



ITOCHU Corporation



# *ESG Report*

2019

## Editing Policy

### ITOCHU Corporation's Perspectives on Sustainability

ITOCHU Corporation believes that responding to the expectation of society through business activities keeps our Sustainability and further growth. This report presents our initiatives for promotion of Sustainability.

#### Referenced Guidelines

GRI Standards 2016 issued by Global Sustainability Standards Board (GSSB)  
Environmental Reporting Guidelines (2012 version) issued by the Ministry of the Environment of Japan  
ISO 26000 (Guidance on social responsibility)

A side-by-side comparison of GRI Standards and the UN Global Compact can be found at:  
[www.itochu.co.jp/en/csr/report/gri/](http://www.itochu.co.jp/en/csr/report/gri/)

#### Reporting Period

This report principally covers actual data for the fiscal year beginning on April 1, 2018, and ended on March 31, 2019 (FY2019).

However, some of the most recent information on our activities and initiatives are also included.

#### Publication Information

Publication: October 2019  
Next publication (scheduled): September 2020  
Previous publication: September 2018

#### Reporting Boundary

This report covers ITOCHU Corporation (9 domestic offices and 99 overseas offices) and its major group companies.

#### Corporate Profile

**Company name** ITOCHU Corporation

**Founded** 1858

**Incorporated** December 1, 1949

#### Headquarters

**Tokyo** 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan

**Osaka** 1-3, Umeda 3-chome, Kita-ku, Osaka 530-8448, Japan

**Chairman & CEO** Masahiro Okafuji

**Common Stock** 253,448 million yen

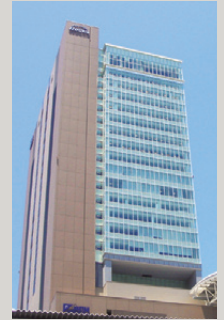
**Number of offices** Domestic offices 9  
Overseas offices 99

**Number of employees\*** Consolidated 119,796  
Non-consolidated 4,285  
(As of March 31, 2019)

\* The number of consolidated employees is based on actual working employees excluding temporary staff.



Tokyo Headquarters



Osaka Headquarters (North Gate Building)

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### Disclosure of Sustainability-related Information

To make information on ITOCHU's sustainability initiatives widely accessible, information is disclosed through the following media.



#### Corporate Website Sustainability Pages

Information is disclosed regarding ITOCHU Corporation's sustainability activities in a format that provides detailed coverage across a wide range of themes. Moreover, information on activities conducted during the current year is disseminated on a timely basis.

[www.itochu.co.jp/en/csr/](http://www.itochu.co.jp/en/csr/)



#### ESG Report

Wide-ranging information covered in detail on the website Sustainability pages is published in PDF format as an annual ESG Report. The reports provide an ongoing perspective of ITOCHU's sustainability activities.

[www.itochu.co.jp/en/csr/report/](http://www.itochu.co.jp/en/csr/report/)



#### Annual Report

Aimed at investors and other stakeholders, we provide particularly important reporting on ITOCHU's Sustainability activities, along with information such as management results and future growth strategies, in a comprehensive manner from a perspective based on the characteristics of the business activities of a sogo shosha.

[www.itochu.co.jp/en/ir/](http://www.itochu.co.jp/en/ir/)

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## Environment

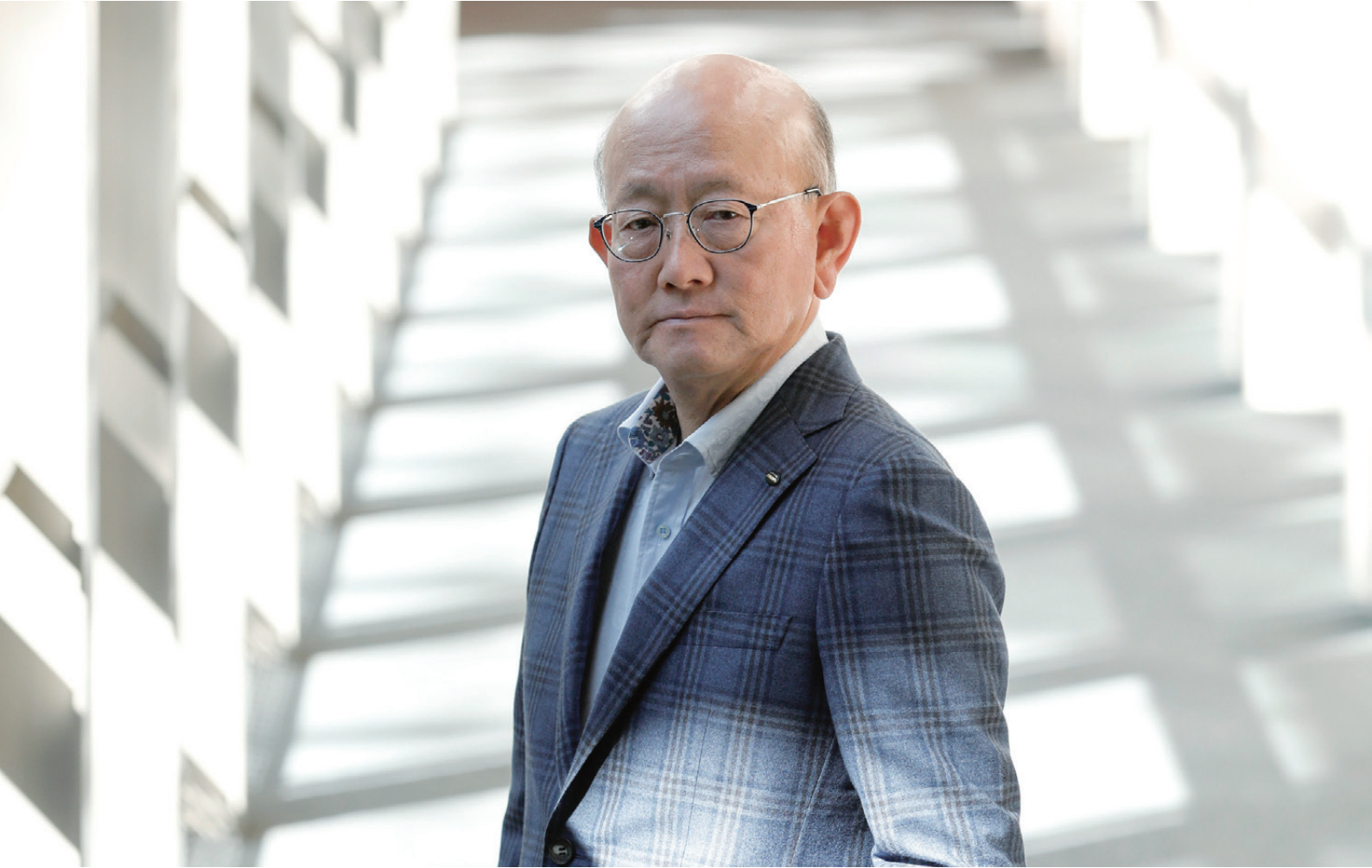
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## Sustainable growth through a reinvented *sampo yoshi* approach

With a rich history spanning over 160 years, ITOCHU is excited to create a brighter future founded on innovation. Passed down from generation to generation since our founding, the ITOCHU spirit of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society) needs to adapt to world's rapidly changing business environment and to evolve into "reinvented *sampo yoshi*." Besides being the best global partner playing an integral role in supporting prosperous lifestyles, we need to try to reinvent our "earn, cut, prevent" principles by utilizing new technologies to evolve and advance our business model. We also need to reinvent working styles for higher productivity through steps to ensure our employees feel motivated and improve their health. I believe that through these activities we will "create the future" and "display social leadership" and that this is reinvented *sampo yoshi*. By combining material sustainability issues that look ahead to 2030 and 2050 with the theme of "reinvention" that is central to the Brand-new Deal 2020, ITOCHU aims to achieve sustainable growth through reinvented *sampo yoshi*.

Chairman & CEO

A handwritten signature in black ink, appearing to read "M. Ogasawara". The signature is fluid and cursive, with a small dot above the final letter.



## Rising to the challenge of reinvention

ITOCHU Corporation has developed new businesses and expanded its operations, always trying to stay a step ahead of the times without fearing failure. However, the world is changing at dizzying speed amid technological breakthroughs such as the IoT and AI, collectively dubbed the Fourth Industrial Revolution. ITOCHU needs to embark on the "reinvention of its business" with a sense of urgency. At the same time, we live in an age where the ESG (environmental, social and governance) approach is becoming more widely adopted. A number of our existing businesses will probably no longer be able to survive in the future and we need to consider business initiatives from an ESG perspective. We continue our drive to be a company that achieves sustainable growth in a new age by engaging in materiality (the highest priority sustainability issue) and fulfilling our social responsibilities through our main business operations.

President & COO

A handwritten signature in black ink, appearing to read "Y. Suzuki", written in a cursive style.

## Message from Chief Administrative Officer



We will achieve sustainable growth as a reinvented merchant, through further evolution of the *sampo yoshi* approach that has been passed down for 160 years

### | The *sampo yoshi* approach that has carved a 160-year history

**—We will pursue the highest level of productivity in the sector through the adoption of a Human Resources Strategy as a management policy.**

ITOCHU is a company, which for 160 years, ever since its founding by founder Chubei Itoh, an Ohmi merchant, has developed business while carrying on the spirit of *sampo yoshi*. Since then, we have connected the fruits of the efforts built up by each one of our predecessors without interruption to the present day. This idea is also encapsulated in the corporate message "I am one with infinite missions." In recent years, with a small group of capable talent, ITOCHU has been involved in cutthroat competition with other companies, and the importance of the Human Resources Strategy for that has, therefore, increased still further.

ITOCHU's pioneering workstyle reforms, such as the morning-focused working system, have had a significant impact on Japanese society, including the government. The focus of these reforms is the "pursuit of productivity." We moved beyond streamlining operations to freeing up time by eliminating waste for customer service and devised a strategic package of measures to increase employee motivation, develop skills, support active participation by diverse human resources, and improve health. For example, the aim of the Support Measure for Balancing Cancer Care and Work introduced in FY2018 in accordance with ITOCHU Health Charter is to achieve a work environment in which every employee fighting cancer can continue working without concern while maintaining motivation and challenging work, thus ensuring that individuals and organizations perform at their full potential. Each and every employee working to their heart's content with health and vitality is the foundation to producing profits with a small group of capable talent. This is in the interests of all stakeholders in addition to our company. At the same time, I believe that, through our employees' fulfilment of "infinite missions" via our main business, we will be able to fulfil our responsibilities for achievement of the UN Sustainable Development Goals (SDG's).

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 ITOCHU can implement and promoting "reinvented workstyle reforms" based on the plan's basic policies of "Smart Management" and "No. 1 Health Management Company."

## Reinvented sustainability

—We will help solve social issues through our main business, grounded in the *sampo yoshi* spirit.

"Itinerant trading" is business that only Ohmi merchants could do, consisting of going to lands far away from the Ohmi region and negotiating with only a sample of cloth and delivering the goods afterwards. The *sampo yoshi* spirit developed by the Ohmi merchants as they gained the confidence and trust of sellers, buyers and the regions they traded with is also still alive today as a management philosophy that values not only the company's own profit but also business partners, employees, shareholders and various other stakeholders. To demonstrate our intent to honor this approach to the international society, since 2009 we have participated in the UN Global Compact. In April 2018, we formulated a Basic Policy on Promotion of Sustainability as a direction for initiatives based on the ESG perspective and the *sampo yoshi* spirit. At the same time, in light of the Sustainable Development Goals (SDGs) adopted by the United Nations, the enforcement of the Paris Agreement and the viewpoint of ESG, we have newly identified seven material sustainability issues. Each company has formulated sustainability action plans and accomplishment indicators based on those. This is further strengthening our efforts through our business. In May 2019, we stated our participation with the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) in regards to the particularly pressing issue of efforts on climate change (contribution to a low carbon society).

Our groupwide sustainability promotion measures are planned and promoted by the Sustainability Promotion Department. This is done under the Chief Administrative Officer who serves as the Sustainability Committee Chairperson. Serious matters are discussed and determined by the Sustainability Committee, which is an important internal committee. In addition to the role of chairing the committee, the Sustainability Committee Chairperson attends board meetings, and the HMC and Investment Consultative Committee, and then makes reports to the Board of Directors at these meetings. In this way, the Chairperson is responsible for sustainability management in light of the impact on our environment and society. We have also appointed an ESG officer to all organizations in companies and functions and have put in place a framework for contributing to the realization of a sustainable society through our main business. In addition, by regularly seeking dialogue with stakeholders inside and outside the company, including the Advisory Board, we grasp society's expectations and demands of us and utilize them in the promotion of sustainability.

We will continue to contribute to solving social issues by responding to the trust and expectations from the stakeholders around us through our main business while valuing local sites in the future. We would then like us to translate this into sustainable growth through a reinvented *sampo yoshi* approach, which is our aim under the Brand-new Deal 2020.

**Fumihiko Kobayashi**

Member of the Board

Senior Managing Executive Officer

Chief Administrative Officer

# Sustainability at the ITOCHU Group

## Policy & Basic Approach

The Basic Policy on Promotion of Sustainability sets the direction for ITOCHU Corporation's efforts to further sustainability. It is written in the spirit of our core philosophy, *Sampo Yoshi*. Meanwhile, we adopted an ESG mindset in organizing and integrating the Basic Policies for CSR Promotion and the Environmental Activities Policies.

### The ITOCHU Group Basic Policy on Promotion of Sustainability

#### [ I ] Basic Philosophy

ITOCHU Group, conducting business globally under the spirit of *Sampo Yoshi*, the management philosophy of merchants in the province of Ohmi, considers that addressing global environmental and social issues is one of the top priority issues in its management policy. We contribute to the realization of a sustainable society based on the ITOCHU Group Code of Conduct, in order to achieve the goals of The ITOCHU Group Corporate Philosophy, "Committed to the Global Good."

#### [ II ] Action Guidelines

In keeping with the basic philosophy presented above, the ITOCHU Group sets out the following action guidelines to promote its sustainability.

<b>(1) Identification of material issues and promotion of businesses that address the social issues</b>	As a member of the international community, we seek to identify critical sustainability issues whose resolution will lead to the sustainable growth of society as well as our businesses, and aim to enhance corporate value through our operations.
<b>(2) Establishment of mutual trust with society</b>	We continue to address society's expectations and requests by increasing the disclosure of information and facilitating two-way dialogues with stakeholders. By pursuing these initiatives, we aim to become a trusted Group.
<b>(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</b>	<p>While engaging in business activities, we respect the legal systems of each country and international rules, and strive to prevent the occurrence of environmental pollution and/or human rights and labor issues that threaten our lives. In addition, we give due consideration to the mitigation of and adaption to climate change, the preservation of the global environment, such as through the conservation of biodiversity and ecosystems, and human rights issues.</p> <p>We endeavor to understand how natural resources are utilized (such as air, water, land, food, minerals, fossil fuels, animals, and plants) and what consideration is given to human rights and labor issues, both in the businesses where we invest and in the supply chains related to the products we handle. We request our business partners to understand and implement our concept of sustainability, and aim to build a sustainable value chain.</p>



**(4) Education and awareness of employees to promote sustainability**

Since promoting sustainability rests in the hands of individual employees, we conduct employee training and awareness activities to deepen their awareness about solving social issues. Along with other conditions to which we have agreed, all employees observe domestic and foreign laws and regulations. They also follow this policy when executing action plans for their respective units. With this approach, ITOCHU aims to contribute to society through its business.

April 2018  
**Masahiro Okafuji**  
Chairman & Chief Executive Officer

## Our Founder Chubei Itoh and *Sampo Yoshi*

The foundation of ITOCHU Corporation traces back to 1858, the year in which Chubei Itoh set out from Toyosato Village, in Shiga Prefecture, to Nagasaki as a traveling linen merchant.

The base of Chubei Itoh's business was the spirit of *sampo yoshi*, which was a management philosophy of merchants in Ohmi, a province where he was born. The philosophy started in the shogunate era. Due to the merchants' contributions to the society, they were permitted to promote business activities in the region. Since then, not only good for the seller and the buyer, but also for the society became the management philosophy. This can be said to be the roots of today's idea of sustainability, which requires corporations to balance their business activities with the interests of a variety of stakeholders. That spirit is evident in Chubei Itoh's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society."



Our founder  
Chubei Itoh  
(1842 - 1903)



Ohmi merchants  
(courtesy of  
Museum of Ohmi  
Merchant)

## The Roots of a Management Philosophy Inherited Since the Foundation

Our founder Chubei Itoh established a "store law" in 1872, and adopted a meeting system. The store law was a set of house rules covering what in modern parlance called management philosophy, a human resources system and employment regulations, which subsequently became the foundation of ITOCHU Corporation's management philosophy. Emphasizing communication with employees, Chubei Itoh chaired meetings himself. Moreover, he incorporated a series of what were at the time groundbreaking management systems, including the codification of "sharing of profit by three parties"<sup>(\*)</sup> and western bookkeeping methods. Those initiatives built the foundations of mutual trust between the store owner and the employees. Since that era, we have based our corporate management on sustainability.

\* Sharing of profit by three parties: In a predominately feudal era, this was an extremely progressive philosophy of sharing profits with employees. The store's net profit was divided among three parties: the store owner, the store's reserve fund, and store employees.



A daifukucho ledger  
from the time of  
ITOCHU's founding

# 160 Years of History and Sustainability

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In 2018, ITOCHU Corporation marked its 160th anniversary. Why were we able to keep developing for such a long period of time? We believe that it is because we have put into practice the spirit of *sampo yoshi* for 160 years, which is the root of sustainability. At the same time, as the business environment has changed with the times, we have established a corporate culture that anticipates changes and turns it into opportunities.



The headquarters with modern amenities built in 1915

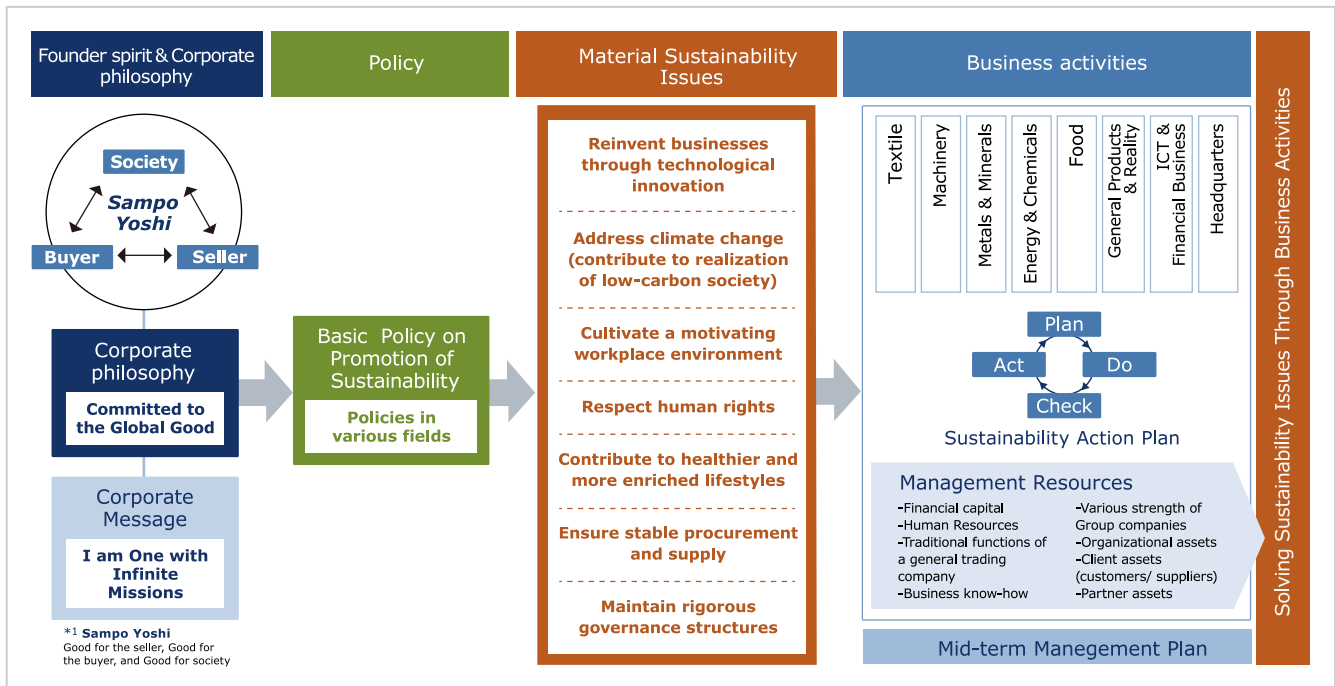
Since the foundation, ITOCHU Corporation has consistently thrived despite the turmoil it has faced in different eras, including two world wars and economic volatility. Starting as a trading company mainly handling textiles, we have fulfilled the role of a trading company that has responsively changed according to the demands of each generation. Furthermore, while significantly changing its products and business portfolios, we have expanded our sphere of influence from upstream raw materials to downstream consumer sales. ITOCHU Corporation has evolved into a general trading company, and from there into a globally integrated corporation.

We are convinced that our history has continued for more than 160 years because we have surely upheld and passed on the spirit of *sampo yoshi* while remaining an essential component of society by responding to changes, in its expectations in different eras.

# Structure and System

## Promoting Sustainability at ITOCHU Corporation

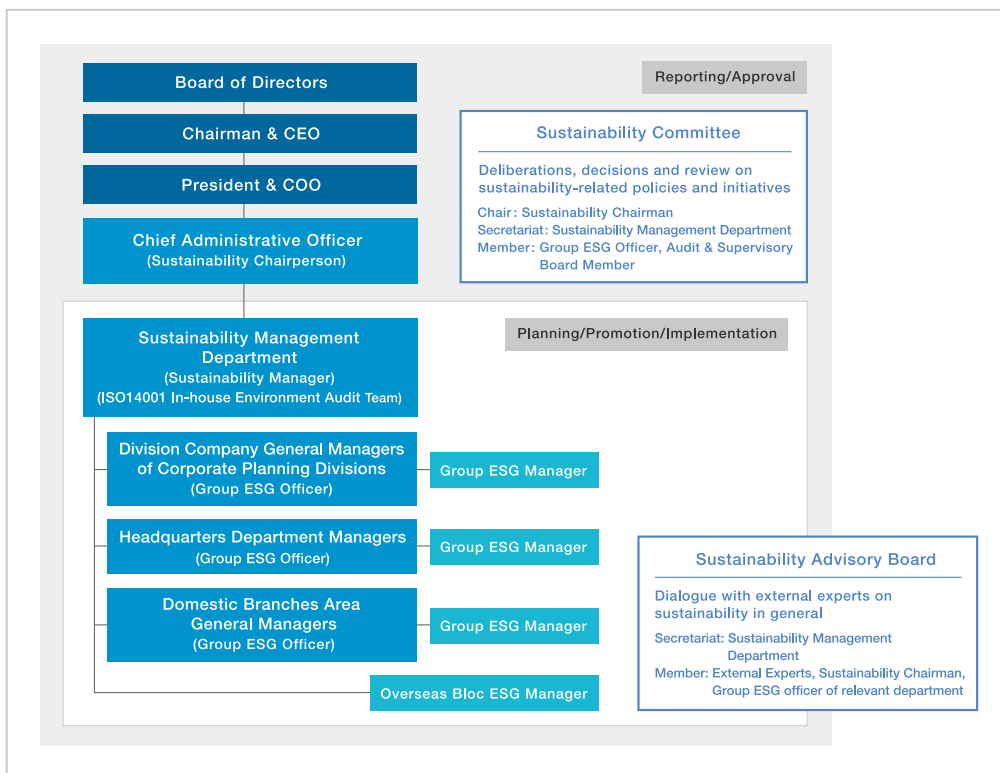
We established the Basic Policy on Promotion of Sustainability (P7) to set ITOCHU Corporation's efforts to further sustainability in accordance with our corporate philosophy and the dynamic environment in which we operate. Our implementation of the policy is organized and systematic. In the course of implementation, ITOCHU Corporation determines the critical issues with priority need for a solution, then inserts the material issues into Sustainability Action Plans (P16-23). These plans guide operations in our trading and business investments as we carry out the policies in the mid-term management plan, thus helping to solve the aforementioned issues.



Sustainability promotion flow

# Structure for Promoting Sustainability

The Sustainability Management Department plans and formulates company-wide action to further sustainability at ITOCHU Corporation, which the department's leader, the Chief Administrative Officer, finalizes. Meanwhile, the ESG Officers and Managers in each unit carry out sustainability actions. The Sustainability Committee, one of the company's key committees, holds deliberations and makes decisions concerning policy formulation and important matters. In addition to a role in heading the Sustainability Committee, the committee's chair joins meetings of the Board of Directors, the HMC and the Investment Consultative Committee, and also engages in decision-making based on the company's impact on the environment and society by reporting regularly to the Board of Directors to brief them on our promotion of sustainability. We furthermore engage in dialog with stakeholders within and outside the company. One example of this is our regularly convened advisory board. This dialog provides an understanding of what society expects of and desires from the company, which we can then apply to our efforts at advancing sustainability.



Sustainability promotion framework (FYE 2020)

## Fiscal 2019 Sustainability Committee

Members	Chair: CAO. Members: General Manager of the Corporate Planning & Administration Division, General Manager of the Corporate Communications Division, General Manager of the Human Resources & General Affairs Division, General Manager of the Legal Division, General Manager of the Sustainability Management Department, General Manager of the Investor Relations Department, general managers of the Planning & Administration Departments of each Division Company, corporate auditors
Primary Purview	Sustainability action plan review, ISO14001 environmental management review, ESG related correspondence report

# Efforts: Critical Issues (Material Issues)

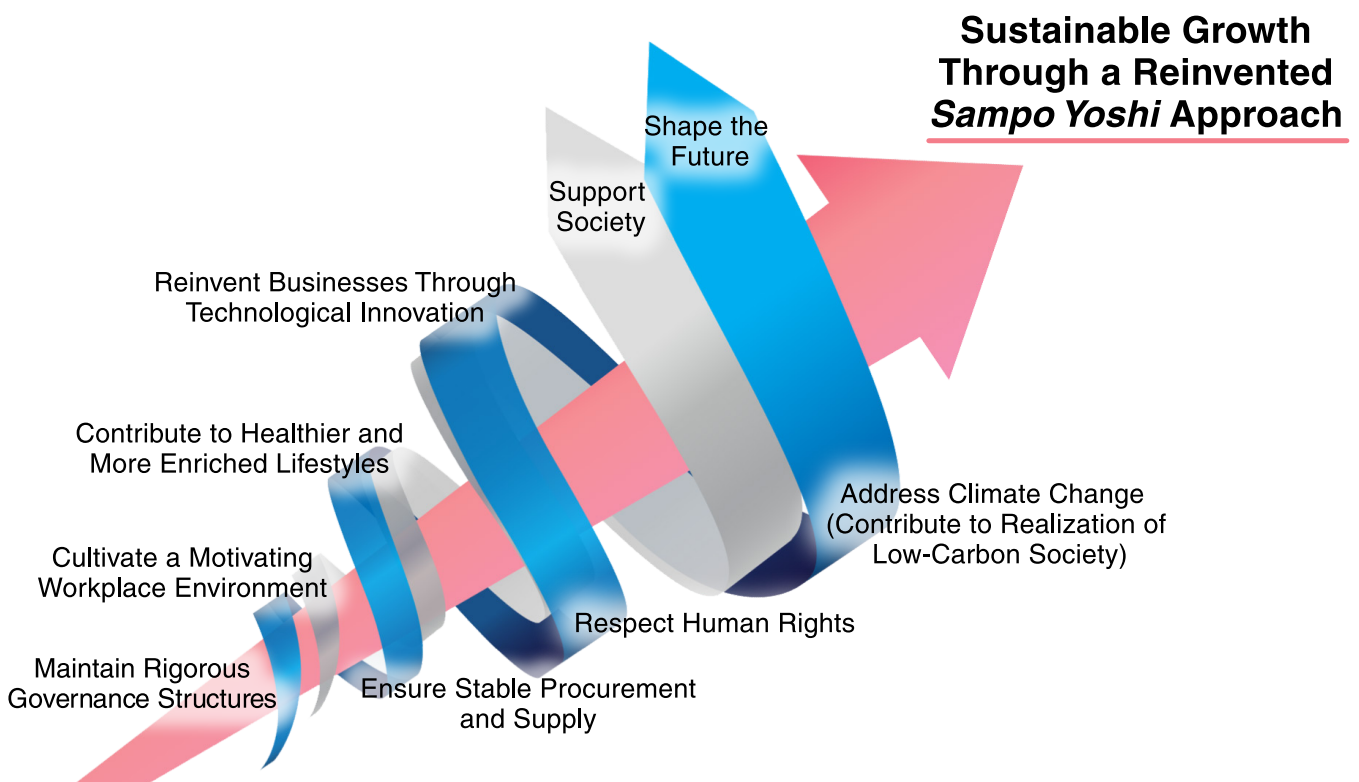
In April 2018, ITOCHU Corporation adopted an Environmental, Social and Governance (ESG) mindset to identify material sustainability issues. Addressing these critical issues through our primary business operations is how we are working toward sustainable growth through a reinvented Sampo Yoshi approach that will achieve the goals of Brand-new Deal 2020.

In a sustainability effort to carry out the company's responsibilities for the society of today and the future, we are also helping to achieve the Sustainable Development Goals (SDGs)\* adopted by the United Nations in 2015.

\* Sustainable Development Goals (SDGs): Targets for sustainable development to achieve by 2030, adopted in September 2015 by member states of the United Nations

- Identification and Review Process for Material Issues (P14)
- Risks and Opportunities Pertaining to Each Material Issue (P15)
- Sustainability Action Plans (P16-23)

## Material Sustainability Issues



## Reinvent Businesses Through Technological Innovation



We create new value by proactively exploring new technologies as we adapt to a transforming industrial establishment by venturing beyond the framework of our existing business.

## Address Climate Change (Contribute to Realization of a Low-Carbon Society)



As we endeavor to adapt to climate change's impact on business, we further business activities that contribute to a low-carbon society and work to reduce greenhouse gas emissions.



## Cultivate a Motivating Workplace Environment

We provide a setting where employees are proud and motivated, and where we can leverage diversity so they can fully exhibit their capabilities.



## Respect Human Rights

While showing respect and consideration for human rights in our operations, we bring stability to our business and contribute to the development of local communities.



## Contribute to Healthier and More Enriched Lifestyles

With the intention of raising quality of life for all people, we help make healthy, bountiful living possible.



## Ensure Stable Procurement and Supply

With aspirations for a recycling-oriented society, we give consideration to biodiversity and other important aspects of the environment to engage in effective use and steady procurement and supply of resources in line with their demand in each country.

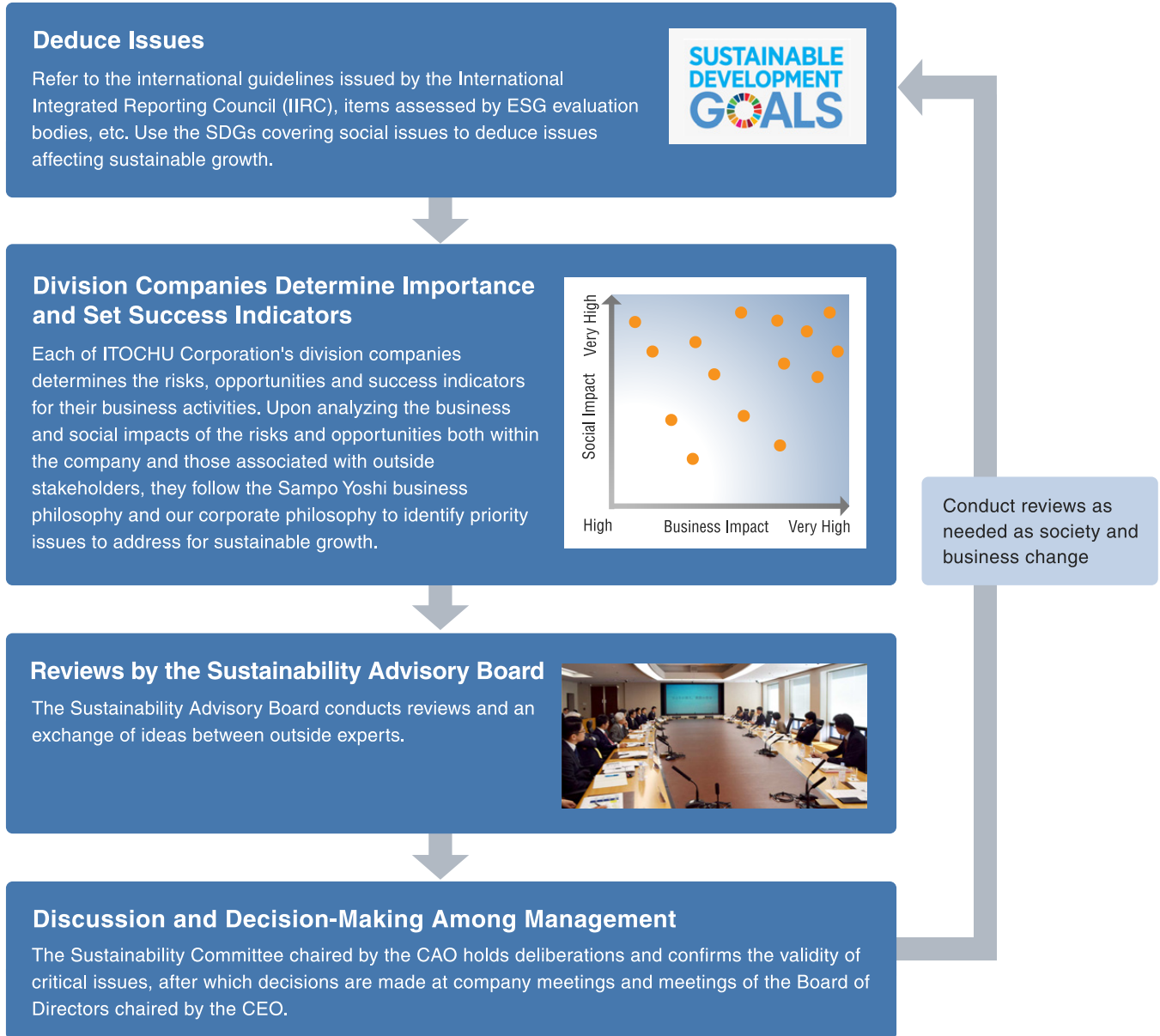


## Maintain Rigorous Governance Structures

We ensure proper and efficient execution of operations through the Board of Directors' independent, objective and highly effective oversight of management and highly transparent decision-making.

# Efforts: Identification and Review Process for Material Issues

Since ITOCHU Corporation first identified material issues in 2013, we have conducted regular reviews based on trends in the international community and the expectations of stakeholders. In fiscal 2019, when the latest mid-term management plan kicked off, we identified seven new critical issues based on the recent adoption of the SDGs, the Paris Agreement on climate change coming into effect and other social developments and changes affecting business.



