

# Human Resources Strategy

A Human Resources Strategy That Fully Leverages Our Strengths

## Optimal Allocation to Further Enhance Our Strength in the Non-Resource Sector

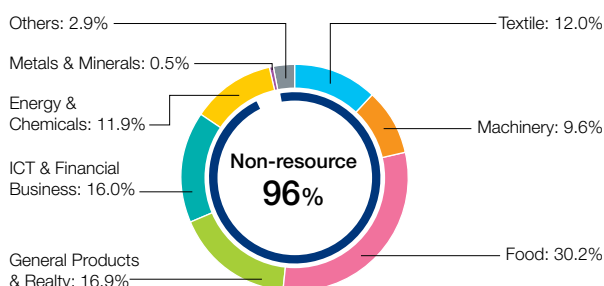
### Shifting Our Focus to the Non-Resource Sector

To strengthen the non-resource sector, we are increasing the allocation of employees to this sector, in newly consolidated subsidiaries and in priority areas on a non-consolidated basis. At the same time, to lower risks in line with long-term changes in the economic structure, we are allocating a certain number of employees to the resource sector even though market conditions are unfavorable. In these ways, we are structuring our human resource portfolio in line with our assets and taking the overall business into consideration.

As we are working to reinforce operations in the non-resource sector, consolidated business management is growing more important. For this reason, in FYE 2014 we introduced a system to develop human resources who will manage operating companies in the future. Thus we are working to increase the management capabilities of employees, and each year we are expanding the number

of employees participating in the program. We are proactively expanding the training and support provided to the personnel of domestic operating companies, as well as the locally hired employees of operating companies overseas.

### Number of Employees by Division Company (FYE 2017, Consolidated Basis)\*



\* Number of employees at ITOCHU and subsidiaries

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## Expanding Our Business Foundation in China and Other Parts of Asia

### Priority Allocation and Increasing the Number of Chinese-Speaking Personnel

In keeping with the strategy of expanding our business foundation in China and other parts of Asia, we have allocated 61% of personnel to these regions.

At the headquarters, in FYE 2011 we introduced a system to train third languages to all young employees in addition to the traditional English training. Due to our initiatives with the CITIC Group 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

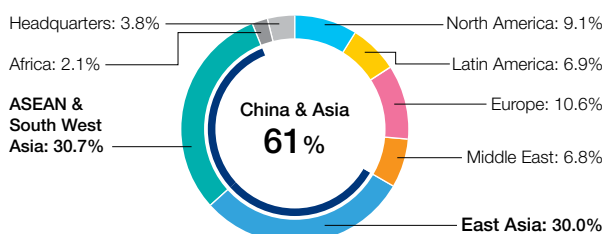


Joint training with CITIC and CP

strategic alliance, the three companies are moving forward with mutual exchanges and development of capable personnel.

### Number of Overseas Employees by Region, FYE 2017

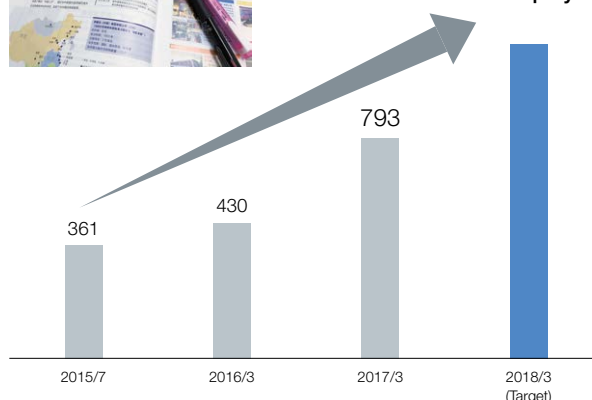
\* excluding subsidiaries and associated companies



### Number of People with Chinese-language Qualifications



Toward 1,000, equivalent to one-third of total number of career-track employees



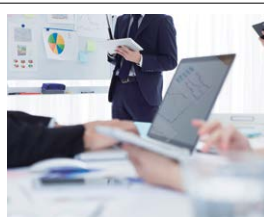
### Recruiting and Cultivating Human Resources Who Support “Infinite Missions”

ITOCHU works to hone individual capabilities, in which each employee creates business through his or her own efforts. ITOCHU currently has fewer employees than other general trading companies, attesting to its ongoing tradition of maintaining a small cadre of highly capable people. We strive to employ people who are good matches for our corporate culture, which has been compared to that of a merchant band. On that basis, we hire people regardless of gender, nationality, or age.

### Internal Reforms Aimed at Strengthening Front-Line Capabilities

To enhance our traditional strengths—individual capabilities and front-line capabilities—it is extremely important to maintain close communications with customers and to understand their needs. In April 2010, we launched an effort to increase the time spent to visit customers, conversely reducing the number of internal meetings and volume of meeting materials, and making meetings more efficient. By FYE 2016, we had reduced the number of important internal meetings (such as Board meetings) by around 41% compared with FYE 2010. We also lowered the total time required for such meetings by around 50% and lowered the volume of meeting materials by some 48%.

