



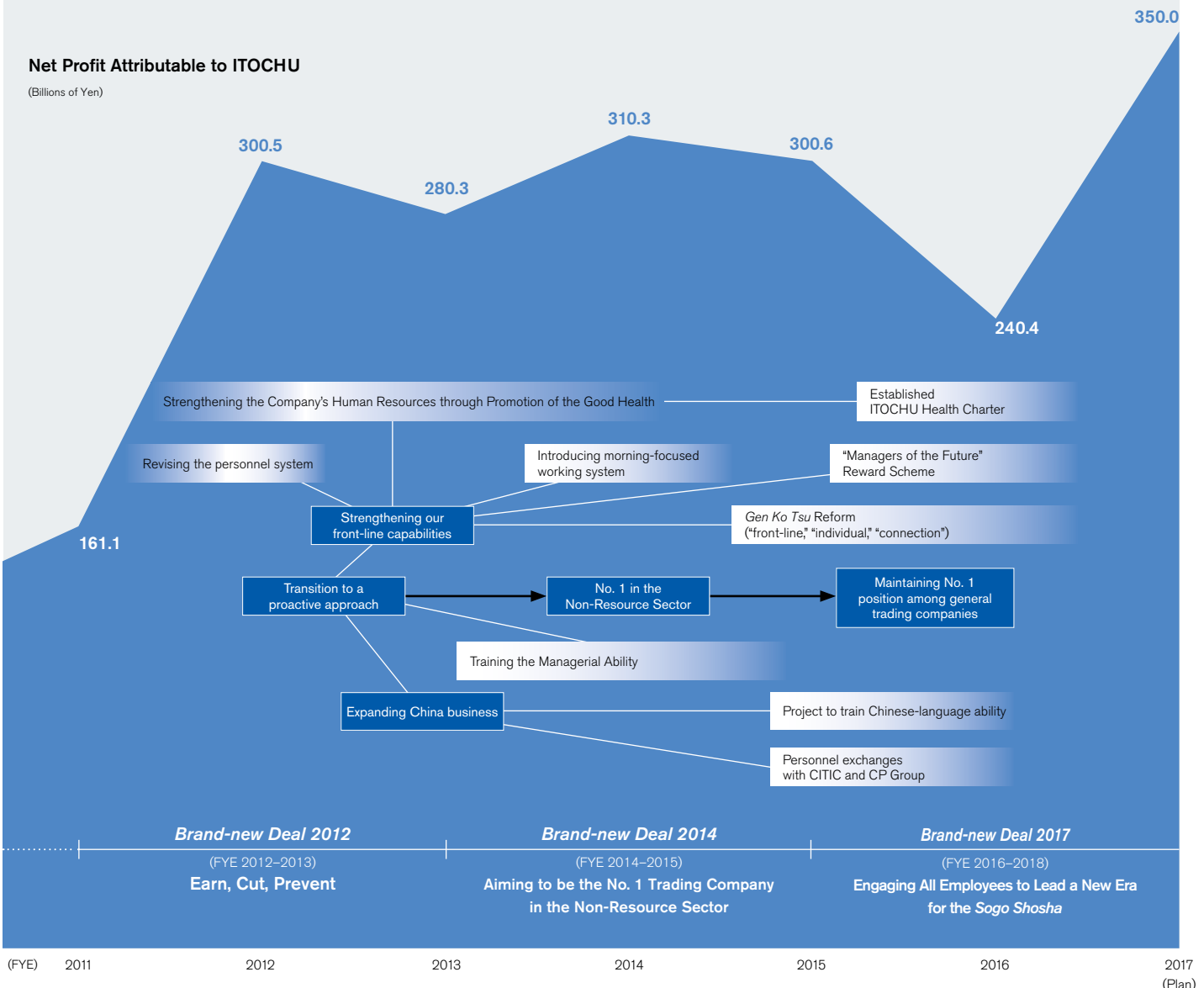
Human Resources Strategy

With a diverse range of businesses around the world, ITOCHU believes that “human resources” are its greatest management resource. Accordingly, to lead a new era for general trading companies, ITOCHU is aggressively developing and strengthening its human resources as the foundation of management.

