

## CAO & CIO Message



**The philosophies of “*sampo yoshi*” and “individual capabilities” have marked our 160-year history.**

**We will aim for the top labor productivity in the industry through a human resources strategy that is integrated with our management policy.**

ITOCHU has been clearing the way for new businesses while maintaining its spirit of “*sampo yoshi*” since Chubei Itoh, a first-generation “merchant of Ohmi,” founded the Company 160 years ago. Based on our streamlined workforce, a human resources strategy of allowing employees to demonstrate their maximum individual capabilities has become increasingly important each year. The idea behind this human resources strategy is contained within our Corporate Message, “I am One with Infinite Missions.”

Our trailblazing work-style reforms, which revolve around our “morning-focused working system” (⇨ Page 62) and are aimed at increasing labor productivity, have had a large impact on Japanese society, including government institutions. We are formulating comprehensive and strategic policies that save time that can be used to benefit customers by curtailing waste, raise employee motivation and develop their skills, and support the active participation and good health of all human resources (⇨ Page 61). For example, we will display maximum individual and organizational capabilities with our “Support Measures for Balancing Cancer Care and Work” (⇨ Page 63), which we introduced in FYE 2018 in accordance with the ITOCHU Health Charter. These measures aim to establish environments in which all employees feel motivation and job satisfaction and can continue to work to their heart’s content while feeling at ease. We received sympathetic input about these measures from a variety of sources, which provided an opportunity for employees to sense our corporate philosophy of “Committed to the Global Good.” Additionally, we introduced our “dress-down days” in FYE 2018 (⇨ Page 62), which aim to reform work styles through employees’ clothing. On “dress-down days,” which are each Wednesday and Friday, we recommend that

**We will achieve sustainable growth as a next-generation merchant by further evolving the philosophies of “*sampo yoshi*” and “individual capabilities” that we have inherited for 160 years.**

Member of the Board,  
Senior Managing Executive Director, CAO & CIO

**Fumihiko Kobayashi**

employees wear casual work clothes. This initiative aims to foster flexible and creative power in employees and to create environments that facilitate communication and the sharing of ideas.

Under the new medium-term management plan, “Brand-new Deal 2020,” we will pursue the highest level of productivity in the industry by implementing various measures that only we can implement and promoting “Reinvented Work-Styles” based on the plan’s basic policies of “Smart Management” and “No. 1 Health Management Company.”

### Reinvented Sustainability

**We will contribute to solving social issues through our core business, which is based on our philosophy of “*sampo yoshi*.”**

*Mochikudari* is a business unique to the merchants of Ohmi that involves heading to regions far away from Ohmi, negotiating sales using only linen samples and delivering products at a later date. We cultivated our spirit of “*sampo yoshi*” while building trust and confidence between buyer and seller and also with the regions in which we conducted business. This spirit does not only benefit the Company but is also reflected in the management philosophy that we live by, which respects our varied stakeholders, chiefly our clients, employees and shareholders. In April 2018, we formulated a “Basic Policy on Promotion of Sustainability” to provide direction for initiatives based on our views regarding ESG and our “*sampo yoshi*” spirit. We identified material sustainability issues (materiality) and conduct initiatives aimed at improving labor productivity in a satisfying job environment, returns for our shareholders, and contributions to achieving the Sustainable Development Goals (SDGs). These initiatives will lead to “sustainable growth through a reinvented *sampo yoshi* approach,” which is our aim under “Brand-new Deal 2020.”