# Efforts: Risks and Opportunities Pertaining to Each Material Issue

Material Issues	Risks	Opportunities
Reinvent businesses through technological innovation	<ul style="list-style-type: none"> <li>● Obsolescence of existing business models accompanying the rise of new technologies such as IoT and AI</li> <li>● Labor shortages in developed countries; flight of excellent talent from businesses that are slow to streamline</li> </ul>	<ul style="list-style-type: none"> <li>● Creation of new markets; provision of innovative services</li> <li>● Optimization of human resources and logistics by utilizing new technology; enhanced competitiveness by reforming how we work</li> </ul>
Address climate change (contribute to realization of a low-carbon society)	<p><b>Transition risk</b></p> <ul style="list-style-type: none"> <li>● Reduction in demand for fossil fuels due to business restrictions on greenhouse gas emissions</li> </ul> <p><b>Physical risk</b></p> <ul style="list-style-type: none"> <li>● Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons and hurricanes)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in renewable energy and other business opportunities which will contribute to alleviating climate change</li> <li>● Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather</li> </ul>
Cultivate a motivating workplace environment	<ul style="list-style-type: none"> <li>● Failure to handle the issue properly could lower worker productivity, cause excellent talent to leave, erase business opportunities, and add to health-related expenses</li> </ul>	<ul style="list-style-type: none"> <li>● Providing a motivating workplace environment raises worker productivity, improves health and motivation, retains excellent talent, and enhances adaptability to change and new business opportunities</li> </ul>
Respect human rights	<ul style="list-style-type: none"> <li>● Human rights problems occurring in more geographically expansive business activities could delay operations or pose a continuity risk</li> <li>● Insufficient provision of social infrastructure services could erode trust in the company</li> </ul>	<ul style="list-style-type: none"> <li>● Co-existence with local communities stabilizes business and retains excellent talent</li> <li>● Consideration for human rights in the supply chain and improved working environments will build a safer and steadier product supply network</li> </ul>
Contribute to healthier and more enriched lifestyles	<ul style="list-style-type: none"> <li>● Safety and health issues affecting consumers and service users could erode trust in the company</li> <li>● Changes in government policy could impact business by destabilizing markets or social insurance systems</li> </ul>	<ul style="list-style-type: none"> <li>● Advancing food safety/reliability and health will boost demand</li> <li>● Growth in individual consumption and the spread of the internet will expand services in information, finance and distribution</li> </ul>
Ensure stable procurement and supply	<ul style="list-style-type: none"> <li>● Impact from a backlash accompanying the outbreak of environmental problems or worsening relations with local communities</li> <li>● A price-cutting war in consumer goods could structurally batter the entire industry</li> </ul>	<ul style="list-style-type: none"> <li>● Higher demand for resources due to population growth and higher living standards in emerging countries</li> <li>● A steady, environmentally-friendly supply of resources and materials wins client trust and creates new business</li> </ul>
Maintain rigorous governance structures	<ul style="list-style-type: none"> <li>● Business continuity risks and unanticipated losses arising from dysfunctional corporate governance or internal controls</li> </ul>	<ul style="list-style-type: none"> <li>● Establishing robust governance will raise decision-making transparency, enable proper adaptation to change, and lay the foundation for steady growth</li> </ul>



# Efforts: Sustainability Action Plans

As a concrete initiative to address the material issues we have identified, we embed these issues into the Sustainability Action Plan for each business sector. Each company deduces the risks and opportunities associated with critical sustainability issues in each business sector, formulates a Sustainability Action Plan that stipulates the approach and success indicators to achieve their medium- and long-term commitments, and holds semi-annual review meetings for each unit affected by the plan. This implementation of the PDCA cycle advances sustainability. In addition, each unit—headquarters administrative divisions, domestic branches and offices, overseas locations, etc.—formulates a Sustainability Action Plan according to its business and function, the goal being to further entrench the foundations supporting business activities.


After the Materiality is identified, we reflect it in sustainability action plans in each business area as specific measures for contributing to the solution of social issues.

We promote sustainability by defining the Commitment, which shows how we achieve medium- and long-term growth and provide value to society, and specific approach and performance indicators for achieving the Commitment.

## Narrow down by Materiality







### Reinvent businesses through technological innovation

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Obsolescence of existing business models resulting from the emergence of new technologies, such as IoT and AI.</li> <li>● Labor shortage in developed countries, loss of excellent human resources in businesses in which efficiency improvement is delayed. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Creation of new markets and provision of innovative services.</li> <li>● Utilizing new technologies for optimizing human resources and logistics, increasing competitiveness by promoting work style reform. And others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
	Next-generation business Development	Textile Company	State-of-the-art technologies (IoT)	We will build a production IT infrastructure that will be a common platform of the supply chain and strive to improve added value and promote sustainable industrialization.	Introduce the production IT infrastructure to the main bases of the Group and contribute to the improvement of Product, Lifecycle and Management.	Visualize the supply chains of the overall Group to reduce costs, improve quality, and reduce lead time, thereby developing a supply system that can cater to market needs.	Multiple overseas group companies have prepared Product Life-cycle Management (PLM) software and we plan to begin using it from June 2019. We plan to start looking into expanding it to supplier factories and the ITC Sales Department from FYE 2020.
			State-of-the-art technologies (IC tag, RFID, and EC businesses)	We will utilize next-generation technologies, such as Radio Frequency Identification (RFID) tags, to contribute to improved efficiency, not only in the apparel industry but also in the associated logistics industry.	Improve production and sales efficiency by making use of AI, and in addition, accelerate the dissemination of RFID tags in the clothing industry, in an effort to increase the trading volume.	Make use of AI and disseminate the use of RFID tags, thereby improving production and operating efficiency in the supply chain, traceability, and sales capabilities.	In FYE 2019 we reached 87 million RFID tags sold (a 24% increase over the previous year). We have partnered with a leading manufacturer in Hong Kong in hopes of encouraging their further spread in the domestic market.
		Food Company	Overall food-related businesses	We will aim to improve productivity and efficiency by utilizing RPA and AI proactively.	Introduce and utilize new technologies, especially in the sectors around retail that are facing a serious labor shortage, thereby maintaining social convenience. At the same time, disperse human resources to new services with the aim of further improving convenience in the consumer-related sector.	FYE 2019: Start experimental operations that apply RPA and AI.	All of us, including our subsidiaries and related companies are actively introducing Robotic Process Automation (RPA) in order to improve productivity and efficiency.
				We will aim to create innovative services and new business by integrating assets and new technologies of the ITOCHU Group.	Increase contact with consumers by promoting the retail business in our efforts to understand consumer behaviors, and combine the wide range of products, functions, and expertise of the Group to create unique new value that will be profitable for consumers and communal society.	Promote the deployment of new products and new services through collaborations with the retail business operated by the ITOCHU Group.	We are promoting new projects related to electronic money etc. with group companies like UFHD.
ICT & Financial Business Company	Business incubation through venture investment, focused on FinTech, IoT, AI and etc.	We will try to create new industries with acquiring cutting-edge innovations and business models such as IoT, AI, and FinTech.	Seeking chance to invest in and make partnerships with startups, in order to develop new businesses.	Achieve success new service and business development.	We have invested in just over 10 startups in the fields of FinTech and health care. By implementing new cashless services, we are helping to improve the distribution efficiency of home delivery companies, and the store management efficiency of retailers.		





# Address climate change (contribute to realization of low-carbon society)

Risks	Opportunities
<p><b>Transition risk</b></p> <ul style="list-style-type: none"> <li>● Reduction in demand for fossil fuels due to business restrictions on greenhouse gas emissions</li> </ul> <p><b>Physical risk</b></p> <ul style="list-style-type: none"> <li>● Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons and hurricanes)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in renewable energy and other business opportunities which will contribute to alleviating climate change</li> <li>● Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
 		Machinery Company	Overall power generation business	We will develop power plants with a good balance between renewable energy power generation and conventional power generation, thereby contributing to the development of countries and regions in a sustainable manner that is optimized for each.	Pursue opportunities to invest aggressively in renewable energy power generation through analyses of countries and regions.	FYE 2031: Target to achieve a renewable energy ratio more than 20% (equity interest basis) and reflect this to the future strategy.	In FYE 2019, we accomplished followings in the field of development of renewable energy. Launching commercial operation of the final unit (No. 3 unit) of the Sarulla Geothermal IPP Project in Indonesia, Completion of the Saga-Ouchi Solar Power Plant in Saga Prefecture.
		Machinery Company	Sales of passenger cars and commercial vehicles	We will achieve the eco-friendly mobility society by strengthening businesses of electric vehicles (EVs), hybrid vehicles (HVs), vehicles with a reduced environmental impact, and those related.	Contribute to spread of eco-friendly vehicles by increasing business of eco-friendly and high-efficiency products, such as EVs, HVs, vehicles with a reduced environmental impact, and related parts.	Expand sales of eco-friendly products in response to the expanded lineup of EVs, HVs, vehicles with a reduced environmental impact, and similar vehicles from automakers as our business partners.	In Japan, we participated in the field test of light electric trucks. We invested in two projects in China where the sales of electric vehicles is increasing drastically. <ol style="list-style-type: none"> <li>1) EV rental and maintenance service company Dishangtie Car Rental (Shenzhen) Co., Ltd.,</li> <li>2) Chinese emerging EV manufacturer ZHICHEAUTO Technology (Shanghai) Co., Ltd.</li> </ol>
 	Taking counter-measures against climate change	Metals & Minerals Company	<ul style="list-style-type: none"> <li>● Mining business</li> <li>● Environmental business</li> <li>● Material-related business</li> </ul>	<ul style="list-style-type: none"> <li>● We will realize stable energy supply as our social mission and responsibility while fully considering its environmental impact.</li> <li>● We will contribute to reducing greenhouse gases through businesses related to lighter-weight vehicles and Electric Vehicles (EVs).</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to be involved in the development of technologies that contribute to the reduction of greenhouse gases emissions, including technologies for carbon dioxide capture and storage (CCS) and carbon dioxide capture and utilization (CCU).</li> <li>● Aim to develop an appropriate portfolio of coal assets by fully considering its environmental impact.</li> <li>● Strengthen initiatives in businesses that contribute to the development of lighter-weight vehicles and shift to EVs (aluminum, copper, and other businesses).</li> </ul>	<ul style="list-style-type: none"> <li>● Contribution to the development of a low-carbon society by committing to technologies that help reduce greenhouse gases emissions.</li> <li>● Development of an optimal asset portfolio by fully considering social requirements, including those related to the shift to a low-carbon society.</li> <li>● Implementation and expansion of businesses that contribute to developing lighter-weight vehicles and shifting to EVs.</li> </ul>	<ul style="list-style-type: none"> <li>● Carbon Capture and Storage (CCS): We continue to carry out information collection and analysis through observation and interviews with Japan CCS Co., Ltd. and companies conducting CCS projects overseas.</li> <li>● Carbon Capture and Utilization (CCU): Along with joining research organizations and collecting information, we are also engaged in specific projects.</li> <li>● We have considered our policy towards the coal business through actions such as analyzing multiple scenarios based on suggestions made by the Task Force on Climate-related Financial Disclosures (TCFD).</li> <li>● Consequently, we publicly announced our policy commitment in February 2019. This is: 1) - We will not acquire new thermal coal mining interest., and 2) - Regarding the existing thermal coal mining projects, we will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to domestic and overseas customers.</li> <li>● The amount of transactions for aluminum castings/die-cast materials for vehicles increased 6% in FYE 2019 over FYE 2018, contributing to the development of light-weight vehicles.</li> </ul>
		Energy & Chemicals Company	Oil & Gas LNG (Liquefied Natural Gas) Projects	Development and production of natural resources with consideration in the reduction of greenhouse gases.	Partnering with experienced operators with high technical strength in the development and production of natural resources.	Pursuing opportunities to take part in LNG projects (i.e. LNG or natural gas emits less greenhouse gases than the other fossil fuels).	We have begun concrete discussion concerning participation in a new liquefied natural gas (LNG) project.
		Food Company	Provisions Fresh foods	We will reduce the impact of abnormal weather on the business with the aim of ensuring the stable supply of agricultural crops.	Decentralize production areas by collaborating with Group companies.	FYE 2021: Aim to develop other areas following the Philippines in the Fresh Produce Business.	In FYE 2019 we selected candidates for new production areas. From FYE 2020 on, we plan to specifically promote the fruits and vegetables business in new production areas.
		General Products & Realty Company	Cement alternatives such as slag	We plan to expand the use of sustainable byproducts (slag) as a substitute material for the cement which is vital to fields like construction and civil engineering.	Establish continuous, stable business flow between ironworks as the supplier of slag and other byproducts and demanders.	Consider investment, participation, etc. in the slag business and focus efforts on creating demand, especially in developing countries, with the aim of establishing continuous, stable business flow.	<ul style="list-style-type: none"> <li>● The volume of transactions to developing countries is expected to increase by 50% from the previous year.</li> <li>● We are engaged in continued consultation concerning planning and investment for the slag business.</li> </ul>











# Cultivate a motivating workplace environment

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of labor productivity and health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from the creation of a workplace that provides job satisfaction, and others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
	Improving operating efficiency and addressing the issue of long-working hours through work style reform	Head-quarters	Human Resources Affairs	We will promote a well-balanced working style and reduce the total number of working hours, aiming to improve employee engagement.	<p><b>&lt;ITOCHU Corporation&gt;</b></p> <ul style="list-style-type: none"> <li>● Promote the morning focused working system.</li> <li>● Conduct regular monitoring of employees' work situations.</li> <li>● Promote work automation with IT tools, including the robotic process automation (RPA), as well as mobile work.</li> <li>● Promote projects for improving the operating efficiency at each organization.</li> </ul> <p><b>&lt;ITOCHU Group&gt;</b></p> <ul style="list-style-type: none"> <li>● Efficient way of working, appropriate working hours management, and educational and awareness-raising activities at the ITOCHU Group.</li> </ul>	<ul style="list-style-type: none"> <li>● FYE 2021: Reduce the annual average overtime hours by at least 10% compared to the period prior to the introduction of the morning-focused working system.</li> <li>● FYE 2021: Percentage of employees who leave the office building at 20:00 or later at 5% or fewer.</li> <li>● FYE 2021: Paid leave acquisition rate at 70% or higher.</li> <li>● Rate of positive responses to the "employee engagement" item in the engagement survey: 70% or higher.</li> </ul>	<p><b>&lt;ITOCHU Corporation Itself&gt;</b></p> <ul style="list-style-type: none"> <li>● Hours of overtime per person: 11% reduction(FYE 2018) compared to prior to introduction (FYE 2013)</li> <li>● Workers left 8:00 p.m. or later: 5% (FYE 2018)</li> <li>● Leave utilization rate:66%(FYE 2018), 36% (in first half of FYE 2019)</li> <li>● Planned to complete approximately 100 scenarios for RPA in FYE 2019. Also introduced the data analysis tool (HANABI).</li> <li>● Three divisions (the Fresh Food Division, Automobile, Construction Machinery &amp; Industrial Machinery Division, and Fashion Apparel Division) are planned to implement BPR (Business Process Re-engineering) on an organizational level in FYE 2019.</li> <li>● Positive response rate of 76% to "employee engagement" items on the the FYE 2019 engagement survey.</li> </ul>
	Improving the health of employees	Head-quarters	Human Resources Affairs	We will improve the health of employees to create an environment that will enable individual employees to better demonstrate their capabilities. We will build a system that helps employees with cancer or long-term illness to create a balance between treatment and work, thereby fostering a culture of mutual support.	<ul style="list-style-type: none"> <li>● Keep the percentage of employees who receive regular medical checkups at 100%.</li> <li>● Establish well-equipped in-house clinics and a system for supporting each employee in receiving personalized medical care.</li> <li>● Promote measures for helping employees create a balance between cancer treatment and work.</li> <li>● Offer healthy dishes in the employee cafeteria.</li> <li>● Promote the program for supporting smoking cessation treatment expenses.</li> <li>● Utilize Re: Body, a health management website for employees, and continue to provide special programs for employees at risk for lifestyle-related diseases.</li> </ul>	<ul style="list-style-type: none"> <li>● Percentage of employees who receive regular medical checkups: 100%.</li> <li>● FYE 2021: Improve health indicators (such as BMI) compared to FYE 2017 values.</li> <li>● FYE 2021: Percentage of employees who leave work due to cancer or long-term illness at 0%.</li> <li>● FYE 2021: Rate of employees found to have a high level of stress in the stress check at 5% or lower.</li> </ul>	<ul style="list-style-type: none"> <li>● 100% participation in medical checkups (FYE 2018).</li> <li>● Improvement of health indices (such as BMI) : -3.1% compared to FYE 2011(FYE 2018).</li> <li>● Support for living with cancer: maintained a 0% rate of job separation due to cancer or long-term illness. Our goal of "balancing work and illness" has been reflected in our performance indicators from FYE 2019.</li> <li>● Rate of high-stress individuals according to stress checks: 3.1% (FYE 2019).</li> <li>● "Re:Body" usage: continued implementation of special program for those at risk of a lifestyle disease (117 participants in FYE 2019). Held company-wide walking event.</li> </ul>
	Sustainable development of employees' capabilities	Head-quarters	Human Resources Affairs	We will develop training programs on a global basis that respond to the changing times and business needs. We will also utilize training programs to continuously produce excellent human resources.	<ul style="list-style-type: none"> <li>● Continue to develop and provide training programs at all job levels.</li> <li>● Continue and enhance overseas deployment of interns and language trainees.</li> <li>● Offer diverse career path options and experience in diverse works through regular rotation.</li> <li>● Foster career awareness among employees by enhancing personnel assessment, career vision training, career counselling systems and other programs/systems.</li> </ul>	<ul style="list-style-type: none"> <li>● FYE 2021: Annual E&amp;D expenses exceeding one billion yen.</li> <li>● Rate of positive responses to the "education and training" item in the engagement survey: 60% or higher.</li> <li>● FYE 2021: Percentage of career-track employees who acquire business-level English skills in their first eight years at the company at 100%.</li> <li>● FYE 2021: Percentage of career-track employees who are deployed overseas in their first eight years at the company at 80% or higher.</li> </ul>	<p>Positive response rate of 71% to "education &amp; training" items on the the FYE 2019 engagement survey.</p>
  	Creating an environment that allows diverse human resources to exercise their potential	Head-quarters	Human Resources Affairs	We will prohibit all types of discrimination, including those based on age, gender and nationality, and respect human rights. We will create an environment that will permit the active participation of employees whose work hours are limited due to childcare, nursing care, diseases or similar circumstances.	<ul style="list-style-type: none"> <li>● Continue fair and equitable recruitment and promotion.</li> <li>● Create a work climate of mutual respect and support.</li> <li>● Reasonable accommodations concerning the work environment of people with disabilities.</li> <li>● Respond to LGBT considerations and provide employee training on LGBT.</li> <li>● Enhance on-site day-care centers and nursing care support services.</li> <li>● Enhance individual support for employees provided in accordance with their life stage and career.</li> <li>● Promote flexible ways of working by making use of mobile work.</li> <li>● Support the active participation of senior human resources over 65 years old.</li> </ul>	<ul style="list-style-type: none"> <li>● FYE 2021: Percentage of female career-track employees among all career-track employees: 10%.</li> <li>● FYE 2021: Percentage of female career-track employees among employees in leadership positions at 10%.</li> <li>● FYE 2021: Proportion of our workforce with disabilities at 2.3%.</li> </ul>	<ul style="list-style-type: none"> <li>● 9.5% of career-track employees are female (as of January 2019).</li> <li>● 7.7% of supervisory positions are female (as of January 2019).</li> <li>● Promoted human rights by carrying out training programs with the Tokyo Metropolitan Human Rights Promotion Center (TMHRPC). Also shared information within the company aimed at maintaining fair employment screening (July 2018).</li> <li>● Percentage of disabled employees: 2.19% (as of January 2019).</li> </ul>






# Respect human rights

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically).</li> <li>● Decline in credibility that may result from defects in the social infrastructure services we provide. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities.</li> <li>● Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain. And others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
 	Establishing a supply chain reflecting consideration for human rights and the environment	Textile Company	Supply chain management	We will promote information-sharing in the overall Group and establish a safe, secure supply chain, thereby helping customers with risk reduction and contributing to sustainable economic development.	Make Group-wide efforts to review the social and environmental safety of the supply chain and make improvements as necessary, thereby promoting the establishment of a safe, secure commodity supply system.	FYE 2024: Establish and visualize the supply chain of the overall Group, from material procurement to sales, to ensure a responsible procurement policy.	In FYE 2019 we conducted an investigation of 50 of our suppliers from the standpoint of Environmental, Social and Governance (ESG) criteria. In FYE 2020 we plan to increase this to 80 companies, and continue to work to establish a healthy supply chain.
 	Improving water and hygiene infrastructures	Machinery Company	Water and environmental projects	We will contribute to improving the hygiene environment, the development of economic activities, and the protection of the global environment through the appropriate treatment and effective use of water and waste.	Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and reduce the environmental impact.	Expand and diversify the investment portfolio in the water and environment field.	<b>Water Sector</b> We are participating in Water Supply and Sewerage Treatment Companies in the UK and Spain, Seawater Desalination Projects in Australia and Oman. Our Project in Oman started commercial operation in 2018. We continue to invest in portfolio in the water sector.  <b>Environment Sector</b> We invested in four Waste Management Projects in the UK and awarded a 25-year Waste Management and Resource Recovery Project in Belgrade, the republic of Serbia in 2017.
	Establishing a supply chain reflecting consideration for human rights and the environment	Machinery Company	Overall electric power and plant projects	We will contribute to improving the quality of life of all stakeholders in the supply chain and business investment destinations.	Set rules on due diligence related to social and business environmental safety for suppliers and business investment destinations based on the distinctive characteristics of each business, implement due diligence, and strengthen monitoring continuously.	FYE 2020: Aim to implement the due diligence described on the left in all new development projects.	We observed ESG checklist for all new investment of development and also checked 7 main issues on guideline of social responsibility. (Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community participation and Development.)
 	Sustainable mine development that reflects consideration of the risks in occupational safety and health and environmental risks, and that contributes to local communities	Metals & Minerals Company	Mining business	<ul style="list-style-type: none"> <li>● We will promote sustainable development of natural resources by fully committing to EHS (environment, health, occupational safety) and harmonious coexistence with local communities in areas which we operate.</li> <li>● We will improve local infrastructure such as medical care and education.</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure the thorough application of the EHS guidelines.</li> <li>● Contribute to local communities through activities for improving medical care, education and infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation of annual internal seminars to ensure our employees are fully aware of the EHS guidelines.</li> <li>● Donations to medical care, education and build infrastructure in local communities.</li> </ul>	<ul style="list-style-type: none"> <li>● We held internal EHS (Environment, Health and Safety) training courses for supervisors and company employees belonging to sections engaged in resource development. The attendance rate of those subject to this training was 100%.</li> <li>● In FYE 2019, we checked five existing projects and one new project under EHS guidelines using the check sheet, and set follow-up items.</li> <li>● We carried out CSR activities that contribute to the local community as part of each project we invest in.</li> <li>● As an original initiative, our Australian subsidiary, ITOCHU Minerals &amp; Energy Australia Pty. Ltd., co-sponsored citizen awards in the communities surrounding the port of our iron ore projects.</li> </ul>
	Establishment of an energy resources development system that goes well with local society and environment	Energy & Chemicals Company	Exploration & Production of Oil & Gas	Contributing in the development of local society by advancing exploration & production projects that accommodate social and environmental concern.	Implementation of projects in compliance with the laws and regulations of the respective government and internationally-recognized administrative body.	<ul style="list-style-type: none"> <li>● Be compliant with HSE (Health, Safety and Environment) standards in the respective government and the ones set by internationally-recognized administrative body.</li> <li>● Reduction of HSE issues that involve serious damage to human beings and/or environment.</li> </ul>	<ul style="list-style-type: none"> <li>● We are duly complying with the HSE management standards set by the governments and relevant authorities.</li> <li>● In accordance with our internal regulations, we monitor the number of incidents, seriousness and contents of the cases on a monthly basis. (In FYE 2019, no major operational incidents have been reported as of the end of February.)</li> </ul>
 	Establishing a supply chain reflecting consideration for human rights and the environment	Food Company	Provisions	We will establish a procurement system that conforms to third-party certification criteria and unique codes of conduct of manufacturers as our customers.	<ul style="list-style-type: none"> <li>● Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers.</li> <li>● Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil.</li> </ul>	Proceed with discussions of targets for the sustainable procurement of palm oil by collaborating with the trading industry organization based on customers' situations and industry trends.	By 2025 we aim to switch the palm oil we handle to sustainable palm oil (RSPO/MSPO/ISPO, etc.). On the basis of the industry trends and customers' circumstances, we are going to improve our procurement system to provide sustainable palm oil with industry groups.
	Providing an environment that enables the focus to be placed on stable production activities	General Products & Realty Company	Construction	We will operate industrial estates in a high-quality manner that will permit tenant companies to focus on stable production activities.	<ul style="list-style-type: none"> <li>● Establish a safe, secure, environmentally-friendly infrastructure, including facilities such as those for power supply, industrial water/wastewater treatment, security and fire prevention systems, or improve the existing infrastructure to make it like the above.</li> <li>● Create employment by inviting companies, and in addition, promote locally-based contribution activities.</li> </ul>	Undertake further improvements of infrastructure facilities and the service system in industrial estates and continue diverse local contribution activities.	We continue to carry out the following initiatives at the Karawang International Industrial City <ul style="list-style-type: none"> <li>● Provide a service structure that takes into account safety, security and the environment</li> <li>● Activities that contribute to neighboring areas.                             <ol style="list-style-type: none"> <li>1) Support for establishment of a pediatric health contact center; supplying baby food, providing medical equipment to midwives.</li> <li>2) Provision of scholarships to Jr. high and high school students.</li> <li>3) Afforestation/donating saplings to local governments and establishing agricultural parks.</li> </ol> </li> </ul>
	Urban development in the Jingu Gaien district	Head-quarters	Rebuilding of our Tokyo headquarters by participating in the Jingu Gaien District City Area Redevelopment Project	We will strive to contribute to the community through the realization of prosperous complex urban development focused on sports, culture and communication.	Communicate appropriately with stakeholders and acquire permissions in the redevelopment study process.	Submit the necessary applications and acquire the necessary permissions (e.g., plan proposal, execution permission application and redevelopment construction permission).	* Because of new commitment, review will be conducted from the next fiscal year.

# Contribute to healthier and more enriched lifestyles

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Decline in credibility that would result from the occurrence of a problem related to the safety or health of consumers and service users.</li> <li>● Impact on business of destabilization of the market or social security system based on policy change. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in demand for food safety and security and health improvement.</li> <li>● Expansion of information, financial and logistics services resulting from an increase in consumer spending or penetration of the Internet. And others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
	Promoting good health among people	Machinery Company	Sales of leading-edge medical devices and provision of medical services	We aim to improve quality of life by providing leading-edge medical devices and advanced medical services in the field of medical care, where technologies are innovated rapidly.	Promote sales of advanced medical devices, such as MRI-guided radiation therapy systems, and the business of supporting the operation of designated regional cancer care hospitals.	Increase the penetration of advanced medical devices in Japan, such as MRI-guided radiation therapy systems.	We delivered radiation therapy equipment to Edogawa Hospital in August 2018, our second facility in Japan after the National Cancer Center Hospital in March 2017. We are pursuing collaborative research with National Cancer Center to establish national standard treatment. Also, with equipment's new technology, we are able to challenge for pancreatic cancer as well as other intractable cancers.
		Energy & Chemicals Company	Pharmaceutical products	Contributing to the improvement of people's health and working environment through accelerating the development of pharmaceuticals and other products in fields with significant needs including cancer-related fields.	Actively promoting to support the development and marketing of new pharmaceutical and other products.	Aiming to obtain approvals in Asia and North America for new pharmaceutical and other products of which we are engaged in supporting the development, and to launch them into the market.	<ul style="list-style-type: none"> <li>● In May 2018, our operating company began selling non-absorptive liquid for protecting oral mucositis, under the approval we received for the production and distribution of medical device in Japan. (This liquid control and relief pain of oral mucositis caused by chemotherapy or radiotherapy when treating diseases such as cancer.) In February 2019 we also gained approval for the production and distribution of medical device in China with regards to the same medicine.</li> <li>● We began full-scale sales of the pain reliever in North America after acquiring FDA approval through our operating company in February 2018.</li> </ul>
		ICT & Financial Business Company	<ul style="list-style-type: none"> <li>● Business of clinical development support and pharmaceutical marketing support</li> <li>● Business of providing health care management solutions for individuals</li> </ul>	We will provide value-added services for pharmaceuticals and medical sites, and will contribute to improvement of people's Quality Of Life (QOL) by utilizing cutting-edge ICT tools.	Store and utilize health data obtained from health checkup, wearable devices, and body composition scales.	FYE 2021: Managing the health data of 1,000,000 people.	The number of people targeted for health data management is increasing steadily, and is projected to reach 700,000 people by the end of FYE 2019. We are helping to promote people's health by working to make vital data visible and increasing health consciousness.
	Supplying safe, secure food	Food Company	Overall food-related businesses	We will select and concentrate on suppliers who are capable of manufacturing and supplying safe, secure food stably.	Increase the number of persons with international certifications/qualifications related to judgment on the Food Safety Management System (FSMS) to enhance the capability of human resources for selecting suppliers.	Proceed with the appropriate allocation of human resources as judges mentioned on the left to business departments, with the leading role played by the food safety management organization of ITOCHU Corporation.	In FYE 2019 three more personnel were certified as ISO22000 Provisional Auditors. We expect a similar increase in the qualified personnel in next fiscal year.
	Establishing a logistics network that is adapted to changes in consumer behaviors	General Products & Realty Company	Distribution	We will provide logistics services adapted to changes in distribution that have resulted from the expansion of the e-commerce market in emerging countries.	Establish and promote the operation of high-value added logistics services for business operators who sell goods using e-commerce.	Aim to increase the trade volume of products in the e-commerce logistics markets in emerging countries.	<ul style="list-style-type: none"> <li>● In FYE 2019, we forecast a 20% increase in EC logistics transactions for China's ITOCHU Logistics (China) CO., LTD. based on number of orders.</li> <li>● We have started applying the EC logistics business model deployed in China in India as well. We are considering introducing it in Indonesia as well.</li> </ul>
	Maintenance of industrial, logistics, and transportation infrastructure	ICT & Financial Business Company	ICT infrastructure construction business	We will contribute to maintain safe, secure, and highly convenient social infrastructure through providing various ICT solutions.	Continue to enhance the value of ICT solutions with maximizing new product/service sourcing functions.	Increase the number of procurement partners.	We have started to deal with five new suppliers in the field of system management, etc. By providing ICT solutions to strengthen information security, we contribute to the realization of safe, secure and convenient social infrastructure.
	Providing financial services	ICT & Financial Business Company	Domestic and overseas retail finance business	We work on expanding and creating the retail financial market and providing financial services to individuals to contribute to enriching people's lives.	Increase the number of customers and loan balance by expanding and creating the retail financial market.	Increase of the number of customers and loan balance.	We started retail financial business in Philippines. Also, we started working on P2P lending platform in Indonesia. Loan balance in each existing business is expanding as well.
 	Energy use that takes into consideration local communities and the environment	Head-quarters	District heating and cooling	We will promote efforts toward environmentally friendly regional energy use.	Communicate appropriately with neighboring stakeholders in the Jingu Gaien district.	Submit a plan proposal that gives our specific energy plan in the redevelopment to the Tokyo Metropolitan Government.	* Because of new commitment, review will be conducted from the next fiscal year.
		Energy & Chemicals Company				Maintain the stable operations of district heating and cooling in the Jingu Gaien district and promote the spread of it to neighboring areas.	* Because of new commitment, review will be conducted from the next fiscal year.


# Ensure stable procurement and supply

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Impact of opposition movement resulting from the occurrence of an environmental problem and worsening relationship with local communities.</li> <li>● Structural exhaustion of the overall industry caused by the occurrence of price competition, mainly in the consumer-related sector. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in resource demand attributed to an increase in population and improvement of living standard in emerging countries.</li> <li>● Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials. And others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
	Stable supply of industrial resources and materials	Textile Company	Environmentally friendly materials (sustainable materials) such as recycled fibers	We will accelerate initiatives for the recycled fiber business, not only to create new businesses but also to help solve the global problem of apparel waste and reduce petroleum-derived materials.	Work aggressively on the recycled fiber business and lead the industry in promoting the use of sustainable materials.	Commercialize the recycled fiber business as soon as possible. Increase the ratio of sustainable materials to materials we trade.	We are aiming to strengthen our supply chain from raw materials to finished products, with a focus on sustainable raw materials. Thus, we have conducted multiple investment and planning projects for suppliers of Lyocell and recycled polyester and these are progressing well.
		Metals & Minerals Company	Mining business	We will contribute to the stable operation of various industries by maintaining and developing reliable supply chains for essential raw materials and fuels.	Acquire equity interests in superior projects to secure resources to form the basis for the steady supply of raw materials and fuels.	Acquisition of superior resource projects to pass on to the future generations, in addition to maintaining and expanding our existing portfolio of highly resilient mining projects.	<ul style="list-style-type: none"> <li>● We have approved capital expenditure to develop the South Flank iron ore project in western Australia, in cooperation with our partner BHP, with the goal of maintaining and expanding our existing superior mining project. It is an excellent mining area that can sustain operations for 25 years or more starting in 2021.</li> <li>● We have promoted and participated both existing and new copper and coking coal exploration projects. This will allow us to secure excellent interests tied to next-generation prospects.</li> </ul>
	Provision of commodities that help achieve a sustainable lifestyle	Textile Company	Brand marketing business	We will contribute to increasing the visibility of a sustainable lifestyle by taking advantage of our strengths as a marketing company.	Raise awareness of an ethical, sustainable lifestyle through brand business, thereby promoting awareness-raising not only in the overall industry but also among consumers.	FYE 2021 : Take initiatives with new brands. Have a sustainable lifestyle understood and instilled more widely.	This has not led to closing any contracts on a new brands that appeal to ethical lifestyles. But we see a need in the market and are continuing to work to achieve this.
	Using sustainable forest resources	General Products & Realty Company	<ul style="list-style-type: none"> <li>● Wood products &amp; materials</li> <li>● Pulp</li> <li>● Woodchips</li> </ul>	We deal in sustainable forest resources to reduce the impact on the environment and prevent the increase of greenhouse gases.	<ul style="list-style-type: none"> <li>● Continue to request suppliers who have yet to obtain certifications to obtain them.</li> <li>● Conduct sustainability surveys of suppliers and visit them.</li> </ul>	FYE 2026: Aim to achieve a rate of 100% for materials under high-level management or certified ones that we handle.	<ul style="list-style-type: none"> <li>● We also continue to carry out the following for suppliers</li> <li>● Verifying traceability by conducting individual on-site inspections.</li> <li>● Expanding the handling of products subject to "timber traceability verification by third-party organizations.</li> </ul>
 	Realization of sustainable supply of natural rubber	General Products & Realty Company	Natural Rubber	We shall use our best efforts to establish measures to identify any suppliers developing on High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatland, in order to avoid procuring rubber from them.	We will establish a traceability system to make uncertain raw material procurement supply chain transparent.	We aim to procure raw materials with traceability and sustainability ensured in natural rubber processing business.	* Because of new commitment, review will be conducted from the next fiscal year.
 	Establishing a supply chain reflecting consideration for human rights and the environment	Textile Company	Supply chain management	We will promote information-sharing in the overall Group and establish a safe, secure supply chain, thereby helping customers with risk reduction and contributing to sustainable economic development.	Make Group-wide efforts to review the social and environmental safety of the supply chain and make improvements as necessary, thereby promoting the establishment of a safe, secure commodity supply system.	FYE 2024: Establish and visualize the supply chain of the overall Group, from material procurement to sales, to ensure a responsible procurement policy.	In FYE 2019 we conducted an investigation of 50 of our suppliers from the standpoint of Environmental, Social and Governance (ESG) criteria. In FYE 2020 we plan to increase this to 80 companies, and continue to work to establish a healthy supply chain.
 	Sustainable mine development that reflects consideration of the risks in occupational safety and health and environmental risks, and that contributes to local communities	Metals & Minerals Company	Mining business	<ul style="list-style-type: none"> <li>● We will promote sustainable development of natural resources by fully committing to EHS (environment, health, occupational safety) and harmonious coexistence with local communities in areas which we operate.</li> <li>● We will improve local infrastructure such as medical care and education.</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure the thorough application of the EHS guidelines.</li> <li>● Contribute to local communities through activities for improving medical care, education and infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation of annual internal seminars to ensure our employees are fully aware of the EHS guidelines.</li> <li>● Donations to medical care, education and build infrastructure in local communities.</li> </ul>	<ul style="list-style-type: none"> <li>● We held internal EHS (Environment, Health and Safety) training courses for supervisors and company employees belonging to sections engaged in resource development. The attendance rate of those subject to this training was 100%.</li> <li>● In FYE 2019, we checked five existing projects and one new project under EHS guidelines using the check sheet, and set follow-up items.</li> <li>● We carried out CSR activities that contribute to the local community as part of each project we invest in.</li> <li>● As an original initiative, our Australian subsidiary, ITOCHU Minerals &amp; Energy Australia Pty. Ltd., co-sponsored citizen awards in the communities surrounding the port of our iron ore projects.</li> </ul>
	Establishing a supply chain reflecting consideration for human rights and the environment	Food Company	Provisions	We will establish a procurement system that conforms to third-party certification criteria and unique codes of conduct of manufacturers as our customers.	<ul style="list-style-type: none"> <li>● Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers.</li> <li>● Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil.</li> </ul>	Proceed with discussions of targets for the sustainable procurement of palm oil by collaborating with the trading industry organization based on customers' situations and industry trends.	By 2025 we aim to switch the palm oil we handle to sustainable palm oil (RSPO/MSPO/ISPO, etc.). On the basis of the industry trends and customers' circumstances, we are going to improve our procurement system to provide sustainable palm oil with industry groups.

