daifukucho ledger from the time of ITOCHU's founding

150 Years of History and Sustainability

In 2008, ITOCHU Corporation marked its 150th anniversary. Why were we able to keep developing for such a long period of time? We believe that it is because we have put into practice the spirit of *sampo yoshi* for 150 years, which is the root of sustainability. At the same time, as the business environment has changed with the times, we have established a corporate culture that anticipates changes and turns it into opportunities.

Since the foundation, ITOCHU Corporation has consistently thrived despite the turmoil it has faced in different eras, including two world wars and economic volatility. Starting as a trading company mainly handling textiles, we have fulfilled the role of a trading company that has responsively changed according to the demands of each generation. Furthermore, while significantly changing its products and business portfolios, we have expanded our sphere of influence from upstream raw materials to downstream consumer sales. ITOCHU Corporation has evolved into a general trading company, and from there into a globally integrated corporation.

We are convinced that our history has continued for more than 150 years because we have surely upheld and passed on the spirit of *sampo yoshi* while remaining an essential component of society by responding to changes, in its expectations in different eras.



The headquarters with modern amenities built in 1915

Basic Policy on Sustainability

Sustainability Promotion at ITOCHU Corporation

ITOCHU Corporation believes in the importance of fulfilling its social responsibilities through the continuous enhancement of sustainable corporate value with its core business, in accordance with the ITOCHU Mission "Committed to the Global Good," in the spirit of *Sampo Yoshi* (good for the buyer, good for the seller, and good for society), the management philosophy of merchants in the province of Ohmi that has been embraced by the company for over 160 years since its founding in 1858.

The corporate message "I am One with Infinite Missions" expresses the intention contained in the corporate philosophy "Committed to the Global Good."

In order to promote sustainability over the medium to long terms, ITOCHU Corporation developed a direction for the promotion of sustainability as the Basic Policy on Promotion of Sustainability based on the spirit of the original management philosophy *Sampo Yoshi*, by integrating and consolidating existing Basic Policies for CSR Promotion and Environmental Policy from an ESG perspective.

The Basic Policy on Promotion of Sustainability is as follows:

Basic Policy on Promotion of Sustainability

■ [I] Basic Philosophy

ITOCHU Group, conducting business globally under the spirit of *Sampo Yoshi*, the management philosophy of merchants in the province of Ohmi, considers that addressing global environmental and social issues is one of the top priority issues in its management policy. We contribute to the realization of a sustainable society based on the ITOCHU Group Code of Conduct, in order to achieve the goals of The ITOCHU Group Corporate Philosophy, "Committed to the Global Good."

■ [II] Activity Guidelines

In keeping with the basic philosophy presented above, ITOCHU Group sets out the following activity guidelines to promote its sustainability.

<p>(1) Identification of material issues and promotion of businesses that address the social issues</p>	<p>As a member of the international community, we seek to identify sustainability issues that lead to the sustainable growth of society as well as our businesses, and aim to enhance corporate value through our business activities.</p>
<p>(2) Establishment of mutual trust with society</p>	<p>We continue to address society's expectations and requests by increasing the disclosure of information and facilitating two-way dialogues with stakeholders. By pursuing these initiatives, we aim to become a trusted Group.</p>
<p>(3) Strengthening of supply chains and business investment management that lead to sustainable use of natural resources, with consideration for the environment and respect for human rights</p>	<p>In pursuing business activities, we respect the legal systems of each country and international rules, and strive to prevent the occurrence of environmental pollution and/or human right and labor issues that threaten our lives. In addition, we give due considerations to the mitigation of, and adaption to climate change, the preservation of the global environment, such as the conservation of biodiversity and ecosystems, and human rights issues.</p> <p>We endeavor to grasp the utilization status of natural resources (such as air, water, land, food, minerals, fossil fuels, animals, plants, and others) and conditions of consideration for human rights and labor issues in the businesses that we invest and on the supply chains related to the products that we handle. We request our business partners to understand and implement our concept of sustainability, and aim to build a sustainable value chain.</p>

(4) Education and awareness of employees to promote sustainability

We conduct employee education and awareness activities to deepen their awareness about solving social issues since promoting sustainability rests in the hands of individual employees.

All employees observe the domestic and foreign laws and regulations along with other requirements to which we have subscribed, and execute the action plans of each organization, based on this policy. Through this approach, ITOCHU aims to contribute to society through its business.

April 2018

Masahiro Okafuji

Chairman & Chief Executive Officer

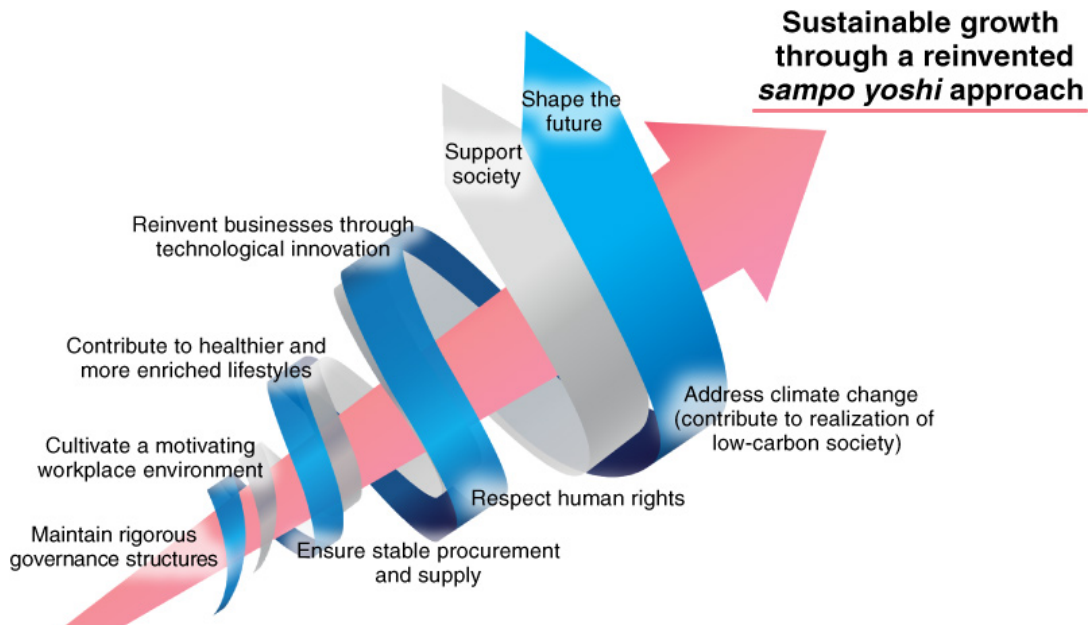
Material Sustainability Issues

In April 2018, ITOCHU put forth material sustainability issues (Materiality) that incorporate an ESG perspective. Addressing these issues through its main business will help ITOCHU accomplish Brand-new Deal 2020's goal of achieving ongoing growth through a reinvented *sampo yoshi* approach.

Sustainability initiatives of ITOCHU, which fulfill its responsibilities for the present and future society, also contribute to the achievement of the Sustainable Development Goals (SDGs)*, which were adopted at a UN Summit in 2015.

* SDGs: Sustainable Development Goals to be achieved by 2030, which were adopted by United Nations member states in September 2015

Material Sustainability Issues



Materiality:

Reinvent businesses through technological innovation



We will create new value by working on new technologies proactively and trying to respond to changes in the industrial structure beyond the framework of existing businesses.

— Example of initiative

Utilization of AI, IoT and Fintech

We are working to evolve our Group's value chains into next-generation ones, centering on FamilyMart UNY Holdings Co., Ltd. In 2017, we established an operating company that promotes Fintech-related businesses with FamilyMart UNY Holdings. Therefore, we strive to promote businesses related to Fintech, including electronic money, credit cards, point programs and ID by involving Group companies.



Materiality:

Address climate change (contribute to realization of low-carbon society)



We will strive to adapt to the impact of climate change on business. At the same time, we will work to promote business activities aimed at contributing to realization of low-carbon society and reduce greenhouse gas emissions.

— Example of initiative

Offshore wind power plant operated off the German North Sea Coast

Given the growing demand for renewable energy, we participate in a power generation project in Germany with the CITTIC Group, with which we have formed a strategic business alliance and capital participation. With a total power generation capacity of 288 MW, it is one of the largest offshore power generation projects being operated off the German North Sea Coast. It supplies a sufficient amount of electricity for approximately 370,000 houses for standard German families, thereby contributing to the shift to a low-carbon society.



Materiality:

Cultivate a motivating workplace environment



We will create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity.

— Example of initiative

Support measures for balancing cancer care and work

In 2017, we began to provide support for balancing cancer care and work. The support measures include cancer screenings, which we conduct in cooperation with the National Cancer Center for the first time among private companies, and the establishment of a system of support to balance cancer care and work, including an internal coordinator for this purpose. By promoting health management in this way, we will achieve a work environment in which all employees can remain motivated, find their work challenging and fully demonstrate their capabilities.



Materiality:

Respect human rights



We will take initiatives for the respect and consideration for human rights through our business activities to stabilize our businesses and contribute to the development of local communities.

Example of initiative

Desalination project in Australia

The ITOCHU Group is involved in the Victorian Desalination Project, which includes the largest desalination plant in Australia and one of the greenest in the world. As a rainfall-independent source of water, the desalination plant can produce up to 150 gigalitres of high-quality drinking water from seawater each year using energy-efficient reverse osmosis technology. Key components of the plant have a design life of at least 100 years, making it a sustainable long term water source that can be relied upon in times of drought. The plant is environmentally sustainable with all power used to operate it offset by renewable energy. It is set amongst constructed dunes and restored woodlands and wetlands in a 225 hectare ecological reserve.



Materiality:

Contribute to healthier and more enriched lifestyles



We will contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.

Example of initiative

Initiatives for Promoting People's Good Health

In response to the progress of aging and similar issues that are recognized as social problems in developed countries, we contribute to promoting people's good health and creating a dynamic society in through sales of advanced medical devices, the business of supporting the operation of designated regional cancer care hospitals, pharmaceutical development, and the business of supporting health management using ICT.



Materiality:

Ensure stable procurement and supply



We will work to ensure the effective utilization and stable procurement and supply of resources in accordance with demand in each country, in consideration of biodiversity and other environmental issues, aiming to achieve a recycling-oriented society.

Example of initiative

Pulp business in Finland

METSA FIBRE of Finland, one of the world's largest softwood pulp producers and our business investment destination, promotes the sustainable use of forest resources. The company's pulp production processes generate electricity and the company provides the surplus not required by its plants to the surrounding region to contribute to the local environmental preservation.



Materiality:

Maintain rigorous governance structures



The Board of Directors will implement highly effective supervision of management from an independent, objective standpoint and enhance the transparency of decision making and we will ensure appropriate, efficient execution of operations.

Example of initiative

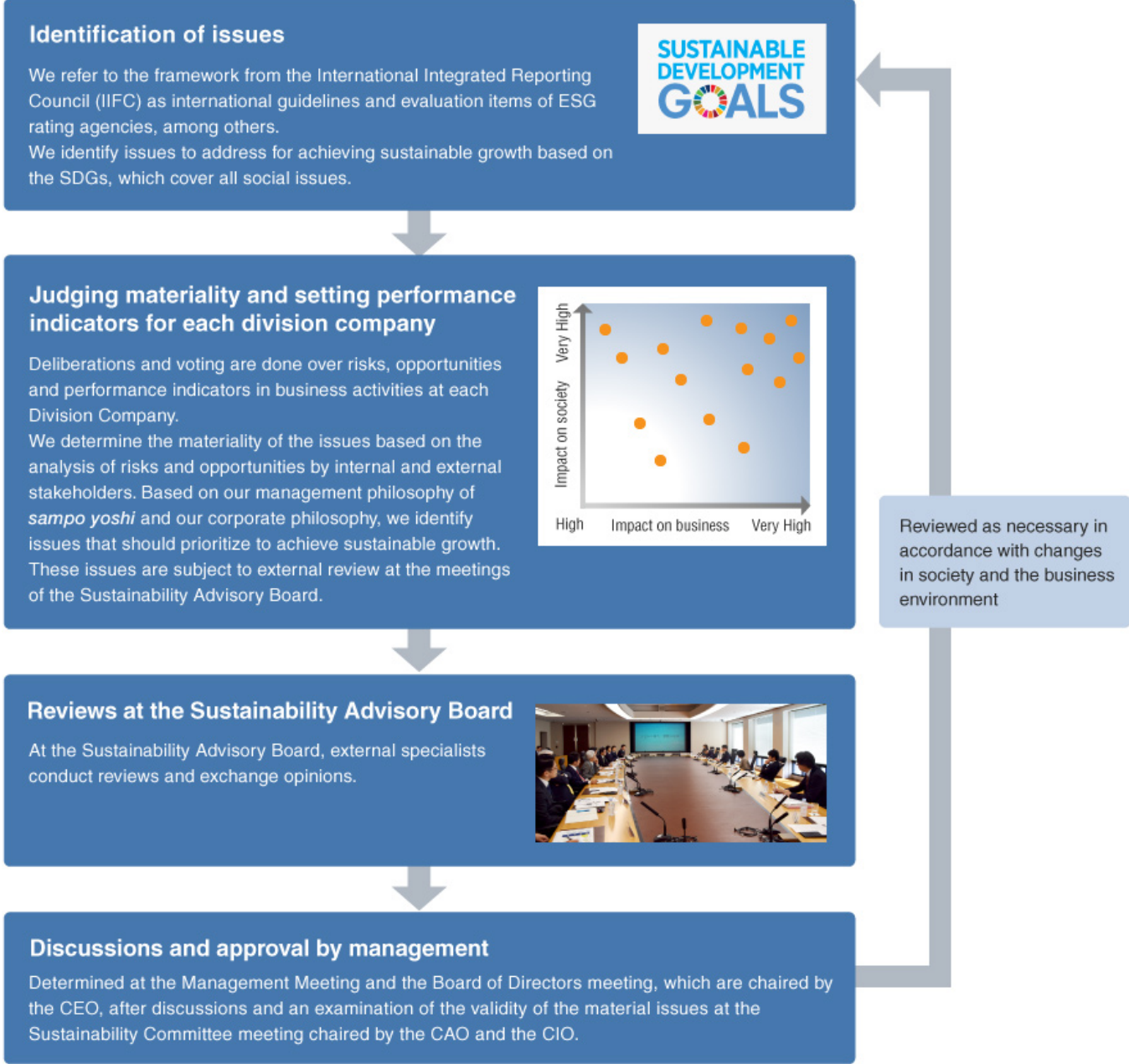
Strengthening the corporate governance function

To ensure appropriate, efficient execution of operations, we promote effective measures for strengthening the monitoring function of the Board of Directors and improving the operation of the Board of Directors.



Selection and Review Process of the Materiality

Since ITOCHU Corporation identified material issues for the first time in 2013, the company has regularly reviewed the issues based on trends in international society, expectations of its stakeholders. In response to the recent social circumstances and changes in the business environment, such as the adoption of SDGs and the entry into the Paris Agreement, we took the medium-term management plan that commenced in fiscal 2019 as an opportunity to identify seven new material issues.



Risks and opportunities for each Materiality

Materiality	Risks	Opportunities
Reinvent businesses through technological innovation	<ul style="list-style-type: none"> ● Obsolescence of existing business models resulting from the emergence of new technologies, such as IoT and AI. ● Labor shortage in developed countries, loss of excellent human resources in businesses in which efficiency improvement is delayed. And others. 	<ul style="list-style-type: none"> ● Creation of new markets and provision of innovative services. ● Utilizing new technologies for optimizing human resources and logistics, increasing competitiveness by promoting work style reform. And others.
Address climate change (contribute to realization of low-carbon society)	<ul style="list-style-type: none"> ● Decline in demand for fossil fuels resulting from business regulations on greenhouse gas emissions and other changes. ● Damage to business by increased occurrence of abnormal weather (such as drought, flooding, typhoons and hurricanes). And others. 	<ul style="list-style-type: none"> ● Increase of business opportunities related to renewable energy and other contributors to climate change mitigation. ● Retaining/acquiring customers with measures, including strengthening the supply system to adapt it to abnormal weather. And others.
Cultivate a motivating workplace environment	<ul style="list-style-type: none"> ● Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures, and others. 	<ul style="list-style-type: none"> ● Improvement of labor productivity and health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from the creation of a workplace that provides job satisfaction, and others.
Respect human rights	<ul style="list-style-type: none"> ● Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically). ● Decline in credibility that may result from defects in the social infrastructure services we provide. And others. 	<ul style="list-style-type: none"> ● Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities. ● Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain. And others.
Contribute to healthier and more enriched lifestyles	<ul style="list-style-type: none"> ● Decline in credibility that would result from the occurrence of a problem related to the safety or health of consumers and service users. ● Impact on business of destabilization of the market or social security system based on policy change. And others. 	<ul style="list-style-type: none"> ● Increase in demand for food safety and security and health improvement. ● Expansion of information, financial and logistics services resulting from an increase in consumer spending or penetration of the Internet. And others.
Ensure stable procurement and supply	<ul style="list-style-type: none"> ● Impact of opposition movement resulting from the occurrence of an environmental problem and worsening relationship with local communities. ● Structural exhaustion of the overall industry caused by the occurrence of price competition, mainly in the consumer-related sector. And others. 	<ul style="list-style-type: none"> ● Increase in resource demand attributed to an increase in population and improvement of living standard in emerging countries. ● Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials. And others.
Maintain rigorous governance structures	<ul style="list-style-type: none"> ● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others. 	<ul style="list-style-type: none"> ● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.

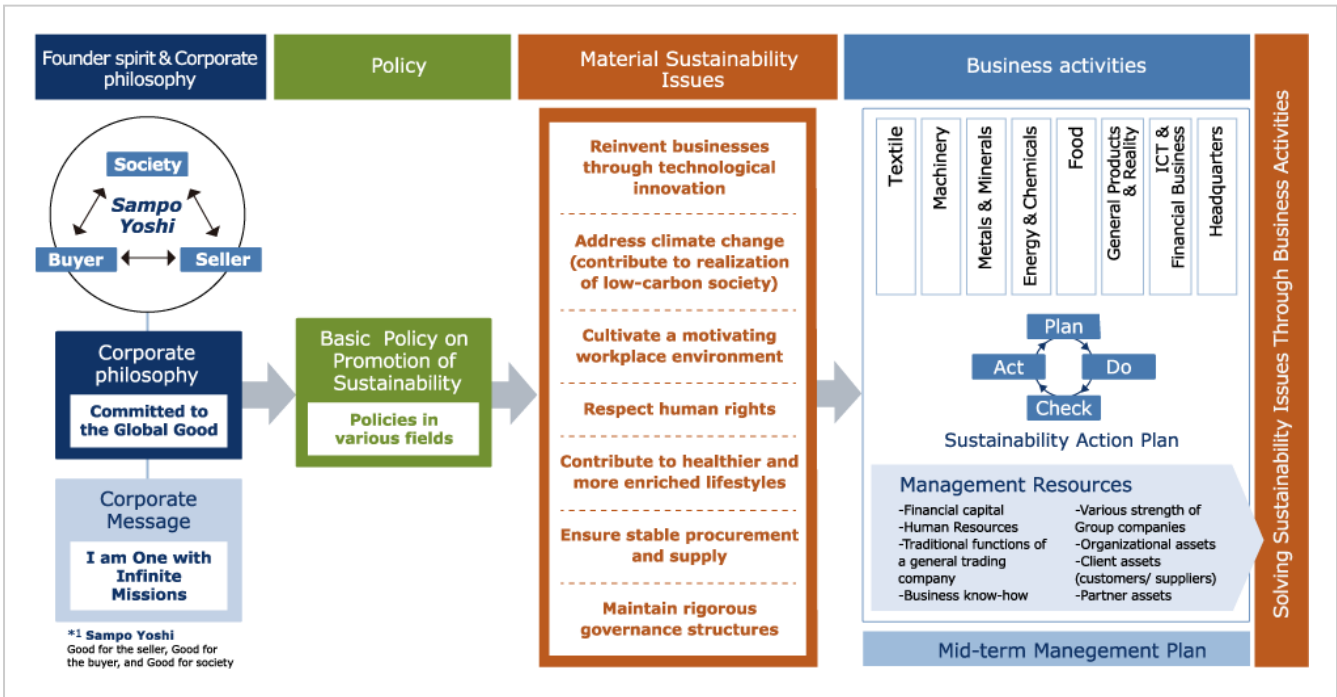
Sustainability Promotion System

Sustainability Promotion at ITOCHU Corporation

For nearly 160 years, since its founding in 1858, ITOCHU Corporation has followed the spirit of Sampo Yoshi (Good for the seller, Good for the buyer, Good for society), which was the management philosophy of merchants in the province of Ohmi. We believe that fulfilling our social responsibility, in accordance with the ITOCHU Mission "Committed to the Global Good," through our business activities is important.

The Corporate Message is an expression that defines the corporate philosophy of "Committed to the Global Good."

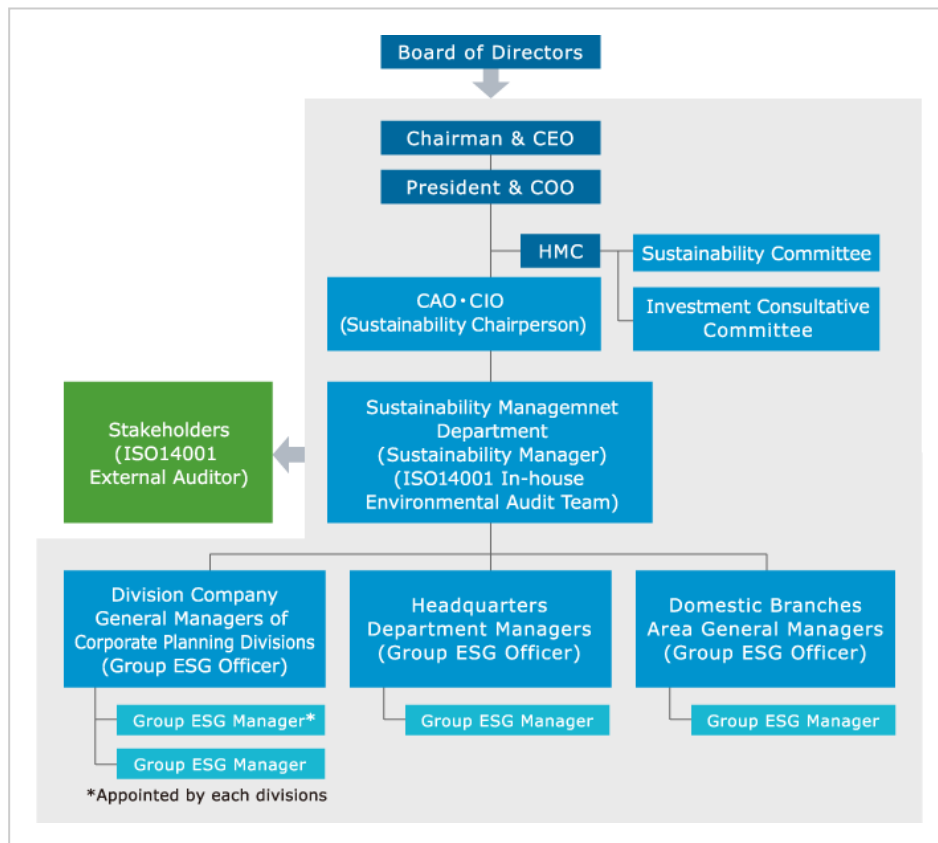
We have defined our Basic Policy on Promotion of Sustainability, which is the orientation of our sustainability related activities, based on our corporate philosophy and changes in the external environment. Under these policies, we promote sustainability in an organized and systematic manner. Each organizational unit develops sustainability action plans, according to materiality, which we set as the priority issues to be solved through our business activities. These action plans are business activities for trading and business investment, which were planned along with the Mid-term Management Plan.



Sustainability promotion flow

Sustainability Promotion System

Sustainability Management Department takes initiatives to plan and propose companywide sustainability policies to the CAO·CIO, the Chief Officer of sustainability. Individual organizational unit in Japan and other countries promote sustainability in accordance with the sustainability policies. The establishment of policies and key issues are discussed and determined by the Sustainability Committee, which is one of the key internal committees. The Chairman of the Sustainability Committee, in addition to the role as Committee Chairman, participates in meetings of the Board of Directors, the HMC, and the Investment Consultative Committee, reporting periodically on the status of the main activities for the promotion of sustainability to the Board of Directors, and making decisions based on the social and environmental impact of those activities. We also hold dialogues, such as at advisory board, with internal and external stakeholders every year to understand what is expected and requested by society and reflect this in our activities.



Sustainability promotion framework

Sustainability Committee meetings held in FY2018

Members	Chairperson: CAO·CIO Members: President of ICT & Financial Business Company, Chief Operating Officer of Provisions Division, General Manager of Corporate Communications Division, General Manager of Human Resources & General Affairs Division, General Manager of Legal Division, Corporate Auditors, General Manager of Planning & Coordinating Department of each Division Company
Main Resolutions	Sustainability policy, Environment management review

| Promotion of sustainability through the Action Plans

ITOCHU Corporation develops business in a wide range of fields through its seven Division Companies. In order to ensure the promotion of sustainability through business activities in trading and business investments, each Division Company formulates sustainability action plans, by setting key tasks and objectives in its fields. We promote sustainability in PDCA cycle system, and this cycle is monitored by Sustainability Management Department by holding review meetings twice a year with each organizational unit.

In order to further strengthen the support of business activities, our headquarters' administrative divisions, domestic branches and offices, overseas sites, etc. also develop sustainability action plans, in line with their respective businesses and functions.

| Awareness of Risks and Opportunities

ITOCHU Corporation operates businesses in a wide range of fields. Accordingly, we regularly review the industry-specific risks faced in each business field from the viewpoints of both internal factors and the external environment. Specifically, we identify the CSR risks in each business field and assess them by analyzing the frequency of incidence and materiality. By taking these assessments into account, we formulate countermeasures that lead to the prevention of the incidence of the risks and the reduction of their impact. We translate them into sustainability action plans and review them continuously.

Opinions from Inside and Outside the Company

ITOCHU Corporation puts emphasis on communications with various stakeholders, when selecting the materiality. Opinions and suggestions from outside the company that are received via our website are referred to by the relevant departments. In addition, we also hold dialogs with our stakeholders. For major initiatives, please see Stakeholder Relations (P22~23), Penetration of Sustainability at ITOCHU (P30~31), and Sustainability Advisory Board 2017 (P24).

In promoting sustainability, we also refer to the following international guidelines, principles, etc.

- United Nations Global Compact (ITOCHU participates in this)
- United Nations Guiding Principles on Business and Human Rights
- United Nations Declaration on the Rights of Indigenous Peoples
- ISO26000
- IIRC (International Integrated Reporting Framework)
- Shosha's Corporate Code of Conduct and Supply Chain CSR Action Guidelines by the Japan Foreign Trade Council, Inc.
- OECD Guidelines for Multinational Enterprises
- United Nations Universal Declaration of Human Rights
- United Nations Sustainable Development Goals *
- United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
- GRI Guidelines
- Charter of Corporate Behavior by KEIDANREN
- CDP

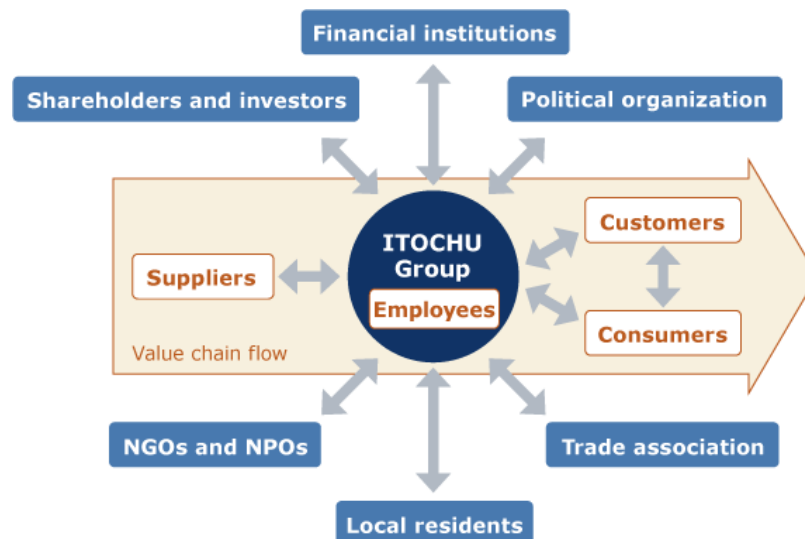
* SDGs (Sustainable Development Goals): Sustainable Development Goals for 2030, which replaces Millennium Development Goals, terminated in 2015. It consists of 17 goals, which aims to solve poverty and hunger, energy, climate change, peaceful society, etc.



Stakeholder Relations

Stakeholders of the ITOCHU Group

In our diverse range of corporate activities conducted worldwide, we place strong emphasis on dialogue with the many stakeholders that surround ITOCHU. By engaging in dialogue with our stakeholders in the manner described below, we provide them with information about the activities of the ITOCHU Group, and identify their expectations and concerns regarding ITOCHU. We will continue to promote our sustainability by reflecting measures for addressing issues within our business activities, with the aim being to improve our corporate activities.



* Besides those noted above, the list of our major stakeholders includes many other parties.

Stakeholders	Main methods of dialogue
Clients and business partners	Provision of information through the Annual Report and official website Notification of CSR action guidelines Quality control and fact-finding investigations about the status of CSR at suppliers Contact for inquiries
Shareholders, investors, and financial institutions	General meeting of shareholders Investors meeting on business results Provision of information through the Annual Report and official website Response to investigations and ratings performed by socially responsible investors Debt IR
Political organization, trade association	Participation in the government, the ministries related committees and councils Activity through the trade association (Japan Business Federation, Japan Foreign Trade Council)
Local communities	Social contribution activities and volunteer activities Stakeholder dialogue Dialogue with residents of areas around project sites Regular communication with NGOs and NPOs
Employees	Provision of information via the intranet and in-house magazines Communication via training sessions and seminars Provision of career counseling Establishment of a 24-hour employee consultation desk system Implementation of employee awareness surveys Labor-management meetings (including management meetings and settlement of accountings meetings) General employee meetings at each company

■ Reference data FY2018: The expense of trade association and social contribution

(Unit: 1 million yen)

Trade association	67	Social contribution (donation)	311 (153)
Economic association	54		
Political association	27		
Other association	101		

Sustainability Advisory Board 2017

ITOCHU Corporation management and outside stakeholders held a CSR Advisory Board meeting at the Tokyo Head Office on January 15 to discuss sustainability. The Sustainability Advisory Board (former CSR Advisory Board) was set up to facilitate a dialogue with external stakeholders about whether the direction of ITOCHU's sustainability approach matches the needs of society within the context of the diversification and expansion of ITOCHU's business activities.

In fiscal 2018, in response to the social circumstances and changes in the business environment, such as the adoption of the SDGs and the entry into the Paris Agreement, discussions were held on issues including material sustainability issues (materiality), which were reviewed by taking Brand-new Deal 2020, the new medium-term management plan that starts in fiscal 2019, as the opportunity to do so, as well as on the shift to a low-carbon society, human rights, and the supply chain. Experts from diverse backgrounds, including an investor, a specialist in human rights in Europe, and a person who worked for a global business corporation provided their frank opinions based on such matters as the investment environment and other companies' trends during the lively discussion. They also expressed their expectations for ITOCHU by making comments such as "The perspective of ESG will be important. We request that you think about the impact society and the environment will have on your corporate activities in the medium and long term and cater to social needs with ITOCHU's solutions." ITOCHU will continue addressing those issues by expanding its businesses, taking environmental changes, such as climate change, as business opportunities. The opinions and input that the advisors provided will be reflected in future sustainability promotion efforts and, through dissemination of information, lead to enhancing understanding among stakeholders about ITOCHU's business activities.

Date	January 15, 2018
Topic	<ul style="list-style-type: none"> ● Review of material sustainability issues (materiality) ● External environment related to sustainability and promotion of sustainability by ITOCHU
Panelists	<ul style="list-style-type: none"> ● Sustainability Advisory Board members <ul style="list-style-type: none"> • Ms. Mariko Kawaguchi, Senior Researcher, Daiwa Institute of Research Holdings Ltd. • Mr. Takeshi Shimotaya, Managing Director, Sustainavision Ltd. • Mr. Hidemi Tomita Director Tomita of Lloyd's Register Japan K.K. ● ITOCHU members (Job title at the time) <ul style="list-style-type: none"> • Fumihiko Kobayashi, Member of the Board, Senior Managing, Executive Officer, Chief Administrative Officer • Yoshihisa Suzuki, Member of the Board, Senior Managing, Executive Officer, President, ICT & Financial Business Company • Tomoyuki Takada, Executive Officer, General Manager, Corporate Communications Division • Hiroyuki Kaizuka, Executive Officer, Chief Operating Officer, Provisions Division • Shunsuke Noda, Executive Officer, General Manager, Corporate Planning & Administration Division • Akira Saito, General Manager, Legal Division • General managers of the Planning & Administration Departments of each Division Company • Akira Kurihara, General Manager, Sustainability Management Department (moderator)



Respect for Human Rights

Policies Related to Human Rights

The ITOCHU Mission "Committed to the Global Good" stands at the heart of the ITOCHU Group's corporate philosophy. The "Global good" refers not only to improved living standards, but also a general sense of well-being. ITOCHU, as a company with diverse operations worldwide, respect human rights and individuality, and is committed to the global good of society and individuals alike.

