

Sustainability Briefing

Enhancing Corporate Value through the Evolution of Work-Style Reforms

ITOCHU Corporation

May 25, 2022



Purpose of Today's Briefing



- ✓ Explain the background, tracks of evolution, and key concepts of our "Work-Style Reforms," which clearly defines human resource strategy as one of our management strategies, from both an "Executive" and "Supervisory" standpoint.
- ✓ In the corporate value calculation formula, we will mainly focus on how to lower the cost of capital.

$$\text{Corporate Value} \uparrow = \frac{\text{Created Value} \uparrow}{\text{Cost of Capital} \downarrow - \text{Growth Rate} \uparrow}$$

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Today, we would like to explain the background, evolution, and key concepts of our "Work-Style Reforms," which clearly define our human resource strategy as one of our management strategies, from both an "Executive" and "Supervisory" standpoint. In the corporate value calculation formula, we will mainly focus on how to lower the cost of capital.

- 1. What We Sought with the Original Programs**
- 2. Start of Work-Style Reforms**
- 3. Quantitative Achievements**
- 4. Onto the Next Stage**
- 5. Relationship between Work-Style Reforms and Sustainability**
- 6. Evaluations from the Macro Perspective of the Country**

Note: The following is an explanation by Fumihiko Kobayashi, Chief Administrative Officer.

Work-style reforms are normally talked about in a certain context, for example, improving the work environment and boosting employee motivation. Today, however, I would like to add the perspective of sustainability in my explanation of the reforms undertaken by ITOCHU.

1. What We Sought with the Original Programs

What We Sought with the Original Programs (1999–)



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)

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In 1999, we implemented major revisions to HR programs and, subsequently aimed to be an “Employee-Friendly Company.” We did take on numerous challenges, but we were becoming an “Employee-Friendly Company” where ideals alone were prioritized.

Two reasons were mainly responsible.

The first was setting many numerical targets that were disconnected from reality. Striving obsessively to achieve those targets created mismatches with the front lines. The second reason was that we were so overly focused on being employee-friendly that the programs expanded in an unintentional manner and an increasing number of employees abused their rights.

Reform became necessary.

2. Start of Work-Style Reforms

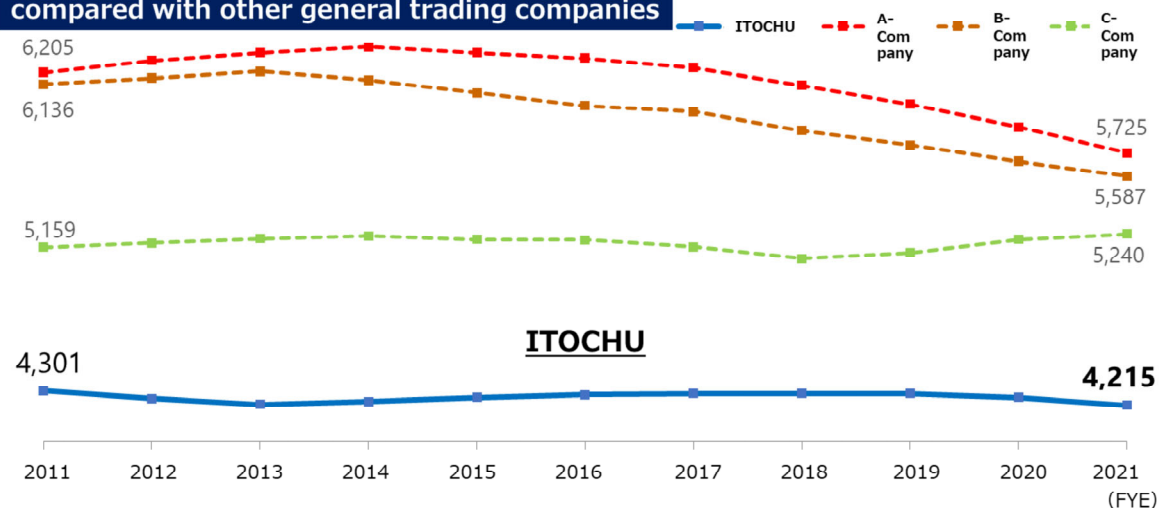
Start of Work-Style Reforms (2010)



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



Masahiro Okafuji became president in 2010. His first actions were to set up in-house childcare facilities, which were highly needed, and start on work-style reforms to resolve various past problems.

Therefore, 2010 marks the start of the reforms.

When originally implementing the reforms, two major assumptions were undeniably recognized about ITOCHU. Both assumptions still hold true. The first recognizes that the number of ITOCHU employees is significantly lower than other general trading companies associated with the former *zaibatsu* industrial groups. In the featured graph, ITOCHU is the bottommost blue line. You can see ITOCHU's overall level is around 70% of other general trading companies. We must maintain and utilize this small but elite system.

The other assumption recognizes that many of ITOCHU's direct customers are closely connected to consumers' lives so ITOCHU's employees must engage with customers close to the front lines.

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”