# Maintain rigorous governance structures

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
	Ensuring compliance	Headquarters	Compliance	We will make employees more aware that ensuring compliance at any time is our contribution to the company and society.	Recognizing attitude of employees identifying issues and ensuring action plans to tackle the issues through periodic survey and direct communications.	Continuous direct communication with employees through face-to-face training programs whose contents shall be updated along with monitoring the measures according to risks, expectations from society and issues on site which will change with the time.	<ul style="list-style-type: none"> <li>● Based on the results of the Compliance Attitude Survey conducted in FYE 2018, we exchanged opinions with all Company Presidents regarding issues and conditions relating to individual and group companies.</li> <li>● In May 2018 we carried out e-learning for all employees of ITOCHU Corporation concerning the Antitrust Act. ITOCHU also conducted monitoring from October to December 2018 concerning application of the Basic Regulations on the Compliance with the Antimonopoly Act, etc. that we have established, one year after their introduction. We are currently requesting that principle group companies introduce similar regulations (implementation expected to be completed during FYE 2019).</li> <li>● The state of the cyclic training conducted in FYE 2019 is as follows (as of February 28, 2019).</li> <li>● For ITOCHU Corporation: Held 42 times with 1,265 attendees.</li> <li>● For group companies (conducted for 91 companies): Held 177 times with 10,246 attendees.</li> </ul>
	Maintaining and reinforcing a governance system for achieving sustainable growth	Headquarters	Corporate governance	We will implement highly effective supervision over the management from an independent and objective standpoint and ensure the appropriate and efficient execution of business operations by improving the transparency of our decision-making, aiming to our sustainable growth as well as the medium- and long-term improvement of our corporate value.	<ul style="list-style-type: none"> <li>● Appoint several outside directors, who have a high level of independence that fulfills our independence criteria and are expected to contribute to the company management with a high level of knowledge in their respective fields.</li> <li>● Maintain a highly transparent and objective directors' and officers' remuneration system, which can increase their motivation to contribute to our medium- and long-term improvement of our company's performance and the improvement of our corporate value.</li> </ul>	Continue to implement measures to strengthen the supervising function of the Board of Directors, through an annual evaluation of the Board of Directors.	<ul style="list-style-type: none"> <li>● We have decided to always keep 1/3 or higher percentage of outside directors.</li> <li>● We conducted the evaluation as to the effectiveness of FY 2019 Board of Directors, and released the result in April 2019.</li> </ul>
			Risk management	We will build a system for group risk management and maintain it to manage the risk of loss and ensure the appropriateness of our corporate group's operations.	Conduct regular reviews of risk management systems that have been established, including internal committees and risk management departments, various rules and regulations, reporting and monitoring systems, as well as the effectiveness of such systems.	Maintain a firm governance system in the medium- and long-term by establishing a PDCA cycle, including development and implementation of action plans by the departments responsible for risk management, and monitoring and reviews by internal committees.	<ul style="list-style-type: none"> <li>● Each functional department responsible for risk management has reviewed the state of progress of the action plans for the first half of FYE 2019.</li> <li>● The Global Risk Management Division has compiled information on the risk management system—including handling of events that occurred within the relevant period—to the effect that it is functional. The Division reported this to the October 2018 Internal Control Committee, which has acknowledged the report.</li> <li>● Moreover, the Division plans to report to the same committee, when it is held in the first half of FYE 2020, concerning the review of the latter half of FYE 2019 and the FYE 2020 action plan.</li> </ul>

# SDGs (Sustainable Development Goals)



Goal 1. End poverty in all its forms everywhere



Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Goal 3. Ensure healthy lives and promote well-being for all at all ages



Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Goal 5. Achieve gender equality and empower all women and girls



Goal 6. Ensure availability and sustainable management of water and sanitation for all



Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all



Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Goal 10. Reduce inequality within and among countries



Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable



Goal 12. Ensure sustainable consumption and production patterns



Goal 13. Take urgent action to combat climate change and its impacts



Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development



Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development



# Efforts: Sustainability Advisory

## 2018 Sustainability Advisory Board

### Overview

The Sustainability Advisory Board (formerly the CSR Advisory Board) convened at Tokyo headquarters on January 10 to hold a dialog on sustainability between ITOCHU Corporation management and outside stakeholders. The Sustainability Advisory Board was established to engage in dialog with outside stakeholders to determine whether the direction we are taking with sustainability as ITOCHU Corporation's business grows more diverse and widespread is aligned with the needs of society, and then to apply the insights to promoting sustainability. In FYE2019, we welcomed three experts familiar with the latest trends in the international community concerning climate change to address a main theme of "how the trading house business can help adapt to climate change" from different perspectives: industry, academia and government. In a frank exchange of ideas, they offered candid advice based on the business' impact on society and trends at other companies. One of the participants said, "It's important to consider what kind of business model to aim for next, and to propose it with the long term in mind. A trading house is exactly the kind of company that can do this." Such high expectations toward ITOCHU shared in the participants' views will be applied to promoting sustainability company-wide.



<p>FYE 2019</p>	<p><b>Climate Change</b></p> <ul style="list-style-type: none"> <li>● Sustainability Advisory Board Members (Job Titles at the Time)           <ul style="list-style-type: none"> <li>● Mr. Kenichi Suganuma Ambassador Plenipotentiary and Extraordinary (in charge of climate negotiations), Ministry of Foreign Affairs</li> <li>● Mr. Tsuyoshi Mizuguchi Professor of Economics, Takasaki City University of Economics</li> <li>● Mr. Hidemi Tomita Director, Lloyd's Register Japan K.K.</li> </ul> </li> <li>● ITOCHU Members (Job Titles at the Time)           <ul style="list-style-type: none"> <li>● Fumihiko Kobayashi Member of the Board, Senior Managing Executive Officer, Chief Administrative &amp; Information Officer</li> <li>● Yoshihiko Ogura General Manager, Planning &amp; Administration Department, Metals &amp; Minerals Company</li> <li>● Isao Nakao General Manager, Planning &amp; Administration Department, Energy &amp; Chemicals Company</li> <li>● Takumi Imai Acting General Manager, Planning &amp; Administration Department, Machinery Company</li> <li>● Yoshihito Tabe General Manager, Sustainability Management Department (served as Moderator)</li> </ul> </li> </ul>
<p>FYE 2018</p>	<p><b>Review of material sustainability issues (materiality)</b>  <b>External environment related to sustainability and promotion of sustainability by ITOCHU</b></p> <ul style="list-style-type: none"> <li>● Sustainability Advisory Board Members (Job Titles at the Time)           <ul style="list-style-type: none"> <li>● Ms. Mariko Kawaguchi Senior Researcher, Daiwa Institute of Research Holdings Ltd.</li> <li>● Mr. Takeshi Shimotaya Managing Director, Sustainavision Ltd.</li> <li>● Mr. Hidemi Tomita Director, Lloyd's Register Japan K.K.</li> </ul> </li> </ul>

### **The Impact of Climate Change on Business Activities**

FYE 2017

- Sustainability Advisory Board Members (Job Titles at the Time)
  - Ms. Masako Konishi Deputy Director, Conservation Department and Climate Change Energy Project Leader, World Wildlife Fund Japan
  - Ms. Mariko Kawaguchi Senior Researcher, Daiwa Institute of Research Holdings Ltd.
  - Mr. Yoshihiro Fujii Visiting Professor, Graduate School of Global Environment Studies, Sophia University and Representative Director, Research Institute for Environmental Finance

# Efforts: Spreading Sustainability at ITOCHU

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When running sustainability activities, ITOCHU Corporation raises awareness within the company so as to further Group employees' understanding and to apply solutions to social issues in our business in a manner that conforms to the latest global trends.

## Raising Awareness with "ITOCHU Monthly"

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"ITOCHU Monthly," our in-house magazine issued every month in three languages (Japanese, English and Chinese) presents information, terminology and initiatives relating to sustainability. There is also an annual feature on sustainability to further embed sustainable practices at the company.



## Sustainability Test and Employee Questionnaire

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The online Sustainability Test and Employee Questionnaire are conducted every year for all ITOCHU Corporation executives and employees worldwide to further spread sustainability in the company and gauge our awareness of the subject.

Fiscal Year	Theme	Participation
2019	"ESG – Climate Change Response, Business & Human Rights"	99.9%
2018	"ITOCHU's Further Growth – ESG Investment"	99.5%
2017	CSR in the New Era for the Sogo Shosha	99.8%

# Sustainability Seminars

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We have been holding in-house sustainability seminars on a continuous basis since 2007 to bring in outside insights and ideas on various sustainability issues.

## Recent Seminars

For the sustainability seminar on "Business and Human Rights" on December 13, we invited Japan NGO Center for International Cooperation (JANIC) Secretary-General Hideki Wakabayashi and Lloyd's Register Japan K.K. Director Hidemi Tomita. During the first session, Mr. Wakabayashi gave a keynote address in which he shared discussions at the UN Forum on Business and Human Rights that convened in Geneva at the end of November 2018. In the second session, Messrs. Wakabayashi and Tomita joined a lively panel discussion guided by questions on issues people face in business settings to consider how trading houses operating worldwide should handle human rights issues. Holding the seminar provided a fine opportunity to reexamine the responsibilities our company should uphold in each of our businesses.



The panel discussion

FYE 2019	Business and Human Rights (in the Supply Chain)
FYE 2018	Business and Human Rights (Development)
FYE 2017	What Companies and Consumers Can Do to Create a Sustainable Society
FYE 2016	Global Initiatives and Innovations to Implement Bold Global Warming Countermeasures
FYE 2015	Running a Business to Solve Global Issues

# Efforts: The United Nations Global Compact

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## Involvement in the United Nations Global Compact

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In April 2009, ITOCHU Corporation joined the United Nations Global Compact, a global initiative to achieve sustainable growth for the international community. The company is "Committed to the Global Good" as part of our corporate philosophy and in line with the United Nations Global Compact's 10 principles covering human rights, labor, the environment and anti-corruption.



## The Ten Principles of the United Nations Global Compact

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Human Rights	<ul style="list-style-type: none"><li>● <b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</li><li>● <b>Principle 2</b> make sure that they are not complicit in human rights abuses.</li></ul>
Labour	<ul style="list-style-type: none"><li>● <b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</li><li>● <b>Principle 4</b> the elimination of all forms of forced and compulsory labour;</li><li>● <b>Principle 5</b> the effective abolition of child labour; and</li><li>● <b>Principle 6</b> the elimination of discrimination in respect of employment and occupation.</li></ul>
Environment	<ul style="list-style-type: none"><li>● <b>Principle 7</b> Businesses are asked to support a precautionary approach to environmental challenges;</li><li>● <b>Principle 8</b> undertake initiatives to promote greater environmental responsibility; and</li><li>● <b>Principle 9</b> encourage the development and diffusion of environmentally friendly technologies.</li></ul>
Anti-Corruption	<ul style="list-style-type: none"><li>● <b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</li></ul>

## Work with Global Compact Network Japan

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ITOCHU Corporation is the corporate director of Global Compact Network Japan (GCNJ), the local network for the United Nations Global Compact in Japan. Our proactive participation in this work also includes sending employees to provide assistance with their activities.

The GCNJ learns from other companies' practices and academics, and also consists of subcommittees for deliberations and exchanging ideas on specific topics concerning approaches and initiatives for sustainability. In FYE2019, the company participated in the following subcommittees.

- Human Rights Education Subcommittee
- ESG Subcommittee
- Environmental Management Subcommittee

## Other Sources of Reference

When advancing sustainability, we refer to the following kinds of international guidelines and principles, such as the Ten Principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015.

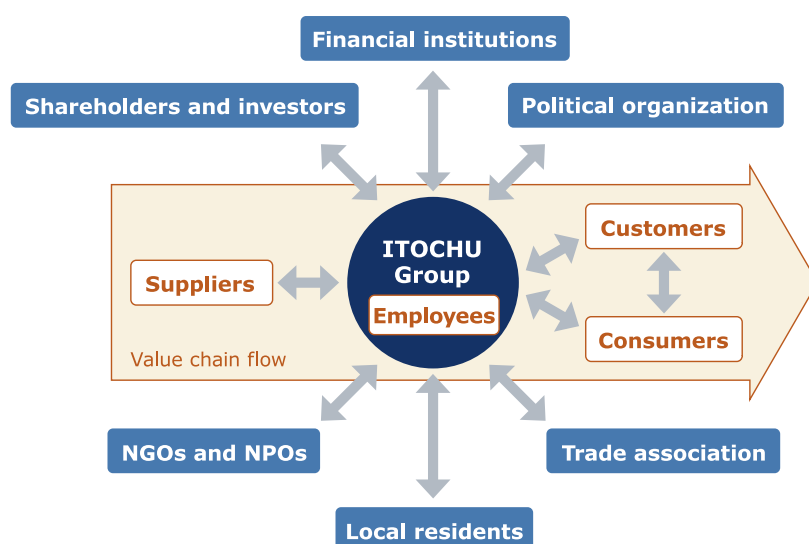
- United Nations Global Compact (participant)
- GRI Guidelines
- UN Declaration of Human Rights
- International Integrated Reporting Council (IIRC)
- UN Guiding Principles on Business and Human Rights
- Keidanren: Charter of Corporate Behavior
- Sustainable Development Goals (SDGs)\*
- Japan Foreign Trade Council: "Shosha's Corporate Environmental Code of Conduct," "Supply Chain CSR Action Guidelines"
- Declaration on the Rights of Indigenous Peoples
- CDP
- Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
- OECD Guidelines for Multinational Enterprises
- ISO 26000

\* Sustainable Development Goals (SDGs): Following the 2015 deadline for the Millennium Development Goals (MDGs), the SDGs set goals for sustainable development by 2030. The 17 goals address issues such as poverty, starvation, energy, climate change and social equality.

# Stakeholder Relations

## Policy & Basic Approach

In our diverse range of corporate activities conducted worldwide, we place strong emphasis on dialogue with the many stakeholders that surround ITOCHU. By engaging in dialogue with our stakeholders in the manner described below, we provide them with information about the activities of the ITOCHU Group, and identify their expectations and concerns regarding ITOCHU. We will continue to promote our sustainability by reflecting measures for addressing issues within our business activities, with the aim being to improve our corporate activities.



\* Besides those noted above, the list of our major stakeholders includes many other parties.

Stakeholders	Main methods of dialogue
Suppliers, Customers, and Consumers	Provision of information through the Annual Report and official website Notification of CSR action guidelines Quality control and fact-finding investigations about the status of CSR at suppliers Contact for inquiries
Shareholders, investors, and financial institutions	General meeting of shareholders Investors meeting on business results Provision of information through the Annual Report and official website Response to investigations and ratings performed by socially responsible investors Debt IR
Political organization, trade association	Participation in the government, the ministries related committees and councils Activity through the trade association (Japan Business Federation, Japan Foreign Trade Council)
Local communities, NGOs, and NPOs	Social contribution activities and volunteer activities Stakeholder dialogue Dialogue with residents of areas around project sites Regular communication with NGOs and NPOs
Employees	Provision of information via the intranet and in-house magazines Communication via training sessions and seminars Provision of career counseling Establishment of a 24-hour employee consultation desk system Implementation of employee awareness surveys Labor-management meetings (including management meetings and settlement of accountings meetings) General employee meetings at each company

## Reference data FYE 2019: The expense of trade association and social contribution

(Unit: 1 million yen)

Trade association	77	Social contribution (donation)	169 (163)
Economic association	95		
Political association	29		
Other association	158		





*Environment*

# Environmental Management

## Policy and Basic Concept

We consider efforts to conserve the global environment to be the most important issue in our management policy. This is under recognition that the business activities ITOCHU performs in Japan and overseas (e.g., the provision of various products and services, the development of resources, and business investment) are closely connected to global environmental problems.

We believe that sustainable corporate growth cannot be achieved without consideration for global environmental problems. Therefore, we established the Global Environment Department in 1990 ahead of other trading companies. We then formulated ITOCHU's Activity Guidelines on the Environment in 1993 (revised to the ITOCHU Environmental Policy in 1997). We reorganized and integrated the Environmental Policy and the Basic Policy for CSR Promotion in April 2018. This was revised into the ITOCHU Group Basic Policy on Promotion of Sustainability as a new policy based on the spirit of *sampo yoshi*, or the "three goods" (good for the buyer, good for the seller and good for society).

We are ensuring compatibility of both offense and defense — offense to promote environment conserving business and defense to take a precautionary approach to environmental risks — based on this policy. The aim of this is to fulfill our corporate philosophy of being committed to the global good. We are also engaged in global corporate management and activities with a constant awareness of global environmental problems. This comes from a perspective of wondering what we can leave to the next generation in addition to contributing to the good of the current generation.

We reorganized and integrated our conventional environmental management structure into a structure to promote sustainability in line with the revision to this policy in April 2018. We have built and are maintaining and operating an efficient environmental management system in accordance with the ISO14001 standards.

You can find our Basic Policy on Promotion of Sustainability on P7.

## Targets

### Effort Targets and Achievements by Item in FYE 2019

We set environmental goals we will tackle in the medium term for environmental management. Upon that, we set concrete targets and review achievements based on those every fiscal year.

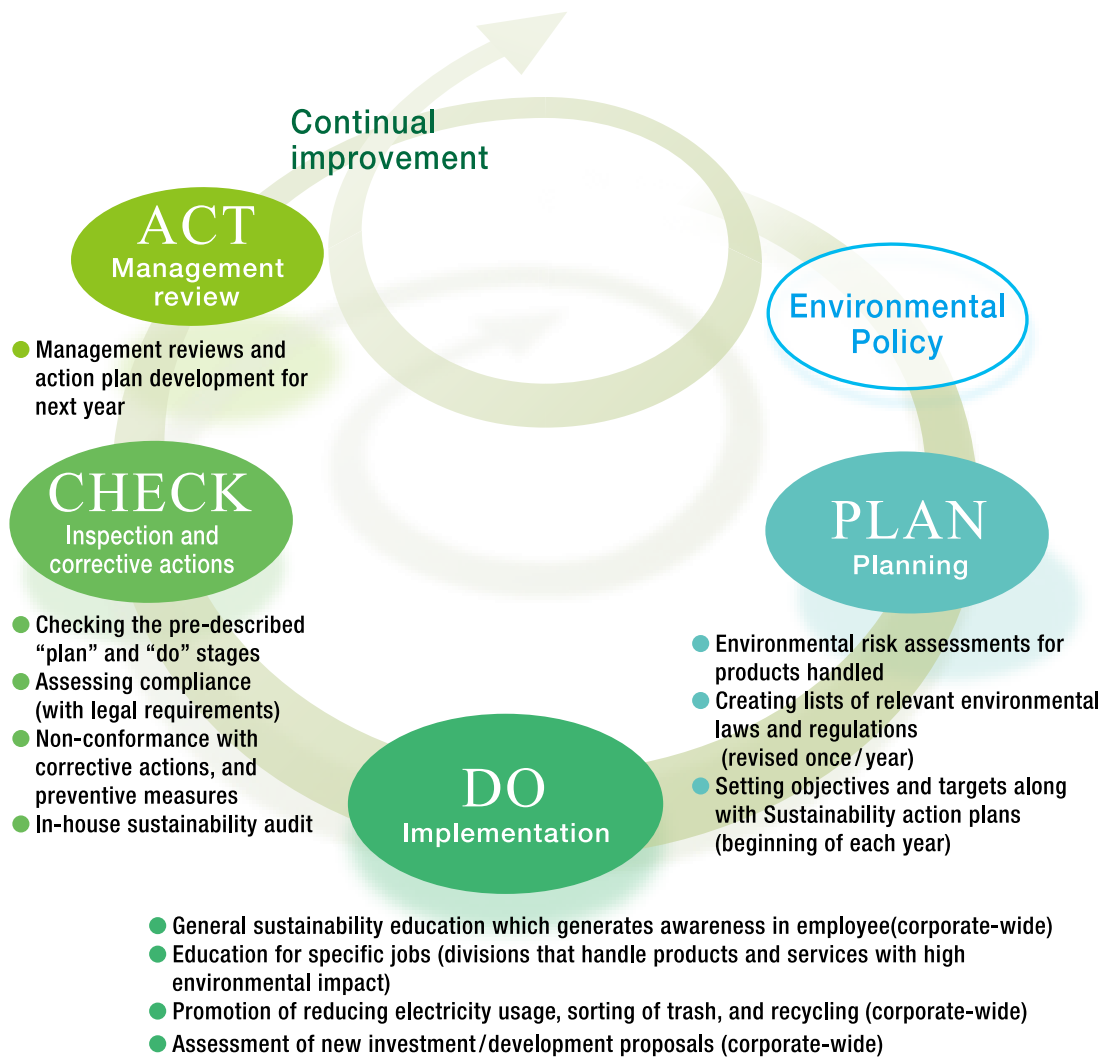
Item	FYE 2019 Environmental Target	Review	Content Implemented in FYE 2019
Prevention of environmental pollution and compliance with laws and regulations	To ensure thorough company-wide utilization of advance environmental risk assessments and the ESG Checklist for Investments when investing. To strengthen risk management awareness over the entire supply chain with environmental risk assessments by product and to ensure their thorough company-wide utilization.	○	We performed advance environmental risk assessment with the ESG Checklist for Investments in all investment projects. (The assessment items also include the energy consumption and CO <sub>2</sub> emissions situation.) The 33 check items conform to the core subjects of ISO26000 (Guidance on social responsibility). We gave feedback on ESG aspects to the departments making the applications for all investment projects. (We gave comments on 112 projects in FYE 2019.)
	To promote efforts to improve the management level by checking the environmental management system, compliance and environmental performance situation through internal audits.	○	We conducted internal audits on 49 departments (including in the form of a self-check for five departments). We checked the environmental management system operation, compliance and environmental performance management situation. We then gave advice.
	To select group companies and then perform visits and surveys on their environmental management situation.	○	We visited and surveyed a group company and gave them a variety of advice. We implemented improvements on-site.

Item	FYE 2019 Environmental Target	Review	Content Implemented in FYE 2019
Promotion of environmental conservation activities	To expand the scope of things to be understood (e.g., energy emissions) in overseas local subsidiaries and major Japanese and overseas subsidiaries.	○	We collected and disclosed information from 15 overseas branches (including local subsidiaries), 208 group companies in Japan and 299 overseas group companies.
	To set and review targets according to the Sustainability Action Plan. (To promote at least one target in each company and branch.)	○	We planned, implemented and reviewed the respective environmental conservation activities in all company divisions and branches.
Coexistence with society	To give environmental education to elementary and junior high school students.	○	We provided a summer vacation environmental workshop (July 24 / about 100 participants).
	To provide cooperation to local companies and governments for environmental conservation activities. (To provide cooperation in at least one case in each branch.)	○	Branches held events and volunteer activities in cooperation with local companies and governments.
Promotion of awareness activities	To give and promote learning with seminars, tours, basic ESG education and education for personnel with specific duties for ITOCHU and group company employees.	○	We gave basic ESG education (June to November / 4,168 participants) and education for personnel with specific duties (June to March / 400 participants). We also held a sustainability seminar called the Human Rights Seminar (December 13 / 200 participants).
	To give and promote learning with workshops on the Waste Management and Public Cleansing Law and Soil Contamination Countermeasures Act for ITOCHU and group company employees.	○	We gave sustainability e-learning (November to December 2018 / 4,474 trainees).

\* ○ : Implemented △ : Partially implemented × : Not implemented

## Structures and Systems

ITOCHU was the first trading company to introduce an environmental management system (EMS) based on ISO14001 in 1997 to strive for continuous improvement. This system seeks to comply with environmental related laws and regulations, to take a precautionary approach to environmental risks (including those relating to climate change) and to promote environment conserving businesses. Specifically, we recognize that our business activities can have an impact on the global environment and so are looking to take a precautionary approach to environmental risks. To that end, we have built a mechanism to assess in advance the impact in regards to new investments in particular together with the products we handle. It is a system in which we formulate targets for items in terms of both offense and defense every year. These items relate to a precautionary approach to environmental risks, environment conserving businesses, saving energy, saving resources, CO<sub>2</sub> emissions reduction and other climate change related risks. We then assess and analyze the progress situation. Finally, we move through the PDCA cycle to reliably achieve our targets. Through this, we operate and manage our targets.



## Environmental Management Structure

We have reorganized and integrated our environmental management structure into a structure to promote sustainability in the same way as with the Environmental Policy since April 2014. This has led to the establishment of a new structure to promote sustainability. You can find this from P11.

\* Group companies subject to the environmental management system: ITOCHU Automobile Corporation, ITOCHU Metals Corporation, and ITOCHU Taiwan Corporation

No. of companies that have acquired ISO14001 in our group: 63 out of 532 companies (coverage :12%).

## External Audits

We undergo an ISO14001 certification review every year by the BSI Group Japan K.K. (BSI). In FYE 2019, we underwent a renewal review. (We undergo a maintenance review in the first and second years and then a renewal review in the third year; this cycle then repeats). This review led to the renewal of our certification.

## Internal Audits

We conduct internal sustainability audits every year based on ISO14001. In FYE 2019, we audited all 49 departments (including in the form of a self-check for seven departments). Members of the Sustainability Management Department constitute the audit team and conduct them with emphasis on compliance audits. The implementation of internal sustainability audits over half a year leads to a precautionary approach to environmental risks.

## Environmental Accounting

### Environmental Conservation Costs

The environmental conservation costs in all offices in Japan of ITOCHU in FYE 2019 are as follows.

(Unit: 1,000 yen)

Classification	Amount
Costs inside business areas	1,393,020
Up/downstream costs	15,384
Management activity costs	106,799
Research and development costs	500
Social activity costs	10,357
Costs to address environmental damage	48,481
Total	1,574,541

Summarized based on the Environmental Accounting Guidelines - 2005 Edition from the Ministry of the Environment.

Scope of Calculation: All domestic branches

Target period: April 1, 2018 to March 31, 2019

### Environmental Conservation and Economic Effects

The environmental conservation effect and economic effect of our paper and electricity consumption and the volume of waste we discard in ITOCHU in FYE 2018 is as follows.

	Environmental Conservation Effects	Economic Effects (Unit: 1,000JPY)
Paper Usage	-7,837,000sheets	-1,685
Electricity Usage	62,000kWh	1,248
Waste Emissions	18t	915
Water Usage	-4,184m <sup>3</sup>	-1,750

Environmental conservation and economic effects are calculated by subtracting actual values for the current fiscal year from those for the previous fiscal year.

Scope of Calculation: Paper and Water Usage - Tokyo Headquarters building, Electricity Usage, Waste Emissions - All of domestic branches.

### Understanding the Situation of our Environmental Obligations

We do not limit ourselves to just supporting statutory requirements in regards to the environmental risks in the tangible fixed assets (e.g., land and buildings) of ITOCHU alone and our group companies — in particular, asbestos, PCB and soil contamination; we also look to understand the situation through surveys voluntarily and then aim to respond in a way that is helpful to prompt management policy decisions and judgments. We again promoted the sharing of relevant information through various training programs (P38), such as an Environmental and Social Risk Response Seminar, in FYE 2020.

## Efforts

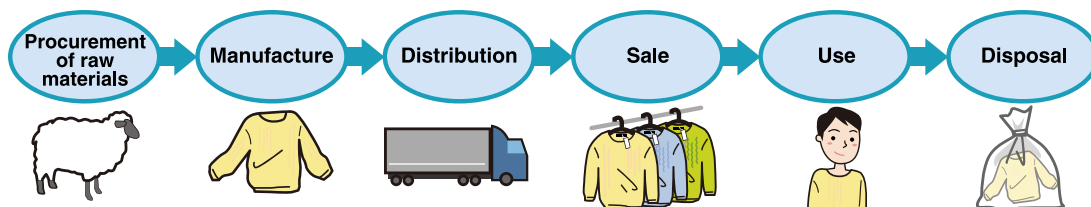
### Reduction of Environmental Risks in the Supply Chain

We recognize that the business activities over our entire group can have an impact on the global environment. Accordingly, we are working on activities aimed at taking a precautionary approach to environmental risks for group employees. This is in addition to the environmental risk assessments for the products handled by ITOCHU.

#### Environmental Risk Assessments for the Products We Handle

ITOCHU deals in a wide variety of products on a global scale. Therefore, we believe it is vital that we assess the impact on the global environment of each product, our environmental related laws and regulation compliance situation, and our relationships with stakeholders. Accordingly, we conduct our own environmental impact assessments on all our products. We use LCA\* analytical techniques from the procurement of raw materials concerning the applicable product to their manufacturing process, use and disposal. These analysis assessment items include those related to climate change (e.g., the decrease in tropical rainforests, desertification and global warming) to assess such related risks. If the results of these assessments show that the impact on the global environment will be greater than a specific score, we formulate various regulations and procedure manuals with the applicable product being subject to priority management.

\* Life Cycle Assessment (LCA): This is the technique to assess the impact of one product on the environment in all stages of its lifecycle — from raw materials to manufacture, transportation, use, and disposal or reuse.



#### Investigations into the Actual Conditions in Group Companies

We have continued to visit and investigate group companies since 2001. The aim of this is to prevent environmental pollution by these group companies. We analyze about 200 companies with a relatively high impact and burden on the global environment from among our group companies. We then conduct investigations into the actual conditions on approximately 10 companies a year. We have investigated a total of 283 offices over the past 18 years up to the end of FYE 2019. We assess companies in these investigations by investigating their factory and warehouse facilities, their situation of drainage to rivers, and their compliance with environmental laws and regulations in addition to holding a question and answer session with their management.

#### Environmental Risk Assessments on New Investment Projects

We assess in advance the impact on society and the environment by and conditions of corporate governance of business investment projects in Japan and overseas engaged in by ITOCHU and our Japanese subsidiaries. We do this with the ESG Checklist for Investment consisting of 33 items (The assessment items include the energy consumption and CO<sub>2</sub> emissions situation related to climate change risks). During FYE 2019, there were 112 applications of ESG Checklist. We make requests to external specialist organizations to conduct investigations in advance for projects requiring a professional point of view. The project is then only undertaken upon confirming that there are no problems in the results of those investigations.

#### Inquiries from Inside and Outside the Company and Our Response to Them




We received a total of 60 inquiries from outside the company in FYE 2019. These consisted of investigations and inquiries from the industrial world (12), administrative and industry organizations (9), NGO (2), and the media and investigation companies (5), and ISO14001 registration certification requests from business partners (32). There were no environmental related accidents, troubles or lawsuits in our company. Meanwhile, the contents of consultations from in the company and group companies were responded appropriately for such cases related Waste Management and Public Cleansing Law and Soil Contamination Countermeasures Act.

## ITOCHU Europe Green Finance Framework

As the regional headquarters of ITOCHU's operation in Europe, ITOCHU Europe Plc (ITOCHU Europe) published its Green Finance Framework in March 2019 and raised its first green loan of EUR150Million from Mizuho Bank and ING Bank through ITOCHU Treasury Centre Europe Plc, ITOCHU's group finance vehicle for Europe and the Middle East. This is the first green finance procured by any of the Japanese trading houses (so-called "Sogoshosha"). ITOCHU Europe Green Finance Framework was supported by ING, which acted as a Green Structuring Advisor, and was independently reviewed by Sustainalytics.

The ITOCHU Europe Green Finance Framework highlights how the activities of ITOCHU Europe are supporting two of the SDGs, namely "Goal 7: affordable and clean energy" and "Goal 12: responsible consumption and production." These consist of material sustainability issues identified by ITOCHU at group level.

ITOCHU Europe, together with ITOCHU group companies in the region, aims to achieve growth by expanding our sustainable business in such ways as developing and introducing new technology for environmentally friendly materials, deploying sophisticated technology to save energy, and investing in energy efficient and/or renewable energy projects.

- [ITOCHU Europe's Sustainability](#) 
- [ITOCHU Europe Green Finance Framework](#) 
- [Sustainalytics second-party opinion](#) 

## Environmental Education and Awareness

We provide various educational programs to encourage employees to conduct environmental conservation activities. In addition, we hold environmental law and ordinance seminars and global environmental problem awareness seminars for group employees. Through these efforts, we are striving to improve environmental awareness over the entire ITOCHU Group.

### — Seminars and Training Sessions

We proactively hold seminars and training sessions. The aim of these is to thoroughly inform ITOCHU Group employees about environmental related law and ordinance requirements and to raise their compliance and environmental awareness.