Accompanying this corporate philosophy, the ITOCHU Values consist of five values important for fulfilling the ITOCHU Mission "Committed to the Global Good." One of those values is "Diversity," under which the Group holds the human rights and individuality of every person as important.

Based on this policy, ITOCHU supports the Universal Declaration of Human Rights adopted by the United Nations in 1948 as a common standard of achievement for all people and all nations. Furthermore, ITOCHU participated in the United Nations Global Compact in 2009 which is derived from this Declaration and other international standards. We apply the concepts of the United Nations Guiding Principles on Business and Human Rights, which were adopted in June 2011, to our risk management and other activities. We also take steps to raise awareness of these principles among our employees.

Guided by this approach, we clearly prohibit the violation of human rights (prohibit discrimination on the basis of race, gender, religion, creed, nationality, physical condition, illness, age or other unreasonable causes) and sexual harassment (including discrimination or harassment based on sexual orientation or gender identity) in our employment regulations, and have outlined punitive measures to be taken against those who engage in such conduct.

Excerpt from the ITOCHU Group Philosophy and Code of Conduct Booklet

Respecting human rights and individuality

We value the rights and individuality of each person. We show respect and are attentive to others regardless of gender, race, religion, or position. We don't discuss matters that cause discomfort; we don't discriminate or harass; we respect basic labor rights and eliminate forced labor and child labor.

Excerpt from the United Nations Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Business should make sure that they are not complicit in human rights abuses.

See P32 for the full text of the United Nations Global Compact.

Respect for Human Rights in Business Activities

ITOCHU Corporation engages in business activities all over the world and conducts its business while respecting people's human rights in each of the regions in which it operates.

— Respecting the Rights of Indigenous People

As part of its commitment to respecting human rights, when conducting business activities in regions that are home to indigenous populations, ITOCHU will recognize the unique cultures and histories of such peoples and endeavor to respect and consider their human rights in accordance with the laws of the country or region concerned as well as international agreements such as the United Nations Declaration on the Rights of Indigenous Peoples and Convention No. 169 of the International Labour Organization (ILO). Further, when considering investing in new business projects, ITOCHU will enforce prior checks on how such projects might impact the rights of indigenous people.

– Approach to Engaging the Services of Security Firms

In December 1979, the United Nations adopted the Code of Conduct for Law Enforcement Officials to compel member states to thoroughly enforce and promote appropriate roles for law enforcement officials such as police officers and the military, and to facilitate the respect and safeguarding of people's dignity in the execution of said officials' duties. For its part, ITOCHU Corporation supports the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials in which the United Nations established basic principles governing the use of firearms by law enforcement officials based on the above Code of Conduct, and will engage in the selection of security firms in accordance with such principles.

| Human Rights in Our Supply Chain and Business Investment

Consideration for human rights and labor practice in our supply chain and business investment is an important issue for ITOCHU Corporation with business activities in various regions around the world. We regularly make checks to see that our suppliers and investment subjects are properly managing things in this respect. See P51 to read more about Sustainability Management in Our Supply Chain and Business Investment.

– Considerations for foreigners

Along the supply chain, when conducting the acceptance of foreign workers, trainees, and interns, these people are more susceptible to illegal practices due to various factors including social and/or economic standing. From the perspective of respecting and protecting human rights, we shall comply with the labor laws of the relevant country and give due consideration to ensuring that no acts are conducted that violate the intended purpose of the acceptance system.

– Approach to Conflict Minerals Issues

Some of the minerals produced in the Democratic Republic of the Congo and neighboring countries where conflicts are taking place can potentially provide sources of funding to armed groups which engage in inhumane acts, foment conflict or bring about human rights violations. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the United States in July 2010, required that U.S. listed companies disclose information such as their use of "conflict minerals*" produced in the Democratic Republic of the Congo and neighboring countries in their products.

While ITOCHU Corporation is not bound by the reporting requirements of the United States' Securities Exchange Act, to fulfill its social responsibility in procurement activities, ITOCHU Corporation will coordinate with its business partners in keeping with the spirit of this legislation and promote initiatives to ensure that it does not help armed groups that engage in human rights violations.

* "Conflict Minerals" as defined by the law refer to tantalum, tin, gold, tungsten and other minerals specified by the U.S. Secretary of State.

– Correspondence about modern slavery and human trafficking

The Company's Structure and Our Supply Chain Complexity

With approximately 120 locations in 63 countries, ITOCHU, a Japanese sogo shosha, is engaging in domestic trading, import/export, and overseas trading of products such as textiles, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology, and finance, as well as business investment in Japan and overseas.

Our Policy on Modern Slavery and Human Trafficking

ITOCHU is committed to ensuring that no modern slavery or human trafficking exists in our supply chains or in any part of our business. We participate in the United Nations Global Compact and apply the concepts of the United Nations Guiding Principles on business and human rights. Our existing policies contain provisions aimed at ensuring that there is no slavery or human trafficking in any part of our global business or supply chain.

Our relevant policies include:

- ITOCHU group's Corporate Philosophy and Code of Conduct (P7)
- Policies Related to Human Rights (P25)
- Respect for Human Rights in Business Activities (P25~26)
- Human Rights in Our Supply Chain and Business Investment (P26~27)
- The United Nations Global Compact (P32)
- ITOCHU's Sustainability Action Guidelines for Supply Chains (P51)
- Internal Information Reporting System (Hotlines) (P117)

Due diligence processes for modern slavery and human trafficking

ITOCHU provides notice of ITOCHU's Sustainability Action Guidelines for Supply Chains to all new suppliers before engaging in any transactions. When discovering a case that does not comply with these guidelines, we will request the relevant supplier to take remedial action. If progress has not been achieved after requests for remedial action, we will reexamine its business dealings with such commercial counterparty.

We also conduct due diligence in respect of significant suppliers and new business investments, including research on the seven core fields of ISO26000 (including modern slavery and human trafficking). We do additional due diligence through external specialized institutions in the case of new business investments requiring an expert perspective.

Supply Chain Management (P51~55)

Business Investment Management (P56)

Risk Assessment

ITOCHU implements on-site assessments; engages external experts; and conducts fact-finding investigations of its group companies, as needed, to ascertain whether there are any human rights issues such as, modern slavery or human trafficking. We also have established individual procurement policies and measures for products with potentially large impacts on society and/or the global environment, to minimize risk within supply chains.

Supply Chain Management (P51~55)

Product-by-Product Approaches to Sustainable Procurement (P57~58)

Precautionary Approach to Environmental Risks (P63)

Training

ITOCHU works to spread understanding of the relationship between business activities and human rights through in-house training programs for organizational heads, individuals assigned overseas, and others.

In addition, a handbook on communications with suppliers was created to inform employees how to communicate with their suppliers regarding CSR issues. Along with this handbook, we have set up a check system that enables sales representatives and local ITOCHU employees to undertake more specific checks of the actual status of how key suppliers manage human rights and labor practices, and we help these employees and representatives provide such suppliers with advice on improvement.

— Dialogue on business and human rights

The CSR Advisory Board for FY2015 was held under the theme of "Business and human rights : Relationships with local communities."

Raising Awareness Internally of Respect for Human Rights

Raising awareness through internal training programs

We work to extensively embed understanding of the relationship between business activities and human rights through in-house training programs. In the training program for new recruits, they are instructed to acquire the proper mindset for respecting human rights that they should have as members of the ITOCHU family, for example, the basic information for human rights, respect for different nationalities, ages and genders (including sexual minorities such as LGBT). In in-house training for organization heads, sexual harassment (including discrimination or harassment based on sexual orientation or gender identity) and power harassment issues are discussed, and a thorough understanding of human rights is fostered. During the training, we educate organization heads how to handle reports or incidents of harassment, and by doing so, strive to create a working environment with no harassment. Also, training conducted prior to overseas assignments includes the topic of consideration for human rights in the supply chain. In this way, we are working to raise awareness in each region. In FY2016, 426 people participated in human rights training.

Number of employees who participated in human rights training programs

	Number of employees who participated
Training for New Recruits	152 people
Training for newly-appointed managers	64 people
Training prior to overseas assignments	199 people

Employee Enlightenment about "Business and Human Rights"

As a general trading company that operates around the world and plays an important role in supply chains, we are implementing educational activities about "business and human rights" in each region. The objective of these activities is to keep up with the latest developments relating to business and human rights, and to incorporate this knowledge into our business.

See P31 for the latest seminar.

Establishment of a 24-Hour Employee Consultation Desk System

Employee Consultation Desk and Hotline

ITOCHU has set up an employee consultation desk to allow employees to discuss problems they may be individually confronting. A "HR Help Guide Book" has also been posted to the ITOCHU intranet, and efforts to broadly raise employee awareness of the consultation desk are made as part of a structure that allows employees to consult on issues of concern. An external Hotline System staffed by independent counselors has also been established.



The "HR Help Guide Book" posted on the intranet

Career Counseling Center

ITOCHU was one of the first Japanese companies to establish its own Career Counseling Center, where employees can consult regarding not only their individual careers, but on workplace culture, interaction with colleagues, remuneration, harassment, and other issues. Consultations can take place via phone, fax, email, post, or other means, and are dealt with by expert office staff.

■ Raising Awareness Through Various Publications

In an effort to avoid violations of human rights in the workplace, ITOCHU strives to raise awareness of human rights through a variety of publications distributed to all employees.

- ITOCHU's basic stance regarding respect for human rights is conveyed in a booklet explaining the ITOCHU Group's corporate philosophy and code of conduct to all employees.
- The Compliance Handbook has pages on respect for human rights, as well as power and sexual harassment, giving concrete examples of such conduct in an effort to avoid any violations of human rights in the workplace.
- A pocket-sized card on proper workplace etiquette details rules on the strict prohibition of any forms of harassment.

■ Fair and Honest Recruitment

At ITOCHU, recruitment decisions are based solely on an individual's abilities and merits, for fair and honest recruitment practices without regard for age, sex, or nationality. Measures we have taken so far for this purpose include the provision of human rights education through a guest lecturer from the Tokyo Metropolitan Human Rights Promotion Center and the reflection of the contents of this lecture in our training of interviewers. A watchdog system for ensuring fair and honest recruitment is also in place, and employees are selected and notified to serve as watchdogs and to promote awareness of human rights.

Penetration of Sustainability at ITOCHU

Sustainability Confirmation Test and Employee Questionnaire

Each year, we conduct the on-line Sustainability Confirmation Test and Employee Questionnaire Survey with all ITOCHU employees around the world, in order to promote the in-house penetration of Sustainability awareness and study the awareness of employees.

More specifically, once a year, our in-house magazine ITOCHU Monthly, which is published in the three languages of Japanese, English, and Chinese, puts out a special Sustainability issue. This issue presents the minimum requisite Sustainability -related knowledge and information which every employee should know. The implementation of the confirmation test on-line helps to heighten understanding of Sustainability among all employees.



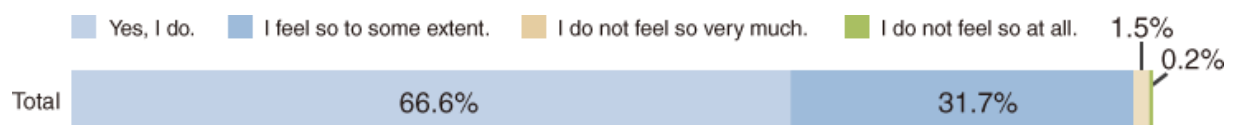
In FY2018, ITOCHU Monthly ran a special feature entitled "ITOCHU's Further Growth — ESG Investment —," including the President's message on ESG and articles on basic knowledge and the history of ESG investment, and global trends on E (Environment) of ESG. The Confirmation Test consisted of questions on the topics introduced in the articles. A total of 6,457 non-consolidated and overseas bloc employees responded.

The Employee Engagement Survey, asked employees questions about the sustainability promotion activities of ITOCHU Corporation and questions about their degree of motivation towards work.

Response rate of the Sustainability test and Questionnaire 2017

	Questionnaire for employees of ITOCHU Corporation	Questionnaire for employees of overseas blocs	Total
Number of employees	4,794	1,663	6,457
Number of respondents	4,794	1,632	6,426
Response rate	100.0%	98.1%	99.5%

<Questionnaire Results Excerpt> Do you feel proud to work for ITOCHU Corporation?



Sustainability Seminars

We regularly organize internal Sustainability seminars to incorporate the views and opinions on various Sustainability issues from outside experts since 2007.

— Latest Seminar

On March 1, a Sustainability Seminar on "Business and Human Rights" was held by inviting Mr. Saul Takahashi, the Representative in Japan of the Business and Human Rights Resource Centre, and Mr. Hidemi Tomita, who is a Director of Lloyd's Register Japan K.K. In the first part of the seminar, Mr. Takahashi gave a keynote lecture on stakeholder engagement. In the second part, based on questions from employees, Mr. Takahashi and Mr. Tomita gave talks on the "key points needed for human rights risk management by a corporation" in the form of a panel discussion. In the keynote lecture, Mr. Takahashi introduced human rights issues that trading company may face and examples of corporations' engagement in human rights problems that have actually occurred. In the panel discussion, Mr. Takahashi and Mr. Tomita talked about more specific examples of human rights issues and ways of handling them. Participants in the seminar provided many opinions such as "Knowing the specific examples enabled me to become more strongly aware of the importance of human rights and gave me an opportunity to think about whether or not ITOCHU is associated with such problems," and "The seminar was too short." With the endorsement of the Guiding Principles on Business and Human Rights, we have entered an era when Japanese companies with supply chains that spread all over the world are required to understand and commit themselves to human rights issues and the responsibility of corporations. This seminar served as an excellent opportunity to think afresh about what responsibilities ITOCHU should fulfill in its individual businesses.



Panel discussion

FY 2018	Business and Human Rights
FY 2017	What Can Be Done to Create a Sustainable Society?
FY 2016	Global Initiatives and Innovations to Implement Bold Global Warming Countermeasures
FY 2015	Business Activities from the Standpoint of Solving Global Issues
FY 2014	Climate Change: Risk and Business Opportunities

The United Nations Global Compact

ITOCHU's Participation in the United Nations Global Compact

In April 2009, ITOCHU Corporation joined the United Nations Global Compact, a global initiative to achieve sustainable growth of the international Community. In the compliance of the Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption, ITOCHU is striving to fulfill its corporate mission of "Committed to the Global Good."



The Ten Principles of the United Nations Global Compact

Human rights	<ul style="list-style-type: none"> ● Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and ● Principle 2 make sure that they are not complicit in human rights abuses.
Labour	<ul style="list-style-type: none"> ● Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; ● Principle 4 the elimination of all forms of forced and compulsory labour; ● Principle 5 the effective abolition of child labour; and ● Principle 6 the elimination of discrimination in respect of employment and occupation.
Environment	<ul style="list-style-type: none"> ● Principle 7 Businesses are asked to support a precautionary approach to environmental challenges; ● Principle 8 undertake initiatives to promote greater environmental responsibility; and ● Principle 9 encourage the development and diffusion of environmentally friendly technologies.
Anticorruption	<ul style="list-style-type: none"> ● Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Contribution to Activities of the Global Compact Network Japan

ITOCHU Corporation actively engages in activities as a Board Member of the Global Compact Network Japan (GCNJ), the local network of United Nations Global Compact in Japan.

The GCNJ organizes the Working Groups by issues related CSR where member companies are able to learn from other companies' best practices and academic experts and to have discussions and exchange opinions regarding CSR initiatives.

In FY2018, ITOCHU took part in following Working Groups.





- the Committee of Human Rights Due Diligence
- the Committee of SRI/ESG
- the Committee of SDGs
- the Committee of Reporting Research
- the Committee of Inclusive/Social Business

Sustainability and Our Business

Textile Company

The Textile Company consists of three divisions—the Apparel Division, the Brand Marketing Division 1, and the Brand Marketing Division 2—and develops businesses in a wide range of fields from raw materials to finished products, and from fashion to non-fiber materials. We are proud to be the leading Japanese general trading company in the textile field.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Reinvent businesses through technological innovation		Next-generation business Development	State-of-the-art technologies (IoT)	We will build a production IT infrastructure that will be a common platform of the supply chain and strive to improve added value and promote sustainable industrialization.	Introduce the production IT infrastructure to the main bases of the Group and contribute to the improvement of Product, Lifecycle and Management.	Visualize the supply chains of the overall Group to reduce costs, improve quality, and reduce lead time, thereby developing a supply system that can cater to market needs.
			State-of-the-art technologies (IC tag, RFID, and EC businesses)	We will utilize next-generation technologies, such as Radio Frequency Identification (RFID) tags, to contribute to improved efficiency, not only in the apparel industry but also in the associated logistics industry.	Improve production and sales efficiency by making use of AI, and in addition, accelerate the dissemination of RFID tags in the clothing industry, in an effort to increase the trading volume.	Make use of AI and disseminate the use of RFID tags, thereby improving production and operating efficiency in the supply chain, traceability, and sales capabilities.
Ensure stable procurement and supply		Stable supply of industrial resources and materials	Environmentally friendly materials (sustainable materials) such as recycled fibers	We will accelerate initiatives for the recycled fiber business, not only to create new businesses but also to help solve the global problem of apparel waste and reduce petroleum-derived materials.	Work aggressively on the recycled fiber business and lead the industry in promoting the use of sustainable materials.	Commercialize the recycled fiber business as soon as possible. Increase the ratio of sustainable materials to materials we trade.
		Provision of commodities that help achieve a sustainable lifestyle	Brand marketing business	We will contribute to increasing the visibility of a sustainable lifestyle by taking advantage of our strengths as a marketing company.	Raise awareness of an ethical, sustainable lifestyle through brand business, thereby promoting awareness-raising not only in the overall industry but also among consumers.	FY2021 : Take initiatives with new brands. Have a sustainable lifestyle understood and instilled more widely.
Respect human rights Ensure stable procurement and supply	 	Establishing a supply chain reflecting consideration for human rights and the environment	Supply chain management	We will promote information-sharing in the overall Group and establish a safe, secure supply chain, thereby helping customers with risk reduction and contributing to sustainable economic development.	Make Group-wide efforts to review the social and environmental safety of the supply chain and make improvements as necessary, thereby promoting the establishment of a safe, secure commodity supply system.	FY2024: Establish and visualize the supply chain of the overall Group, from material procurement to sales, to ensure a responsible procurement policy.

Prior to FY2017, we cooperated fully with the Japan Fair Trade Commission on its series of investigations into sales of corporate uniforms. However, the commission issued the Company a cease-and-desist order citing infringement of Japan's Antimonopoly Act on certain projects. We take the situation quite seriously and will consistently apply the preventive measures* we formulated based on internal investigation results and external advisors' opinions to secure and solidify compliance with all laws and ordinances, including the Antimonopoly Act.

* These measures include: (1) Adjusting our internal rules related to compliance with the Antimonopoly Act, (2) Promoting voluntary reporting of violations, and (3) Strengthening and enhancing education on compliance with the Antimonopoly Act

ESG related activities

Strengthen Branding of Natural and Environment-Friendly Materials

We've differentiated ourselves from competitors in our original raw materials business by branding, commercializing, and proposing natural materials like Peruvian Pima, Hamilton Lambs Wool, and One Cotton. As the transitional momentum toward sustainable materials in the global apparel market increases, we will strive to upgrade and expand our original materials and develop environment-friendly materials in the near future.



Our own raw material brands: One Cotton and Hamilton Lambs Wool

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.

* 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.



Charity bag by Hunting World









Panoramic view of the rescue center

Machinery Company

The Machinery Company operates businesses related to infrastructure projects, including IPP, water supply, environmental, energy, and transport, and businesses related to machinery, including marine, aerospace, automobile, construction machinery, industrial machinery, and medical devices. In addition, we are proactively developing opportunities in fields such as water and environment business, renewable energy business, solar industry, and biomass field. We position these businesses as ones for environmental protection, contribution to local communities, and others.

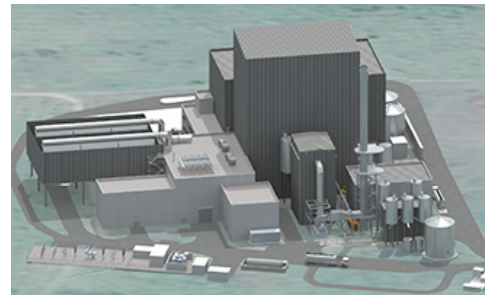
Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Address climate change	 	Taking countermeasures against climate change	Overall power generation business	We will develop power plants with a good balance between renewable energy power generation and conventional power generation, thereby contributing to the development of countries and regions in a sustainable manner that is optimized for each.	Pursue opportunities to invest aggressively in renewable energy power generation through analyses of countries and regions.	FY2031: Target to achieve a renewable energy ratio more than 20% (gross capacity basis) and reflect this to the future strategy.
		Taking countermeasures against climate change	Sales of passenger cars and commercial vehicles	We will achieve the eco-friendly mobility society by strengthening businesses of electric vehicles (EVs), hybrid vehicles (HVs), vehicles with a reduced environmental impact, and those related.	Contribute to spread of eco-friendly vehicles by increasing business of eco-friendly and high-efficiency products, such as EVs, HVs, vehicles with a reduced environmental impact, and related parts.	Expand sales of eco-friendly products in response to the expanded lineup of EVs, HVs, vehicles with a reduced environmental impact, and similar vehicles from automakers as our business partners.
Contribute to healthier and more enriched lifestyles		Promoting good health among people	Sales of leading-edge medical devices and provision of medical services	We aim to improve quality of life by providing leading-edge medical devices and advanced medical services in the field of medical care, where technologies are innovated rapidly.	Promote sales of advanced medical devices, such as MRI-guided radiation therapy systems, and the business of supporting the operation of designated regional cancer care hospitals.	Increase the penetration of advanced medical devices in Japan, such as MRI-guided radiation therapy systems.
Respect human rights	 	Improving water and hygiene infrastructures	Water and environmental projects	We will contribute to improving the hygiene environment, the development of economic activities, and the protection of the global environment through the appropriate treatment and effective use of water and waste.	Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and reduce the environmental impact.	Expand and diversify the investment portfolio in the water and environment field.
		Establishing a supply chain reflecting consideration for human rights and the environment	Overall electric power and plant projects	We will contribute to improving the quality of life of all stakeholders in the supply chain and business investment destinations.	Set rules on due diligence related to social and business environmental safety for suppliers and business investment destinations based on the distinctive characteristics of each business, implement due diligence, and strengthen monitoring continuously.	FY2020: Aim to implement the due diligence described on the left in all new development projects.

ESG related activities

– Signed a Waste Management Contract with the City of Belgrade

Together with France-based SUEZ, we signed the public-private partnership ("PPP") contract with the city of Belgrade, Republic of Serbia, for a 25-year waste management and resource recovery project. The project involves building and operating an energy-from-waste facility to treat 340,000 tons of municipal waste annually, equivalent to around 70% of the total municipal waste generated in Belgrade, and generate renewable heat and electricity. The project scope also includes the closure and remediation of the existing landfill, construction and operation of a new leachate-controlled landfill site. We will contribute to Serbia's environmental conservation by reducing waste volume landfilled and greenhouse gas emissions with the introduction of proper waste treatment facility.



Expected view of Energy-from-Waste facility

– 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, concluded 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 began supplying drinking water in June 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)

– Supplying clean electricity with solar power

– Fourth operational solar power plant in Japan –

Recently, the momentum to make effective use of renewable energy as global warming countermeasures has been expanding worldwide. In April 2018, the Saga-Ouchi Solar Power Plant (generation capacity: approximately 17,000 kilowatts), in which we participate, commenced commercial operations. The power plant, which was constructed in Ouchi-cho, Karatsu-shi, Saga, is so far the largest solar power plant in the prefecture. We plan to operate the plant for 20 years jointly with Kyudenko Corporation. The power expected to be generated per year amounts to nearly 24,000,000 kilowatts per hour, equivalent to the amount of electricity consumed by about 4,200 ordinary households annually. As a result, carbon dioxide will be reduced by as much as approximately 11,000 tons every year. This is our fourth operational solar power plant in Japan, following ones in Ehime, Oita, and Okayama. We will continue to proactively promote the renewable energy power generation business globally, so as to contribute to the establishment of a recycling-oriented society while taking into account environmental conservation issues such as the prevention of global warming.








the Saga-Ouchi Solar Power Plant

Metals & Minerals Company

The Metals & Minerals Company works in a broad value chain, ranging from the development of metal and mineral resources to the trading of steel and non-ferrous products. We create new initiatives for investments and trading, which benefit next-generation industries, aiming to ensure a stable supply while also maintaining a harmonious coexistence with society.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Ensure stable procurement and supply		Stable supply of industrial resources and materials	Mining business	We will contribute to the stable operation of various industries by maintaining and developing reliable supply chains for essential raw materials and fuels.	Acquire equity interests in superior projects to secure resources to form the basis for the steady supply of raw materials and fuels.	Acquisition of superior resource projects to pass on to the future generations, in addition to maintaining and expanding our existing portfolio of highly resilient mining projects.
Respect human rights Ensure stable procurement and supply	 	Sustainable mine development that reflects consideration of the risks in occupational safety and health and environmental risks, and that contributes to local communities	Mining business	We will promote sustainable development of natural resources by fully committing to EHS (environment, health, occupational safety) and harmonious coexistence with local communities in areas which we operate. We will improve local infrastructure such as medical care and education.	Ensure the thorough application of the EHS guidelines. Contribute to local communities through activities for improving medical care, education and infrastructure.	Implementation of annual internal seminars to ensure our employees are fully aware of the EHS guidelines. Donations to medical care, education and build infrastructure in local communities.
Address climate change	 	Taking countermeasures against climate change	<ul style="list-style-type: none"> Mining business Environmental business Material-related business 	<ul style="list-style-type: none"> We will realize stable energy supply as our social mission and responsibility while fully considering its environmental impact. We will contribute to reducing greenhouse gases through businesses related to lighter-weight vehicles and Electric Vehicles (EVs). 	<ul style="list-style-type: none"> Continue to be involved in the development of technologies that contribute to the reduction of greenhouse gases emissions, including technologies for carbon dioxide capture and storage (CCS) and carbon dioxide capture and utilization (CCU). Aim to develop an appropriate portfolio of coal assets by fully considering its environmental impact. Strengthen initiatives in businesses that contribute to the development of lighter-weight vehicles and shift to EVs (aluminum, copper, and other businesses). 	<ul style="list-style-type: none"> Contribution to the development of a low-carbon society by committing to technologies that help reduce greenhouse gases emissions. Development of an optimal asset portfolio by fully considering social requirements, including those related to the shift to a low-carbon society. Implementation and expansion of businesses that contribute to developing lighter-weight vehicles and shifting to EVs.

ESG related activities

— Promoting ESG Initiatives That Will Contribute to the Stable Supply of Future Generation Resources

Ensuring a stable supply of industrial resources and materials for the future generations is the Metals & Minerals Company's social mission and responsibility, and we are engaging in ESG-related initiatives to this end.

We are promoting the material business such as aluminum and other metals that will be necessary for lightweight automobiles and electric vehicles. We are also supporting the development of technologies to reduce greenhouse gas emissions. Through such efforts, we are making a proactive effort to realize a low-carbon society. We are also thoroughly implementing our own EHS guidelines, contributing to local communities on an ongoing basis, and ensuring sustainable resource development.

ITOCHU Metals Corporation handles various types of recyclable materials. The company is expanding its recycling business by undertaking the appropriate processing of industrial waste on a contract basis and recovering chlorofluorocarbon gases, thereby helping to create a resource circulation society.



Support activities for an elementary school in the area near our Colombian coal operations

— 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 always be kept compliant with international standards, and shared throughout our group by educational campaign with specific case examples.

Energy & Chemicals Company

The Energy & Chemicals Company consists of two divisions. One is the Energy Division, which handles trading of crude oil, petroleum products, LPG, LNG, natural gas, power, and other energy-related products and promotes exploration, development and production of oil & gas projects. The other is the Chemicals Division, which promotes projects and handles trading of general petrochemical products, sulfur, fertilizers, pharmaceuticals, synthetic resin, household goods, fine chemicals, electronic materials, and other chemical-related products. We will build up the efficient and sustained business base by accumulating prime assets and optimizing our existing business. At the same time, we will aim to evolve into reinvent businesses by making use of new technologies, AI, and other resources.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Address climate change		Taking countermeasures against climate change	Oil & Gas LNG (Liquefied Natural Gas) Projects	Development and production of natural resources with consideration in the reduction of greenhouse gases.	Partnering with experienced operators with high technical strength in the development and production of natural resources.	Pursuing opportunities to take part in LNG projects (i.e. LNG or natural gas emits less greenhouse gases than the other fossil fuels).
Contribute to healthier and more enriched lifestyles		Promoting good health among people	Pharmaceutical products	Contributing to the improvement of people's health and working environment through accelerating the development of pharmaceuticals and other products in fields with significant needs including cancer-related fields.	Actively promoting to support the development and marketing of new pharmaceutical and other products.	Aiming to obtain approvals in Asia and North America for new pharmaceutical and other products of which we are engaged in supporting the development, and to launch them into the market.
Respect human rights		Establishment of an energy resources development system that goes well with local society and environment	Exploration & Production of Oil & Gas	Contributing in the development of local society by advancing exploration & production projects that accommodate social and environmental concern.	Implementation of projects in compliance with the laws and regulations of the respective government and internationally-recognized administrative body.	<ul style="list-style-type: none"> ● Be compliant with HSE (Health, Safety and Environment) standards in the respective government and the ones set by internationally-recognized administrative body. ● Reduction of HSE issues that involve serious damage to human beings and/or environment.

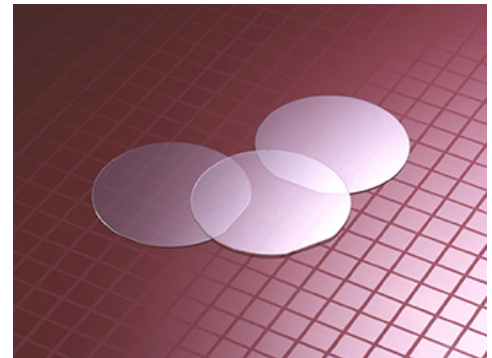
ESG related activities

— 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 are effective for improving the energy efficiency of devices such as next-generation LEDs capable of producing natural light color, high-efficiency LEDs, semiconductor lasers, high-speed, 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 needed for commercialization of the gallium nitride compound semiconductors.

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.



Gallium nitride semiconductor substrates

— An oil project in the Caspian Sea, which ensures a stable resource supply and contributes to local communities for harmonious cooperation

As a member of an international consortium operated by BP, ITOCHU Corporation participates in the ACG field, a crude oil development and production project in the Caspian Sea in Azerbaijan, and the BTC oil feed pipeline project.

Crude oil produced by the ACG project is supplied primarily to the European market via the BTC Pipeline, thus contributing to the stable supply of energy in the world. These projects operate in strict compliance with environmental and labor-related laws and industry standards, as well as initiatives to reduce carbon emissions from operations. The projects create local employment and promote various activities in areas such as education and agriculture in order to enhance harmonious coexistence with local communities. ITOCHU Corporation, on its own initiative, is fully committed to such activities, including donating computers to local schools via its subsidiary.



Production platform (photo courtesy of BP p.l.c.)

— 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 June 15, 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 Logitech 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, which was organized in FY2017, was held again in FY2018. 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 FY2018 (Comparison with previous full shrink packaging)

Cutting the amount of plastic materials: Approx. 550 tons, Lowering CO₂ emissions: Approx. 1,975 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.

■ Initiative for providing services for optimal control of energy storage systems using AI technology

ITOCHU Corporation has signed a capital and business tie-up with Moixa Energy Holdings Ltd., a UK company that operates a platform business, which applies AI technologies to energy storage systems. Through this capital and business tie-up, ITOCHU has acquired exclusive marketing rights in Japan for the Gridshare Client platform technology software. Used for energy storage systems, the Gridshare Client performs optimal control of energy for customers in various layers, including general consumers, power producers, and power transmission and distribution utilities. This software will enable the operation of diverse, next-generation businesses, including the Virtual Power Plant (VPP) business and charge management for electric vehicles. By offering Gridshare Client, ITOCHU will contribute to the efficient operation of renewable energy, stabilization of the power supply, and building of a distributed energy society.