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

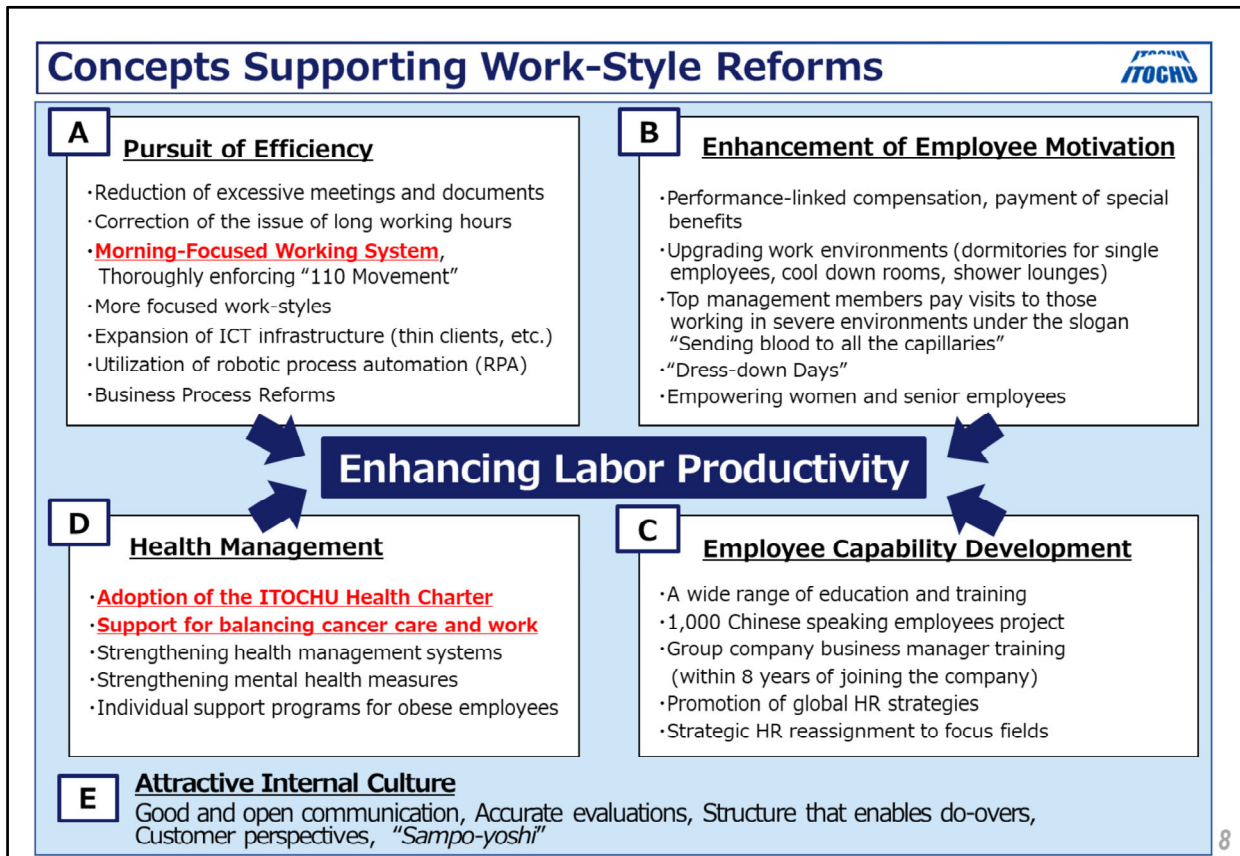
Creation of value

Pursuit of a streamlined workforce / Eliminating excess

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

Under these two major assumptions, we aimed to achieve the following five targets through the new work-style reforms.

- Due to the small number of employees, our work environment must enable each employee to realize his or her full potential than at any other general trading companies.
- We aim not just to be employee-friendly but to also provide employees with the sense of job fulfillment that accompanies our strict focus on achieving results.
- When results are achieved, they will be returned to all stakeholders, including employees.
- “Labor productivity” is set as a quantitative target and defined by dividing consolidated net profit by the number of employees.
- Reforms are conducted in line with the spirit of “*Sampo-yoshi*,” which is ITOCHU’s founding spirit and corporate mission.



The next graph outlines how we will enhance labor productivity through the work-style reforms.

To achieve results with a small number of employees, it is of foremost importance that employees work efficiently and maintain a high level of motivation to work enthusiastically. They also need to be highly capable. Even more fundamental, however, is that employees need to be healthy.

All of these factors can multiply each other to raise labor productivity.

Main Initiatives since 2010

2010	<ul style="list-style-type: none">• Establishment of in-house childcare facility• Reduction of excessive meetings and documents
2013	<ul style="list-style-type: none">• Introduction of "Morning-Focused Working System"
2016	<ul style="list-style-type: none">• Formulation of "ITOCHU Health Charter", shifting to health management
2017	<ul style="list-style-type: none">• Support for balancing cancer care and work
2020	<ul style="list-style-type: none">• COVID-19 pandemic countermeasures
2022	<ul style="list-style-type: none">• 2nd stage of the Work-Style Reforms

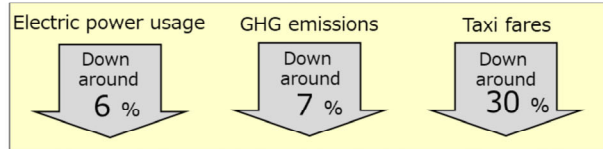
This shows the changes made over time to the main work-style reforms. Today I will explain the measures outlined in red.

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%)



[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.](#)

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"Morning-Focused Working System"

This began as an impassioned initiative from top management. By eliminating overtime at night and shifting it to the morning, we could increase work efficiency. As an incentive for that, if an employee works in the morning, we provide the same wage rate as late night overtime. We also provide free breakfasts with a wide variety every day.

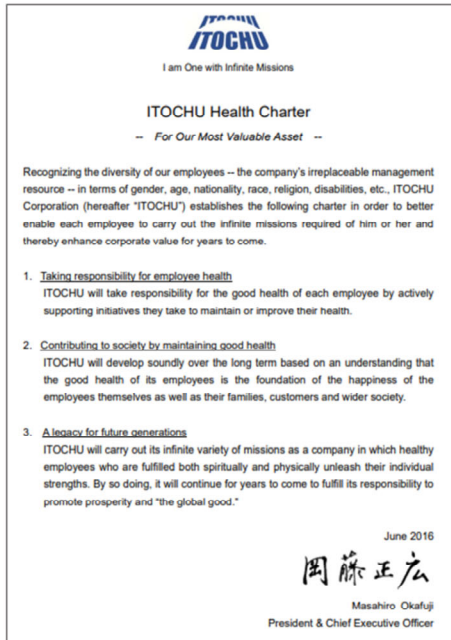
Since its introduction, we have seen direct results, with evening overtime declining from 30% to 5% after 8:00 p.m. Late-night overtime from 10:00 p.m. was reduced from 10% to nearly zero. Accordingly, electric power usage, taxi fares, and other expenses have also significantly declined. At the time, this was considered a drastic change, but many employees and the labor union have come to embrace it.

In addition, the Morning-Focused Working System touched off a surprising trend. After it began, several hundred companies and organizations asked to observe the system. We accommodated all these requests and provided all the know-how we had.

We also attracted the attention of the government, and, in June 2014, the Cabinet resolved to include the morning-oriented working style in the government's Japan Revitalization Strategy. In 2015, at the encouragement of the government, the Keidanren (Japan Business Federation) communicated it with various companies. The government launched a morning-focused lifestyle initiative under the name Yuukatsu. We ultimately created a major change in Japanese society.

Formulation of “ITOCHU Health Charter”

(June 2016)



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

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“ITOCHU Health Charter”

ITOCHU’s management has always considered employee health important and established a robust in-house medical care system. In 2016, we adopted the Health Charter, which declared “the good health of our employees is the foundation of the happiness of all stakeholders.” We disclosed the charter on our website. The introduction of the Morning-Focused Working System boosted the effect, and we saw quantitative results in health management.

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

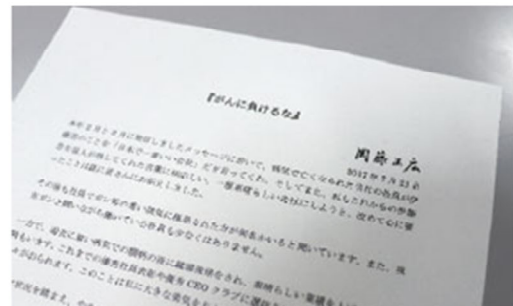
- The employee wrote, "For me, ITOCHU is the best company in Japan."
- Attending his funeral, the President promised to make ITOCHU the best company in Japan
This spurred on the launch of our efforts to promote "Support Measures for Balancing Cancer Care and Work."

**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."



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"Balancing Cancer Care and Work"

I will explain the lead up to introducing these measures. This is a real case where one story significantly moved an entire company.

An employee who had been battling cancer for a long time sent an email to then-President Okafuji in 2017. His stirring words became the reason for introducing these measures. At the time, ITOCHU was ranked No. 2 in an employee happiness ranking of companies by an economic magazine. The employee read this ranking while receiving support from ITOCHU and colleagues during his illness. He sent an email to then-President Okafuji, declaring "To me, ITOCHU is not No. 2. It is the best company in Japan. I hope to overcome my illness and return to the Company." Moved by his words, then-President Okafuji shared them on the intranet (after receiving permission from the employee), beseeching "everyone, let's pray that he can quickly return to work as soon as possible."