#### Important internal meetings



FYE 2010 → FYE 2016

**Number held**  
Reduced around **41 %**

**Total time required**  
Reduced around **50 %**

#### Meeting materials



FYE 2010 → FYE 2016

Reduced around **48 %**

### Revising Personnel Compensation Systems

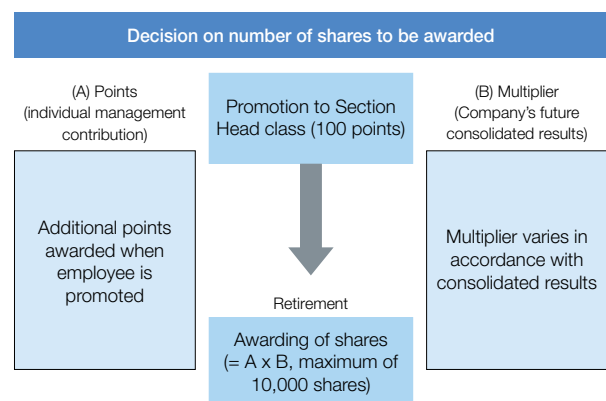
We discontinued our organizational results evaluation system to address the issue of placing excessive emphasis on organizational performance in individual fiscal years. In FYE 2012, we reformed our personnel compensation system to place greater weight on individual performance and minimize the impact of external factors, such as resource prices. Based on a compensation system that is fair and fluctuates in line with performance, we aim to ensure high levels of motivation among all employees and maximize their individual capabilities.

### 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—the key people responsible for the future growth of ITOCHU—receive shares of the Company when they retire, based on the Company’s performance during their tenure.

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 55% in FYE 2015 to some 80% in FYE 2017. In these ways, employees’ interest in management is being increased through ownership of the Company’s stock.

#### “Managers of the Future” Reward Scheme



## Human Resources Strategy

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### Working-Style Reforms That Stay One Step Ahead

#### Further Promoting the Morning-Focused Working System

Early recognition on improving work productivity was the key to competitiveness. In 2002 we began career counseling through a specialist organization, which was the first center for a private-sector company. We were an early proponent of health management, offering health guidance through a borderless medical concierge service that has been implemented for more than 30 years by a specialist health management organization. In FYE 2014, we introduced a morning-focused working system as one aspect of our working-style reform. This system has good results, both in the timing of when employees come and leave the office and in the hours of overtime they work. Three years have passed since the program's introduction, and it continues to make steady progress. This initiative has had a major influence on national and government institutions, as well as within the industrial sector, and it has changed attitudes in Japan with regard to working styles.

#### Results of Morning-focused Working System

		Before introduction	Six months after introduction	Three years after introduction
Leaving*	8:00 p.m. or after	30%	7%	5%
	(Of which, 10:00 p.m. or after)	10%	almost 0%	almost 0%
Entering*	8:00 a.m. or before	20%	34%	45%
Hours of overtime work (compared to before introduction)		—	(10%)	(15%)
Cost per month (Overtime pay + cost of meals)		—	—	(6%)
		Two years after introduction		
Electric power usage		—	—	(6%)
Greenhouse gases emissions		—	—	(7%)

\* % of people in the headquarters

#### Aiming to Be the “Leading General Trading Company for Health”

In June 2016, we formulated the ITOCHU Health Charter, which incorporates our thinking about health management. We have positioned enhancing the health of our employees and becoming the “leading general trading company for health” as priority management strategies. We are transitioning to a new stage in health management centered on reinforcing our system that supports proper diet and exercise and building up our workplace environment. As a result, we aim to surpass our competitors in employee productivity, increasing corporate value.



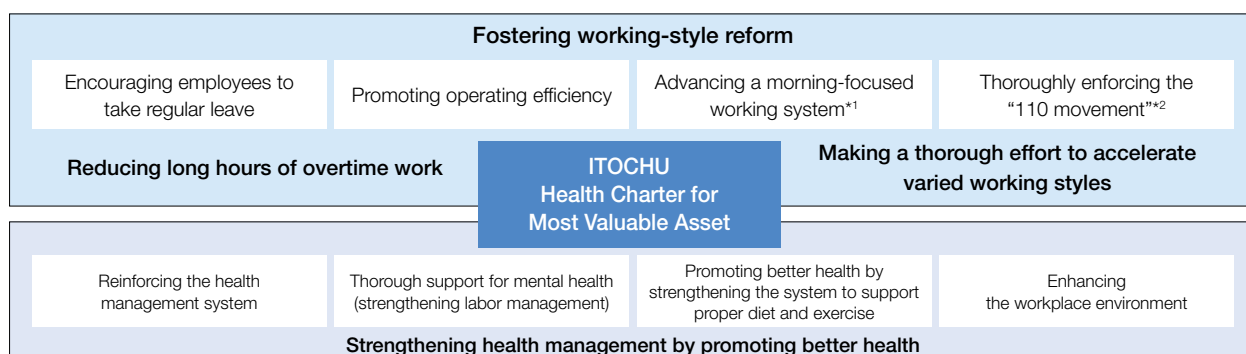
In collaboration with other companies, we are planning and developing a health management support service that makes use of wearable devices, in an effort to help each employee make steady improvements to his or her life-style habits.

