

Sustainability Briefing

Enhancing Corporate Value through the Evolution of Work-Style Reforms

ITOCHU Corporation

May 25, 2022



I am One with Infinite Missions

- 1. What We Sought with the Original Programs**
- 2. Start of Work-Style Reforms**
- 3. Quantitative Achievements**
- 4. Onto the Next Stage**
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1. What We Sought with the Original Programs

1999

**Major revisions to HR programs
(introduced job salary)**

Aiming to be an “Employee-Friendly Company”



1) Abandonment of numerical targets that diverged from reality

Appointing of overseas national staff to senior managers, Accepting overseas national staffs at the head office, Certain number of mid-career hires every year, Percentage of newly hired career-track female employees

2) Negative effect of program expansion

Shortened work hours for childcare, Leave for employees whose spouses are transferred overseas

**Mismatches with the front lines,
Increase in employees abusing their rights**



Start of Work-Style Reforms (2010)

2. Start of Work-Style Reforms

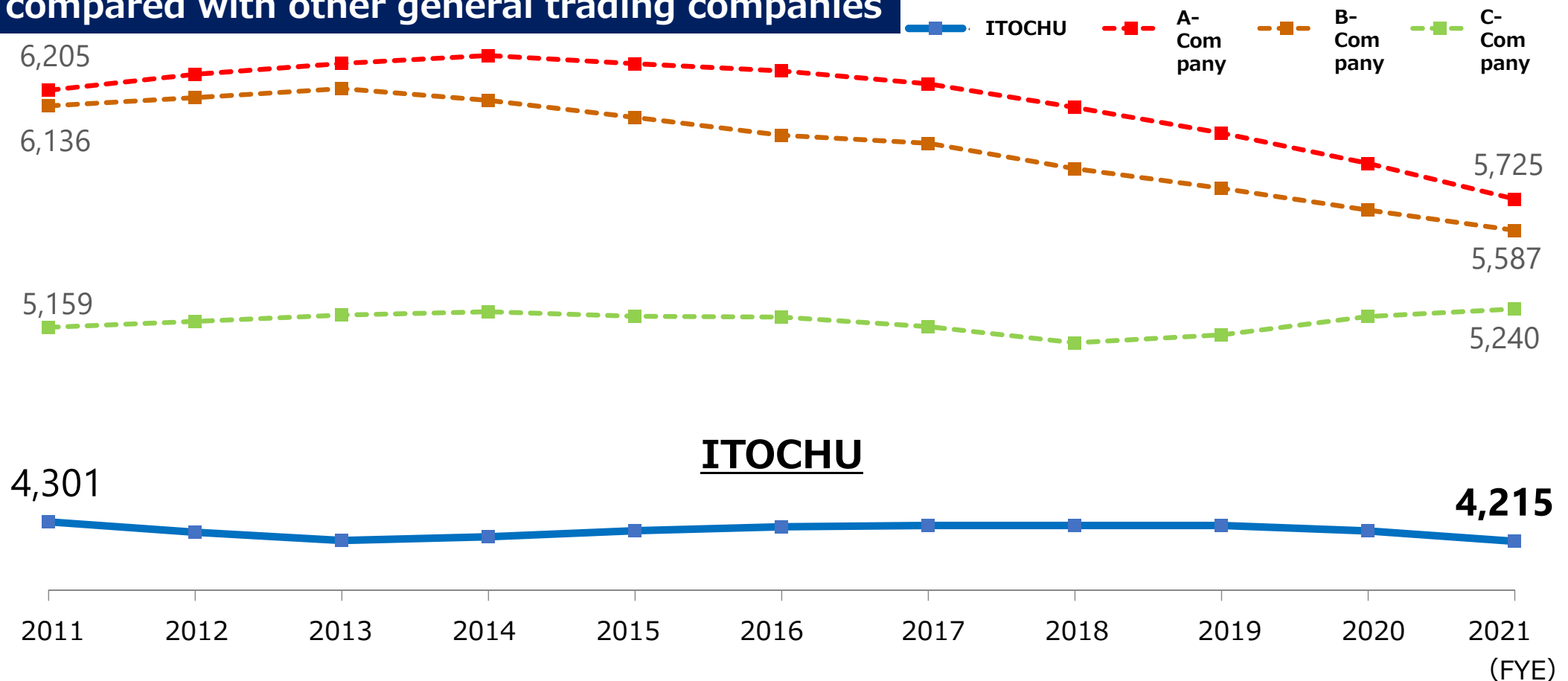
Start of Work-Style Reforms (2010)



ITOCHU's Assumptions

- 1) A remarkably low number of employees compared with the general trading companies associated with the former *zaibatsu* industrial groups
- 2) The need to continually enhance our commitment to the front lines as many of our customers are enmeshed in the daily lives of consumers

Number of employees (non-consolidated basis), compared with other general trading companies




Aims of Work-Style Reforms

- 1) Every employee is better positioned to realize their full potential than at any other general trading companies
- 2) We set a vision of creating a “Challenging but Rewarding Company”
- 3) We will achieve results and continue providing returns to all stakeholders, including employees
- 4) We set quantitative KPIs for “Labor Productivity”

$$\text{Labor Productivity} = \frac{\text{Added value (consolidated net profit)}}{\text{Number of employees}}$$

Creation of value



Pursuit of a streamlined workforce / Eliminating excess

- 5) We will implement reforms based on “*Sampo-yoshi*”

Concepts Supporting Work-Style Reforms

A

Pursuit of Efficiency

- Reduction of excessive meetings and documents
- Correction of the issue of long working hours
- **Morning-Focused Working System**, Thoroughly enforcing "110 Movement"
- More focused work-styles
- Expansion of ICT infrastructure (thin clients, etc.)
- Utilization of robotic process automation (RPA)
- Business Process Reforms

B

Enhancement of Employee Motivation

- Performance-linked compensation, payment of special benefits
- Upgrading work environments (dormitories for single employees, cool down rooms, shower lounges)
- Top management members pay visits to those working in severe environments under the slogan "Sending blood to all the capillaries"
- "Dress-down Days"
- Empowering women and senior employees

Enhancing Labor Productivity

D

Health Management

- **Adoption of the ITOCHU Health Charter**
- **Support for balancing cancer care and work**
- Strengthening health management systems
- Strengthening mental health measures
- Individual support programs for obese employees

C

Employee Capability Development

- A wide range of education and training
- 1,000 Chinese speaking employees project
- Group company business manager training (within 8 years of joining the company)
- Promotion of global HR strategies
- Strategic HR reassignment to focus fields

E

Attractive Internal Culture

Good and open communication, Accurate evaluations, Structure that enables do-overs, Customer perspectives, "Sampo-yoshi"

Main Initiatives since 2010

2010

- Establishment of in-house childcare facility
- Reduction of excessive meetings and documents

2013

- Introduction of “Morning-Focused Working System”

2016

- Formulation of “ITOCHU Health Charter”, shifting to health management

2017

- Support for balancing cancer care and work

2020

- COVID-19 pandemic countermeasures

2022

- 2nd stage of the Work-Style Reforms

Overview of the Morning-Focused Working System (2013–)

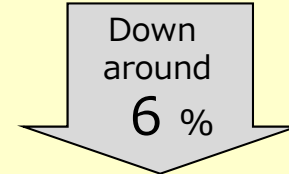


- Working between 8pm and 10pm is generally prohibited. If work remains, it should be done in the following morning.
- Provided incentives for working the following morning (5am–8am)
 Provided wage increases equivalent to late-night working and distributed free light breakfasts (Dole and FamilyMart products, etc.) to employees who begin working before 8am

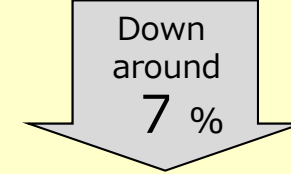
Achievements after the system was introduced (3-year review)

Leave the office at 8pm or later (10pm or later)	From around 30% to 5% (from 10% to almost zero)
Enter the office at 8am or earlier	From around 20% to 45%
Overtime hours (monthly average)	Down around 15%
People who take company-furnished breakfast (daily average)	Around 1,100
Costs per month (overtime allowance + meal costs)	Down around 6% (overtime allowance down around 10%)

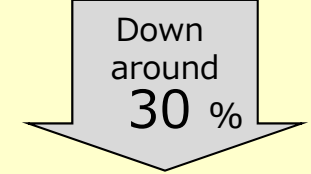
Electric power usage



GHG emissions




Taxi fares



June 2014: The morning-oriented working style was included in the government-led "Japan Revitalization Strategy" approved by the Cabinet.

July 2015: With the cooperation of the Keidanren (Japan Business Federation), the government began recommending the adoption of the morning-oriented working style.

Formulation of “ITOCHU Health Charter” (June 2016)



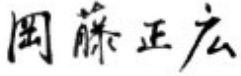
I am One with Infinite Missions

ITOCHU Health Charter
-- For Our Most Valuable Asset --

Recognizing the diversity of our employees -- the company's irreplaceable management resource -- in terms of gender, age, nationality, race, religion, disabilities, etc., ITOCHU Corporation (hereafter "ITOCHU") establishes the following charter in order to better enable each employee to carry out the infinite missions required of him or her and thereby enhance corporate value for years to come.