Unfortunately, the employee passed away two weeks later. At the funeral, then-President Okafuji tearfully promised to make ITOCHU the best company in Japan, just as the employee had asserted, reiterating this intention to employees. The fruit of this was a message to all employees titled, "Don't lose to cancer," sent in July 2017.

In the message, the then-President said that ITOCHU will do its best to help employees avoid developing cancer. We will also support those who get cancer with advanced medical care. And, in the case of bereavement, ITOCHU will ensure the bereaved family has no worries. ITOCHU will subsidize the bereaved children's education expenses at the private school level until they graduate from graduate school, no matter how many children they have. In addition, if the bereaved spouse wishes to work, we will provide a position in the Company or the Group. And, when their children grow up and begin looking for work, we will welcome them with a post if they wish to work in the Group. (See slide 14.)

We promise that they belong here and that employees are family—always. This story elicited a massive outpouring of sympathy internally. In addition, it was widely reported. From around the world, we received an outpouring of supportive letters and emails from members of the general public without any connection to the Company. Many of them cannot be read without crying. Then-President Okafuji responded to all of them.

Overview of "Support Measures for Balancing Cancer Care and Work"

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

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"Balancing Cancer Care and Work"

This overview introduces representative initiatives.

Prevention

- Alliance with the National Cancer Center Research Institute
- Regularly conduct special cancer checkups for employees
- Treatment
 - The Company covers expenses for advanced cancer treatment not covered by insurance

Coexistence

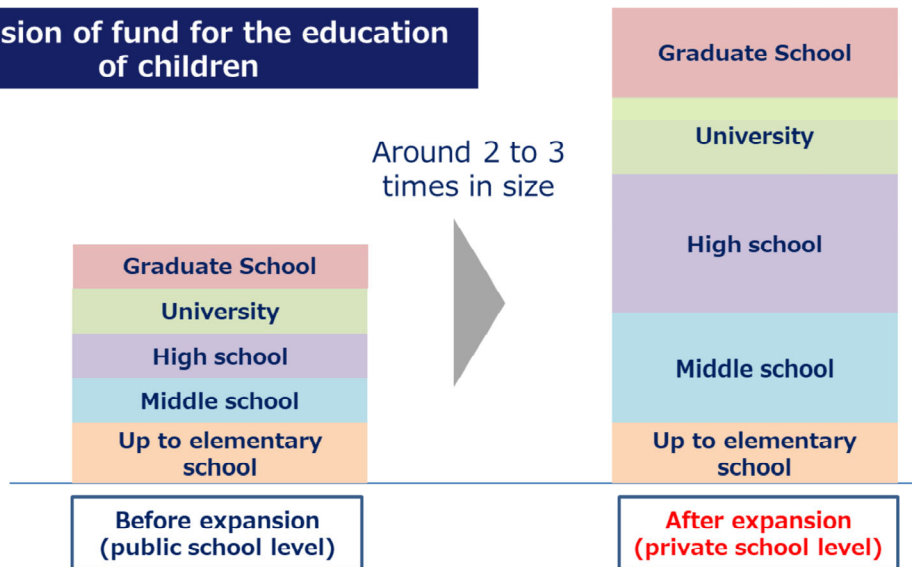
- Construct systems that support balancing medical care and work in the workplace

I will elaborate on an important point when discussing measures to support balancing cancer care and work.

(Specific Examples) Reduction of Anxiety about the Future



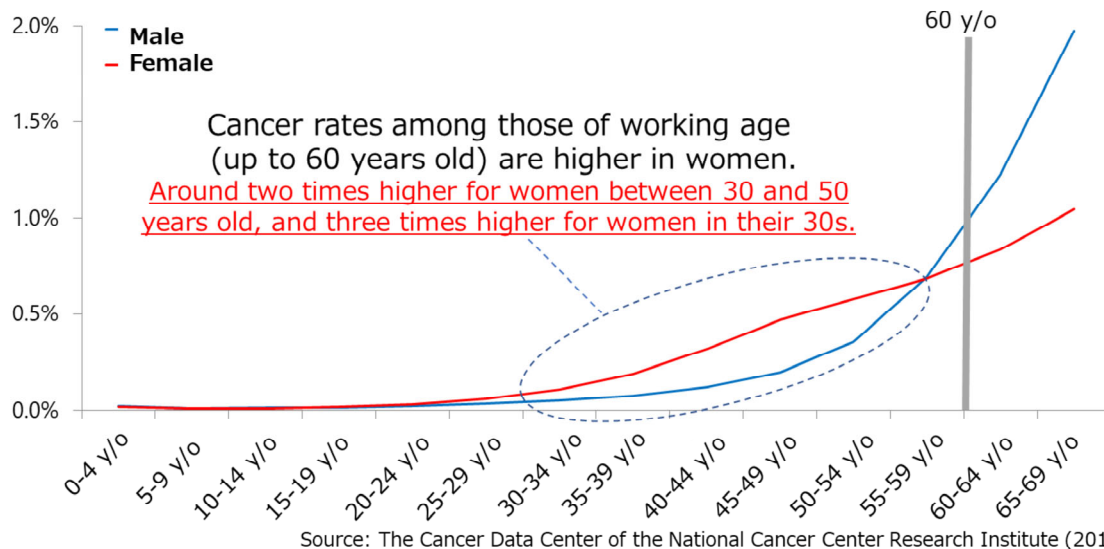
Expansion of fund for the education of children



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



- 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

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Today, it is said that one out of two Japanese people may suffer from cancer. In addition, women typically develop cancer at lower age than men. As shown in the graph, many women develop cancer in their working age. On the other hand, most men develop cancer after they reach old age. These differences are thought to be attributable to the unique nature of gynecological cancer, which often occurs at younger ages. In fact, women of working age are two to three times more likely to develop cancer than their male peers. Therefore, if we were to strive for the advancement of women, we must tackle this problem, too. Thus, we need systems enabling women to balance treatment and work even if they develop cancer in their working age. Such systems form an essential infrastructure for a company seeking to support the women's advancement. Without these, "sustainability," in terms of ITOCHU's ability to support women's ongoing career development, might be limited.