Human Resources Strategy Linked to Management Plan

Net Profit Attributable to ITOCHU

(Billions of Yen)



INPUT

Human Resources who Support “Infinite Missions”

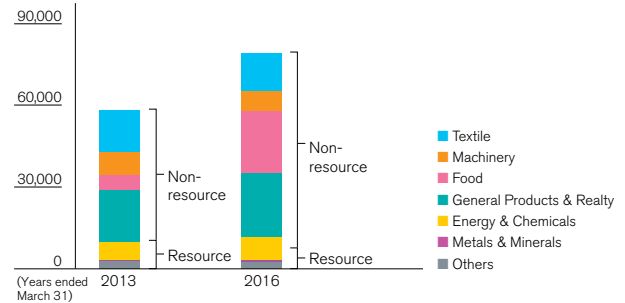
ITOCHU has the smallest number of employees among the other general trading companies (non-consolidated), and we have traditionally taken on the challenge of intense competition with a small group of highly capable people. Accordingly, we strive to employ people who are good matches for our corporate culture, which has been compared to that of a merchant band that creates business through “individual capabilities.” On that basis, we hire people regardless of gender, nationality, or age.

Optimal Allocation of Human Resources

Asset diversification reduces the risks associated with long-term changes in economic structure. At headquarters, which plays a central role in consolidated management, we disperse our human resources by field. For example, we allocate a certain number of employees to resource-related fields, even though market conditions are poor at this time. On the other hand, as we strengthen our operations in non-resource businesses, the number of employees in non-resource fields is increasing each year on a consolidated basis.

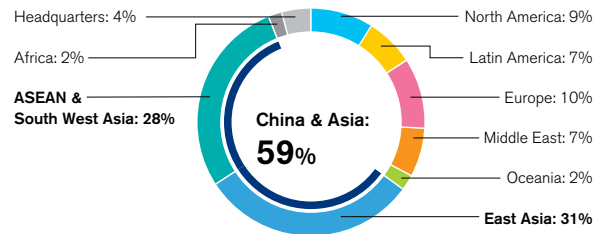
By region, we have allocated 59% of our global workforce to China and Asia, where we need to expand our earnings base further.

Consolidated: Number of employees by Division Company



Number of Overseas Employees by Region, FYE 2016

* excluding subsidiaries and associated companies



VALUE-UP

A high level of competitiveness based on the maximum utilization of the abilities of each employee will be indispensable to lead a new era for general trading companies, and accordingly we are implementing initiatives from a variety of directions.

Implementing Reforms by “Strengthening Our Front-Line Capabilities”

To further advance the goal of “strengthening our front-line capabilities,” which will enable us to lead a new era for general trading companies, we are moving forward with reforms of the working styles and awareness of all employees.

1. Working-style reform through morning-focused working system

In FYE 2014, ITOCHU introduced a morning-focused working system as part of working-style reforms intended to increase efficiency and productivity. The introduction of this system has had results, both in the timing of when employees come and leave the office and in the hours of overtime they work. Two years since the program's introduction, and it continues to make steady progress.

This groundbreaking initiative has had a major influence not only on industry but also on national and local government

Results of morning-focused working system

		Before introduction	Six months after introduction	Two years after introduction
Leaving*	8:00 p.m. or after	30%	7%	6%
	(of which, 10:00 p.m. or after)	10%	nearly 0%	nearly 0%
Entering*	8:00 a.m. or before	20%	34%	40%
Hours of overtime work (compared to before introduction)		—	-10%	-12%

*% of people in the headquarters

institutions, and it has changed attitudes in Japan in regard to working styles.

2. Increasing employees' awareness of participation in management

To increase corporate value, it is essential to enhance employees' awareness of participation in management.

In FYE 2016, we introduced the “Managers of the Future” reward scheme, under which employees at the rank of Section Head or above, who will be the key people responsible for the future growth of ITOCHU, to receive shares of the Company when they retire.

On the other hand, for the stock ownership plan that can be joined by all employees, from FYE 2016 the incentive award rate has been doubled, and the participation rate has increased

substantially, from approximately 52% to approximately 75%. In these ways, employees' interest in management is being increased through ownership of the Company's stock.

