





# 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.

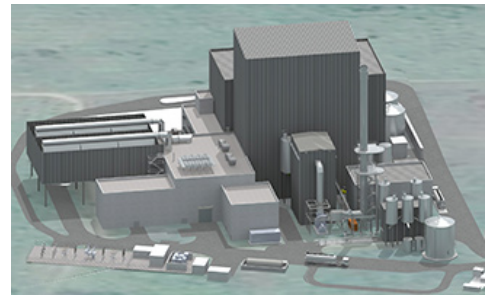
## Sustainability Action Plans

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 m<sup>3</sup> 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"> <li>Mining business</li> <li>Environmental business</li> <li>Material-related business</li> </ul>	<ul style="list-style-type: none"> <li>We will realize stable energy supply as our social mission and responsibility while fully considering its environmental impact.</li> <li>We will contribute to reducing greenhouse gases through businesses related to lighter-weight vehicles and Electric Vehicles (EVs).</li> </ul>	<ul style="list-style-type: none"> <li>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).</li> <li>Aim to develop an appropriate portfolio of coal assets by fully considering its environmental impact.</li> <li>Strengthen initiatives in businesses that contribute to the development of lighter-weight vehicles and shift to EVs (aluminum, copper, and other businesses).</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to the development of a low-carbon society by committing to technologies that help reduce greenhouse gases emissions.</li> <li>Development of an optimal asset portfolio by fully considering social requirements, including those related to the shift to a low-carbon society.</li> <li>Implementation and expansion of businesses that contribute to developing lighter-weight vehicles and shifting to EVs.</li> </ul>

## 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 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"> <li>● Be compliant with HSE (Health, Safety and Environment) standards in the respective government and the ones set by internationally-recognized administrative body.</li> <li>● Reduction of HSE issues that involve serious damage to human beings and/or environment.</li> </ul>

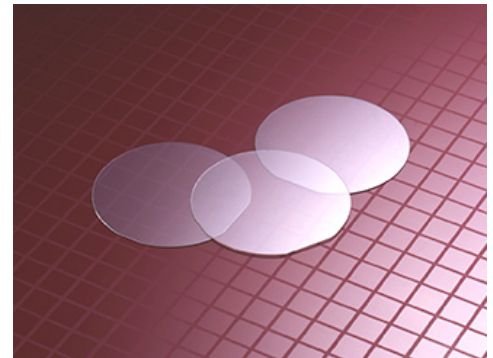
## ESG related activities

### — 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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"> <li>Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers.</li> <li>Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil.</li> </ul>	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"> <li>● Food safety</li> <li>● Compliance</li> <li>● Internal regulations / manuals</li> <li>● ESG</li> </ul>
Participants	<ul style="list-style-type: none"> <li>● All of Food Company employees (including contract workers, temporary staff, seconded employees, accepted seconded employees.)</li> <li>● 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.)</li> </ul>
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"> <li>Wood products &amp; materials</li> <li>Pulp</li> <li>Woodchips</li> </ul>	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"> <li>Continue to request suppliers who have yet to obtain certifications to obtain them.</li> <li>Conduct sustainability surveys of suppliers and visit them.</li> </ul>	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"> <li>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.</li> <li>Create employment by inviting companies, and in addition, promote locally-based contribution activities.</li> </ul>	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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

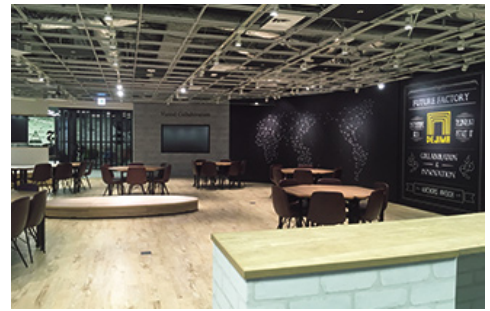
Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators
Reinvent businesses through technological innovation		Next-generation business Development	Business incubation through venture investment, focused on FinTech, IoT, AI and etc.	We will try to create 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.



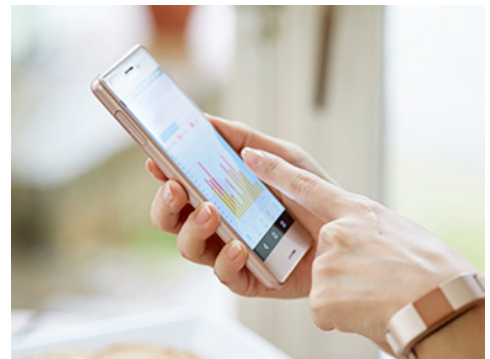
CTC innovation space, "DEJIMA"

### 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