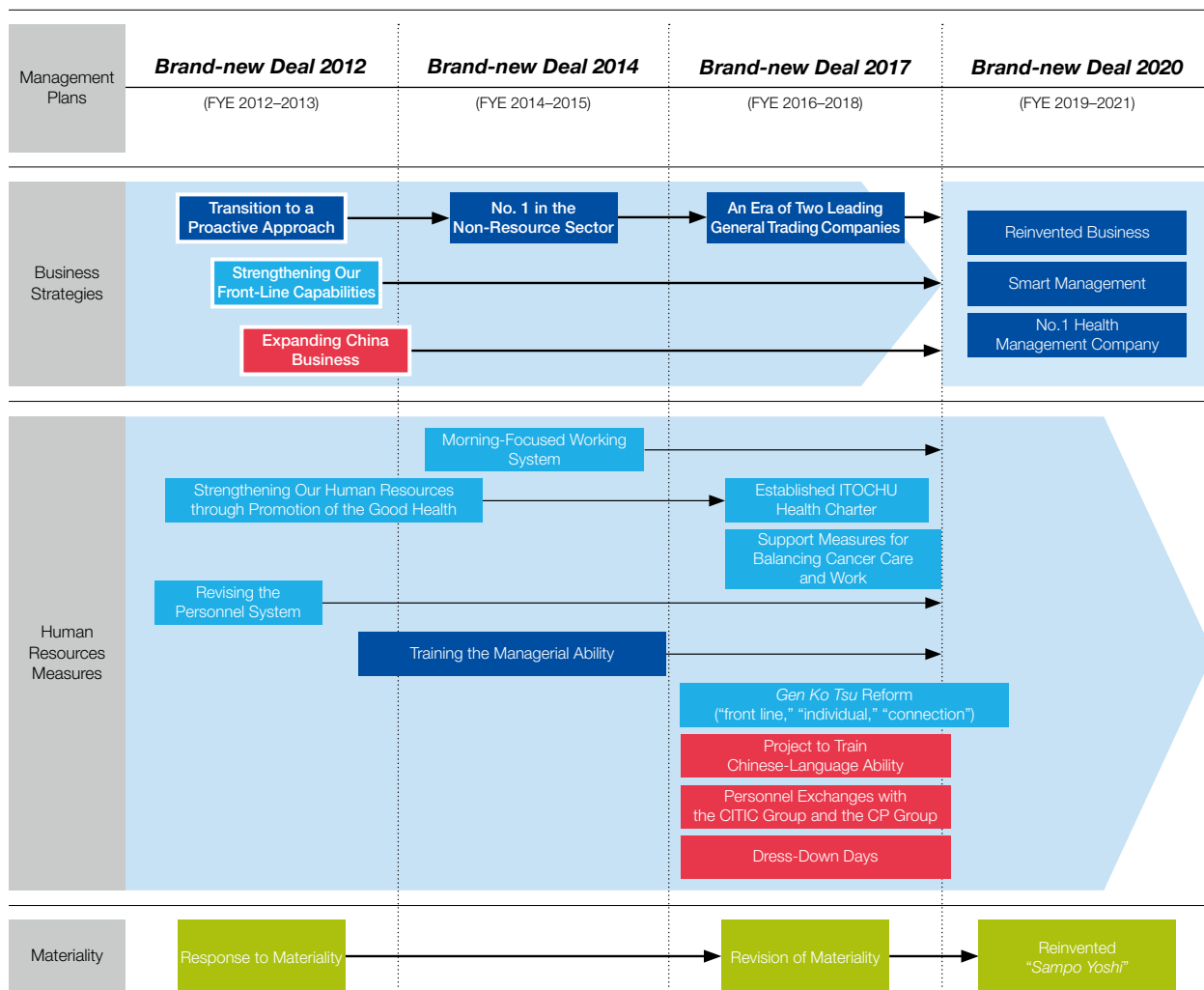
# Sustainable Enhancement of Corporate Value Thanks to the “Reinvented Sampo Yoshi”

## Integration with Our Management Strategy

ITOCHU regards all varieties of its human resources measures as a growth strategy and has gradually worked out measures that link each strategic stage in its “Brand-new Deal” in order to further improve its strengths. In “Brand-new Deal 2020,” we have clearly incorporated human

resources strategy into our growth strategy and has begun operations integrated with the strategies outlined in our “Basic Policy on Promotion of Sustainability,” which it formulated based on its spirit of “*sampo yoshi*.” With these measures, we are aiming to reinvent ourselves and achieve sustainable growth through “*sampo yoshi*.”