- Taking responsibility for employee health
ITOCHU will take responsibility for the good health of each employee by actively supporting initiatives they take to maintain or improve their health.
- Contributing to society by maintaining good health
ITOCHU will develop soundly over the long term based on an understanding that the good health of its employees is the foundation of the happiness of the employees themselves as well as their families, customers and wider society.
- A legacy for future generations
ITOCHU will carry out its infinite variety of missions as a company in which healthy employees who are fulfilled both spiritually and physically unleash their individual strengths. By so doing, it will continue for years to come to fulfill its responsibility to promote prosperity and "the global good."

June 2016



Masahiro Okafuji
President & Chief Executive Officer

Health indicators improved (FYE 2019 figures compared with FYE 2011)



Percentage of obese employees (male)	Down 2%
Number of mental health patients	Down 30%
Cases of liver function problems*	Down 5%
Blood lipid levels**	Down 5%
Percentage of smokers	Down 4%

* Percentage of male employees with problems (percentage not diagnostic level A)

** Cases of liver function problems and blood lipid levels are compared with FYE 2018

An email to then-President Okafuji from an employee battling cancer (February 2017)

- The employee wrote, “For me, ITOCHU is the best company in Japan.”
- Attending his funeral, the President promised to make ITOCHU the best company in Japan

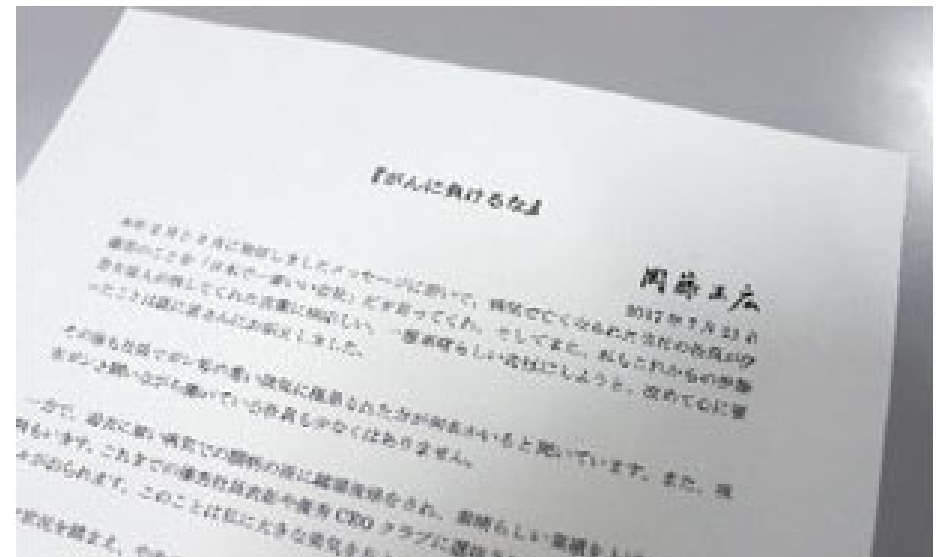
This spurred on the launch of our efforts to promote “Support Measures for Balancing Cancer Care and Work.”

Introduction of “Support Measures for Balancing Cancer Care and Work” (July 2017)

Message from President Okafuji to all employees

“Don’t lose to cancer.”

“This is where you belong.”



Prevention

- **Alliance with the National Cancer Center Research Institute (early detection through special checkups, contribution to research)**
- Fostering awareness of preventing lifestyle diseases
- Subsidies for smoking cessation treatment costs
- Checkups for various cancers through regular health screenings
- ABC health screening (Helicobacter pylori), treatment for hepatitis B/C

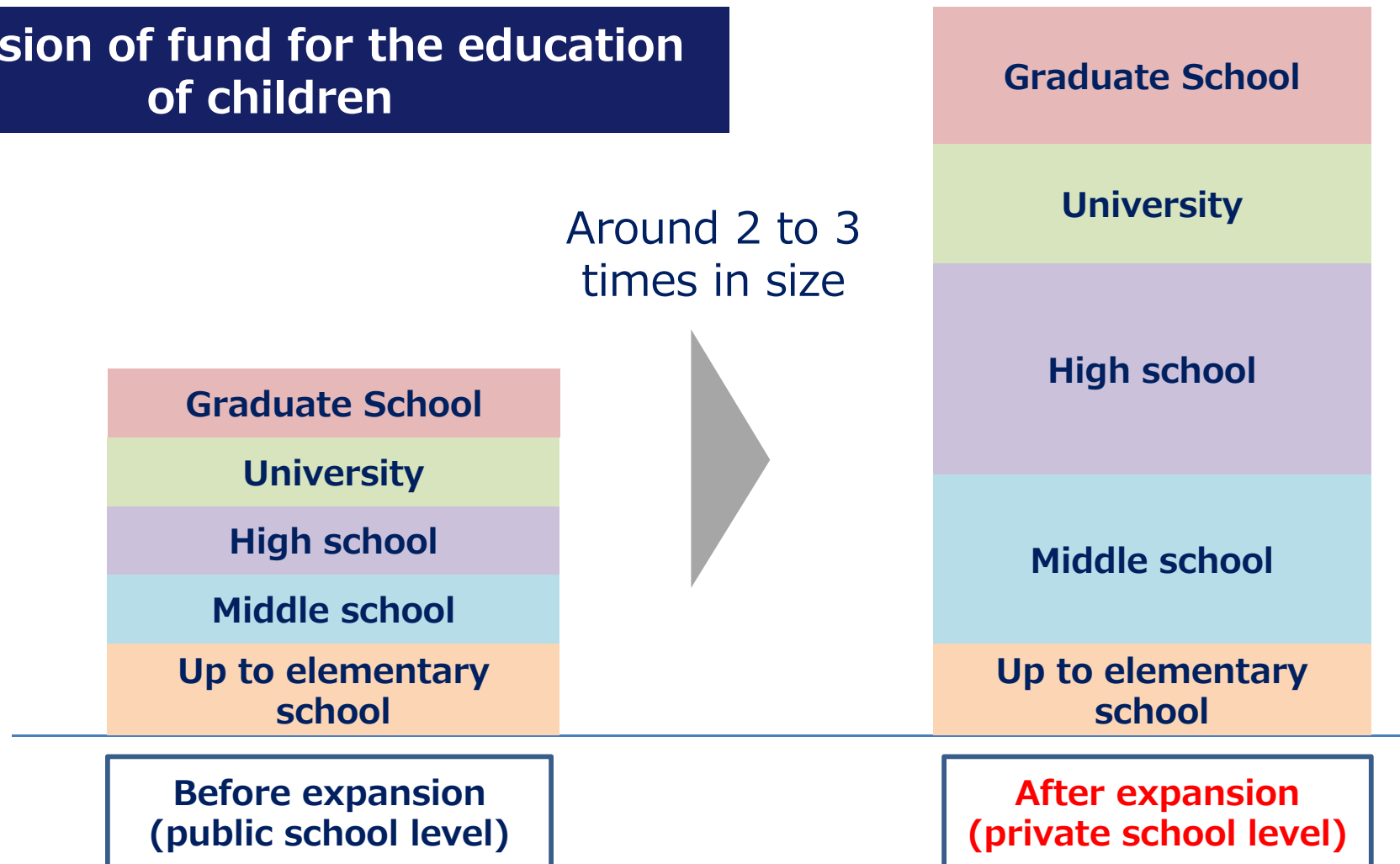
Treatment

- Alliance with the National Cancer Center Research Institute (immediate collaboration with medical specialists and access to leading-edge treatments)
- **Providing full company assistance for expense for advanced cancer treatment (not covered by insurance)**
- Subsidies for highly expensive recuperation costs (when individual burden exceeds ¥20,000/month, the excess amount is covered by health insurance)
- Assignment of medical specialists to health management offices

Coexistence

- **Construction of support system for balancing cancer care and work**
 - Establishment of coordinator (consultation desk)
 - Creation of a guidebook and education of organization heads
- Reflection in evaluation indicators of the balancing of cancer care and work
- Reduction of anxiety about the future
 - Fund for education of children up to graduate school graduation
 - Support for bereaved spouses and children via the provision of employment opportunities at the ITOCHU Group
- Development of flexible work and leave programs
 - Shortened work hours, selection of work days, working from home
 - Long-term sick leave (maximum of 60 days)
 - Long-term leave of absence and leave periods (maximum of 5.5 years)
 - Special leave: 18 days per 3-year period
- Payment of illness allowance during leave of absence