#### List of Environmental Seminars and Training Programs Held in FYE 2019

Title		Dates	Main Targets	No. of Participants
Group ESG Managers Conference		April 24, 2018 October 12, 2018 February 5 and 14, 2019	Group ESG managers	119
Basic ESG Education		June to November 2018 Total of 49 times	Employees and group company employees	4,168
Education for Personnel with Specific Duties		June 2018 to March 2019 Total of 20 times	Employees and group company employees	Approx. 400
Climate change	e-learning	November to December 2018	Employees	4,474
Sustainability Seminar		December 13, 2018	Employees and group company employees	Approx. 200
Other workshops for specific departments and group companies		As needed	Employees and group company employees	20

### — Sustainability Seminar

Please check Spreading Sustainability at ITOCHU (P27) for details.

# Environment Conserving Businesses






## Policy and Basic Concept

ITOCHU has decided to select important challenges that will lead to sustainable growth and to work on solving those challenges through our business in our Basic Policy on Promotion of Sustainability. Accordingly, we are striving to solve global environmental problems through the promotion of environment conserving businesses. We perceive business that contributes to solving environmental problems as a major challenge even in our business strategy. In particular, we are implementing business that contributes to efforts to address climate change (contribute to the realization of a low-carbon society) and to ensure stable procurement and supply — material sustainability issues — in various business fields. This is done through the spirit of sustainable growth according to the reinvented sampo yoshi, or the "three goods" (good for the buyer, good for the seller and good for society), approach aiming at our Brand-new Deal 2020 mid-term management plan. Each department formulates a sustainability action plan and then promotes it according to the PDCA cycle as the structure to promote these businesses.

## Targets

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
<b>Textile Company</b>							
Ensure stable procurement and supply		Stable supply of industrial resources and materials	Environmentally friendly materials (sustainable materials) such as recycled fibers	We will accelerate initiatives for the recycled fiber business, not only to create new businesses but also to help solve the global problem of apparel waste and reduce petroleum-derived materials.	Work aggressively on the recycled fiber business and lead the industry in promoting the use of sustainable materials.	Commercialize the recycled fiber business as soon as possible. Increase the ratio of sustainable materials to materials we trade.	We are aiming to strengthen our supply chain from raw materials to finished products, with a focus on sustainable raw materials. Thus, we have conducted multiple investment and planning projects for suppliers of Lyocell and recycled polyester and these are progressing well.
<b>Machinery Company</b>							
Address climate change	 	Taking counter-measures against climate change	Overall power generation business	We will develop power plants with a good balance between renewable energy power generation and conventional power generation, thereby contributing to the development of countries and regions in a sustainable manner that is optimized for each.	Pursue opportunities to invest aggressively in renewable energy power generation through analyses of countries and regions.	FYE 2031: Target to achieve a renewable energy ratio more than 20% (equity interest basis) and reflect this to the future strategy.	In FYE 2019, we accomplished followings in the field of development of renewable energy. Launching commercial operation of the final unit (No. 3 unit) of the Sarulla Geothermal IPP Project in Indonesia, Completion of the Saga-Ouchi Solar Power Plant in Saga Prefecture.
			Sales of passenger cars and commercial vehicles	We will achieve the eco-friendly mobility society by strengthening businesses of electric vehicles (EVs), hybrid vehicles (HVs), vehicles with a reduced environmental impact, and those related.	Contribute to spread of eco-friendly vehicles by increasing business of eco-friendly and high-efficiency products, such as EVs, HVs, vehicles with a reduced environmental impact, and related parts.	Expand sales of eco-friendly products in response to the expanded lineup of EVs, HVs, vehicles with a reduced environmental impact, and similar vehicles from automakers as our business partners.	In Japan, we participated in the field test of light electric trucks. We invested in two projects in China where the sales of electric vehicles is increasing drastically. 1) EV rental and maintenance service company Dishangtie Car Rental (Shenzhen) Co., Ltd., 2) Chinese emerging EV manufacturer ZHICHEAUTO Technology (Shanghai) Co., Ltd.
Respect human rights	 	Improving water and hygiene infra-structures	Water and environmental projects	We will contribute to improving the hygiene environment, the development of economic activities, and the protection of the global environment through the appropriate treatment and effective use of water and waste.	Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and reduce the environmental impact.	Expand and diversify the investment portfolio in the water and environment field.	<b>Water Sector</b> We are participating in Water Supply and Sewerage Treatment Companies in the UK and Spain, Seawater Desalination Projects in Australia and Oman. Our Project in Oman started commercial operation in 2018. We continue to invest in portfolio in the water sector. <b>Environment Sector</b> We invested in four Waste Management Projects in the UK and awarded a 25-year Waste Management and Resource Recovery Project in Belgrade, the republic of Serbia in 2017.
<b>Metals &amp; Minerals Company</b>							
Address climate change	 	Taking counter-measures against climate change	<ul style="list-style-type: none"> <li>Mining business</li> <li>Environmental business</li> <li>Material-related business</li> </ul>	<ul style="list-style-type: none"> <li>We will realize stable energy supply as our social mission and responsibility while fully considering its environmental impact.</li> <li>We will contribute to reducing greenhouse gases through businesses related to lighter-weight vehicles and Electric Vehicles (EVs).</li> </ul>	<ul style="list-style-type: none"> <li>Continue to be involved in the development of technologies that contribute to the reduction of greenhouse gases emissions, including technologies for carbon dioxide capture and storage (CCS) and carbon dioxide capture and utilization (CCU).</li> <li>Aim to develop an appropriate portfolio of coal assets by fully considering its environmental impact.</li> <li>Strengthen initiatives in businesses that contribute to the development of lighter-weight vehicles and shift to EVs (aluminum, copper, and other businesses).</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to the development of a low-carbon society by committing to technologies that help reduce greenhouse gases emissions.</li> <li>Development of an optimal asset portfolio by fully considering social requirements, including those related to the shift to a low-carbon society.</li> <li>Implementation and expansion of businesses that contribute to developing lighter-weight vehicles and shifting to EVs.</li> </ul>	<ul style="list-style-type: none"> <li>Carbon Capture and Storage (CCS): We continue to carry out information collection and analysis through observation and interviews with Japan CCS Co., Ltd. and companies conducting CCS projects overseas.</li> <li>Carbon Capture and Utilization (CCU): Along with joining research organizations and collecting information, we are also engaged in specific projects.</li> <li>We have considered our policy towards the coal business through actions such as analyzing multiple scenarios based on suggestions made by the Task Force on Climate-related Financial Disclosures (TCFD).</li> <li>Consequently, we publicly announced our policy commitment in February 2019. This is: 1) - We will not acquire new thermal coal mining interest., and 2) - Regarding the existing thermal coal mining projects, we will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to domestic and overseas customers.</li> <li>The amount of transactions for aluminum castings/die-cast materials for vehicles increased 6% in FYE 2019 over FYE 2018, contributing to the development of light-weight vehicles.</li> </ul>



Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Energy & Chemicals Company							
Address climate change		Taking counter-measures against climate change	Oil & Gas LNG (Liquefied Natural Gas) Projects	Development and production of natural resources with consideration in the reduction of greenhouse gases.	Partnering with experienced operators with high technical strength in the development and production of natural resources.	Pursuing opportunities to take part in LNG projects (i.e. LNG or natural gas emits less greenhouse gases than the other fossil fuels).	We have begun concrete discussion concerning participation in a new liquefied natural gas (LNG) project.
Food Company							
Address climate change		Taking counter-measures against climate change	Provisions Fresh foods	We will reduce the impact of abnormal weather on the business with the aim of ensuring the stable supply of agricultural crops.	Decentralize production areas by collaborating with Group companies.	FYE 2021: Aim to develop other areas following the Philippines in the Fresh Produce Business.	In FYE 2019 we selected candidates for new production areas. From FYE 2020 on, we plan to specifically promote the fruits and vegetables business in new production areas.
Contribute to healthier and more enriched lifestyles		Supplying safe, secure food	Overall food-related businesses	We will select and concentrate on suppliers who are capable of manufacturing and supplying safe, secure food stably.	Increase the number of persons with international certifications/qualifications related to judgment on the Food Safety Management System (FSMS) to enhance the capability of human resources for selecting suppliers.	Proceed with the appropriate allocation of human resources as judges mentioned on the left to business departments, with the leading role played by the food safety management organization of ITOCHU Corporation.	In FYE 2019 three more personnel were certified as ISO22000 Provisional Auditors. We expect a similar increase in the qualified personnel in next fiscal year.
General Products & Realty Company							
Ensure stable procurement and supply		Using sustainable forest resources	<ul style="list-style-type: none"> <li>Wood products &amp; materials</li> <li>Pulp</li> <li>Woodchips</li> </ul>	We deal in sustainable forest resources to reduce the impact on the environment and prevent the increase of greenhouse gases.	<ul style="list-style-type: none"> <li>Continue to request suppliers who have yet to obtain certifications to obtain them.</li> <li>Conduct sustainability surveys of suppliers and visit them.</li> </ul>	FYE 2026: Aim to achieve a rate of 100% for materials under high-level management or certified ones that we handle.	<p>We also continue to carry out the following for suppliers</p> <ul style="list-style-type: none"> <li>Verifying traceability by conducting individual on-site inspections</li> <li>Expanding the handling of products subject to "timber traceability verification by third-party organizations.</li> </ul>
Address climate change		Taking counter-measures against climate change	Cement alternatives such as slag	We plan to expand the use of sustainable byproducts (slag) as a substitute material for the cement which is vital to fields like construction and civil engineering.	Establish continuous, stable business flow between ironworks as the supplier of slag and other byproducts and demanders.	Consider investment, participation, etc. in the slag business and focus efforts on creating demand, especially in developing countries, with the aim of establishing continuous, stable business flow.	<ul style="list-style-type: none"> <li>The volume of transactions to developing countries is expected to increase by 50% from the previous year.</li> <li>We are engaged in continued consultation concerning planning and investment for the slag business.</li> </ul>

## Structures and Systems

### R&D Effort Policy

We are proactively developing business to contribute to solving material sustainability issues with a mid-to-long term perspective in the environment and clean tech field.

### R&D Effort Structure

We have established the Business Planning & Development Division since FYE 2020. This office is striving to develop environmental business that will lead to next generation business.

### R&D Efforts

	Specific Project Examples
Carbon dioxide capture and storage (CCS)	Japan CCS Co., Ltd.
Next-generation lithium ion batteries	24M Technologies, Inc.
Ultra-low illumination compatible photovoltaic elements	inQs Co., Ltd.
Bio-refinery business support	Green Earth Institute Co., Ltd.

We are engaged in climate change related business in the R&D field.

## ■ Carbon Dioxide Capture and Storage (CCS)

We recognize that CCS is an essential technology to aim for low carbonization. Therefore, we have participated in investment in Japan CCS Co., Ltd., which is conducting demonstration experiments in Tomakomai, to pursue the possibilities of practical application of CCS. (The cumulative volume of CO<sub>2</sub> injected as of the end of June 2019 is approximately 262,000 tons).

## ■ Next-generation Lithium Ion Batteries

24M is a company which researches and develops semi-solid batteries that surpass current lithium ion batteries in terms of their safety, energy density and manufacturing costs. The firm has established a unique process that greatly improves and simplifies the current lithium ion battery manufacturing process. It has also acquired a technical patent and is running a demonstration pilot plant in the US. The biggest feature of the company is that it is able to supply products with price competitiveness in addition to being able to maintain and improve the performance of current lithium ion batteries. It achieves this by reducing the components used and by simplifying the manufacturing process.

We are deploying the semi-solid battery manufacturing licensed business of 24M on a global basis. The aim of this is to respond to the growing demand for batteries that is spreading around the world. We are expanding our battery manufacturing business with local partners in areas of demand. This also includes the supply of battery components and the delivery of manufacturing facilities.

## ■ Ultra-low Illumination Compatible Photovoltaic Elements

IoT devices, which are expected to increase in number explosively in the future, are often installed in places with poor sunlight conditions (e.g., in factories and places where there is a risk of disaster). Conventional solar cells cannot generate power in such places.

Meanwhile, there is a problem of the excessive cost of wiring in connecting power supplies by wire and it takes effort to regularly replace button batteries. Under such circumstances, there are extremely high expectations for the ultra-low illumination compatible photovoltaic elements of inQs Co., Ltd. This is because they can become a self-sustaining power source that generates power at high efficiency without the need for battery replacement.

## ■ Bio-refinery Business Support

We are investing in and supporting the development of Green Earth Institute Co., Ltd. This is a venture company with technology that produces chemical substances from renewable biomass without using fossil raw materials. The amino acid valine licensed by this company since last year and for which commercial production has already begun is helpful in promoting health and increasing food production. In addition, an environmentally friendly manufacturing method is being provided.

## Efforts

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### Renewable Energy Related Business

ITOCHU is working to solve social challenges. We are achieving this through business investment in power generation assets utilizing the geothermal, wind power and other renewable energies that are expected to grow as a necessary supporter of energy supply in the future.

We are aiming for a renewable energy ratio of over 20% (equity interest basis) by FYE 2031 in our overall power generation business. This will be reflected in our future efforts.

## List of Renewable Energy Related Efforts

Details of Effort	Name of Business Operator / Investment Project	Country	Generating Capacity / Size	Greenhouse Gas Reduction Figures
Wind Power Generation Business	CPV Keenan II Wind Power Generation Project	USA	152MW	Approx. 400,000 tons / year
	Cotton Plains Wind and Solar Pear Generation Business	USA	217MW	Approx. 560,000 tons / year
Offshore Wind Power Generation Business	Butendiek Offshore Wind Power Generation Project	Germany	288MW	Approx. 750,000 tons / year
Waste Management Projects	ST&W Waste Management Project / South Tyne & Wear Energy Recovery Holdings Limited	England	Incineration treatment of 260,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 31,000 homes	Estimated 62,000 tons / year
	Cornwall Waste Management Project / Cornwall Energy Recovery Holdings Limited	England	Incineration treatment of 240,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 21,000 homes	Estimated 60,000 tons / year
	Merseyside Waste Management Project / Merseyside Energy Recovery Holdings Limited	England	Incineration treatment of 460,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 63,000 homes	Estimated 130,000 tons / year
	West London Waste Management Project / West London Energy Recovery Holdings Limited	England	Incineration treatment of 350,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 50,000 homes	Estimated 83,000 tons / year
	Serbia Waste Management Project / Beo Cista Energija (Construction will begin in 2019)	Serbia	Incineration treatment of 340,000 tons / year of general waste Scale of power generation: Equivalent power consumption of 30,000 homes (planned)	Estimated 120,000 tons / year
Geothermal Power Generation	Sarulla Operations Ltd	Indonesia	330MW	About 1,350,000 tons/year
Photovoltaic Power Generation	Oita Hiyoshibaru photovoltaic power plant large-scale solar power plant	Japan	44.8MW	Estimated 32,000 tons/year
	Shin-Okayama photovoltaic power plant large-scale solar power plant	Japan	37MW	Estimated 26,000 tons/year
	Saijo Komatsu photovoltaic power plant large-scale solar power plant	Japan	26.2MW	Estimated 17,000 tons/year
	Saga-Ouchi photovoltaic power plant large-scale solar power plant	Japan	21MW	Estimated 11,000 tons/year
Biomass Power Generation	Ichihara Biomass Power Plant	Japan	49.9MW (Planned start of operation Oct. 2020)	Estimated 136,000 tons/year

— Examples of Efforts

**Offshore Wind Power Generation in the North Sea of Germany**

The demand for renewable energy is increasing. Against this backdrop, we are jointly participating in power generation business at the largest class (288 MW) with the CITIC Group with which we have signed a strategic business and capital alliance. This project takes the form of an offshore wind power station operating in the North Sea of Germany. The wind power station supplies power to approximately 370,000 standard German households to contribute to the transition to a low-carbon society.



Butendiek Wind Power Plant

**Supply of Clean Power with the Power of Sunlight**

**Fourth Site in Japan in Our Photovoltaic Power Generation Business**

In recent years, there has been an increasing trend to effectively utilize renewable energy worldwide as a measure against global warming. The commercial operation of the Saga-Ouchi Photovoltaic Power Plant (power generation output: approximately 17,000 kilowatts) in which we are participating began in April 2018. This power plant was the largest mega solar (large solar power plant) in the prefecture at the point in time when it was constructed in Ouchi, Karatsu in Saga Prefecture. We plan to operate it for 20 years together with Kyudenko Corporation. The estimated amount of power it will generate annually is approximately 24 million kilowatt-hours; that is equivalent to the annual power consumption of approximately 4,200 regular households. The reduction in carbon dioxide from this will be approximately 11,000 tons per year. This is the fourth mega solar we operate in Japan after those in Ehime, Oita and Okayama. We will continue to proactively promote power generation business that utilizes renewable energy in and outside of Japan. This will allow us to give consideration to environmental conservation (e.g., by preventing global warming) and to contribute to the formation of a recycling-society.



Saga-Ouchi Photovoltaic Power Plant

**Water Related Business**

Approximately 97.5% of the water on the earth is seawater. Only 0.01% of water can be used by humans. On the other hand, global water demand is continuing to increase. This is due to economic development and the increase in population focused on emerging nations as well as changes in precipitation patterns due to climate change. ITOCHU considers our water related business to be a priority field. We are deploying seawater desalination business, water treatment business and concession agreement business, which we have been working on since 2014, on a global basis. This is to contribute to solving water problems around the world.

Business	Content of Efforts
Water supply and sewer services concession agreement business	<p>We invested in the Bristol Water Group in the UK in 2012. This made us the first Japanese company to participate in the UK water services business. The Bristol Water Group provides water services — from water source management to clean water treatment, water supply and distribution, billing and collection, and customer services — to approximately 1.2 million people.</p> <p>We invested in CANARAGUA CONCESIONES S.A. in 2014. This is a company which provides water supply and sewer services in the Canary Islands of Spain. This made us the first Japanese company to participate in the Spanish water services business. CANARGUA CONESIONES S.A. currently provides water supply and sewer services to a total of 1.3 million people under a concession agreement with the local government.</p>

Business	Content of Efforts
Seawater desalination business	<p>We have invested and are participating in a seawater desalination project in Victoria, Australia. This facility is capable of satisfying the water demands of approximately 30% of the population of Melbourne, Victoria. It is a project that has been supporting the stable supply of water to Melbourne since 2012.</p> <p>We have invested and are participating as the largest shareholder in a seawater desalination project with a daily volume of 281,000 m<sup>3</sup>. The Oman Power and Water Procurement Company (OPWP), which is under the umbrella of the Oman government, is promoting this project in Barka in the northern part of the country. This is the largest seawater desalination project in Oman. It involves the construction of reverse osmosis membrane (RO membrane) seawater desalination facilities and surrounding facilities. These will be operated for 20 years. The project has started commercial operation in June 2018.</p>
Seawater desalination plant, and osmosis membrane manufacturing and sales	<p>We started delivering multiple seawater desalination plants to Saudi Arabia in the 1970s. Upon entering the 21st century, we established ACWA Power Sasakura (now: Sasakura Middle East Company) with local capital in the country together with Sasakura. We also advanced into the seawater desalination plant rehabilitation business. We established a joint venture company called the Arabian Japanese Membrane Company, LLC with local capital from Saudi Arabia and Toyobo in August 2010. This company manufactures and sells reverse osmosis membrane elements for seawater desalination.</p>

— Examples of Efforts

**Stable Supply of Drinking Water Connecting to Life**

**Largest Seawater Desalination Project in Oman**

The demand for water in Oman in the Middle East is expected to grow by approximately 6% a year in the future. The shortage of drinking water has become a challenge together with the increase in the population and urbanization. The Barka Desalination Company in which we are participating entered into a seawater desalination business agreement for a daily volume of 281,000 m<sup>3</sup> in Barka in the northern part of Oman toward the stable supply of water in that country in March 2016. This is a public-private partnership project promoted by the Oman government. We have constructed reverse osmosis membrane (RO membrane) seawater desalination facilities and surrounding facilities. These will be operated for 20 years. The facilities started commercial operation in June 2018. This is the largest seawater desalination project in Oman with total operating expenses of approximately 300 million dollars.



Seawater Desalination Plant (During Construction)

The demand for water is growing due to the increase in the worldwide population, economic growth and global warming. In response to this, we consider the water business to be a priority field. Accordingly, we are working to increase our seawater desalination and water supply and drainage businesses. We will continue to promote business that contributes to the effective utilization of water resources in regions around the world in the future.

**Stable Supply of Sustainable Forest Resources**

For more information see Wood, Wood Products, Papermaking Raw Material, and Paper Products Example 2: Metsä Fibre (P142)

## Realty Certification Status

Advance Residence Investment Corporation ("ADR"), an ITOCHU group company, is one of Japan's largest real estate investment trusts (J-REIT) specializing in rental housing. In addition, ADR takes full advantage of the collaboration with ITOCHU Group and acquires and operates some of the rental apartments developed and managed by the group.

ADR has participated in the GRESB assessment, which evaluates the sustainability performance of real estate companies and funds, since 2014 (a first among J-REITs specializing in housing). For the last three years, it has received the "Green Star" rating, which is awarded to entities receiving excellent scores in both the Management & Policy and the Implementation & Measurement sections. It has also received 3 out of 5 stars for the GRESB rating, which is a relative assessment based on the overall score and global ranking. In FYE 2019, ADR was chosen as a "Sector Leader" in the GRESB Real Estate Assessment for receiving top scores in the Residential/Asia/Listed Sector. For ESG-related disclosures, it received the highest grade of "A." By continuing to participate in this assessment, we aim to improve the quality of sustainability-related efforts at ADR and ADIM and further improve the scores.

ADR has seven properties that have obtained DBJ Green Building Certification. On a floor area basis, this represents 16.7% of the portfolio, while on a number of properties basis, it represents 2.7% of the portfolio. Additionally, Park Tower Shibaura Bayward Urban Wing, for which ADR has obtained certification has a five-star ranking (buildings exhibiting best-in-class environmental and social awareness), the highest rank in the DBJ Green Building Certification program.

Property name	Rating	Total floor area (m <sup>2</sup> )
Park Tower Shibaura Bayward Urban Wing	★★★★★	19,562.07
Pacific Royal Court Minatomirai Ocean Tower	★★★★	40,527.16
Residia Tower, Azabu Juban	★★★★	11,053.03
Residia Nishiazabu	★★★★	10,834.93
Residia Tower Meguro Fudomae	★★★★	29,561.91
Residia Tower Kamiikebukuro	★★★★	40,910.59
Residia Izumi	★★★	10,546.49

\* Details on DBJ Green Building Certification are current as of January 31, 2019

Below are examples of sustainability-related efforts by ADR.

### Identification of material issues (critical issues related to sustainability)

Item	Material issue (critical issue related to sustainability)	Related SDGs
Environmental	Extending service life of properties through large-scale repairs and value enhancement work	11, 13
	Obtaining environmental, energy conservation, and other certification	11, 13
	Management and reduction of energy consumption, CO <sub>2</sub> emissions, water usage, and waste volume	7, 11, 13
	Cooperation with property management (PM) and building management (BM) firms in implementing environmentally friendly practices (supply chain management)	11, 13, 17
Social	Improving tenant satisfaction and engaging with tenants	11, 13
	Contributing to local communities	3, 11, 13
	Developing employee skills	4, 5, 8
	Improving work-life balance	3, 8
Governance	Linking asset management fee to fund performance	8, 17

**Material issues (critical issues related to sustainability) have been identified using the steps below.**

**Step 1 Clarify**

We have clarified our material issues from among wide range of issues concerning the economy, environment and society using sustainable development goals (SDGs) and other global social issue initiatives, external evaluations (GRESB, DJSI, and MSCI), and various guidelines (GRI 4 Guidelines, SASB).

**Step 2 Prioritize and establish**

We prioritized the issues clarified in Step 1 based on their importance to stakeholders/stakeholder expectations and the level of impact ADR has on the economy, environment, and society. We then identified nine material issues for promoting ADR sustainability activities.

**Step 3 Discuss at Sustainability Promotion Committee and have representative director make decision**

The validity of the material issues identified in Step 2 was discussed and verified by the Sustainability Promotion Committee, and the nine material issues were ultimately decided by the representative director.

**Step 4 Regular review**

In order to flexibly address changes in the social environment, reflect stakeholder feedback, and improve our disclosure transparency, we will review these material issues regularly.

**Environmentally conscious asset management**

**(1) Installation of LED lighting**

As of January 31, 2019, LED lighting has been installed at 59 properties (22% of the portfolio).

**(2) Introduction of green lease clause**

We have introduced a clause on appropriate use of energy and water in our lease agreements with tenants (signed with roughly 44.2% of rental unit tenants as of February 28, 2019). We also incorporate the green lease clause into our management outsourcing agreements with property management companies.

Furthermore, we receive LED installation proposals once a year from building maintenance companies based on those agreements.

ITOCHU Advance Logistics Investment Corporation (IAL) is a real estate investment trust (J-REIT) specialized in logistics real estate with ITOCHU REIT Management Co., Ltd. (IRM) serving as its asset management company. IAL fully utilizes its collaborative relationship with the ITOCHU Group to acquire and manage part of the logistics real estate developed and managed by our group.

IAL owns five properties that have acquired DBJ Green Building certification. The proportion of these properties with respect to its holdings portfolio is 86.2% on a floor area basis and 62.5% on a number of properties basis. In addition, i Missions Park Inzai, for which certification has been acquired by ADR, is ranked as five stars (a building with outstanding consideration for the environment and society at the top level in Japan). This is the highest evaluation ranking in the DBJ Green Building certification.

Property name	Rating	Total floor area (m <sup>2</sup> )
i Missions Park Inzai (Semi-joint ownership share: 80%)	★★★★★	88,018.00
i Missions Park Kashiwa	★★★★	31,976.44
i Missions Park Noda	★★★★	62,750.90
i Missions Park Moriya	★★★★	18,680.16
i Missions Park Misato	★★★★	22,506.53

\* For the total floor area for i Missions Park Inzai, the figure corresponding to the semi-joint ownership share was rounded down to two decimal places.

\* The details given for the DBJ Green Building certification are current as of the end of January 2019.

## Other Environmental Related Business

### Project to reduce our environmental burden with the introduction of side shrink wrap packaging

ITOCHU PLASTICS INC. (CIPS) is supporting the introduction of side shrink wrap film in all stores operated by FamilyMart Co., Ltd., its domestic area franchise company locations stores (collectively "FamilyMart") as an effort to reduce our environmental burden. Side shrink wrap film covers only the area where the lids and containers meet for boxed lunch, sushi and noodle products.

FamilyMart completed the introduction of side shrink wrap packaging across Japan in February 2015.

The change from full shrink wrap packaging — which involves entire containers being packaged in wrapping — to side shrink wrap packaging makes it easier to open products, makes it easier to see their contents and offers a strong barrier performance. In addition to this, it reduces garbage, the plastic raw materials used in the packaging and also CO<sub>2</sub>. This greatly contributes to a reduction in our environmental burden.

\* FYE 2019 results (comparison with conventional wrap film): Approximately 540 ton reduction in plastic raw materials and an approximately 1,935 ton reduction in CO<sub>2</sub>.

The corporate philosophy of CIPS is as follows: "Providing lifestyle comfort and convenience with chemical and plastic materials. A corporate culture of integrity propelling us forward, together. ITOCHU Plastics." CIPS is promoting corporate activities, including support for the introduction of shrink wrap film, that aim to balance a better global environment and economic growth. The firm is striving to conserve the environment and to contribute to the realization of a sustainable society.



Bento Box with Side Shrink Packaging



# Climate Change

## Policy and Basic Concept

Recommendations by the Taskforce on Climate-related Financial Disclosures (TCFD) in June 2017 encourage companies to effectively disclose climate-related financial information with consistency, comparability, reliability and clarity to promote appropriate investment decisions by investors. This comes from the observation that climate change related risks and opportunities will increase in the future.

We will utilize these recommendations as indicators to verify our response to climate change.

These recommendations include those that are still being debated and those that require a long-term response. Nevertheless, it is our policy to continue making disclosures about the efforts we tackle as they happen.

### Main Climate Change Related Risks and Opportunities

Risk	Opportunity
<p><b>Transition risk</b></p> <ul style="list-style-type: none"> <li>● Reduction in demand for fossil fuels due to business restrictions on greenhouse gas emissions</li> </ul> <p><b>Physical risk</b></p> <ul style="list-style-type: none"> <li>● Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons and hurricanes)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in renewable energy and other business opportunities which will contribute to alleviating climate change</li> <li>● Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather</li> </ul>

## Targets

ITOCHU sets target values for a reduction in our electricity consumption. The targets are as below. ITOCHU alone and our consolidated subsidiaries as a whole have set a target of reducing our energy consumption by at least 1% on average annually at our output level. We are working to reduce our GHG emissions.

	FYE 2019 Results	Single Year Target	Target for the Year Ended March 2021
Electricity Consumption of Tokyo and Osaka Headquarters, Branches in Japan and Other branches and business facilities in Japan	Reduction of 0.6% compared with FYE 2018 levels	Reduction of at least 1% annually	Reduction of 30% compared with FYE 2011 levels
	Reduction of 43% compared with FYE 2011 levels		

In overall power generation business, we aim to achieve a renewable energy ratio more than 20% (equity interest basis) by FYE 2031 and will reflect this to the future strategy.

## Realty business: Energy Consumption, Greenhouse Gas Emissions, and Water Usage

Advance Residence Investment Corporation ("ADR"), an ITOCHU group company, is one of Japan's largest real estate investment trusts (J-REIT) specializing in rental housing. In addition, ADR takes full advantage of the collaboration with ITOCHU Group and acquires and operates some of the rental apartments developed and managed by the group.

ADIM has established a Sustainability Policy consisting of six items, namely (1) Establishing organization-wide structure for compliance and risk management, (2) Reduction of energy consumption and CO<sub>2</sub> emissions, (3) Resource conservation and reduction of waste, (4) Employee education, (5) Stakeholder engagement, and (6) Transparent disclosures. By implementing these things in its general asset management operations, the company contributes to the achievement of a sustainable society.

It has also established policies on energy conservation, greenhouse gas emission reduction, water conservation and waste management to improve the energy efficiency of ADR's properties and is working to reduce the properties' energy consumption and greenhouse gas emissions in order to put the Sustainability Policy into practice. The target is to reduce energy consumption and greenhouse gas emissions by an average consumption rate of 1% annually throughout the entire portfolio of more than 20,000 properties in the medium to long term.

Item	Reduction target	Short-term target	Long-term target
Energy consumption	1%	Annual consumption rate basis	5 years (FYE 2015-FYE 2019)/5% reduction on consumption rate basis
Greenhouse gas (CO <sub>2</sub> ) emissions	1%*	Annual output level basis	5 years (FYE 2015-FYE 2019)/5% reduction on output level basis

\* Target reduction for both Scope 1 and Scope 2 is 1%.

ITOCHU Advance Logistics Investment Corporation (IAL) is a real estate investment trust (J-REIT) specialized in logistics real estate with ITOCHU REIT Management Co., Ltd. (IRM) serving as its asset management company. ADR fully utilizes its collaborative relationship with the ITOCHU Group to acquire and manage part of the logistics real estate developed and managed by our group.

IRM has established the Basic Policy on Sustainability. It gives the promotion of energy saving (de-carbonization) and resource saving as an item in the environmental field. With this, it is contributing to the realization of a sustainable society.

In addition, the company has formulated an Energy Saving Policy, Greenhouse Gas Emissions Reduction Policy, Water Saving Policy and Waste Management Policy. It is striving to reduce its energy consumption and greenhouse gas emissions by improving energy efficiency in the real estate portfolio owned by IAL with the aim of realizing the Basic Policy on Sustainability. Looking at the mid- to long-term over the entire portfolio of the properties it owns, the company is targeting a reduction in its energy consumption by 1% on an annual average consumption rate basis and in its greenhouse gas emissions by 1% on an annual average output level basis.

Item	Reduction target	Short-term target	Long-term target
Energy consumption	1%	Annual consumption rate basis	5 years (FYE 2020-FYE 2024)/5% reduction on consumption rate basis
Greenhouse gas (CO <sub>2</sub> ) emissions	1%*	-	5 years (FYE 2020-FYE 2024)/5% reduction on output level basis

\* Target reduction for both Scope 1 and Scope 2 is 1%.

## Structures and Systems

The Sustainability Management Department plans and formulates climate change measures in ITOCHU. These measures are then carried out by the ESG officers and managers in each unit in Japan and overseas under the decision of the Chief Administrative Officer - the official in charge of these. The Sustainability Committee, one of the company's key committees, holds deliberations and makes decisions concerning policy formulation and important matters. In addition to a role in heading the Sustainability Committee, the committee's chair joins meetings of the Board of Directors, the HMC and the Investment Consultative Committee, and also engages in decision-making based on the company's impact on the environment and society by reporting regularly to the Board of Directors to brief them on our promotion of sustainability. We furthermore engage in dialog with stakeholders within and outside the company. One example of this is our regularly convened advisory board. This dialog provides an understanding of what society expects of and desires from the company, which we can then apply to our efforts at advancing sustainability.

\* Reference: Sustainability promotion framework (P11)

## Participation in TCFD Consortium

In May 2019, ITOCHU Corporation announced its support for the TCFD, which encourages companies to disclose financial information related to climate change. We also participated in the TCFD Consortium established on May 27, 2019 by Ministry of Economy, Trade and Industry (METI), Ministry of the Environment (MOE), and the Financial Services Agency (FSA) as a body for promoting discussion and deliberation among companies and financial institutions supporting the TCFD mission. By participating in this Consortium, we will engage in the appropriate disclosure of ITOCHU business opportunities and risks associated with climate change.

## Efforts

Among the environmental conservation costs disclosed in the environmental accounting (P36), associated with climate change are as follows :

- Administrative costs of the power generator installed in the Tokyo Headquarters 1,770 thousand yen
- Research and development expenses for climate change risk aversion (donation to Division of Climate System Research, Atmosphere and Ocean Research Institute, the University of Tokyo) 500 thousand yen

## Scenario Analysis



We have begun analyses and business impact assessments using multiple scenarios (including the International Energy Agency's 2°C scenario\*) based on suggestions made by the Task Force on Climate-related Financial Disclosures (TCFD). We are starting with our coal-related businesses which, out of all the businesses ITOCHU is engaged in, are in an industrial sector likely to be more heavily impacted in the event that greenhouse gas emission regulations are tightened around the world. They also have a greater financial impact on our company. Along with assessing materiality of climate-related risks and opportunities, we are identifying the variables with the greatest impact, primarily in terms of transition risk, and using a financial model that reflects the contracts and terms such as quality by business to analyze the optimal portfolio.

\* IEA (International Energy Agency) Sustainable Development Scenario, 450 Scenario, ETP2016 2°C Scenario

Our understanding of the medium- to long-term business environment for the coal mining business and the power generation business, including coal-fired power, and our policy commitments are provided below. We have established the policy based on our understanding of the business environment under both the 4°C scenario\*, which the greenhouse gas reduction efforts of each country are on pace to achieve, and the 2°C scenario, and will increase the tolerance of our businesses by ensuring proper measures for each scenario.

\* Refer to IEA New Policy Scenario, ETP2016 4°C scenario, etc.



