

## **Sustainability Briefing (Enhancing Corporate Value through the Evolution of Work-Style Reforms)**

### **Q&A Summary**

Date: May 25, 2022 (Wed.) 10:00 to 11:00  
Respondents: Fumihiko Kobayashi, Chief Administrative Officer  
Atsuko Muraki, Outside Director  
Yoshiko Matoba, General Manager, Human Resources & General Affairs Division  
Attendees: Tsuyoshi Hachimura, Chief Financial Officer  
Yoshihito Tabe, General Manager, Sustainability Management Department (co-secretariat)  
Suguru Amano, General Manager, Investor Relations Department (moderator)

Q: Could you please single out the factors enabling ITOCHU to succeed in executing this string of work-style reforms. Also, what's the secret behind the success of these reforms?

A: Several points have to be mentioned, but the strong initiative of top management has been a matter of foremost importance. Work-style reforms involve the reform of employee mindset. Accordingly, the strong commitment of top management is essential. In this regard, the initiative of management should be stronger than in any other undertaking. Secondly, we need to win the hearts of employees by inspiring them with "stories." Specifically, we promoted these reforms via the dissemination of messages that consist of plain language and keywords that are easy to understand for anybody. This, too, is of importance. For example, when ITOCHU initiated support measures for balancing cancer care and work, we disseminated a message "This is where you belong." When people find their place to belong, they are often empowered to exert considerable capabilities. In addition, the relationship between reforms and operating results is another important factor. When operating results are sluggish, reforms under way are often blamed and dismantled, even when their actual content is good. Therefore, reforms must be executed by management whose confidence in operating results is solid. I suspect that the typical reforms launched by stagnant corporations are, for example, restructuring with workforce downsizing. Lastly, ITOCHU's work-style reforms are guided by the spirit of "*Sampo-yoshi*." This spirit is deeply embedded in our employee mindset. In 2020, ITOCHU announced "*Sampo-yoshi*" as a redefined corporate mission. Usually, securing a robust employee understanding of a new corporate mission requires considerable efforts. However, ITOCHU did not need to conduct employee briefings or other internal sessions to discuss the revised corporate mission. This suggests that the spirit of "*Sampo-yoshi*" was already in place among employees. It is rare to see companies whose corporate mission is readily understood by the entire workforce like ITOCHU's. This lends the Company a distinctive strength. These are factors supporting ITOCHU's work-style reforms.

Q: The disclosure of the birthrate among ITOCHU's female employees is now met with varying responses from the general public. We would like to hear from Outside Director Muraki about what she thinks.

A: Whether or not to have children, or the number of children people want to have, is completely up to individual choice and not compatible with external intervention. Accordingly, relevant policies require detailed explanations. The Japanese government has formulated policies to counter the falling birthrate based on an assessment of the number of children hoped for by couples and the number of children actually born, with the aim of reducing the gap between the two. Relationships between corporations and their employees are quite similar. If a company formulates a target for the birthrate among employees, such a target would be pointless or misdirected. However, assessing the actual data on birthrate in the workforce is very important. Of course, how the general public responds to the corporate disclosure of the birthrate matters a lot but, when it comes to the relationship between ITOCHU and its employees, it's hard to

imagine female employees feeling sorry for the Company because they didn't have any children. That said, generally speaking, many female employees do worry during pregnancy about causing trouble for their company or feel pressure about how to report to their superiors. Announcing high birthrates among workforces also brings the beneficial effect of reducing those kind of worries. Since I became an Outside Director, I have consistently requested that ITOCHU formulate programs based on employee opinions, something I will continue to do moving forward.

Q: I am now fully aware that ITOCHU intends to continue implementing work-style reforms to enhance corporate value into the future. To further enhance corporate value, it is important to roll out various measures for ITOCHU's work-style reforms across the Group companies. And I think that stage has been reached. If you can share some cases of introducing the measures at Group companies or a policy on rolling them out going forward, I would like to hear about them.

A: There are many Group companies, and each one is considering human resource measures with independence. We have disclosed each of our work-style reform measures and asked them to undertake them wherever possible. Many Group companies have already introduced and implemented the Morning-Focused Working System and support measures for balancing cancer care and work, which ITOCHU conducted in advance. After confirming the results within ITOCHU, Group companies introduce the measures. In addition, we regularly hold discussion and study meetings with those from Group companies regarding labor-management issues and measures that serve as a platform for human resource programs overall. We use those meetings as a place to provide more detailed information. If there are further requests, we offer consultations regarding the construction of our programs.