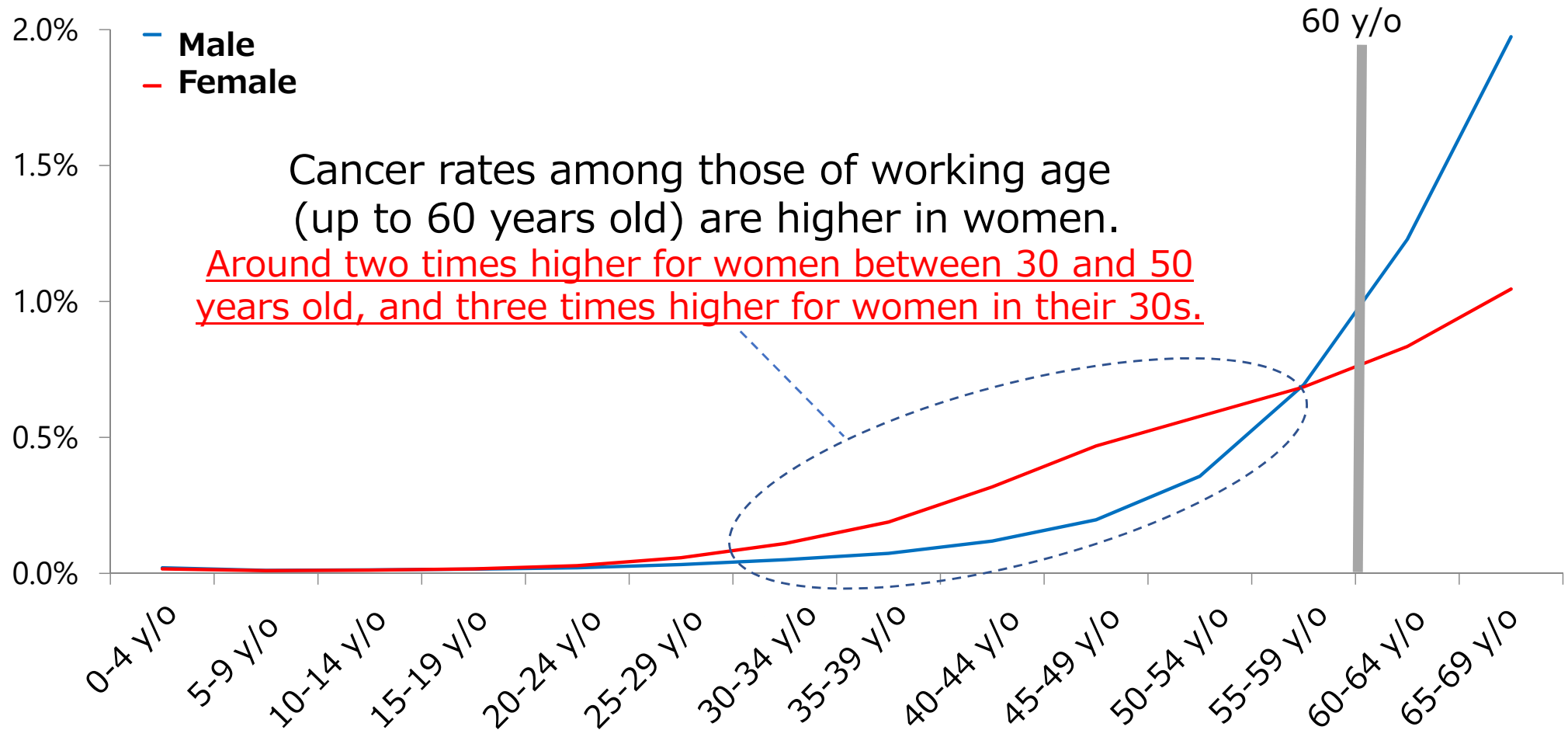
Expansion of fund for the education of children



Work support for the bereaved family

- If a bereaved child or spouse desires to work, every initiative will be made to find a place for them within the ITOCHU Group.

National Cancer Rates by Age

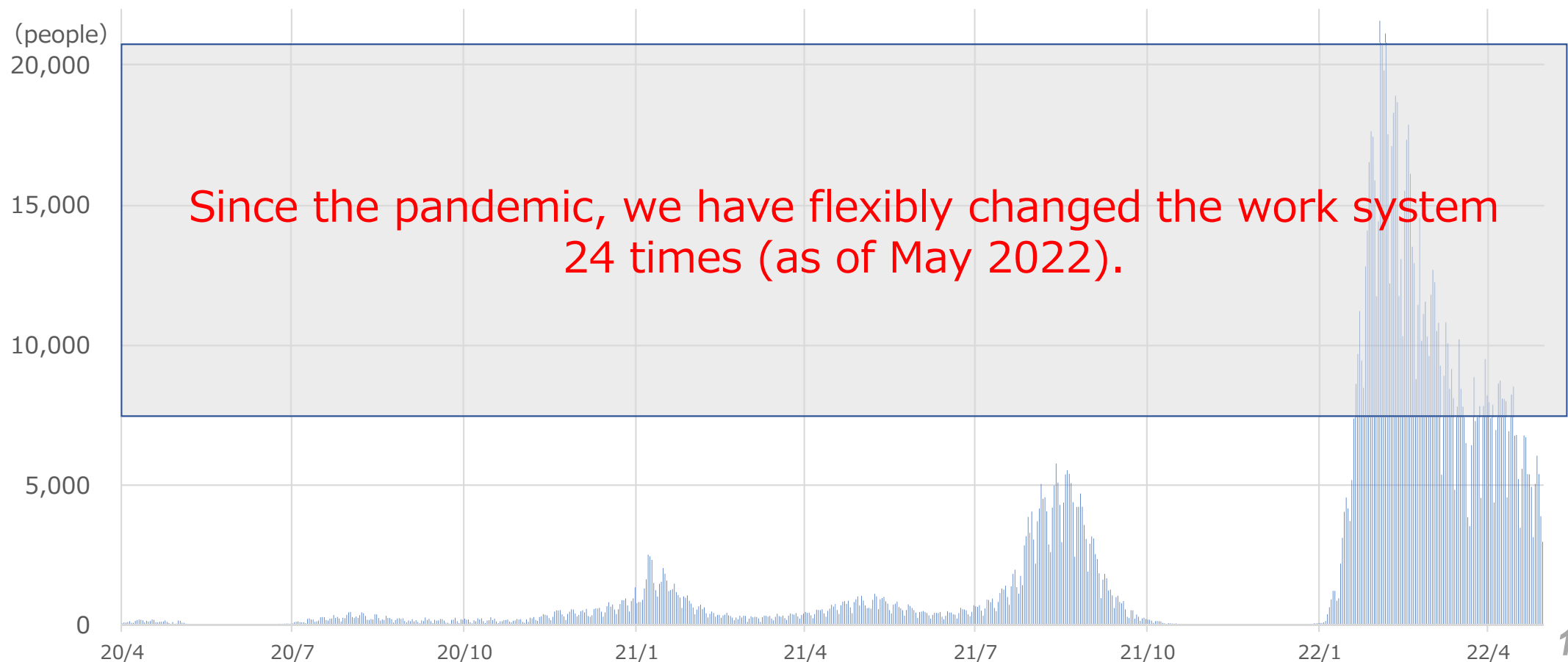


Source: The Cancer Data Center of the National Cancer Center Research Institute (2018)

- February 2018: Received Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control, sponsored by the Ministry of Health, Labour and Welfare.
- Other domestic companies and organizations have been influenced by ITOCHU
- Contributing to cancer treatment research via, for example, the provision of data to the National Cancer Center Research Institute

- Right after the pandemic began, we took measures to prevent infections and flexibly controlled the percentage of workers in offices in line with the changing infection situation. While protecting employees from infection risk, we constructed a system that can maintain a frontline perspective and organizational capabilities.
- Even after 2021, when we switched to coexisting with the virus, we have continued flexible work systems and resilient work-styles in line with the situation.

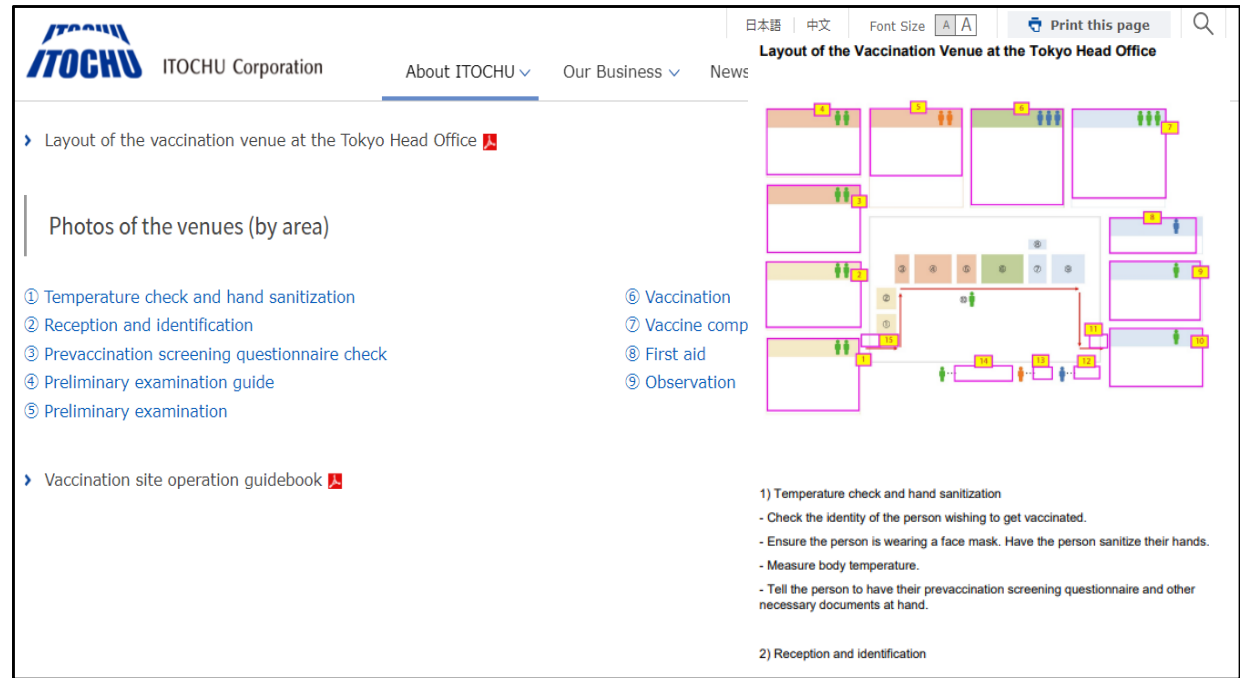
Tokyo infection numbers



- ITOCHU conducted workplace vaccinations at the fastest speed of Japanese companies. On the first day of vaccinations, the Chief Cabinet Secretary visited our office, observed the situation, and exchanged opinions.