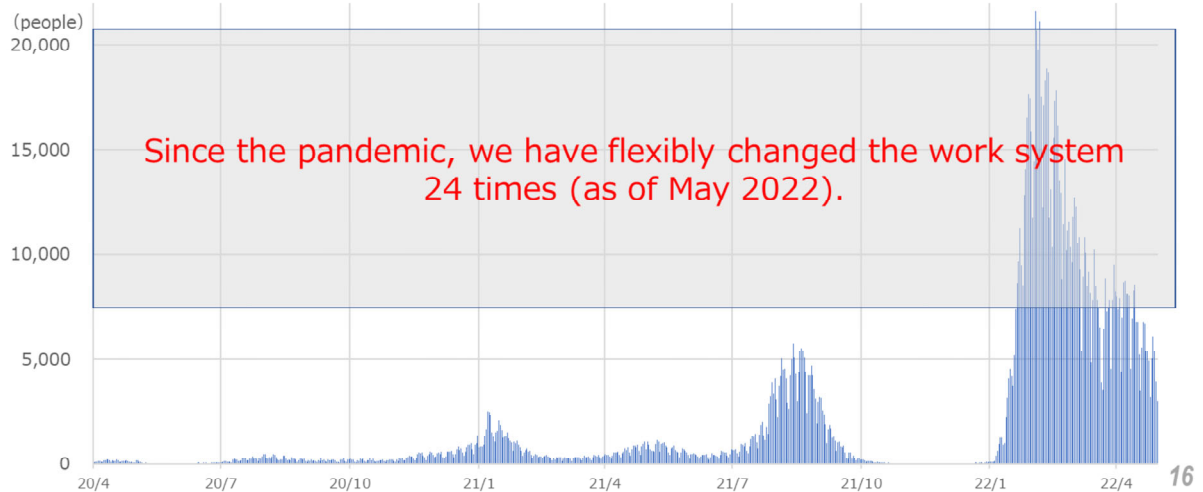
In addition, ITOCHU's measures to help employees coexist with cancer have been chosen to receive awards from a number of external organizations, including the Ministry of Health, Labour and Welfare. We are heartened, although humbled, to be honored in this way. If an employee battling cancer provides us with permission, we will also transfer all of his/her health checkup data managed by ITOCHU to the National Cancer Center Research Institute. Usually, this institute has access only to clinical data regarding the patient's health status from the first visit onward. However, the utilization of the patient's health data covering a longer period prior to the development of illness is expected to help the institute formulate more effective treatment regimens. In addition, such data will serve as an important reference to aid cancer research. As such, ITOCHU's initiatives are recognized as a major contribution to humanity's fight against cancer.

COVID-19 Pandemic Countermeasures (Work Systems)



- 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



“COVID-19 Countermeasures”

Next, I will explain measures ITOCHU has undertaken to counter the COVID-19 pandemic, which has spanned the past two years.

First and foremost, our commitment to the front lines constitutes an unchangeable assumption for ITOCHU’s work styles. Even during the COVID-19 pandemic, our customers operate at the front lines. They include supermarkets striving to keep their shelves full of offerings, convenience stores that are open on a 24/7 basis, and home-delivery service providers committed to delivering goods on time. After all, people’s daily lives are ceaselessly supported by these endeavors. Everything depends on those taking care of the front lines, and ITOCHU cherishes their business. With this in mind, ITOCHU acted quickly to protect employee safety; to this end enforcing robust infection prevention measures within its organization and throughout all Group companies. We also have flexibly changed the work system 24 times and continued to stand on the front lines.

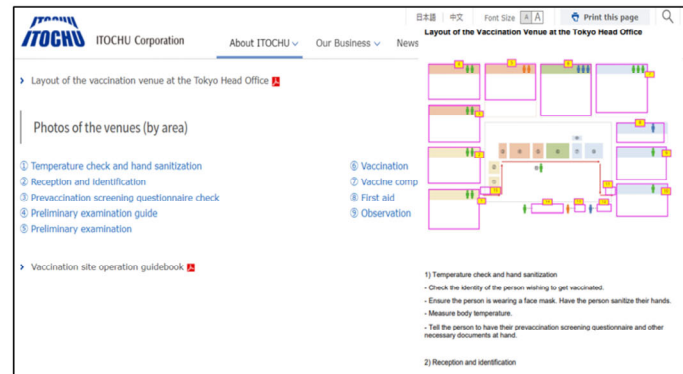
COVID-19 Pandemic Countermeasures (Workplace Vaccinations)



- 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.

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When workplace vaccinations were initiated across Japan in 2021, ITOCHU conducted workplace vaccinations at the fastest speed among domestic companies to ensure employee safety. On the first day of our workplace vaccinations, Mr. Kato, then Chief Cabinet Secretary, visited ITOCHU and observed the situation.

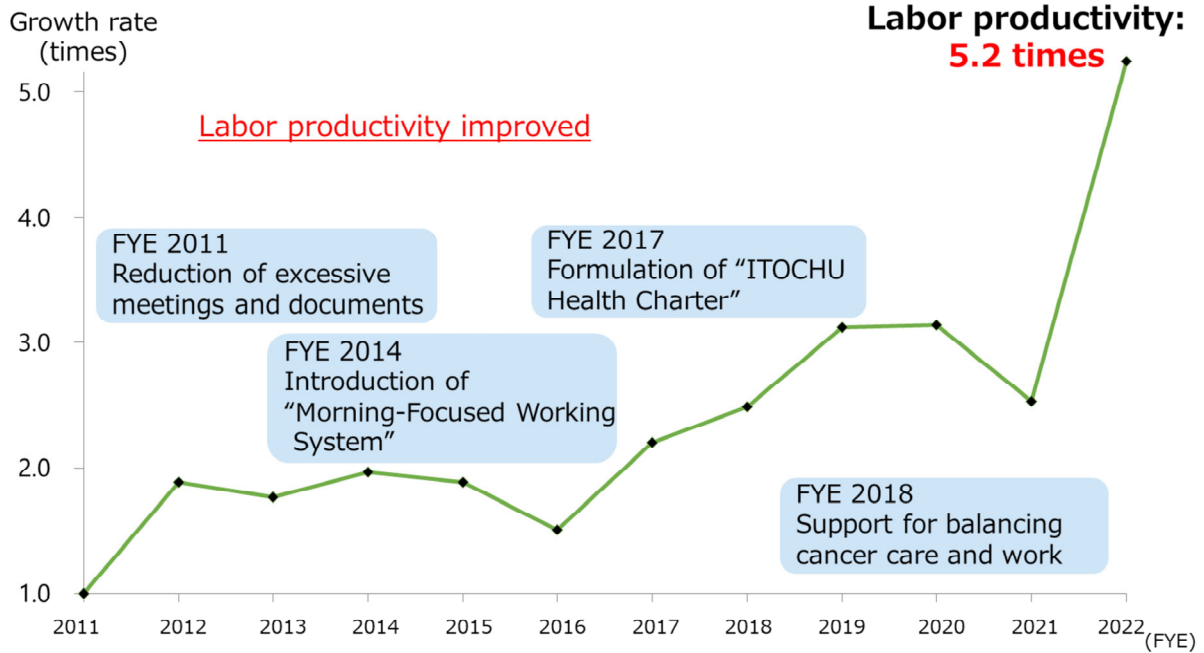
As the forerunner in terms of workplace vaccination, every day ITOCHU updated insights into the management of vaccination sites as well as relevant manuals and daily operation records on its website. We also accommodated all requests for inspection visits, with the hope of assisting other businesses in their subsequent efforts to set up vaccination sites with improved convenience.

In addition, eligibility for ITOCHU's workplace vaccinations not only consisted of employees at ITOCHU and relevant business partners, but also included 1,500 childcare facility staff. This, in turn, inspired many municipal governments to prioritize their childcare facility staff in vaccinations. In sum, ITOCHU's approach exemplified the spirit of "Sampo-yoshi," which aims to give back to society instead of solely pursuing the Company's own benefits.