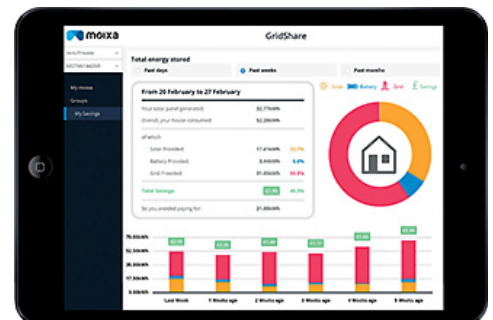







Image of Moixa

Food Company

The Food Company consists of three divisions: the Provisions Division, the Fresh Food Division, and the Food Products Marketing & Distribution Division. The goal of this division company is to become the leading company in the global food industry. Accordingly, the Food Company is developing a high value-added value chain that organically links customer-driven food resources development, food resources supply, product processing, midstream distribution, and retail on a global scale with a focus on Japan, China and Asia. Further, throughout that system, we are upgrading controls for food safety even further to ensure trust and reliability.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Reinvent businesses through technological innovation		Next-generation business Development	Overall food-related businesses	We will aim to improve productivity and efficiency by utilizing RPA and AI proactively.	Introduce and utilize new technologies, especially in the sectors around retail that are facing a serious labor shortage, thereby maintaining social convenience. At the same time, disperse human resources to new services with the aim of further improving convenience in the consumer-related sector.	FY2019: Start experimental operations that apply RPA and AI.
				We will aim to create innovative services and new business by integrating assets and new technologies of the ITOCHU Group.	Increase contact with consumers by promoting the retail business in our efforts to understand consumer behaviors, and combine the wide range of products, functions, and expertise of the Group to create unique new value that will be profitable for consumers and communal society.	Promote the deployment of new products and new services through collaborations with the retail business operated by the ITOCHU Group.
Address climate change		Taking countermeasures against climate change	Provisions Fresh foods	We will reduce the impact of abnormal weather on the business with the aim of ensuring the stable supply of agricultural crops.	Decentralize production areas by collaborating with Group companies.	FY2021: Aim to develop other areas following the Philippines in the Fresh Produce Business.
Contribute to healthier and more enriched lifestyles		Supplying safe, secure food	Overall food-related businesses	We will select and concentrate on suppliers who are capable of manufacturing and supplying safe, secure food stably.	Increase the number of persons with international certifications/qualifications related to judgment on the Food Safety Management System (FSMS) to enhance the capability of human resources for selecting suppliers.	Proceed with the appropriate allocation of human resources as judges mentioned on the left to business departments, with the leading role played by the food safety management organization of ITOCHU Corporation.
Respect human rights Ensure stable procurement and supply	 	Establishing a supply chain reflecting consideration for human rights and the environment	Provisions	We will establish a procurement system that conforms to third-party certification criteria and unique codes of conduct of manufacturers as our customers.	<ul style="list-style-type: none"> Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers. Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil. 	Proceed with discussions of targets for the sustainable procurement of palm oil by collaborating with the trading industry organization based on customers' situations and industry trends.

ESG related activities

— Establishing a Stable Production System by Promoting Integration

HYLIFE's vertically integrated system enables to manage the entire supply chain independently. The supply chain includes compound feed production, hog raising, and pork processing.

As a result, the integrated strategy ensures stable supply of safe, secure, and high-quality products with a business model resilient to market price fluctuations. Aiming to further leverage these strengths over the medium to long term, the company has expanded its facilities, introducing technologies to partially automate pork processing, to increase production system efficiency and stability.



Processing line

— 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.

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.



Banana Field

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 3.2 million dollars in 2017 on social contribution activities in the Philippines, 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 construction and 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 FY2018, we conducted on-site audits for 186 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 FY2018, we conducted regular audits and follow-up audits of 54 companies, having increased the cumulative total to 100 companies.

Due to the recent revision to the Food Sanitation Act, hygiene control with HACCP is planned to be institutionalized. In accordance with the targets of control under the institution, we will plan to expand the subjects of the on-site audit in line with the food chain.

* International Register of Certificated Auditors

— Educational training programs related to food safety and compliance

We provide educational training programs related to food safety and compliance in the form of e-learning as part of our efforts to raise employees' awareness of food safety and legal compliance and improve their knowledge about these issues. We are also developing human resources for audits in response to the expansion of subjects of the on-site audit.

Main contents	<ul style="list-style-type: none"> ● Food safety ● Compliance ● Internal regulations / manuals ● ESG
Participants	<ul style="list-style-type: none"> ● All of Food Company employees (including contract workers, temporary staff, seconded employees, accepted seconded employees.) ● All of Food Management Support Corporation employees (Food Management Support Corporation is a Food Company's wholly owned subsidiary and performs back-office support for the Company.)
Number of participants	689 (FY2017), 699 (FY2018)
Participation rate	99.3% (FY2017), 99.9% (FY2018)

We will continue to provide training in FY2019 and onward, aiming to entrench the knowledge.

General Products & Realty Company

The General Products & Realty Company consists of two divisions: the Forest Products & General Merchandise Division and the Realty & Logistics Division. The Forest Products & General Merchandise Division deals with pulp, natural rubber, tires, timber, housing materials and other products associated with daily life, while the Realty & Logistics Division is involved with the development of properties such as housing and distribution facilities and the distribution business including third-party logistics (3PL) and international transportation. Each division utilizes its collective strength and global network to provide society with new value and contribute to the realization of fulfilling housing experiences.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Ensure stable procurement and supply		Using sustainable forest resources	<ul style="list-style-type: none"> Wood products & materials Pulp Woodchips 	We deal in sustainable forest resources to reduce the impact on the environment and prevent the increase of greenhouse gases.	<ul style="list-style-type: none"> Continue to request suppliers who have yet to obtain certifications to obtain them. Conduct sustainability surveys of suppliers and visit them. 	FY2026: Aim to achieve a rate of 100% for materials under high-level management or certified ones that we handle.
Address climate change		Taking countermeasures against climate change	Cement alternatives such as slag	We will expand the use of a sustainable by-product (slag) as an alternative material to cement, which is essential for civil engineering, construction, and similar works.	Establish continuous, stable business flow between ironworks as the supplier of slag and other byproducts and demanders.	Consider investment, participation, etc. in the slag business and focus efforts on creating demand, especially in developing countries, with the aim of establishing continuous, stable business flow.
Respect human rights		Providing an environment that enables the focus to be placed on stable production activities	Construction	We will operate industrial estates in a high-quality manner that will permit tenant companies to focus on stable production activities.	<ul style="list-style-type: none"> Establish a safe, secure, environmentally-friendly infrastructure, including facilities such as those for power supply, industrial water/wastewater treatment, security and fire prevention systems, or improve the existing infrastructure to make it like the above. Create employment by inviting companies, and in addition, promote locally-based contribution activities. 	Undertake further improvements of infrastructure facilities and the service system in industrial estates and continue diverse local contribution activities.
Contribute to healthier and more enriched lifestyles		Establishing a logistics network that is adapted to changes in consumer behaviors	Distribution	We will provide logistics services adapted to changes in distribution that have resulted from the expansion of the e-commerce market in emerging countries.	Establish and promote the operation of high-value added logistics services for business operators who sell goods using e-commerce.	Aim to increase the trade volume of products in the e-commerce logistics markets in emerging countries.

ESG related activities

— 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 3.1 million tons (including production at Äänekoski Mill, a new mill that began operating after the construction work for increasing production was completed in August 2017). It commissions sales of the softwood pulp it produces, which is intended mainly for the Asian market, to ITOCHU Corporation as an exclusive agent.

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.



Äänekoski Mill, a new mill that began operating in 2017

— Becoming the World's No. 1 Trader in Blast Furnace Slag, a Cement Alternative

Blast furnace slag, a byproduct of the steelmaking process, can be mixed into and used as a cement alternative. The use of slag helps to conserve limestone, a natural resource used in cement, and provides the environmental benefit of lowering CO₂ emissions by around 40%* compared with concrete made entirely from cement.

Blast furnace slag is also highly resistant to seawater and, being resistant to long-term corrosion, is widely used in large civil engineering structures at ports.

Beginning some 20 years ago, ITOCHU now sells blast furnace slag produced in Japan and overseas in around 10 countries, making it the world's leading trader in slag, by handling volume. Going forward, we will build a sustainable and stable flow of operations in the slag business and are considering further investment and participation.

* Calculated at a 55 : 45 ratio for cement : blast furnace slag



Structure employing 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.

Substation facilities of the state-owned electricity company have been set up in KIIC, which has enabled the securing of electricity and ensured its stable supply. The industrial city also boasts stable infrastructure facilities built internally, including its own industrial water plant, waste water plant, retention basin for emergency backup, and road pavement for preventing traffic accidents in the city. KIIC also has safety and security systems established, including 24-hour security by 150 security officers, a police station, security precautions jointly taken by the government of Karawang Regency and the police department of Karawang, and fire engines and an ambulance. In addition, KIIC has built smart street lights*, making it the first industrial park in Indonesia with lights of this kind, in an effort to reduce its environmental impact.



Local Children Who Participate in Tree Planting Activities

Further, KIIC companies have also continued to pursue various sustainability 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.

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 sustainability 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, such as the extermination of mosquitos to prevent dengue fever and other infections.





Through these initiatives, 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

The ICT & Financial Business Company consists of two divisions: the ICT Division and the Financial & Insurance Business Division, and strives to create a business synergy focused on service fields such as ICT and BPO. In areas such as the FinTech business, and amalgamation of Finance and Technology that has attracted increased attention in recent years, we are leading efforts to tackle and expand new markets by combining the business development functions of the ICT Division with the customer networks and expertise of the Financial & Insurance Business Division.

Sustainability Action Plans

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Reinvent businesses through technological innovation		Next-generation business Development	Business incubation through venture investment, focused on FinTech, IoT, AI and etc.	We will try to create new industries with acquiring cutting-edge innovations and business models such as IoT, AI, and FinTech.	Seeking chance to invest in and make partnerships with startups, in order to develop new businesses.	Achieve success new service and business development.
Contribute to healthier and more enriched lifestyles		Promoting good health among people	Business of clinical development support and pharmaceutical marketing support Business of providing health care management solutions for individuals	We will provide value-added services for pharmaceuticals and medical sites, and will contribute to improvement of people's Quality Of Life (QOL) by utilizing cutting-edge ICT tools.	Store and utilize health data obtained from health checkup, wearable devices, and body composition scales.	FY2021: Managing the health data of 1,000,000 people.
		Providing financial services	Domestic and overseas retail finance business	We work on expanding and creating the retail financial market and providing financial services to individuals to contribute to enriching people's lives.	Increase the number of customers and loan balance by expanding and creating the retail financial market.	Increase of the number of customers and loan balance.
		Maintenance of industrial, logistics, and transportation infrastructure	ICT infrastructure construction business	We will contribute to maintain safe, secure, and highly convenient social infrastructure through providing various ICT solutions.	Continue to enhance the value of ICT solutions with maximizing new product/service sourcing functions.	Increase the number of procurement partners.

* Throughout our business activities, we respect freedom of expression and privacy rights, which are important human rights issues regarding the Internet and SNSs.

ESG related activities

Start-up Investments to Develop New Technologies and Service Models

The rapid adoption of AI, IoT, and other new technologies is presenting to rebuild conventional business models and respond to digitalization as an important management issue for companies. By investing in start-up companies, the ITOCHU Group is endeavoring to promote the rapid utilization of new technologies and services at investees. Furthermore, by promoting open innovation and creating next-generation business models, we are supporting digitalization efforts at client companies. We are fostering stronger ties between start-up investees and ITOCHU Group companies by increasing share and dispatching employees. As a result, we aim to internalize some of the growth potential of those start-up companies into the ITOCHU Group and cultivate as a new ITOCHU Group companies.



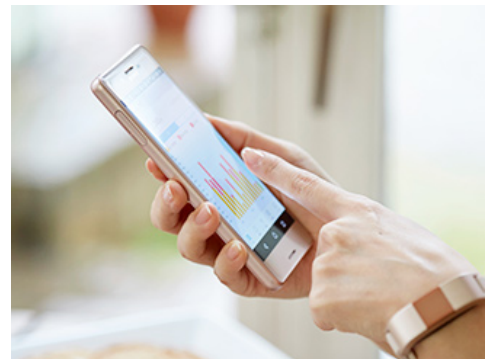
CTC innovation space, "DEJIMA"

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 dietitians 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.

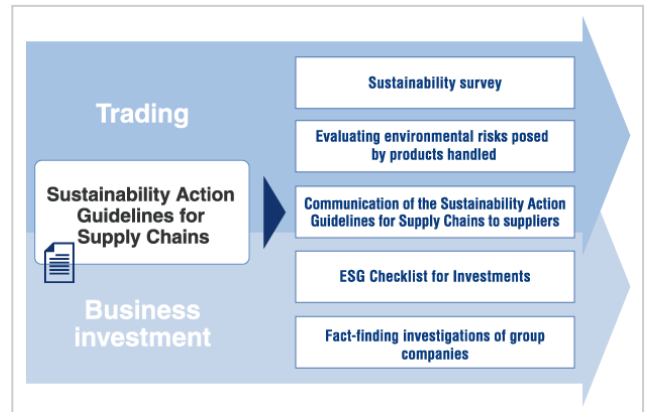


Smartphone Application linked with a wearable device

Sustainability in Our Supply Chain and Business Investment

Engaged in trading and business investment on a worldwide basis, ITOCHU Corporation also takes full consideration for human rights, labor and the environment, etc., through sustainability management that is commensurate with the respective business activities for its supply chain and business investment.

Through such consideration, the Company is determined to build a sustainable value chain and link this to heightening the competitiveness and corporate value of the ITOCHU Group.



Supply Chain Management

Basic stance on supply chain management

In light of the increasing spread and complexity of ITOCHU's supply chains due to its business fields expanding, ITOCHU's business further requires risk management concerning human rights, labor and the environment not only in processes under their direct control but also in areas such as procurement of raw materials, production sites, intermediate distribution, and the regions of consumption. We at ITOCHU Corporation pay particular attention to management on the site of suppliers which occupy a fairly high share of our purchasing, and view our consideration and sense of responsibility for these areas as matters of great importance to be addressed with a high priority. ITOCHU Corporation has set out its Sustainability Action Guidelines for Supply Chains, and implements the following surveys and reviews. Through these activities, it is striving to prevent the occurrence of any problems. When problems are detected, it aims for improvement in the concerned areas through communication with suppliers.

ITOCHU Corporation's Sustainability Action Guidelines for Supply Chains

1. Suppliers shall respect the human rights of its employees, and shall not treat employees in an inhumane manner including verbal abuse and physical punishment.
2. Suppliers shall not engage in forced labor or child labor.
3. Suppliers shall not practice discrimination in hiring and employment.
4. Suppliers shall prevent unfair low-wage labor.
5. Suppliers shall respect the rights of employees to organize and bargain collectively to promote smooth negotiation between labor and management.
6. Suppliers shall ensure that employees' working hours, holidays, and use of leave of absence are properly managed so as to comply with statutory standards.
7. Suppliers shall strive to provide employees with a safe and healthy work environment.
8. In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
9. Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
10. Suppliers shall disclose information regarding the above items in a timely and appropriate manner.

Communication of the Sustainability Action Guidelines for Supply Chains to suppliers

We believe it is important to win the understanding and cooperation of all our suppliers for our procurement-related policies. In keeping with this belief, in FY2014, we again made notice of the ITOCHU Corporation's Sustainability Action Guidelines for Supply Chains to the approximately 4,000 suppliers with whom we have continuing transactions. In January 2015, we established a rule to make notice of the guidelines to any new supplier before we start transactions. We are thus endeavoring to deepen communication with them on our sustainability-related policies.

Response to non-compliant supplier

When a case that does not comply with the intent of guidelines has been confirmed, ITOCHU will request the relevant supplier to take remedial action, and will provide support and guidance as needed. If a remedy is deemed difficult despite ITOCHU making continuous requests for remedial action, ITOCHU will reexamine its dealings with the supplier concerned.

Sustainability Survey

Starting from FY2009, in order to check the status of our various suppliers, each of the Division Companies and relevant Group companies of ITOCHU selects significant suppliers based on such parameters as high-risk countries, products handled and transaction amounts. Sales representatives of each Division Company or staff members of overseas subsidiaries and operating companies visit the suppliers and conduct the Sustainability survey by providing interviews or questionnaires (using the Sustainability Checklist) along with the mandatory questions on the seven core fields of ISO 26000.



Conceptual rendering of the promotion of supply chain management

■ Sustainability Checklist

The Sustainability Checklist is based on the seven core fields of ISO 26000 (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development). We have added items that are specific to each field. For example, we added items to be checked related to forest conservation for the Forest Products & General Merchandise Division (lumber, pulp & paper); food safety items for the Food Company; and items related to the protection of intellectual property for the Textile Company. Referring to the opinions of external experts, we have set 19 of the survey questions as important questions. These are mainly related to human rights, labor practices, and the environment, where insufficient response or measures will increase the sustainability risk. Thus we strongly encourage suppliers to make improvements in these sustainability high-risk areas.



The Supply Chain Communication Handbook

In addition, we have also published a handbook on communications with suppliers, and use it to inform employees how to communicate with suppliers. Along with the handbook, we have set up a check system that will enable sales representatives and locally assigned ITOCHU employees to undertake more specific checks of the actual status of how key suppliers manage environmental issues, human rights, labor practices, the prevention of corruption, and other matters, and help them provide suppliers with advice on improvements. Moving forward, we will continue to conduct surveys and communicate with suppliers to raise employee awareness and enhance supplier understanding and implementation.

Example descriptions in the HANDBOOK

Prohibition of forced labor

Companies must not force their staff members to work.

Forced labor means labor forced on a person against their will. Examples include restricting the staff member's freedom to leave the job until they repay a debt to the company and restricting their freedom to leave the job under the employment contract.

Forced labor may be identified by asking staff members what their work shifts are like, whether they have break times, and whether they have sufficient time to eat meals, or by checking their facial expressions carefully. In a worst-case scenario, staff members are deprived of freedom for their entire lives, forced to live in a dormitory on the factory premises and prevented from going outside the premises. It is also effective to check whether there are any staff members who have come from rural areas or foreign countries to work for the supplier. Employers must be prohibited from taking the passports of staff members or master copies of their IDs or work permits, because such acts lead to forced labor.

Reference

Forced labor needs to be checked for not only at factories in emerging countries, but also at those in Japan. In recent years, the Technical Intern Training Program (TITP) of Japan has been criticized by some overseas countries. You should therefore also check whether suppliers in Japan employ any foreign staff members, and whether there are any problems with the work hours and wages of such staff members.

■ Sustainability Surveys in FY2018

In FY2018, ITOCHU surveyed 333 companies, including suppliers of overseas offices and Group companies. No serious problems requiring immediate response were found in the survey results.

Even when surveys have revealed problems that are cause for apprehension, we confirm the initiatives for prompt improvement or countermeasures taken by the supplier. We will continue to communicate with suppliers to seek their understanding of our thinking.

Surveys conducted in FY2018	Inclusion criteria	Survey subjects	Survey items
Textile Company	<ul style="list-style-type: none"> • High-risk countries • Countries with specific transaction amounts • Countries where specific products are handled 	46	<p>Main questionnaires that are the same for all division companies:</p> <p>(1) Organizational governance: Responsibilities. Establishment of a whistleblowing system.</p> <p>(2) Human rights: Assessment of the risk of human rights violations: Child labor, forced labor, and harassment. Prohibition of discrimination. Payment of appropriate wage amounts.</p> <p>(3) Labor practices: Management of working hours. Management of health and safety. Management of employee health.</p> <p>(4) The environment: Waste, treatment of discharged water, handling of hazardous substances, climate change, approaches to the conservation of biodiversity</p> <p>(5) Fair operating practices: Prevention of corruption, information management, prevention of the infringement of intellectual property rights, sustainable procurement policies</p> <p>(6) Consumer issues: Quality control system, traceability</p> <p>(7) Community involvement and development: Dialogue with local residents and general consumers</p> <p>• Product-specific questions</p> <ul style="list-style-type: none"> ● Textile Company: Control of chemical substances, and protection of intellectual property ● Food Company: Food safety, and checking traceability ● Forest Products & General Merchandise Division (Paper, wood chips, and wood products): protection of forests, and obtaining or enhancing third-party certification
Machinery Company		9	
Metals & Minerals Company		20	
Energy & Chemicals Company		45	
Food Company		103	
General Products & Realty Company		105	
ICT & Financial		5	
Total		333	

For significant suppliers, personnel from the Sustainability Management Department of ITOCHU Corporate Communications Division make visits as necessary to undertake on-site surveys together with external experts.

ITOCHU conducted a survey of PT. SANKYO INDONESIA, an associated company in Indonesia that operates the manufacturing business for electric blankets. The survey covered labor safety, labor management, human rights and environmental aspects based on the ILO Constitution, the standards of major global apparel brands and the laws and ordinances of Indonesia.

On-site report: a fact-finding survey at an electric blanket factory in Indonesia



On November 14, 2016, ITOCHU and an external expert conducted an on-site survey of the electric blanket factory of PT. SANKYO INDONESIA, an associated company of ITOCHU. The factory is located in an industrial park that is a one-hour drive from the city center of Jakarta, and 500 employees including temporary workers manufacture electric blankets on a double shift basis during peak periods. In the morning, the survey team interviewed the president and personnel and general affairs manager, and checked documents concerning human rights and labor management. In the afternoon, the team reviewed, in the presence of the factory director, the production lines, the evacuation routes, management of chemicals and the rest of the factory. The external expert complimented the factory that the ages of employees were properly checked with official IDs when hired, that the working hours and payroll were systematized and managed appropriately, and that the documents were well organized. The expert also provided some advice from a labor safety and health standpoint to take further measures such as conducting disaster drills and health checkups on a regular basis and the factory immediately carried out these measures in effect. The factory continues to strengthen the production system with consideration for occupational safety and the environment with increased quality control and production efficiency.

■ Regular on-site surveys of food processing plants

Since FY2012, the Food Company has regularly visited and surveyed the food processing plants of overseas suppliers for imported food, under the initiative of the Food Safety and Compliance Management Office. In FY2018, we visited 186 overseas suppliers and implemented preventive measures for securing the safety of the food we trade with them. In January 2015, we set up the Food Safety Management Office in the Beijing office and established an auditing system for Chinese suppliers. In FY2018, such periodic or follow-up audits were made to a total of 54 companies.

■ Fact-finding investigations of Group companies

To prevent environmental pollution and related problems among the ITOCHU Group companies, personnel from the Sustainability Management Department have been making on-site visits for the purpose of survey work from a third party stand point, together with external experts.

Surveys conducted in FY2018	Subject region	Number of companies visited for on-site surveys	Survey items
Food hygiene audits by the Food Company* (suppliers from which products are imported directly)	Overseas	186	Food hygiene, food defense
Fact-finding investigations of Group companies conducted as on-site fact-finding surveys of suppliers as well	Japan	4	Soil pollution, water and air discharge control, waste disposal, labor safety, quality control

* Of those overseas suppliers, 7 were also the subjects of Sustainability surveys.

Business Investment Management

The business activities at companies in which we invest must take account of and address their possible influence on the global environment and society at large. For this reason, we endeavor to understand the potential ESG risks and to prevent the actualization of ESG risks at the Group companies. We assess their activities by using a checklist and doing on-site visits, and take the requisite measures in response to the assessment results. We do these assessments as part of our environmental management system and try to improve their management level.

Evaluating ESG Risks of New Investment Projects

In approaching prospective new business investment projects, the proposing unit is required to make a due diligence using our ESG checklist for investments. Specifically, an assessment is made of items such as whether there are the policies and setups at the investment subject set in place as viewed from the standpoint of ESG and whether there is the possibility of significant adverse environmental impact, legal or regulatory violations, and the risk of litigation by concerned parties. The checklist consists of 33 items, including the seven core subjects in ISO 26000*, the international CSR guideline. (*Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development) The proposing unit also takes consideration of the opinions deriving from assessment based on risk analysis by the related administrative division. If any causes for apprehension are identified, a request is made for an additional due diligence study by an external specialized institution in the case of projects requiring an expert perspective. The actual project will commence only after this study confirms the absence of any problems.

Fact-finding Investigations of Group Companies

To prevent environmental pollution and related problems among the ITOCHU Group companies, ITOCHU (the Sustainability Management Department of our Corporate Communications Division) has been making on-site visits for the purpose of survey work continuously since 2001. In FY2018, such visits were made to a total of 4 companies, some involving the participation of external experts, with consideration of the level of environmental and social risks at each company. By the end of March 2018, such surveys had been completed at a total of 283 establishments.

The survey work consists of interviews with management, a survey of facilities such as factories and warehouses as well as drainage into rivers, checks of compliance with environmental laws and regulations, occupational safety, human rights, and communication with local communities. Based on the findings, the survey work team points out problems, indicates measures for prevention, and confirms the status as regards correction.

On-site report: a fact-finding survey at DOLE THAILAND



On December 7 and 8, 2016, ITOCHU visited the Hua Hin factory of DOLE THAILAND, a manufacturer of canned fruits and fruit pouches, including those of pineapples, in Thailand. Based on the knowledge of an external specialist familiar with local laws and regulations, we conducted a detailed check of the status of risk management and compliance with laws related to the environment and labor safety, such as those for soil contamination control, waste control, chemicals management and safety measures. We confirmed that the company properly manages these matters. We also confirmed that the company implements important CSR measures, such as creating an internal occupational health committee, setting environmental targets and achieving the targets steadily, guaranteeing purchases from contracted farmers and having regular dialogues with the local government. The company responds appropriately to the advice that was given concerning the method for storing chemicals, measures for preventing accidents that may result from the operation of food-processing machines and other measures to further improve their level of management.

Product-by-Product Approaches to Sustainable Procurement

At ITOCHU Corporation, we handle a broad range of products all over the world. Recognizing the impact of each product on the society surrounding it and on the global environment, we have established individual procurement policies and measures for products with large impacts and reflect them in our daily business activities.

Policy on Procurement of Wood, Wood Products, Paper Manufacturing Materials, and Paper Products

— Objective and Background

In order to fulfill its corporate social responsibility, ITOCHU Corporation (hereafter, "ITOCHU") has established the Sustainability Action Guidelines for Supply Chains and engages in business activities aimed at achieving a sustainable society. However, natural forests around the world continue to be decreased at high rate. One of the primary drivers of deforestation is unsustainable forest management for production such as large-scale clear-cutting. In response, ITOCHU has established the following procurement policy to conserve natural forests and to continue the sustainable use of forest resources. It was drafted through consultation with WWF Japan.

— Scope of Application

This policy covers wood and paper products that ITOCHU and its consolidated subsidiaries procure in Japan and overseas. Specifically, it covers raw wood, wood products, paper manufacturing materials such as wood chips and pulp, and paper products (hereafter, "Forest products").

— Basic Policy

ITOCHU and its consolidated subsidiaries which handle Forest products will work to ensure the traceability of Forest products and procurement based on the following policies.

1. Support expansion of reliable forest management certification systems and give priority to Forest products with reliable certifications.
2. Production and manufacture of Forest products shall not impose an excessive environmental burden on High Conservation Value Forest.
3. Forest products and their materials shall have been produced (or logged) through appropriate procedures by following the laws and regulations of the area where the raw material is produced.
4. Forest products shall not be procured from any suppliers who contribute to serious environmental or social problems, such as the destruction of High Conservation Value Forest.

— Implementation and Operation

ITOCHU and its consolidated subsidiaries which handle Forest products will strive to implement the above basic policy in a phased manner in consideration of the characteristics of each country and region. In implementing the policy, we will review this policy regularly and cooperate with customers, specialists, and stakeholders, including NGOs, while also considering the provision of support for the shift to production systems which will help improve sustainability of production areas.

— Information Disclosure and External Communication

To ensure transparency, we will disclose the progress of our initiatives through the Sustainability Report and promote society's understanding of the sustainable use of forest resources through appropriate communication with customers.

| Approach to Conflict Minerals Issues

Some of the minerals produced in the Democratic Republic of the Congo and neighboring countries where conflicts are taking place can potentially provide sources of funding to armed groups which engage in inhumane acts, foment conflict or bring about human rights violations. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the United States in July 2010, required that U.S. listed companies disclose information such as their use of "conflict minerals*" produced in the Democratic Republic of the Congo and neighboring countries in their products.

While ITOCHU Corporation is not bound by the reporting requirements of the United States' Securities Exchange Act, to fulfill its social responsibility in procurement activities, ITOCHU Corporation will coordinate with its business partners in keeping with the spirit of this legislation and promote initiatives to ensure that it does not help armed grounds that engage in human rights violations.

* "Conflict Minerals" as defined by the law refer to tantalum, tin, gold, tungsten and other minerals specified by the U.S. Secretary of State.

| Policy on Procurement and Supply of Nuclear Fuels

ITOCHU and its subsidiaries procure all nuclear fuels inside and outside Japan solely through ledger transfer transactions. Believing it is important to obtain an understanding of, and cooperation in, its procurement and supply policy and recognizing that the mission of playing a part in the nuclear fuel cycle is the role it has to play, ITOCHU endeavors to make its policy known to the parties concerned, to bolster its internal structure, and to secure a sense of ethics.

All the nuclear fuels it procures inside and outside Japan are solely used for civilian power generation or for peaceful purposes. It complies with all Japanese and overseas laws and regulations related to nuclear security.

| Activities for Sustainable Procurement of Palm Oil

To ensure that sustainable procurement can be carried out consistently in consideration of human rights and environmental conservation, ITOCHU Corporation makes notice of its Sustainability Action Guidelines for Supply Chains to its suppliers and undertakes regular communications with them on Sustainable procurement through fact-finding surveys and other activities. We recognize that the procurement of palm oil in particular requires consideration for environmental issues, labor safety, human rights, and relationships with local communities, so we became a member of the Roundtable on Sustainable Palm Oil (RSPO) in 2006. We participate regularly in its meetings to promote the transparency of our supply chains and trade with suppliers who improve traceability. In this way, we strengthen our system for the sustainable procurement of palm oil.

Our Initiatives for Environment

As a general trading company, ITOCHU provides various products and services and invests in businesses inside and outside of Japan, and positions global environmental problems as one of materiality in management. In order to contribute to the realization of a sustainable society, ITOCHU is promoting environmental conservation activities.

Environmental Activities Policies

ITOCHU Corporation positions global warming and other environmental problems as one of the top priority issues in its management policy. In addition, to fulfill our corporate philosophy "Committed to the Global Good," we have established the ITOCHU Group Basic Policy on Promotion of Sustainability which includes the idea of the Group's environmental policy. Now, we advance our corporate management and activities on a global scale under this policy, not only to contribute to the prosperity of the present generation, but also from the view point of what we can create to pass on to the next generation, while keeping a strong awareness of global environmental problems.

The ITOCHU Group Basic Policy on Sustainability

From April 2018, we adopted the Basic Policy on Promotion of Sustainability as a new policy based on the spirit of *Sampo Yoshi*, by integrating and consolidating Environmental Policy and Basic Policy for CSR Promotion.

More details on the Basic Policy on Promotion of Sustainability are available P10~11.

ITOCHU Corporation's Stance on the Environment

ITOCHU Corporation is active in Japan and internationally, offering a wide range of products and services, developing resources, and investing in businesses. Our activities are closely related to global environment problems.

We believe that a company cannot grow sustainably without awareness of these problems. In 1990, we created a Global Environment Department, and in April 1993, we documented our environmental activity guidelines in the ITOCHU's Activity Guidelines on the Environment (the predecessor of our Environmental Policy). In 1997, these guidelines were revised to the "ITOCHU Corporation Environmental Policy" and we have subsequently revised this policy several times, in order to keep up with changing demands over time and reflect them in the Policy's expression.

Environmental Management

ITOCHU Corporation has formulated the Basic Policy on Promotion of Sustainability covering the entire ITOCHU Group. ITOCHU is aware of the impact that its business activities may have on the global environment. We have thus built a framework for assessing the impact of the products we handle, and in particular before making new investment, in order to prevent environmental risk. We believe it is important to contribute to sustainable development as a corporation by implementing both the offense of promoting environment conserving businesses and the defense of taking a precautionary approach to environmental risks.