<Visit by the Chief Cabinet Secretary on the first day of workplace vaccinations>



<ITOCHU's website>

As a leading company in workplace vaccination, every day we update and disclose insights, manuals, and daily operation records on our website. We receive inspection visits from other companies, thereby contributing to the acceleration of vaccinations nationwide while prioritizing childcare facility staff in workplace vaccinations.

3. Quantitative Achievements

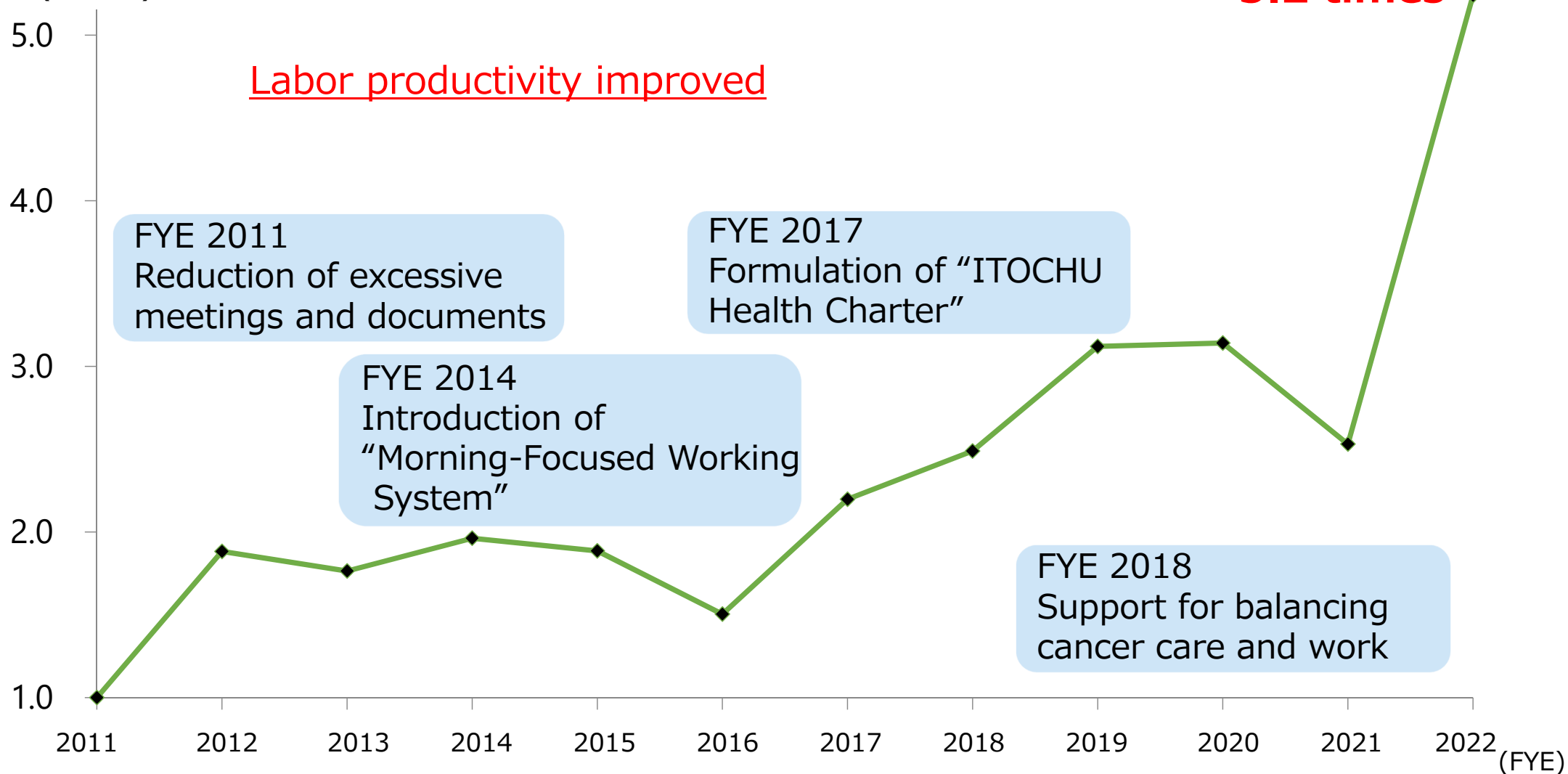
Quantitative Achievements (Enhanced Labor Productivity)



Growth rate
(times)

Labor productivity:
5.2 times

Labor productivity improved

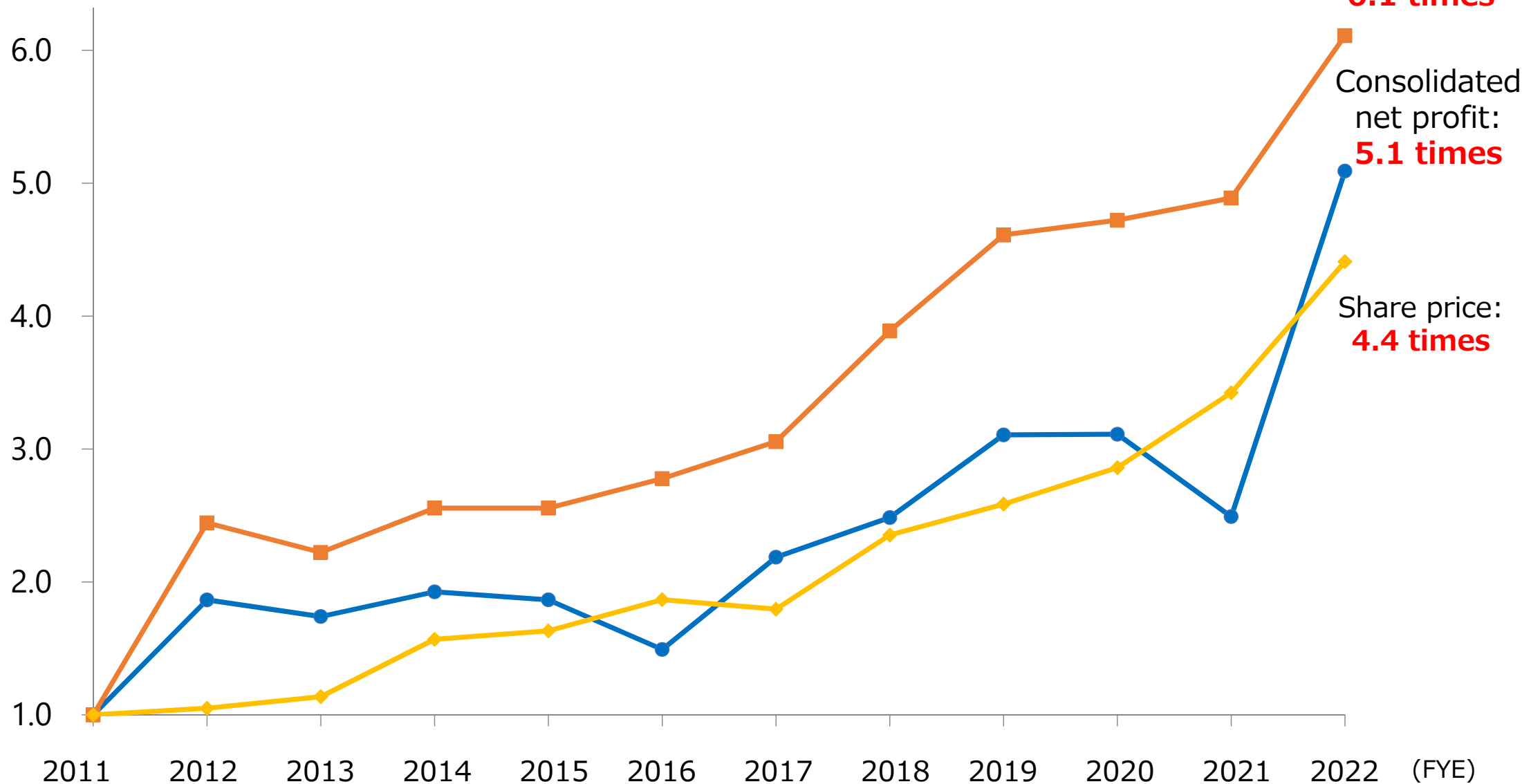


* Change in labor productivity with FYE 2011 as a value of 1
(consolidated net profit / number of non-consolidated employees)

Quantitative Achievements (Returns to Shareholders)



Growth rate
(times)



*Change with FYE 2011 as a value of 1. Share price is FYE average based on closing price.

