

ITOCHU's Approach to CSR

ITOCHU Corporation is pursuing multifaceted corporate activities in various regions around the world and across a wide range of fields. For ITOCHU, CSR entails making a contribution to the building of sustainable societies through business activities. As a global company, it is our mission to be "Committed to the Global Good."

ITOCHU Group Corporate Message

The founder of ITOCHU Chubei Itoh first launched a whole-sale linen business in 1858, and since then ITOCHU has passed down the spirit of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society), a management philosophy embraced by Ohmi merchants. We at ITOCHU, in accordance with the ITOCHU Mission "Committed to the Global Good," believe that fulfilling our social responsibility through our business activities is important. In June 2014, we formulated our Corporate Message, "I am One with Infinite Missions," which clarifies our corporate philosophy of

"Committed to the Global Good" and is a promise to society that we will fulfill our responsibilities. In addition, we formulated the five ITOCHU Values in 2009: Visionary, Integrity, Diversity, Passion, and Challenge. These values need to be respected by everyone at ITOCHU so that all employees around the world can properly understand and fulfill the responsibilities of the ITOCHU Group. Accordingly, these values are communicated to all employees.

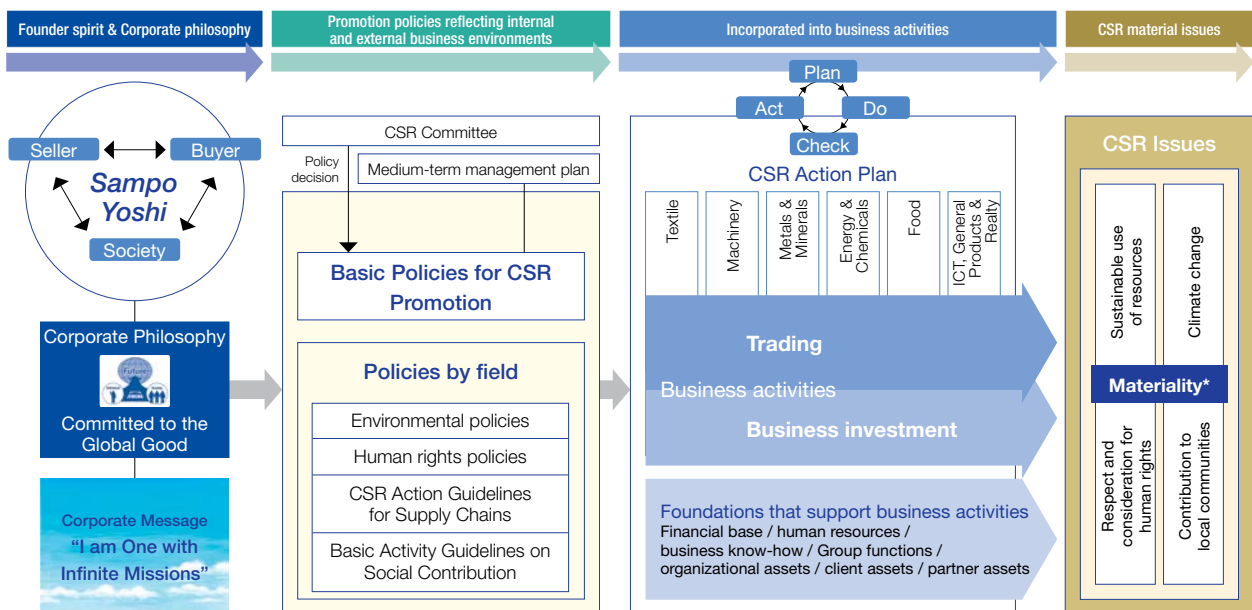
[For further information about the corporate philosophy and ITOCHU Values, please see page 4.](#)

Approach to CSR Promotion at ITOCHU

While addressing the global issues of environmental conservation and respect for human rights, ITOCHU has defined the orientation for its promotion of CSR based on changes in internal and external business environments in the form of its Basic Policies for CSR Promotion. Also we are promoting CSR activities in both an organized and systematic manner. In addition, each organizational unit gives consideration to risks and opportunities by industry and formulates CSR Action Plans grounded in the basic policies. In accordance with the plan-do-check-act (PDCA) cycle, these action plans are linked to the resolution of CSR material issues through the business activities of trading and business investments. The

CSR Promotion & Global Environment Department within our Corporate Communications Division plans and drafts up policies and initiatives for companywide CSR promotion. In accordance with the decisions of the CAO, who is the director in charge of CSR, organizational units in Japan and overseas implement these policies and initiatives. Policy formulation and important projects are discussed and determined by the CSR Committee, which is one of our key internal committees. In addition, through periodic dialogue with stakeholders inside and outside the Company, we track the expectations and demands that society has for ITOCHU and utilize that information in CSR promotion.