### Coal business

Business environment under 4°C scenario	Business environment under 2°C scenario
	
<p>Under the 2°C scenario, use of fossil fuels will be reduced as a result of technological innovation and changes in regulatory trends, but demand for high-grade coal, which has a relatively lower environmental impact, will remain at a certain level, and effective utilization of CO<sub>2</sub> will be promoted. Our analysis shows that our high-grade thermal coal mining business can maintain its competitiveness.</p>	

### Policy and efforts

- We will not acquire new thermal coal mining interest.
- Regarding the existing thermal coal mining projects, we will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to domestic and overseas customers.
- We will continue to be involved in development of technologies to contribute to reduction of greenhouse gas emissions, including carbon capture and storage (CCS) and carbon capture and utilization (CCU).

### Power generation business

Business environment under 4°C scenario	Business environment under 2°C scenario
	
<p>Under both the 2°C and the 4°C scenarios, we will maintain at least the current level of income. Under the 2°C scenario, we can maintain and grow revenue by increasing the number of new renewable energy plants.</p>	

## Policy and efforts

- We aim to achieve a renewable energy ratio more than 20% (equity interest basis) by FYE 2031 and will reflect this to the future strategy.
- We will not develop any new coal-fired power generation business, in part to contribute to the development of a sustainable society.

### ■ Future efforts









In the future, we will select scenarios to verify the impact of climate change on our overall business, identify sectors most heavily impacted, and review the businesses that require action along with the priority and specific guidelines for action.

We are aiming to develop new production areas to follow on from the Philippines in our fruits and vegetables business by FYE 2021. This will allow us to stably supply agricultural produce by reducing the impact on our business due to abnormal weather.

## Effort for the Tokyo Metropolitan Government Program to Prevent Global Warming

ITOCHU submitted a plan to the Tokyo Metropolitan Government to reduce the CO<sub>2</sub> emissions in our Tokyo Headquarters by approximately 15% from the reference value (average value from FYE 2003 to FYE 2005) over five years from FYE 2016 to FYE 2020 based on the Ordinance on Environmental Preservation. Our emissions in FYE 2019 were 6,168 t-CO<sub>2</sub>. This is an approximately 42% reduction compared to the reference value.

The documents we have submitted to the Tokyo Metropolitan Government so far are as follows.

- [Greenhouse Gas Emission Reduction Plan for FYE 2011 to FYE 2015 \(Submitted in November 2011\) \(Japanese Only\) \(212KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2011 to FYE 2015 \(Submitted in November 2012\) \(Japanese Only\) \(441KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2011 to FYE 2015 \(Submitted in November 2013\) \(Japanese Only\) \(401KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2011 to FYE 2015 \(Submitted in November 2014\) \(Japanese Only\) \(430KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2011 to FYE 2015 \(Submitted in November 2015\) \(Japanese Only\) \(526KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2016 to FYE 2020 \(Submitted in November 2016\) \(Japanese Only\) \(585KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2016 to FYE 2020 \(Submitted in November 2017\) \(Japanese Only\) \(577KB\)](#) 
- [Greenhouse Gas Emission Reduction Plan for FYE 2016 to FYE 2020 \(Submitted in November 2018\) \(Japanese Only\) \(119KB\)](#) 

\* In addition to the Tokyo Headquarters, the adjacent commercial facility of Itochu Garden is also subject to the Greenhouse Gas Emission Reduction Plans submitted to the Tokyo Metropolitan Government.

## Initiatives in Business tackling Climate Change

### — Toward Sustainable Plantation Operation in Response to Climate Change

We acquired the Asian fruits and vegetables business and processed foods business, which supplies canned food and beverages around the world, from Dole Food Company in the U.S. in April 2013.

Since this acquisition, typhoons, drought, and damage from disease and harmful insects have struck the Philippines — the largest production base of major products. The production volume of bananas was 440,000 tons in FYE 2017; this was a 40% decrease compared with before the acquisition. We looked to restore and expand this production volume. To that end, we introduced irrigation facilities for bananas. We also aggregated and expanded farmland and took measures against damage from disease and harmful insects. In addition, we invested in facilities for plantations and reviewed cultivation methods for pineapples to improve productivity. We are also promoting the diversification of production areas to prepare for the risk of unpredictable weather. Furthermore, we have improved management (e.g., the selection and concentration of businesses and products, and the disposal of unprofitable businesses).

In the future, we will aim to become the largest agricultural produce integrator in Asia. We will achieve this by developing a structure to increase production to 800,000 tons of bananas and 1 million tons of pineapples in the Philippines. We believe that people, the environment and society are important resources for the survival and development of the company.

Accordingly, DOLE again focused efforts on activities to contribute to local societies in the Philippines, Thailand, Japan, South Korea, China, North America and other countries in FYE 2019. For example, we spent approximately 2.5 million dollars to donate textbooks, desks, chairs and PCs to schools in various areas, construct and maintain school buildings, provide scholarships, and supply educational opportunities for children with disabilities. We also provided daily necessities and medical assistance to areas affected by natural disasters, donated blood, held hygiene education and provided food assistance to work on maintaining and promoting health.



Banana Field

### — Utilization of Solar Power Generation in a Joint Venture with Teys in Australia

Teys Australia Condamine introduced 1,034 solar panels in 2015. This has made it possible to generate approximately 506,000 kWh of power annually. Accordingly, approximately 50% of the power used in this facility comes from renewable energy. The introduction of solar power generation has reduced CO<sub>2</sub> emissions by approximately 395 tons. Consequently, a reduction in CO<sub>2</sub> emissions of approximately 49% has been realized compared with before the introduction of solar power generation.

We also procure beef to be slaughtered and processed from Teys — our joint investment partner in Australia. This firm has formed sustainable operations. It extracts methane gas generated in the slaughter process and reuses it as heat for its factory.

## Participation in COOL CHOICE

ITOCHU participates in the Ministry of the Environment-led COOL CHOICE climate change campaign aimed at realizing a low-carbon society. We are striving to adjust our air conditioning in the summer and winter and to switch off unnecessary electricity. We also conduct environmental conservation activities from the things that all employees can do in their daily lives. For example, we encourage separation of waste in offices and promote recycling.



## Cooperation with Stakeholders

### Initiative Participation (Activities Through Business and Industry Groups)

We are participating in the Global Environment Subcommittee of the Committee on Environment and Safety — an environment and energy related committee of the Japan Business Federation (Keidanren). We are working to realize an environmental policy compatible with the economy (e.g., through promotion of voluntary action plans, and measures for global warming, waste and recycling and environmental risks). We are also participating in the Global Environment Committee of the Japan Foreign Trade Council. We are striving to build a low-carbon society, construct a recycling-orientated society, and to support environmental related laws and regulations.

If we decide the direction regarding such as climate change in various industry groups we participate, we express an opinion in line with our Basic Policy on Sustainability in the decision process, and when it is different from our policy, we will strive to be in line with our policy.

## Performance Data

### Energy Consumption

#### Scope of Aggregation

○:in scope of aggregation

	Electricity consumption	GHG emissions from business facilities
Tokyo headquarters	○	○
Osaka headquarters	○	○
Branches in Japan *1	○	○
Other branches and business facilities in Japan *2	○	○
Group companies in Japan *3	○	○
Overseas offices *4	○	○
Overseas group companies *5	○	○

\*1 The branches in Japan cover all five domestic branches (Hokkaido, Tohoku, Chubu, Chugoku & Shikoku, and Kyushu).

\*2 The other business facilities cover business facilities owned or leased by ITOCHU (except facilities for residences). The number of offices including domestic branches was eight in FYE 2016, eight in FYE 2017, six in FYE 2018 and eight in FYE 2019.

\*3 The group companies in Japan cover consolidated subsidiaries directly invested in by ITOCHU (as of March 31, 2017) for FYE 2016 to FYE 2017. The number of such companies was 70 in FYE 2016 and 65 in FYE 2017. All consolidated subsidiaries are covered since FYE 2018 (coverage 100%). The numbers of such companies was 208 in FYE 2018 and 220 in FYE 2019.

\*4 The numbers of overseas offices covered was 16 in FYE 2016, 16 in FYE 2017, 15 in FYE 2018, and 30 in FYE 2019.

\*5 The overseas group companies cover consolidated subsidiaries directly invested in by ITOCHU (as of March 31, 2017) from FYE 2016 to FYE 2017. The number of such companies was 44 in FYE 2016 and 46 in FYE 2017. All consolidated subsidiaries are covered since FYE 2018 (coverage 100%). The numbers of such companies was 299 in FYE 2018 and 282 in FYE 2019.

However, companies expected to be sold within the next five years held for investment management purposes are not included in the scope of the data. Moreover, the CO<sub>2</sub> emissions of non-manufacturing site offices with 10 or fewer employees are quantitatively insignificant. Accordingly, they are not included in the scope of the data.

## Energy Consumption

### Energy Consumption in the Japanese Bases of ITOCHU

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Purchased and consumed non-renewable fuel (Unit:MWh)	805	765	610	525
Purchased non-renewable power (Unit:MWh)	25,955	30,282	29,558	29,306
Other purchased non-renewable energy (e.g., steam, heat and cooling water) (Unit:MWh)	11,286	8,299	8,206	7,605
Generated renewable energy (solar power generation) (Unit:MWh)	87	58	58	51
Energy consumption cost total (Unit:million yen)	580	564	576	404

### Energy Consumption Attributable to Business Facilities

(Unit:GJ)

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Tokyo headquarters	129,084	134,076	130,977	127,824

\* The figures for the Tokyo Headquarters are calculated based on the Tokyo Metropolitan Ordinance on Environmental Preservation.

## Electricity Consumption

Our electricity consumption and CO<sub>2</sub> emissions attributable to business facilities in FYE 2016 to FYE 2019 are as follows. We have been introducing energy saving facilities (e.g., air conditioner inverters and desktop LED stands). At the same time, all employees are switching off unnecessary lighting and office machines. We also started a trial of a morning-focused working system for regular employees working in headquarters and branch offices in Japan from October 2013. The formal introduction of this in May 2014 has led to a reduction in our electricity consumption.

(Unit:Thousand kWh)

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Tokyo headquarters	9,169	9,331	9,200	9,178
Osaka headquarters	442	434	409	396
Branches in Japan	326	291	292	295
Other branches and business facilities in Japan	1,300	1,270	1,184	1,145
Total of domestic bases of ITOCHU corporation★	11,237	11,326	11,084	11,014
Group companies in Japan	484,755	471,432	(*) 798,054	878,025
Overseas offices	3,424	3,087	2,224	2,118
Overseas group companies	147,665	143,485	500,777	590,175
Grand total of ITOCHU Group◆	647,081	629,329	(*) 1,312,139	1,481,382

\* This data has been calculated based on the Ordinance on Environmental Preservation for the Tokyo Headquarters and based on the Act on the Rational Use of Energy for the Osaka Headquarters, branches in Japan, other branches and business facilities. However, companies expected to be sold within the next five years held for investment management purposes are not included in the scope of the data. Moreover, the CO<sub>2</sub> emissions of non-manufacturing site offices with 10 or fewer employees are quantitatively insignificant. Accordingly, they are not included in the scope of the data.

\* FYE 2018 data has been corrected because of an error (\*).

## CO<sub>2</sub> Emissions Per MWh of Electricity Consumption

(Unit:t-CO<sub>2</sub>/MWh)

	FYE 2017	FYE 2018
Grand total of ITOCHU group	0.524	0.506

## Solar Power Generation

ITOCHU has installed solar panels on the roof of our Tokyo Headquarters and the roof of the adjacent CI PLAZA. These panels started generating power in March 2010. The power generation capacity of the solar panels installed is a total of 100 kW. This is equivalent to the power for 30 regular houses (calculated at approximately 3.0 kW per house). All the clean energy generated is used in our Tokyo Headquarters. This is equivalent to an amount of power used in lighting 3.5 floors in our Tokyo Headquarters (during instantaneous maximum power generation).

## Greenhouse Gas (GHG) Emissions

ITOCHU sets target values for a reduction in our electricity consumption and in the volume of waste we discard, the promotion of recycling, and a reduction in our paper and water consumption. The target values are as below. ITOCHU alone and our consolidated subsidiaries as a whole have set a target of reducing our energy consumption by at least 1% on average annually at our output level. We are working to reduce our GHG emissions.

	FYE 2019 (Results)	Single Year Target	Target for the Fiscal Year Ending March 31, 2021
Electricity consumption in our Tokyo and Osaka Headquarters, branches in Japan, other branches and business facilities	Reduction of 0.6% compared to FYE 2018	Reduction by an average of at least 1% a year	Reduction of 30% compared to FYE 2011
	Reduction of 43% compared to FYE 2011		

## GHG Emissions Attributable to Business Facilities

(Unit:t-CO<sub>2</sub>e)

FYE 2019	Scope 1	Scope 2
Total of all Japanese bases in ITOCHU★	91	6,969

(Unit:t-CO<sub>2</sub>e)

FYE 2019	Scope 1	Scope 2
ITOCHU Group◆	1,213,395	771,204



(Unit:t-CO<sub>2</sub>e)

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Tokyo headquarters	6,229	6,459	6,307	6,168
Osaka headquarters	235	221	208	172
Branches in Japan	208	180	175	170
Other branches and business facilities in Japan	664	641	582	550
Total of domestic bases of ITOCHU corporation★	7,336	7,501	7,273	7,060
Intensity figures per employee (Total of domestic bases of ITOCHU corporation)	1.714	1.737	1.660	1.622
Intensity figures per one square meter of all floor space (Total of domestic bases of ITOCHU corporation)	0.063	0.064	0.063	0.061
Group companies in Japan	369,775	340,559	(*)1,280,241	1,174,507
Overseas offices	1,907	2,238	1,674	2,769
Overseas group companies	102,372	98,427	(*) 628,021	800,263
Grand total of ITOCHU Group◆	481,389	448,725	(*)1,917,209	1,984,599

\* The data has been calculated based on the Tokyo Metropolitan Ordinance on Environmental Preservation for the Tokyo Headquarters and based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures for the Osaka Headquarters, branches in Japan, other branches and business facilities and group companies in Japan. (We have calculated this data by employing the basic emissions coefficients of the power companies.)

\* The data has been calculated based on the CO<sub>2</sub> conversion coefficient according to the average value from 2010 to 2012 by country of the International Energy Agency (IEA) for overseas offices and overseas group companies.

\* The denominators of Intensity figures per one square meter of all floor space are as follows:  
FYE 2016 116,585m<sup>2</sup>, FYE 2017 116,528m<sup>2</sup>, FYE 2018 115,905m<sup>2</sup>, FYE 2019 115,842m<sup>2</sup>

\* FYE 2018 data has been corrected because of an error (\*).

\* From the FYE 2019 data, 6.5 gases, which are greenhouse gases other than CO<sub>2</sub> from energy consumption, are also included. 6.5 gases from group companies that emit more than 3,000 t-CO<sub>2</sub>e per year are aggregated and disclosed.

## Greenhouse Gases Other Than CO<sub>2</sub> from Energy Consumption (6.5 Gases)

Scope1 Emission (only 6.5 gases) data for each GHG

(Unit:t-CO<sub>2</sub>e)

			FYE 2019
Total 6.5 gases (t-CO <sub>2</sub> e)			52,393
Breakdown	non-energy consumption carbon dioxide (CO <sub>2</sub> )		0
	methane (CH <sub>4</sub> )		0
	dinitrogen monoxide (N <sub>2</sub> O)		17,932
	hydrofluorocarbon (HFCs)		34,461
	perfluorocarbon (PFCs)		0
	sulfur hexafluoride (SF <sub>6</sub> )		0
	nitrogen trifluoride (NF <sub>3</sub> )		0

\* 6.5 gases from group companies that emit more than 3,000 t-CO<sub>2</sub>e per year are aggregated and disclosed.

\* Greenhouse gas emissions other than CO<sub>2</sub> have several tens to several tens of thousands of times of greenhouse effect compared to CO<sub>2</sub>, and t-CO<sub>2</sub>e is used as a unit for expressing that greenhouse effect equivalent to CO<sub>2</sub>.

## Independent Assurance

Independent Assurance Report (P200): The data below marked with a ★ is independently assured through KPMG AZSA Sustainability Co., Ltd. This assurance conforms to the International Standard on Assurance Engagements (ISAE) 3000 and 3410 of the International Auditing and Assurance Standards Board (IAASB).

★: Total electricity consumption and total CO<sub>2</sub> emissions attributable to business facilities of the Tokyo Headquarters, the Osaka Headquarters, branches in Japan, domestic branches and other business facilities, CO<sub>2</sub> emissions (attributable to distribution), and the volume of waste discarded, recycling rate, water consumption, gray water production volume and wastewater volume for the Tokyo Headquarters.

Independent Assurance Report (P200): The data below marked with a ◆ is independently assured through KPMG AZSA Sustainability Co., Ltd. This assurance conforms to the International Standard on Assurance Engagements (ISAE) 3000 and 3410 of the International Auditing and Assurance Standards Board (IAASB).

◆: Total electricity consumption and GHG emissions attributable to business facilities of the Tokyo Headquarters, Osaka Headquarters, branches in Japan, domestic branches, other business facilities, group companies in Japan, overseas offices and overseas group companies and the ITOCHU Group in total.

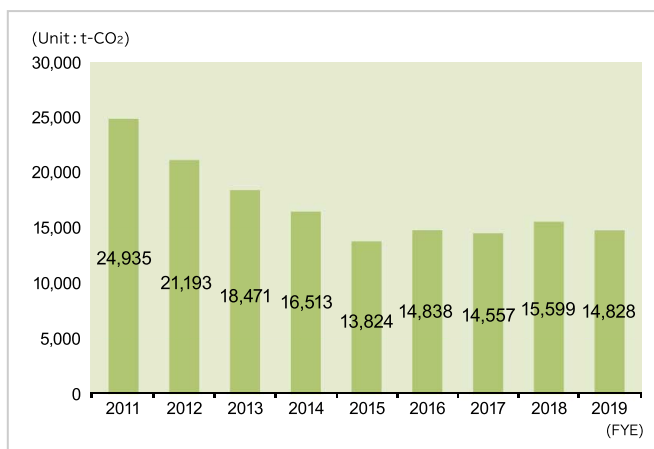
## Efforts Toward Environmental Distribution

ITOCHU is engaged in green distribution to reduce our environmental impact. This is to comply with the Act on the Rational Use of Energy (Energy Conservation Law).

### Carbon Dioxide Emissions from Distribution

The carbon dioxide emissions generated due to contracted transport as shippers of ITOCHU is as follows.

#### CO<sub>2</sub> Emissions Attributable to Distribution★



\* ★This is independently assured through KPMG AZSA Sustainability Co., Ltd. This assurance conforms to the International Standard on Assurance Engagements (ISAE) 3000 and 3410 of the International Auditing and Assurance Standards Board.

### Energy Saving Measures for Distribution

We have established a company-wide common energy saving measures policy as below in regards to energy saving measures for distribution. On top of that, we have formulated concrete measures for each division company.

<b>Transportation method selection</b>	Promotion of the use of railroads and domestic shipping
<b>Measures to improve transportation efficiency</b>	Use of transportation with the freight of multiple shippers on one vehicle and mixed loading Selection of appropriate vehicle types Increase in the size of vehicles Optimal transportation routes Improvement in the loading ratio
<b>Cooperation with freight transportation operators and recipients of freight</b>	Review of transportation plans and frequency

## Concrete Measures

### (1) Transportation Method Selection

- We will survey and analyze the conditions of long-distance truck transportation. We will then consider a change to the transportation method from business that can be switched to railroad and domestic shipping transportation that has a relatively low environmental impact.

### (2) Measures to Improve Transportation Efficiency

- We will survey the conditions of transportation. We will then consider the selection of appropriate vehicle types and the selection of appropriate transportation routes to further improve loading efficiency and to reduce the energy consumption rate.

### (3) Cooperation with Freight Transportation Operators and Recipients of Freight

- We have decided to check the efforts toward environmental distribution with internal criterion concerning the appointment of distribution companies. We recommend the appointment of certified companies.
- We are building a cooperative system together with our suppliers in addition to distribution companies to realize (1) and (2) above.

## Realty business : Energy Consumption, Greenhouse Gas Emissions

ADIM has established a Sustainability Policy consisting of six items, namely (1) Establishing organization-wide structure for compliance and risk management, (2) Reduction of energy consumption and CO<sub>2</sub> emissions, (3) Resource conservation and reduction of waste, (4) Employee education, (5) Stakeholder engagement, and (6) Transparent disclosures. By implementing these things in its general asset management operations, the company contributes to the achievement of a sustainable society.

It has also established policies on energy conservation, greenhouse gas emission reduction, water conservation and waste management to improve the energy efficiency of ADR's properties and is working to reduce the properties' energy consumption and greenhouse gas emissions in order to put the Sustainability Policy into practice. The target is to reduce energy consumption and greenhouse gas emissions by an average consumption rate of 1% annually throughout the entire portfolio of more than 20,000 properties in the medium to long term.

Item	Break-down	Unit	FYE 2015 (Reference year)	FYE 2016	FYE 2017	FYE 2018	FYE 2019		
							Actual	Apples-to-apples comparison	Coverage (actual)
Energy consumption	Electric power	Total amount (MWh)	20,469	19,495	21,937	20,957	21,632	21,480	21.6%
		Consumption rate (MWh/m <sup>2</sup> )	0.0226	0.0205	0.0230	0.0215	0.0222	0.1034	
	Fuel	Total amount (MWh)	1,540	1,715	1,574	1,718	1,827	1,803	21.6%
		Consumption rate (MWh/m <sup>2</sup> )	0.0018	0.0018	0.0017	0.0019	0.0020	0.0093	
	Region air conditioning	Total amount (MWh)	2,854	3,208	3,077	3,256	3,228	3,228	100.0%
		Consumption rate (MWh/m <sup>2</sup> )	0.0704	0.0792	0.0759	0.0803	0.0797	0.0797	

Item	Break-down	Unit	FYE 2015 (Reference year)	FYE 2016	FYE 2017	FYE 2018	FYE 2019		
							Actual	Apples-to-apples comparison	Coverage (actual)
Green-house gas emissions (CO <sub>2</sub> )	Total	Total amount (t)	10,337	11,783	12,547	24,830	25,975	25,727	24.0%
		Consumption rate (t/m <sup>2</sup> )	0.0114	0.0124	0.0132	0.0252	0.0266	0.0410	
	Direct emissions Scope1	Total amount (t)	233	292	289	298	323	319	37.7%
		Consumption rate (t/m <sup>2</sup> )	0.0003	0.0003	0.0003	0.0031	0.0034	0.0089	
	Indirect emissions Scope2	Total amount (t)	10,104	11,491	12,258	11,854	12,205	12,122	24.3%
		Consumption rate (t/m <sup>2</sup> )	0.0112	0.0121	0.0129	0.0122	0.0125	0.0518	
	Scope3	Total amount (t)	-	-	-	12,678	13,447	13,287	65.1%
		Consumption rate (t/m <sup>2</sup> )	-	-	-	0.0130	0.0138	0.0212	

\* Data collection period

The data collection period is from April to March, and the results are updated annually in principle.

\* Calculation method

1. The consumption rate is calculated as total usage or emissions/total floor area (m<sup>2</sup>).

2. Coverage is calculated as follows:

Coverage (%) = (1) Data collection range (m<sup>2</sup>)/(2) Maximum possible data collection range (m<sup>2</sup>)

(1) Data collection range is the floor area of the data collected.

(2) The maximum possible data collection range is the total floor area of the applicable properties.

3. Comparison under the same conditions:

(1) This is the comparison of energy consumption, GHGs, water consumption and weight of waste for properties we have managed continuously for two years or properties for which we could obtain data for two years in our portfolio.

(2) This comparison does not include properties which we have acquired or disposed of in the past two years, properties which we have developed or refurbished on a large-scale basis, or properties with variations in the data acquisition rates for each reporting year in our portfolio.

# Prevention of Pollution

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## Policy and Basic Concept

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ITOCHU has established the following in the ITOCHU Group Basic Policy on Promotion of Sustainability that we revised in 2018. We respect the legislative systems of each country and international norms while striving to prevent environmental pollution that threatens our lives. We promote business activities that consider conservation of the global environment such as climate change alleviation and adaptation, and protection of biodiversity and ecosystems. Promoting sustainability rests in the hands of individual employees. Therefore, we conduct educational and awareness activities for employees to foster their awareness to solve social challenges. Individual employees observe the laws, ordinances and regulations of Japan and other countries and other matters agreed to by our company. They then implement the action plans of each organization based on this policy. We contribute to society through our core business with efforts like these.

The chemicals and synthetic resins handled in the Chemicals Division and the products made with these are used in every aspect of our lives. This means that they are extremely useful. On the other hand, many of these chemicals are toxic or dangerous in nature. Therefore, they are regulated by a great many related laws and regulations in various settings (e.g., manufacture, sales, transportation and storage).

These chemicals are connected to serious problems concerning public health and environmental conservation. Accordingly, the laws and regulations on the trading of chemicals are diverse and extremely strict. The penalties for violating these laws and ordinances are also very heavy. Many chemicals require permission to be handled as products. However, if this permission is revoked as a result of violating laws and ordinances, it could seriously affect the business of the Chemicals Division.

There is an international trend to minimize risks at the level of the entire supply chain of chemicals. Against this background, both advanced nations and developing nations have started to introduce new regulations and to make large-scale revisions to existing regulations. Consequently, the regulatory environment in the handling of chemicals is expected to become ever stricter in the future.

With awareness of the above, we recognize the importance of compliance with laws and ordinances in addition to knowledge of products and the industry as a company that handles chemicals. Our basic policy is that each individual should engage in business in accordance with the requirements of laws and ordinances upon correctly understanding the laws and regulations concerning the products that they are in charge of handling.

## Targets

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ITOCHU has set the following as our environmental targets (FYE 2019). (1) Prevention of environmental pollution and compliance with laws and regulations: We will perform advance environmental risk assessments according to the CSR and Environmental Checklist for Investments for all investment projects. We will promote efforts to improve the management level by checking the environmental management system, compliance and environmental performance situation through internal audits. We will select group companies and then visit them to survey their environmental management situation. (2) Promotion of awareness activities: We will hold workshops and promote learning on the Waste Management and Public Cleansing Law and the Soil Contamination Countermeasures Act for ITOCHU and group company employees. We will set target values and then review results based on them. (3) ITOCHU will set numerical targets for the reduction of the waste we discard, the promotion of recycling, and the reduction of our paper and water consumption even in our office activities in addition to considering the environment when performing our business activities. We will also gradually expand the scope of environmental performance data we collect from group companies in Japan and overseas offices to understand the actual situation and utilize that in our future environmental conservation activities.

# Structures and Systems

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\* Reference: Excerpt from the Handbook on Chemicals Related Laws

## Organization

### — Supervising Department

Chemicals Planning Supervision Department, Chemicals Division, Energy & Chemicals Company

\* Some support work is outsourced to Chemical Logitec Co., Ltd. (Group company under the supervision of the Chemicals Division)

### — Management Method

1. Management with a Law and Ordinance Management System (Substances Handled, Applicable Laws and Ordinances, Legal Compliance Matters and Performance Situation Check and Database Creation)
  - Approx. 3,000 products handled currently (basically, counted as one per SDS)
  - Products subject to management: chemical raw materials, intermediate goods and products (some)
  - There are rules for the registration to this system when handling new products and for the acquisition of approval from the supervising department in advance
  - There are 39 laws and ordinances subject to management
2. Outsourcing of Advisory Work to a Chemical Industry Legal Consultant
  - Subcontractor: Technohill Co., Ltd. (This company is home to multiple former employees of general chemical manufacturers and provides advisory services)
3. Use of Web Law and Ordinance Search Systems
  - ez-Advance (Provided by Japan Chemical Database Ltd.)
  - chrip (Provided by the Chemicals Evaluation and Research Institute, Japan)
4. E-learning on Chemicals related Laws and Regulations
  - Frequency: Once a year
  - Introduction to the major laws (Chemical Substances Control Law, Industrial Safety and Health Law, Poisonous and Deleterious Substances Control Law, Pollutant Release and Transfer Register Law, and Industrial Waste Law) and law and ordinance search tools
5. Creation and Distribution of a Handbook on Chemicals Related Laws
  - This handbook describes 32 laws and ordinances
  - It clarifies the outline and compliance matters of each law and ordinance

## ■ Management Structure for Emergency Response and Accident Response

ITOCHU responds as below in accordance with our accident and emergency response regulations.

- The person who first receives an accident and emergency report immediately makes a report to the Chief Operating Officer and Secretary-General of the Chemicals Division via those in charge of ESG promotion according to the emergency contact network.
- The person that first receives an accident and emergency report write an accident and emergency report and obtain the approval of those in charge of ESG promotion.

If an accident occurs during the handling or storage of toxic or hazardous substances, we respond as follows in line with the Pharmaceutical Key Toxic and Hazardous Substance Risk Prevention Procedures Manual.

- We will make reports as necessary according to the emergency contact network in the above manual. In addition, we will take prompt action to limit the risks caused by toxic and hazardous substances.
- In the event of splashing, leaking, outflow, seepage or penetration underground, we will immediately notify the health care center, police station or fire department to that effect when there is a fear of a risk to the health of an unspecified or large number of people. At the same time, we will take measures to prevent risks to health.

## Efforts

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### Acquisition of ISO22301 Certification Aiming for a Safe, Secure and Resistant-to-Disaster Tank Terminal

Nagoya Chemport, which is managed and operated by Chemical Logitec Co., Ltd., plays an important part in the supply chain that includes Nagoya and its environs. Its main business is to receive, store and dispense liquid chemicals at Nagoya Port No. 9.

The company spent two years educating and training its employees, enhancing its facilities and developing its structures with the aim of ensuring a safe, secure and resistant-to-disaster chemport. This has been done in preparation for the Nankai Trough Earthquake predicted to strike in the future based on lessons learned from the Great East Japan Earthquake that occurred on March 11, 2011. As a result of these efforts, the site acquired initial ISO22301:2012 certification on May 1, 2014; it was then re-certified on June 15, 2017.

ISO22301 is a management standard to minimize the impact on stakeholders, including customers, and elevate the abilities of organizations to continue providing services by promptly recovering from disasters and accidents that interrupt and hinder business. Nagoya Chemport broke ground to become the first company to acquire this certification in the chemical tank industry in Japan and among ITOCHU Group companies.

We are continuing to review issues inside and outside the organization and working to improve them. In FYE 2016, we provided safety measures training with a scenario of accidents occurring when there are few people to deal with them (e.g., at night and on holidays) in the presence of shippers. We also held night training again in FYE 2018 following on from FYE 2017 to check whether there were any problems with the support for that. We are continuing to work on ensuring safety in the event of a disaster with respect for human life as our number one priority. In addition, we repeatedly hold education and training for organizations and strive on a daily basis to respond to the trust placed in us by our customers.



Tank Terminal

## Cooperation with Stakeholders

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To contribute to the promotion of the formation of a recycling-based society, ITOCHU Corporation as a specified business operator prescribed by the Container and Packaging Recycling Law measures recycling of containers and packaging every year to ascertain its own manufacturing / import volume of containers and packaging, Commercialization consignment fee is included in Japan Containers and Packaging Recycling Association. Details: See Cooperation with Stakeholders (P67)

## Performance Data

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- We hold chemicals related law and regulation e-learning every year  
Chemicals Division alone (participants: 141 / period: October 1 to 31, 2018)  
We also give information on the same e-learning to the Chemicals Division related Group companies, each division company in ITOCHU other than the Energy & Chemicals Company and also its related Group companies
- There were no major violations (e.g., license suspensions)



# Resource Circulation

## Policy and Basic Concept

ITOCHU stipulates the following in the ITOCHU Group Basic Policy on Promotion of Sustainability that we revised in 2018. We shall strive to understand the situation concerning the use of resources (e.g., the atmosphere, water, soil, food, minerals, fossil fuels, and animals and plants) and the situation concerning consideration for human rights and labor in our business investments and in the supply chain of the products we handle. We shall ask our business partners to understand and put into practice our concept toward sustainability. The aim of this is to build a sustainable value chain. In addition, we specified material sustainability issues which incorporate the viewpoint of the Environmental, Social and Governance (ESG) in April 2018. We consider ensuring stable procurement and supply to be a critical issue. We work to effectively utilize and to ensure stable procurement and supply of resources (including water) according to demand in each country with consideration for the environment (e.g., biodiversity). In doing this, we are aiming for a recycling-oriented society.

With regard to water resources, we understand that water stress and shortages of potable water supply are an increasing global concern. About 97.5% of earth's water resources come from the ocean, leaving less than 0.01% to be potable water. Potable water resources are also at risk of decrease given the exacerbation of natural conditions due to climate change. Nonetheless, the demand for water supply will increase along with the growing global population, mainly around emerging economies, putting a lot of strain on existing water supply.

Water resources are however critical to the sustained execution of ITOCHU Corporation's vast range of global business activities. In order to adapt to the changing environment and contribute to the sustainability of water supplies around the world, we are committed to limiting our water consumption to what is necessary, recycling and reusing water, improving efficiency, and reducing water consumption.

Given these global circumstances, ITOCHU Corporation has identified its water-related business as a material area. As such, we are committed to enhancing our global capability regarding our seawater desalination business and our water supply and sewerage concession businesses, which we have been engaging in since 2014. We believe that these efforts will allow us to contribute to solving water stress and shortage issues around the world.

## Targets

ITOCHU sets numerical targets for the reduction of the waste we discard, the promotion of recycling, and the reduction of our paper and water consumption.

ITOCHU develops water and hygiene infrastructure, and appropriately treats and effectively utilizes water and waste. Through this, our water resource related business contributes to improving the hygiene environment, developing economic activities and conserving the global environment. We are promoting the appropriate use and treatment of water, and the effective utilization of resources through expansion of our water and environmental business. In this way, we are working to reduce our environmental impact.

In our Tokyo Headquarter building, we are implementing resource saving measures to recycle water through creation of reclaimed water. This allows us to improve our water consumption efficiency in the office. Targets and indicators we track to manage our performance are noted in the table below.

	FYE 2019 (Results)	Single Year Target	Target for the Fiscal Year Ending March 31, 2021
Volume of waste discarded by our Tokyo Headquarters	Reduction of 35% compared to FYE 2011	Reduction of 10% compared to FYE 2011	Reduction of 20% compared to FYE 2011
Recycling rate in our Tokyo Headquarters	93%	90%	90%
Paper consumption in our Tokyo Headquarters	Reduction of 16% compared to FYE 2011	Reduction of 3% compared to FYE 2011	Reduction of 3% compared to FYE 2011
Water consumption in our Tokyo Headquarters (water supply)	Reduction of 14.1% compared to FYE 2011	Reduction of 10% compared to FYE 2011	Reduction of 15% compared to FYE 2011

## Targets for realty business

Item	Reduction target	Short-term target	Long-term target
Water usage	No increase	Annual consumption rate basis No increase	<ul style="list-style-type: none"> <li>● Residence portofolio:5 years (FYE 2018-FYE 2022)/No increase on consumption rate basis</li> <li>● Logistics portofolio:5 years (FYE 2020-FYE 2024)/No increase on consumption rate basis</li> </ul>
Waste volume	No increase	Annual consumption rate basis No increase	<ul style="list-style-type: none"> <li>● Residence portofolio:5 years (FYE 2018-FYE 2022)/No increase on consumption rate basis</li> <li>● Logistics portofolio:5 years (FYE 2020-FYE 2024)/No increase on consumption rate basis</li> </ul>

## Structures and Systems

We assess in advance the impact on the market, society and the environment by business investment projects in Japan and overseas engaged in by ITOCHU and our Japanese subsidiaries. We do this with the ESG Checklist for Investment. (The assessment items are related to climate change risks and also include the energy consumption and CO<sub>2</sub> emissions situation.) We have been operating this revised checklist since FYE 2014. The revision to the checklist means it now contains 33 check items including elements of the seven core subjects in ISO26000 (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development). We make requests to external specialist organizations to conduct investigations in advance for projects requiring a professional point of view. The project is then only undertaken upon confirming that there are no problems in the results of those investigations.