Environmental Management System

In 1997, ITOCHU Corporation became the first trading company to establish an environmental management system (EMS) based on ISO 14001, and we continue to work to improve our EMS. The system's aim is to comply with environmental laws and regulations, take precautionary approaches to environmental risks, including those related to climate change, and promote environment conserving businesses. Specifically, the system controls and manages targets through a yearly PDCA (plan-do-check-act) cycle of setting targets for preventing environmental risk, for promoting environment conserving businesses, and concerning climate change risks, such as energy conservation, resource saving and CO₂ emissions; evaluating and analyzing progress; and acting to achieve our targets.



ITOCHU Corporation's Environmental Management Organization

From April 2018, we adopted the Sustainability Promotion System by integrating and consolidating Environmental Management System and Sustainability Promotion System.

More details on the Sustainability Promotion System (P18).

- * Subsidiary companies included:
- CI Textile Service Co., Ltd.
 - ITOCHU Automobile Corporation
 - ITOCHU Metals Corporation
 - Food Management Support Corp.
 - ITOCHU Orico Insurance Services Co., Ltd.
 - ITOCHU Financial Management Inc.
 - ITOCHU Treasury Corp.
 - ITOCHU Human Resources & General Affairs Services Inc.
 - ITOCHU Taiwan Corporation

Internal Environmental Audits

Internal environmental audits based on ISO 14001 are conducted every year, and in fiscal 2017, they were carried out in all 59 departments (including five departments utilizing a self-check format). Findings from the audits, conducted over roughly six months, are instrumental in taking precautionary approach on the environmental risks. Audit teams are comprised of members of the Sustainability Management Department, and carried out their work with an emphasis on auditing legal compliance.

Results of External Inspections

Each year, ITOCHU is inspected by BSI Group Japan KK (BSI) in connection to ISO 14001 certification. The fiscal 2018 inspection was a surveillance audit. The outcome of the inspection was an overall "improvement" grade and continued certification, based on an acknowledgement of ongoing system improvement efforts by ITOCHU.

Environmental Management Targets and Results

With respect to environmental management, ITOCHU establishes environmental objectives to be tackled in the medium-term, and then sets specific targets and conducts performance reviews based on those targets each fiscal year.

Item	Fiscal 2018 Environmental Targets	Review	Fiscal 2018 Implementation Details
Prevention of Environmental Pollution/ Observance of Laws and Regulations	When investing, perform environmental risk assessments in advance and ensure thorough corporate wide utilization of the CSR and Environmental Checklist for Investments. Strengthen the awareness of risk management through the entire supply chain through Environmental Risk Assessments by Product and ensure thorough corporate-wide utilization.	○	For all investment projects, we performed environmental risk assessments in advance through the CSR and Environmental Checklist for Investments. (The items subject to assessment include the state of energy consumption and CO ₂ emissions.) We assessed the environmental risk of new products and conducted reviews of the assessment details for existing products.
	Promote initiatives to improve management levels by confirming environmental management systems, legal compliance and the state of environmental performance through internal auditing.	○	We conducted internal audits in 59 departments (including five departments utilizing a self-check format), confirmed the operation of environmental management systems, legal compliance and the state of environmental performance management, and provided advice.
	Select Group companies and conduct on-site surveys of their environmental management status.	○	We conducted onsite surveys and provided advice to four Group companies to improve environmental management on site.
Promotion of Environmental Conservation Activities	Expand the scope of monitoring to information such as the energy emissions of overseas Group companies, as well as major domestic and overseas subsidiaries.	○	We collected and disclosed information from 16 overseas branches (including local subsidiaries), 65 domestic operating companies and 46 overseas operating companies.
	Set and review targets based on the Sustainability Action Plan. (Promote at least one target at each company and branch)	○	We planned, executed and reviewed the respective environmental conservation activities of all company divisions and branches.

Item	Fiscal 2018 Environmental Targets	Review	Fiscal 2018 Implementation Details
Harmonious Coexistence with Society	Conduct environmental education for elementary and junior high school students.	○	We held summer vacation environmental classes (July 25, 100 participants) and operated the ITOCHU Pavilion Eco Shop at Kidzania Tokyo (experienced by approximately 21,782 participants a year).
	Coordinate with regional companies and local governments on environmental conservation activities (Promote at least once such initiative at each branch)	○	We conducted events, volunteer activities and other initiatives in coordination with local companies and governments on a per-branch basis.
Promotion of Educational Activities	Conduct and promote learning through seminars, tours, basic environmental education and education for personnel with specific duties for employees of ITOCHU Corporation and Group companies.	○	We provided basic environmental education (May to July, 3,960 participants) and education for personnel with specific duties (May to March, 400 participants). The sustainability seminar titled "Human rights seminar?" was held on March 1, with 250 people attending.
	Conduct training sessions and promote learning regarding Waste Management and Public Cleansing Law and Soil Contamination Countermeasures Act for employees of ITOCHU Corporation and Group companies.	○	We held a sustainability e-learning program (October - November 2017, 4,853 participants) and Environmental and Social Risk Response Seminar (including the Soil Contamination Countermeasures Act) (July 12, 250 participants).

* ○ : Implemented △ : Partially × : Not yet implemented

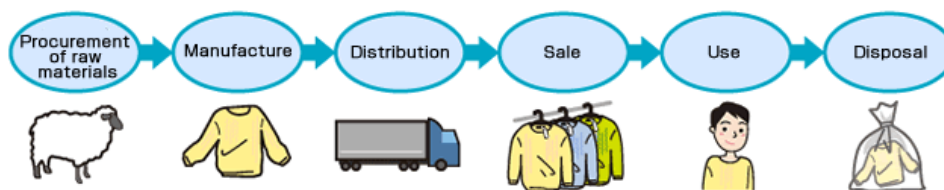
Precautionary Approach to Environmental Risks

In addition to evaluating environmental risks of the products we handle, we are committed to taking a precautionary approach to environmental risks. This commitment also extends to ITOCHU Group companies, reflecting the need to identify the impact on the global environment of the business activities of the Group as a whole.

Evaluating Environmental Risks Posed by Products Handled

We handle a wide and diverse range of products on a global scale. We thus carry out our own original environmental impact evaluations on all the products based on our belief that it is vital to evaluate the impact of these products to the global environment, the state of our compliance with environmental laws and regulations, and their relationship with stakeholders. We use a so-called LCA*-based analysis method at all stage of product life cycle from procurement of raw materials, production, and use, through disposal of products. For assessing the risks relating to climate change, shrinkage of rain forests, desertification, global warming and other factors related to climate change are included in the items subject to assessment in this analysis. If the evaluation shows that the impact on the global environment by particular products exceeds predetermined benchmarks, then we create manuals and the concrete procedures to manage transactions of these products.

* LCA (life-cycle assessment) is a method that evaluates the environmental impact of products at all stages of their life cycle, from raw materials, manufacturing, transport and use through to disposal and recycling or reuse.



Fact-finding Investigations of Group Companies

We analyze about 200 of our 326 Group companies (as of March 31, 2018) with relatively higher levels of impact on the global environment, and conduct investigations of about 10 of them per year. Over the 17 years to the end of March 2018, we did on-site investigation at 282 worksites. The evaluation is made using Q&As between auditors and management, inspections of plants, warehouses, and other facilities, surveys of wastewater released into rivers, and assessments of compliance with environmental laws and regulations.

Evaluating the Environmental Risks of New Investment Projects

ITOCHU Corporation and its subsidiaries in Japan employ an ESG checklist for investments (The items subject to assessment include the state of understanding of energy consumption and CO₂ emissions in association with climate change risks.) to evaluate in advance the market, social and environmental impact of business investment projects entered via M&A in Japan and overseas. We revised this checklist to reflect the seven core subjects (Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development) of ISO 26000, and we began to utilize the new checklist in fiscal 2014. When specialist insight is needed, ITOCHU calls on specialized external bodies to render an advance inspection of the project. Action on the project then moves forward once inspection results and the presence of no major problems are confirmed.

Internal and External Inquiries and Our Response

In the year ended March 31, 2018, we received a total of 39 inquiries from outside the Company, which were broken down as follows: industry (15), government and industry groups (8), and media and research firms (2), requirement of ISO14001 certification from customers (14). There were no environment-related incidents, problems, lawsuits against the Company. Meanwhile, the number of inquiries from within the Company and ITOCHU Group companies was as follows: 84 inquiries regarding laws including Japan's Waste Management and Public Cleaning Law, and 5 inquiries regarding business investments.

Promotion of Environment Conserving Businesses

ITOCHU Corporation is committed to solving environmental issues through its businesses. As a framework for promoting these businesses, each division formulates a Sustainability Action Plan and promotes initiatives according to the PDCA cycle. ITOCHU also recognizes consideration for the environment (climate change, preserving biodiversity, etc.) and sustainable resource utilization as materiality and focuses on finding solutions to these challenges.

Renewable Energy

ITOCHU Corporation is addressing social issues through investment in power generation assets that are expected to grow as a necessary means of energy supply and that make effective use of renewable energy such as geothermal and wind power.



Shepherds Flat
wind power plant

Details of Initiative	Name of Business Operator / Investment Project	Country	Generating Capacity / Size	Greenhouse Gas Reduction Figures
Wind Power Generation Business	CPV Keenan II Wind Power Generation Project	USA	152MW	Approx. 410,000 tons / year
	Shepherds Flat Wind Power Generation Business	USA	845MW	Approx. 1,480,000 tons / year
	Cotton Plains Wind and Solar Pear Generation Business	USA	217MW	Approx. 580,000 tons / year
Offshore Wind Power Generation Business	Butendiek Offshore Wind Power Generation Project	Germany	288MW	Approx. 750,000 tons / year
Biodiesel Manufacturing Business	Biodiesel manufacturing project in Nebraska, USA run by Flint Hills Resources, Benefuel and others	USA	About 50 million gallon/year	Approx. 520,000 tons / year
Waste Management Projects	ST&W Waste Management Project / SITA South Tyne & Wear Holdings Limited	England	Incineration treatment of 260,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 31,000 homes	Estimated 62,000 tons / year
	Cornwall Waste Management Project / SITA Cornwall Holdings Limited	England	Incineration treatment of 240,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 21,000 homes	Estimated 60,000 tons / year
	Merseyside Waste Management Project / SITA Merseyside Holdings Limited	England	Incineration treatment of 460,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 63,000 homes	Estimated 130,000 tons / year
	West London Waste Management Project / SITA West London Holdings Limited	England	Incineration treatment of 350,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 50,000 homes	Estimated 83,000 tons / year
	Serbia Waste Management Project / Beo Cista Energija (Construction will begin in 2019)	Serbia	Incineration treatment of 340,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 30,000 homes (planned)	Estimated 120,000 tons / year
Geothermal Power Generation	Sarulla Operations Ltd	Indonesia	320MW	About 1,000,000 tons/year

Details of Initiative	Name of Business Operator / Investment Project	Country	Generating Capacity / Size	Greenhouse Gas Reduction Figures
Photovoltaic Power Generation	Oita Hiyoshibaru photovoltaic power plant large-scale solar power plant	Japan	44.8MW	32,000 tons/year
	Shin-Okayama photovoltaic power plant large-scale solar power plant	Japan	37MW	26,000 tons/year
	Saijo Komatsu photovoltaic power plant large-scale solar power plant	Japan	26.2MW	18,000 tons/year
	Saga-Ouchi photovoltaic power plant large-scale solar power plant	Japan	21MW	15,000 tons/year

Water-Related Businesses

About 97.5% of the earth's water consists of sea water. Water available for use by human beings accounts for only 0.01% of the total. Meanwhile, the demand for water worldwide is steadily increasing due to economic development driven by the newly emerging countries, population growth, and changes in precipitation patterns caused by climate change. ITOCHU Corporation has positioned the water-related business as a priority field, and is developing business globally in areas such as sea water desalination, water treatment, and concession projects which started in 2014, with a view to helping solve water problems around the world.

Country	Details of Initiative
Concession project on water supply and sewerage systems	<p>In 2012, ITOCHU invested in the UK-based Bristol Water Group. This made us the first Japanese company to participate in the UK water sector. Bristol Water Group is providing full drinking water services from water resource management to water treatment, water supply and distribution, billing service, and customer service to 1.2 million customers in UK.</p> <p>In 2014, ITOCHU invested in CANARAGUA CONCESIONES S.A., which manages concessions of upstream and downstream water, sewerage network and the integral water cycle in the autonomous of the Canary Islands. This made us the first Japanese company to participate in the Spanish water sector. CANARAGUA CONCESIONES S.A. is currently providing services to an extended total of approximately 1.3 million inhabitants in the Islands.</p>
Seawater Desalination	<p>ITOCHU invested and participated in a seawater desalination project in Victoria, Australia. With the ability to meet around 30% of the water demand in Melbourne, this project supports the stable supply of water to the city from 2012.</p> <p>ITOCHU has become the largest shareholder in a seawater desalination project with a capacity of 281,000 m³ per day that is being undertaken by Oman Power and Water Procurement Company (OPWP), a government entity of the Sultanate of Oman, at Barka, located in the northern area of the country. This is the largest seawater desalination project in the Sultanate of Oman, and involves the construction of a reverse osmosis desalination plant and surrounding facilities that will operate for 20 years. The seawater desalination plant will start supplying drinking water in June 2018.</p>
Supply of seawater desalination plants and manufacture & sales osmosis membranes	<p>ITOCHU began delivering large numbers of seawater desalination plants in Saudi Arabia from the 1970s.</p> <p>In the 2000s, ITOCHU and Sasakura established the joint venture company ACWA Power Sasakura (Sasakura Middle East Company, present) with local capital in the country. We also expanded into rehabilitation projects for seawater desalination plants with APS.</p> <p>In August 2010, the joint venture company Arabian Japanese Membrane Company, LLC, which manufactures and sells reverse osmosis membrane elements for seawater desalination, was established with Toyobo and local capital.</p>

Tree Plantation

The earth is rapidly losing its forest coverage. ITOCHU Corporation is attempting to expand its businesses in the field of paper and pulp by developing renewable forest resources on its own. It also promotes tree plantation with a focus on businesses that will contribute to preventing global warming. ITOCHU was the first Japanese sogo shosha to obtain CoC certification^{*1} from the Forest Stewardship Council (FSC)^{*2} and begin importing certified wood chips.

*1 :FSC is an international organization that certifies forests where logs and lumber are produced, as well as the distribution and processing of logs and lumber from the forests.

*2 :CoC certification is a certification from FSC regarding the management of processing and distribution process. CoC stands for Chain of Custody.

Name of Business Operator/Tree Plantation	Country	Project Size
CENIBRA (Celulose Nipo-Brasileira S.A.)	Brazil	131,310ha
ANCHILE	Chile	26,562ha
Southland Plantation Forest Co.	New Zealand	8,777ha
Acacia Afforestation Asia	Vietnam	1,520ha
South Wood Export Ltd.	New Zealand	1,422ha

Other Environmental Businesses

Project Name	Details of Initiative
Reducing the environmental footprint with the introduction of side shrink packaging	<p>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.</p> <p>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.</p> <p>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</p>

Approaches to Conservation of Biodiversity

While the business activities of companies are heavily reliant on the supply of the natural bounty produced by biodiversity (ecosystem services), they are also a great burden on the ecosystem. To achieve sustainability for our planet and society, ITOCHU have stipulated consideration for environment as part of our Activity Guidelines under the ITOCHU Group Basic Policy for Sustainability Promotion. Through our business activities and social contribution activities, we will strive to protect biodiversity and ensure the sustainable use of resources.

Concern for Biodiversity in Business Activities

– Concern for Biodiversity in Wood Procurement

Natural forests around the world continue to be decreased at high rate. One of the primary drivers of deforestation is unsustainable forest management for production such as large-scale clear-cutting. In response, ITOCHU has established the procurement policy to conserve natural forests and to continue the sustainable use of forest resources.

- Policy on Procurement of Wood, Wood Products, Paper Manufacturing Materials, and Paper Products (P57)

– Concern for biodiversity in pulp production projects

ITOCHU's Group company CENIBRA in Brazil has consistently engaged in everything from forest management to pulp production. In 2005, CENIBRA obtained forest certification from the Forest Stewardship Council (FSC) as well as CoC certification (certification for management of processing and distribution processes). Of the roughly 250,000 hectares of land the company owns (equivalent to the area of Kanagawa Prefecture), about 130,000 hectares are used to plant trees and produce pulp, while the other approximately 100,000 hectares are preserved as permanently protected forest or legally protected forest, maintaining the ecosystem. The company also addresses the restoration of natural forests. Each year it plants some 70,000 tree samplings of the four varieties that make up the native forests in an initiative that spans as much as 300 hectares each year. Protective breeding activities for endangered species of bird are also underway at Macedonia Farm in a protected zone of natural forest. Scarce wild birds such as the pheasant family bird, mutum are protected and bred at the farm and later released into the wild.



One of CENIBRA's vast plantations



The rare mutum at Macedonia Farm

Activities for Conservation of Biodiversity

Even apart from its business activities, the ITOCHU Group is working to conserve biodiversity through social contribution initiatives.

— Support of Amazon Biodiversity Conservation Program

Starting in FY2017, ITOCHU Corporation has been supporting the new concept of "Field Museum," a biodiversity conservation program in the tropical forests of the Amazon that is being run by the Wildlife Research Center of Kyoto University with the National Institute of Amazonian Research for the purpose of conserving the environment and biodiversity.

The Amazon rainforest accounts for over half of all the rainforest acreage that remains on earth. It is widely considered a treasure-trove of ecosystems. However, the valuable ecosystem is being lost in recent years due in part to the rapid economic development and deforestation attributed to the lack of environmental education for local residents. Working with the National Institute of Amazonian Research, the Wildlife Research Center of Kyoto University conducts research and dissemination activities for maintaining the valuable ecosystem of the Amazon. The Japanese and Brazilian institutes have conducted joint conservation research and facilities development by using the advanced technologies at which Japan excels.

ITOCHU Corporation supported the construction of the Field Station, a base for natural observation and research into the diverse species and ecosystem of the Amazon. This facility was constructed in the Cuieiras region, through which a tributary of the Amazon River flows. An inaugural ceremony for this facility, which was constructed through industry-academia-government collaboration, was held on-site in May 2018. The Field Center has lodging facilities as well as a multi-purpose building including a visitor center to welcome seminar and conference guests, permitting long-term monitoring of flora and fauna in an optimal region with both inundated forests and terra firme (non-flooded areas). The facility has thus attracted attention in Japan and other countries.

It is anticipated that the Field Station will facilitate medium- to long-term advanced research on the tropical forests of the Amazon, while helping to stimulate environmental education activities to help conserve Amazonian biodiversity. A large number of projects are being planned in addition to those for research on water-dwelling animals (river dolphins, manatees) of the Amazon and the upper canopies of the rainforest, which have traditionally been challenging to study.

The activities also include a program for protecting the Amazon manatee, a vulnerable species, and ITOCHU Corporation supports a program for reintroducing the manatee to the wild. While an increasing number of manatees are being taken into protective custody after being injured by poachers, it is difficult for the animals to return to the wild on their own. This has made it imperative to establish a project for reintroducing the creatures to the Amazon. The program aimed to have at least nine manatees return to the wild and at least 20 return to semi-captive environment within the three-year project period from FY2017. By May 2018, 15 manatees had returned to the wild and 21 had returned to a semi-captive environment.



The Amazon rainforest is the largest in the world and is said to supply one-third of all the oxygen on earth.



The completed Field Station



The Amazon manatee, an endangered species

— Support for Purchasing Milk for Amazon Manatees at Eco Shop Pavilion in KidZania Tokyo

In April 2012, ITOCHU Corporation opened Eco Shop, an environmental pavilion giving children hands-on experience with eco activities, in KidZania Tokyo, a facility devoted to vocational experience for children. In FY2018, this pavilion was renovated under the theme of "Amazon Ecosystem Conservation" as a promotional measure for the Amazonian manatee reintroduction project (Manatee Homecoming Project). For each child visiting, the pavilion donates 10 yen as financial support for purchasing milk for Amazon manatees. Based on the number of children who visited this pavilion in FY2018, ITOCHU donated an amount equivalent to the amount needed to feed one manatee for 968 days.



Eco Shop pavilion



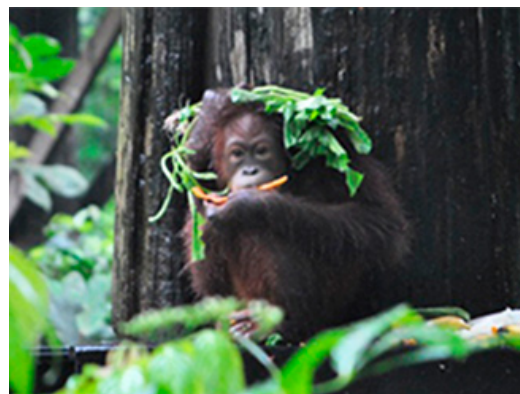
An Amazon manatee drinking milk

— Activities for Revival of Tropical Forest and Conservation of the Ecosystem on the Island of Borneo

The island of Borneo is largely covered with tropical forests spanning the countries of Malaysia, Indonesia, and Brunei. In area, it is about twice as large as Japan and the third-largest island in the world. It is known as a treasure-trove of biodiversity. However, it is also in the process of development, and some tropical forest areas have been damaged to the point that their ecosystems cannot be conserved on the strength of nature's own powers of revival alone. The ITOCHU Group is supporting activities since 2009 for revival of forests in the district of North Ulu Segama in the Malaysian state of Sabah, in the northeastern part of the island. The World Wide Fund for Nature (WWF), the globally active organization for protection of nature, is engaged in activities for forest revival in an area of about 2,400 hectares, in coordination with the Sabah Forestry Department. The ITOCHU Group is supporting revival over a portion measuring 967 hectares larger than any other zone of forest revival supported by an ordinary private enterprise. The afforestation was completed in 2014, and all on-site operations including maintenance and management operations were completed in January 2016. The district is also a habitat for the orangutan, an endangered species. The revival will help to protect not only the orangutan but also many other species living there.



Tree-planting by four participants



The orangutan, an endangered species

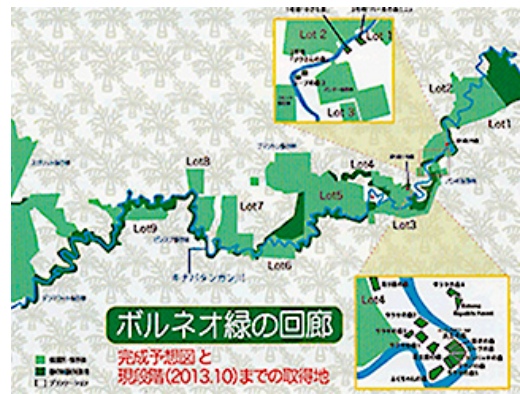
— Hunting World's Activities to Support Borneo

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 likewise anticipated the issue of protection of endangered species, and underscores the love and respect for nature felt by the brand's founder. To realize his dream of coexistence with nature, Hunting World Japan Co., Ltd., which sells 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 to BCT. By so doing, it is defraying part of the cost for purchase of land for the green corridors and rescue of Borneo elephants which have strayed into plantations. In addition, the fall of 2011 saw the birth of Hunting World Kyosei no Mori (Symbiotic Forest of Hunting World) based on independent purchase of four acres of land within the Green Corridor Plan* zone, using the financial aid provided up to that year. Furthermore, BCT Japan, which is supporting BCT, helped out with the funding needed for establishment of the Borneo Elephant Sanctuary, the first facility in the Wildlife Rescue Center project, which began in September 2013.

* Green Corridor Plan: A initiative for conservation of biodiversity by such activities as buying back land separating forest preserves and protected forests, to make a corridor for movement between them by wild animals.



The Borneo elephant, an endangered species Support is also provided for efforts including construction of facilities for temporary protection and treatment of the elephants before returning them to the forest, as well as for taming them.



The Kinabatangan River area in the northeastern part of the island of Borneo is the subject of the Green Corridor Plan. There are plans to acquire a total of 20,000 hectares.

Environmental Education and Awareness

We are committed to improving the environmental awareness of the entire ITOCHU Group. To encourage environmental conservation efforts among our employees we offer a wide range of education programs, as well as seminars on environmental laws, and seminars to raise awareness of global environmental issues, which also target Group employees.

Seminars

We actively hold seminars in order to ensure that all employees of the ITOCHU Group are aware of and comply with the requirements of environmental laws and regulations, and in order to raise environmental awareness.

Internal Seminars and Training Sessions (FY2018 results)

Content		Timing	Target	Participant
Environmental Managers Conference		24th April 2017 (Tokyo)	Employees and Group Company Employees	116
General Education		From May to July 2017 58 times in total	Employees and Group Company Employees	Approx.4,000
Education of staff in specific operations		From May 2017 to March 2018 31 times in total	Employees and Group Company Employees	Approx.400
Environment and Social Risk Response Seminar		22nd July 2017	Employees and Group Company Employees	Approx.200
The Waste Management and Public Cleansing Law	e-learning	October - November 2017	Employees	Approx.4,380
Sustainability Seminar		1st March 2018	Employees and Group Company Employees	Approx.200
CSR Seminar for the specific departments and ITOCHU group companies		at any time	Employees and Group Company Employees	20

Sustainability Seminar Held

For Sustainability Seminars, please see the Penetration of Sustainability at ITOCHU (P30~31).

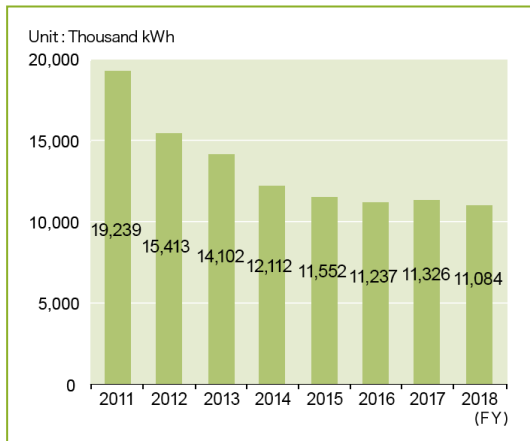
Environmental Performance Data

ITOCHU Corporation strives to achieve environmental conservation not only through business activities, but also through office activities, such as cutting back electricity consumption and the promotion of the recycling of waste, in which all its employees can easily participate. In addition, it has gradually expanded the scope of the collection of environmental performance data on Group companies in Japan and overseas, and overseas offices to understand the actual environmental situation and improve its environmental conservation activities in the future.

Environmental Performance

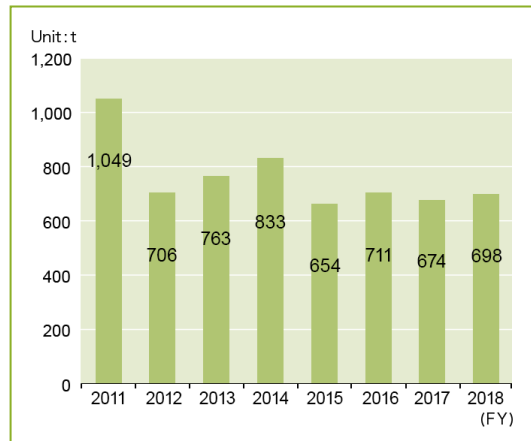
Environmental Performance Data at the offices

Electricity Consumption★



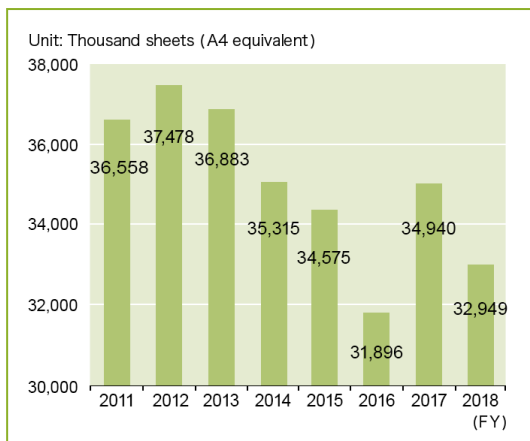
Scope: Tokyo headquarters, Osaka headquarters, Branches in Japan, Other branches and business facilities in Japan

Waste Volume★



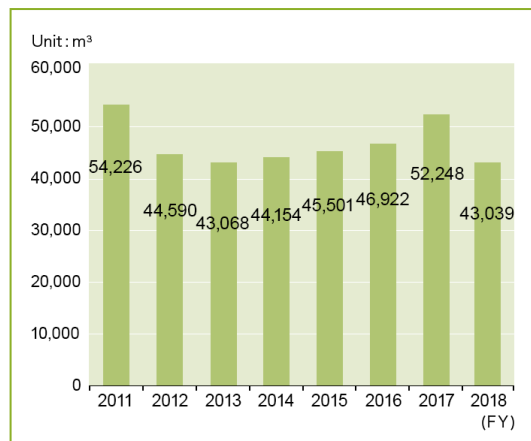
Scope: Tokyo headquarters

Paper Consumption



Scope: FY2011-FY2016 Tokyo headquarters, FY2017-FY2018 Total of domestic bases of ITOCHU corporation

Water Consumption★



Scope: Tokyo headquarters

* Please look at the tables below for the data of group companies in Japan, overseas offices and group companies.

Independent Assurance Report (P124): The following data marked with ★ are assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 & ISAE 3410. ★ :Total value of electricity consumption and CO₂ emissions for the Tokyo headquarters, the Osaka headquarters and branches in Japan, domestic branches and other business facilities, along with data of CO₂ emissions attributed to distribution, waste volume, recycling rate and water consumption, gray water production and wastewater discharge for the Tokyo headquarters.

Independent Assurance Report (P124): The following data marked with ◆ are assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 & ISAE 3410. ◆ :Total value of electricity consumption and CO₂ emissions for the Tokyo headquarters, the Osaka headquarters and branches in Japan, domestic branches and other business facilities, Group companies in Japan, overseas offices and overseas Group companies.

— Target Setting

ITOCHU Corporation has established targets for electricity consumption, reduced generation of waste volume, the promotion of recycling, and reduced paper and water consumption. ITOCHU's target figures are presented in the following table. ITOCHU has announced a goal of reducing specific energy consumption at ITOCHU Corporation itself and its consolidated subsidiaries by an average of at least one percent per year and is striving to reduce greenhouse gas emissions.

	FY2018 Results	Single Year Target	Target for the Year Ended March 2021
Electricity Consumption of Tokyo and Osaka Headquarters, Branches in Japan and Other branches and business facilities in Japan	Decrease of 2.1% compared with FY2017 levels	Reduction of at least 1% annually	Reduction of 30% compared with FY2011 levels
Tokyo Headquarters Waste Volume	33% reduction compared with FY2011 levels	10% reduction compared with FY2011 levels	20% reduction compared with FY2011 levels
Tokyo Headquarters Recycling Rate	94%	90%	90%
Tokyo Headquarters Paper Consumption	9% reduction compared with FY2011 levels	3% reduction compared with FY2011 levels	3% reduction compared with FY2011 levels
Tokyo Headquarters Water Consumption (City Water)	20.6% reduction compared with FY2011 levels	10% reduction compared with FY2011 levels	15% reduction compared with FY2011 levels

— Scope of the Data

○:in scope of aggregation

	Electricity consumption	CO ₂ emissions from business facilities	Waste volume	Paper consumption	Water consumption and wastewater discharge
Tokyo headquarters	○	○	○	○	○
Osaka headquarters	○	○	—	—	—
Branches in Japan*1	○	○	—	—	—
Other branches and business facilities in Japan*2	○	○	—	—	—
Group companies in Japan*3	○	○	○	—	○
Overseas offices*4	○	○	○	—	○
Overseas group companies*5	○	○	○	—	○

*1 The branches in Japan cover all 5 domestic branches of ITOCHU Corporation.

*2 Business facilities cover business facilities ITOCHU Corporation owns or rents, excluding the facilities for dwelling. The number of offices: FY2015: 12 offices, FY2016: 8 offices, FY2017: 8 offices, FY2018: 6 offices

*3 From FY2015 to FY2017, the Group companies in Japan cover consolidated subsidiaries in which ITOCHU has directly invested (as of March 31). The number of companies: FY2015: 73 companies, FY2016: 70 companies, FY2017: 65 companies. For FY2018, all consolidated subsidiaries (208) are covered.

*4 The overseas offices cover main offices. The number of offices: FY2015: 16 offices, FY2016: 16 offices, FY2017: 16 offices, FY2018 15 offices

*5 From FY2015 to FY2017, the overseas group companies cover consolidated subsidiaries in which ITOCHU has directly invested (as of March 31). The number of companies: FY2015: 49 companies, FY2016: 44 companies, FY2017: 46 companies For FY2018, all consolidated subsidiaries (299) are covered.

However, companies that are held for investment purposes that are expected to be sold within the coming five years are not included in the scope of data. The CO₂ emissions of places of business that are not manufacturing sites and have no more than 10 employees are not included in the scope of data because the amount of CO₂ emissions is insignificant.