CSR Promotion Flow



* Materiality: Important issues in sustaining our corporate activities

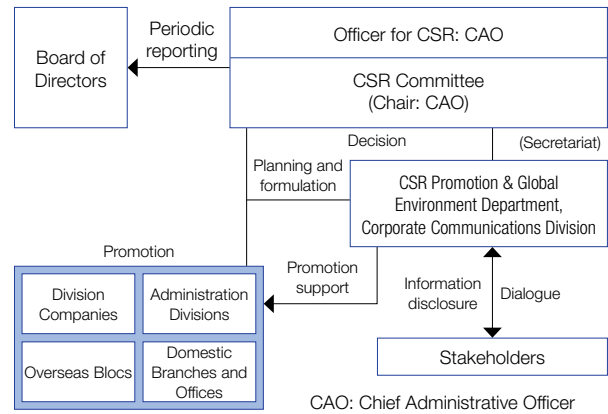
Basic Policies for CSR Promotion

Alongside the drafting of its management plan, ITOCHU formulates the Basic Policies for CSR Promotion, with the aim of globally promoting CSR with direct linkages to the management plan.

Basic Policies for CSR Promotion during the Period of "Brand-new Deal 2017" Covering Fiscal 2016–2018

- 1 Strengthening communications with stakeholders and disclosure of CSR information
- 2 Promoting businesses that help solve material issues (materiality)
- 3 Strengthening supply chain and business investment management to lead to sustainable use of natural resources with respect for human rights and consideration for the environment
- 4 Promoting education and edification on CSR and environmental conservation
- 5 Involving in and contributing to development of local and global communities

CSR Promotion System at ITOCHU

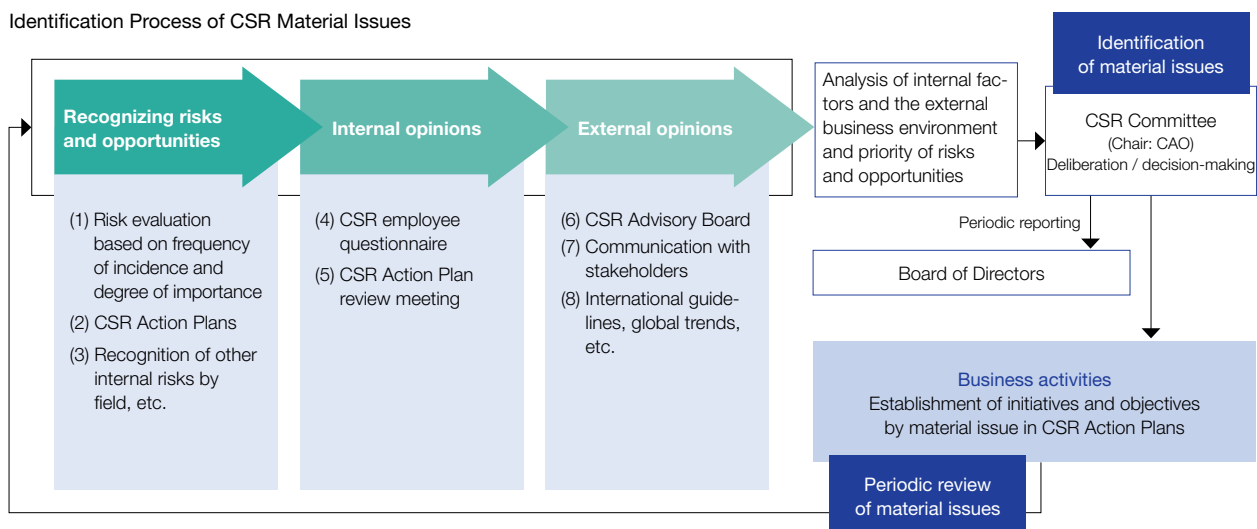


CSR Material Issues—Identification Process and Promotion System

In 2013, ITOCHU had the CSR Committee determine the CSR material issues (materiality) by identifying risks and opportunities in each business field; taking accounts of the Company's business strategies, international developments, and opinions from inside and outside the Company, and analyzing the level of priority of each one. Specific initiatives targeting the resolution of these material issues are

incorporated into each organizational unit's CSR Action Plan, and they are implemented by each Division Company. The material issues are continually verified and supplemented, and periodically reviewed by the CSR Committee. In addition, the contents of CSR Committee meetings are reported to the Board of Directors by the CAO. In these ways, we align the material issues with management policies with long-term perspective, and work to resolve them through our business activities.