3. Strengthening Human Resources Capabilities through Improved Health

ITOCHU has built a system that enables employees to work to their full potential. For example, in 2002 we became the first private-sector company to offer career counseling through a specialist organization. In addition, we also offer health guidance through a borderless medical concierge service that has been implemented for more than 30 years by a specialist health management organization. Enhancing the health of employees through the correction of long working hours is also an aim of the morning-focused working system.



These initiatives have been highly evaluated, and in FYE 2016 we were selected as a Health & Productivity Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (25 companies selected).

In June 2016, we formulated the ITOCHU Health Charter, which incorporates our thinking about health management. Moving forward, in regard to diet and exercise, we will strengthen the support system and enhance the workplace environment. In these ways, our policy will be to foster further advances in the vitality of employees.

Enhancing Human Resources Capabilities through the Promotion of Diversification

ITOCHU believes that an organization that utilizes a diverse range of human resources, including diversity in such areas as gender and nationality, is the source of competitiveness for a general trading company that operates a wide range of businesses. Based on this belief, in FYE 2004 we formulated the Plan for Promotion of Human Resources Diversification. With a special emphasis on supporting the career development of female employees, we have led the industry in expanding the number of women in career-track positions and have established systems that exceed legal requirements.

Currently, we have moved to a new stage, known as *Gen Ko Tsu Reform*, which is derived from *Genba* (front-line), *Kobetsu* (individual), and *Tsunagari* (connection). With a focus on three fields — promotion, overseas assignment, and childcare — we

are moving forward based on an action plan for the Act on Promotion of Women's Participation and Advancement in the Workplace. For example, we are providing individual support for female employees, such as overseas assignment support for female employees with children and a work-from-home system.

Moreover, to enhance the awareness of male employees, in FYE 2016 we proactively encouraged male employees to take childcare leave, and the number taking this leave increased substantially. The morning-focused working system also plays a role in the promotion of diverse working styles.

We are taking steps to move forward with the establishment of an environment that will accelerate support for the career development of female employees, such as inviting Atsuko Muraki, former Vice Minister of Health, Labour and Welfare, to be an outside director in FYE 2017.

Due to the favorable evaluation of these initiatives, in FYE 2016 we were selected as a Nadeshiko Brand (45 companies selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange) and a New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry).



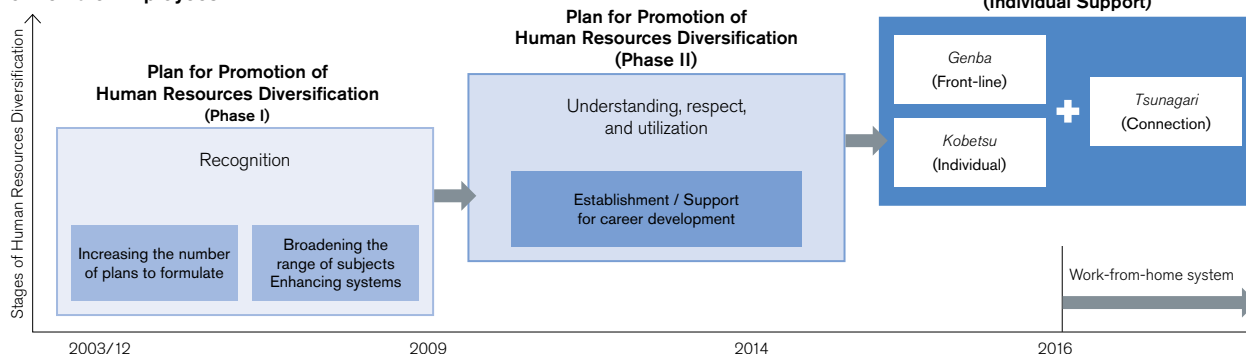
Enhancing "Individual Capabilities" through Development

To develop "strong individuals" who can be active in global environments, ITOCHU operates a diverse array of programs.