## Human Resources Strategy Linked to Management Plan



## Points of “Brand-new Deal 2020” Human Resources Strategy

Reinvented Business	<ul style="list-style-type: none"> <li>• Effective allocation of our streamlined workforce to primary fields of focus</li> <li>• Flexible recruitment, training of human resources, and promotion of diversity to reinvent business</li> </ul>
Smart Management	<ul style="list-style-type: none"> <li>• Maximization of individual capabilities through improvements in labor productivity</li> <li>• Further advancement of work-style reforms through utilization of IT</li> </ul>
No. 1 Health Management Company	<ul style="list-style-type: none"> <li>• Create environments in which employees can feel secure about their health and actively contribute to their heart's content</li> <li>• Promote measures to make employee and company more attractive that have an impact on society</li> </ul>

# Human Resources Strategy

## Develop Human Resources That Will Lead the Next Generation

We are actively promoting the development of our most important management resource, our human resources, in order to achieve more results than other general trading companies with the lowest number of employees on a non-consolidated basis. We promote programs that optimize individual capabilities, enabling high performance in global environments and, in terms of training costs, conducts the largest-scale investments in human resources development in the industry (approximately ¥1.6 billion per year). Due to the rising importance of consolidated management, in 2013 we introduced a training system that cultivates human resources who will take charge of

managerial control over our operating companies in the future, and with which we are aiming to improve management capabilities.

In other areas, we are actively expanding training and support for both human resources at domestic Group companies and locally-hired employees at overseas offices. Every year, more than 10,000 Group employees in total participate in this training.

Moving forward, we wish to further optimize our human resources development of next-generation merchants and improve abilities such as digital literacy.

## Priority Allocation in the Non-Resource Sector and Focus Region, Increasing the Number of Chinese-Speaking Employees

We aim for further optimization in the non-resource sector, one of our strengths, and are promoting priority allocation of human resources there. On the other hand, we are also stationing a certain number of employees in the resource sector to reduce risk associated with changes in the long-term economic structure. In the same way as other assets, we are maintaining a human resources portfolio that considers the entirety of our business.

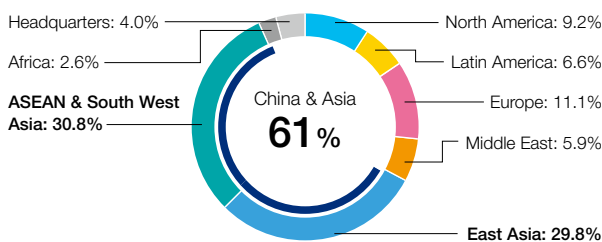
Additionally, we station 61% of our overseas personnel in China and other parts of Asia to promote the expansion of our business foundation there. Under these conditions, we launched a project in FYE 2016 originating from our initiatives with the CITIC Group and the CP Group to develop 1,000 employees with Chinese-language abilities. This figure, which we reached in FYE 2018, is equal to about one-third of our total number of career-track employees. In FYE 2016, we exchanged memorandums concerning human resources development with the CITIC Group and CP Group and are promoting interaction regarding and cultivation of human resources.



Party to celebrate reaching our goal of 1,000 Chinese-speaking employees in April 2018

### Number of Overseas Employees by Region, FYE 2018

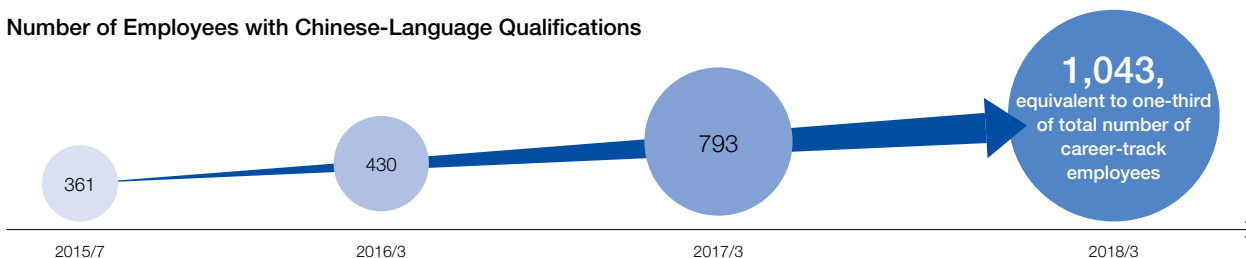
\* excluding subsidiaries and associated companies



**Primary Measures**

- 1,000 employees with Chinese-language abilities
- Three-way joint training and personnel exchanges with CITIC and CP
- Overseas training in the Chinese language and other special foreign languages