— Electricity Consumption

The table below shows electricity consumption and CO₂ emissions from business facilities from FY 2015 to FY2018. ITOCHU installed inverters for the ventilation systems and LED desk stands, and introduced other energy-saving facilities, while all employees took the initiative of turning off lights and office equipment when not in use. In addition, a morning-focused working system was launched on October 1, 2013 for trial basis and officially introduced on May 1, 2014 for full-time employees at the headquarters and branch offices in Japan, and this has also led to the reduction in our electricity consumption.

Unit: Thousand kWh

	FY2015	FY2016	FY2017	FY2018
Tokyo headquarters	9,297	9,169	9,331	9,200
Osaka headquarters	455	442	434	409
Branches in Japan	415	326	291	292
Other branches and business facilities in Japan	1,385	1,300	1,270	1,184
Total of domestic bases of ITOCHU corporation★	11,552	11,237	11,326	11,084
Group companies in Japan	503,558	484,755	471,432	620,621
Overseas offices	3,466	3,424	3,087	2,224
Overseas group companies	149,151	147,665	143,485	500,777
Grand total of ITOCHU Group◆	667,727	647,081	629,329	1,134,705

- For the Tokyo headquarters, data has been calculated in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation. For the Osaka headquarters, branches in Japan, other branches and business facilities in Japan and group companies in Japan, data has been calculated in accordance with the Act on the Rational Use of Energy. However, companies that are held for investment purposes that are expected to be sold within the coming five years are not included in the scope of data. The CO₂ emissions of places of business that are not manufacturing sites and have no more than 10 employees are not included in the scope of data because the amount of CO₂ emissions is insignificant.

— CO₂ Emissions from Business Facilities

Unit:t-CO₂

	FY2015	FY2016	FY2017	FY2018
Tokyo headquarters	5,133	6,229	6,459	6,307
Osaka headquarters	238	235	221	208
Branches in Japan	272	208	180	175
Other branches and business facilities in Japan	741	664	641	582
Total of domestic bases of ITOCHU corporation★	6,383	7,336	7,501	7,273
Intensity figures per employee (Total of domestic bases of ITOCHU corporation)	1.498	1.714	1.737	1.660
Intensity figures per one square meter of all floor space (Total of domestic bases of ITOCHU corporation)	0.054	0.063	0.064	0.063
Group companies in Japan	364,772	369,775	340,559	1,186,179
Overseas offices	1,940	1,907	2,238	1,674
Overseas group companies	103,181	102,372	98,427	955,559
Grand total of ITOCHU Group◆	476,226	481,389	448,725	2,150,685

- For the Tokyo headquarters, data has been calculated in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation. For the Osaka headquarters, domestic branches and offices, other business facilities and Group companies in Japan, data has been calculated in accordance with the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.
- For overseas offices and overseas group companies, the figures are calculated using the CO₂ conversion factors for each countries (average 2010-2012) found in the International Energy Agency (IEA)'s statistics.
- For the total of domestic bases of ITOCHU Corporation, CO₂ emission of Scope 1 is 98t-CO₂★ and CO₂ emission of Scope 2 is 7,175t-CO₂★
- For all ITOCHU Group, CO₂ emission of Scope 1 is 1,540,041t-CO₂◆ and CO₂ emission of Scope 2 is 610,644t-CO₂◆

— CO₂ Emissions per MWh from electricity generation

Unit:t-CO₂/MWh

	FY2017	FY2018
Grand total of ITOCHU group	0.524	0.506

— Energy consumption of Business Facilities

Unit : GJ

	FY2015	FY2016	FY2017	FY2018
Tokyo headquarters	130,393	129,084	134,076	130,977

- For the Tokyo headquarters, data has been calculated in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation.

— All domestic bases of ITOCHU Corporation Energy consumption

	FY2015	FY2016	FY2017	FY2018
Non-renewable fuels purchased and consumed (Unit:MWh)	903	805	765	610
Non-renewable electricity purchased (Unit:MWh)	26,481	25,955	30,282	29,558
Steam / heating / cooling and other energy (non-renewable) purchased (Unit:MWh)	11,286	11,286	8,299	8,206
Total renewable energy generated (PV) (Unit:MWh)	106	87	58	58
Total costs of energy consumption (Unit:million yen)	587	580	564	576

— Waste Volume

The table below shows the waste volume generated in Tokyo headquarters building, group companies in Japan, overseas offices and overseas group companies from FY2015 to FY2018. We have been promoting waste segregation. We, at the Tokyo headquarters, are striving to reduce their waste generation with a target of achieving a 10% reduction of waste generated compared with FY2011 levels. Through initiatives such as 2-in-1 and double-sided printing, ITOCHU has been able to reduce waste volume, and in FY2015 the Tokyo headquarters building received a Minato Ward Waste Reducing Business Operator Commendation.

		FY2015	FY2016	FY2017	FY2018
Tokyo headquarters building★	Waste volume (Unit: t)	654	711	674	698
	Recycling rate (Unit: %)	95	95	94.3	93.8
Group companies in Japan*	Waste volume (Unit: t)	21,825	23,470	21,947	177,526
Overseas offices	Waste volume (Unit: t)	7	9	33	5
Overseas group companies	Waste volume (Unit: t)	14,271	14,569	10,016	141,392

- The waste volume of Tokyo headquarters includes waste sold as valuable resources.

— Paper Consumption

The table below shows the paper consumption from FY2015 to FY2018.(FY2015-2016 Tokyo headquarters, FY2017-2018 All domestic bases of ITOCHU Corporation) We, at the Tokyo headquarters, have been promoting the reduction of paper consumption, with a target of reducing paper consumption by 3% compared with FY2011 levels, by means such as encouraging paperless activities and stopping the unnecessary use of paper.

Unit: Thousand sheets (A4 equivalent)

	FY2015	FY2016	FY2017	FY2018
Copy paper consumption	34,575	31,896	34,940	32,949

— Water Consumption and Wastewater Discharge

The table below shows the water consumption, gray water production and wastewater discharge in Tokyo headquarters and water discharge in group companies, overseas offices and overseas group companies from FY2015 to FY2018. We, at the Tokyo headquarters, have been promoting efforts to reduce water consumption, with a target of reducing water consumption by 10% compared with FY2011 levels, through the recycling of used water for toilet flushing.

Unit:m³

	FY2015	FY2016	FY2017	FY2018
City water usage by the Tokyo headquarters★	45,501	46,922	52,248	43,039
Gray water production by the Tokyo headquarters★	36,658	35,729	30,736	33,830
Wastewater discharge by the Tokyo headquarters★	64,329	62,857	63,446	58,129
Wastewater discharge by group companies in Japan*	1,042,686	981,549	846,700	14,628,762
Wastewater discharge by overseas offices*	9,679	5,932	5,722	5,863
Wastewater discharge by Overseas group companies*	339,543	205,394	207,267	11,831,598

- * Calculation assumes the same volume as water consumption when wastewater discharge has not been ascertained.

Environmental conservation at the Tokyo Headquarters Building

— Solar power generation

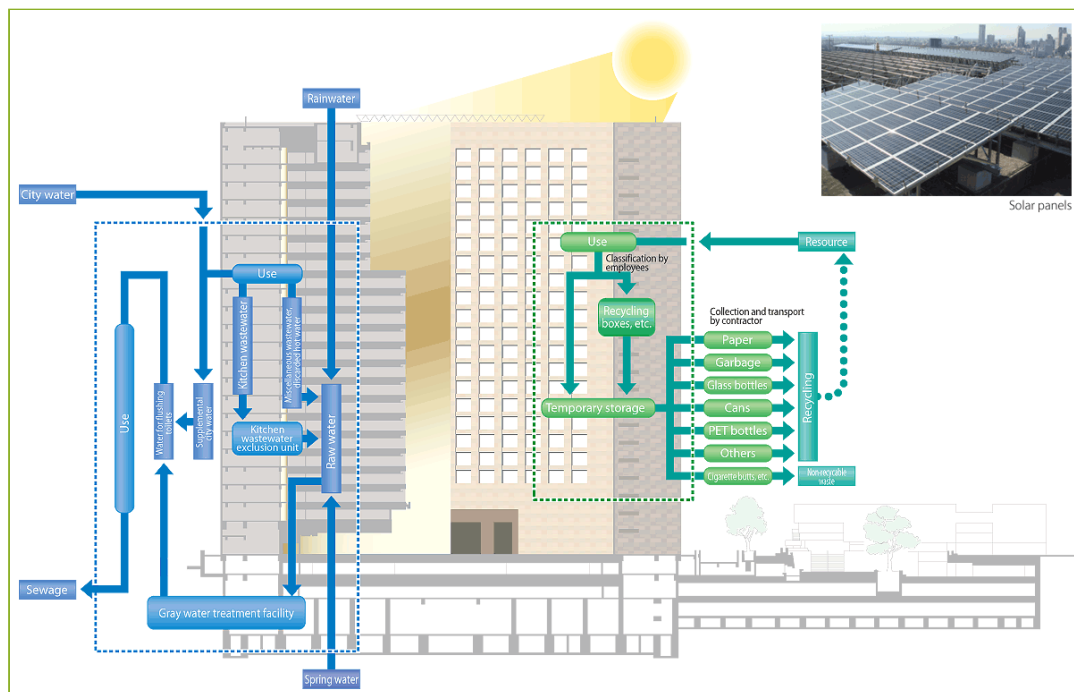
We installed solar panels on the roofs of our TOKYO headquarters and the adjacent CI Plaza. It has started to generate electricity since March 2010. The capacity of generation for solar panels is total 100kW which is equivalent to panels on prevailing 30 detached houses (approximately 3.0kW per detached houses). We make use of all clean energy generated with these solar panels in our TOKYO headquarters and it regards as electric energy (Maximum power generation at moment) covered 3.5 floors lighting.

— Effective Use of Water Resources

Since the treatment facilities for recovered water (gray water, rainwater and spring water) were installed when the Tokyo headquarters was built in 1980, recovered water have been effectively utilized to flush the toilets.

The change on amount of securing gray water may be caused by the rainfall every year so that city water usage tends to increase when the rainfall is a little.

Therefore, we take care of saving water to install the devise for economize hand washing water and flushing in toilets.



— Tokyo Metropolitan Government Program to prevent Global Warming

ITOCHU Corporation submitted the Greenhouse Gas Emission Reduction Plan for FY2016 to 2020 to the Tokyo Metropolitan Government, in accordance with their Ordinance on Environmental Preservation. In the plan, we committed to reduce CO₂ emissions in the Tokyo headquarters by 15%, compared to the benchmark (the average of annual CO₂ emissions from FY2003 to 2005). Emissions in FY2017 came to 6,459 tons CO₂, down around 39% from the benchmark.

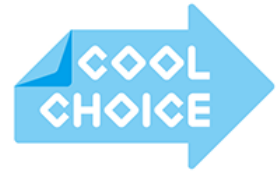
Those below submitted to Tokyo Metropolitan Government are available in Japanese.

- Greenhouse Gas Emission Reduction Plan for FY2011 to 2015 (Submitted in November 2011) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2011 to 2015 (Submitted in November 2012) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2011 to 2015 (Submitted in November 2013) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2011 to 2015 (Submitted in November 2014) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2011 to 2015 (Submitted in November 2015) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2016 to 2020 (Submitted in November 2016) (Japanese Only)
- Greenhouse Gas Emission Reduction Plan for FY2016 to 2020 (Submitted in November 2017) (Japanese Only)

* The plan submitted to Tokyo Metropolitan Government for greenhouse gas emission reduction includes not only the Tokyo headquarters, but also the adjacent commercial facility, "CI PLAZA".

Participation in "COOL CHOICE"

ITOCHU Corporation is participating in "COOL CHOICE," the campaign aimed at building a low-carbon society to alleviate climate change, led by the Japanese Ministry of the Environment. In keeping with this participation, it is striving to hold down use of air-conditioning in summer and heating in winter, and to turn power off when not needed. It is also promoting other activities of environmental conservation that can readily be performed by all employees in their workplaces, such as rigorous sorting of refuse in the office and extensive recycling.



Environmental Accounting

Environmental Conservation Costs

The environmental conservation costs for all of ITOCHU Corporation's domestic branches in FY2018 are as follows.

(Unit: 1,000 yen)

Classification	Amount
Costs inside business areas	690,574
Up/downstream costs	14,676
Management activity costs	131,935
Research and development costs	500
Social activity costs	7,810
Costs to address environmental damage	8,457
Total	853,952

Summarized based on the Environmental Accounting Guidelines - 2005 Edition from the Ministry of the Environment.

Scope of Calculation: All domestic branches

Target period: April 1, 2017 to March 31, 2018

Environmental Conservation / Economic Effects

The environmental conservation effects and economic effects of ITOCHU Corporation's paper and electricity usage and waste emissions for fiscal 2018 are as follows.

	Environmental Conservation Effects	Economic Effects (Unit:1,000JPY)
Paper Usage	1,991,000sheets	1,413
Electricity Usage	300,000kWh	6,002
Waste Emissions	-24t	-1,200
Water Usage	14,526m ³	5,762

Environmental conservation and economic effects are calculated by subtracting actual values for the current fiscal year from those for the previous fiscal year.

Scope of Calculation: Paper and Water Usage - Tokyo Headquarters building, Electricity Usage, Waste Emissions- All of domestic branches.

Monitoring the State of Environmental Liabilities

With respect to environmental risks, particularly asbestos, PCB and soil contamination, associated with tangible fixed assets of ITOCHU Corporation itself and its Group companies including land and buildings, ITOCHU not only complies with legal requirements but also conducts monitoring on a voluntary basis and seeks to respond in a way that is conducive to the switch determination and judgment of management policies. In fiscal 2018, ITOCHU will continue to promote the sharing of related information through various training (P71) such as training sessions on the Soil Contamination Countermeasures Act.

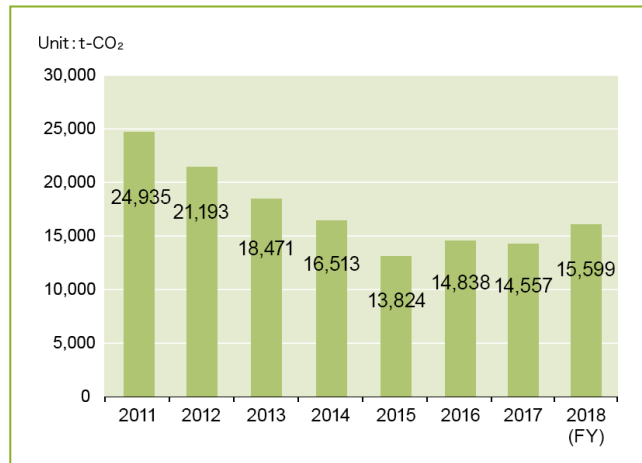
Initiatives toward Environmental Distribution

ITOCHU Corporation is working on green distribution that will reduce the burden on the environment in order to comply with the Act on the Rational Use of Energy.

Carbon Dioxide Emissions Associated with Distribution

The following graph shows the CO₂ emissions associated with the outsourced shipment of goods consigned by ITOCHU Corporation.

Change in CO₂ Emissions Attributed to Distribution★



- ★ Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 & ISAE 3410.
- FY2016 data was corrected because there was an error.

Environmental Energy-Saving Measures

Environmental Energy-saving measures are set forth in the following measures and policies in effect across the company.

In addition to these, each division company formulates specific measures.

Selection of Modes of Transportation	Promoting utilization of rail and sea transportation
Actions to Improve Transportation Efficiency	Use of partial and consolidated cargo services Selection of appropriate vehicle models and larger vehicles Transportation route ingenuity Improved loading ratios
Coordination between freight carriers and recipients	Review of transportation plans, frequency, etc.

— Specific Measures

1) Selection of Modes of Transportation

- Examine and analyze the circumstances of long-haul truck-based transportation and consider changing modes of transportation, starting with businesses able to transition to rail and domestic vessel-based transportation, which place a comparatively lighter burden on the environment.

2) Actions to Improve Transportation Efficiency

- Examine the circumstances of transportation and consider actions such as appropriate vehicle model and transportation route selection. Further, try to improve loading efficiency and reduce specific energy consumption.

3) Coordination between Freight Carriers and Recipients

- ITOCHU's internal judgment criteria on the use of distribution companies requires it to check the status of a company's environmental distribution initiatives and recommends the usage of accredited companies.
- To achieve measures (1) and (2) above, ITOCHU will endeavor to build cooperative frameworks with distribution companies as well as partner suppliers and other parties.

Employee Relations

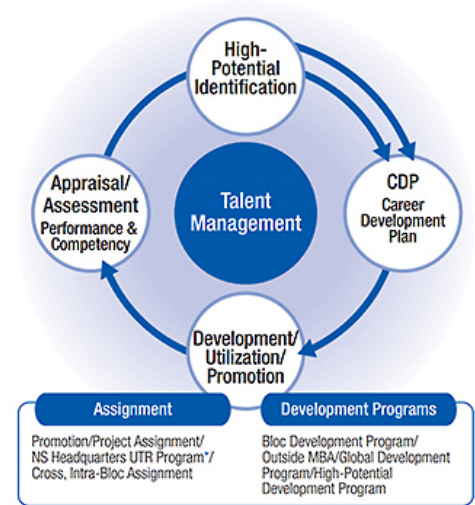
As a general trading company that has a diverse range of businesses around the world, ITOCHU believes that the human resources are its greatest management asset. Accordingly, ITOCHU will proactively advance efforts to develop and strengthen human resources as the management foundation supporting the growth of its business activities. We will continue to pursue human resources initiatives, such as cultivating industry professionals and creating systems in which diverse human resources can flourish globally.

Human Resource Development and Training Supporting the "Seeking of New Opportunities"

Ongoing Promotion of Global Human Resources Strategy

Human resources are what support the stable, ongoing growth of ITOCHU Corporation.

Since FY2008, ITOCHU has been promoting a global human resources strategy in order to maximize the value of human resources and optimize the talent development of the Group on a global basis. Specifically, in FY2011, we established leadership standards for managers and developed a global human resources database of organization managers*. We also created a Talent Management Process for recruiting, fostering, utilizing and promoting talented personnel who will play key roles in the expansion of revenues and profits overseas, by cooperating with each Division Company and the overseas blocs. In addition, the ITOCHU Mission and Values, which we have passed down since our establishment 160 years ago, are reflected in our recruitment standards and in our evaluation and human resources development programs. This enables us to hire and develop human resources around the world who are suited to ITOCHU's values.



Talent Management Process

* We are assigning, promoting, and developing human resources on a global basis regardless of nationality, by implementing the ITOCHU Global Classification (IGC) in FY2010 as a common measure of job level / level of responsibility for all jobs and positions worldwide.

* Related Data: Number of overseas bloc employees by region (P109)

Development Policy

Our human resource development activities are available to employees throughout the Group, both domestically and in overseas blocs. Based on each employee's work experience and abilities, we strive to help them develop into professionals who play an active role in their business field and to provide them with the skills necessary to manage business on a global level. Through individual evaluations and feedback, centered on valuable job experience via on-the-job training (OJT), we help to cultivate the motivation and willingness of employees to increase their career opportunities within the Group. To further support employees' self-development, we not only provide skills and knowledge through training but also actively support career development. We will continue to invest substantially in our human resources, while at the same time promoting human resources development which is proactively led by the front-lines.

Basic Structure of Human Resource Development

Human resources supports the growth of the ITOCHU Group.

Human resource development at ITOCHU Corporation is centered on valuable job experience via on-the-job training (OJT). To augment this, we *help employees to cultivate the motivation and willingness to develop themselves through individual evaluations and feedback* and *provide them with skills and knowledge through training*. Further, we provide them with opportunities to develop based on the aptitude and career of employee, becoming professional human resources in the industry that play an active role in their respective business fields, and then to the global management human resources that play leading roles in businesses in the world.



Our philosophy is at the core of our human resource development.

We will fulfill our "Infinite Missions" by maintaining the spirit of "sampo yoshi" and "Committed to the Global Good."

Training System

ITOCHU Corporation's training system consists of company-wide training structures and line training structures for each Division Company and administrative divisions, which are designed in light of industry characteristics, specialties, and other elements. We provide opportunities for human resources at all job levels to develop a wide range of capabilities. This includes not only Headquarters employees but also locally hired overseas staff and Group company employees.

For overseas blocks, we have established original training systems for each block based on the characteristics of the business and market and reflecting the required skills and specialties. We combine these schemes with the training system of ITOCHU Corporation to facilitate the development of professionals who can manage business on a global level.

Classification Target	Head Office Employees			Group Company Employees	National Staff	
	Essential	Elective	Select			
Officers	Training for Newly Appointed Officer			Training for Newly Appointed Officer		
Core Staff	General Manager Training for Newly Appointed General Manager Training for Newly Appointed Administrative Officer of Group Company	Overseas Dispatch P.T.R. (Practical Training Rotation) OJT (On-the-Job Training)	GEP Training	Strategic Management Training Subordinates Development Skills Training Basic Management Training	GEP Training P3 Training GLP Training	
	Section Manager Short-term Business School In Japan or Overseas Training for Newly Appointed Section Managers		Short-term Business School in Japan or Overseas GLP Training Next Generation Leader Forum GNP Training			
	Mid-Career Training for Newly Appointed Acting Section Manager	OJT Overseas Training Career Development Career Rotation Career Advancement		Career Support Chinese Lessons English Lessons Support Training	Next Leaders Training OJT Professional Development Courses	GNP Training NS UTR Training
	Junior Employees 8th Year Training 4th Year Training Basic Courses New Employee Training	Junior Overseas Training-Multi OJT Trainers Training Basic Courses	Corporate Staff Skills Internship English training in Emerging Countries Intensive English Course		Junior Employee Brush-up Training New Employee Training	
Clerical Staff	Newly appointed GRADE B2 Training GRADE B1 Training 6th Year Training 3rd Year Training New Employee Training	OJT Trainers Training Basic Courses	Career Workshop for Clerical Staff Overseas Training for Clerical Staff	Senior Employee Training Junior Employee Training New Employee Training		
Prospective Employees	Training for Prospective Core Staff Training for Prospective Clerical Staff			Training Available to Employees of Group Company		

GEP: Global Executive Program, GLP: Global Leadership Program, GNP: Global Network Program, NS UTR: National Staff U-turn Rotation Training, GPP: Global Partnership Program for Subsidiary Staff

Key Points of Human Resources Development

As the key points of our human resources development, we focus on consolidation, overseas and front-line capabilities.

First, from the viewpoint of "consolidation," in FY2014 we built a structure for developing human resources who can play key roles in the business management of Group companies. Specifically, we introduced programs aimed at allowing employees to obtain further basic knowledge of business management and risk management methods. One example is an administrative intern program focused on enabling employees to acquire experience working in in-house administrative units, such as the Audit Division and the Legal Division, for a certain period of time. In FY2015, we also introduced a training program to enable accounting operations to be learned efficiently in a short period of time through hands-on exercises as an essential training program for junior staff. We continue to expand the lineup of training programs for employees of Group companies so that the employees of domestic Group companies will improve their skills and expand their network within the Group.



Global Development Program

Next, from the viewpoint of "overseas," we provide training in such forms as global development programs (GEP, GLP, GNP and GPP*) and the dispatch of staff to business schools for short-term programs, with a view to nurturing the growth of global management human resources. In addition, in order to develop English language skills and an international perspective among junior staff at headquarters in Japan, we instituted a program for short-term dispatch overseas in 1999, ahead of other companies in our industry. At present, we are developing candidates for future growth into specialists in each market by dispatching our junior staff, in short term, to China and other emerging markets, for training in Chinese and other languages.

From the viewpoint of "front-line capabilities," we provide diverse object-oriented training such as training to support career visions and independent training based on the human resources strategy of each Division Company and the headquarters administrative divisions, in order to produce professionals with diverse outlooks on value.

- * Global Executive Program (GEP): This core part of the global talent development program provides training to cultivate global executives.
- * Global Leadership Program (GLP): The purpose of this training is to cultivate organization managers who can be active in global business.
- * Global Network Program (GNP): The purpose of this training is to understand ITOCHU's corporate philosophy, history, business outline and to help create network among participating members.
- * Global Partnership Program (GPP): This training is for overseas group company employees. The purpose of this training is to understand ITOCHU's corporate philosophy, history, business outline, and to help createbuild a network amongof ITOCHU Group.

Number of employees participated in major training programs

Name of Training program	FY2016	FY2017	FY2018
Administrative intern program	111	115	121
Global development program	126	128	134
Organization manager workshops	426	417	403
Dispatch of staff to business schools for short-term	41	51	39
Junior staff overseas training for Chinese and Junior staff overseas training for multi-language	52	52	61
Chinese lesson	390	469	614
Career vision support training (the total number of participants)	2,097	2,108	2,075

Time and cost allotted for capability development training of employees

	FY2016	FY2017	FY2018
Total number of hours of training in the year (Unit: hours)	193,839	200,195	217,734

	FY2016	FY2017	FY2018
Average length of time spent on education and training/human resource development per regular employee* (Unit: hours)	45.3	46.72	50.81
Average amount of expenses for education and training/human resource development per regular employee (Unit: thousand yen)	266	359	334

- * Calculation formula: Total number of hours of training in the year / Number of employees as of the end of each fiscal year

Human Resources Synergies with CPG and CITIC

In January 2015, ITOCHU Corporation entered into a strategic business alliance including capital participation with Charoen Pokphand Group Company Limited ("CPG"), one of Asian leading conglomerates and CITIC Limited ("CITIC"), one of Chinese largest conglomerates. Later, in January 2016, the three companies signed a memorandum of understanding towards enhanced human resources synergies as a basis for creating business synergies between them and increasing corporate value in the medium to long term. The memorandum of understanding is aimed at constructing a strong, consolidated human resources network between the three companies—through initiatives such as short-to-long-term human resources dispatch and exchange, dispatch of employees to participate in existing training programs at each company, and the hosting of newly created combined training seminars—as the foundation that will underpin the strategic alliance.

In May 2016, the three companies held the first combined training seminar in Tokyo. In FY2018, they held the second seminar in Beijing, where CITIC is based.

ITOCHU head office section chief-level employees and employees with equivalent levels at CITIC and CPG are selected to participate in the seminar, which aims to create a strong human resources network as partners, with each participant working to gain sufficient mutual understanding of the management policies, values, history and main business operations, etc., of each company and holding thorough debating sessions with a view to the creation of business synergies. In FY2019, the combined training seminar is planned to be held in Bangkok, where CPG is based.

The three companies steadily implement the initiatives mentioned above — that is, the short-to-long-term human resource dispatch and exchange and the acceptance of employees to participate in existing training programs at each company.

In addition, given the execution of the strategic business alliance with capital participation with CPG and CITIC, we launched a project in FY2016 for developing 1,000 Chinese-speaking human resources, which is one-third of all career-track employees. We have thus made tremendous efforts toward proceeding thoroughly with establishing the foundation of the language. At the end of FY2018, the target number of 1,000 human resources was achieved. On April 13, 2018, the ITOCHU Assembly of 1,000 Chinese Speakers was held simultaneously at three venues in Tokyo, Osaka, and Shanghai. On the day of this event, Chinese-speaking employees gathered at the venues and celebrated the achievement together via a video conferencing system. It served as an opportunity to further promote our business expansion in China and Asia.



ITOCHU Assembly of 1,000 Chinese Speakers (Tokyo Headquarters), for which Chinese-speaking employees gathered

	July 2015	March 2016	March 2017	March 2018
Number of Certified Chinese Speakers	361	430	793	1,043

ITOCHU Morning Activity Seminar

In September 2016, as a measure for promoting the morning-focused working system, we began to hold the ITOCHU Morning Activity Seminar during the early-morning hours to deepen the knowledge of our employees, develop their capabilities, and increase their vitality. In FY2018, the seminar was held on ten different occasions with 1,895 participants and the themes of the seminars were various such as "businesses in China," "performance improvement," "business efficiency improvement," "cash flows," "AI," "sleeping," etc.

Participants made comments such as, "I attended a beneficial lecture before work, which made me feel very positive" and "I think this initiative is exactly what ITOCHU is expected to do." We plan to continue holding the seminars on a regular basis.



ITOCHU Morning Activity Seminar

Major seminars

Date	Title	Lecturer
July 2017	Stress management taught by a brain scientist	Mr. Kenichiro Mogi, a brain scientist
February 2018	Thoughts and decisions in the AI era: How humans should co-exist with artificial intelligence	Mr. Yoshiharu Habu, a professional shogi player

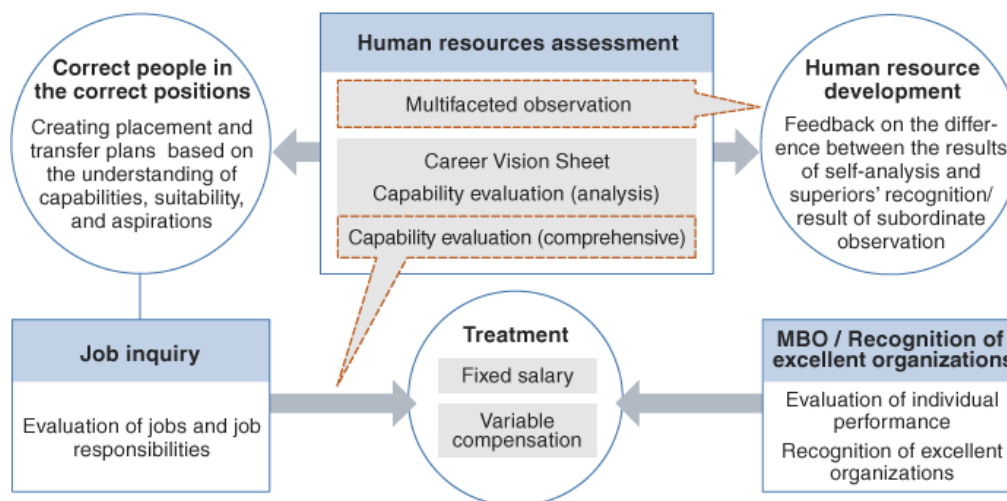
Personnel Evaluation Systems

Personnel evaluation systems are positioned as the foundation of a personnel system that helps employees realize their full potential with enthusiasm and drive. One of these systems is the management by objectives (MBO) structure, which functions as the driver of management strategy by dividing objectives among individual employees based on the company-wide management plan and verifying their execution. We have also established a human resources assessment system that takes a comprehensive look at the skills, expertise, past careers, aspirations and suitability of individual employees and utilizes this information for placement and transfer plans.

We regard fair and equitable evaluations by supervisors and feedback through interviews with subordinates as critically important to ensure proper functioning of these personnel evaluation systems. We make use of evaluator training, multi-rater 180 assessment* and other activities to communicate the importance of encouraging employee growth and development to supervisors.

* Multi-rater 180 assessment: A system aimed at reviewing daily personnel administration and management activities, which are difficult for the head of an organization to notice, through feedback on the results of observations by the head of the organization and their subordinates, to improve their activities and capabilities as necessary

Overall picture of the personnel evaluation systems



Creating Environments that Bring Out the Best in Employees

Promotion of Working-Style Reforms

ITOCHU Corporation believes that employees are its greatest asset, and that the full exertion of each individual employee's capabilities will lead to an improvement in corporate value. Based on this belief, ITOCHU has pursued a range of initiatives to develop environments where all employees can utilize their respective characteristics and concentrate on work at ease. The morning-focused working style, which we introduced in October 2013 as a measure for working-style reforms, has greatly influenced the government and many companies. More than four years after its introduction, it continues to give the results steadily as the core element of the company's working-style reforms.

For Health and Productivity Management, which we began to work on in full scale in FY2017, we promote a range of measures for improving the health of employees, based primarily on the ITOCHU Health Charter (established in June 2016). These include the introduction of the "Health MyPage" apps, via which all employees can manage their health statuses, individual programs for employees who have a high potential risk of suffering from lifestyle-related diseases (distribution of wearable terminals for health and diet and exercise instructions by experts), and enhanced support for smoking cessation (grants of aid money to reimburse the full amount of medical costs involved in smoking cessation). In addition, we opened a new health-focused integrated dormitory for unmarried employees in April 2018.

As the leading company in "working-style reforms" and "Health and Productivity Management, ITOCHU will continue to implement a range of initiatives in a pioneering manner to establish an environment where employees find it worthwhile to work for the company.