At a later date, I was honored to personally meet with then Prime Minister Suga and receive his words of gratitude for the Company's swift execution of workplace vaccinations.

3. Quantitative Achievements

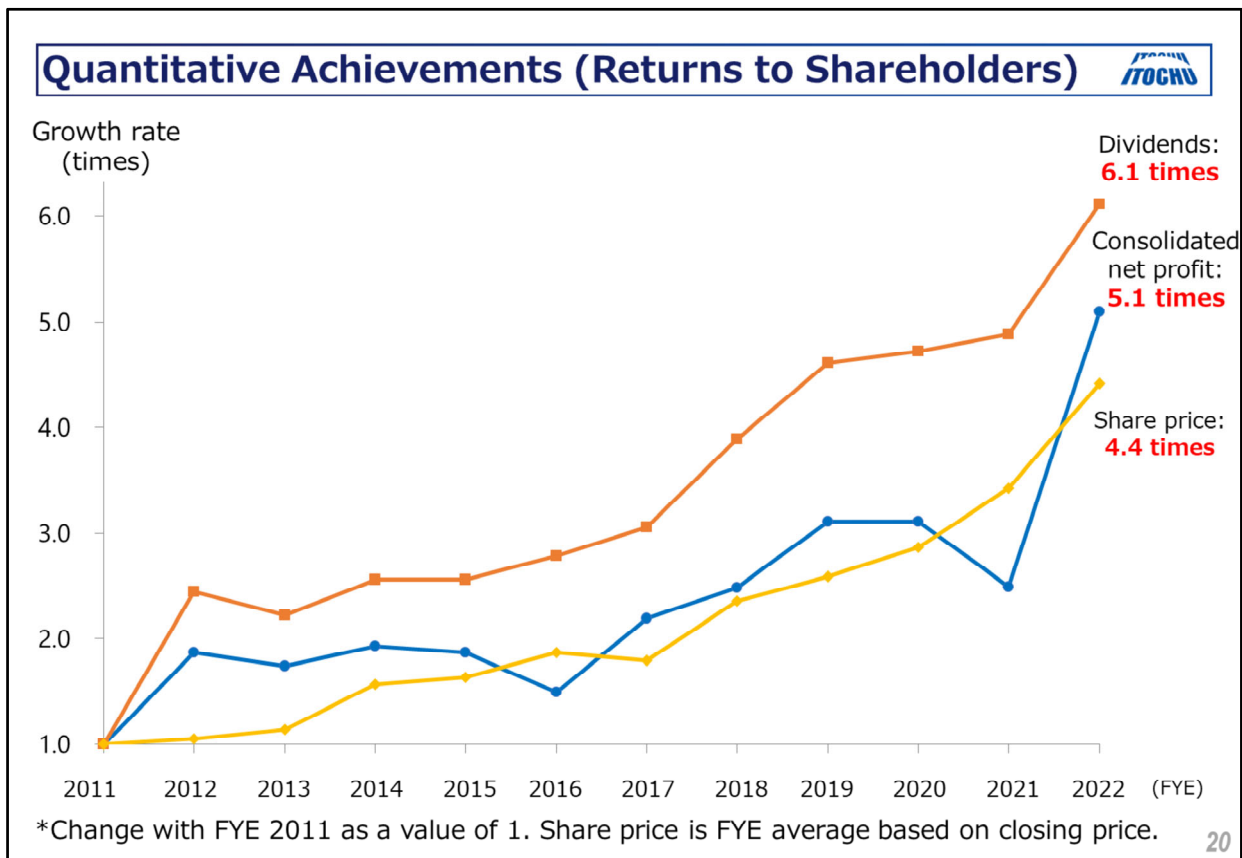
Quantitative Achievements (Enhanced Labor Productivity)



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

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From their inception, ITOCHU's reforms have been aimed at improving labor productivity. As a result, labor productivity has grown 5.2 times greater as of March 31, 2022 since the initiation of the reforms.



Moving forward, I will discuss our achievements in terms of returns to ITOCHU’s stakeholders.

Both dividends and ITOCHU’s share price have demonstrated remarkable growth, increasing 6.1 times and 4.4 times, respectively from FYE 2011 to FYE 2022. Thus, we believe that we have been able to provide robust returns to our shareholders. Looking ahead to FYE 2023 dividends, we have committed to paying a minimum of 130 yen per share. Fulfilling this commitment will realize dividends that are more than seven times the FYE 2011 level. In the course of achieving these increases, we have also raised employee wages by 20% during the period.

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.

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In 2021, we established the Women's Advancement Committee as one of the advisory committees to ITOCHU's Board of Directors, with Ms. Atsuko Muraki, an independent outside director, appointed as the chair.

The committee submitted new proposals based on the examination of work-style reform-related measures that have been conducted by ITOCHU.

In addition, the accelerated promotion of women to managerial positions has been steadily under way. Although there are a number of companies with committees aimed at empowering women, it is rare to see companies instituting advisory committees to their boards for this purpose.

Looking ahead, this committee is expected to submit periodic proposals to the Board of Directors, with the aim of facilitating a workplace culture supportive of women's advancement.

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		2021		(%)
	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.

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Every two to three years, we conduct the Engagement Survey, a major survey targeting employees.

ITOCHU has earned leading scores among representative Japanese corporations in terms of employee motivation indicators. However, we have recently seen a slight downturn in a portion of such indicators compared with scores we earned three years ago. Now, we are keenly aware of the need to institute further measures to adapt ITOCHU to increasingly diverse value systems of young generations and women.

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

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Therefore, ITOCHU must move forward toward the next stage of work-style reforms while maintaining its assumptions, as discussed earlier, that are undeniable.

In May 2022, we introduced a Morning-Focused Flextime System. This move reflects a policy of encouraging employees to come and leave earlier with the incorporation of more flexible work style options. Furthermore, we decided to allow employees to work from home even when concerns over the COVID-19 pandemic are absent. The combination of the new Morning-Focused Flextime System and the work-from-home program is intended to enable employees to realize a flexible working style aligned with the nature of their work duties as well as their individual lifestyles.

We also began providing allowances to help employees balance engagement in both work and childrearing in addition to instituting paid leave for infertility treatment. We are thus supporting both men and women striving to balance their work and private lives.

5. Relationship between Work-Style Reforms and Sustainability

Lastly, I would like to explore the relationship between ITOCHU's work-style reforms and sustainability.

As discussed earlier, then-President Okafuji made a promise at the funeral of the deceased employee to make ITOCHU the best in Japan and shared his commitment with all his colleagues.

So what does it take to be the best company in Japan? The highest market capitalization? Constantly robust profit?