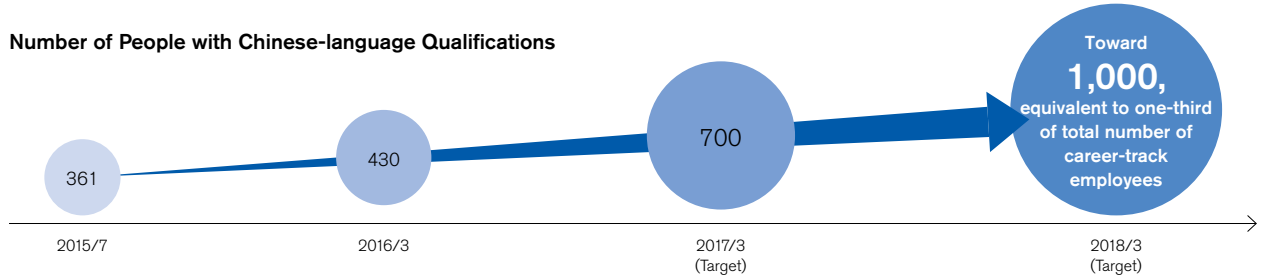
At headquarters, from FYE 2011 we introduced a system for training all young employees in third languages in addition to the traditional English training. Due to our initiatives with CITIC and the CP Group, the Chinese language is a special focus. In FYE 2016, we launched a project to develop 1,000 employees with Chinese-language ability, which is about one-third of our total number of career-track employees. We are moving forward with rigorous measures to build a foundation for the expansion of business in China and emerging countries over the medium to long term.

In FYE 2016, CITIC, the CP Group, and ITOCHU reached an agreement regarding human resources development. To solidify the human resources network among the three companies and build a foundation to support the strategic alliance,

Human Resources Diversity Initiatives, Centered on Support for the Career Development of Female Employees



Number of People with Chinese-language Qualifications



the three companies are already moving forward with mutual exchanges and development of capable personnel.

In addition, with consolidated business management becoming more and more important, from FYE 2014 we introduced a system to develop human resources who will manage operating companies in the future. In this way, we are working to increase the management capabilities of sales employees, and we are expanding the number of employees participating in the program each year.

Number of people who have received training or been dispatched	FYE 2014	FYE 2015	FYE 2016
Overseas training in the Chinese language and other special foreign languages (of which, Chinese language)	77 (21)	66 (29)	66 (44)
Number of people who have taken Chinese-language lessons	139	86	390
Training to develop personnel who will manage operating companies	5	94	111

We are also aggressively expanding support for the development of employees at domestic operating companies and locally hired overseas employees.

In FYE 2016, more than 10,000 employees of domestic group companies participated in training and worked to enhance their skills and expand their networks within the Group. In addition, for the development of overseas employees we offer five types of programs in line with specific themes and career ranks. These programs include courses launched in FYE 2016 for locally hired employees at overseas operating companies.

Number of people who have received training	FYE 2014	FYE 2015	FYE 2016
Number of people who have received training for domestic Group companies	6,868	8,191	10,734
Global training for locally hired overseas employees	135	135	126

OUTCOME

Results of Human Resources Strategy

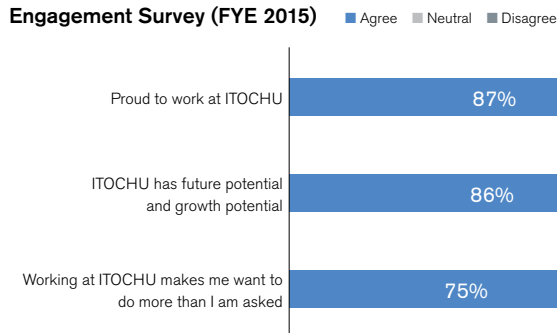
The various initiatives implemented by ITOCHU in recent years have been highly evaluated socially through a number of corporate award programs. In addition, the employee engagement survey periodically conducted by the Company shows gains in all categories from the previous survey. We are successfully motivating employees to make contributions.

Awards Over the Past Three Years

FYE 2014	Merit Award in "Firm of Integrity" Award (Integrex Inc.)
FYE 2015	Best Excellence HR Award 2014 for Corporates' Human Resource Divisions (Japanese HR Divisions "HR Award" selection committee) Kurumin certification obtained* (also obtained in 2011) (Ministry of Health, Labour and Welfare) DBJ Employee Health Management Ratings, highest rank <A rank> (Development Bank of Japan)
FYE 2016	Top Prize in "Firm of Integrity" Award (Integrex Inc.) 2016 Health & Productivity Stock (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange) 2016 Nadeshiko Brand (Ministry of Economy, Trade and Industry / Tokyo Stock Exchange) New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry)

* Certified by the Minister of Health, Labour and Welfare as a "Childcare Support Company." Certification was also obtained in 2011.