4. Onto the Next Stage

Establishment of the Women's Advancement Committee

- We intend to expand corporate value by driving women's advancement in the workplace and fostering an internal culture where diverse human resources can thrive.
- Established the committee as one of the advisory committees to the Board of Directors.

Composition of the Committee

Chair	Atsuko Muraki, Outside Director
Members	Makiko Nakamori, Outside Director
	Masumi Kikuchi, Outside Audit & Supervisory Board Member
	Fumihiko Kobayashi, Member of the Board, Executive Vice President, CAO
	Shuzaburo Tsuchihashi, Full-Time Audit & Supervisory Board Member
	Yoshiko Matoba, General Manager, Human Resources & General Affairs Division

- In FYE 2022, the committee convened a total of three times. At the first meeting, we discussed our recognition of the current status and the direction moving forward. At the second and third meetings, we discussed initiatives going forward.

Engagement Survey (Conducted in 2021)

- Affirmative responses to “Employee Engagement” and “Environment that Empowers Employees” remained in the top for global and Japanese companies.
- Although the level was still high, “Employee Engagement” fell 5% from 2018 (76%).

Benchmark Comparison

(%)

	2018	2021	Increase/ Decrease
Employee Engagement	76	71	-5
Environment that Empowers Employees	64	67	+3

We need to develop measures that respond to the diversification of values, especially women and younger generation.

2nd Stage of Work-Style Reforms

- We introduced a “Morning-Focused Flextime System” to make it easier to leave earlier and thereby provide an even broader range of work-style options to female career-track employees, as well as those with working spouses. We allowed all employees to work from home. We offered these and other diverse work-style options in a manner unique to ITOCHU.
- We supported both men and women employees in their aim to balance work and life by providing allowances to balance engagement in both work and childrearing and infertility leave.

Introduced a “Morning-Focused Flextime System,” an upgraded version of the conventional “Morning-Focused Working System”

Allow all employees to work from home

Providing allowance to balance engagement in both work and childrearing

Consider raises in salary for employees in childcare leave

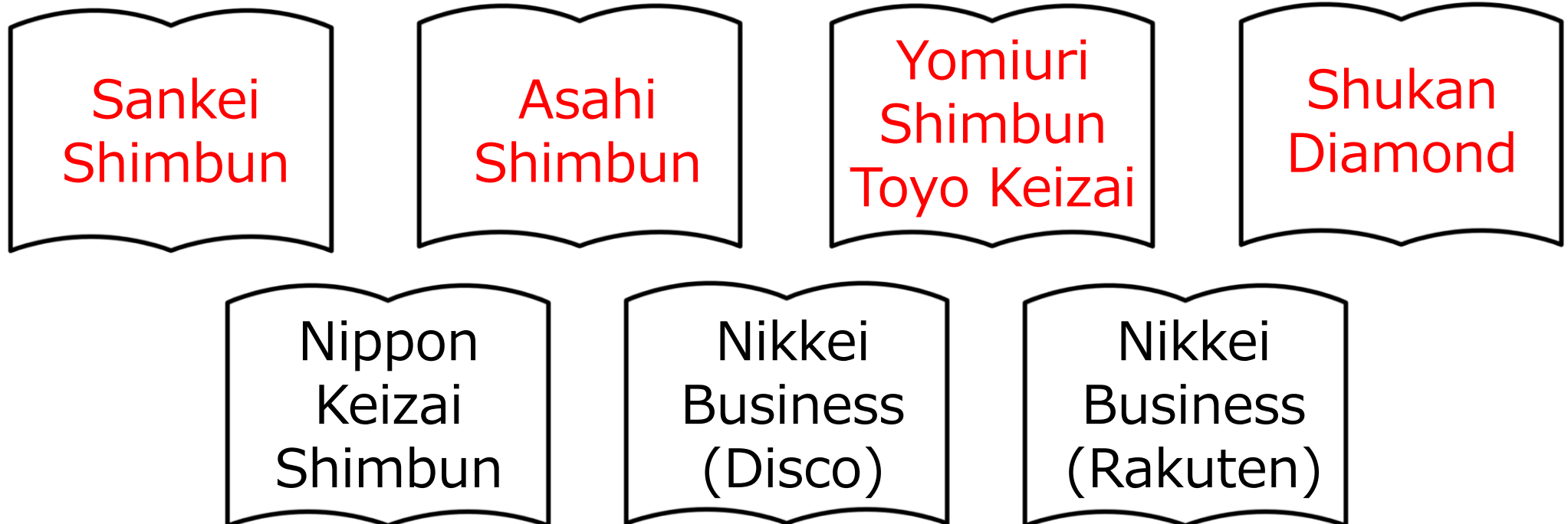
5. Relationship between Work-Style Reforms and Sustainability

1) Company Ranking among Job-seekers

- From 2023 graduates, ITOCHU received first-place ranking among general trading companies in the survey of all seven institutions
- Also ranked No.1 in four of seven major rankings among all companies; ITOCHU thus boasts leading competitiveness in Japan in terms of recruitment

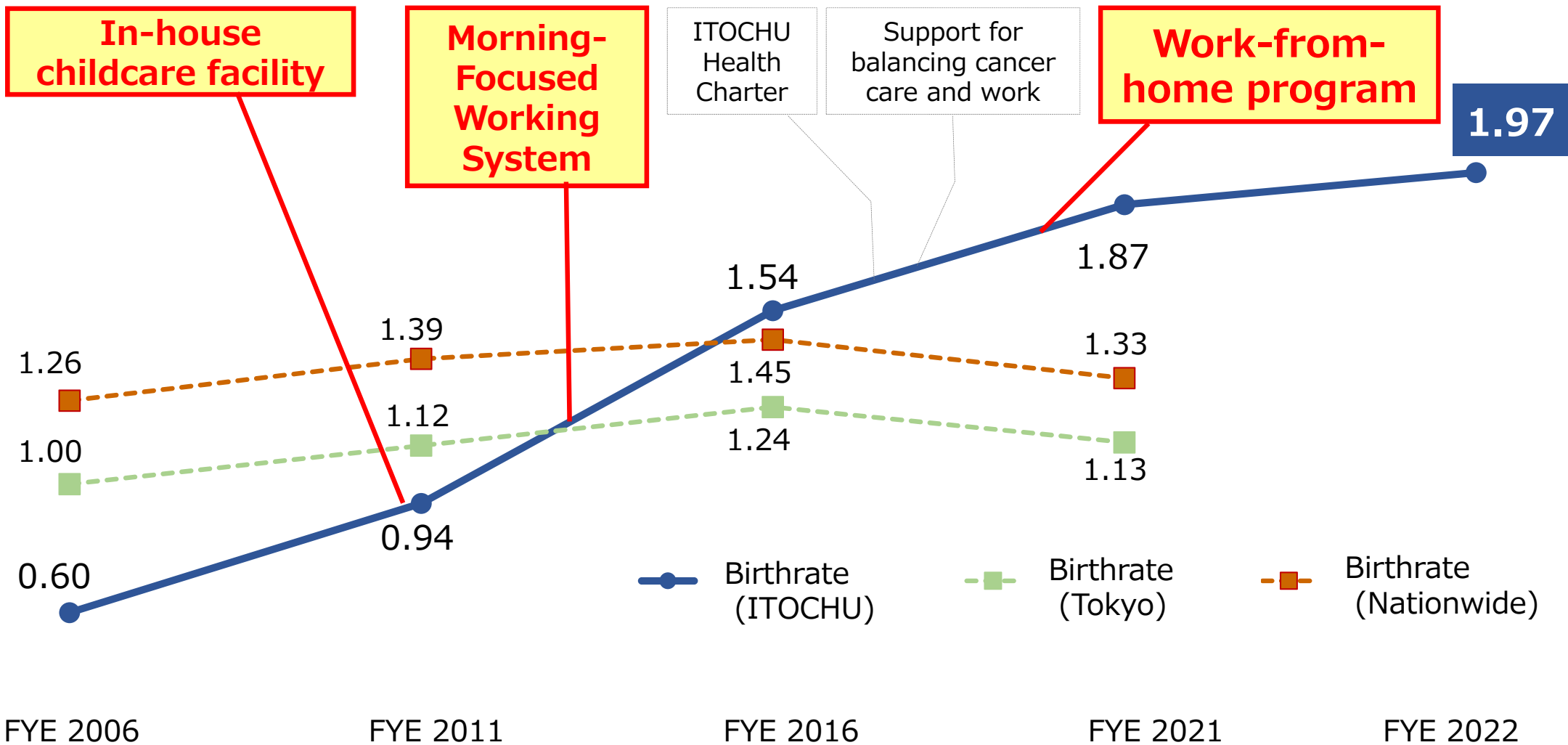
Ranked No. 1 general trading company in in the survey of all seven institutions from 2023 graduates.