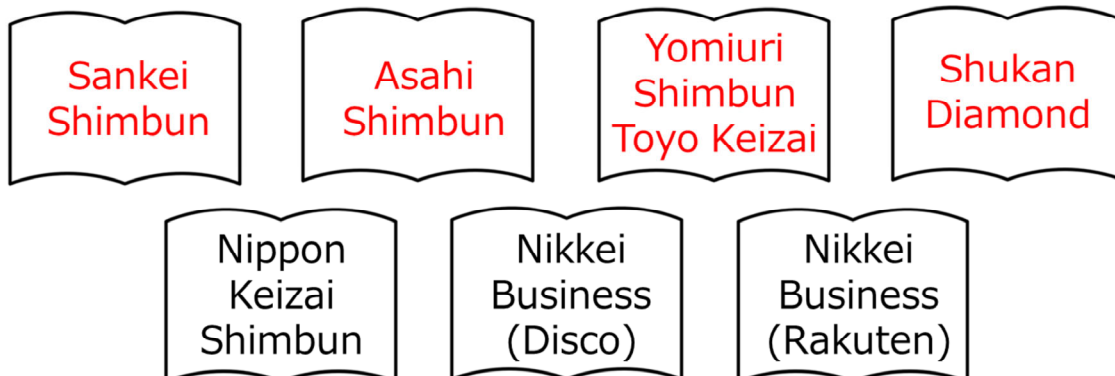
There's no definition for that. In recent years, however, the majority of businesspeople have come to embrace the concept that a sustainable company is a good company. Furthermore, the general public has also reached the same conclusion.

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



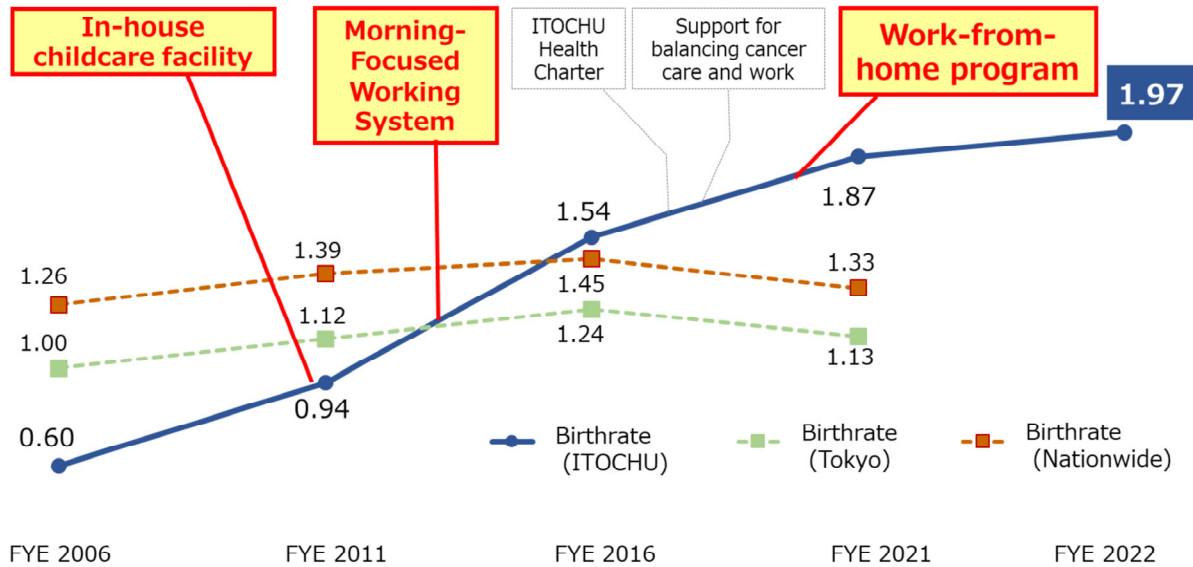
Recently, seven major institutions announced survey results regarding the ranking of attractive employers among job-seeking university students who are set to graduate in 2023.

Thankfully, ITOCHU ranked first among general trading companies in all seven rankings. Moreover, ITOCHU was granted the first place amongst all the companies in rankings by the four major institutions represented in red font. Now, what factors do students prioritize in the course of choosing their future employers? They would name higher wages, opportunities for overseas assignment and so on. After all, it can be assumed that young people tend to choose an employer with robust potential to be entrusted with their lives for several decades. Such a company must be “sustainable”.

If that is the case, we believe that ITOCHU is, to say the least, steadily becoming one of the most sustainable companies from the viewpoint of students.

2) Trend in Birthrates

Promotion of Work-Style Reforms and Health Management



Here is a new finding from recent in-house surveys regarding changes in the birthrate among ITOCHU’s female employees. Interestingly, the birthrate has grown significantly higher in conjunction with the launch of ITOCHU’s work-style reforms and the 2010 establishment of an in-house childcare facility. The subsequent adoption of health management seems to have served as yet another positive factor. As of March 31, 2022, the birthrate reached 1.97. This is considerably in excess of both the nationwide average of 1.33 and the average of Tokyo citizens, which amounts to 1.13. Especially, the graph suggests that the introduction of the Morning-Focused Working System helped increase momentum for growth in the birthrate.

Even today, general trading companies tend to be seen as male-dominated organizations. However, this graph can be interpreted to suggest the sustainability of ITOCHU, representing outcomes of ITOCHU’s efforts to ensure that no women are forced to disrupt career development or give up on work/life balance as they undergo various life events. For women, this finding could also be understood as a testament to the presence of a working environment that embraces gender equality and is friendly to them. We therefore invite ambitious female students to proactively apply for positions at ITOCHU.

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.

This slide showcases direct evaluations granted by external organizations. Although these evaluations do not necessarily represent evaluations on work-style reforms, ITOCHU was chosen by a number of such organizations, including DJSI, to take first place among general trading companies.

In analyzing ITOCHU’s reforms from the perspective of sustainability, some of our audience members might want to learn more about what exactly sets these reforms apart from similar reforms being undertaken by other companies. I would say that, generally speaking, ITOCHU’s reforms are unique because they are underpinned by our unwavering commitment to the front lines to embody the “*Sampo-yoshi*,” our corporate mission.

A sustainable company must be equipped with resilience against radical changes in society and capable of flexibly adapting to an evolving environment. In this light, we believe that our commitment to the front lines is what enables us to remain attentive to even the slightest changes, which may eventually evolve into major changes. This allows ITOCHU to accurately adapt to the new environment that emerges out of change. These qualities are essential to a sustainable company. Moreover, a sustainable company must be supported by individual employees acting as front-line merchants with a strong drive to give back to society. We believe that their dedication, in turn, empowers ITOCHU so the Company can grow, serve as a model for society and, consequentially, contribute to social sustainability.

When it comes to business initiatives for sustainability, public attention tends to be dominated by topics like clean energy utilization and other large-scale undertakings. However, unlike other general trading companies centered on resource-sector businesses, ITOCHU's business is focused on the daily lives of consumers. Accordingly, we hope to play our role of, in a broader sense, "greening" entire markets we are serving. This is the direction of our work-style reforms. They are being undertaken in an ITOCHU way guided by our "Sampo-yoshi" corporate mission. We also believe that this approach will help us enhance corporate value.

Looking ahead, we will endeavor to live up to our thorough commitment to the front lines to enhance our corporate value.

This concludes my presentation. Thank you for listening.

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

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Note: The following is an explanation by Outside Director Atsuko Muraki, with her extensive experience in government.