### Number of Employees with Chinese-Language Qualifications



**Enhance Corporate Value (Raise Labor Productivity and Promote Diversity)  
by Becoming a Company that Provides Job Satisfaction**

We regard raising corporate value through promoting diversity and improving the labor productivity of our streamlined workforce as part of our management strategy. We introduced the “morning-focused working system” In FYE 2014, enacted the ITOCHU Health Charter in FYE 2017, and in FYE 2018, worked out “Support Measures for Balancing Cancer Care and Work,” the “dress-down days” program, and measures aimed at establishing a new dormitory in Hiyoshi. As an example of a forward-thinking company, these initiatives led to several measures by both government institutions and many private-sector businesses.

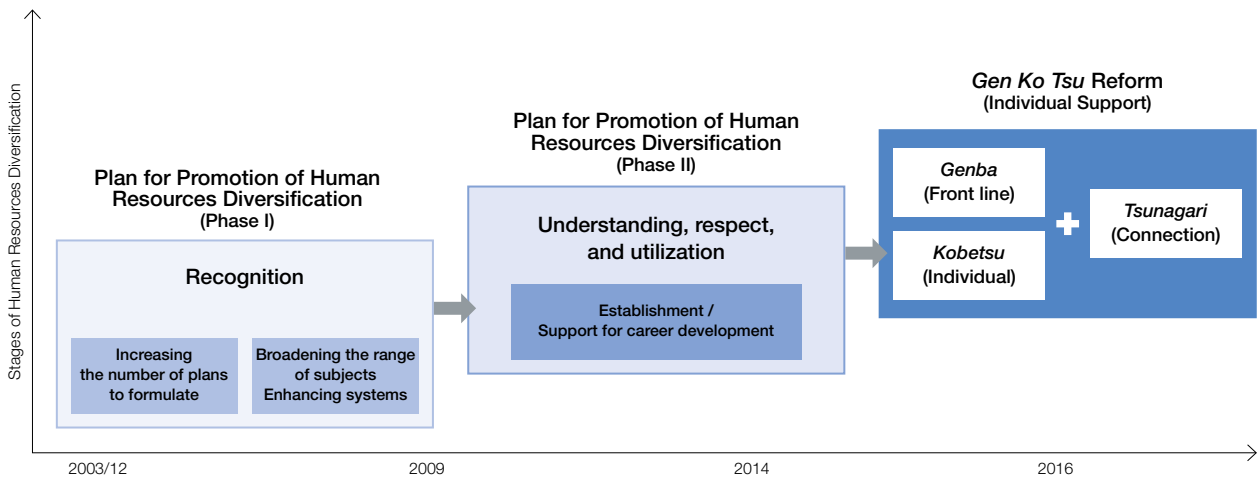
Starting in the middle of 2000s, we launched our Plan for Promotion of Human Resources Diversification.

Through this plan, we expanded employee diversity and established support measures for diversity normalization and coexistence. At present, we are providing individual support tailored to employee life stages and careers through our *Gen Ko Tsu* (“front line,” individual, “connection”) initiative.

**Primary Measures**

- Morning-focused working system
- Health management (ITOCHU Health Charter, “Support Measures for Balancing Cancer Care and Work”)
- Dress-Down Days
- Hiyoshi dormitory

**Human Resources Diversity Initiatives, Centered on Diversification**



In terms of support for the career development of female employees, we are providing career training aimed at developing our management for the next generation. We dispatch employees to training regarding their careers, individual career plans, and external management. Elsewhere, we also allow employees stationed overseas to bring their children with them and offer a re-employment system and organizational leadership training. Through these and other types of support, we are working to establish environments that provide job satisfaction to female employees. Additionally, our various other measures, such as our morning-focused working system, also constitute initiatives that contribute to

support for active female participation. (We are aiming to reach a ratio of female employees that exceeds 10% and a ratio of female employees in positions of leadership that also exceeds 10% by March 31, 2021.)

Moving forward, we will aim to achieve high labor productivity through the active promotion of next-generation work styles and maintaining a streamlined workforce. At the same time, we will strive to become a “company that provides job satisfaction” and allows all employees to demonstrate their maximum capabilities while offering motivation and job satisfaction.