ITOCHU has reorganized and integrated our environmental management structure into a structure to promote sustainability in the same way as with the Environmental Policy since April 2018. This has led to the establishment of a new structure to promote sustainability. You can find this from P11.

ITOCHU considers ensuring stable procurement and supply to be a critical issue. We work to effectively utilize and to ensure stable procurement and supply of resources (including water) according to demand in each country with consideration for the environment (e.g., biodiversity). In doing this, we are aiming for a recycling-oriented society. We recognize that there are risks related to ensuring stable procurement and supply. These include the impact from opposition movements caused by environmental problems and worsening relations with regional communities and structural exhaustion of the industry as a whole is due to competition to reduce prices in the consumer-related field primarily. Meanwhile, we recognize that there are opportunities related to ensuring stable procurement and supply. These include a rise in demand for resources because of the increase in population and improvement in the living standards of emerging nations, and winning the trust of customers and creating new business from the stable supply of environmentally friendly resources and materials.

We manage water resource risks by using the World Resources Institute's (WRI) Aqueduct for manufacturing bases affiliated with our group.

## Efforts

Among the environmental conservation costs disclosed in the environmental accounting (P36), associated with water are as follows :

- Cost for water pollution prevention, wastewater treatment cost, grey water production cost, monitoring measurement cost and management cost 9,456 thousand yen
- Research and development expenses for water risk aversion (donation to Division of Climate System Research, Atmosphere and Ocean Research Institute, the University of Tokyo) 500 thousand yen

## Understanding Water Risks at Manufacturing Bases

ITOCHU uses the Aqueduct tool developed by the World Resources Institute (WRI) to identify areas with high water stress levels at manufacturing bases affiliated with our group. With this, we have quantified the water stress levels at all our manufacturing bases in Japan and overseas and have identified areas with a high level of water stress.

Overall water risk	Number of sites
Low risk (0-1)	1
Low to medium risk (1-2)	32
Medium to high risk (2-3)	63
High risk (3-4)	10
Total	106

As in the Environment Conserving Business page (P43-44), we are striving to solve global environmental problems through the promotion of environment conserving businesses such as seawater desalination business in Victoria, Australia and Oman and seawater desalination plant, and osmosis membrane manufacturing and sales in Saudi Arabia.

## Food Recycling

ITOCHU makes regular reports on the amount of food we discard and the amount we recycle in Japan to comply with the Food Recycling Law. We are striving to suppress the generation of waste and to promote recycling (e.g. conversion into feed) in line with the reference rate (recycling rate target).

### Food Recycling Rate

		FYE 2016	FYE 2017	FYE 2018	FYE 2019
Quantity recycled	Waste volume generated (Unit: t)	959.9	828.2	1,816.9	869.0
	Amount of recycling (Unit: t)	567.7	544.9	620.6	454.9
	Waste volume (Unit: t)	392.2	283.3	1,196.3	414.1
Target (recycling rate target by individual food related operator)	Reference rate	74.8%	75.8%	76.8%	77.8%
Percentage recycled	Recycling rate	64.3%	70.6%	34.2%	52.3%

\* In FYE 2018, 1,001.0 tons were discarded due to a warehouse fire.

\* FYE 2020 recycling rate target: 78.8%

## Number One Trader in the World for the Cement Substitute of Blast Furnace Slag

Blast furnace slag is a by-product of the steelmaking process. Mixing and using it with cement as a cement substitute makes it possible to save natural resources (e.g., limestone – the raw material of cement). It is an environmentally friendly product that can reduce the CO<sub>2</sub> generated during manufacturing by about 40%\* compared with when making concrete only with cement.

It is highly durable against seawater and the steel material in it is less likely to suffer corrosion over a long period of time. Therefore, it is widely used in large civil engineering projects at ports.

We have been selling blast furnace slag produced in Japan and overseas in around 10 countries since about 20 years ago. We handle of volume of blast furnace slag that makes us the number one trader in the world for it. In the future, we will build continuous and stable distribution channels and consider investing and participating in the slag business.



Structure Made with Blast Furnace Slag

\* Calculated at a 55:45 ratio for cement and blast furnace slag

## Cooperation with Stakeholders

### Compliance with the Containers and Packaging Recycling Law

ITOCHU understands our own manufacturing and import volume of containers and packaging every year to recycle containers and packaging. We then pay a recycling fee to the Japan Containers and Packaging Recycling Association. The aim of this is to contribute to promoting the formation of a recycling-orientated society as a specified business operator prescribed by the Containers and Packaging Recycling Law.

The recycling fee we pay every year is as below.

(Unit:Yen)

Fiscal Year	Recycling Fee / Contribution Fee	Glass Bottles			PET Bottles	Paper Containers and Packaging	Plastic Containers and Packaging	Total
		Colorless	Brown	Other Colors				
FYE 2017	Recycling	814,414			708	18,306	631,798	1,465,226
	Contribution	0			68	168	47,052	47,288
	Total amount	814,414			776	18,474	678,850	1,512,514
FYE 2016	Recycling	770,179		158,548		30,825	292,375	1,251,927
	Contribution	0		0		315	13,395	13,710
	Total amount	770,179		158,548		31,140	305,770	1,265,637
FYE 2015	Recycling	754,732		16,016		25,416	339,157	1,135,321
	Contribution	0		0		107	11,896	12,003
	Total amount	754,732		16,016		25,523	351,053	1,147,324

### Initiative Participation (Activities Through Business and Industry Groups)

We are participating in the Global Environment Subcommittee of the Committee on Environment and Safety – an environment and energy related committee of the Japan Business Federation (Keidanren). We are working to realize an environmental policy compatible with the economy (e.g., through promotion of voluntary action plans, and measures for global warming, waste and recycling and environmental risks including water management). We are also participating in the Global Environment Committee of the Japan Foreign Trade Council. We are striving to build a low-carbon society, construct a recycling-orientated society, and to support environmental related laws and regulations.

### Participation in the CDP

We participate in the CDP. This is an NGO with the largest database in the world related to environmental information (e.g., water security management of companies). We do this as part of our work to proactively disseminate information about our efforts on ESG for various stakeholders around the world. We have been answering the written inquiries of CDP Water Security to assess water management in the supply chain of companies since FYE 2014.

# Performance Data

## Scope of Aggregation

○:in scope of aggregation

	Waste volume	Paper consumption	Water consumption and wastewater discharge
Tokyo headquarters	○	○	○
Osaka headquarters	—	—	—
Branches in Japan <sup>*1</sup>	—	—	—
Other branches and business facilities in Japan <sup>*2</sup>	—	—	—
Group companies in Japan <sup>*3</sup>	○	—	○
Overseas offices <sup>*4</sup>	○	—	○
Overseas group companies <sup>*5</sup>	○	—	○

\*1 The branches in Japan cover all five domestic branches (Hokkaido, Tohoku, Chubu, Chugoku & Shikoku, and Kyushu).

\*2 The other business facilities cover business facilities owned or leased by ITOCHU (except facilities for residences). The number of offices including domestic branches was eight in FYE 2016, eight in FYE 2017, six in FYE 2018 and eight in FYE 2019.

\*3 The group companies in Japan cover consolidated subsidiaries directly invested in by ITOCHU (as of March 31, 2017) for FYE 2016 to FYE 2017. The number of such companies was 70 in FYE 2016 and 65 in FYE 2017. All consolidated subsidiaries are covered since FYE 2018 (coverage 100%). The numbers of such companies was 208 in FYE 2018 and 220 in FYE 2019.

\*4 The numbers of overseas offices covered was 16 in FYE 2016, 16 in FYE 2017, 15 in FYE 2018, and 30 in FYE 2019.

\*5 The overseas group companies cover consolidated subsidiaries directly invested in by ITOCHU (as of March 31, 2017) from FYE 2016 to FYE 2017. The number of such companies was 44 in FYE 2016 and 46 in FYE 2017. All consolidated subsidiaries are covered since FYE 2018 (coverage 100%). The numbers of such companies was 299 in FYE 2018 and 282 in FYE 2019.

However, companies expected to be sold within the next five years held for investment management purposes are not included in the scope of the data. Moreover, the non-manufacturing site offices with 10 or fewer employees are quantitatively insignificant. Accordingly, they are not included in the scope of the data.

## Water Consumption and Wastewater Discharge

The table below gives the water consumption, gray water production volume and wastewater discharge in the Tokyo Headquarters as well as the wastewater discharge in group companies, overseas offices and overseas group companies from FYE 2016 to FYE 2019. Our Tokyo Headquarters has set a target of reducing its water consumption by 10% compared with FYE 2011 levels. We are reducing our water consumption by introducing devices to save water by using gray water for the water used to flush toilets.

(Unit:m<sup>3</sup>)

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
City water usage by the Tokyo headquarters★	46,922	52,248	43,039	46,573
Gray water usage by the Tokyo headquarters★	35,729	30,736	33,830	31,225
Wastewater discharge by the Tokyo headquarters★	62,857	63,446	58,129	58,779
Wastewater discharge by group companies in Japan*	981,549	846,700	14,628,762	51,913,278
Wastewater discharge by overseas offices*	5,932	5,722	5,863	5,366
Wastewater discharge by Overseas group companies*	205,394	207,267	11,831,598	34,380,149

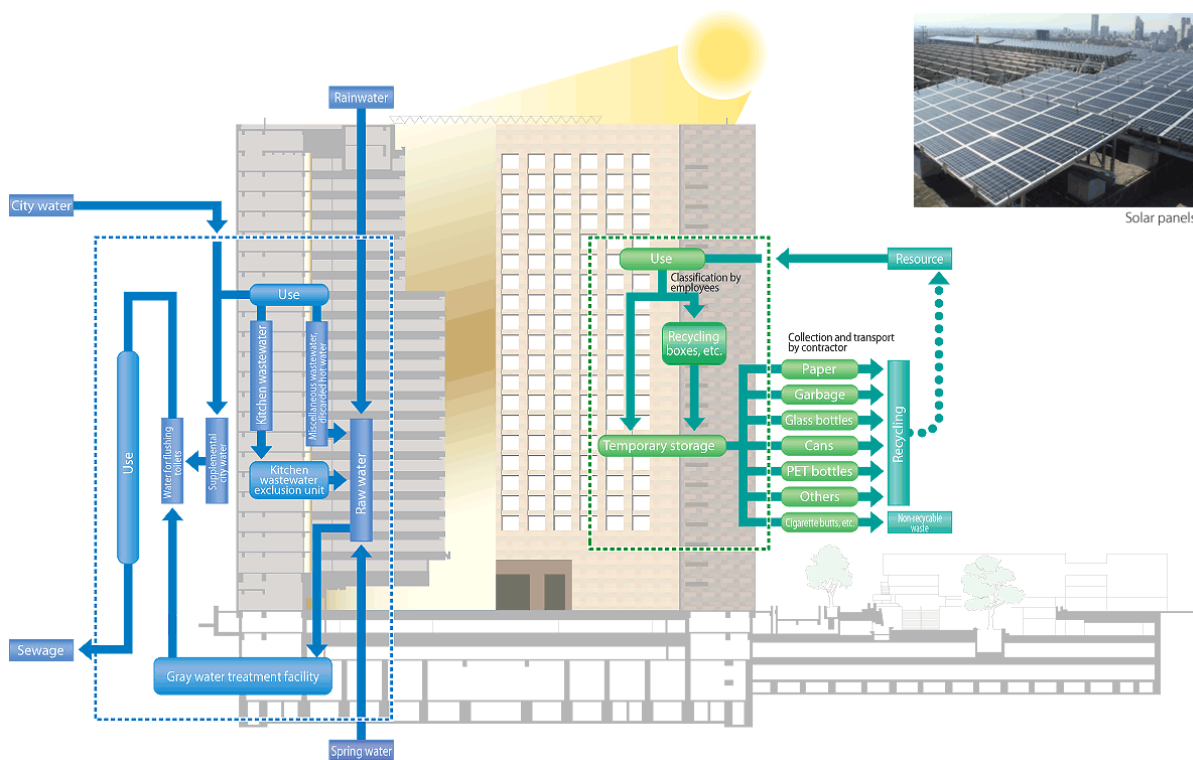
\* If we do not know the wastewater discharge, we have calculated it assuming that it is the same as the volume of tap water consumption

\* Due to the increase in the number of companies subject to aggregation, the figure for FYE 2019 has increased significantly compared to FYE 2018.

## Effective Utilization of Water Resources

Gray water production facilities have been installed in the Tokyo Headquarters since the time when its construction was completed in 1980. These facilities use kitchen wastewater, rainwater, spring water, and non-fecal wastewater from washbasins and office kitchenettes as raw water. This processed gray water is then used for the flushing water of toilets to effectively utilize water resources.

Changes occur every year in the volume of gray water that can be secured from rainfall. Therefore, when there is not much rainfall, tap water is increasingly used. For that reason, we are striving to save tap water by newly installing equipment to save on the water when washing hands in washbasins in toilets and equipment to automatically save on the water flushed in toilets.



## Paper

### Paper Consumption

The table below gives our paper consumption for FYE 2016 to FYE 2019 (This is for the Tokyo Headquarters in FYE 2016 and for the total of all ITOCHU bases in Japan from FYE 2017 to FYE 2019). Our Tokyo Headquarters has set a target of reducing its paper consumption by 3% compared with FYE 2011 levels. We are working on reducing our paper consumption by going paperless and ending the use of unnecessary paper.

(Unit: Thousand sheets (A4 equivalent))

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Copy paper consumption	31,896	34,940	32,949	30,711

## Waste

### Waste Volume

The table below gives the waste volume generated in the Tokyo Headquarters, group companies in Japan, overseas offices and overseas group companies from FYE 2016 to FYE 2019. ITOCHU promotes the separation of garbage. Our Tokyo Headquarters has set a single year target of reducing its waste volume by 10% compared with FYE 2011 levels. We are working to reduce our waste volume through initiatives such as 2-in-1 and double-sided printing. The Tokyo Headquarters won the Minato Ward Waste Reducing Business Operator Commendation in FYE 2015.

		FYE 2016	FYE 2017	FYE 2018	FYE 2019
Tokyo headquarters building★	Waste volume (Unit: t)	711	674	698	680
	Waste non-recycled	36	38	43	48
	Waste recycled	675	636	655	632
	Recycling rate (Unit: %)	95	94.3	93.8	92.9
Group companies in Japan	Waste volume (Unit: t)	23,470	21,947	177,526	4,707,364
Overseas offices	Waste volume (Unit: t)	9	33	5	17
Overseas group companies	Waste volume (Unit: t)	14,569	10,016	141,392	3,118,634

\* The waste volume of the Tokyo Headquarters includes the amount sold as valuables.

\* Due to the increase in the number of companies subject to aggregation, the figure for FYE 2019 has increased significantly compared to FYE 2018.

## Fuel consumption of the ITOCHU Group

		FYE 2018	FYE 2019
Kerosene (Unit: kL)		4,001	4,468
Light oil (Unit: kL)		35,577	39,362
Gasoline (Unit: kL)		10,774	12,598
Heavy oil A (Unit: kL)		25,699	18,289
Heavy oil B and C Unit: (kL)		11,711	16,551
Coal (Unit: t)		341,192	333,176
Petroleum gas	Liquefied petroleum gas (LPG) (Unit: t)	6,321	6,614
	Liquefied petroleum gas (LPG) (Unit: 1,000 m <sup>3</sup> )	2,454	496
	Petroleum hydrocarbon gas (Unit: 1,000 m <sup>3</sup> )	2,247	1,860
Combustible natural gas	Liquefied petroleum gas (LPG) (Unit: t)	1,645	3,161
	Other combustible natural gas (Unit: 1,000 m <sup>3</sup> )	5,762	14,565
Town gas etc.	Town gas (Unit: 1,000 m <sup>3</sup> )	204,481	33,552
	Other gas (Unit: 1,000 m <sup>3</sup> )	0.017	158

## Independent Assurance

Independent Assurance Report (P200): The data below marked with a ★ is independently assured through KPMG AZSA Sustainability Co., Ltd. This assurance conforms to the International Standard on Assurance Engagements (ISAE) 3000 and 3410 of the International Auditing and Assurance Standards Board (IAASB).

★: Total electricity consumption and total CO<sub>2</sub> emissions attributable to business facilities of the Tokyo Headquarters, the Osaka Headquarters, branches in Japan, domestic branches and other business facilities, CO<sub>2</sub> emissions (attributable to distribution), and the volume of waste discarded, recycling rate, water consumption, gray water production volume and wastewater volume for the Tokyo Headquarters.

Independent Assurance Report (P200): The data below marked with a ◆ is independently assured through KPMG AZSA Sustainability Co., Ltd. This assurance conforms to the International Standard on Assurance Engagements (ISAE) 3000 and 3410 of the International Auditing and Assurance Standards Board (IAASB).

◆: Total electricity consumption and GHG emissions attributable to business facilities of the Tokyo Headquarters, Osaka Headquarters, branches in Japan, domestic branches, other business facilities, group companies in Japan, overseas offices and overseas group companies and the ITOCHU Group in total.

## Realty business : Water Usage and Waste Volume

Item	Unit	FYE 2015	FYE 2016	FYE 2017	FYE 2018 (Reference year)	FYE 2019		
						Actual	Apples-to-apples comparison	Coverage (actual)
Water usage	Total amount (Unit: m <sup>3</sup> )	140,987	154,546	193,347	199,537	208,277	201,383	25.0%
	Consumption rate (Unit: m <sup>3</sup> /m <sup>2</sup> )	0.1557	0.1628	0.2027	0.2051	0.2136	0.8400	
Waste volume	Total amount (Unit: t)	-	2	5,934	6,436.4	6,837.4	6,759.6	65.1%
	Consumption rate (Unit: t/m <sup>2</sup> )	-	0.0000	0.0062	0.0066	0.0070	0.0069	
	Recycling rate (Unit: %)	-	0.0	13.4	17.7	17.6	17.6	

\* Data collection period

The data collection period is from April to March, and the results are updated annually in principle.

\* Calculation method

**1.** The consumption rate is calculated as total usage or emissions/total floor area (m<sup>2</sup>).

**2.** Coverage is calculated as follows:

Coverage (%) = (1) Data collection range (m<sup>2</sup>)/(2) Maximum possible data collection range (m<sup>2</sup>)

**(1)** Data collection range is the floor area of the data collected.

**(2)** The maximum possible data collection range is the total floor area of the applicable properties.

**3.** Comparison under the same conditions:

**(1)** This is the comparison of energy consumption, GHGs, water consumption and weight of waste for properties we have managed continuously for two years or properties for which we could obtain data for two years in our portfolio.

**(2)** This comparison does not include properties which we have acquired or disposed of in the past two years, properties which we have developed or refurbished on a large-scale basis, or properties with variations in the data acquisition rates for each reporting year in our portfolio.



# Approaches to Conservation of Biodiversity

## Policy Toward Biodiversity Conservation

The Aichi Targets for 2020 were determined at the 10th meeting of the Conference of the Parties (COP10) to the Convention on Biological Diversity that was held in Nagoya, Aichi Prefecture in 2010. With this serving as an impetus, the Sustainable Development Goals (SDGs), the Paris Agreement and other international agreements deeply important to biodiversity were also reached after that.

The ITOCHU Group, which operates business globally, perceives global environmental problems as one of the most important matters in our management policy. We will contribute to the realization of a sustainable society by promoting conservation of the global environment (e.g., protection of biodiversity and ecosystems) as indicated in the ITOCHU Group's Basic Policy on Promotion of Sustainability to fulfill our corporate philosophy of being committed to the global good. In order to achieve the realization of a sustainable society, we have established the Biodiversity Declaration.

### Biodiversity Declaration

**Target: To realize a sustainable society by building a society in harmony with nature**

We will promote actions for biodiversity conservation more than ever before and will aim to further deepen them with our Biodiversity Declaration to make an international contribution.

- We will strive to prevent environmental pollution with consideration for the conservation of natural ecosystems and biodiversity when promoting our business activities from a global perspective.
- We will emphasize harmony between the workings of nature and our business activities. We will achieve this by promoting management integrated with the environment that incorporates extensive environmental activities (e.g., carbon reduction, resource recycling and biodiversity conservation) into our business activities.
- We will voluntarily and steadily take actions conducive to biodiversity and then disclose information and engage in dialogue.
- We will work on business activities that take into consideration local ecosystems while utilizing the natural capital of each region. We will endeavor to further promote efforts on nature conservation and biodiversity while linking up and cooperating with related organizations in Japan and overseas.
- We will foster a culture toward creating a society that cultivates biodiversity and improve awareness of this both inside and outside our company.

### Targets

CSR Issues/ Societal Issues	FYE 2019 action plans	FYE 2019 results	FYE 2020 action plans	SDGs
Implementation and follow-up on social contribution programs aimed at environmental conservation [Basic Activity Guidelines 2 Environmental Conservation]	Discover and promote new projects targeting environmental protection in Japan and overseas.	<p>Started a project for protecting green turtles, an endangered species</p> <ul style="list-style-type: none"> <li>● For the purpose of conserving biodiversity, ITOCHU Corporation support activities for protecting green turtles, designated as an endangered species in the Red Data Book from the Ministry of the Environment of Japan. The support is provided via Everlasting Nature (ELNA), a certified NPO.</li> <li>● From August 25 to August 30, 2018, ITOCHU conducted a Green Turtle Protection Tour on Chichijima in the Ogasawara archipelago, the largest green turtle breeding ground in Japan.</li> </ul>	Continue to support activities for protecting green turtles, an endangered species, through ELNA	13. 14. 15.

### Structures and Systems

We have established items to assess what impact investment projects will have on the natural environment in the ESG Checklist for Investment — a checklist that must be submitted when entering into new business investment projects. We check whether or not there will be an impact on ecosystems attributable to the applicable project and whether or not there will be an impact on the natural environment (e.g., depletion of resources). If an impact is recognized, we perform risk management in advance of executing the project. For example, upon risk analysis, we make requests to external specialist organizations for additional due diligence if necessary.

## Efforts

### Consideration for Biodiversity in the Pulp Manufacturing Business

For more information see Wood, Wood Products, Papermaking Raw Material, and Paper Products Example 1: Celulose Nipo-Brasileira S.A. (P142)

### Guidelines for Mine Closure

In our mineral resource development business, we have prepared a guideline for mine closure based on international standards\*. In addition to land reclamation, mine closure plans should be designed so that there is as little negative impact and maximum profit as possible on the local society and economy. To achieve that, such proper measures should be taken as to prepare funds for closure, ensure the safety of waterways constructed at the time of the mine's operation, and to prevent contaminations with chemicals being used. Towards future mining closure, we have cooperated with partners, assessed the environmental impact and formulate mine closure plans as stipulated by the countries where projects are, and put the system in order to check the implemented process of the plan.

\* EHS Guidelines (Mining) of the International Finance Corporation (IFC)

### Support for a Biodiversity Conservation Program in the Amazon

ITOCHU has supported the Field Museum Concept since FYE 2017. This is a biodiversity conservation program in the tropical rainforest of the Amazon being advanced by the Wildlife Research Center of Kyoto University together with the National Institute of Amazonian Research in Brazil for environmental conservation and biodiversity.

The Amazon is an area equivalent to more than half of the tropical rainforests on the earth — it is also known as a treasure trove of ecosystems. However, rapid economic development and local residents cutting down the forest due to their lack of environmental education has led to the gradual loss of this precious ecosystem over the last few years. The Wildlife Research Center of Kyoto University is working together with the National Institute of Amazonian Research to conduct research and dissemination activities to maintain the precious ecosystem of the Amazon. Japan and Brazil have been working together to conduct research and develop facilities for conservation using the advanced technologies that are the specialty of Japan.

We supported the construction of the Field Station. This is a base for the natural observation and research of the diverse creatures and ecosystem of the Amazon in the Cuieiras region at a branch of the Amazon River. This facility was developed through industry, government and academia collaboration. In addition to a multipurpose building with a facility where visitors gather for seminars and research presentations (visitor center), there is also an accommodation building. The opening ceremony for this facility was held in May 2018. The station has made the long-term monitoring of animals and plants possible in an excellent region where a submerged forest and terra firme (solid ground) both exist. This has seen it attract attention both in Brazil and elsewhere around the world. In the future, advanced research will be conducted on the Amazon's tropical rainforest in the medium-to-long term. At the same time, environmental educational activities will be further simulated. It is hoped that this will lead to the conservation of the biodiversity in the Amazon. In addition to research on the Amazon's aquatic life (river dolphins and manatees) and upper reaches of the tropical rainforest that were difficult to study until now, many plans are being considered for the future.

In addition, for the purpose of saving the vulnerable species of the Amazon manatee, ITOCHU supports a program to reintroduce the Amazon manatee into the wild. The number of manatees being protected due to injuries associated with poaching is increasing. On the other hand, autonomous reintroduction into the wild is difficult. Accordingly, there was a pressing need to establish a project to reintroduce manatees into the wild. This project was aiming to reintroduce into the wild nine or more manatees and to semi-reintroduce into the wild 20 or more manatees during the period of the project over three years from FYE 2017. In reality, it has reintroduced into the wild 27 manatees and semi-reintroduced 28 manatees.



Amazon Rainforest: World's Largest Rainforest — Said to Supply One Third of the Oxygen on the Earth



The logo of Manatee Homecoming Project



Completed Field Station



Endangered Species of the Amazon  
Manatee

## Project for Protecting Green Turtles, an Endangered Species

For the purpose of conserving biodiversity, ITOCHU Corporation support activities for protecting green turtles, designated as an endangered species.

Green turtles lay their eggs in Japan on the sandy beaches of Ogasawara Islands. People's lives are deeply connected to the natural environment surrounding green turtles. For instance, coastal development has reduced the availability of sandy beaches used as spawning grounds, the green turtles are caught as bycatch and eat refuse on the coast, mistaking it for food. The probability that a green turtle will reach maturity over a period of around 40 years is between 0.2% and 0.3% (the survival rate of young naturally hatched turtles). In order to cultivate an awareness of the environment on the part of employees, from August 25 to 30, 2018, ITOCHU conducted a Green Turtle Protection Tour on Chichijima in the Ogasawara archipelago, the largest green turtle breeding ground in Japan. Ten ITOCHU employees and family members took part in the tour.

Through ongoing support of activities to protect green turtles in the future, ITOCHU will contribute to the protection of marine and coastal ecosystems and halting of biodiversity loss, which make up part of the sustainable development goals (SDGs) adopted by the United Nations.



Green Turtles, an Endangered Species  
in Ogasawara in the Ogasawara  
archipelago



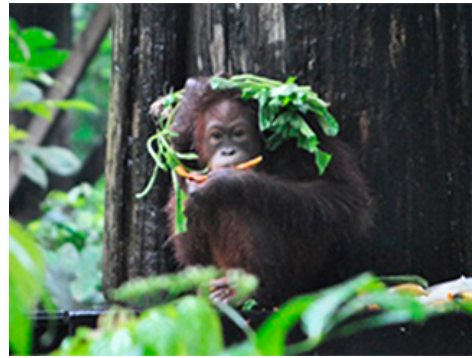
Green Turtle Protection Tour

## Tropical Forest Regeneration and Ecosystem Conservation Activities on Borneo

Borneo is a tropical forest region spanning three countries — Malaysia, Indonesia and Brunei. Its area is approximately double that of Japan. This makes it the third largest island in the world. Borneo, which is called a treasure trove of biodiversity, is developing. This has led to damage to the tropical forest to the extent that conservation of the ecosystem is not possible with natural regeneration alone. The WWF, a worldwide nature protection organization, is collaborating with the Forest Department in the local Sabah State to conduct an activity to regenerate a forest of approximately 2,400 hectares. This is taking place in North Ulu Segama, Sabah State in Malaysia in the northeastern part of Borneo — a forest regeneration area that has continued to be protected by the ITOCHU Group since 2009. The ITOCHU Group has supported the regeneration of 967 hectares of this land. The afforestation work was completed in 2014 and all on-site work, including maintenance and management work, was finished in January 2016. This is the largest area in which afforestation activities are supported by a regular company. This land is also home to the endangered species of the orangutan. The regeneration of this forest will also lead to the protection of many creatures living here in addition to this orangutan.



Afforestation with Tour Participants



Endangered Species of the Orangutan

## Hunting World's Borneo Support Activity

Hunting World, a luxury brand deployed by ITOCHU, has been using a logo with the motif of a young elephant without its tusks since the foundation of the brand in 1965. While serving as a symbol of freedom and revival, it also represents the challenge of looking toward the future in terms of the protection of endangered species. It contains the founder's love and respect for nature. Hunting World Japan, which sells Hunting World goods in Japan, has been supporting a biodiversity conservation activity being promoted by an NPO called the Borneo Conservation Trust (BCT) since 2008 to support the realization of coexistence with nature as called for by the founder. The company plans and sells charity goods and then provides 1% of those proceeds to the BCT. This helps with the funds to purchase land for a green corridor and the costs to rescue Borneo elephants that have gone astray in plantations. The company also independently acquired four acres of land in the green corridor project zone with its assistance funds up to that point in the fall of 2011 to create the Hunting World Kyosei no Mori (Symbiotic Forest of Hunting World). These donations have also helped with the funds to establish the Borneo Elephant Sanctuary. This is the first facility in the Wildlife Rescue Center that has been promoted by BCT Japan, which supports the BCT, since September 2013.

\* Green corridor: This is an activity to conserve biodiversity. The land between forest protection zones and forest reserves are purchased back. Divided forests are then connected to create a movement route for animals.



Endangered Species of the Borneo Elephant (We provide support for the construction of facilities to temporarily protect, treat and acclimatize Borneo elephants until they return to the wild)



Kinabatangan River in Northeastern Borneo: Target Area of the Green Corridor (The plan is to secure 20,000 ha of land overall)

## Cooperation with Stakeholders

### Initiative Participation (Activities Through Business and Industry Groups)

We participate in the Japan Business Federation (Keidanren). We support nature conservation projects in developing areas mainly in the Asia-Pacific region and in Japan through the Keidanren Committee on Nature Conservation that was established in 1992 when the United Nations Conference on Environment and Development (Earth Summit) was held in Rio de Janeiro in Brazil. The Keidanren Committee on Nature Conservation has been working to build an environment in which the business community strives to conserve nature. This has included exchanges with NGOs, the holding of seminars and symposia, and the announcement of the Declaration of Nature Conservation by Keidanren, the Declaration of Biodiversity by Keidanren and the action guidelines for them (revised in October 2018). In addition, in recent years, the committee has also undertaken a tree-planting activity in the Tsunami Memorial Park Nakanohama (Miyako, Iwate Prefecture) that was affected by a tsunami as reconstruction support for Tohoku through the restoration of nature.

## Cooperation with External Organizations toward Sustainable Palm Oil

ITOCHU joined the Roundtable on Sustainable Palm Oil (RSPO) in 2006. We have set a target of handling only RSPO certified palm oil or palm oil equivalent to that by 2025. We are working on the procurement and supply of sustainable palm oil through cooperation and collaboration with other member companies.

We are also participating in the Sustainable Palm Oil Transparency Toolkit (SPOTT). This is a project by the Zoological Society of London (ZSL) that assesses major palm oil related companies in terms of more than 50 indicators based on data released to the public. We disclose information to stakeholders relating to the palm oil industry through two-way communication.

## Participation in the CDP

We participate in the CDP. This is an NGO with the largest database in the world related to environmental information (e.g., climate change measures of companies). We do this as part of our work to proactively disseminate information about our efforts on ESG for various stakeholders around the world. We have been answering the written inquiries of CDP Forests to assess forest management in the supply chain of companies since FYE 2014.

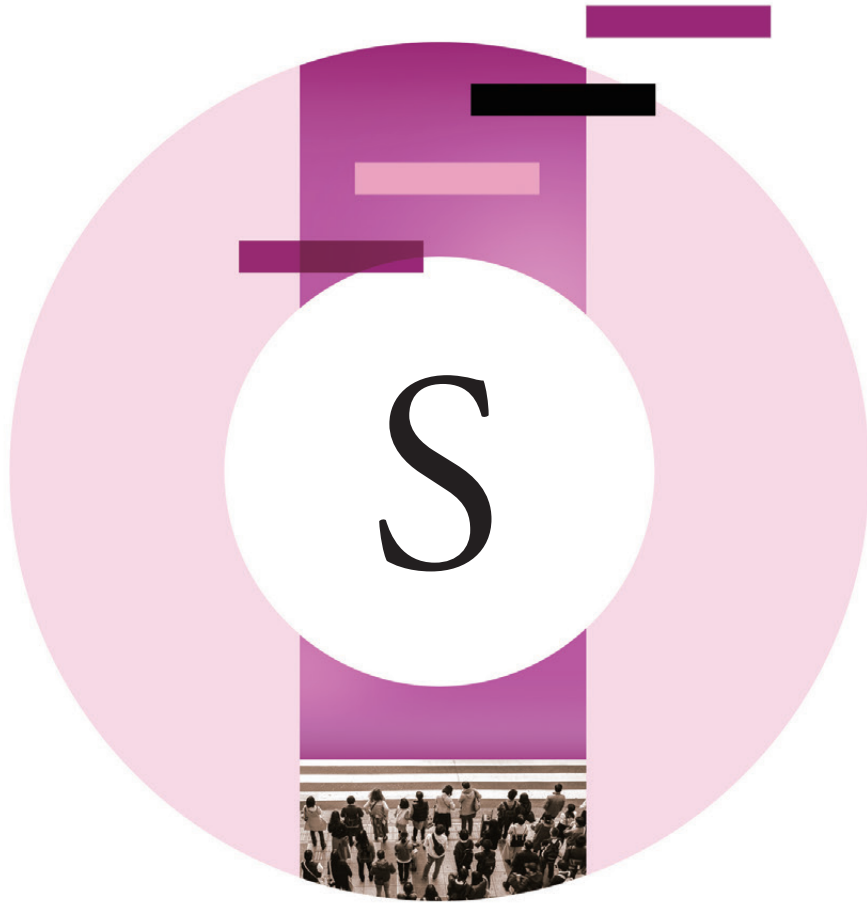
Aside from our business activities, the ITOCHU Group also conducts activities to conserve biodiversity through activities to contribute to society.