Looking at Japan from a macro perspective, we began earnestly discussing work-style reforms and women’s empowerment during the last ten years. This was against a backdrop of expanding burden on social welfare due to the falling birthrate and aging population as well as the incursion of massive fiscal deficit that will impact the future.

At the time, countermeasures undertaken to address the above problems included an increase in consumption tax, more focused provisions of social welfare programs, and more efficient program operations. These were quite harsh reforms.

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”

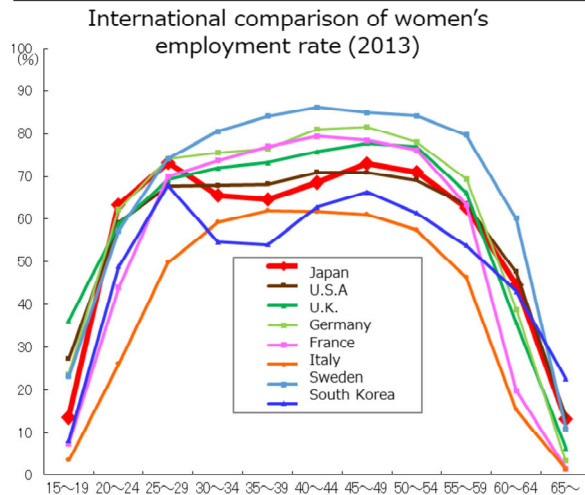
At the time, these reforms were said to entail pain. It was said that while the reforms were necessary, these kinds of painful reforms could not be done numerous times or for an indefinite period of time.

When we discussed what kind of forward-looking reforms we could do, the empowerment of women is what drew our attention. We wondered whether we could take measures that firmly support the empowerment of women, who are workers and supporters of social welfare, and that also increase the number of children, who are the future supporters.

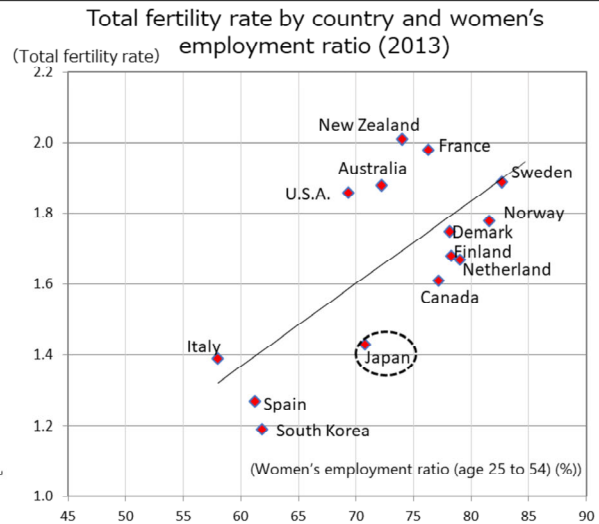
Women's Employment Ratio by Country and the Total Fertility Rate



- 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.



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.



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

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At the time, what the government focused on is the above graph. In particular, look at the graph on the right. The horizontal axis shows the employment rate of women, with countries further to the right where more women work. The vertical axis shows the total fertility rate. You can see that countries where more women work also have higher birth rates. It was shocking that there are countries with many women working and high birth rates.

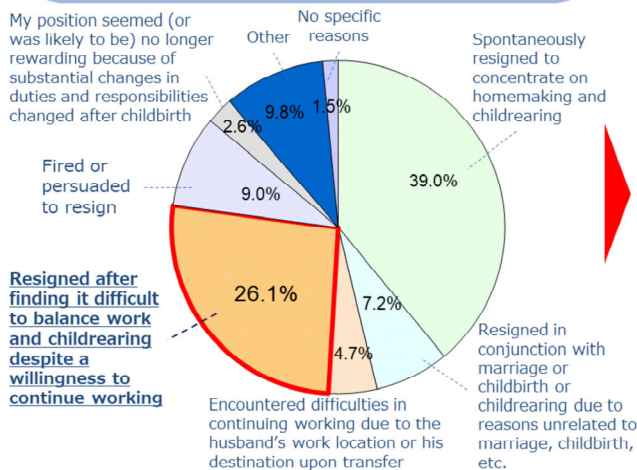
Reasons Women Resign at Pregnancy or Childbirth (General Survey)



- 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 unresponsive of those striving to balance work and childrearing as primary factors making it difficult to remain in the workforce.

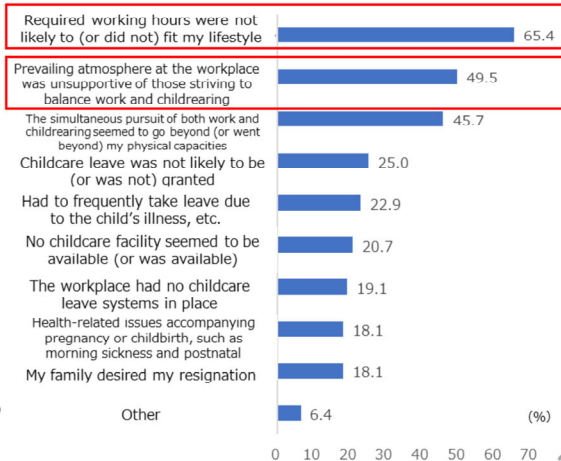
Reasons for women's resignation at pregnancy or childbirth

(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.)

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Why was it that in Japan women were hindered from working and giving birth to children? What was the obstacle? Through discussions, we realized that the major factors are the long working hours at most workplaces and the prevailing workplace atmosphere. It became clear that with everyone working long hours, it was very hard to say that I had to go home for my children.

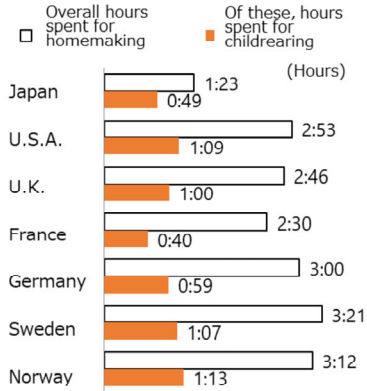
We were finally realizing that to promote the empowerment of women (increase supporters), we needed to reform work-styles for both men and women.