Engagement Survey (FYE 2015)



	vs. FYE 2011	vs. Japan average	vs. Global average
Proud to work at ITOCHU	+3 Pt.	+18 Pt.	+9 Pt.
ITOCHU has future potential and growth potential	+10 Pt.	- Pt.	- Pt.
Working at ITOCHU makes me want to do more than I am asked	+11 Pt.	+29 Pt.	+17 Pt.



Client and Partner Assets

Client and partner assets are important management resources for the functioning of business models and for initiatives to maximize earnings on trade and investment returns. They also have a major influence on the sustainability of business models.

Reasons Why Clients are the Important Management Resources

- Long-term relationships with sellers and buyers lead to stable earnings on trade.
- Stable demand decreases investment risk.
- It becomes possible to accumulate business know-how in a wide range of industries.
- New businesses can be created through ITOCHU's coordination function. ⇨ Page 34 Multifaceted Business Creation
- The overall value chain is strengthened through the feedback of information obtained at customer contact points to upstream areas.

Reasons Why Partners are the Important Management Resources

- By complementing finances and functions with partners, it is possible to create new businesses more rapidly while simultaneously controlling risks.
- Relationships with various countries and local communities around the world have an influence on business continuity.
⇨ Page 34 Multifaceted Business Creation

Relationships between Strategies / Businesses and the Client and Partner Assets

(Examples)

Significance of Partner Assets in China and Asia Strategies

In developing business initiatives in China and Asia, the local market presence, human networks, and knowledge of partners are indispensable. Our strategic business alliance and capital participation with CITIC and the CP Group is aimed at the creation of synergies through the fusion of our partners' resources and ITOCHU's management resources.

⇨ Page 38 Special Feature Asset Strategies in a "New Era for the Sogo Shosha"



Significance of Client Assets in the Pulp Trade

Our investment in METSA FIBRE Oy, of Finland, one of the world's leading softwood pulp producers, was made possible by the pulp sales network of Celulose Nipo-Brasileira S.A., of Brazil. In this way, we further strengthened our position as one of the leading global pulp traders.



Significance of Customer Assets in the SIS Strategy

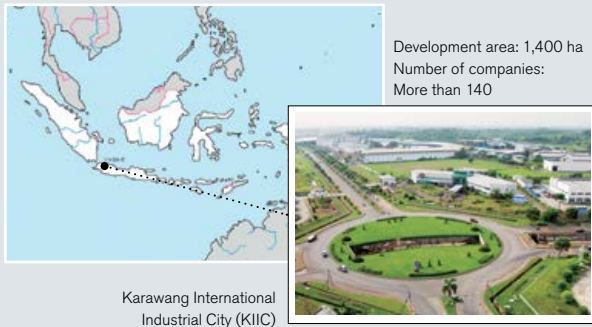
In the food business, we are following the Strategic Integrated System (SIS) strategy, which aims to maximize earnings through vertical integration extending from upstream to midstream and downstream. The starting points of SIS are the customer contact points of FamilyMart. By feeding customer needs back to upstream levels, we are strengthening our competitiveness in such areas as product development, intermediate distribution, and raw material procurement.



Karawang International Industrial City—High-quality Infrastructure that Creates Complementary Relationships with Partners

Providing the High Value Added of Japanese Quality

Karawang International Industrial City was started in 1992 as a 50:50 investment between ITOCHU and Sinar Mas, a large Indonesian conglomerate. Approximately 140 companies have moved onto a site of more than 1,200 hectares, and about 85% of these are Japanese companies. The industrial park provides high-quality infrastructure that enables companies advancing into Indonesia to concentrate on manufacturing. This infrastructure includes land, buildings, and stable supplies of electricity and industrial water, as well as excellent security. Currently, the phase 3 expansion work is under way, and plans call for the area of the site to be expanded by a further 200 hectares.



At Karawang International Industrial City, ITOCHU and Sinar Mas are active in more than just financial areas. We also operate the park by maintaining our complementary relationship based on each other's strengths.