Identification Process of CSR Material Issues



Awareness of Risks and Ongoing Review in Each Business Field

ITOCHU's business spans a wide range of fields. We regularly make reviews to assess industry-specific risks in each field, covering both internal factors and the external business environment. More specifically, we identify CSR risks in each field, such as labor risks, environmental risks, and compliance risks, ascertain the prospective frequency of incidence and degree of importance, and assess them. Taking into account these assessment results, we develop measures to prevent the actualization of and to curtail their influence. We likewise incorporate these assessments into the CSR Action Plans and review them on a continuous basis.

External Opinions

The CSR Advisory Board, which meets each year, facilitates dialogue about CSR promotion between ITOCHU managements and external stakeholders. The external opinions obtained from these dialogues are utilized in decisions about material issues and CSR management in the supply chain and business investment. ITOCHU's businesses are increasingly diverse and large scale, and consequently their influence on local residents and on the entire value chain is increasing. Against this backdrop, in fiscal 2015 the CSR Advisory Board met to discuss the theme of "Business and Human Rights: Relationships with Local Communities."



CSR Advisory Board
Fiscal 2015

Ms. Mariko Kawaguchi

(Senior Researcher, Daiwa Institute of Research Holdings Ltd.)

Mr. Katsuhiro Harada

(Professor, Meiji Gakuin University)

Mr. Hideki Wakabayashi

(Secretary General, Amnesty International Japan)

Active discussions were held and frank opinions were received from leading specialists on the front lines, including investors, NGOs, and academics, about expectations and concerns in regard to such themes as "As a leading global company, we expect not to be passive, but strive to aggressively engage with the issues which local communities face, and to grow together with those communities."

CSR Material Issues

1 Climate change

Climate change is an issue capable of affecting all sorts of business activities. We are going to assist the resolution of this issue through measures in each of two aspects: adaptation to risks such as natural disasters induced by climate change, and mitigation of impact by solutions-oriented business in areas such as reduction of greenhouse gas emissions from, and use of renewable energy in, our business activities.

2 Sustainable use of resources

The wide-ranging business activities of ITOCHU depend on diverse resources from the natural world and their circulation. Amid increasing apprehensions about resource depletion, we have positioned resource conservation as a major task to be approached from both the risk and opportunity aspects in all phases, from development to utilization, with consideration for sustainability.

3 Respect and consideration for human rights

As our business physically broadens and becomes more complex, the influence of our business activities is widening in scope. With an awareness of this situation, we consider it vital to view our business activities as a value chain, ascertain who can possibly be impacted, and thereby make full provisions for respect and consideration for the human rights of the people involved.

4 Contribution to local communities

While developing business in various regions around the world, we take actions on issues and needs faced by host societies in both our business activities and social contribution initiatives. By so doing, we hope to assist the advancement of those societies and cultivate the development of new markets that will lead to growth for us.

Respect for Human Rights

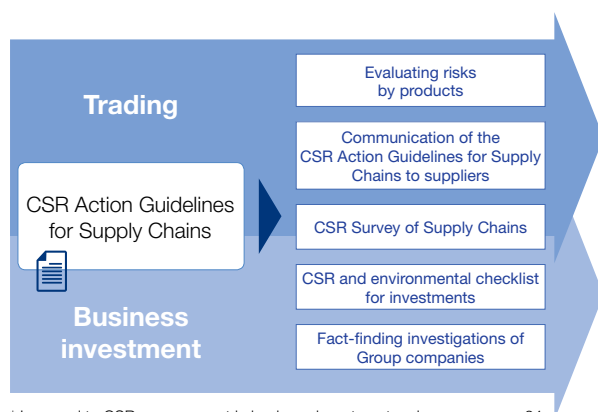
ITOCHU supports the Universal Declaration of Human Rights adopted by the United Nations in 1948 as a common standard of achievement for all people and all nations. Furthermore, ITOCHU participated in the United Nations Global Compact in 2009, which is derived from this Declaration and other international standards. In addition, specifically, ITOCHU has formulated "Respecting the Rights of Indigenous Peoples," "Approach to Engaging the Services of Security Firms," and "Approach to Conflict Minerals Issues," and conducts its business while respecting human rights in each of the regions in which it operates. We are taking steps to further enhance the understanding of employees, such as implementing in-house training programs and e-learning.