**Hiyoshi Dormitory**

We believe that fostering the development of, and a strong sense of unity among, young employees is indispensable for the Company’s future growth. With this in mind, we integrated four dormitories for single male employees that had been scattered around the Tokyo metropolitan area and established a new dormitory in Hiyoshi in March 2018. The new dormitory in Hiyoshi is not simply a welfare facility; built with the concept of everything being “under one roof,” it is fully equipped with a wide array of common utilities, including a dining room with shared kitchen, a large bathing area with a sauna, and communication spaces on each floor. Under the dormitory leader, who is a corporate alumnus, we will promote the transmission of an open and natural corporate culture and the construction of strong organizational capability and personal networks that transcend employee ages and departments through life in the dormitory. At the same time, we will establish environments in which young employees can actively participate.



## Human Resources Strategy

### Morning-Focused Working System

After the Great East Japan Earthquake on March 11, 2011, ITOCHU's Board members were all preoccupied with responses to the disaster from that very morning, attempting to discover ways that they could provide assistance to customers. On the other hand, despite those circumstances, employees could be seen coming in for work at 10:00 AM. At that time, the entire company had adopted a flex-time system. The Company values its philosophies of "sampo yoshi" and "front-line focus" and, upon seeing employees who work for a merchant that should prioritize customer service before all else coming to work at 10:00 AM despite the emergency situation, felt a strong sense of management crisis. This sense of crisis led to a revision of the flex-time system and in October 2013, the Company introduced the "morning-focused working system."

The morning-focused working system prohibits work between 8:00 PM and 10:00PM in principle and prohibits late-night work after 10:00 PM except in extremely exceptional circumstances. If work remains to be done during these times, it is shifted to the next morning between the hours of 5:00 AM and 8:00 AM. This system has many aims, including escaping from the tendency to work many hours of late-night overtime, improving employee health, and raising operational efficiency, which allows us to provide support for child and nursing care and employee physical and mental health by creating a surplus of time. However, at the root of the system are the aims to reform employee awareness and to thoroughly enforce complete preparation before our customers begin work in the morning. We provide incentives for employees that begin work before 8:00 AM, including extra pay of 150% for employees subject to time management and 25% for employees not subject to time management. From a health management point of view, we also offer free light meals that include Dole products. The Company is providing a full spectrum of support for early-morning work. This initiative has involved requesting cooperation from the Japanese

government's Japan Revitalization Strategy, the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, and the Japan Federation of Economic Organizations and is also having an impact in political and business circles. The course of events involving the morning-focused working system has caused a sensation regarding work styles in Japanese society.

Five years have passed since the system's introduction and further large progress has been made regarding its application during morning hours, raising operational efficiency and reforming employee awareness. In order to prevent this system from losing its substance, we reflect the implementation status of morning work through an evaluation system, work to enrich our menu of light meals, and also enhance our morning training options by offering ITOCHU morning seminars and a morning Chinese-language café, among others. Moving forward, we will work toward further improvement in productivity by ensuring thorough application of the morning-focused working system.

#### Results of Morning-Focused Working System

		Before introduction	One year after introduction	Five years after introduction
Leaving*	8:00 PM or after	30%	7%	5%
	(Of which, 10:00 PM or after)	10%	almost 0%	almost 0%
Entering*	8:00 AM or before	20%	34%	44%
Hours of overtime work (compared to before introduction)		—	(7%)	(11%)
Cost per month (Overtime pay + cost of meals)		—	—	(8%)
Electric power usage (compared to before introduction)		—	—	(7%)
Usage of paid holidays (compared to before introduction)		—	—	increase 11%

\* % of people in the headquarters

#### "Dress-Down Days"

ITOCHU is endorsing new work styles befitting of the Company. In July 2017, we designated each Friday as a "dress-down day" to create environments in which each individual employee can engage in work with a flexible way of thinking.

Through our "dress-down days" system, we allow more casual clothing than we did during our previous casual Friday system. Employees will be creative in choosing their clothes instead of exclusively wearing suits upon considering their relationships with customers and distinguishing between time, place, and occasion. We believe that this system will lead to the creation of environments in which new ideas are easily born and in which employees can actively hold wide-ranging and varied interests.