#### Proposing New Working Styles

In June 2017, we designated Fridays as “dress-down days,” introducing an ITOCHU-style initiative to recommend a new working style to employees. Clothing is an important tool that individuals use to express their attitudes toward work. We believe that by fostering an awareness of how customers and the people around us react to our clothing choices, we can encourage employees to always be proactive and maintain a spirit of fresh and flexible creativity, further enhancing the power of the individual.

## Overview of Health Management

### The “leading general trading company for health” Working to further enhance employee productivity by improved health



\*1 This refers to a shift from evening overtime to a morning schedule. Overtime after 8:00pm is “prohibited, in principle,” while overtime after 10:00pm is “prohibited.” The same level of extra pay for overtime hours and free meal is provided when working between 5:00am and 8:00am as for overtime in the evenings.

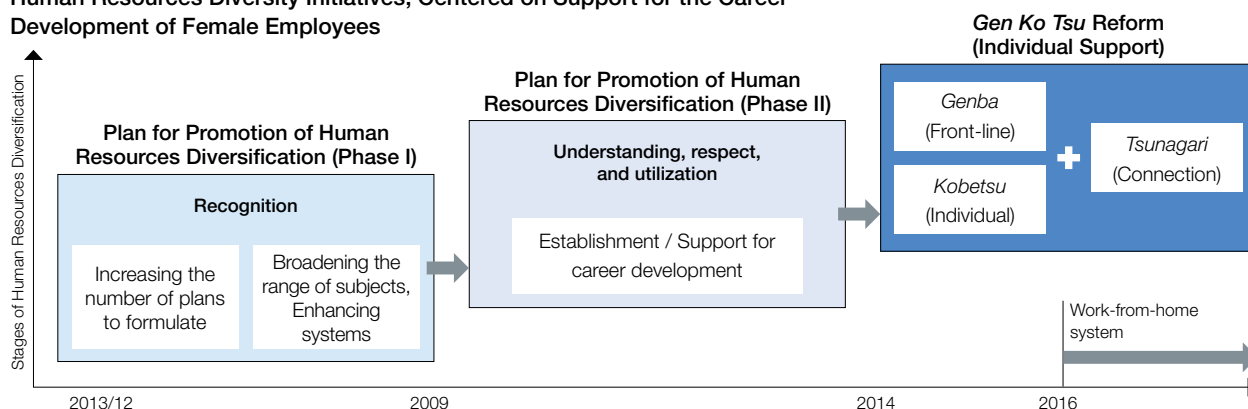
\*2 The name of this system derives from the Japanese custom of drinking with work colleagues late into the evening. The idea here is that after-work drinking goes to only 1 session and needs to end by 10:00 pm.

## Launching Reforms to Maximize the Individual Capabilities of Women

We formulated the Plan for Promotion of Human Resource Diversification in 2003 to support the career development of female employees. We have taken the lead over other general trading companies in expanding the number of women on career-track positions and have established systems that exceed legal requirements.

Currently, we are at the 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.

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



### Aiming to Be a Company Society Truly Needs: Special Subsidiary ITOCHU Uneedus Co., Ltd.

In 1987, ITOCHU established ITOCHU Uneedus Co., Ltd., a special subsidiary that provides a workplace for people with disabilities to contribute to society through their work. As of April 2017, the subsidiary employed 86 people, including 44 people with disabilities (of which, 22 with severe disabilities), who engage in cleaning work, provide photography services, handle printing and perform other tasks. ITOCHU Uneedus receives support from ITOCHU, but has a management policy that aims for autonomy and independence. Accordingly, the company is aggressive in its sales activities, and has boosted sales outside the ITOCHU Group to 70%. All employees maintain a sense of professionalism and, in line with the company's name (You (U) need us), strive to make ITOCHU Uneedus a company that is truly needed by society.



## Results of Efforts to Enhance Employee Productivity

### Awards Received for Health Management and Working-Style Reforms

FYE 2016	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)
FYE 2017	Health & Productivity Stock 2017 (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)
	Awards for Enterprises and Workplaces with Pleasant Working Environments and High Productivity (Ministry of Health, Labour and Welfare)
	2017 Competitive IT Strategy Company Stock (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)



### Number of ITOCHU Employees and Consolidated Net Profit