Q: I feel that establishing the Women's Advancement Committee as an advisory committee to the Board of Directors is an unprecedented, highly advanced initiative. What does the committee discuss and how frequently is it held?

A: Since launching in October 2021, the Women's Advancement Committee has been held a total of three times, roughly once every two or three months. The committee has also compiled measures for the next stage of work-style reforms. Going forward, the committee intends to continue focusing on whether women have actually attained high-ranking positions, whether the development of candidates for those positions has steadily progressed, and, most importantly, whether management is seriously working on making progress. We want to build a mechanism that directly reflects the seriousness of initiatives related to work-style reforms and women's advancement in the evaluation of management. Building a mechanism to carefully watch the results of initiatives is the meaning and mission of the Women's Advancement Committee, which is an advisory committee to the Board of Directors and serves a monitoring function.

Q: I felt it was a very good idea to change the method of evaluating management through advisory committees. Going forward, when promoting the hiring of female managers, if you cannot accurately assess the situation regarding the development of candidates, it could lead to new instances of gender inequality. Are there opportunities for each committee member to directly confirm the situation on the ground? And are you setting targets for the number of female directors and senior staff?

A: For Outside Directors to listen to the opinions of female employees, we hold informal gatherings, and, with the establishment of the Women's Advancement Committee, we are now able to hold formal opinion exchanges. Amid the existing situation with insufficient promotion of women's empowerment, Yoshiko Matoba, General Manager of the Human Resources & General Affairs Division, and other members held a hearing for female employees who are steadily advancing about what has been good so far and what has been challenging. We are ready to create measures that will actually be useful and reflect the opinions of those on the front lines. Therefore, going

forward, if we work hard while implementing PDCA cycles, we expect this will lead to good results. We are, of course, discussing the setting of targets, but with awareness that due to an over-focus on figures some parts of the previous programs did not go well. Although we will not focus on numbers alone, we will carefully monitor growth rates.

Q: You mentioned that the survey results show “Employee Engagement” is lower than before. Could you explain the factors behind that and any related issues? In addition, with the spread of COVID-19, many companies have allowed employees to work from home, but it seems many of the employees at those places have struggled with training and team building. What, if anything, is ITOCHU doing to enhance employee motivation?

A: The results of the engagement survey we showed were just an overview of the content, but we conducted a detailed analysis of the points that were lower than the previous results. As a result, we determined that we need to meticulously respond to the diverse values of young employees and female employees, especially “ways to develop young employees” and “ways to use time”. Regarding “ways to develop young employees,” we realized that younger people, who have diverse values, do not want a linear career path where they build up experience in the department they are assigned to and then eventually become the superiors of that department. To respond to diverse career building for young employees, we clarified the existing rules for moving to other Division Companies. We introduced a new mechanism where if they apply to move to another department for two consecutive years, the application needs to be accepted as much as possible. In addition, we are considering mechanisms that more flexibly enable work across organizations and are working to build non-linear career paths for young employees. In addition, regarding “ways to use time,” ITOCHU maintained a certain level of in-office work during the COVID-19 pandemic from the perspective of emphasizing the importance of the front-line capabilities, but based on the engagement survey results, we changed to a more flexible working system. When changing the working system, we took a cautious approach, conducting surveys of employees and held discussions with the labor union. Almost no employee wanted to work from home every day. There were many people who want the Company to expand the system to include options and many who want to use their time more flexibly. As a result, we strove to respond to the diverse values of young employees by introducing the work from home system and the Morning-Focused Flextime System that enables employees to arrive at work early and leave early.

Q: As ITOCHU strives to expand business globally with Group companies, what do you think about hiring foreign national employees in management positions?

A: There are no rules obstructing the hiring of foreign national managers at the Company or Group companies. The Company, on a non-consolidated basis, has 37 foreign national employees, which is certainly not many, but if they are capable, we intend to continue proactively selecting and promoting them to higher positions. We already have multiple non-Japanese employees heading overseas offices. For a long time before the pandemic, we gathered foreign national employees who were senior staff candidates and conducted a program to train them for becoming future senior managers. The program was temporarily suspended after the pandemic began. Looking ahead, however, we will promote foreign national employees to managerial positions in a planned manner through the above and other similar programs.