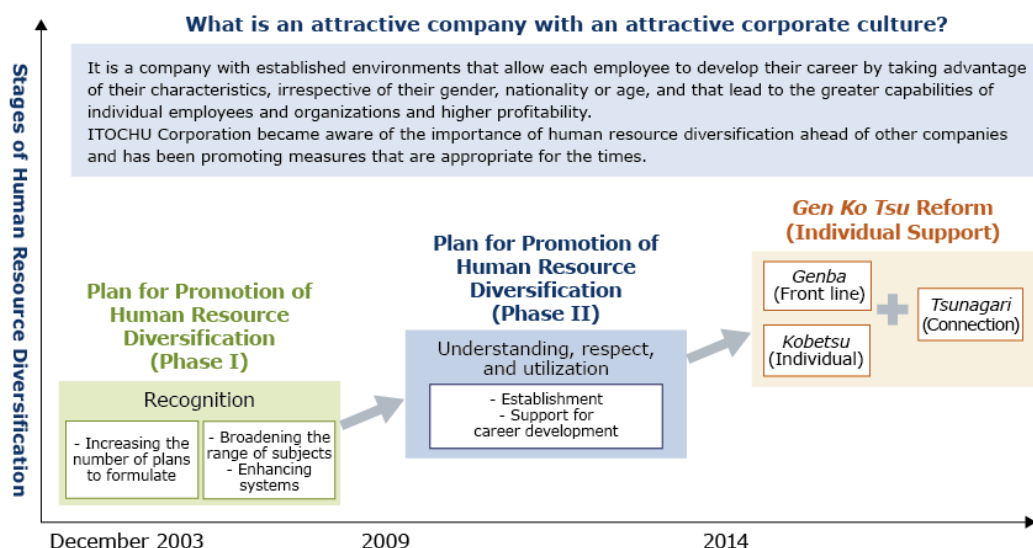
See P97 for details of the morning-focused working style.

See P99 for details of the Health and Productivity Management.

Supporting the Activity of Diverse Human Resources

Amid intensifying global economy, we at ITOCHU Corporation believe that diversity as an organization is indispensable for accurate response to diversifying needs in the global market as well as continuous creation of new business and additional value. Based on this belief, we formulated the Plan for Promotion of Human Resource Diversification in December 2003 and set about efforts to increase the number of diverse personnel and support their acclimation and activity. We are committed to continued efforts to prepare environments enabling each and every employee to exercise his or her unique talents to the fullest, and to strengthen our power on both the individual and organizational levels. By so doing, we are going to make ITOCHU an attractive company with attractive corporate culture.

ITOCHU Corporation's measures for human resource diversification



■ (1) Supporting the career development of female employees

Among its measures for human resource diversification, ITOCHU Corporation focuses primarily on supporting the career development of women. We have increased the number of female employees by promoting the Plan for Promotion of Human Resource Diversification. We have also expanded and upgraded systems far and above those required by law to help female employees succeed in both work and family life. At present, we are implementing a Gen Ko Tsu Reform (Gen for genba, or "front line," ko for kobetsu, or "individual," and tsu for tsunagari, or "connection"). Under this reform, we promote individual support measures based on the life stages and careers of individual employees. At the same time, we focus our efforts on creating role models of women with successful careers, developing an environment that enables women to work with a sense of job satisfaction, and fostering candidates for future management, mainly through training programs for nurturing career consciousness among young female career-track employees and various forums.

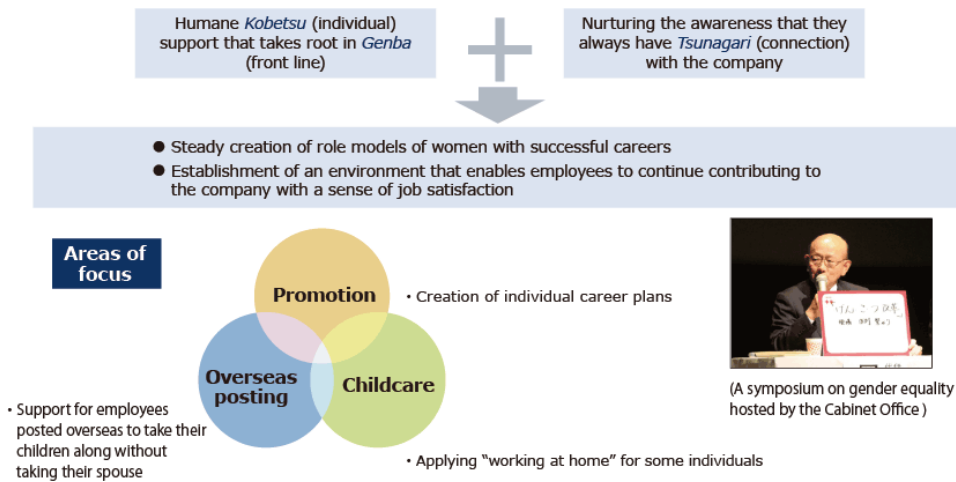
The number of female managements and career-track employees

Year	April 2016	April 2017	April 2018	FY2021 Target
Female management	5.2%	5.9%	7.0%	Over 10.0%
Female management / All management	130/2,479	149/2,505	175/2,515	
Female career-track employee	8.8%	9.1%	9.5%	Over 10.0%
Female career-track employee / All career-track employee	307/3,490	323/3,531	337/3,539	

Measures for supporting female career-track employees

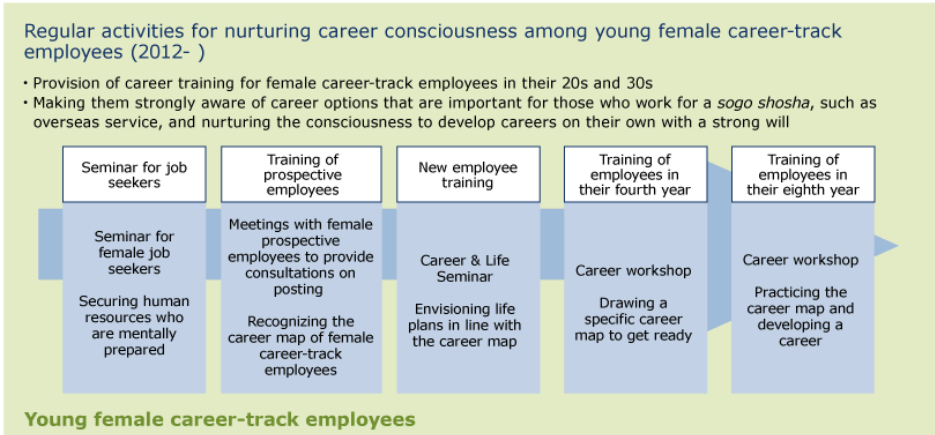
Stage	Perceived environments and tasks	Specific measures
Early period (1989-2003) Legal requirement	<ul style="list-style-type: none"> The employment of women is required by the equal opportunity law, which came into force in 1986. 	<ul style="list-style-type: none"> Continuing to hire female career-track employees (several employees every year) Transfers from clerical positions Introduction of childcare support systems
Increase in number and enhancement of systems (2004-2011) Company where female career-track employees enjoy working	<ul style="list-style-type: none"> Formulation of the Plan for Promotion of Human Resource Diversification (December 2003) To promote women to executive positions proactively, it is important to first increase the number of women and utilize them widely in the company. Establishing an environment that allows women to achieve a good balance between work and childcare/nursing care to retain female employees. 	<ul style="list-style-type: none"> Setting numerical targets Introduction of a mentor system Enhancement of childcare support systems Introduction of a system that permits a leave of absence in the event of the overseas transfer of a spouse Establishment of a childcare center for employees Holding various forums
Promotion of individual support (2012-) Company that enables female career-track employees to work with a sense of job satisfaction	<ul style="list-style-type: none"> Systems have been established beyond the level required by law. The populous generations of female career-track workers have entered in their 30s, and their life events are expected to take place in earnest. Support is provided individually under the Gen Ko Tsu Reform to those who try hard to develop careers on their own. 	<ul style="list-style-type: none"> Switch from job transfer/leave to a reemployment system Support for employees posted overseas (permission to take their children along without taking their spouse) Identification and nurturing of candidates for promotion Collecting opinions from the front lines at sectional meetings Support for endeavors to nurture career consciousness (various forums, etc.) Provision of guidance before maternity leave and holding a tripartite meeting before returning to work after childcare leave Interview before and after overseas assignment Introduction of a work-from-home system Strengthening the transfer of official duties system (application of the system to younger employees, arrangement of follow-up support to those who were transferred) Sending female career-track employees to external manager training

Gen Ko Tsu Reform



Support for nurturing career consciousness among female career-track employees

- Implementing measures for female career-track employees with successful careers, young female career-track employees, and organizational managers, aiming to create an environment in which **female career-track employees themselves** nurture the future generations as role models and organizational managers are proactive in providing support for career development.



Support for career development by clerical staff

In FY2016, ITOCHU Corporation began to organize the Clerical Staff Career Workshop for clerical staff members in the highest job grade. This training is aimed at fostering the mentality of a role model for core clerical human resources and improving skills for demonstrating leadership in the workplace, by giving trainees companywide roles. Around 20 people from among subject employees of the overall company participate in this training. Over the one-year period of this training, participants carry out missions including giving suggestions about important companywide issues to the General Manager of Human Resources & General Affairs Division, mentoring clerical staff in their sixth year, participation in activities for recruiting clerical staff, and playing a role on the frontline.

(2) Supporting the utilization of senior human resources

ITOCHU Corporation has been proactive in supporting the employment of aged workers. In light of factors such as the declining birth rate and aging population in Japan and support for the utilization of diverse human resources, we have introduced an employment extension system as a new option in addition to mandatory retirement at the age of sixty. This provides an environment in which willing employees can continue to play an active role so that their wealth of knowledge and experience can be utilized after they reach the mandatory retirement age. In addition, we give seminars on life planning and other topics to those who have reached the age of fifty-eight, thereby providing them with support in terms of work styles and financial planning following the employment extension. We will make further efforts to develop environments in which aged employees can continue to work with even greater drive and enthusiasm.

– (3) Creating harassment-free workplaces

ITOCHU Corporation aims to create workplaces where no employee suffers power harassment* or sexual harassment (including disadvantageous treatment or harassment of employees who are sexual minorities) and where employees with time constraints (employees who are pregnant or engage in childcare or nursing care) can work without hesitation. We use in-house training programs for organizational heads to raise employees' awareness of the importance of preventing and tackling harassment and informing employees of related systems and communicating with them. We take thoroughgoing measures to create a workplace environment where discriminatory remarks related to sexual preference or gender identity and comments based on unconscious sexual discrimination will never be tolerated. We have also set up a consultation desk for employees. For employees who have time constraints due to childcare or nursing care, their superiors encourage them to balance work and childcare or nursing care by utilizing the related systems appropriately, and we inform employees of the importance of reviewing the contents of work, division of duties, and ways of working in the overall workplace.

* An act of causing emotional distress or physical pain to a person who works in the same workplace or of worsening the workplace environment beyond the appropriate boundaries for work, based on one's superior position in the workplace in terms of job rank or interpersonal relationship.

Supporting the Participation in Society by People with Disability

In 1987, ITOCHU Corporation established ITOCHU Uneedus Co., Ltd., the first special subsidiary in Yokohama in Kanagawa Prefecture for the purpose of giving people with disabilities, such as physical disabilities and intellectual disabilities, a desire to work and places where they find working worthwhile. This company handles cleaning, photography and printing services, mail services, laundry and cleaning services, and others under the motto of strict quality control and cordial service. In the cleaning division, people with disabilities and those without help each other perform all the cleaning-related processes. In November 2015, ITOCHU Uneedus Co., Ltd. was relocated to a new office building in Tsuzuki-ku, Yokohama that boasts a floor area that is 2.4 times wider than the old building and possesses the latest equipment. The purpose of this move was to provide a more comfortable work environment for staff members with various disabilities, as well as expand the business.

As of March 2018, the proportion of our workforce with disabilities is 2.04%. ITOCHU Uneedus Co., Ltd. celebrated its 30th anniversary in 2017. We will continue to actively help people with disabilities participate in society.



Left: ITOCHU Uneedus Co., Ltd New office building (Tsuzuki-ku, Yokohama)

Right: Employees of the cleaning division at work
<http://www.uneedus.co.jp/>

* Related Data : Employment ratio of people with disabilities (P110)

A good balance between Work and Childcare/Nursing care

– Systems for Providing Support for Work as well as Employees' Childcare and Nursing Care

During the course of their working lives, most employees inevitably pass through life stages that require them to render childcare and nursing care. To enable them to continue working with peace of mind and demonstrate their fullest potential, ITOCHU has expanded and upgraded systems to help that are far and above those required by law. These systems are available to both male and female employees, and provide support for them to succeed in their work as well as child and / or nursing care duties. Concerning childcare leave for male employees, which had been taken only by a few employees, we began to implement a campaign in FY2016 to encourage male employees to take childcare leave by involving their supervisors as well. As a result, 168 male employees took childcare leave during the three years until FY2018. Also, in FY2016, we carried out a trial of a work-from-home system for those who need to stay home due to childcare or nursing care. In FY2017, we officially introduced the work from home system, which is applied based on specific criteria to employees who have time constraints due to childcare, nursing care, or similar reasons and those who have difficulty commuting for reasons such as pregnancy, injury, or illness. In response to the growing social importance of being prepared for nursing care, we hold an annual nursing care seminar and introduced online services for providing nursing care information and consultations in FY2018.

Support for Childcare

		85 days after getting pregnant	6 weeks before childbirth	Childbirth	8 weeks after childbirth	2 years old	3 years old	School age	Graduation from elementary school
		Pregnancy (women only)			Childcare (both men and women)				
Support for Childcare	Extended leave	Pregnancy leave (20 days)			Maternity leave before childbirth (6 weeks)	Childcare leave (until the child turns two years old/ interruptible)			
	Working on chosen days					A system which allows employees to work on chosen days (1 year in total/ interruptible)			
	Leave	Miscarriage leave (5 days)			Maternity leave after childbirth (8 weeks)	Leave to nurse sick children (5 days per year in the case of only one child; Ten days per year in the case of two or more children)/Until graduation from elementary school)			
		Special parental leave (A total of 40 days until graduation from elementary school)							
	Shorter working hours, etc.	Shorter working hours during pregnancy (by 90 minutes per day)			Family support leave (Included in leave as a reward for diligence)				
		Flexible time system			Shorter working hours for childcare (By 90 minutes per day/Until graduation from elementary school)				
		Limits on night work (10 p.m. - 5 a.m.)			Flexible time system				
	Limits on overtime work, etc.	Limits on overtime work			Exemption from overtime work				
					Limits on overtime work (to 24 hours per month/150 hours per year)				
					Exemption from night work (10 p.m. - 5 a.m.)				
Other support	Guidance for returning to job		Social media for employees on maternity/childcare leave		Three-party meeting on return from childcare leave, follow-up meeting for those who have returned to work from childcare leave				
			Career support training		Handbook on childcare (edition for women, edition for men, edition for superiors)				
Various services	Working at home (individual basis)								
	Discount system for babysitter dispatch services								
	Childcare consultations, etc./Telephone health consultations								
	Use of I-Kids, a childcare center for employees (0 - 3 years old) *Temporary childcare services are available until the child reaches school age.								

Support for Nursing Care

		Commencement of use of the system	2 years	3 years
Support for Nursing Care	Extended leave	Nursing care leave (2 years in total/interruptible)		
	Working on chosen days	A system that allows employees to work on chosen days (3 years in total/interruptible)		
	Leave	Leave for nursing care (10 days granted each year regardless of the number of family members in need of nursing care)		
		Special nursing care leave (30days for those with fewer than 8 service years, and with an upper limit in the accumulated number of days at 60days (half day off may be included) for those with 8 or more service years.)		
	Shorter working hours, etc.	Shorter working hours for nursing care (By ninety minutes per day for up to 5 years in total/Salary begins to be reduced accordingly in the 4th year/Interruptible)		
	Limits on overtime work, etc.	Exemption from overtime work		
		Limits on overtime work (to 24 hours per month/150 hours per year)		
		Exemption from night work (10 p.m. - 5 a.m.)		
	Other support	Nursing care seminars		
		Career support training provided for employees on extended leave		
Handbook on nursing care				
Various services	Working at home (individual basis)			
	"Furusato Care Service" for employees posted abroad (care for their elderly relatives)			
	Subsidy for use of homemaker services			
	Support for use of nursing care services/Telephone health consultations			
	Nursing care wiiw concierge			

* Related Data : Acquisition of leave according to child care or nursing care related systems (P110)

– ITOCHU Kids Day for Visiting Dad and Mom at Work

Since 2014, we regularly invite elementary school boys and girls to ITOCHU Kids Day—an initiative where the sons and daughters of employees can visit their dads and moms at work. They visit their parents in the office and practice exchanging name cards with people at work, using their own cards printed especially for Kids Day. They also hold a mock conference in the Board of Directors conference room, and enjoy lunch in the employee cafeteria as virtual ITOCHU employees. Kids Day is very favorably received among the parents, who are grateful to see their children develop an interest in their parents' jobs at ITOCHU and have reported that their children said they wanted to work for ITOCHU in the future. The company also considers such measures for strengthening family ties and the understanding of ITOCHU to be very significant, and plans to continue holding ITOCHU Kids Day in the future.



| Career Support

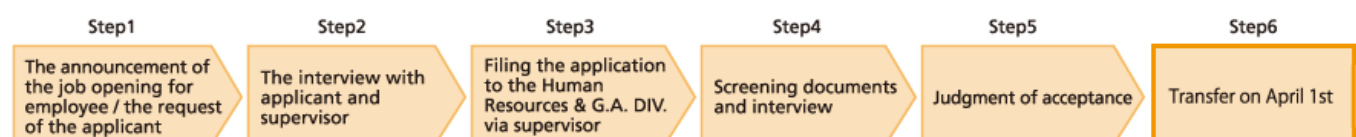
– Career Counseling

The Career Counseling Center offers a wide range of counseling and support for diverse career stages, ranging from new recruits to organization managers. All of the counselors in the Career Counseling Center have obtained the national career consultant certification. They provide consultations by discussing an array of topics fit for the circumstances of each individual seeking a consultation, including relationships with supervisors, junior staff and peers, approaches to work and considerations about one's own future. A system is in place for all young employees to receive career counseling when they reach certain milestones in their ITOCHU careers, as part of their training. Counseling is also available to mid-career employees as well as middle-aged employees looking to continue working. The number of visits to the Career Counseling Center to undergo counseling has exceeded 500. The Career Counseling Center aims to provide ITOCHU employees with the opportunity to discover something new about their career development by allowing them to have discussions with a sense of security from the thoroughgoing measures for maintaining confidentiality taken at the Center.

– Trial Implementation of the Challenge Career System

This system was implemented twice on a trial-basis, or in FY2017 and FY2018, for career-track employees (excluding organizational manager) working in Japan as a measure for increasing the mobility of human resources. Under this system, an employee checks the list of job openings announced on the internal intranet in advance and makes a request to their supervisor for a transfer to their desired position. Once approval is obtained from the supervisor, the employee is introduced to the desired transfer destination, and if the department accepts the employee, a transfer beyond the boundaries of Division Companies and administrative divisions is carried out. This system is aimed at increasing employees' motivation by providing the opportunities for career options and enhancing the organizing ability by fostering career awareness among them. Under this system, three employees were transferred in FY2017 and informal decisions to transfer two employees were made in FY2018. We will consider future measures based on the results of the trial implementation in two years.

Overall schedule



Working Environment/Style

— Dress-down Days

In June 2017, ITOCHU introduced "Dress-down Days" as a new method of work-style reform with the aim of creating an environment that allows each employee to demonstrate their capabilities further and work vibrantly.

Fridays are designated as "Dress-down Days," when employees are allowed to dress down to a level below the previous Casual Fridays, instead of wearing business suits uniformly, based on the premise that what they wear are "work clothes" that are suitable for business settings. Employees are also allowed to wear jeans and sneakers and are encouraged to wear outfits more freely to express the characteristics of ITOCHU. This program aims to develop employees' ability to think flexibly and create a workplace environment that facilitates the creation of new ideas by having employees think about how to dress down while being conscious of their relationships with customers or the people around them.



To raise employees' awareness of the program and spread it among them, the following key measures were implemented in FY2018. We will continue to plan programs that are appropriate for each season.

- A program under which around 10 employees have their own stylists to help them undergo a total makeover and experience new styles, with the cooperation of Isetan Shinjuku Store of Isetan Mitsukoshi Ltd., three times a year — that is in summer, autumn/ winter and spring.
- Internal events in which employees are recommended to wear a specific item — such as "Jeans Day" and "Sneaker Day" — and which involve a concurrently related event such as a sale with the cooperation of an ITOCHU Group company/associated company and a lecture on dressing given by a stylist.

— Cooldown Rooms

In June 2012, ITOCHU Corporation introduced Cooldown Rooms, where summer heat is alleviated, on the first floor and first basement floor of the Tokyo Headquarters building. These rooms are aimed at keeping visitors comfortable in the building and providing employees with a comfortable working environment. As a measure for preventing global warming and saving electricity during summer, when power demand increases, ITOCHU ensures that the temperature setting of the air conditioners in the building is not lower than 28 degrees centigrade. However, the Cooldown Rooms have lower ceilings than other rooms for greater air-conditioning efficiency. Cool air of 15 degrees centigrade is supplied to the rooms to keep the temperature at 20 degrees centigrade or lower. The rooms thus cool down people who visit the building on hot summer days and employees who return from sales activities outside. In addition, in December 2016, we began to make effective use of the Cooldown Rooms in winter by raising the temperature setting to warm people up and established ITOCHU History, a section for history exhibitions, so that many people can experience the pioneering spirit of ITOCHU.

— Shower Lounge and Shower Room

As a measure for creating a workplace environment that provides job satisfaction, ITOCHU introduced a shower lounge on the third floor and a shower room on the second basement floor of the Tokyo Headquarters building in the summer of 2016. Employees who returned from business trips by early morning flight would say that the airport shower rooms were crowded and that they had to use external facilities (such as gyms and saunas) on their way to work. In response to this feedback, ITOCHU established these facilities in the Headquarters building so that employees who have returned from business trips are able to start working in comfort.



The facilities are equipped with overhead showers, which warm up the body immediately, even in winter, and amenities (towels, hair driers, shampoo, and conditioner). A total of 660 employees have used these facilities in a period of about 21 months since they were opened. The employees greatly appreciate the facilities, stating that they make it possible to work in comfort.

In response to employee other requests, these facilities are now open for longer hours and are also available for employees who have exercised to improve their health. These facilities are also open to employees of affiliate companies.

■ The Hiyoshi Dormitory

In March 2018, ITOCHU Corporation established the Hiyoshi Dormitory (Kohoku-ku, Yokohama-shi, Kanagawa), a dormitory for unmarried employees with approx. 360 dwelling units, by integrating dormitories for unmarried male employees that were scattered in four locations in the Tokyo Metropolitan area. This dormitory was designed under the concept of "under the same roof," instead of being positioned as a mere welfare facility. The dormitory is therefore equipped with a range of common utilities, which are designed to serve as gathering places for residents and deepen their communications beyond the boundaries of their ages and divisions. These include a dining room with a shared kitchen, a multi-purpose meeting room, a large bathroom with a sauna, and communication spaces on each floor (space for studying and an open terrace).

From the viewpoint of initiatives such as Health and Productivity Management, the cafeteria in the dormitory provides dietary instructions by taking measures such as serving nutritionally balanced meals for breakfast and dinner. We also provide residents with exercise opportunities by tying up with a local fitness club. In addition, smoking is prohibited in the entire dormitory, including private rooms of residents, and is permitted only in designated areas. For those who wish to quit smoking, we provide a smoking cessation program using a smartphone application. These and other initiatives are taken to create an environment that encourages employees to reform their workstyles voluntarily and improve their health.

As part of business continuity plan (BCP) for disasters, this dormitory is designed to function as a secondary office for the Tokyo Head Office. It has the same internet environment as that of the office and power supply equipment that is ready to supply electricity. Food, water, emergency supplies and other items are also stocked in the dormitory.

Major Awards and Certifications

ITOCHU Corporation's initiatives for creating environments that bring out the best in employees have earned high praise from various quarters.

In FY2018, ITOCHU Corporation received the Award for Excellence from the Minister of Health, Labour and Welfare in the "Family-friendly Companies" category, for "Excellent Equal Opportunity/Work and Family-Life Balance Companies." ITOCHU was also selected a "Best Practice Company" in a program in which the Tokyo Labor Bureau selects companies that are proactive in reducing prolonged work. In addition, ITOCHU received the Minister of Health, Labour and Welfare Prize in the 2017 Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control as a project commissioned by the Ministry of Health, Labour and Welfare. The award was granted in recognition of the Support Measure for Balancing Cancer Care and Work, which began in FY2018. We also won an award of excellence in the Tokyo Metropolitan Government award commending companies that implement excellent initiatives to help cancer patients balance cancer treatment and work.

		 <p>Oファミリー・フレンドリー企業部門 平成29年度</p>		
<p>Platinum Kurumin Authorization</p>	<p>New Diversity Management Selection 100</p>	<p>2017 award for Excellence from the Minister of Health, Labour and Welfare for "Excellent Equal Opportunity/Work and Family-Life Balance Companies" ("Family-friendly Companies" category)</p>	<p>Minister of Health, Labour and Welfare Prize in the Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control</p>	<p>Tokyo Metropolitan Government award commending companies that implement excellent initiatives to help cancer patients balance cancer treatment and work</p>
<p>Companies with excellent initiatives for providing employees with support at work as well as with childcare receive approval to display the Platinum Kurumin Authorization mark. (Received on 2016 / Ministry of Health, Labour and Welfare)</p>	<p>A project for selecting excellent companies that provide diverse human resources with opportunities and an environment for exercising their potential (Selected in March 2016/ Ministry of Economy, Trade and Industry)</p>	<p>A program recognizing companies that promote exemplary programs with an equal emphasis on work and childcare/ nursing care. (Selected in November 2017/ Ministry of Health, Labour and Welfare)</p>	<p>A project recognizing companies that are proactive in taking cancer control measures and which take comprehensive, advanced cancer control measures. (Selected in February 2018/ Ministry of Health, Labour and Welfare)</p>	<p>A program recognizing companies that implement excellent initiatives to help cancer patients balance cancer treatment and work. (Recognized in February 2018/ Tokyo Metropolitan Government)</p>

- Related Data : Figures concerning employees (P109)
 - Proportion of female career-track employee, manager, and executive officer (P109)
 - Number of hires by gender (P109)

Introduction of Morning-Focused Working System

Taking Steps to Achieve a More-Effective Working Style

On May 1, 2014, ITOCHU officially introduced a morning-focused working system to achieve a more-effective working style. With a focus on managing employee health and promoting effective operations, ITOCHU has long sought to reduce overtime work. To that end, we decided that it was necessary to implement decisive reforms by reevaluating the traditional working style, which is based on the assumption that employees will work overtime. This progressive approach has made an impact on not only the industrial world but also political and business establishments. It has grown into a big movement that is changing the way Japanese people work.

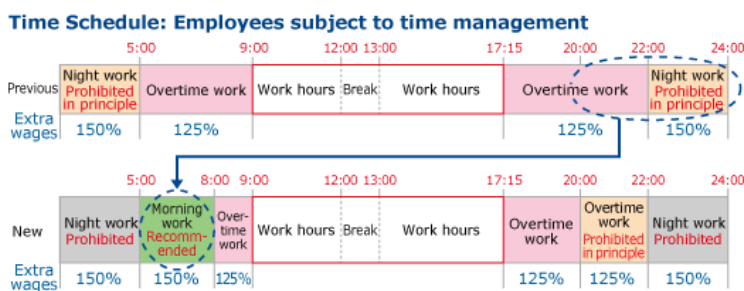
ITOCHU believes that this initiative will help individual employees to reform their approach to their own working styles and to advance well-balanced operational reforms. In this way, the Company will strive to achieve a work environment that further strengthens the effectiveness of operations, supports the maintenance and improvement of employees' health, and helps diverse employees, including female employees, to make full use of their capabilities.

Outline and Effects of Initiatives during Trial Period

Outline of Initiatives (Continued after official introduction)

- Night work (10 p.m.-5 a.m.) is prohibited. Work after 8 p.m.-10 p.m. is, in principle, prohibited, though it is permitted upon prior application when such work needs to be performed due to unavoidable reasons.
- As an incentive for employees who work early in the morning (5 a.m.-8 a.m.), extra wages are provided at the same rate paid for night work (employees subject to time management: 150%; employees not subject to time management: 25%).
- * When an employee starts working at 7:50 a.m. or before, the extra wage rate is applied not only for 5 a.m.-8 a.m. but also for 8 a.m.-9 a.m.
- From the perspective of managing employees' health, the Company provides light meals to employees who begin work before 8 a.m.

Diagram of Morning-Focused Working System



Providing light meals to employees

Effects of Initiatives

		Prior to introduction (FY2013)	First year after introduction (FY2014)	Five years after introduction (FY2018)
Leaving	8:00 p.m. or after	About 30%	About 7%	About 5%
	(10:00 p.m. or after (within 8:00 p.m. or after))	(About 10%)	(Nearly 0)	(Nearly 0)
Entering	8:00 a.m. or before	About 20%	About 34%	About 44%
Hours of overtime work per person		-	About ▲ 7%	About ▲ 11%
Electricity consumption (since introduction)		-	-	About ▲ 7%
Paid leave acquisition rate (since introduction)		-	-	About ▲ 11%

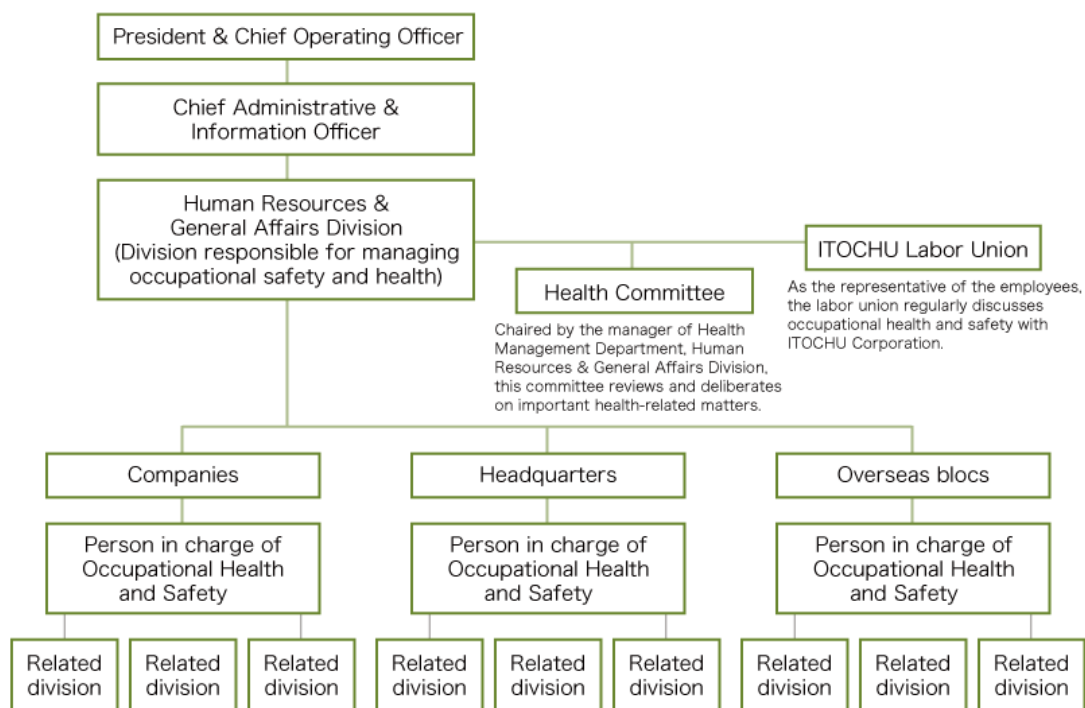
Initiatives Aimed at Occupational Health and Safety and Health and Productivity Management that Support the Activity of Employees

For ITOCHU Corporation, employees are assets, and ensuring the health and safety of employee workplaces is one of the vital responsibilities a company must fulfill so that its employees can reach their full potential. To ensure that ITOCHU Corporation employees stationed around the world and their families can enjoy a meaningful assignment in safety and good health, we have built a full system placing President and COO at the top, not only for incidents, accidents, disasters and other emergencies, but also for health management.

In addition, in order to realize its mission, "Committed to the Global Good," ITOCHU Corporation also discusses occupational health and safety with ITOCHU Labor Union, to which approx. 80% of its employees belong (see "Labor Union and Employee Welfare (P103~106)"). Labor and management enter repeated and active discussions to build up a healthy relationship that enables both sides to recognize and share challenges currently surrounding the company and to study and implement improvement measures.

See P111 for the number of employees who received training on health and safety standards.