## Performance Data

### Performance Data on Biodiversity

#### Amazonian manatee reintroduction performance indicators

Theme	Activities	Three-year (FYE 2017-2019) performance indicators	FYE 2017 performance indicators	FYE 2017 Results	FYE 2018 performance indicators	FYE 2018 Results	FYE 2019 performance indicators	FYE 2019 Results
Return to semi-captive environment	Release of manatees into a semi-captive lake (Manacapuru) or a preserve established in a river (Rio Cuieiras).	<ul style="list-style-type: none"> <li>Release of 20 or more manatees into semi-captive lake.</li> <li>Establishment of a lake and preserve for return to a semi-captive environment.</li> </ul>	<ul style="list-style-type: none"> <li>Launch of establishment of lake for return of manatees to a semi-captive environment in Manacapuru.</li> <li>Health check of 13 manatees living in the semi-captive lake.</li> <li>Release of 6 manatees in semi-captive lake.</li> </ul>	<ul style="list-style-type: none"> <li>Began meeting for setting up a lake in Manacapuru.</li> <li>Conducted health checks of 12 manatees.</li> <li>Released nine manatees into the lake to keep them in a semi-wild state.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct health checks of 17 manatees.</li> <li>Release eight manatees into the lake to keep them in a semi-wild state.</li> </ul>	<ul style="list-style-type: none"> <li>Conducted health checks of 24 manatees.</li> <li>Released 12 manatees into the lake where they remain in a semi-captive state.</li> </ul>	<ul style="list-style-type: none"> <li>Release five manatees into the lake to keep them in a semi-wild state.</li> </ul>	<ul style="list-style-type: none"> <li>Released 14 manatees into the lake where they remain in a semi-captive state.</li> </ul>
Return to the wild	<ul style="list-style-type: none"> <li>Release of manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Release of 10 or more manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Release of 3 or more manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Conducted a health check on a manatee that was recaptured after being released into the Amazon River and confirmed that both the length of its body and its weight had increased and that the manatee had adapted to the natural environment after being released into the river.</li> <li>Released five manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Release five manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Released 10 manatees into the Amazon River.</li> <li>Recaptured one manatee that had been released into the Amazon River and conducted health checks on it. Confirmed through the health checks that the recaptured manatee had grown in both body length and weight and that it had adapted to the natural environment smoothly after its release into the River.</li> </ul>	<ul style="list-style-type: none"> <li>Release five manatees into the Amazon River.</li> </ul>	<ul style="list-style-type: none"> <li>Released 12 manatees into the Amazon River.</li> </ul>
Providing environmental training for local residents and raising their environmental awareness	Raising awareness of biodiversity conservation among local residents through a project for returning manatees to the wild.	<ul style="list-style-type: none"> <li>Provide at least 100 local residents with learning opportunities every year.</li> <li>Have local fishermen understand the importance of protecting manatees, aiming to have two of them participate in this project.</li> </ul>	-	<ul style="list-style-type: none"> <li>Asked more than 200 local residents to join us when we released the manatees. Through the protection of manatees, we raised their awareness of the importance of preserving biodiversity.</li> <li>Encouraged local fishermen to understand the importance of protecting manatees and had two of them participate in this project.</li> </ul>	<ul style="list-style-type: none"> <li>Provide 100 local residents with learning opportunities.</li> <li>Have local fishermen understand the importance of protection of manatees, aiming to have two of them participate in this project.</li> </ul>	<ul style="list-style-type: none"> <li>Raised awareness for biodiversity preservation through an environmental education program and a ceremony for releasing manatees at which 301 and 370 local residents participated, respectively.</li> <li>Two local fishermen took part in this project, continuing their practice from the previous year.</li> </ul>	<ul style="list-style-type: none"> <li>Provide 100 local residents with learning opportunities.</li> <li>Have local fishermen understand the importance of protection of manatees, aiming to have two of them participate in this project.</li> </ul>	<ul style="list-style-type: none"> <li>Raised awareness for biodiversity preservation through an environmental education program and a ceremony for releasing manatees at which 350 and 500 local residents participated, respectively.</li> <li>Two local fishermen took part in this project, continuing their practice from the previous year.</li> </ul>







*Society*

# Employee Relations: Action Plan

We are identifying material issues to embed into Sustainability Action Plans.

We are promoting sustainability by laying down a concrete responsive approach and success indicators in order to fulfill our commitment to demonstrate medium- to long-term growth and show that we are providing value to society.

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of labor productivity and health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from the creation of a workplace that provides job satisfaction, and others.</li> </ul>

SDGs Targets	Issues to address	Co	Business area	Commitment	Specific approach	Performance indicators (Non-consolidated)
	Improving operating efficiency and addressing the issue of long-working hours through work style reform	Head-quarters	Human Resources Affairs	We will promote a well-balanced working style and reduce the total number of working hours, aiming to improve employee engagement.	<p><b>&lt;ITOCHU Corporation&gt;</b></p> <ul style="list-style-type: none"> <li>● Promote the morning focused working system.</li> <li>● Conduct regular monitoring of employees' work situations.</li> <li>● Promote work automation with IT tools, including the robotic process automation (RPA), as well as mobile work.</li> <li>● Promote projects for improving the operating efficiency at each organization.</li> </ul> <p><b>&lt;ITOCHU Group&gt;</b></p> <ul style="list-style-type: none"> <li>● Efficient way of working, appropriate working hours management, and educational and awareness-raising activities at the ITOCHU Group.</li> </ul>	<ul style="list-style-type: none"> <li>● FY2021: Reduce the annual average overtime hours by at least 10% compared to the period prior to the introduction of the morning-focused working system.</li> <li>● FY2021: Percentage of employees who leave the office building at 20:00 or later at 5% or fewer.</li> <li>● FY2021: Paid leave acquisition rate at 70% or higher.</li> <li>● Rate of positive responses to the "employee engagement" item in the engagement survey: 70% or higher.</li> </ul>
	Improving the health of employees	Head-quarters	Human Resources Affairs	We will improve the health of employees to create an environment that will enable individual employees to better demonstrate their capabilities. We will build a system that helps employees with cancer or long-term illness to create a balance between treatment and work, thereby fostering a culture of mutual support.	<ul style="list-style-type: none"> <li>● Keep the percentage of employees who receive regular medical checkups at 100%.</li> <li>● Establish well-equipped in-house clinics and a system for supporting each employee in receiving personalized medical care.</li> <li>● Promote measures for helping employees create a balance between cancer treatment and work.</li> <li>● Offer healthy dishes in the employee cafeteria.</li> <li>● Promote the program for supporting smoking cessation treatment expenses.</li> <li>● Utilize Re: Body, a health management website for employees, and continue to provide special programs for employees at risk for lifestyle-related diseases.</li> </ul>	<ul style="list-style-type: none"> <li>● Percentage of employees who receive regular medical checkups: 100%.</li> <li>● FY2021: Improve health indicators (such as BMI) compared to FY2017 values.</li> <li>● FY2021: Percentage of employees who leave work due to cancer or long-term illness at 0%.</li> <li>● FY2021: Rate of employees found to have a high level of stress in the stress check at 5% or lower.</li> </ul>
	Sustainable development of employees' capabilities	Head-quarters	Human Resources Affairs	We will develop training programs on a global basis that respond to the changing times and business needs. We will also utilize training programs to continuously produce excellent human resources.	<ul style="list-style-type: none"> <li>● Continue to develop and provide training programs at all jobs levels.</li> <li>● Continue and enhance overseas deployment of interns and language trainees.</li> <li>● Offer diverse career path options and experience in diverse works through regular rotation.</li> <li>● Foster career awareness among employees by enhancing personnel assessment, career vision training, career counselling systems and other programs/systems.</li> </ul>	<ul style="list-style-type: none"> <li>● FY2021: Annual E&amp;D expenses exceeding one billion yen.</li> <li>● Rate of positive responses to the "education and training" item in the engagement survey: 60% or higher.</li> <li>● FY2021: Percentage of career-track employees who acquire business-level English skills in their first eight years at the company at 100%.</li> <li>● FY2021: Percentage of career-track employees who are deployed overseas in their first eight years at the company at 80% or higher.</li> </ul>
  	Creating an environment that allows diverse human resources to exercise their potential	Head-quarters	Human Resources Affairs	We will prohibit all types of discrimination, including those based on age, gender and nationality, and respect human rights. We will create an environment that will permit the active participation of employees whose work hours are limited due to childcare, nursing care, diseases or similar circumstances.	<ul style="list-style-type: none"> <li>● Continue fair and equitable recruitment and promotion.</li> <li>● Create a work climate of mutual respect and support.</li> <li>● Reasonable accommodations concerning the work environment of people with disabilities.</li> <li>● Respond to LGBT considerations and provide employee training on LGBT.</li> <li>● Enhance on-site day-care centers and nursing care support services.</li> <li>● Enhance individual support for employees provided in accordance with their life stage and career.</li> <li>● Promote flexible ways of working by making use of mobile work.</li> <li>● Support the active participation of senior human resources over 65 years old.</li> </ul>	<ul style="list-style-type: none"> <li>● FY2021: Percentage of female career-track employees among all career-track employees: 10%.</li> <li>● FY2021: Percentage of female career-track employees among employees in leadership positions at 10%.</li> <li>● FY2021: Proportion of our workforce with disabilities at 2.3%.</li> </ul>

## Employee Relations: Employees Status

In running a global business in a wide range of domains, consolidated group companies join together to operate as the ITOCHU Group. ITOCHU has more than 100,000 consolidated employees as of the end of FYE 2019. When our companies in Japan and abroad run their businesses in each of their domains and geographical areas, ITOCHU Corporation, the parent company, manages and supports. Group companies are connected to ITOCHU Corporation through their respective domains so that the Group's companies can benefit from support from above.

### Employee Status★ (as of March 31 for each respective year)

	Non-consolidated					Consolidated
	Employees	Men	Women	Avg. Age	Avg. Annual Salary (Yen)	Employees
2017	4,285	3,269	1,016	42	13,838,699	95,944
2018	4,285	3,284	1,001	42	14,609,151	102,086
2019	4,285	3,283	1,002	42	15,207,832	119,796

### Employees by Operating Segment★ (as of March 31, 2019)

(Unit: people)

	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others	Total
Non-consolidated	390	452	171	342	452	270	191	1,013	3,281
Consolidated	9,386	14,345	498	12,971	46,624	16,936	16,232	2,804	119,796

### Overseas Bloc Employees by Region★ (as of March 31, 2019)

(Unit: people)

	North America	Latin America	Europe	Africa	Middle East	East Asia	Asia & Oceania	CIS
National Staff	126	144	230	61	131	635	633	76
Rotational Staff	51	27	48	11	21	86	111	22
Overseas Trainees	11	4	7	3	3	14	24	1
TOTAL	2,480							

\* Employees assigned to overseas subsidiaries and overseas branches/offices

- \* Regarding range of tallied data, figures not labeled as Consolidated are placed under Non-consolidated.
- \* Overseas bloc employees by region counts employees who are assigned to overseas subsidiaries or overseas branches/offices.



## Turnover — Non-Consolidated Employees\*★

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Voluntary resignation rate	1.1%	1.2%	1.6%	1.7%
Avg. Years Employed	16.7	16.9	17.3	17.5

\* Positions: career-track, clerical, special

Turnover rate is calculated according to the following formula.  

$$\text{voluntary resignations} \div \text{employees at end of fiscal year}$$

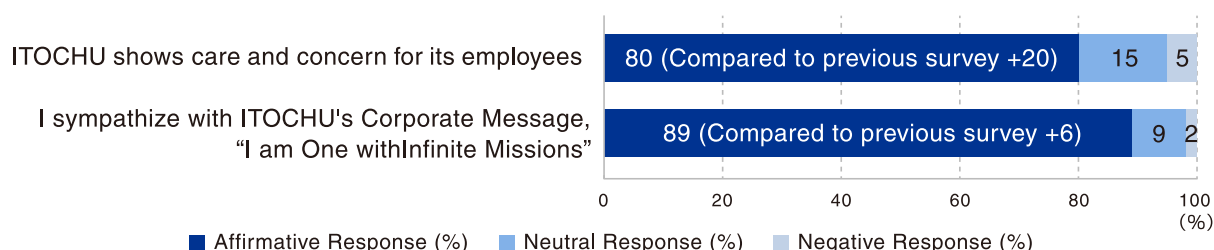
ITOCHU Corporation has a long average number of years employed of 17 years and only around 2% of employees voluntarily resign. It is a company where many employees choose to stay for the long-term.

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 (P200).

## Employee Engagement

ITOCHU Corporation believes that raising the level of motivation, satisfaction and engagement (the degree to which employees with a strong desire to contribute to ITOCHU can capitalize on their own abilities optimally at their own initiative) of employees will improve the corporate value.

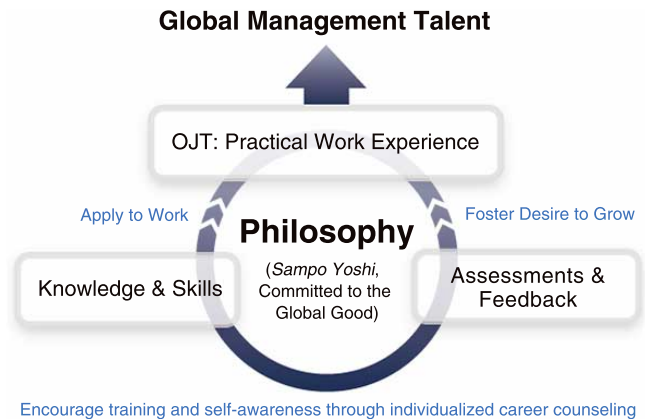
In the survey conducted in fiscal 2019, the results exceeded those of the previous survey (conducted in fiscal 2015) especially for the question "ITOCHU shows care and concern for its employees". The positive answers were 10 points higher than the average of Japanese companies that conducted the survey (over 60 large companies). Above all, the level of engagement remained high, which has allowed us to conclude that many employees are proud of working for ITOCHU Corporation and engage in work with strong motivation to contribute to the company and with the aim of achieving better-than-expected results on a voluntary basis.



# Employee Relations: Employee Training

## Policy and Basic Concept

ITOCHU Corporation's employee training is focused on providing practical work experience through on-the-job (OJT) training. This is supplemented by efforts to foster a desire to grow through appraisals, assessments and feedback, as well as employees' acquisition of knowledge and skills through the training. We also provide growth opportunities tailored to employees' individual situations and careers. After becoming industry professionals who can thrive in any field, we train them into Global Management Talent who will lead our worldwide business in the future.



Human resource development is based on this philosophy. We will accomplish infinite missions by inheriting the intentions contained in the spirit of sampo yoshi (good for the buyer, good for the seller and good for society) and our commitment to the global good.

## Targets

Based on our employee training policy, ITOCHU Corporation works to achieve the following goals.

### Issues to Address

Sustained employee skill development

### Commitment

We develop training programs on a global basis. We do this with a market-orientated way of thinking toward the development of marketing professionals who are able to continually transform business in line with needs while inheriting our corporate philosophy. We then utilize these training programs to continually produce talented people.

### Specific Approaches

- Continuously develop and implement training programs at all levels
- Continue and augment overseas practical training assignments and language immersion assignments
- Provide various career paths and work experience through regular rotations
- Foster career awareness in individual employee through personnel assessments, career vision training and an enhanced career counseling program

### Success Indicators

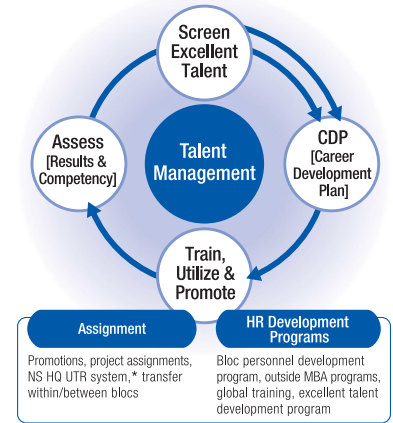
- FYE 2021: annual E&D spending over 1 billion yen
- Positive response rate of 60% or higher to "education & training" items on the engagement survey
- FYE 2021: 100% of career-track employees gain business level English skills after 8 years with the company
- FYE 2021: At least 80% of career-track employees take overseas assignments by eighth year with the company

# Structures and Systems

ITOCHU Corporation has been implementing a globally-minded personnel strategy since FYE 2008 with the goal of maximizing the value of our worldwide work force and optimizing this group of employees as a whole. Specifically, in FYE 2011 we established leadership standards, we created a database of organizational leaders worldwide,\* and we constructed the Talent Management Process to hire, develop, utilize and promote excellent talent who will expand overseas revenues worldwide by coordinating with division companies and overseas blocs.

We also reflect the philosophy and values we have inherited over the 160 years since the foundation of our company in our recruitment standards and evaluation and training systems. With this, we are recruiting and training people who match the values of ITOCHU on a global basis.

- \* We created the ITOCHU Global Classification (IGC), global standards based on positions and duties for positions at all levels worldwide, in FYE 2010, which we use to place, promote and train personnel regardless of nationality.
- \* Relevant data: Overseas Bloc Employees by Region(P79)



\* Program to accept overseas bloc employees at Tokyo Headquarters

Talent Management Process

## Training System

The ITOCHU Corporation training system consists of company-wide training, along with line training for specific companies and administrative divisions that is tailored to the nature of their industry, specialties and so on. There is a wide range of training opportunities at various levels, not only for Headquarters employees, but also for those at certain overseas bloc companies and Group companies.

Overseas blocs arrange their own training systems to teach the skills and expertise required for their business and markets. In combination with the ITOCHU Corporation training system, they develop management talent capable of global success.

Classification	Head Office Employees			Group Company Employees	Local Hires
	Essential	Elective	Selected		
Officers	Training for Newly Appointed Officers			Training for Newly Appointed Officers	
Core Staff	Training for Newly Appointed General Managers Training for Newly Appointed Administrative Officers of Group Companies Short-term Business School in Japan or Overseas Training for Newly Appointed Section Managers	GEP Training Short-term Business School in Japan or Overseas GLP Training Next Generation Leader Forum GNP Training	Career / Support / Training English / Japanese / Chinese / Korean / Other Languages Overseas Training for Clerical Staff	Strategic Management Training Subordinates Development Skills Training Basic Management Training Next Leaders Training Junior Employee Brush-up Training New Employee Training Senior Employee Training Junior Employee Training New Employee Training	GEP Training P3 Training GLP Training GNP Training NS UTR Training
	O W r o e r a m k e s i n h z a o a p t e r f r o s o n a r a l O J T T r i a n n e e r s H i m r i e s J u n i o r C h i n e s e / S p e c i a l L a n g u a g e D i s p a t c h B a s i c C o u r s e s	M a n a g e m e n t C a r e e r D e v e l o p m e n t P r o g r a m C a r e e r L e s s o n s T r a i n i n g	C o r p o r a t e S t a f f S k i l l s I n t e r n s h i p E n g l i s h T r a i n i n g i n E m e r g i n g C o u n t r i e s I n t e n s i v e E n g l i s h C o u r s e	B u s i n e s s P r o f e s s i o n a l T a l e n t D e v e l o p m e n t P r o g r a m G l o b a l T r a i n i n g	G e n e r a l T r a i n i n g L e a r n i n g
	N e w l y A p p o i n t e d G R A D E B 2 T r a i n i n g G R A D E B 1 T r a i n i n g 6 t h Y e a r T r a i n i n g 3 r d Y e a r T r a i n i n g N e w E m p l o y e e T r a i n i n g B a s i c C o u r s e s	C a r e e r W o r k s h o p f o r C l e r i c a l S t a f f O v e r s e a s T r a i n i n g f o r C l e r i c a l S t a f f			
	T r a i n i n g f o r P r o s p e c t i v e C o r e S t a f f T r a i n i n g f o r P r o s p e c t i v e C l e r i c a l S t a f f			T r a i n i n g A v a i l a b l e t o E m p l o y e e s o f G r o u p C o m p a n y	

## Training Results

### Time/Cost Allotted for Employee Skills Development Training

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Total annual training time	193,839 hours	200,195 hours	217,734 hours	160,510 hours

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Average training/development hours per regular employee*	45.3 hours	46.72 hours	50.81 hours	37.46 hours
Average training/development cost per regular employee	266,000 yen	359,000 yen	334,000 yen	302,000 yen

\* Calculation method: total annual training hours / employees at end of fiscal year

### Attendance in Major Training

Training	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Administrative Intern System	111	115	121	96
Global Development Program	126	128	134	141
Organization Manager Workshop	426	417	403	405
Short-Term Business School Dispatch	41	51	39	31
Junior Chinese/Special Language Dispatch	52	52	61	39
Chinese Lessons	390	469	614	237
Career Vision Support Training (total)	2,097	2,108	2,075	1,885

## Key Points for Better Training

First, in FYE 2014 we created a training scheme for talent capable of shouldering administrative responsibilities at Group companies. Specifically, to further acquire fundamental knowledge and risk management techniques related to administration, we introduced the Administrative Intern Program. Also, along with building up a certain period of administrative experience for trainees in the Internal Audit Division or Legal Division, in FYE 2015 we started up a training program for efficiently studying accounting through hands-on practice. This program is mandatory for junior employees. Additionally, we have a replete lineup of Group company employee training so that domestic Group company employees can upgrade their skills and expand their networks within the Group. Next, we conduct training in the Global Development Program and the Short-Term Business School Dispatch to develop global management talent with an overseas perspective. Meanwhile, we were earlier than other companies in introducing a short-term overseas dispatch system in 1999. This program is designed to improve the English language skills of young Japan Headquarters employees and foster an international outlook for them. Currently, Junior Chinese/Special Language Dispatch is a program that sends employees to emerging markets in China and elsewhere. This program is central to our efforts at developing the potential future specialists in each market.



Training in the Global Development Program

For our training with an emphasis on practical on-the-job skills, we conduct Career Vision Support Training to develop industry professionals with diverse values, along with independent training programs that are based on each company or Headquarters administrative division's talent strategy and tailored for various objectives. Most recently, we have also been promoting the development of people capable of driving business into the next generation. We do this by providing our employees with opportunities for training and lectures aimed at studying cutting edge business model cases and acquiring IT expertise according to our Mid-term Management Plan.

## Talent Synergy with CP & CITIC

In January 2015, ITOCHU Corporation formed a strategic business and capital tie-up with Charoen Pokphand Group Company Limited (CPG) and CITIC Limited (CITIC), which are some of the leading conglomerates in Asia and China, respectively. Thereafter, in January 2016, the three-company group signed a memorandum to strengthen talent synergies as the foundation for producing medium- to long-term business synergies and raising enterprise value. According to the memorandum, the goal for the future is to build a robust network of talent between the three companies and construct a foundation that will support their strategic partnership. This will be accomplished by dispatching and exchanging talent between the three companies from the short-term to the long-term, dispatching trainees to join training programs at other companies, and conducting new joint training.



The Third Three Companies' Combined Training Program (Thailand) (July 2018)

In FYE 2016, the three companies held their first joint training in Tokyo. We held this combined training seminar for the second time in Beijing, where CITIC is based, in FYE 2018 and for the third time in Thailand (Khao Yai and Bangkok), where CPG is based, in FYE 2019. Selected section manager-class ITOCHU Headquarters employees and their counterparts from CPG and CITIC worked to build a robust network of talent between partners by gaining a solid mutual understanding of each other's managerial policy, values, history and main businesses, as well as by engaging in thorough discussions so as to produce business synergies. We plan to hold this combined training seminar for the fourth time in Tokyo in FYE 2020.

The three firms are also steadily accepting trainees into their existing programs through short- to -long-term talent dispatch and exchange arrangements.

In addition, the strategic business and capital tie-up was accompanied by the FYE 2016 startup of a project to develop 1,000 Chinese-speaking employees, who account for one-third of all career-track employees. The project has made progress in laying a solid linguistic foundation. By the end of FYE 2018, we reached our goal of 1,000 people. We will continue to build the foundations to further promote the expansion of business in China and the rest of Asia in the future.

	July 2015	March 2016	March 2017	March 2018	March 2019
Certified Chinese speakers	361	430	793	1,043	1,025

## ITOCHU Morning Activity Seminar

In September 2016, we began conducting early-morning training sessions and presentations as one measure to encourage shifts beginning in the early morning. The themes of these seminars are focused on the next generation of business and health. We held these seminars a total of 10 times with the participation of 2,786 people in FYE 2019. We received comments from the participants like the following: "I was able to hear stimulating stories before work, so I felt very positive." We plan to hold these seminars on a periodic basis in the future.



An ITOCHU Morning Activity Seminar

### Morning Activity Seminar Results

#### Major Seminars

Date	Title	Speaker
August 2018	New Common Sense of Business People! Strongest Strategy to Overcome Cancer - Japan's Greatest Enemy	Keiichi Nakagawa, Associate Professor in the Radiology Department at The University of Tokyo Hospital
December 2018	Give Life to Technology! OO × IT	Shunji Sugaya, President of OPTiM Corporation

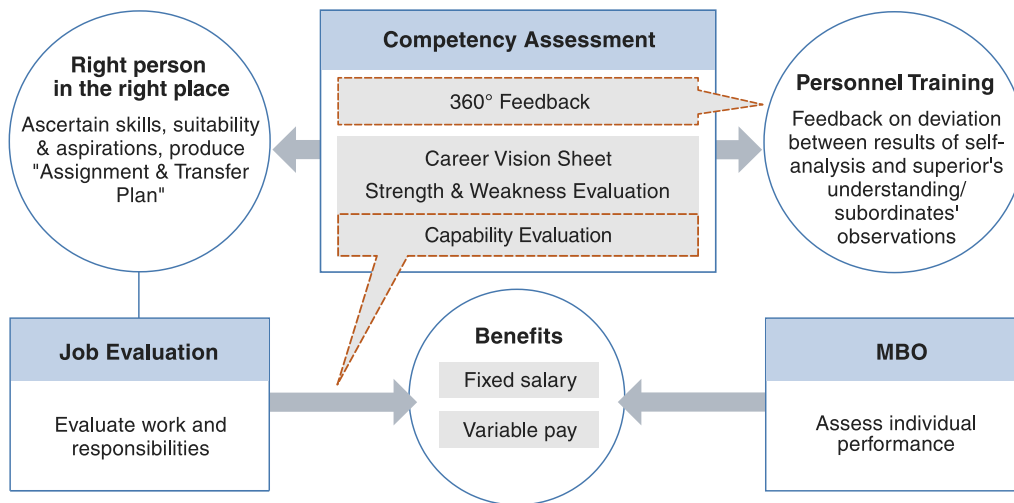
# HR Appraisal & Assessment System

The HR Appraisal & Assessment System is a core part of the human resources organization that helps employees fully demonstrate their capabilities in a motivated and rewarding manner. It covers all ITOCHU Corporation employees. One part of the system is Management By Objectives (MBO), by which we assign individual employees with targets that match up with the management plan, then confirm execution. This approach helps us carry out business strategies. We have also created the Competency Assessment. This provides a comprehensive view of an individual employee's competencies, expertise, past career, aspirations and suitability, which we then use to plan assignments and transfers.

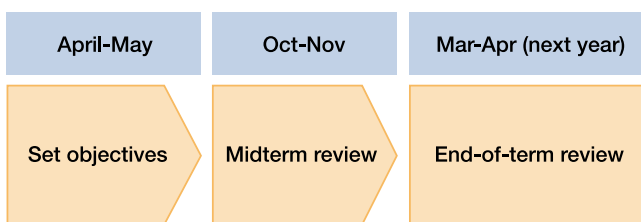
In order for these components of the HR Appraisal & Assessment System to function, we believe it critically important that superiors conduct fair and impartial evaluations and meet with their subordinates to provide feedback. 360° feedback\* and assessor training enlighten superiors so that they will encourage employees to develop and grow.

\* Multifaceted observation: A system by which feedback from observations by the organization managers themselves and subordinates are used to review everyday personnel management that the organization manager typically does not notice, followed, if necessary, by efforts to make improvements or upgrade capabilities. We make sure to apply this approach every year.

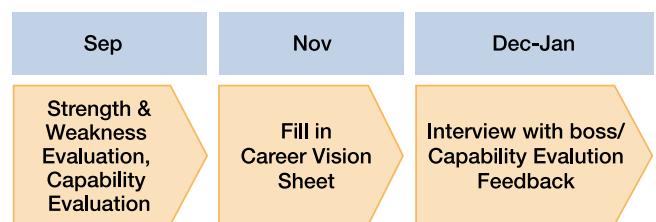
## Overall picture of the personnel evaluation systems



### Management By Objectives (MBO) Flow



### Competency Assessment Flow



## Career Support

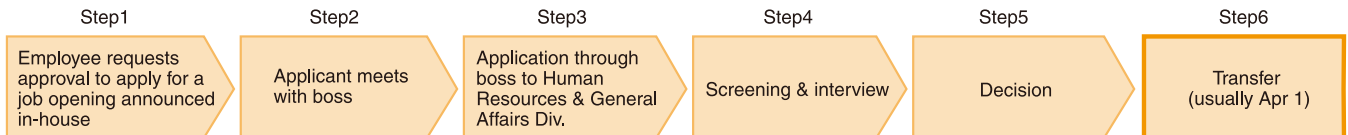
### Career Counseling

The Career Counseling Center provides wide-ranging counseling and support services for the diverse careers of all employees, from new hires all the way up to organization managers. All the center's counselors are nationally certified career consultants. They discuss a broad array of topics with visitors to address their individual circumstances, including relationships with superiors, subordinates and other colleagues, how to go about one's work, one's future and so on. In addition, as a part of our employee training, we arrange for all young employees to undergo career counseling when they reach certain milestones in their ITOCHU careers. The center meanwhile serves experienced hires and middle-aged and older employees seeking to work beyond retirement age. There are over 500 consultation visits to the center each year. Here, visitors are provided complete confidentiality so they can feel at ease conversing with a counselor. The center's aim is for employees to develop an awareness about how to shape their career.

## Formal Introduction of the Challenge Career System

We formally introduced the Challenge Career System in FYE 2019 in response to trials we conducted in FYE 2017 and FYE 2018. This will serve as a measure to increase the mobility of career-track employees (excluding organization managers) working in Japan. With the system, employees can check a list of job openings announced on the company intranet, then inform their superior of their desire for a transfer. With the superior's approval, the system will try to match the employee with the desired division and, if successful, may make a transfer between Division Companies or Headquarters administrative divisions. The aim of this system is to strengthen organizational capabilities by motivating employees and fostering their career awareness with the provision of career selection opportunities. Six people transferred in FYE 2019 following on from three people in FYE 2017 and two people in FYE 2018.

### Challenge Career System Process



# Employee Relations: Diversity

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## Policy and Basic Concept

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Amid intensifying global competition, ITOCHU Corporation believes that organizational diversity is essential if we are to provide direct answers to the diverse needs of the market and continuously create new business and added value.

ITOCHU Corporation respects human rights and prohibits all forms of discrimination, including that based on race, religion, age, gender and nationality. ITOCHU Corporation uses diversity seminars and organization manager training to publicize the tools available to employees and to raise awareness about the importance of communication. We do this so that they do not fall victim to power harassment\* or sexual harassment (including unfairly disadvantaging, engaging in hateful speech against or otherwise harassing employees who are sexual minorities). Another reason is so that pregnant employees and those who are doing their best to balance work while raising children or providing nursing care at home can feel their contributions to the workplace are worthwhile.

With regard to employees facing the constraints imposed by child-rearing or caring for a family member at home, superiors encourage them to make good use of the tools provided by the company to strike an appropriate work-life balance, while the company makes it known that it is also important to review the work duties, responsibilities and work arrangements for the workplace as a whole. Additionally, the company makes thorough efforts to provide a workplace environment where discriminatory remarks about sexual orientation/gender identity and comments premised on subconscious gender stereotypes are not tolerated. Employees also have access to consultation services.

\* Acts toward a co-worker in the same workplace that utilize the perpetrator's superior position or advantageous interpersonal relationships (or other aspects of the workplace), thereby causing psychological or physical distress, or degrading the workplace environment, in a way that goes beyond the appropriate bounds of work duties.

## Targets

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ITOCHU Corporation is working on the following targets that were set in line with our diversity policy.

### | Issues to Address

Provide an environment where diverse talent can thrive.

### | Commitment

Respect human rights and prohibit discrimination of any type, including age, gender, nationality and disability. Provide an environment where employees can thrive even if their working hours are limited for reasons such as child-rearing, nursing care or illness.

### | Specific Approaches

- Continue fair hiring and promotion practices
- Create a workplace culture supportive of mutual respect
- Rational consideration toward the working environment for disabled persons
- Adapt to the needs of LGBT employees and provide employee training on the subject
- Improve company daycare and nursing care support services
- Improve individualized support for employees' life stages and careers
- Promote flexible work arrangements through telecommuting
- Support to senior citizen employees above the age of 65 so they can thrive



## Success Indicators

- FYE 2021: Share of women among career-track employees above 10%
- FYE 2021: Share of women in supervisory positions above 10%
- FYE 2021: Share of disabled employees at 2.3%

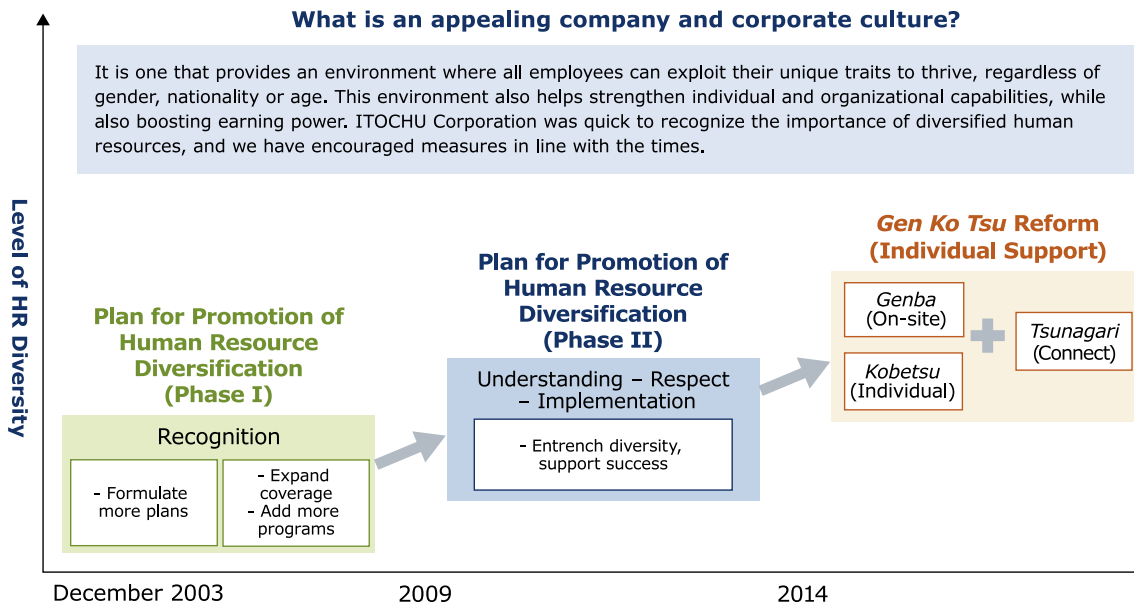
### Women in Career-Track & Managerial Positions (as of March 31 for each respective year)

Year	2017	2018	2019	FYE 2021 Goal
% of Women Managers	5.9%	6.8%	7.6%	Over 10.0%
Women/All Managers	151/2,545	173/2,558	195/2,555	
% of Career-Track Women	8.9%	9.0%	9.4%	Over 10.0%
Career-Track Women/Total	304/3,435	313/3,461	327/3,463	

## Support for Diverse Talent

ITOCHU Corporation formulated a Plan for Promotion of Human Resource Diversification in December 2003 that furthered the diversification of our talent, entrenched that diversification and helped these employees succeed. We will continue to build an appealing company and corporate culture by providing an environment where each and every employee can exploit their unique traits to thrive and by working to strengthen our individual and organizational capabilities.