In Indonesia, where the acquisition of industrial sites by corporations is restricted, the connections and presence of a powerful local corporate group, such as those of Sinar Mas,

are indispensable. Sinar Mas has fully leveraged its know-how and resources in such areas as land sourcing, acquisition of approvals, and construction project structuring. On the other hand, ITOCHU drew on its accumulated industrial real estate development know-how and leveraged its client assets to invite a large number of leading Japanese companies. In these ways, we leveraged our special strengths. In addition, ITOCHU Logistics, a comprehensive distribution subsidiary, and other companies provided the high value added of Japanese quality in such areas as distribution procedures and inventory management. This industrial park has been highly evaluated for the quality of its management and operational services, and it received awards from Indonesia's Ministry of Industry as the best industrial park in 2013 and as an excellent industrial park in 2015.

Partnerships with Local Communities

In addition to win-win relationships among ITOCHU, Sinar Mas, and companies in the industrial park, partnerships with local communities are also essential for sustained business development, such as contributions



Agricultural workshops for a local women's group

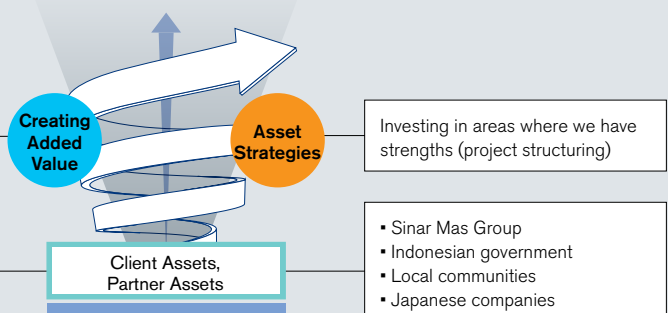
to the Indonesian economy through the creation of employment.

We obtained the cooperation of Indonesia's Bogor Agricultural University, and we are promoting harmony with local communities through social contributions, such as agricultural guidance for small-scale farmers, support for the establishment of a local infant health liaison office, free healthcare support, provision of monthly baby food, and provision of scholarships.

In this way, the industrial park business is an example of ITOCHU's provision of a wide range of functions and is also a concrete example of how *sampo yoshi* (Good for the seller, Good for the buyer, and Good for the society) benefits stakeholders.

For further information, please refer to "Industrial Park Business Growing with the Local Community."

http://www.itochu.co.jp/en/csr/activities/csr_reportage/001.html



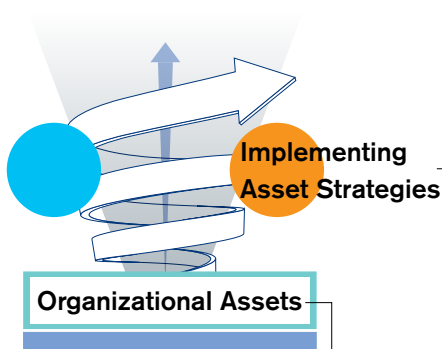


Organizational Assets

ITOCHU's business and administrative divisions are aggregates of individual capabilities. They possess advanced expertise, and as "organizational assets" they support the competitiveness and sustainability of ITOCHU's business models.

What Are Business and Administrative Divisions with a Front-line Focus?

ITOCHU has expanded its business activities around the world and moved beyond trade-centered operations to establish and enhance business models that encompass both investment and trade. Through this process, ITOCHU has improved its business divisions and administrative divisions, such as finance, accounting, tax, legal, and risk management. In particular, ITOCHU's administrative divisions are not simply "back office" units that supervise and check the business divisions. Rather, they have a front-line focus, actually work on the front-lines as needed, and shoulder responsibility for the strategic functions that support the "Earn, Cut, Prevent" initiatives of the business divisions.



Business Division / Accounting Division /
Legal Division / M&A Team

Finance / Global Risk Management / Investor Relations /
Human Resources & General Affairs / Internal Audit /
Corporate Planning & Administration /
Research & Business Development /
Corporate Communications / IT Planning

Strategic Functions of Each Division as Seen in the Sale of Shares of PrimeSource

In FYE 2016, ITOCHU completed an asset replacement project involving PrimeSource Building Products, Inc. This project was promoted by the business divisions and strongly supported by experts in a variety of fields, such as M&A, legal, accounting, tax, and more.

