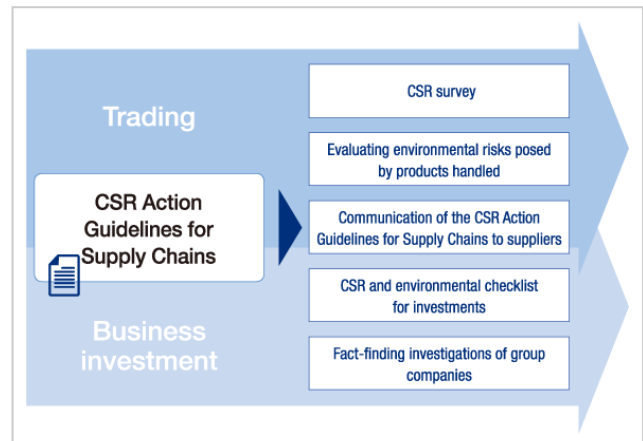


Sustainability in Our Supply Chain and Business Investment

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

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



Supply Chain Management

Basic stance on supply chain management

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

ITOCHU Corporation's CSR Action Guidelines for Supply Chains

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

Communication of the CSR Action Guidelines for Supply Chains to suppliers

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

Response to non-compliant supplier

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

CSR Survey

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



Conceptual rendering of the promotion of supply chain management

— CSR Checklist

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

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



The Supply Chain Communication Handbook

Example descriptions in the HANDBOOK

Prohibition of forced labor

Companies must not force their staff members to work.

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

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

Reference

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

■ CSR Surveys in FY2017

In FY2017, ITOCHU surveyed 271 companies, including 5 suppliers of overseas offices and 46 suppliers of 5 Group companies. No serious problems requiring immediate response were found in the survey results.

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

Surveys conducted in FY2017	Inclusion criteria	Survey subjects	Survey items
Textile Company	<ul style="list-style-type: none"> • High-risk countries • Countries with specific transaction amounts • Countries where specific products are handled 	42	<p>Main questionnaires that are the same for all division companies:</p> <p>(1) Organizational governance: CSR responsibilities. Establishment of a whistleblowing system.</p> <p>(2) Human rights: Assessment of the risk of human rights violations: Child labor, forced labor, and harassment. Prohibition of discrimination. Payment of appropriate wage amounts.</p> <p>(3) Labor practices: Management of working hours. Management of health and safety. Management of employee health.</p> <p>(4) The environment: Waste, treatment of discharged water, handling of hazardous substances, climate change, approaches to the conservation of biodiversity</p> <p>(5) Fair operating practices: Prevention of corruption, information management, prevention of the infringement of intellectual property rights, sustainable procurement policies</p> <p>(6) Consumer issues: Quality control system, traceability</p> <p>(7) Community involvement and development: Dialogue with local residents and general consumers</p> <p>• Product-specific questions</p> <ul style="list-style-type: none"> ● Textile Company: Control of chemical substances, and protection of intellectual property ● Food Company: Food safety, and checking traceability ● Forest Products & General Merchandise Division (Paper, wood chips, and wood products): protection of forests, and obtaining or enhancing third-party certification
Machinery Company		9	
Metals & Minerals Company		18	
Energy & Chemicals Company		40	
Food Company		89	
General Products & Realty Company		70	
ICT & Financial		3	
Total		271	

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

In FY2017, ITOCHU conducted a survey of PT. SANKYO INDONESIA, an associated company in Indonesia that operates the manufacturing business for electric blankets. The survey covered labor safety, labor management, human rights and environmental aspects based on the ILO Constitution, the standards of major global apparel brands and the laws and ordinances of Indonesia.

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



On November 14, 2016, ITOCHU and an external expert conducted an on-site survey of the electric blanket factory of PT. SANKYO INDONESIA, an associated company of ITOCHU. The factory is located in an industrial park that is a one-hour drive from the city center of Jakarta, and 500 employees including temporary workers manufacture electric blankets on a double shift basis during peak periods. In the morning, the survey team interviewed the president and personnel and general affairs manager, and checked documents concerning human rights and labor management. In the afternoon, the team reviewed, in the presence of the factory director, the production lines, the evacuation routes, management of chemicals and the rest of the factory. The external expert complimented the factory that the ages of employees were properly checked with official IDs when hired, that

the working hours and payroll were systematized and managed appropriately, and that the documents were well organized. The expert also provided some advice from a labor safety and health standpoint to take further measures such as conducting disaster drills and health checkups on a regular basis and the factory immediately carried out these measures in effect. The factory continues to strengthen the production system with consideration for occupational safety and the environment with increased quality control and production efficiency.

■ Regular on-site surveys of food processing plants

Since FY2012, the Food Company has regularly visited and surveyed the food processing plants of overseas suppliers for imported food, under the initiative of the Food Safety and Compliance Management Office. In FY2017, we visited 153 overseas suppliers and implemented preventive measures for securing the safety of the food we trade with them. In January 2015, we set up the Food Safety Management Office in the Beijing office and established an auditing system for Chinese suppliers. In FY2017, such periodic or follow-up audits were made to a total of 53 companies (a total of 100 visits).

■ Fact-finding investigations of Group companies

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

Surveys conducted in FY2017	Subject region	Number of companies visited for on-site surveys	Survey items
Food hygiene audits by the Food Company* (suppliers from which products are imported directly)	Overseas	153	Food hygiene, food defense
Fact-finding investigations of Group companies conducted as on-site fact-finding surveys of suppliers as well	Overseas	2	Soil pollution, water and air discharge control, waste disposal, labor safety, labor management, human rights
	Japan	9	Soil pollution, water and air discharge control, waste disposal, labor safety, quality control

* Of those overseas suppliers, two were also the subjects of CSR surveys.

Business Investment Management

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

Evaluating CSR Risks of New Investment Projects

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

Fact-finding Investigations of Group Companies

To prevent environmental pollution and related problems among the ITOCHU Group companies, ITOCHU (the CSR Promotion & Global Environment Department of our Corporate Communications Division) has been making on-site visits for the purpose of survey work continuously since 2001. In fiscal 2016, such visits were made to a total of 10 companies, some involving the participation of external experts, with consideration of the level of environmental and social risks at each company. By the end of March 2015, such surveys had been completed at a total of 270 establishments.

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

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



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

Product-by-Product Approaches to Sustainable Procurement

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

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

— Objective and Background

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

— Scope of Application

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

— Basic Policy

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

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

— Implementation and Operation

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

— Information Disclosure and External Communication

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

| Approach to Conflict Minerals Issues

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

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

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

| Activities for Sustainable Procurement of Palm Oil

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