Network Japan
WE SUPPORT

CSR Management in Our Supply Chain

Engaged in business on a worldwide basis, ITOCHU gives full consideration to human rights, labor, and the environment through CSR management that is commensurate with respective business activities for its supply chain and business investment. Through such consideration, ITOCHU is determined to build a sustainable value chain and to link this to a heightening of the competitiveness and corporate value of the ITOCHU Group.



* In regard to CSR management in business investments, please see page 24, "Our Approach to Business Investment – Decision-Making Process."

* In regard to specific initiatives for fact-finding investigations of Group companies, please see pages 38–39, "Multifaceted CSR Risk Management" and page 49, "Textile Company – Supply Chain Management."

ITOCHU'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

ITOCHU believes it is important to win the understanding and cooperation of all its suppliers for its CSR-related policies. In keeping with this belief, we have formulated CSR

Action Guidelines for Supply Chains. In fiscal 2014, we again made notice of these guidelines to the approximately 4,000 suppliers with whom we have continuing transactions. From fiscal 2015, we determined to communicate these guidelines, in advance, to new suppliers with whom we will conduct transactions. When a case that does not comply with the intent of the 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 of Supply Chains

ITOCHU conducts a survey with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the 10 requirements of our CSR Action Guidelines for Supply Chains. Each Division Company or relevant Group company selects target suppliers and creates a survey plan based on such parameters as high-risk countries, products handled, and transaction amounts. Sales representatives or locally assigned ITOCHU employees of each Division Company visit the suppliers and survey them by means of interviews or questionnaires. From fiscal 2016, we will strengthen the framework for checks to facilitate more-specific tracking of the status of management at suppliers in such areas as the environment, human rights, labor practices, and anti-corruption. In accordance with the results of these checks, we can also provide advice for improvement. Specifically, based on the advice of external experts, we revised our checklist and formulated a handbook related to communication with suppliers.

Evaluating risks by products

We handle a wide range of products on a global scale, and carry out our own evaluations regarding the impact of these products on the global environment and human rights. In these initiatives, we use ITOCHU's original impact evaluation at each stage of a product's life cycle, from procurement of raw materials, production, and use through disposal. If this analysis identifies a product as having a significant effect, we register it as having "significant environmental aspects" and implement priority management by preparing regulations or manuals and conducting special training. In addition, for each product that has a large impact, we formulate procurement-related policies and responses, which are utilized in our daily business activities.

ITOCHU is working to strengthen disclosure of CSR information and to clearly explain its corporate value. Our management philosophy underlies all that we do, and our mission is to fulfill that philosophy.

With the growth of ESG investment, non-financial information is playing an increasingly important role in investment decision-making, and corporations are being judged by the extent to which they disclose their CSR information in an easy-to-understand manner.

Mr. Masaru Arai, Chairman of the Japan Sustainable Investment Forum (JSIF), is well versed in sustainable investment. As such, we asked him for his impressions of and his expectation to the CSR activities of ITOCHU, which has inherited the management philosophy of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society).



Concepts incorporated in “I am One with Infinite Missions”

Kobayashi: I think that the work actually performed by general trading companies is not understood by the public. Concern about the influence of business activities on society and about the social responsibilities of corporations is growing, and in this environment we have thought a great deal about how we can foster an understanding among stakeholders about what it is that we do and what our responsibilities are. In that regard, we have formulated our “I am One with Infinite Missions” Corporate Message to clarify and directly express our corporate philosophy of “Committed to the Global Good.”

Arai: The businesses of a general trading company certainly extend over a broad range of industries, and as such it is not easy for investors to comprehensively evaluate the total value of the company. However, general trading companies play an extremely significant role when we think of their product chain and supply chain.

ITOCHU has inherited the *sampo yoshi* spirit, and this management philosophy clearly expresses the relationship

between companies and society that is the core concept of ESG investing and responsible investing. ITOCHU’s Corporate Message demonstrates that the Company is carefully considering its roles and responsibilities in today’s global society, and I believe it is important to convey your message.

Listening to external feedback, working to resolve material issues

Kobayashi: At ITOCHU, we review our Basic Policies for CSR Promotion when we formulate a medium-term management plan. In that process, initiatives that are especially important have been identified as CSR material issues—climate change, sustainable use of resources, respect and consideration for human rights, and contribution to local communities—and we are working to contribute to the resolution of these issues through our business activities. In particular, climate change is a social problem on a global scale, and accordingly ITOCHU is working in such areas as renewable energy, including geothermal and wind power.