LEGAL DIVISION

Functions

- Close examination of content of various contracts for M&A execution
- Negotiation of legal terms during contract negotiations, providing advice, and minimizing legal risks related to sales contract

Role in the project

Close review and provision of advice regarding sale contract

Legal Advice on the Front-Lines

Participating from the initial stage of the process, we provided advices that reflected front-line needs and worked to secure better terms in negotiations with the legal representatives of the counterparty. In this project, I stressed that focusing only on the goal of completion of the sale without paying attention to the post-sale legal risks was nonsense. For this project, I was quite nervous about my responsibilities, but I was also very motivated.



Keisuke Masuda
At that time: Legal Division
(Current: ITOCHU ENEX)



Satoshi Adachi
ITOCHU International Inc.

ACCOUNTING DIVISION

Functions

- Providing advice about and resolving accounting and tax issues that directly impact corporate value
- Providing support for the establishment of systems for both management accounting and financial accounting for the acquired company

Role in the project

Accounting and taxation, preparation of consolidated financial statements

Working toward the Issuance of the Merger Audit Report

To sell PrimeSource and Itochu Building Products as a set, it was necessary to prepare aggregated consolidated financial statements and annotations. This required a considerable amount of time and effort, and together with the auditors, we worked day and night right up to the deadline. I will never forget how, after these extensive procedures, we received an e-mail from the controller of PrimeSource notifying us that the merger audit report had been issued.



Shosei Odayama, Erika Noda, Takekuni Takamura
ITOCHU International Inc.

BUSINESS DIVISION

Functions

- Specialized knowledge in each industry and the establishment and development of new businesses using that knowledge
- Take the initiative and lead the project toward completion
- Central role in external negotiations
- Integration with internal organizational resources

Role in the project

Lead role in the sale, discussions and negotiations with financial advisors and buyers

Key Point: Ideal Teamwork with Administrative Divisions

ITOCHU realized the sale of PrimeSource at a fair value. This was supported not only by the strong leadership of the Division Company president but also by ideal teamwork with the administrative divisions. The M&A team was deeply involved in discussions with the financial advisors. The Legal Division closely examined the contract from the viewpoint of specialists and made a significant contribution to minimizing the risks, both during the contract negotiations and after the contract signing. The accounting team provided strong support in such areas as the preparation of disclosure data and the production of a wide range of documents. I felt a strong sense of unity between the business divisions and the administrative divisions through this project. When the sale was completed, I remember how we cheered and enjoyed the moment together.



Wataru Goroku
At that time: ITOCHU International Inc.
(Current: Forest Products & General Merchandise Division, General Products & Realty Company)

M&A TEAM

Functions

- In-house financial advisor
- Make proposals and provide support when it comes to execution for both M&A and divestiture like this project
- Offer analysis and proposals to optimize the portfolios of operating companies and increase corporate value, EBITDA management, and proposals for optimizing working capital to increase free cash flows.

Role in the project

Management of the overall sales process

Focusing Comprehensive Capabilities to Achieve a Strategic Exit

During the final bid negotiations, the value and the terms of the stock transfer agreement were changing one after another, and an especially difficult challenge was to prompt the related parties to make quick decisions and to acquire internal approvals under those circumstances. At each phase, we worked side by side with the administrative divisions. This strategic exit, which generated substantial profit and cash flow, was the result of the efforts of all the people involved. The fact that I was able to be a part of this project is something that I will recall for the rest of my life.



Taro Ikeba
At that time: M&A Team, Planning and Administration Department, ICT, General Products & Realty Company
(Current: Group Manager, General Products & Financial Business Group, ITOCHU Europe PLC)

Acutely Aware of the Need to Focus on Corporate Value

In this project, I faced the strict valuation of the buyer and from this experience I learned that the corporate management should be conscious of increasing corporate value from a third-party perspective and should be aware of risks. I also recognized the importance of management with a focus on free cash flows and of building a business foundation with a focus on corporate value.



Miki Hasegawa
At that time: M&A Team, Planning and Administration Department, ICT, General Products & Realty Company
(Current: M&A Team, Planning and Administration Department, General Products & Realty Company)

Promoting and Supporting
the Companywide
“Earn, Cut, Prevent”
Initiatives