Since May 2018, we have been accelerating this initiative by implementing "dress-down+," which extends the system to include two days per week, both Wednesday and Friday. Additionally, to enlighten employees about this system and to ensure its permeation, we have set up the "D+ Lounge" concept space within our Tokyo headquarters. Here, we hold events through which employees can draw inspiration, such as stylist lectures and sales events.



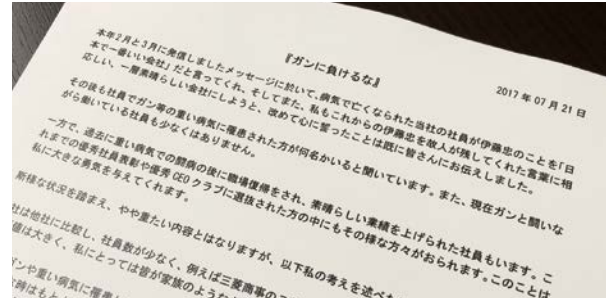
## “Support Measures for Balancing Cancer Care and Work”

At present, it is said that one out of every two people in Japan will contract cancer during his or her lifetime. ITOCHU also has a significant number of employees who work while fighting cancer or who ultimately succumb to cancer. We have revised our previous policy regarding cancer and are promoting a new policy based on three points of view: “Prevent employees from contracting cancer,” “Don’t let employees lose hope or quit if they contract cancer,” and “Support from everyone.” The new policy revolves around the following support measures for coping with cancer.

1. Strengthen systems that support the prevention and early detection and treatment of cancer
2. Establish environments in which employees can securely discuss and share information regarding their cancer
3. Establish corporate structures and systems that enable employees to continue to work and participate actively while receiving treatment

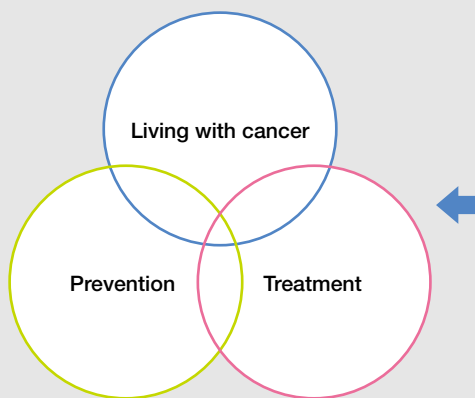
These initiatives are not limited to merely increasing productivity. We think it is extremely important to pursue

various work-style reform measures and build environments that allow all employees, regardless of whether or not they are sick, to continue to work to their heart's content with motivation, job satisfaction and peace of mind. ITOCHU aims to be a “Strict but rewarding company” and the “Strongest and best company in Japan” by providing intimate support for employees struggling with cancer.



A message to all employees from Mr. Okafuji, who was President at the time. The message explains that a message from an employee fighting cancer provided the impetus for the introduction of our “Support Measures for Balancing Cancer Care and Work”

### Points of “Support Measures for Balancing Cancer Care and Work”



#### Living with cancer

**Construct systems that provides support for coping with cancer**  
Station internal coping support coordinators who will take charge of consultation services (strengthen collaboration with workplace members, attending physicians, and internal public health nurses and industrial physicians)

#### Reduce concerns regarding the future

Expand educational expense subsidies for children of employees who succumb to cancer to include graduate school  
Provide job assistance to children and spouses

#### Prevention

**Conducted first private company partnership with the National Cancer Center Research Institute**

Special cancer examinations conducted by a medical specialist in cancer detection

#### Treatment

**Medical specialists provide immediate cooperation and highly advanced medical treatment as a part of our partnership with the National Cancer Center Research Institute**  
Company provision of expenses for advanced cancer treatment

### Results of Efforts to Enhance Employee Productivity

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

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)
FYE 2018	Best Practice Company (Tokyo Labor Bureau)
	Award for Excellence from the Minister of Health, Labour and Welfare, “Family-friendly Companies” category for “Excellent Equal Opportunity/Work and Family-Life Balance Companies”
	Minister of Health, Labour and Welfare Prize in the Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control
	Tokyo Metropolitan Government Award Commending Companies That Implement Excellent Initiatives to Help Cancer Patients Balance Cancer Treatment and Work

#### Number of ITOCHU Employees and Consolidated Net Profit