Red font represents first-place ranking among all companies



2) Trend in Birthrates

Promotion of Work-Style Reforms and Health Management



3) SDGs/ESG External Evaluations (Direct Evaluations)

Our ranking among general trading companies in terms of external ratings in the recent one year

DJSI・S&P Global Sustainability Awards	1st
Gomez ESG Site Rankings	1st (all companies)
Daiwa IR 2021 Internet IR Award (sustainability category)	1st
Nikkei SDGs Management Survey	1st
Nikkei ESG BP Brand Survey	1st

4) Sustainability of ITOCHU's Work-Style Reforms

- ITOCHU's Work-Style Reforms have been aimed at transcending the scope of in-house reforms to embody "good for society," which constitutes an essential component of our corporate mission enshrined in the spirit of "*Sampo-yoshi*," by exerting a positive impact on society as a whole.
- ITOCHU has had a great influence on the society by promoting such as Morning-Focused Working System, Support Measures for Balancing Cancer Care and Work, and COVID-19 pandemic countermeasures.
- ITOCHU values resiliency and strong hands-on approach that keep supporting our daily lives.

6. Evaluations from the Macro Perspective of the Country

Atsuko Muraki, Outside Director

Response to “Falling Birthrate and Aging Population”



What is the Comprehensive Reform of Social Security and Tax

~Aim to both secure stable sources of social security funds and restore Japan’s fiscal health~

Amid radical changes in the socio-economic environment, the Comprehensive Reform of Social Security and Tax was aimed at simultaneously accomplishing two major goals, namely, (1) Enhancing and stabilizing social security systems, and (2) Restoring the nation’s fiscal health, in order to address urgent problems Japan has been confronting.

Enhancement and stabilization of social security

Address issues associated with a growing number of children on waiting lists for childcare services; the need to enhance the content of obstetric, pediatric, emergency and home medical care; and growing demand for nursing care assistance, etc.

+

Stabilize social security, currently on a rapid annual growth track due to an aging society (secure stable sources of funds)

Simultaneous accomplishment

Achieve the goal of restoring fiscal health

Break away from the worst fiscal situation.

“Cut fiscal deficit in half by 2015 and return to black in 2020”

Avoid market crisis originating from Japan

⇒Raise national and local consumption tax rates in a phased manner, with the rates reaching 10% in April 2017

Secure stable sources of funds via exhaustive tax reforms, including consumption tax hikes

Heisei period: “Reforms with pain”

- **Economic activities:**
Thorough streamlining and reduction in the labor distribution rate, etc.
- **Social security:**
Increased burden on social security and resulting needs for the more efficient and well-focused distribution of social security benefits

Reiwa period: “Forward-looking reforms”

- **Economic activities:**
Enhancement of productivity via a shift of capital and labor to fields requiring greater creativity and higher added value
- **Social security:**
The need for a growing number of workers = people who pay taxes and social insurance premiums



Begin with
“Empowerment of Women”

Women's Employment Ratio by Country and the Total Fertility Rate



- In some developed countries, women's employment ratio depicts a curve akin to the letter "M"; this tendency is more pronounced in Japan than any other countries.
- The total fertility rate tends to be higher in countries in which women are empowered to be active workforce components.

International comparison of women's employment rate (2013)



Source: Labor Force Survey (Basic Tabulation) compiled by the Ministry of Internal Affairs and Communications (2013)
 Other references: OECD Database "LFS by sex and age"
 Note: The above data for women aged 16 to 19 corresponds with data gleaned in U.S.A., U.K. and Sweden regarding women aged 15 to 19. The above data for women aged 65 to 74 corresponds with data for women aged 65 or older in Sweden.

Total fertility rate by country and women's employment ratio (2013)



Source: OECD Family database
 Note: The above data for Canada is data for 2011.

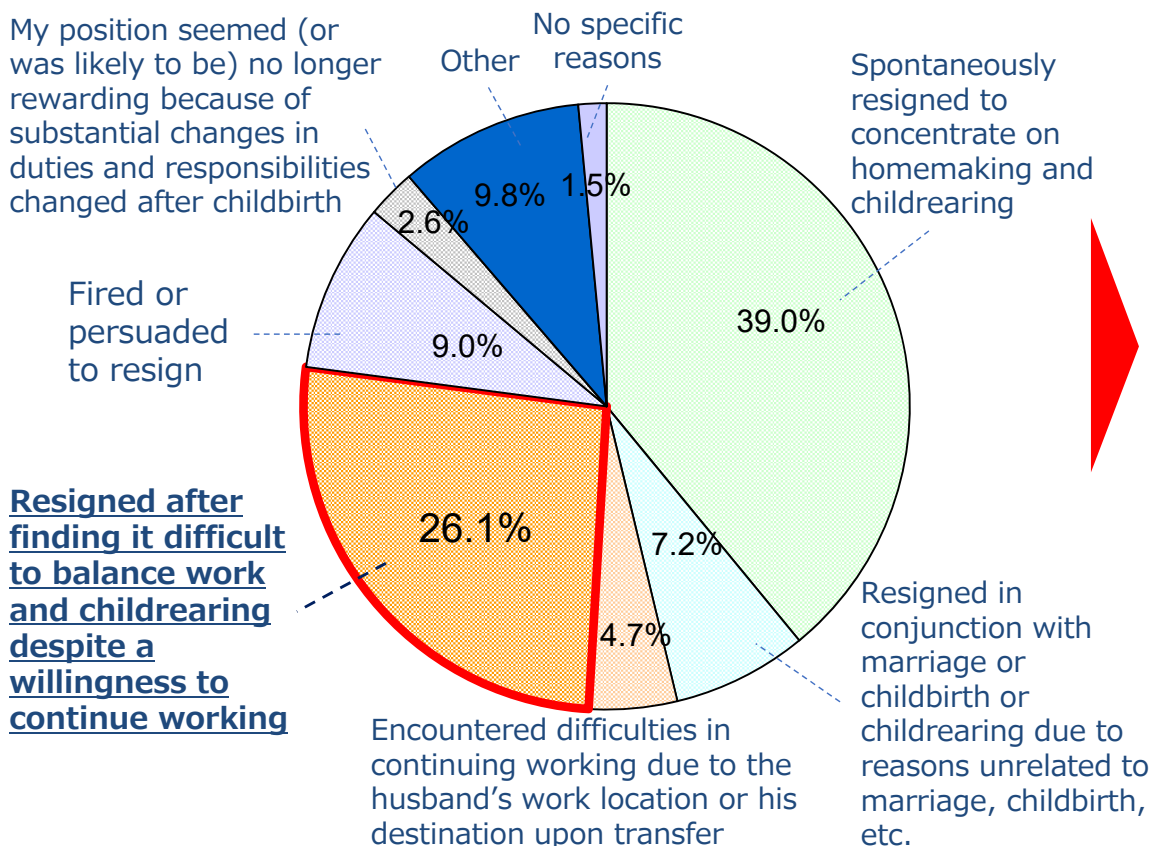
Reasons Women Resign at Pregnancy or Childbirth (General Survey)



- Looking at reasons why women resign at pregnancy or childbirth, 39% of respondents answered the resignation was spontaneous. However, around 26% of respondents resigned due to difficulties in striking a balance between work and childrearing; furthermore, 9% of respondents answered that they were fired or persuaded to resign.
- A number of respondents named long working hours and an atmosphere unsupportive of those striving to balance work and childrearing as primary factors making it difficult to remain in the workforce.