Overview of Itochu Corporation's Occupational Health and Safety Management Organization



Employee Security Management

ITOCHU Corporation maintains global business operations with roughly 800 rotational staffs stationed overseas, and sends a total of ten thousand staffs on overseas business travel from Headquarters in Japan each year. In terms of overseas security management, because a close communication between the overseas location and Japan is important, the specialist who are in charge of overseas safety have assigned security management to staff in charge of human resources and general affairs in each regional headquarters of eight blocs worldwide. Information concerning politics, economics, public safety and other factors is periodically collected and disseminated internally, at the safety measures meeting, public security seminars, etc. We have also established a system to cover regions where information is more difficult to obtain through contracts with international security consultant firms. We provide seminars regarding safety and medical practices to our employees and their family, before and after dispatch to overseas. To prepare for emergencies such as diseases or injuries, including preventative measures for infectious diseases in the dispatched area, we collaborate with a special medical service company and developed complete support systems for preventative and post-incident measures, such as providing advice in case of sickness and injuries, including emergency transportation.

We make it mandatory for employees to be assigned overseas to receive the vaccinations recommended by the national government for each region. Vaccination-related expenses are assumed by the company. Such employees receive vaccinations at the Health Administration Center of ITOCHU Corporation or at a nearby travel clinic.

With regard to safety initiatives in Japan, we implement countermeasures against large-scale disasters, such as earthquakes. These include the creation of a business continuity plan (BCP), the preparation of disaster supplies such as drinking water, food, and toilets, emergency drills, and training on responses to the safety confirmation service.

We encourage our employees and their family to prepare for large-scale disasters, such as securing means of communicating with their families, ensuring that they have walking shoes available, and checking the route for walking home.

Health and Productivity Management

Based on the idea that each individual employee can maximize outcomes, it is the cornerstone of strengthening human resources ability to fulfill the corporate message "I am ONE with Infinite Missions" together with the development of employees' capabilities, the company's policy for Health and Productivity Management was clarified in ITOCHU Health Charter (established in June 2016). With this ITOCHU Health Charter as the core policy, we have implemented diverse initiatives in our efforts to enhance health and productivity. The Health Administration Center at ITOCHU's Tokyo Headquarters, which also serves as a clinic, has more than 20 specialist physicians on staff, as well as an X-ray technician and a pharmacist. For more than 30 years, we have been operating a system, as it were a "health concierge without borders." In this system, health maintenance professionals provide individualized healthcare guidance to employees all over the world adapted to their individual conditions by cooperating closely with physicians who specialize in individual lifestyle-related diseases. We thus encourage improved productivity and health at ITOCHU Corporation through the health management of each employee.

In terms of specific services, in addition to the above specialized disease management, we offer general medicine (internal medicine, orthopedics, dental), medical checkups (regular medical checkups, half-day complete medical checkups, medical checkups for employees traveling overseas and those returning temporarily or permanently), various vaccinations, and examinations (VDT examination, adult-onset disease examinations). We also offer medical counseling and provide information. In FY2017, the rate of employees working in Japan who received regular medical checkups was nearly 100%.

In addition, in April 2017, we introduced the "Health MyPage" apps, which allow medical checkup results to be viewed and permit the centralized management of lifestyle habit data, such as number of steps, weight, body fat percentage, and calorie intake via PC and smartphone in our efforts to raise the health awareness of each employee. For young employees who have a high potential risk of suffering from lifestyle-related diseases, we have introduced individual programs under which we distribute wearable terminals for health to collect data on exercise and sleeping and manage data on diet as well, and enable them to receive diet and exercise instructions online every day from a health coach and national registered dietitian. Over 240 employees have used these programs and made achievements.

Our Health Insurance Union operates two domestic recreation centers, and also cooperates with the Health Administration Center to fully support the smoking cessation treatment expenses, etc.

Initiatives for Employees Living with Cancer

In accordance with the ITOCHU Health Charter that was established in June 2016, we began to promote support measure for balancing cancer care and work in August 2017.

It is said that, at present, one out of every two Japanese develop cancer in their lifetimes. Every year, 850,000 individuals are diagnosed with cancer, with working-age adults accounting for 30% of them. Typically, cancer needs intensive treatment for a certain period of time, with a careful, long-term follow-up. At ITOCHU, there are some employees who are receiving treatment for cancer while continuing to work, and some who have regrettably passed away from cancer. We have determined that providing a work environment where employees continue to work without fear about cancer or yielding to it leads to positive work on the part of employees and the activation of the organization. Consequently, we have decided to introduce this measure from the following three points of view.

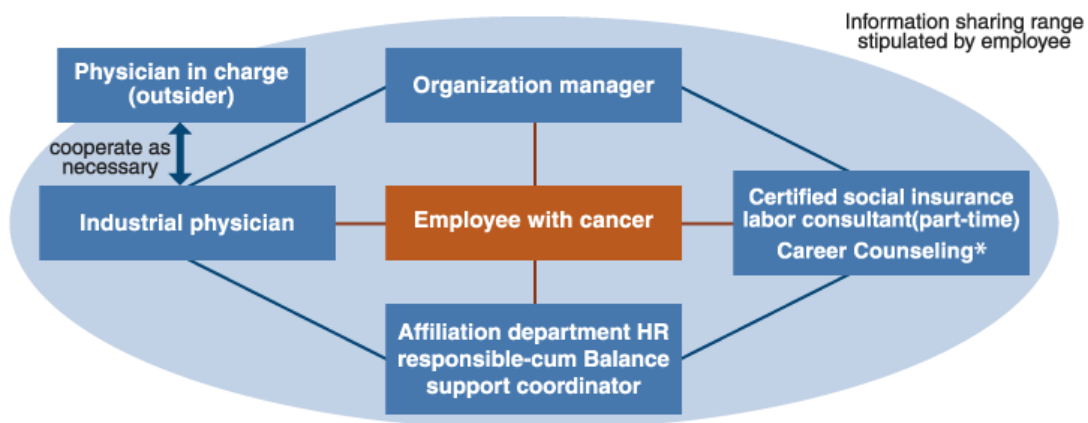
- Establishment of an environment where employees can receive consultation and share information without concern
- Enhancement of a system under which the entire organization provides support for the prevention, early detection, and treatment of cancer
- Establishment of internal systems and programs which permit employees to continue working and playing active roles while receiving treatment

ITOCHU has to date had in place a support system for long-term illness, including an enhanced health management system, subsidies for high-cost medical care, and a flexible work/leave system. In addition to this, we have decided to promote the following new initiative as a support measure for balancing cancer care and work from the three perspectives of prevention, treatment, and symbiosis.

- Cooperation with National Cancer Center
 - Prevention: Add "Cancer Special Medical Examination" which supervised by cancer specialist as an item of regular medical checkup, to improve the early detection rate.
 - Treatment: Where the result of screening is positive, detailed examination at the National Cancer Center is arranged. If cancer is detected, cooperation with a specialist physician from the National Cancer Center is arranged immediately to start state-of-the-art treatment.
- Establishment of a system for providing support measure for balancing cancer care and work (See the figure below.)
 - A coordinator for balancing cancer care and work is assigned to establish a system and climate in which the head of the organization and other employees can help the employee with cancer to balance cancer care and work. After the initial report is received, a plan to support balancing cancer care and work is formulated by following handling procedure that is appropriate for the pathology.
 - Creation of a handbook for supporting balancing cancer care and work and establishment of a leave system for providing the support.
- Enhancing financial support for receiving advanced cancer care
 - The company purchases a blanket policy to provide financial support for receiving advanced medical treatment which is not covered by insurance at all.
- Enhancement of scholarship support for children and job search for them
 - Increasing the amount of scholarship paid to bereaved children for receiving graduate school education at the highest, by approx. two to three times than before.
 - Where a bereaved child or spouse desires to work for the ITOCHU Group, a job is searched from within the Group.

By promoting this measure, ITOCHU aims to achieve a workplace in which all employees, regardless of whether they are suffering from diseases or not, can continue working to the fullest potential, without concern and without restraint, while maintaining motivation and finding their work worthwhile. At the same time, we aim to become a company that is challenging but that does work worth doing, and a company that is the strongest and best in Japan.

Support system for balancing cancer and work in ITOCHU Corporation



* Consultation window for career by qualified counselor

Mental Health

Where mental health is concerned, we have established a stress management room in-house, and offer counseling given by a clinical psychologist. Employees can also seek counseling from a company physician as well as seeing a psychiatrist in-house. Through our Health Insurance Union, we have set up the "Health & Mind Online" health consultation website where employees can seek consultations over the website or telephone. The revised Industrial Safety and Health Act came into force on December 1, 2015, employers are required to conduct stress checks to workers once a year. With the Health Administration Center playing the leading role, ITOCHU Corporation introduced stress checks on a trial basis in October 2015, one year in advance, and began to implement stress checks on a full-scale basis in FY2017.

Working Hours Management

We focus our efforts on reducing the total number of working hours, not to mention observing legislation including the 36 Agreement. To achieve more effective working style, ITOCHU Corporation introduced a morning-focused working system in October 2013, ahead of other companies. Under this initiative, we reviewed the work style that assumes overtime work and shifted from a night-focused style to morning-focused work centered on the basic hours of 9 a.m. to 5:15 p.m. As a result, the total number of working hours has been decreasing year by year. We believe that this initiative will not only enable the maintenance and improvement of our employees' health, but that it will also help female employees demonstrate their abilities and help employees achieve a good balance between work and family life. We are pursuing a well-balanced reform of work awareness and style among all employees, in order to discharge our corporate mission of "Committed to the Global Good" by always viewing things from the customer's perspective.

The above initiatives were highly regarded by the Development Bank of Japan (DBJ), and ITOCHU Corporation obtained the highest rank in the DBJ's Health Management Rating System in FY2016 for the first time as a sogo shosha. ITOCHU Corporation was also selected as a Health and Productivity Stock 2016 and 2017 in the health and productivity management program jointly carried out by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange in the two consecutive.

We succeeded in these areas because we have positioned "working style reforms" and "Health and Productivity Management") as important management strategies, introducing a morning-focused working system ahead of other companies, and promoting aggressive health enhancement measures throughout the entire company by cooperating with industrial physicians and the Health Insurance Union.

Application of the Initiatives to Group Companies

Because we promote consolidated management, our initiatives for occupational health and safety and safety management cover not only employees of ITOCHU Corporation (including contract employees) but also those of ITOCHU Group companies.

Specifically, initiatives also taken at Group companies are stress checks, safety initiatives in Japan, provision of overseas security information, collaborations with overseas security companies and medical service companies, and seminars provided before overseas assignments. The morning-focused working system has also been increasingly introduced at Group companies, and the overall ITOCHU Group is striving to reduce the total number of working hours and promote health enhancement among employees. In addition, workshops for obtaining knowledge and expertise on personnel and labor and human resources and labor management assessments are conducted regularly to strengthen the labor management of the overall ITOCHU Group.

■ <Contents of support for Group companies on personnel and labor that were provided in FY2018>

1. Workshops for labor management case studies

These workshops are held in the form of case studies by picking up potential labor management cases including ones on mental health problems and working hours management. Participants thus learn how to handle those problems and acquire specialized knowledge.

In FY2018, 45 employees from 27 companies participated in these workshops.

2. Workshops for labor management case studies (special edition)

In these workshops, lectures are given to explain key points which are likely to cause troubles in human resource and labor management and countermeasures against those troubles. In FY2018, the workshop was held under the theme of "the rules concerning conversion of limited-term employees to indefinite-term employees," and 93 employees from 61 companies participated in it.

3. ITOCHU Group Human Resources and General Affairs Liaison Council

This council is aimed at allowing people in charge of human resources and general affairs from Group companies to exchange information and strengthen their relationships. Their activities include checking the latest trends related to human resources and general affairs, sharing information about measures and responses of ITOCHU Corporation, and updating themselves about contents of revisions to laws. A total of 121 employees from 73 companies participate in this council.

4. Human resources and labor management assessments

These are "health assessments" aimed at checking whether rules, systems, and management related to the overall personnel and labor affairs, such as labor contracts, internal rules, occupational health and safety, and time management, are operated in appropriate manners or not. Assessments of 12 companies were made in FY2018.

Labor Union and Employee Welfare

Dialogue Meetings with the President

ITOCHU Corporation is proactive about offering employees opportunities for two-way discussions with the president. In FY2017, the president visited 6 domestic branches, which usually have limited opportunities for direct communication with the president, and held dialogue meetings. Along with these domestic meetings, the president also has dialogue meetings with our staff on overseas assignment, as well as local employees of each country when he visits one of our overseas bloc areas. In FY2018, the president held meetings at our business locations in the UK, Italy, France, South Korea, Indonesia, Singapore, and the United States. In these discussions, the president shared directly with employees, the company's management policies and his passion for their realization, while employees in turn could express their opinions to the president and ask questions directly. The meetings therefore provided extremely valuable opportunities for deepening two-way communication. Every meeting is held in a very spirited atmosphere, and touches on everything from management policies to more personal topics.

Dialogue with the Labor Union

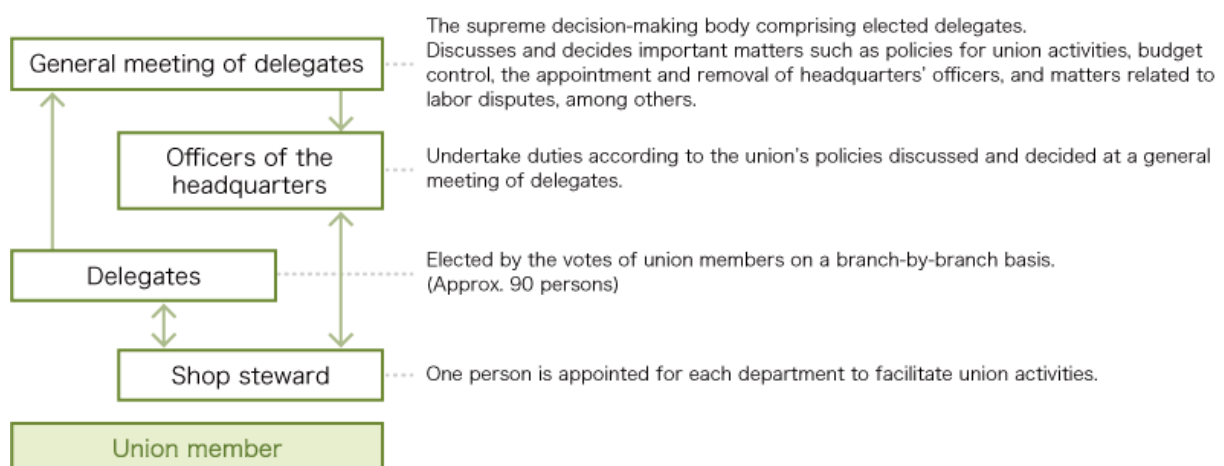
At ITOCHU Corporation, a wide range of issues are discussed with the ITOCHU Labor Union in order to realize our corporate mission, "Committed to the Global Good." In FY2018, we held five meetings, including management meetings with the President and similar meetings with Division Companies and the Administrative Headquarters. Labor and management enter repeated and active discussions to build up a healthy relationship that enables both sides to recognize and share challenges currently surrounding the company and to study and implement improvement measures.

Organization of the ITOCHU Labor Union

Objective of the Labor Union

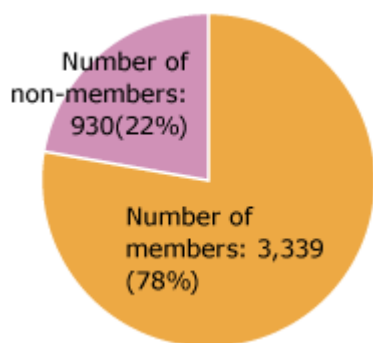
The objective of the Labor Union is to improve labor conditions and other economic concerns of its members. The Labor Union carries out all required operations to fulfill this objective. (Article 3, Rules of the ITOCHU Labor Union)

- Headquarters: General meeting of delegates/Officers of the headquarters (Secretariat: Liaison for labor-management negotiations that consists of the president and secretary general)
- Branch: Seven branches (Tokyo, Osaka, Nagoya, Hokkaido, Tohoku, Hokuriku and Kyushu)



The company is prohibited from the following:

1. Providing disadvantageous treatment to a worker because the worker is a union member or on similar grounds
Example: Discharging or transferring a worker because the worker went on strike as a union member or on similar grounds
2. Refusing to bargain collectively without justifiable cause
Example: Refusing to go to the bargaining table or having an unauthorized person attend a collective bargaining session as a person in charge
3. Interfering with or providing financial assistance for the organization or operation of a labor union
Example: Interfering with or interrupting the union's events or supporting operational expenses for the union
4. Providing disadvantageous treatment, such as dismissal, to a worker in response to an allegation made by the worker to the Labor Relations Commission
Example: Providing treatment, such as dismissal or wage reduction, to a worker in response to an allegation made by the worker to the Labor Relations Commission or a similar action by the worker



Ratio of ITOCHU Labor Union members as of April 1, 2018

Initiatives with the ITOCHU Labor Union in FY2018

April 2017 to March 2018 (every month)	Health Committee
June 2017	Settlement of accountings meeting
August 2017	CFO management meeting
October 2017	Energy & Chemicals Company management meeting
December 2017	Machinery Company management meeting
August and December 2017 and January 2018	Labor-management committee regarding time management
March 2018	Management meeting with the President

Activities by the Headquarters of the Labor Union in FY2018

April and May 2017	General Meeting of Delegates
June 2017	Meeting attended by three top-ranking officers from each branch
September 2017	General Meeting of Delegates
October 2017	Sports Day
November 2017	Lecture meeting held by inviting a prominent person
February 2018	General Meeting of Delegates
March 2017	Meeting attended by three top-ranking officers from each branch
March 2018	Labor Union event at Tokyo Disneyland
March 2018	Exchange of views with members of other companies



Shion Shinohara
President,
ITOCHU Labor Union

Comments from the ITOCHU Labor Union President

The ITOCHU Labor Union works under the following Philosophy, Vision, and Action Guidelines.

1. Philosophy: Under the philosophy "Moving on Together - To work actively together with enthusiasm and motivation," we create a work environment that allows employees with various characteristics, values and environmental conditions to be motivated, to actively and enthusiastically work together and to achieve the strongest individual performance.
2. Vision: We aim to achieve a "virtuous circle of corporate management " by improving labor conditions and the economic status of members. The "virtuous circle of corporate management " means a positive circle of: improved work environment → active participation of employees → improved business performance of the company → improved treatment → improved morale → improved work environment, and so on.
3. Action Guidelines: The overall union (members, worksite committee members, liaison officers, delegates, branch officers and headquarters' officers) make concerted efforts in activities, with the three key concepts of "Stay ahead," "Speak up," and "Be reliable."
 - Stay ahead: Always work on something new by thinking one step ahead. Think and move forward together.
 - Be assertive: Each member should be assertive with leadership.
 - Speak up: Each member should speak up on his/her own initiative.

We will go one step further when engaging in activities, and having negotiations with and making proposals to the company, aiming for treatment and a work environment which is appropriate for a leading trading company.

Improving the Infrastructure for Employee Communication

ITOCHU Corporation works to revitalize communication between employees and provide opportunities for exchange through a range of welfare facilities and schemes. Revitalized communication helps to foster a sense of belonging and motivation to work in individual employees and also helps to invigorate the organization as a whole.

— Employee Cafeteria

The employee cafeteria at the Tokyo Head Office underwent large-scale renovations in May 2013 and was transformed into a space that is brighter and a more comfortable meeting place than before. We continued to take steps to make the cafeteria more attractive for employees. These include the introduction of menus created under the supervision of Kagawa Nutrition University*, which are offered under the name of "Wellness Cafeteria," for helping employees improve their health. They also include the revision of menus and a change in the room layout, which were done in response to requests from employees. As a result, nearly 1,600 people use the employee cafeteria every day.

The special cafeteria, which can also be used for eating meals with customers, is opened as a pub at night. It helps boost internal communication and communication with external people by regularly holding a Happy Hour, during which alcoholic beverages are offered for free or at bargain prices. In 2017, the menus were fully revised and the cafeteria underwent a major renovation. It therefore contributes to the interaction of employees over meals.

*Kagawa Nutrition University is a pioneering force in nutrition education. The menu it helped create focuses on daily specials offering healthy dishes that fulfill different conditions, such as an energy value of around 600 kcal, sodium chloride equivalent of 3 g or less, and a vegetable serving of 140 g or more.

■ "SOGO-KAI" Associations

"SOGO-KAI" associations are organizations in which fellow employees assemble and enjoy the same sports or cultural activities. More than forty such associations are active within the company and boast more than 800 employee members. The associations are not limited to current employees of ITOCHU Corporation. Many former employees and Group company employees also take part. Through sports and cultural activities, these associations promote exchanges and communication across different generations and organizations.


Sustainability Action Plan for Human Resources and General Affairs





After the Materiality is identified, we reflect it in sustainability action plans in each business area as specific measures for contributing to the solution of social issues.

We promote sustainability by defining the Commitment, which shows how we achieve medium- and long-term growth and provide value to society, and specific approach and performance indicators for achieving the Commitment.

— Cultivate a motivating workplace environment

Risks	Opportunities
<ul style="list-style-type: none"> Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures, and others. 	<ul style="list-style-type: none"> Improvement of labor productivity and health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from the creation of a workplace that provides job satisfaction, and others.

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators (Non-consolidated)
	Improving operating efficiency and addressing the issue of long-working hours through work style reform	Headquarters	Human Resources Affairs	We will promote a well-balanced working style and reduce the total number of working hours, aiming to improve employee engagement.	<p><ITOCHU Corporation></p> <ul style="list-style-type: none"> Promote the morning focused working system. Conduct regular monitoring of employees' work situations. Promote work automation with IT tools, including the robotic process automation (RPA), as well as mobile work. Promote projects for improving the operating efficiency at each organization. <p><ITOCHU Group></p> <ul style="list-style-type: none"> Efficient way of working, appropriate working hours management, and educational and awareness-raising activities at the ITOCHU Group. 	<ul style="list-style-type: none"> FY2021: Reduce the annual average overtime hours by at least 10% compared to the period prior to the introduction of the morning-focused working system. FY2021: Percentage of employees who leave the office building at 20:00 or later at 5% or fewer. FY2021: Paid leave acquisition rate at 70% or higher. Rate of positive responses to the "employee engagement" item in the engagement survey: 70% or higher.
	Improving the health of employees	Headquarters	Human Resources Affairs	We will improve the health of employees to create an environment that will enable individual employees to better demonstrate their capabilities. We will build a system that helps employees with cancer or long-term illness to create a balance between treatment and work, thereby fostering a culture of mutual support.	<ul style="list-style-type: none"> Keep the percentage of employees who receive regular medical checkups at 100%. Establish well-equipped in-house clinics and a system for supporting each employee in receiving personalized medical care. Promote measures for helping employees create a balance between cancer treatment and work. Offer healthy dishes in the employee cafeteria. Promote the program for supporting smoking cessation treatment expenses. Utilize Re: Body, a health management website for employees, and continue to provide special programs for employees at risk for lifestyle-related diseases. 	<ul style="list-style-type: none"> Percentage of employees who receive regular medical checkups: 100%. FY2021: Improve health indicators (such as BMI) compared to FY2017 values. FY2021: Percentage of employees who leave work due to cancer or long-term illness at 0%. FY2021: Rate of employees found to have a high level of stress in the stress check at 5% or lower.

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators (Non-consolidated)
	Sustainable development of employees' capabilities	Headquarters	Human Resources Affairs	We will develop training programs on a global basis that respond to the changing times and business needs. We will also utilize training programs to continuously produce excellent human resources.	<ul style="list-style-type: none"> ● Continue to develop and provide training programs at all jobs levels. ● Continue and enhance overseas deployment of interns and language trainees. ● Offer diverse career path options and experience in diverse works through regular rotation. ● Foster career awareness among employees by enhancing personnel assessment, career vision training, career counselling systems and other programs/systems. 	<ul style="list-style-type: none"> ● FY2021: Annual E&D expenses exceeding one billion yen. ● Rate of positive responses to the "education and training" item in the engagement survey: 60% or higher. ● FY2021: Percentage of career-track employees who acquire business-level English skills in their first eight years at the company at 100%. ● FY2021: Percentage of career-track employees who are deployed overseas in their first eight years at the company at 80% or higher.
  	Creating an environment that allows diverse human resources to exercise their potential	Headquarters	Human Resources Affairs	We will prohibit all types of discrimination, including those based on age, gender and nationality, and respect human rights. We will create an environment that will permit the active participation of employees whose work hours are limited due to childcare, nursing care, diseases or similar circumstances.	<ul style="list-style-type: none"> ● Continue fair and equitable recruitment and promotion. ● Create a work climate of mutual respect and support. ● Reasonable accommodations concerning the work environment of people with disabilities. ● Respond to LGBT considerations and provide employee training on LGBT. ● Enhance on-site day-care centers and nursing care support services. ● Enhance individual support for employees provided in accordance with their life stage and career. ● Promote flexible ways of working by making use of mobile work. ● Support the active participation of senior human resources over 65 years old. 	<ul style="list-style-type: none"> ● FY2021: Percentage of female career-track employees among all career-track employees: 10%. ● FY2021: Percentage of female career-track employees among employees in leadership positions at 10%. ● FY2021: Proportion of our workforce with disabilities at 2.3%.

Employee Data

Figures concerning employees★ (As of March 31)

	Non-consolidated						Consolidated
	Total employees	Male	Female	Average age of employees	Average number of years of service	Average annual salary (JPY)	Number of employees
2016	4,279	3,259	1,020	42	16.7	13,829,954	105,800
2017	4,285	3,269	1,016	42	16.9	13,838,699	95,944
2018	4,285	3,284	1,001	42	17.3	14,609,151	102,086

Number of employees by operating segments★ (As of March 31, 2018)

(Unit: persons)

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Non-consolidated	412	441	198	335	422	272	179	990	3,249
Consolidated	9,879	13,603	530	12,785	30,105	17,058	15,421	2,705	102,086

Number of overseas bloc employees by region★ (As of March 31, 2018)

(Unit: persons)

North America	Latin America	Europe	Africa	Middle East	East Asia	Asia & Oceania	CIS	Total
128	141	217	53	134	635	629	81	2,018

Employees registered at overseas trading subsidiaries, branches and offices

Number of hires by gender★

(Unit: persons)

	New-graduates			Mid-career			Total
	Male	Female	Total	Male	Female	Total	
FY2017	124	29	153	6	6	12	165
FY2018	121	29	150	7	5	12	162
FY2019*	103	35	138				

* The figures as of April 1st, 2018

Proportion of female career-track employee, manager, and executive officer★ (As of April 1)

(Unit: persons)

	Career-track employee			Manager			Executive Officer		
	Total	Female	Proportion of Female	Total	Female	Proportion of Female	Total	Female	Proportion of Female
2016	3,490	307	8.8%	2,479	130	5.2%	43	1	2.3%
2017	3,531	323	9.1%	2,505	149	5.9%	44	2	4.5%
2018	3,539	337	9.5%	2,515	175	7.0%	45	2	4.4%

Acquisition of leave according to child care or nursing care related systems★

(Unit: persons)

		FY2016			FY2017			FY2018		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Child care	Childcare Leave	59	71	130	55	71	126	57	76	133
	Leave to nurse sick children	47	115	162	65	118	183	65	123	188
	Shorter working hours for child care	0	73	73	0	76	76	0	79	79
	Special parental leave	5	34	39	13	33	46	12	36	48
	Return rate for employees after taking childcare leave*	97%			82%			97%		
Nursing care	Nursing care leave	0	0	0	2	0	2	1	0	1
	Special nursing care leave	0	1	1	2	3	5	2	4	6
	Leave for nursing care	9	24	33	14	26	40	17	36	53
	Shorter working hours for nursing care	0	3	3	0	5	5	0	10	10
Family support leave		109	88	197	122	102	224	122	108	230

* The return rate for employees after taking childcare leave is the ratio of the number of employees enrolled at the end of March 2018 to the number of employees who returned from childcare leave for FY2017.

Employment ratio of people with disabilities★ (As of March 1)

	Employment ratio of people with disabilities	Legally stipulated ratio
2016	2.14%	2.00%
2017	2.31%	2.00%
2018	2.04%	2.00%

Occupational health and safety★ (Employees of ITOCHU Corporation*1)

(Unit: persons)

	FY2016		FY2017		FY2018	
	Full-time employees	Part-time employees	Full-time employees	Part-time employees	Full-time employees	Part-time employees
Number of sufferers from occupational accidents (of which the number of sufferers commuting Accidents)*2	8(5)	1(1)	5(4)	1(1)	7(5)	1(1)
Number of Fatalities	0	0	0	0	0	0
OIFR*3	0	0	0	0	0	0
Number of sufferers of Lost time incident(LTI)*4	2	0	0	0	0	0
LTIFR*5	0	0	0	0	0	0

*1 Subject employees: Full-time employees...Career-track employees, clerical employees, employees in special positions
Part-time employees...Contract employees

*2 Number of people suffering from labor injuries: Total value of the number of sufferers of lost-time accidents and lost occupational accidents caused by labor and the number of sufferers of commuting injuries.

*3 OIFR: The incidence rate of lost-time accidents corresponding to diseases and diseases per million hours (calculated as the number of people suffering from LTI caused by illness ÷ total working hours multiplied by one million hours)

*4 Lost time incident (LTI) is a situation in which a work-related injury or illness causes the victim to be absent from work on the following day. (Labor accident)

*5 LTIFR: Injury occurrence rate with labor loss per million hours (calculated as the number of sufferers in LTI ÷ total working hours×1 million hours)

Total number of participants in training on health and safety standards★ (Employees of ITOCHU Corporation)

	FY2016	FY2017	FY2018
Compulsory training*1	2,824	2,744	3,410
Non-compulsory training*2	14	48	61

*1 Training for new recruits (career-track employees and clerical employees), organization manager workshops, training prior to overseas assignments and training prior to JOT/JOT-M, Evacuation drills at Tokyo headquarters.

*2 Career vision training (such as mindfulness classes and Mental health management)

Turnover rate★ (Employees of ITOCHU Corporation*)

	FY2016	FY2017	FY2018
Voluntary turnover rate	1.1%	1.2%	1.6%

* Subject employees: career-track employees, clerical employees and employees in special positions
The retirement rate is calculated by the following method.
Number of employees who voluntarily retired ÷ Number of employees at the end of each fiscal year

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000.

- The figures are for non-consolidated unless otherwise indicated as consolidated.
- The number of oversea bloc employees by region is the total of employees registered at overseas trading subsidiaries, branches and offices.
- The figures of employment ratio of people with disabilities are the combined total of ITOCHU Corporation and the certified special-purpose subsidiary, ITOCHU Uneedus Co.,Ltd.

Corporate Governance and Internal Control


Steps Taken to Strengthen Corporate Governance

	Actions Taken	Purpose
1999	<ul style="list-style-type: none"> Introduction of a system of executive officers 	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> Appointment of outside directors (two) 	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> Response to Japan's Corporate Governance Code Establishment of a Nomination Committee and a Governance and Remuneration Committee Revision of the Board of Directors' Regulations 	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> Increase in the number of outside directors (from two to three) Reorganization of the Nomination Committee and the Governance and Remuneration Committee (appointing outside directors as chairmen, outside executives account for half or more of members) Implemented Board of Directors' effectiveness evaluation 	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> Transition to a Board of Directors with a monitoring-focused structure Increasing the ratio of outside directors to at least one-third No directors except one Division Company President appointed to concurrent positions 	Thorough separation of management execution and supervision
2018	<ul style="list-style-type: none"> Transition to a Management Structure with a Chairman & CEO and a President & COO Improve diversity of outside directors Maintain an outside directors' ratio of at least one-third. Discontinue consultant and advisor system 	Maintenance of the Board of Directors' system in response to internal and external changes


Transition to a Structure with a Chairman & CEO and a President & COO

Before Structure in FYE 2018

We transitioned to a monitoring-focused Board of Directors by drastically reducing the number of executive directors and maintaining an outside directors' ratio of at least one-third.



5
Executive directors




4
Outside directors


P: Division Company President

After Structure in FYE 2019

We have transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and enable us to respond to changes in the world.



5
Executive directors



3
Outside directors

In the Future Future Issues

Based on the results of a Board of Directors' evaluation in FYE 2018, we acknowledge the following as issues:

- Operation of the Board of Directors based on the transition to a monitoring-focused structure
- Enhance reporting of advisory committee deliberation contents to the Board of Directors

Outside Director Changes

At the 94th Ordinary General Meeting of Shareholders, outside directors Ichiro Fujisaki and Chikara Kawakita retired and Masatoshi Kawana was newly appointed as an outside director.

This change was made because of a need to further diversify opinions in order to increase corporate value and accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. Additionally, Mr. Fujisaki and Mr. Kawakita had both assumed their positions in 2013, already five years ago, and it was time to make a change in outside directors.