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



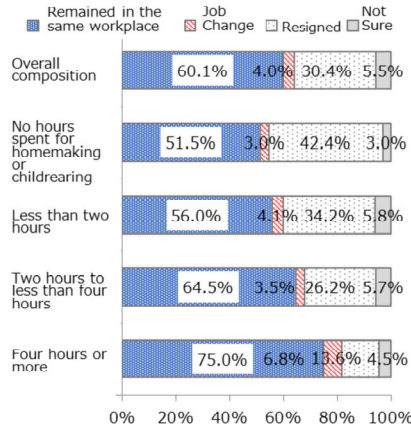
- In Japanese households with children younger than six years old, husbands are found to be engaged in homemaking and/or childrearing for just one hour per day on average, demonstrating a low level in comparison with their international peers.
- It was revealed that the workforce retention ratio is better 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】



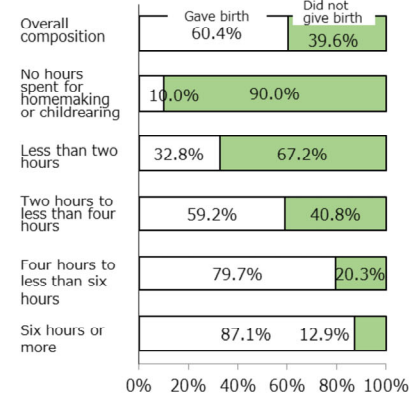
*Prepared with reference to the following materials:
 "How Europeans Spend Their Time: Everyday Life of Women and Men" compiled by Eurostat (2004),
 "American Time Use Survey Summary" compiled by the U.S. Bureau of Labor Statistics (2015) and the
 "Basic Survey of Social Living Practices" compiled by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

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Another interesting data point is contained in the above chart. The graph on the left shows the hours spent by husbands on homemaking and childrearing in households with children younger than six years old. The average in Japan is 1 hour and 23 minutes. In Europe and the United States, however, 2 to 3 hours on average is the norm. Basically, this means that these countries have switched over to a double income model where both parents work and raise children. We also realized that, as previously mentioned, these kinds of countries have high rates of women employment and high birthrate.

The graph in the middle shows Japan's data, and the further down you go in the graph, the more hours men spend on homemaking and childrearing in their households. The blue portion shows the ratio of women who continue working.

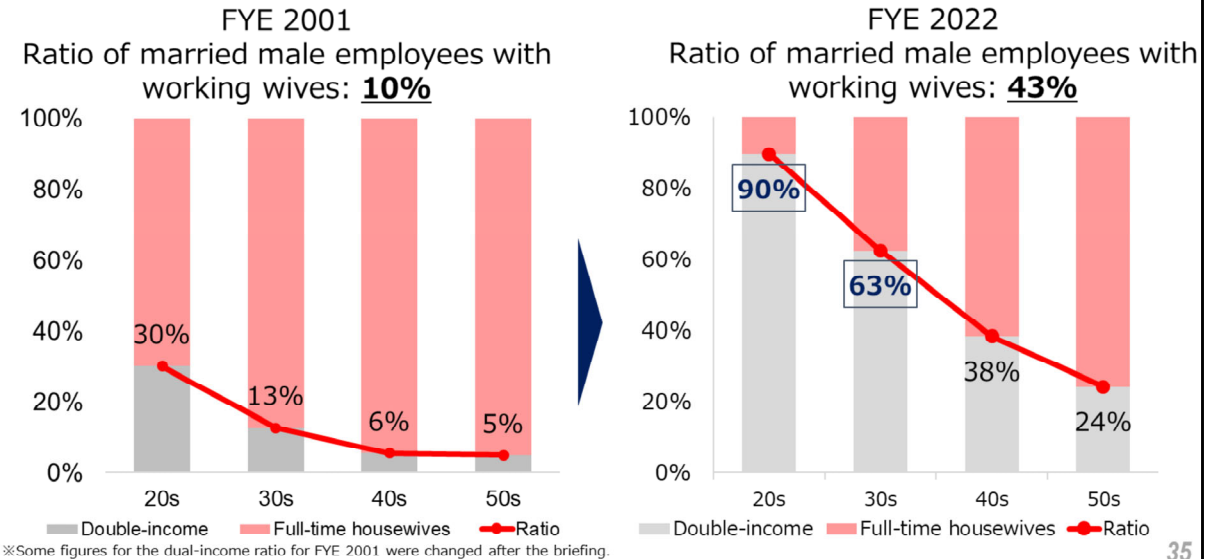
What is more interesting is the graph on the right. The further down the graph you go, the more men do housework and childcare on Saturdays and Sundays, and the white portion shows the ratio who have two or more children.

To be sustainable, Japan could not avoid work-style reforms. While we understood this from a macro perspective, it was quite agonizing when we were discussing whether the government could place the burden of undertaking bold work-style reforms on individual companies alone. Then, the government was surprised by ITOCHU's Morning-Focused Working System, which was announced around this time. We thought, at last, there is finally a company truly undertaking work-style reforms.

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.



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In ITOCHU's data, there are two points that recently impressed us.

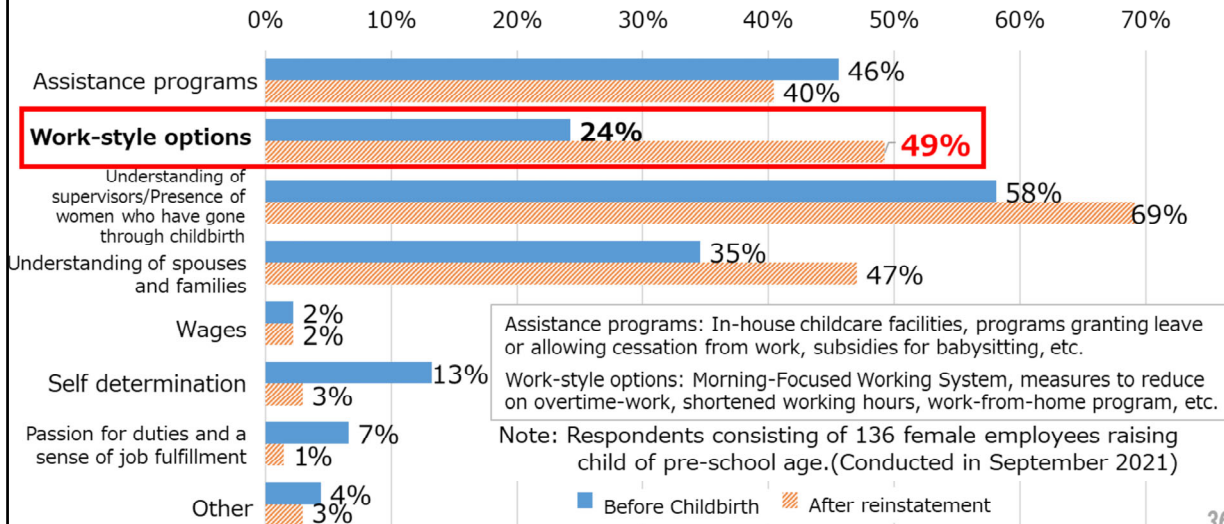
The first is the rate of double income households within ITOCHU. The left side is FYE 2001, and the right side is FYE 2022. Amongst married employees, those with working spouses have become the majority at ITOCHU. It is important to consider what kind of lifestyle to choose, how we balance work and life, and how we can enjoy both facets.

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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The second is the graph displaying the results of a survey conducted with female employees raising children of pre-school age. It shows what affects their balance of work and childrearing. This survey revealed that employees who continued to work after having children were thankful for the work-style reforms and thought the workplace atmosphere is very important.

We got the exact same result as the macro analysis. In conclusion, it seems that firmly reforming work-styles for men and women has helped increase satisfaction among employees for both their work and life.

As was mentioned in the discussion with CAO Kobayashi, creating an employee-friendly company is very important. However, as an outside director, I would like to continue monitoring whether ITOCHU can even further become a company that is not only employee-friendly but also provides a rewarding place to work.

I am One with Infinite Missions



www.itochu.co.jp/