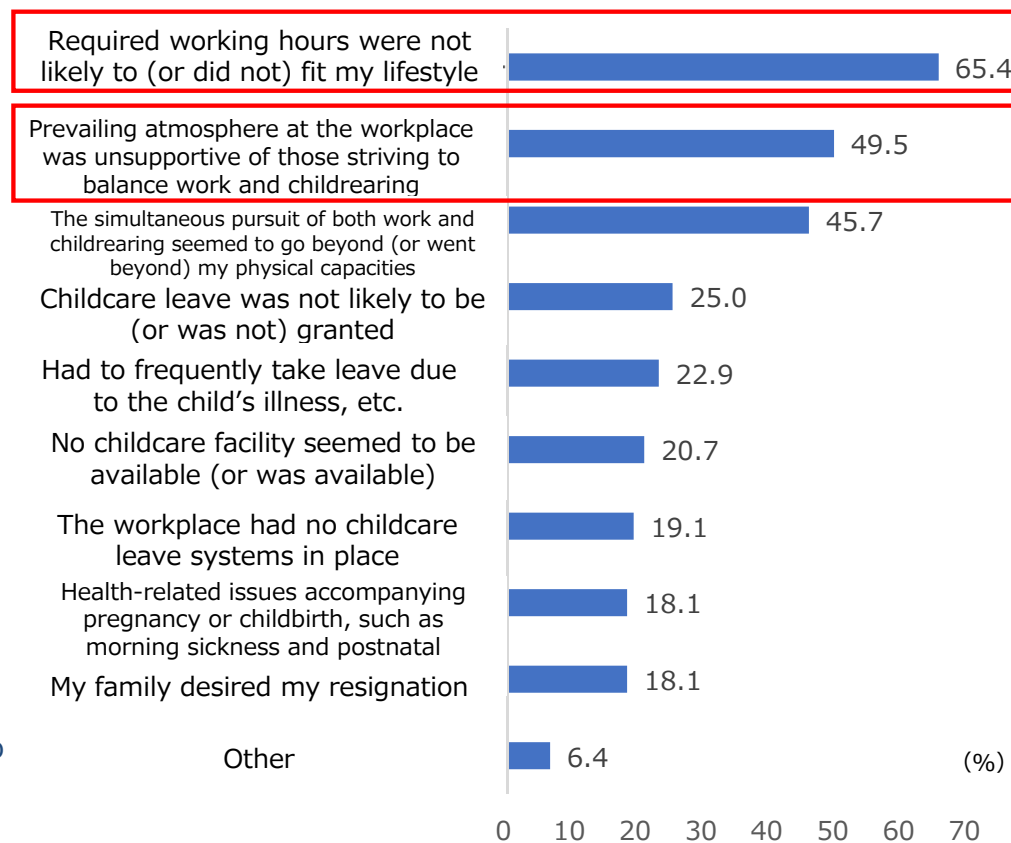
Reasons for women's resignation at pregnancy or childbirth

(Survey targeting female full-time workers who experience resignation at pregnancy or childbirth)



Specific factors making it difficult to balance work and childrearing

(Named by respondents who resigned after finding it difficult to balance work and childrearing despite their willingness to continue working)



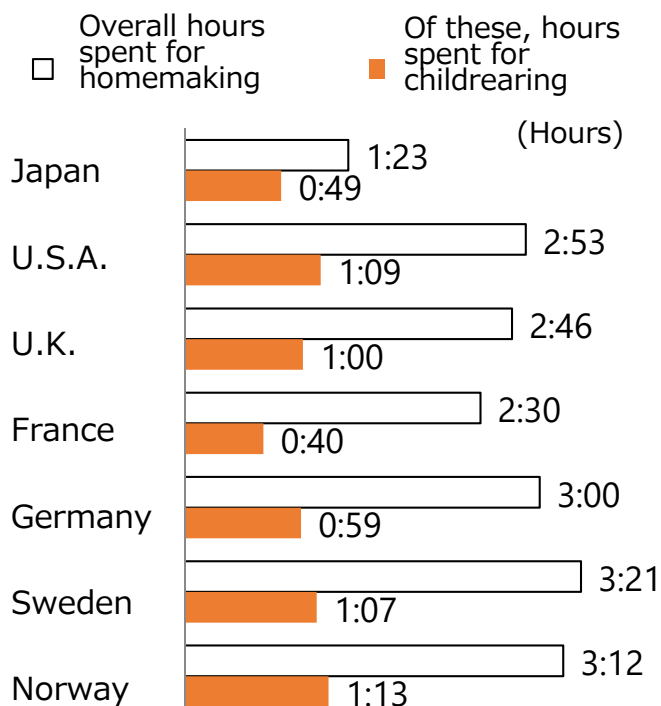
(Source: The "Comprehensive Research on various Problems Related to Balancing Support" (2008) compiled by Mitsubishi UFJ Research and Consulting Co., Ltd.)

Women's Workforce Retention and Husbands engagement in Homemaking & Childrearing



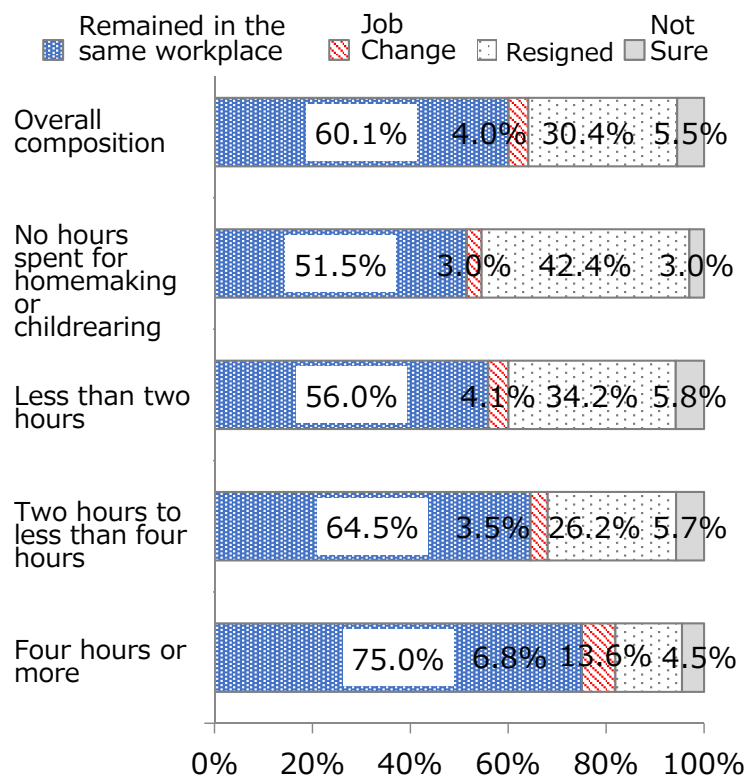
- In Japanese households with children younger than six years old, husbands are found to be engaged in homemaking and/or childrearing for just one hour per day on average, demonstrating a low level in comparison with their international peers.
- It was revealed that the workforce retention ratio is better for women with husbands who engage in homemaking and childrearing for longer hours. These couples also have higher tendency to give birth to two or more children.

[Hours per day husbands engage in homemaking and childrearing in households with children younger than six years old]



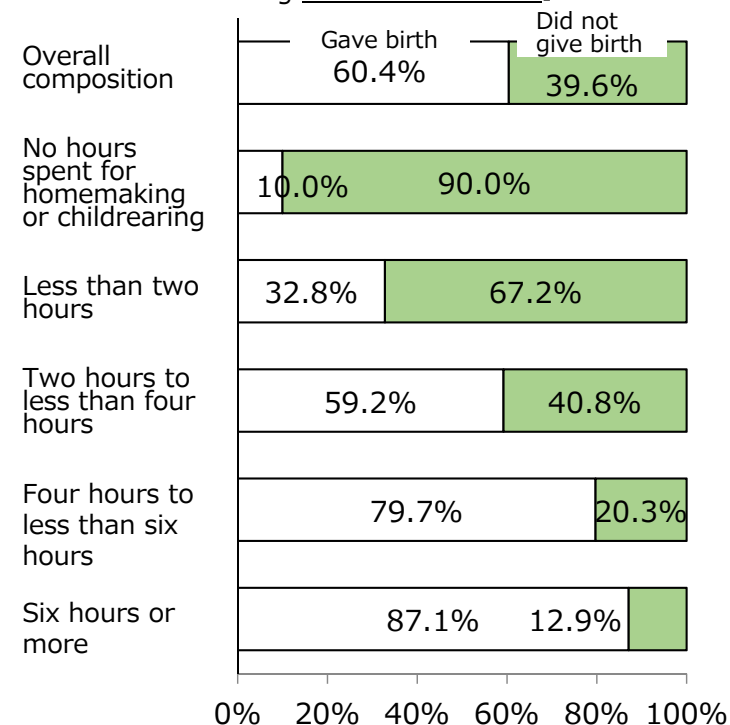
*Prepared with reference to the following materials:
 "How Europeans Spend Their Time: Everyday Life of Women and Men" compiled by Eurostat (2004),
 "American Time Use Survey Summary" compiled by the U.S. Bureau of Labor Statistics (2015) and the
 "Basic Survey of Social Living Practices" compiled by Japan's Ministry of Internal Affairs and Communications (2016)

[Workforce retention ratio for women before and after childbirth based on weekday hours their husbands spend on homemaking and childrearing]



Prepared based on the Work-Life Balance Report 2019 compiled by the MHLW as part of the 14th Round of Longitudinal Survey of Adults in the 21st Century (Adults in 2002) (date of survey: November 2015)

[Ratio of couples who gave birth to two or more children based on hours spent by husbands for homemaking and childrearing over the weekends]



Prepared based on the Work-Life Balance Report 2019 compiled by the MHLW as part of the 14th Round of Longitudinal Survey of Adults in the 21st Century (Adults in 2002) (date of survey: November 2015)

Promoting Work-Style Reforms for both men and women is key to empowering women and countering the shrinking birth rate