Arai: These four material issues are all highly important, and it is crucial that the Company specifies what is important in the context of its business activities. When employees understand those issues and strive to address them in their daily work, it becomes the most effective means of promoting the Company's CSR. The Intergovernmental Panel on Climate Change (IPCC) indicated last November that the probability of human influence on climate change is extremely likely. Climate change is an issue that affects everyone and everything. It cannot be avoided. I would like to see ITOCHU address this issue through its business activities.

Kobayashi: After we identify CSR material issues, we periodically hold our CSR Advisory Board meeting, which is composed of outside experts. We confirm that we are not complacent about the direction of our CSR and that we are meeting the needs of society.

Arai: I hope that ITOCHU continues on with these activities. Outside opinions are not always easy for a company to accept, but the active exchange of opinions with outside experts enables companies to check opinions that might be more one-sided if the process is solely internal.

Importance of human resources for a general trading company

Kobayashi: In simple terms, "human resources" are the only true resource that trading companies have. Success or failure depends on how these resources are utilized. We don't assign missions to our employees. Thus, we want to employ those who can find their own missions, make judgments on their own and create win-win relationships with customers. Accordingly, we focus on determining whether an individual has the ability to earn a business partner's trust, and whether the individual finds that to be a joy and uses it as strength in earning trust from other business partners. Possessing such ability will enable one to succeed in any part of the world, since one-to-one communication becomes the key in any business field.

Arai: ITOCHU's corporate philosophy and Corporate Message are very clear, and I believe those help greatly in human resources development. Business activities include times when things are going well and times when they are not, and even times when a company's existence is in danger. What becomes important at such times are missions and visions of the company. Further, it is imperative that employees understand these messages.

Kobayashi: ITOCHU engages in business activities all over the world, and we think it is important to penetrate the corporate philosophy into national staff in each country. Each year nearly 200 national staff are invited to the Tokyo Head Office in order to participate in a range of training programs. In addition to the study of leadership and management strategy, the training programs also include a visit to the house of founder Chubei Itoh in Shiga Prefecture. This is a valuable opportunity for national staff to understand the origin of ITOCHU and its spirit as management policy, in other words *sampo yoshi*.

Working to implement highly transparent information disclosure and to respond to feedback from investors

Arai: The introduction of Japan's Stewardship Code and Corporate Governance Code are changing the information that investors and other stakeholders ask of companies. Engagement, or what is often referred to as constructive dialogue with stakeholders, is essential. However, it is practically impossible for institutional investors to conduct dialogue with all investee companies, and they judge on the basis of information disclosed by the companies. Integrated reports that clearly show links between CSR initiatives and actual business activities in addition to financial results are extremely useful to investors. ESG investors make investments over a long period of time, therefore, they contribute to the formation of a stable shareholder base for companies. I hope ITOCHU continues to implement proactive information disclosure as a global leader.

Kobayashi: As a matter of fact, we just reviewed about the separation of financial information and CSR information in the previous report. In this report, CSR issues and initiatives that are directly linked to operating activities and have a high degree of influence on ITOCHU are described in the pages for each Division Company. In these ways, we worked to make the CSR information and our business activities relevant. The disclosure and strengthening of CSR information has also been added to the revised Basic Policies for CSR Promotion. I believe that engagement is being emphasized among investors, so we will continue working to address that issue by implementing highly transparent disclosure.

Kobayashi: The *sampo yoshi* spirit may be a rather old-fashioned expression, but as "one merchant" explained, our mission is to fulfill our responsibilities to society as a whole and not just our own company or customers. We will continue to increase corporate value by helping to resolve social issues through our business activities.

Mr. Masaru Arai

Chairman, JSIF (Japan Sustainable Investment Forum)
Director, PRI Association Board
(UN Principles for Responsible Investment)

Joined Daiwa Securities. After working in Saudi Arabia, as CEO of Daiwa ANZ International, and in other positions, joined Daiwa Asset Management in January 1992. After serving as Director and Senior Executive Officer, and advisor, retired in 2012. Member, Advisory Committee, Criteria Sub-committee (only member from Asia), FTSE ESG Advisory Committee since 2005; Chairman, Japan Sustainable Investment Forum, since March 2012. CEO, Corporate Value Research Institute, since May 2014. Elected to the PRI Association Board in June 2015.