In terms of outside directors, the Company has a policy of preferentially appointing people who fulfill independence

requirements established in its "Independence Criteria for Outside Directors and Outside Audit and Supervisory Board Members" and can be expected to contribute to its management with deep insight cultivated through experience in various categories. In addition to experience and insight, we also regard character as important and in FYE 2019 only one additional person was selected for appointment as an outside director. There has been no change to our policy of maintaining at least a one-third ratio of outside directors and we are discussing increasing their numbers should appropriate candidates be available.

Messages from Outside Directors



Outside Director

Atsuko Muraki

Ms. Muraki was appointed as a director of ITOCHU in June 2016, following positions including the Vice Minister of Health, Labour and Welfare. She is a chairman of the Governance and Remuneration Committee. In addition to work-style reforms, she proactively offers advice on compliance issues and sustainability issues in management plans.

Toward a More Energetic Board of Directors

I assumed my role of outside director two years ago and have participated closely in the Company's governance system as a member of the Governance and Remuneration Committee. In FYE 2018, we dramatically reconfigured the Board of Directors to separate the execution and supervision of management. We are transitioning to a structure with a Chairman & CEO and a President & COO in FYE 2019 to achieve management continuity and to respond to rapid changes in the world. This structure is the result of careful consideration of what our Company's ideal form should be based on the business environments we found ourselves in during each of these two fiscal years. I believe this consideration provides the foundation for us to accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. The subtitle of "Brand-new Deal 2020" is "ITOCHU : Infinite Missions : Innovation." This subtitle communicates the strong will of "merchants," the symbol of our Company's strength, to free themselves from the status quo and achieve major transformation in order to respond to new eras. It was decided that I would begin serving as chairman of the Governance and Remuneration Committee after the end of the general meeting of shareholders in FYE 2019; I plan to help the Company evolve and transform itself in my new roles.

Aiming to Become the No. 1 Health Management Company

Our human resources are a precious management resource and to further strengthen "individual capabilities, which are one of the Company's strengths under the new medium-term management plan, "Brand-new Deal 2020," we are advancing our goal of becoming the "No. 1 Health Management Company" as a basic policy. In addition to progressive measures the Company is already taking, such as its "Support Measures for Balancing Cancer Care and Work," it is important to develop environments in which employees can actively work to their heart's content while simultaneously feeling secure about their health and a sense of job satisfaction. We will adopt a variety of measures to this end in order to become a Company that not employees but also their families can call the "best company in Japan." I would like to greatly contribute to our progressive health management initiatives, which utilize the experience I have accumulated while participating in the medical field for many years and also adopt a medical point of view. Additionally, at my current post as associate director at Tokyo Women's Medical University Hospital, I have participated in all aspects of hospital management and, from a manager's point of view, have actively worked to adapt a variety of measures and improve profit structure. Based on this experience, I want to help out with the medical care business, which the Company is planning to expand in the future, and, while maintaining full awareness that my primary duty as an outside director is to function as the "public eye," work to further increase sustainable corporate value.



Outside Director

Masatoshi Kawana

Mr. Kawana has worked as a physician for Tokyo Women's Medical University Hospital for many years and has also holds the position of associate director. He assumed a position as a member of the Board of Directors at ITOCHU Corporation in June 2018. He is also a member of the Company's Governance and Remuneration Committee.

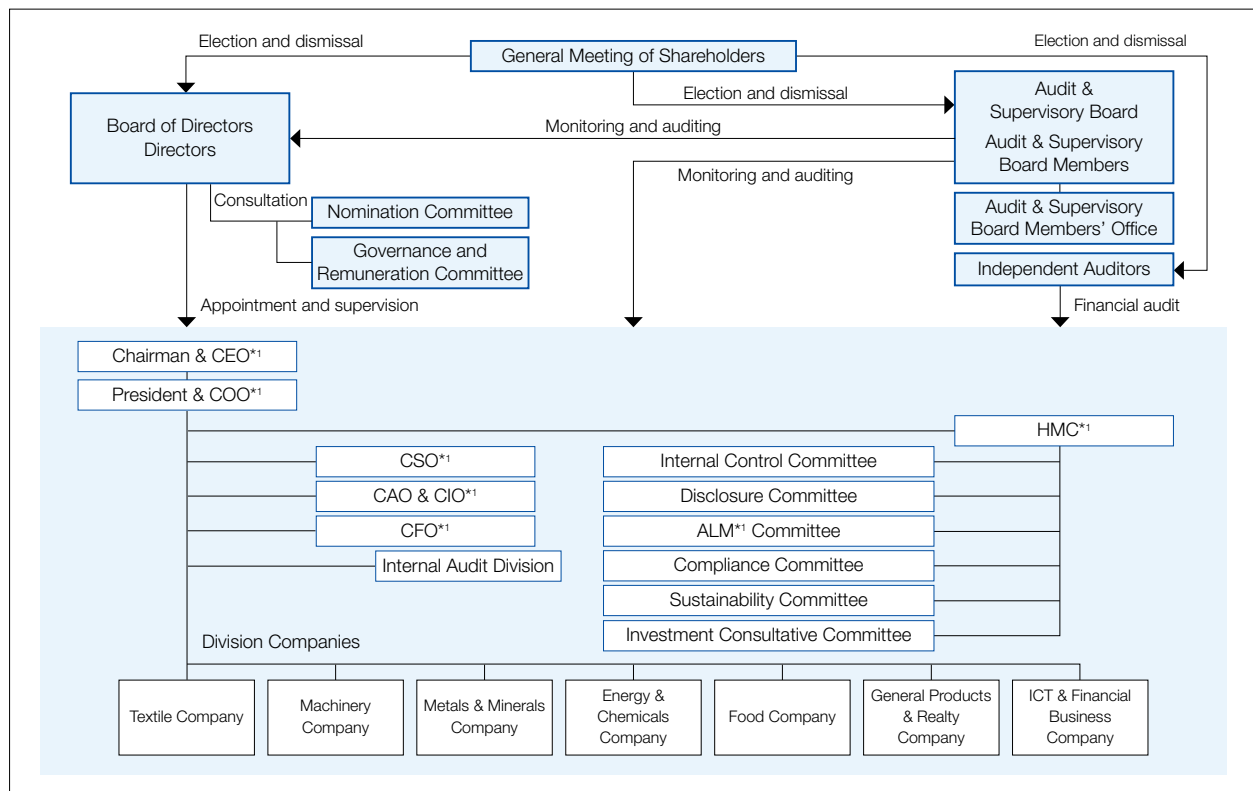
Overview of the Corporate Governance System

Corporate Governance System

Type of system	Company with the Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board)
Number of directors (Of which, number of outside directors)	8 (3)
Number of Audit & Supervisory Board Members (Of which, number of outside Audit & Supervisory Board Members)	5 (3)
Term of office for directors	1 year (the same for outside directors)
Adoption of an Executive Officer System	Yes
Organization to support COO decision-making	HMC** deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of June 22, 2018)



*1 CEO: Chief Executive Officer, COO: Chief Operating Officer, CSO: Chief Strategy Officer, CAO & CIO: Chief Administrative & Information Officer, CFO: Chief Financial Officer, HMC: Headquarters Management Committee, ALM: Asset Liability Management

*2 CAO & CIO is the chief officer for compliance. Also, each Division Company has a Division Company President.

*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

Composition of the Nomination Committee and the Governance and Remuneration Committee

(As of June 22, 2018)

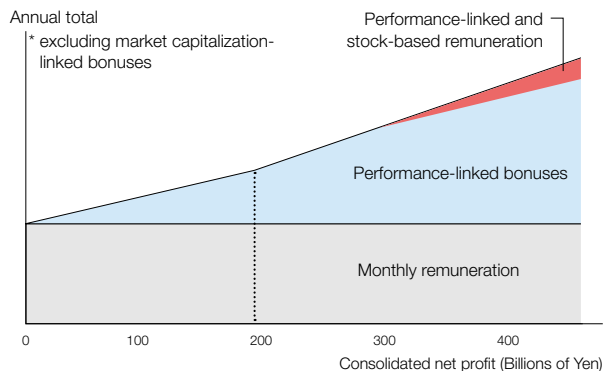
Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director	○	
Atsuko Muraki	Outside Director	○	◎ (Chair)
Harufumi Mochizuki	Outside Director	◎ (Chair)	
Masatoshi Kawana	Outside Director		○
Kiyoshi Yamaguchi	Audit & Supervisory Board Member	○	
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member		○
Shingo Majima	Outside Audit & Supervisory Board Member	○	○
Kentaro Uryu	Outside Audit & Supervisory Board Member	○	
Kotaro Ohno	Outside Audit & Supervisory Board Member		○

(8 members)

(7 members)

A Highly Transparent Remuneration System Linked to Increases in Corporate Value

Remuneration of Directors (Excluding Outside Directors)



The total amount of (1) monthly remuneration is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (2) performance-linked bonuses and (4) performance-linked and stock-based remuneration is determined based on consolidated net profit. (3) Market capitalization-linked bonuses were introduced in FYE 2019 as an incentive aimed at increasing corporate value. Furthermore, (4) performance-linked and stock-based remuneration was introduced in FYE 2017 with the aim of heightening awareness toward making contributions to increasing corporate value over the medium and long term.

	Type of Remuneration	Content	Remuneration Limit	Resolution of General Meeting of Shareholders
Directors	(1) Monthly remuneration	Monthly remuneration determined by the contribution to ITOCHU of each director according to a base amount set by position	¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors)	June 24, 2011
	(2) Performance-linked bonuses	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.		
	(3) Market capitalization-linked bonuses	Total amount paid is decided based on the amount the Company's market capitalization increased in comparison to the previous fiscal year Refer to the formula (*2) below.		
	(4) Performance-linked and stock-based remuneration	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.		
Audit & Supervisory Board Members	Only monthly remuneration		¥13 million per month	June 29, 2005

*1 Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked and Stock-Based Remuneration

Total Amount Paid to All Directors

$$\text{Total amount paid to all directors} = (A + B + C) \times \text{Sum of position points for all the eligible directors} \div 55$$

A = (Of consolidated net profit for FYE 2019, the portion up to ¥200.0 billion) x 0.35%

B = (Of consolidated net profit for FYE 2019, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of consolidated net profit for FYE 2019, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock-based remuneration)

* Remuneration limits exist on bonuses and stock-based remuneration.

Amount Paid to an Individual Director

$$\text{Amount paid to an individual director} = \frac{\text{Total amount paid to all directors} \times \text{Assigned position points}^*}{\text{Sum of position points for all the eligible directors}}$$

Of the amount paid to an individual director, the portion corresponding to A and B in the total amount paid to all directors is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock-based remuneration and the balance is paid in cash. Furthermore, the value of 70% of the portion paid in cash will increase or decrease depending on the rate by which the responsible organization meets its projected targets.

In regard to stock-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock-based remuneration is paid from the trust in correspondence with accumulated points.

* Points assigned by position

Chairman	President	Executive Vice President	Senior Managing Executive Officers	Managing Executive Officers
10	7.5	5	4	3

*2 Calculation Formula for (3) Market Capitalization-Linked Bonuses

Amount Paid to an Individual Director

$$\text{Amount paid to an individual director} = (\text{Average amount of daily stock market capitalization in FYE 2019} - \text{Average amount of daily stock market capitalization in FYE 2018}) \times 0.1\% \times \text{number of position points} \div 108.8$$

Position points for Board of Directors' members are the same points that are used to calculate performance-linked bonuses.

Compliance

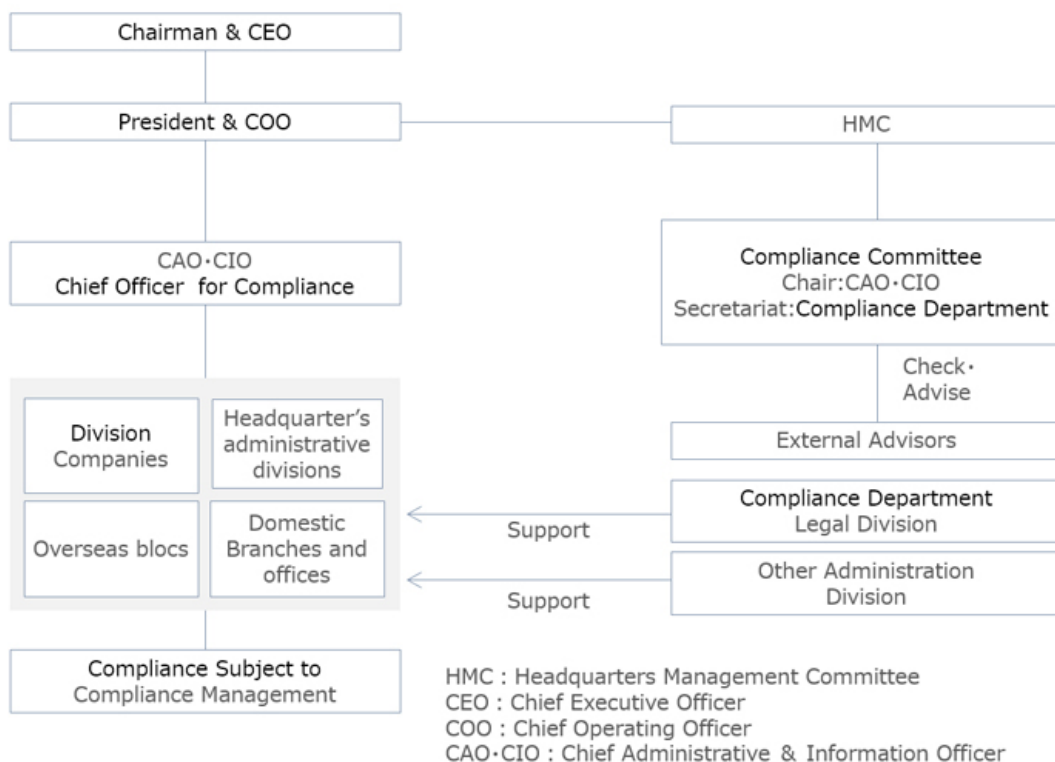
ITOCHU Group's Compliance System

The ITOCHU Group is developing a system for compliance by having the Compliance Department of the Legal Division plan and suggest policies and measures to encourage compliance throughout the entire Group and appointing compliance officers in each organization within ITOCHU Corporation, overseas offices and major Group companies worldwide (including consolidated subsidiaries and some equity method associated companies; hereafter, the "companies subject to compliance management"). Incidents of compliance violations revealed in each organization within the Headquarters, overseas offices or companies subject to compliance management are reported to the Chief Officer for Compliance (CAO · CIO) and the Corporate Auditors, while incidences of serious compliance violations are reported to the Board of Directors as appropriate. The Compliance Committee is chaired by the CAO · CIO and consists of three external members and heads of relevant divisions as internal members. It deliberates on matters related to compliance as a permanent organization on business operations. The most recent Compliance Committee meeting was held on February 15, 2018. (The meeting is held two times a year, in principle.)

The ITOCHU Group Compliance Program details the compliance system of the ITOCHU Group so that each organization within ITOCHU Corporation, its overseas offices, and companies subject to compliance management can ensure compliance by taking into account business characteristics, operational formats and local laws.

Across the Group, we conduct Monitor & Review surveys once a year to check the status of compliance systems and operations of each organization. In addition, as for key organizations such as overseas offices and companies subject to compliance management, we are implementing activities with a focus on system operation, including on-site guidance with the objective of ascertaining actual front-line compliance conditions and identifying risks. Furthermore, based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each Division Company, and these measures are steadily being implemented.

In addition, to ensure compliance throughout the Group, at personal performance evaluations at the end of each fiscal year we ask all employees to confirm in writing that they have complied with laws, regulations, and other rules.



— Internal Information Reporting System (Hotlines)

ITOCHU Corporation has formulated regulations on the Internal Information Reporting System (Hotlines) and instructed the installment of hotlines at companies subject to compliance management as well. In addition to protecting whistleblowers through these arrangements, we have defined mechanisms for proper disposal of cases. This initiative is reinforcing compliance management by supporting the prompt discovery and rectification of any incidents of corruption, including bribery.

ITOCHU Corporation has established multiple whistleblowing contacts (including external whistleblowing contacts that utilize specialized company and external lawyers). It prohibits the unfavorable treatment of whistleblowers, such as retaliation, and allows whistleblowers to provide information anonymously.

In addition, on its website, ITOCHU Corporation has established a system under which the appropriate divisions respond to public inquiries based on the content of each inquiry, as described below.

| Implementation of Compliance Training

— On-Site Compliance Training

We conduct On-Site Compliance Training for all officers and employees of ITOCHU Corporation every year. This training, which is intended to raise compliance awareness and prevent the occurrence of any cases, uses actual incidents of compliance violations as teaching materials while also focusing on the following points.

- Raising awareness of compliance with laws that need to be observed in the course of business
- Raising awareness of prevention of any incidents of corruption, including bribery, insider trading, and money laundering
- Raising awareness of prevention of human rights violations such as power harassment and sexual harassment

In addition, Group companies implemented their own compliance training programs for officers and employees as appropriate for their operational formats. In FY2017, on-site training was also provided by the Headquarters for officers and employees of major Group companies for a total of 7,000 people from 102 companies in Japan. Training was also provided to 34 group companies at major overseas blocs in FY2017. We also distribute the Compliance Handbook to all employees. This handbook provides advice on compliance for each potential work setting (in Q&A format) and advises what actions to take in order to prevent corruption. We also conduct separate programs of finely-tuned education and training for each employee layer that are based on actual cases, including training for new recruits, manager training, training for Group company officers and training prior to overseas assignments.

— Compliance Awareness Survey

The ITOCHU Group implements a Compliance Awareness Survey every two years with all Group employees, including the level of understanding of the ITOCHU Mission, and assists the implementation of specific initiatives. In FY2018, we conducted the survey of about 44,000 Group employees, and received response from 41,215 of them (retrieval rate of 93.4%). The results of the analysis of the findings are presented as feedback to each organization and reflected in efforts to improve the compliance system.

| Bolstering Measures to Fight Corruption

In the ITOCHU Mission and Values, as the corporate philosophy of the ITOCHU Group, we have specified Integrity as one of the Values, under which we declare that each one of us in the ITOCHU Group "will never obstruct competition through illicit means nor develop inappropriate relationships, such as those with public officials, for our own interests.". In addition, the anti-bribery policy of the ITOCHU Group stipulates that money, goods, entertainment, and any other favors must not be granted to public officials or employees or officers of private organizations, either in Japan or overseas, for the purpose of obtaining illicit profit.

ITOCHU Group Anti-Corruption Policy

■ 1. ITOCHU Group Anti-Corruption Policy

ITOCHU Corporation traces its management philosophy back to that of its founder, Chubei Ito, who, as an Ohmi merchant, operated under the philosophy of *sampō yoshi* (good in three ways: good for the seller, good for the buyer, good for society). Reflecting this tradition, ITOCHU Group's corporate philosophy is "Committed to the Global Good," and in order to fulfill this philosophy, ITOCHU Group has adopted as one of its core values "integrity," which includes keeping promises, acting without hypocrisy, and always maintaining strong ethics in all places and with respect to everyone, a concept analogous to adhering to compliance.

ITOCHU Group recognizes that continuing to provide societal good requires obedience to laws and strict attention to compliance. ITOCHU Group does not need any profit, regardless of amount, if such profit is obtained through illicit means such as bribery.

To address the risk of bribery and corruption, ITOCHU Group strictly observes its internal rules, including its "Regulations Concerning the Prohibition of Giving Illicit Benefit," as well as four related guidelines relating to public officers, foreign public officers, business partners, and investment generally. Regarding high-risk activities such as entertainment, gifts, investment, and appointment of business partners, ITOCHU Group has established and requires strict adherence to rules governing approval, decision-making, and record-keeping procedures.

[ITOCHU Group Anti-Corruption Policy]

- No money, entertainment, gifts, or anything of value in order to obtain illicit gains shall be given to any public or quasi-public official inside or outside of Japan.
- No money, entertainment, gifts, or anything of value in order to obtain illicit gains shall be given to any director, officer or employee of any private entity.

■ 2. Requests for All Partners

In order for ITOCHU Group to implement the above anti-corruption policies, ITOCHU Group requires the cooperation of all of its business partners and investment partners. In connection with the business partners and the investment targets and investment partners (collectively "Partners"), ITOCHU Group will request itself conducting due diligence on Partners and entering into contracts containing anti-bribery provisions with Partners.

ITOCHU Group thanks you for your understanding and cooperation.

April 1, 2018
Masahiro Okafuji
ITOCHU Corporation
Chairman & Chief Executive Officer

The U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the U.K. Bribery Act 2010 evidence the global trend toward the tightening of legislation against bribery. In keeping with this trend, ITOCHU Corporation has thus far determined and strictly operates the Regulation Concerning the Prohibition of Giving Illicit Profit and three related guidelines (regarding public officers, agents and consultants, and foreign public officers) to prohibit all employees from giving any improper advantage to Japanese or foreign civil servants or people in an equivalent position. In December 2015, we revised the guideline regarding agents and consultants to guideline regarding business partners, thereby expanding the scope of application of the guideline, and bolstered measures to fight corruption by establishing investment guideline, which is designed to carefully check investment projects for the risk of bribery. The Regulation Concerning the Prohibition of Giving Illicit Profit includes facility payments, or payments of small amounts of money that are aimed solely at facilitating ordinary administrative services, among the improper advantages it prohibits. It also prohibits commercial bribery, which falls under an improper advantage given to business partners in the private sector. In addition to banning bribery, our internal rules prohibit officers and employees from receiving improper advantages from business partners in the private sector, deeming such acts to be a mix of business with personal affairs (conflicts of interest, etc.).

The guidelines regarding public officers and foreign public officers include guides for decisions and judgments on business entertainment and gift-giving to public officers and foreign public officers, under which we review cases on an individual basis. The guideline regarding business partners clarifies the process for comprehensive checks and stipulates the process of concluding contracts on new appointments and renewals of contracts with business partners who will provide services to ITOCHU Corporation (including agents and consultants). Concerning overseas business partners, we use the Corruption Perceptions Index (CPI) published by Transparency International as one of our risk identification criteria.

In contracts where there is a possibility to contain a risk of bribery, including ones with business partners, we include an article prohibiting bribery, thereby prohibiting improper payments (bribery or the provision of improper advantages) and clearly state that the contracts may be cancelled immediately if the provisions of the article are violated. The investment guideline includes specific provisions on the implementation of due diligence and procedures for obtaining the confirmation letter from the viewpoint of preventing corruption, which are to be used for deliberations on investment projects.

In the training provided to officers, employees and others, we strive to raise awareness and instill ITOCHU Group Anti-Corruption Policy, the Regulation Concerning the Prohibition of Giving Illicit Profit and four related guidelines. We make certain that the regulation and guidelines are reflected in their daily management work to prevent corruption, including the provision of improper advantages. We also provide training specializing in bribery for organizations where the risk of bribery is particularly high. We also manage our political contributions, charities, and sponsorship activities by referring to internal rules to ensure that they do not constitute corruption, and by following our internally specified routes of application for the approval of donations and sponsorship to ensure that such activities are socially just and meet ethical standards.

The annual Monitor & Review surveys, which are mentioned in the ITOCHU Group's Compliance System above, include a check on business entertainment and gift-giving to public officers and foreign public officers and on the appointments and renewals of contracts with agents and consultants by organizations within ITOCHU Corporation, overseas offices, and companies subject to compliance management. Where necessary, we hold a dialogue on the status with the compliance officer of each organization.

Measures to Fight Collusive Bidding and Cartels

In recent years, there have been many reports of suspected cartel activities in markets around the world. In response, to prevent involvement in any illicit transactions, ITOCHU Corporation established the Basic Regulations on the Compliance with the Antimonopoly Act, etc. and the Standard on Prevention of Cartels and Collusive Bidding on November 1, 2017. In addition, we regularly revise our Anti-Monopoly Law Manual and the document "A Must-Read! 51 Q&A about the Antimonopoly Act," which facilitates referral. (The last revision was made in August 2017.) Through various Monitor & Review surveys and education and training programs as well, we are making sure all employees are aware of requirements. Further, in July 2017, we set up the Antimonopoly Act Desk in the Legal Division as the consultation desk and created "The 29 Frequent Misunderstandings about the Antimonopoly Act" as a new educational material.

ITOCHU Group Tax Policy

7th December, 2017
ITOCHU Corporation

ITOCHU Corporation and the ITOCHU group companies (collectively, "the ITOCHU Group") have established a Basic Policy: To comply with all applicable tax laws, rules, regulations, and tax treaties (collectively, "Tax Rules") of each country and region where the ITOCHU Group conducts business.

The ITOCHU Group is committed to respecting the interests of all stakeholders, including all of the countries and regions where the ITOCHU Group conducts business, as well as the ITOCHU Group's shareholders, creditors, business partners, and employees.

1. Basic Policy - Compliance with Tax Rules

The ITOCHU Group is committed to managing its business operations in full compliance with all applicable Tax Rules and not engaging in transactions that are intended to evade or avoid taxes.

2. Tax Cost Management

In accordance with the Basic Policy, the ITOCHU Group strives to achieve effective tax cost management by eliminating double taxation and utilizing the favorable Tax Rules of each country or region.

3. Maintaining Relationships of Mutual Trust with Tax Authorities

The ITOCHU Group strives to maintain a relationship of mutual trust with all tax authorities by engaging in constructive discussions and preparing documents in an accurate, timely and appropriate manner to ensure overall transparency of the ITOCHU Group's tax matters.

Measures for Intellectual Property

To completely prevent infringements on intellectual property rights held by other parties in businesses related to such rights, as well as in the ordinary course of business, ITOCHU implements measures to call attention to the issue by holding seminars for employees and by establishing internal rules, regulations and manuals that conform to related laws and regulations. We also define and properly apply internal rules for employees' inventions and work and rules for application, renewal, etc. of rights to properly manage and handle intellectual property rights that constitute property of the companies.

Basic Policy on Product Safety

ITOCHU Corporation has prepared a product safety manual for each internal company to assure safety. The manuals are based on its policy of observing obligations stipulated by laws related to the safety of the products it handles, and providing safe and secure products to its customers. We are going to continue with efforts to assure provision of safe and secure products through in-house education, institution of ad-hoc units assigned to product safety, establishment of information relay routes, and response in the event of product accidents, while revising arrangements in these aspects as necessary.

Measures for Comprehensive Import and Export Control

Japanese government maintains strict trade-security under the Foreign Exchange and Foreign Trade Act in order to prevent the proliferation of weapons of mass destruction and conventional weapons. We have implemented a strict internal comprehensive trade-security control program so as to observe laws and regulations. Our internal program covers not only Japanese laws and regulations but also global security risks such as U.S. sanctions to ensure that we do not take part in business transactions that threaten international peace and security.

Accordingly ITOCHU recognizes that, as a responsible member of the global business community, we need to manage carefully potential risks associated with business operations in certain locations. In response to the growing importance of the corporate governance associated with global security risk, we have implemented corporate policies, procedures, and internal reporting structures to ensure that we perform rigorous, security-minded due diligence for global projects and transactions.. In addition, to properly conduct customs procedures for import and export, including import (payment of customs duty) declaration, we conduct internal customs examination (monitoring), provide training for clearing and customs valuation control, and take a host of other measures under the internal control/management provisions and regulations, thereby ensuring full compliance with customs procedures, etc. We have also begun to provide information needed for developing new businesses, by providing training on Economic Partnership Agreements (EPAs), which will be used more widely by sales sections in the future. These measures have led to the director-general of Yokohama Customs certifying ITOCHU as an Authorized Economic Operator (AEO) (both Authorized Exporter and Authorized Importer), a title given to operators with outstanding compliance systems and security control.

Basic Policy and Efforts against Antisocial Forces

ITOCHU has set out basic policy to tackle antisocial forces and groups that threaten the order and safety of civic society, stipulating three basic principles plus one - Don't fear, Don't pay, Don't use, and Don't associate - in its stance against antisocial forces and 10-point guideline as a manual to disseminate this information among all employees. We have also established a special department with overall responsibility for countermeasures in relation to antisocial forces within the Human Resources & General Affairs Division. In addition, we are improving systems and promoting enlightenment education in hopes of preventing unintentional entry into transactional relationships with anti-social forces and groups.

Insider Trading Regulations

ITOCHU Corporation has an internal rule regarding the restriction of insider trading, and formulated the "guideline regarding reporting and management of insider information" in April 2014 in conjunction with the revision of the rule. The above guideline stipulates, for example, recommended handling in case of acknowledging the insider information of entity which ITOCHU has capital or contractual relationship, and we are taking action to assure that all employees know about them.

Perspectives on Information Management

ITOCHU Corporation has formulated "Information Security Policy" for all members of the board and employees to handle information with high security level. Also, in order to manage information required for business management activities properly, we also formulated "IT Security Management Policy" for all executives and employees, which is a code of conduct on information handling. More specifically, we have determined rules and standards on personal information management, document management, and IT security, and are striving to prevent the leakage of personal information and other confidential information. We have also established a management system for complying with the My Number Act.

— Monitor & Review Surveys on Personal Information Management

The ITOCHU Group regularly conducts Monitor & Review surveys of ITOCHU Corporation and companies subject to compliance management under the auspices of the Corporate Planning & Administration Division, the IT Planning Division and the Legal Division. In the nine survey, which was conducted in FY2018, the personal information management systems of ITOCHU Corporation and 80 companies subject to compliance management were checked from September to November 2017. Based on the results of the checks, we have continued activities to encourage continued improvements at ITOCHU Corporation and Group companies. At the same time, we have established a system and provide support for the operation with advice from external lawyers.

Response to Violations

If an act in violation of the above policies or rules, including policies and rules designed to prevent corruption, should be confirmed, we take corrective action, including an investigation into the cause and education and training of those involved in the act, as well as related individuals. At ITOCHU Corporation, we consider disciplinary action against officers and employees who have been involved in any violation of laws, including bribery, with the aim of imposing harsh penalties when deemed appropriate as a result of internal investigations.

Evaluation by Society

ITOCHU was included in the world-famous DJSI World and Asia Pacific index, and became Industry Leader

Dow Jones Sustainability Indices (DJSI) is a family of global ESG indices and ITOCHU is included in both DJSI World and Asia Pacific index for fiscal 2017. This year, ITOCHU achieved the best score in "Trading Companies & Distributors" Industry, and became an Industry Leader for the first time.

DJSI is a global stock index developed jointly by Dow Jones & Company in the U.S. and RobecoSAM in Switzerland. It evaluates the corporate in terms of their social, environmental, and economic performance for composing DJSI.

In the year of 2017, 320 companies (including 31 Japanese companies) were included in DJSI World among 3,484 targeted companies around the world, which was selection of the top 10-15% of the corporations among 60 Industry Sectors. (As of September 2017)



ITOCHU won 'Gold Class' and was selected as an 'Industry Leader' in RobecoSAM Sustainability Award

RobecoSAM Sustainability Award 2018, is an award provided to prominent companies conducting sustainable efforts in each industrial sector. ITOCHU Corporation won Gold Class, which is provided for the top scoring company in the Trading Companies & Distributors sector, three years in a row. (As of January, 2018)

※'Industry Leader' which was provided to the top scoring company in each sector, is integrated with Gold Class from 2017.



Morningstar Socially Responsible Investment Index (MS-SRI)

The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. conducts questionnaire and screening quantitative data for approximately 4,000 listed companies in Japan and the MS-SRI is comprised of 150 leading socially responsible companies including ITOCHU Corporation. (as of July, 2017)



Evaluation by Stakeholders

2018	Feb. 1	ITOCHU wins Gold Class and Industry Leader at the RobecoSAM Sustainability Awards 2018
2017	Nov. 15	ITOCHU Corporation Wins Grand Award at WICI Japan Award for Excellence in Integrated Reporting
	Oct. 25	ITOCHU Corporation won the Grand Prize in the 66th Nikkei Advertising Awards for the Corporate Message Advertising Series "I am One with Infinite Missions"
	Sep. 7	ITOCHU Included in Dow Jones Sustainability Indices, a Global ESG Index
	May 31	ITOCHU Announces its Selection as "Noteworthy IT Strategy Companies" in the 2017 Competitive IT Strategy Company Stock Selection.
	Apr. 13	ITOCHU Wins the Good Visual Award for Its IR Materials



Independent Assurance Report

To the President and COO of ITOCHU Corporation

We were engaged by ITOCHU Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with ★ and ◆ (the “Indicators”) for the period from April 1, 2017 to March 31, 2018 included in its Sustainability Report 2018 (the “Report”) for the fiscal year ended March 31, 2018, except for the 'Number of hire by gender' and the 'Proportion of female career-track employee, manager, and executive officer', whose figures as of April 1, 2018 are the subject of this assurance engagement (the “Indicators”).

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting Daiichi-Togyo Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 20, 2018

ITOCHU Corporation

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Tel: +81-3-3497-4069 Fax: +81-3-3497-7547
E-mail: csr@itochu.co.jp

<https://www.itochu.co.jp>