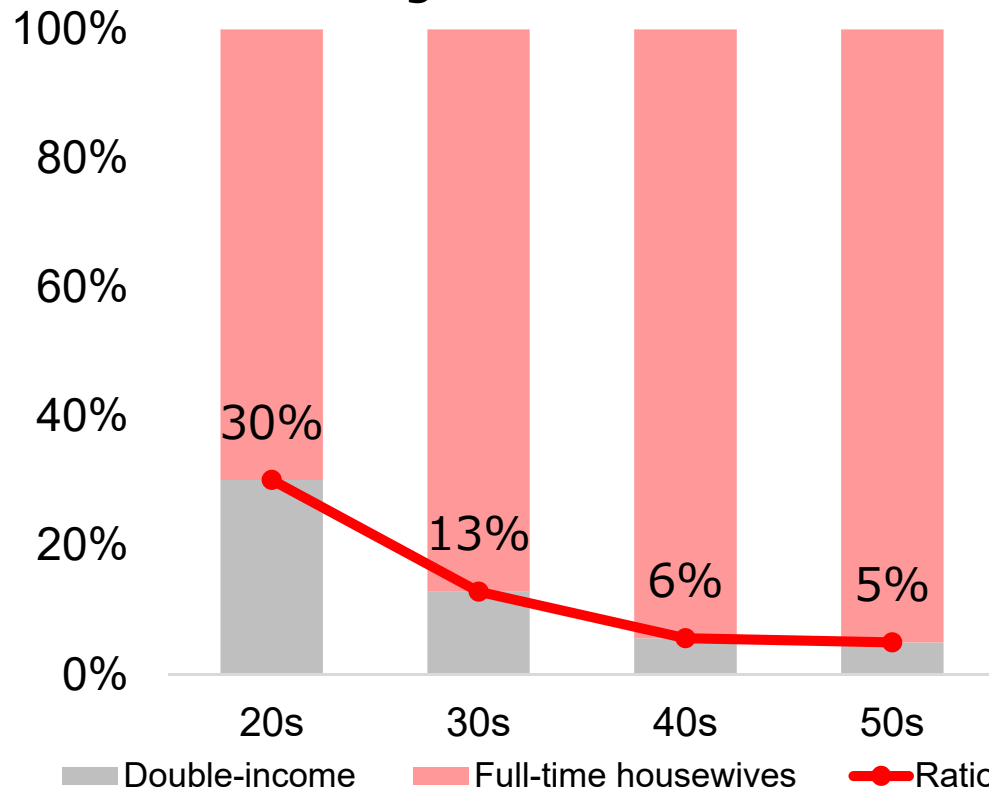
Ratio of ITOCHU Employees with Working Spouses



- Compared with two decades ago, the proportion of married male employees with working wives grew significantly larger.
- The ratio of married male employees with working wives accounts for 90% of those in their 20s and 60% of those in their 30s, with couples who choose double-income lifestyles making up the vast majority of employees.

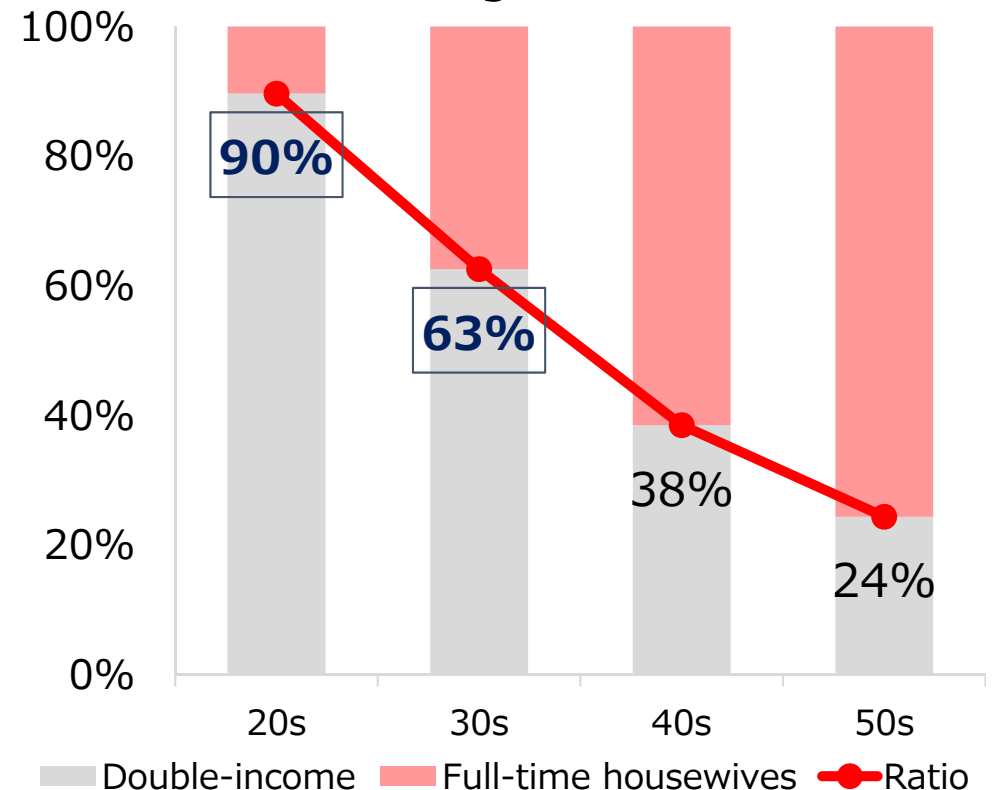
FYE 2001

Ratio of married male employees with working wives: **10%**



FYE 2022

Ratio of married male employees with working wives: **43%**



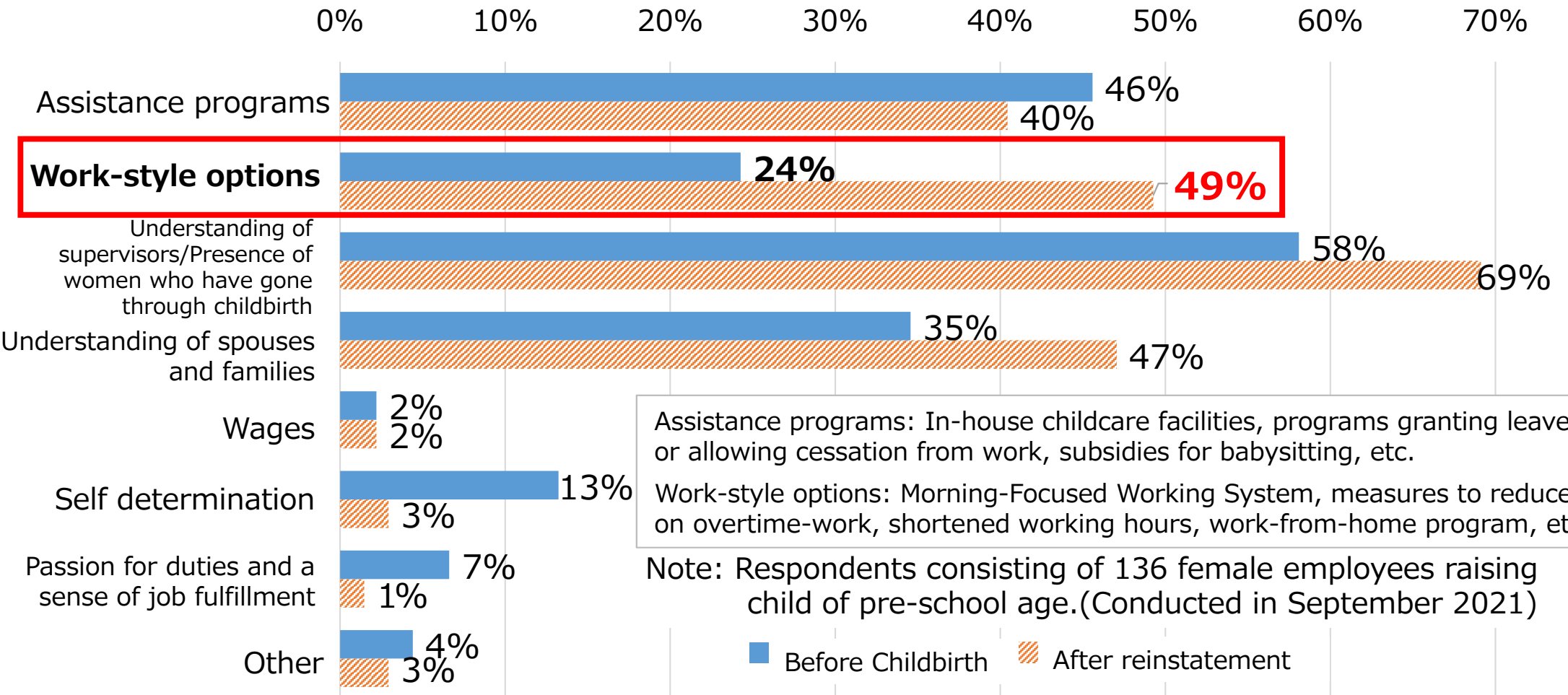
※Some figures for the dual-income ratio for FYE 2001 were changed after the briefing.

Comments by ITOCHU Employees Reinstated from Childcare Leave



- Reasons for continuing to work at ITOCHU include the availability of work-style options, access to the in-house childcare facility, subsidies for babysitting, the understanding of colleagues, and the presence of women who have gone through similar experiences
- The number of individuals who named work-style options as reasons for continuing after reinstatement is twice higher than before childbirth. This suggests the growing need of diverse work-style options.

Reasons Why Women at ITOCHU Believe They Can Continue to Work While Engaging in Childrearing



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www.itochu.co.jp/