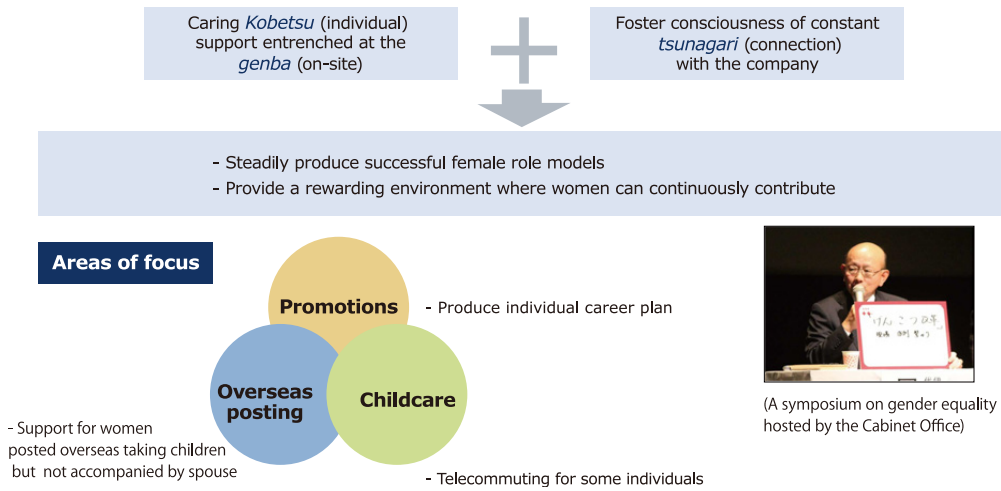
### ITOCHU Corporation HR Diversity Efforts



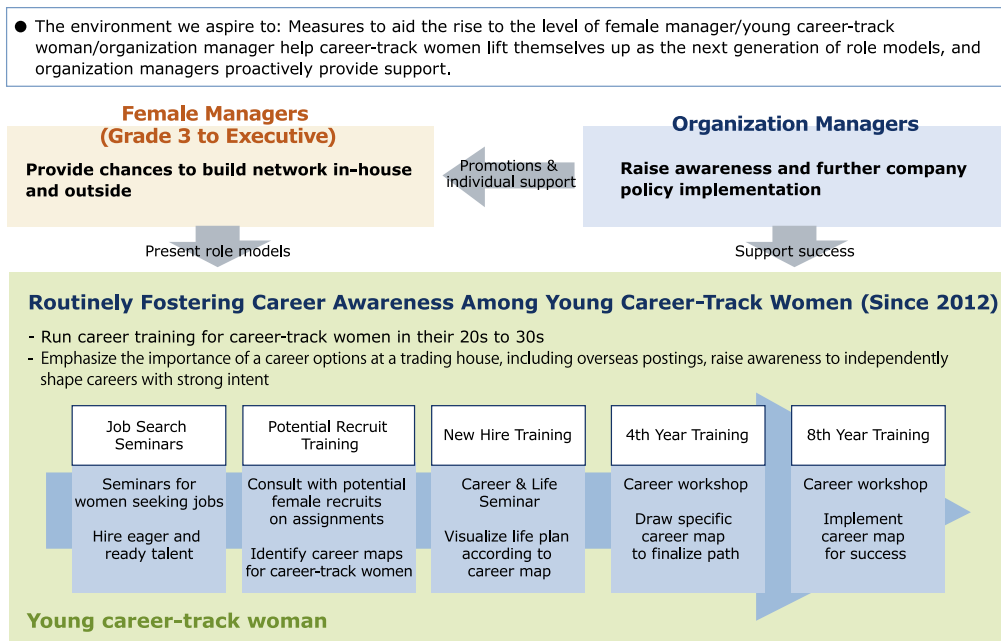
## Support for Female Employees

Our support for women gets the greatest amount of focus in our efforts to diversify human resources. By implementing the Plan for Promotion of Human Resource Diversification, ITOCHU Corporation has hired more women to meet our target, while we also provide programs to support work-life balance beyond the level required by law. At present, while these programs serve as a safety net, we provide attentive individual support that is tailored to each person's stage of life and career through Gen Ko Tsu Reform. Meanwhile, to create models of successful women and provide them with rewarding work—with our focus being on developing future managerial candidates—we conduct training that fosters career awareness among young career-track women and raise awareness among organization managers through their training programs. (See below for our action plan stipulating specific targets and efforts moving forward.)

## Gen Ko Tsu Reform



## Fostering Career Awareness Among Career-Track Women



## Measures to Support Career-Track Women

Stage	Environment & Issue Recognition	Specific Action
Initial Hiring (1989-2003) Legally required	<ul style="list-style-type: none"> <li>Hiring of women required by equal opportunity law for men and women enacted in 1986</li> </ul>	<ul style="list-style-type: none"> <li>Continuous hiring of career-track women (several every year)</li> <li>Transfers from clerical positions</li> <li>Introduce child-rearing support program</li> </ul>
More female employees & programs (2004-2011) Welcoming company for career-track women	<ul style="list-style-type: none"> <li>Formulation of Plan for Promotion of Human Resource Diversification (Dec 2003)</li> <li>Hiring more women and providing duties throughout the company is essential to proactively promoting women to leadership ranks</li> <li>To entrench women in the company, provide an environment where they can balance work with child-rearing/nursing care</li> </ul>	<ul style="list-style-type: none"> <li>Set numerical targets</li> <li>Introduce of mentoring program</li> <li>Expand child-rearing support program</li> <li>Introduce leave for employees whose spouses are transferred overseas</li> <li>Set up company daycare</li> <li>Hold various forums</li> </ul>
Individual Support (2012- ) Rewarding company for career-track women to work at	<ul style="list-style-type: none"> <li>Programs provided beyond legally required level</li> <li>Bulk of career-track women enter their 30s, with major life events to follow</li> <li>Via the Gen Ko Tsu Reform, individual support to hard-working women independently shaping their careers</li> </ul>	<ul style="list-style-type: none"> <li>Switch from job transfer/leave to rehiring program</li> <li>Support overseas postings (for employees transferring overseas with children but without spouse)</li> <li>Identify and develop candidates for promotion</li> <li>Subcommittee gathers opinions from women in the workplace</li> <li>Foster career awareness (forums, etc.)</li> <li>Guidance before maternity leave, three-party meetings before returning from childcare leave</li> <li>Interviews before and after overseas postings</li> <li>Introduce work-from-home program</li> <li>Greater use of transfer program (earlier year of eligibility, transferee follow-ups)</li> <li>Career-track women sent to outside managerial training</li> </ul>

**Share of Women in Career-Track/Managerial/Executive Positions★**  
**(as of March 31 for each respective year)**

(Unit: people)

	Career-Track			Managerial			Executives & Directors		
	Total	Women	Share	Total	Women	Share	Total	Women	Share
2017	3,435	304	8.9%	2,545	151	5.9%	44	2	4.5%
2018	3,461	313	9.0%	2,558	173	6.8%	45	2	4.4%
2019	3,463	327	9.4%	2,555	195	7.6%	44	2	4.5%

\* As of FYE 2019, we have changed the record date from March 31 for each respective year to that of April 1.

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 (P200).

## Clerical Career Support

ITOCHU Corporation has been running the Career Workshop for Clerical Staff for top-grade clerical employees since FYE 2016. This is training aiming to improve skills to cultivate a mindset as a model of core personnel responsible for administration work and to demonstrate leadership in the workplace through company-wide role assignment. Every year, 10 to 20 employees participate in this training from targeted positions across the company. They experience missions such as preparing action plans for important company-wide challenges and mentoring clerical workers in their sixth year over approximately one year.

## Balancing Work with Childcare and Nursing Care

ITOCHU Corporation goes above and beyond the requirements of the law to arrange programs available to both male and female employees that help them balance work with their childcare and nursing care obligations. This allows employees to continue making full use of their skills during their careers at the company, while resting assured they can handle stages of life where they must take care of children or elderly family members at home. Over 50 male employees have been taking childcare leave a year since FYE 2016, so the use of this system has become established. Meanwhile, in FYE 2016 we trialed a telecommuting program for employees raising children or providing nursing care at home. This was followed in FYE 2017 by the official introduction of a telecommuting program which employees who meet certain conditions can take advantage of. Eligible employees include those with time constraints due to childcare or nursing care obligations, as well as those who face difficulty making the commute to work due to pregnancy, illness or other such reasons. We continue to hold nursing care seminars every year in light of the fact the importance of preparing for nursing care has also become a social problem. At the same time, we introduced a service to provide nursing care information online in FYE 2018. We then introduced a one-stop nursing care assistance service to meet the needs of those seeking advice in April 2019.

# Support Programs for Balancing Work with Childcare & Nursing Care

## Support for Childcare

		85 days after getting pregnant	6 weeks before childbirth	Childbirth	8 weeks after childbirth	2 years old	3 years old	School age	Graduation from elementary school
		Pregnancy (women only)			Childcare (both men and women)				
Support for Childcare	Extended leave	Pregnancy leave (20 days) Miscarriage leave (5 days)			Childcare leave (until the child turns two years old/ interruptible)	A system which allows employees to work on chosen days (1 year in total/ interruptible)			
	Working on chosen days								
	Leave	Maternity leave before childbirth (6 weeks)			Maternity leave after childbirth (8 weeks)	Leave to nurse sick children (5 days per year in the case of only one child; Ten days per year in the case of two or more children)/Until graduation from elementary school)			
						Special parental leave (A total of 40 days until graduation from elementary school)			
	Shorter working hours, etc.	Shorter working hours during pregnancy (Up to 90 minutes per day) Flexible time system			Family support leave (Included in leave as a reward for diligence)				
					Shorter working hours for childcare (Up to 90 minutes per day/Until graduation from elementary school)				
	Limits on overtime work, etc.	Limits on night work (10 p.m. - 5 a.m.) Limits on overtime work			Exemption from overtime work				
					Limits on overtime work (Up to 24 hours per month/150 hours per year)				
	Other support	Guidance for returning to job			Social media for employees on maternity/childcare leave		Three-party meeting on return from childcare leave, follow-up meeting for those who have returned to work from childcare leave		
		Handbook on childcare (edition for women, edition for men, edition for superiors)			Career support training				
Various services	Working at home (individual basis)								
	Discount system for babysitter dispatch services								
	Childcare consultations, etc./Telephone health consultations								
					Use of I-Kids, a childcare center for employees (0 - 3 years old) *Temporary childcare services are available until the child reaches school age.				

## Support for Nursing Care

		Commencement of use of the system	2 years	3 years
Support for Nursing Care	Extended leave	Nursing care leave (2 years in total/interruptible)		
	Working on chosen days	A system that allows employees to work on chosen days (3 years in total/interruptible)		
	Leave	Leave for nursing care (10 days granted each year regardless of the number of family members in need of nursing care)		
		Special nursing care leave (30 days for those with fewer than 8 service years, and with an upper limit in the accumulated number of days at 60 days (half day off may be included) for those with 8 or more service years.)		
	Shorter working hours, etc.	Shorter working hours for nursing care (Up to 90 minutes per day for up to 5 years in total/Salary begins to be reduced accordingly in the 4th year/Interruptible)		
	Limits on overtime work, etc.	Exemption from overtime work		
		Limits on overtime work (Up to 24 hours per month/150 hours per year)		
		Exemption from night work (10 p.m. - 5 a.m.)		
	Other support	Nursing care seminars		
		Career support training provided for employees on extended leave		
Various services	Handbook on nursing care			
	Working at home (individual basis)			
	"Furusato Care Service" for employees posted abroad (care for their elderly relatives)			
	Subsidy for use of homemaker services			
	Support for use of nursing care services/Telephone health consultations			
		Nursing care wiwiw concierge		

■ Use of Childcare & Nursing Care Programs

**Use of Childcare & Nursing Care Programs★**

(Unit: people)

		FYE 2017			FYE 2018			FYE 2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Childcare	Childcare leave	55	71	126	57	76	133	52	100	152
	Leave to nurse sick children	65	118	183	65	123	188	66	124	190
	Shorter working hours for childcare	0	76	76	0	79	79	1	84	85
	Special parental leave	13	33	46	12	36	48	14	42	56
	Percentage of employees returning to work*	84%			97%			97%		
Nursing Care	Nursing care leave	2	0	2	1	0	1	1	0	1
	Special nursing care leave	2	3	5	2	4	6	0	8	8
	Leave for nursing care	14	26	40	17	36	53	16	44	60
	Shorter working hours for nursing care	0	5	5	0	10	10	0	4	4
Family Support Leave		122	102	224	122	108	230	130	95	225

\* The percentage of employees returning to work after childcare leave is calculated according to the following formula : the number of employees returning to work after childcare leave during the current or the following fiscal year/the number of employees who finished taking childcare leave during the current fiscal year.

\* We have re-calculated the past FYE data of the percentage of employees returning to work after childcare leave in FYE 2019, since we revised the calculation method of this indicator.

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 (P200).

■ ITOCHU Kids Day for Visiting Mom & Dad at Work

Since 2014, we have regularly invited employees' elementary-age children to ITOCHU Kids Day for Visiting Mom & Dad at Work. The children get business cards made especially for the event, which they exchange with employees at their parents' workplaces. They also attend a mock meeting in the executive meeting room and eat lunch in the employee cafeteria. These activities provide the children with a deeper understanding of the company where their parents work. The response from employees has been very positive for instilling an interest in what the children's parents do at their job and for sparking a desire to work at ITOCHU in the future. As we consider this an incredibly meaningful event for building family bonds and teaching children about ITOCHU, we plan to continue holding it.



Children exchange business cards with the President COO

## Social Inclusion Support for Disabled Persons

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To provide the handicapped possessing physical, mental or other disabilities with a workplace that is motivating and rewarding, we established ITOCHU Uneedus Co., Ltd., our first special subsidiary, in Yokohama, Kanagawa Prefecture in 1987. The disabled person employment rate in ITOCHU is 2.17% as of March 2019. We are promoting an expansion in the range of work and recruitment of disabled persons in anticipation of an increase in the statutory employment rate in the future.

### Efforts by ITOCHU Uneedus Co., Ltd.

ITOCHU Uneedus Co., Ltd. provides services including dry cleaning, photo and document printing, mail delivery, laundry and cleaning. The company's motto is about stringent quality control and friendly service. All dry-cleaning processes are performed by mixed teams of disabled and non-disabled persons. To expand business as well as to create a more welcoming workplace environment for staff dealing with an array of disabilities, in November 2015 the company relocated to new offices in Yokohama's Tsuzuki Ward with 140% more floor space and the latest equipment. Since marking our 30th year in business in 2017, we have continued striving to proactively support social inclusion for disabled persons and help create a society where they can experience the joy of making a contribution through work.



Left: New offices of ITOCHU Uneedus Co., Ltd. (Tsuzuki Ward, Yokohama)

Right: Work in the cleaning department

<http://www.uneedus.co.jp/> (Japanese only) 

### Employment of Disabled Persons

#### Employment of Disabled Persons★

(as of March 1 for each respective year)

	Percentage of Disabled Employees
2017	2.31%
2018	2.04%
2019	2.17%

\* The figures of employment ratio of people with disabilities are the combined total of ITOCHU Corporation and the certified special-purpose subsidiary, ITOCHU Uneedus Co.,Ltd.

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 (P200).

## Support for Senior Citizen Employees' Success

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ITOCHU has long been proactively promoting activity support of seniors. We employ all those who so desire under the Employment Extension System after they reach retirement age at 60 years old in light of the point of view of the decreasing birthrate and aging population in Japan and activity support for diverse personnel. This means we are developing an environment in which seniors can continue to work utilizing the wealth of knowledge and experience they possess even after they have reached the retirement age. We also hold training such as life planning seminars for employees at the age of 58 years old and future course selection briefings for employees at the age of 59 years old. Therefore, we are supporting work styles and money plans after the extension of the employment of employees. We will do yet more to create an environment where senior citizens can continue performing motivating, rewarding work more than ever.

## Accolades for ITOCHU Corporation

ITOCHU Corporation's efforts in "Creating Environments that Bring Out the Best in Employees" have won much praise.

We won the Excellence Award (Family-Friendly Enterprises Category) at the Minister Prize in Equal Employment/Work-Life Balance organized by the Ministry of Health, Labour and Welfare in FYE 2018.

		 <p>〇ファミリー・フレンドリー企業部門 平成29年度</p>
<p><b>Platinum Kurumin Authorization</b></p>	<p><b>New Diversity Management Selection 100</b></p>	<p><b>2017 award for Excellence from the Minister of Health, Labour and Welfare for "Excellent Equal Opportunity/Work and Family-Life Balance Companies" ("Family-friendly Companies" category)</b></p>
<p>Companies making excellent efforts to provide employees with support at work as well as with childcare receive approval to display the Platinum Kurumin Authorization mark. (Received in 2016 / Ministry of Health, Labour and Welfare)</p>	<p>A project for selecting excellent companies that provide diverse human resources with opportunities and an environment for exercising their potential. (Selected in March 2016 / Ministry of Economy, Trade and Industry)</p>	<p>A program recognizing companies that promote exemplary programs with an equal emphasis on work and childcare/nursing care. (Selected in November 2017 / Ministry of Health, Labour and Welfare)</p>

\* Related data: Employee Status (P79)

Share of Women in Career-Track/Managerial/Executive Positions (P90)

Number of hires by gender (P119)

# Employee Relations: Occupational Safety and Health Management

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## Policy and Basic Concept

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### Occupational Safety and Health Management for our Employees

ITOCHU Corporation considers people to be its greatest asset. Ensuring that every employee can reach their full potential leads to increased corporate value. Based on this way of thought, we promote various policies aimed at realizing an environment in which all employees can leverage their unique talents and have the peace of mind to focus on their work.

The cornerstone for achieving our corporate message, "I am One with Infinite Missions," is reinforcing employee health while developing employee ability. Based on this idea, we have codified our company policy towards health management in the ITOCHU Health Charter (enacted June 2016). We hope this will help every employee reach their maximum potential. ITOCHU Corporation recognizes the diversity of its employees with regard to gender, age, nationality, race, religion and existence of handicaps. We have defined our health charter as follows in order to achieve our vision as One with Infinite Missions, and perpetually improve corporate value.

#### — 1. Taking responsibility for employee health

ITOCHU will take responsibility for the good health of each employee by actively supporting initiatives they take to maintain or improve their health.

#### — 2. Contributing to society by maintaining good health

ITOCHU will develop soundly over the long term based on an understanding that the good health of its employees is the foundation of the happiness of the employees themselves as well as their families, customers and wider society.

#### — 3. A legacy for future generations

ITOCHU will carry out its infinite variety of missions as a company in which healthy employees who are fulfilled both spiritually and physically unleash their individual strengths. By so doing, it will continue for years to come to fulfill its responsibility to promote prosperity and "the global good."

Going forward we will pioneer various efforts that lead the way toward work-style reform and health management. And we will build an environment that allows employees to find meaning in their work.

### Occupational Safety and Health Management along the Supply Chain

Beyond our employees, ITOCHU Corporation also implements comprehensive measures to ensure the occupational safety and health of the stakeholders within our supply chain, including the companies we invest in and contractors. In 2013, we established ITOCHU Corporation's Sustainability Action Guidelines for Supply Chains to communicate our expectations for partners along the supply chain. The Guidelines covers key safety and health related issues such as "Management of working hours", "Management of health and safety", and "Management of employee health".

We believe it is important to gain the understanding and cooperation of all of our suppliers and contractors regarding our procurement-related policies. In keeping with this belief, in FYE 2014 we followed up on the Guidelines with approximately 4,000 suppliers with whom we have continuing relationships, in order to raise awareness and understanding of our expectations. In January 2015, we have made it a mandatory procedure to inform all new suppliers and contractors of the Guidelines. We anticipate that these activities will lead to an enhanced understanding among our business partners regarding our approach to sustainability.



## Safety and Health Related Risk Assessments for Investment Projects

ITOCHU Corporation considers ESG (Environmental, Social, and Governance related) aspects to be crucial in assessing potential risks for investment projects. In addition to financial risks and opportunities, our due diligence and risk assessment process for prospective investments therefore includes the use of a comprehensive ESG Checklist, which covers seven core subjects aligned with the ISO26000, as well as 33 sub-issues. One of the core subjects concerns Labor Practices, which includes sub-topics covering safety and health-related issues, such as labor standards, occupational safety and health, and stakeholder engagement to enhance health and safety practices. Our assessment of safety and health related risks for investment projects does not simply end at the initial investment. We conduct continuous management assessments and ensure that we monitor companies in our portfolio, ultimately to contribute to as much enhancement of business practices among investees as possible. For more information, please see Evaluating ESG Risks of New Investment Projects (P139).

## Combatting Global Health Issues

ITOCHU Corporation has operations worldwide, with about 800 employees stationed overseas. As such, global health issues including HIV/AIDS, tuberculosis, and malaria, which are widely recognized as three of the deadliest infectious diseases today, are a major concern to our business, and we have implemented various initiatives in response.

With regards to our employees and their families, we conduct detailed preparatory seminars regarding safety and medical practices prior to overseas dispatch, including information on said global health issues. We also provide employees stationed abroad and their families with mandatory vaccinations aligned to the recommendations published by local governments. Vaccinations are administered by our Health Administration Center or a nearby travel clinic. Once dispatched, our employees and their families have access to specialized health care service companies that we partner with, which can provide information on local hospitals, details on how to avoid infection, and emergency treatment of illnesses.

In terms of community involvement, we have strived to enhance partnerships that can maximize our contribution to combatting global health issues. Since 2017, we are supporting [Friends of the Global Fund, Japan \(FGFJ\)](#) through our membership in the Japan Center for International Exchange (JCIE), which is responsible for the operation of FGFJ. We also work with Dole Philippines, one of our subsidiaries, to combat global health issues including HIV/AIDS, tuberculosis, and malaria, in the local communities. We will continue to expand efforts in this area to fulfill our social responsibility as a global company.

## Targets

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Based on our policies regarding the management of occupational safety and health, ITOCHU Corporation aims to achieve zero workplace accidents and death incidents for FYE 2020 as well, and will work toward the following underlying targets.

## Issues to Address

Strengthening employee health

## Commitment

We will promote the health of each employee and establish an environment in which they can more fully display their individual abilities. We will foment a climate of mutual support by establishing a support system that helps employees with cancer and long-term illnesses balance work and treatment.

## Specific Approaches

- Continue 100% participation in medical checkups
- Maintain complete in-house infirmaries and a support structure for dedicated medical care for each employee
- Promote support measures for those living with cancer
- Offer a healthy menu in the employee cafeteria
- Promote programs to help people stop smoking
- Continue to operate "Re:body" health management website for employees, and carry out special programs intended to prevent lifestyle-related diseases

## Success Indicators

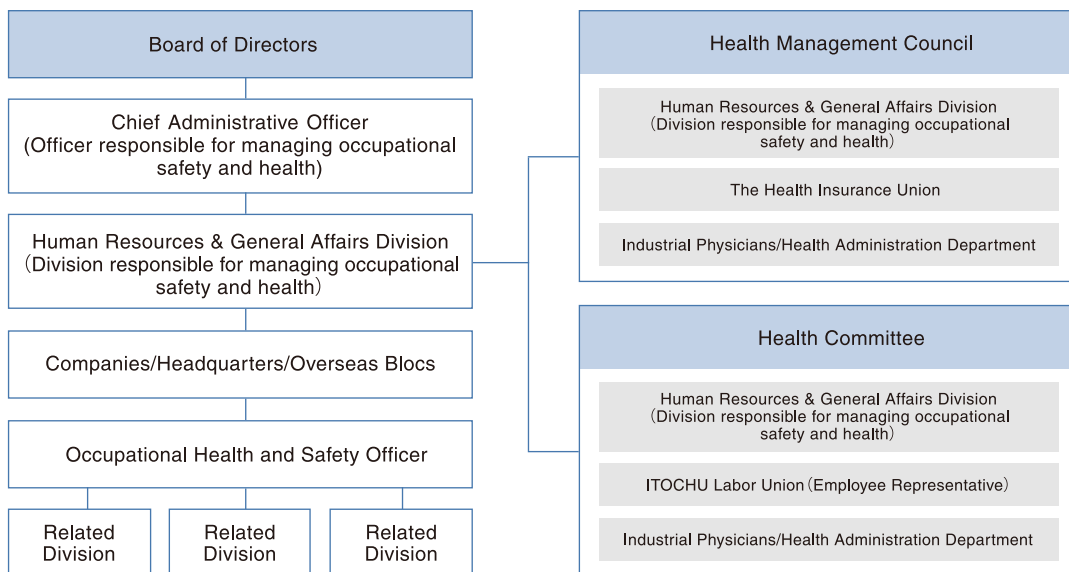
- 100% participation in medical checkups.
- FYE 2021: improve health indices (such as BMI) compared to FYE 2017.
- FYE 2021: 0% job separation rate due to cancer or long-term illness.
- FYE 2021: use stress checks to keep rate of high stress individuals below 5%.

## Structures and Systems

ITOCHU Corporation considers employees to be assets. One of the company's vital responsibilities is to ensure health and safety in the workplace so that employees can reach their full potential. We have built a robust system led by the President & Chief Operating Officer, not just for incidents, accidents, disasters and other emergencies, but also health management. This ensures that both ITOCHU Corporation employees working around the world and their families stay healthy and safe.

To implement our corporate philosophy of being "Committed to the Global Good, " ITOCHU Corporation also discusses occupational health and safety with the ITOCHU Labor Union, which counts approximately 80% of employees as members. (see "Labor Union and Employee Benefits (P110-113)"). Recurrent, active discussion between labor and management makes both cognizant of the challenges facing the company and keeps them on the same page. This builds a healthy relationship that enables them to consider and implement measures for improvement. See P101 for the number employees who have undergone training on health and safety standards.

### Overview of Itochu Corporation's Occupational Health and Safety Management Organization



We have a standard management and escalation procedure for all matters regarding occupational safety and health, both domestic and abroad. For each of our Companies, Headquarters, and Overseas Blocs, we have appointed an Occupational Health and Safety Officer, who is responsible for overseeing the execution of relevant initiatives. These Officers also serve as contact points to which workplace incidents and death incidents are reported to within their related divisions. Managers are also expected to relay and escalate these reports to the head office's Human Resources and General Affairs Division.

The Health Committee, chaired by the head of the Health Administrative Center and Human Resources and General Affairs Division, meets once a month to review and deliberate on important matters related to health. In case of emergencies that require immediate attention, relevant personnel are gathered to share insights on the issue at hand and escalate matters accordingly to the Health Committee. Emergencies can include health issues such as infection outbreaks, concerns raised by occupational physicians and risks associated with excessive working hours and working environments.

With regards to Health Management related initiatives and concerns, we hold a monthly Health Management Council to share progress and any concerns or risks regarding occupational health and safety.

Any critical issues identified in the Health Committee or the Health Management Council are escalated via the Human Resources and General Affairs Division to the Chief Administrative Officer (CAO), who holds the highest level of responsibility regarding health and safety. The CAO is responsible for reporting highly important issues to the Board of Directors and the Chairman & CEO. Matters that are not urgent are reported to the Board of Directors once a year, through the same reporting process.

## OHSAS18001 Certification Rate of ITOCHU Facilities

OHSAS18001 (Occupational Health and Safety Assessment Series) is a framework that certifies facilities with management systems that fulfill strict requirements for health and safety that address risks appropriately and enable continuous performance enhancement. The certification requires comprehensive elements such as a health and safety management policy, targets and action plans, the evaluation of initiatives implemented, and a process to reflect evaluation results for further improvement of the entire process. As of March 2019, among the 502 subsidiaries under ITOCHU Corporation, one company (0.2%) has acquired the OHSAS18001 certification.

## Health Administration Center

The Health Administration Center serves as the clinic for our headquarters in Tokyo and employs a total of 20 medical specialists, as well as x-ray technicians and pharmacists. For more than 30 years public health nurses have acted as "border-less medical concierges" who provide individual health guidance customized to the situation of every employee, both in Japan and overseas. This is based on close cooperation with medical specialists for various lifestyle-related diseases. In this way, the center supports ITOCHU Corporation health management through individual health management for each employee.

Specifically, in addition to the specialized disease management mentioned above, the office provides general practice medicine (internal medicine, orthopedic surgery, dentistry), checkups (regular medical checkups, half-day complete checkups, and medical checkups for employees traveling overseas or returning from abroad on a temporary or permanent basis), various vaccinations, and examinations (VDT examination, adult-onset disease examinations). It also offers medical counseling and provides information. In FYE 2017, almost 100% of our workers in Japan received regular medical checkups.

## Mental Health


Concerning mental health, we have set up a stress management room in the company and offer counseling by a clinical psychologist. Employees can also seek counseling from a company physician or see a psychiatrist in-house. Our Health Insurance Union has set up a health consultation website called "Health & Mind Online" that enables employees to seek consultations by phone or over the net. On December 1, 2015, the Industrial Safety and Health Act was revised to require businesses to conduct employee stress checks once per year. ITOCHU Corporation's Health Administration Center took the lead in trialing stress checks a year early in October 2015. These were then introduced on a full-scale basis in FYE 2017.

## Safety Measures for Employees on Travel or Stationed Overseas

ITOCHU Corporation operates worldwide with roughly 800 employees stationed overseas. The company also sends as many as ten thousand people on overseas business travel and works to offer health management to overseas staff. Since close communication between overseas locations and Japan is vital to overseas security management, we have stationed overseas safety specialists at our headquarters. They regularly exchange information about politics, economics, public safety and other factors with personnel and general affairs representatives assigned to each of the eight blocs worldwide. Staff meet through safety measures meetings, public security seminars, etc. They then disseminate appropriate measures throughout the company. We have also established a system to cover regions where information is more difficult to obtain through contracts with international security consultant firms.

## Measures to Address Medical Issues and Prevent Infectious Diseases

Prior to being dispatched, all employees stationed abroad are required to undergo mandatory vaccination in line with governmental recommendations for each international region/country. ITOCHU's Health Administration Center provides employees with vaccination services – in case specific vaccinations are not available, we direct our employees to nearby clinics that specialize in vaccinations. All vaccination costs are also covered by the company. Moreover, we provide both the employees and their families with thorough preparatory seminars on health and safety matters regarding the countries they are assigned to. Global health issues such as HIV/AIDS, tuberculosis, and malaria are especially crucial for certain countries. Therefore, we ensure that the preparatory seminars cover these issues, and also provide follow-up seminars following their return to Japan.

Once our employees and their families arrive in their assigned countries, we provide medical support in various ways, such as partnering with a specialized health care service company ([International SOS](#) ), to provide information on any potential issues that may occur, information on how to address and manage health emergencies, and support during emergencies, such as those that require emergency transportation.

## — Basic Health Management Support

- **Concierge Without Borders:** This is a service that we provide to employees and their families to support them in addressing chronic conditions. Employees and their families can reach out via e-mail or phone call to occupational health nurses supported by specialized physicians, and receive advice on health-related issues as necessary.
- **Introduction of local medical facilities:** We are able to introduce reliable local medical facilities in the countries we operate in, where employees can receive necessary medical services.
- **Routine health checkups:** In addition to pre-dispatch comprehensive medical examinations, we provide employees and their families with annual health checkups. These checkups can either be conducted upon short-term return to Japan, or in the countries where they are stationed in – including surrounding countries.
- **SECOM Furusato Care Service:** We provide support for our employees' elderly family members living in Japan. Our support covers a medical care system run by SECOM, which can be accessed year-round, at any time of day. The service allows for elderly family members to receive phone-based health support from a specialized nurse center.

## — Health-Related Emergency Support

- **International SOS:** This is a service that we provide employees and their families to support them in addressing acute medical conditions. The service provides access to a multi-language call-center where users can inquire about any local issues regarding safety, including terrorism, social disturbances, and medical concerns. Additionally, if our employees or their family members encounter any emergency such as injuries or acute medical conditions, they can access International SOS to request relevant support, which includes arrangements for appropriate transportation, accompanying doctors and nurses, as well as access to medical institutions that are equipped to address the emergency.
- **JOMF Kids' Net:** This is a service that we provide employees and their families to address child-related medical issues abroad. The service can be accessed via international phone call to receive advice from pediatricians in Japan.

## | Addressing Health and Disease Related Issues in Local Communities

ITOCHU Corporation engages in community investment in the Philippines to address global health concerns. This is conducted mainly through the Mahintana Foundation Inc. (MFI), an NGO that was developed by the Dolefil\* SR Division of Dole Philippines, one of ITOCHU's subsidiaries. Along with MFI and local municipalities, ITOCHU has engaged in comprehensive development initiatives for over 40 years, including the creation of industries and labor markets, environmental conservation and reforestation, education, provision for basic needs, enhancement of employee benefits, and health and safety. Specifically regarding health and safety, global health concerns such as HIV/AIDS, tuberculosis, and malaria are particularly crucial, and we have implemented the initiatives listed below to prevent outbreaks of infectious diseases among employees and the local community:

\* Dole Philippines's Pineapple Division

Social Issues	Initiatives
Infectious diseases	Vaccinations, education and training for dengue fever prevention, disseminating insecticide-treated nets (ITNs), extermination of insects, and promotion of vitamin A consumption
Healthcare	Promotion of vitamin A consumption, provision for pregnancy support, dental services, and education and training on adolescent health issues

Regarding malaria, the positive impacts of these prevention efforts are continuing to spread, with an increasing number of surrounding regions reporting to be free of malaria infections.

## Occupational Health And Safety Data

Safety initiatives in Japan incorporate countermeasures against large-scale disasters like earthquakes. These include creating a business continuity plan, preparing disaster supplies such as drinking water, food, and toilets, conducting emergency drills, and training employees to use our safety confirmation service. We encourage employees to prepare for large-scale disasters by making sure they have a way to contact their families in the event of an emergency, keeping a pair of comfortable walking shoes at work, and being sure they know their way home on foot.

### Occupational health and safety data (Individual employees\*1) ★

(Unit: people)

	FYE 2017		FYE 2018		FYE 2019	
	Full-time employees	Part-time employees	Full-time employees	Part-time employees	Full-time employees	Part-time employees
Number who suffered from occupational accidents (number which occurred during commute)*2	5 (4)	1 (1)	7 (5)	1 (1)	4 (2)	0 (0)
Number of Fatalities	0	0	0	0	0	0
OIFR (Occupational Illness Frequency Rate)*3	0.00	0.00	0.00	0.00	0.00	0.00
Number who suffered Lost Time Incidents (LTI)*4	0	0	0	0	0	0
LTIFR (Lost Time Injury Frequency Rate)*5	0.00	0.00	0.00	0.00	0.00	0.00

\*1 Employees targeted: Full-time employees — career-track employees, clerical employees, those in special positions  
Part-time employee — contract employees

\*2 Number who suffered from occupational accidents: The total number of those who suffered from of occupational accidents or non-LTI due to their work and those injured during their commute.

\*3 OIFR: The rate of incidence of lost-time accidents corresponding to disease per million hours (calculated as the number of people suffering from LTI due to illness divided by the total number of working hours times 1 million)

\*4 Lost time incidents (LTI) are situations in which a work-related injury or illness causes the victim to be absent from work on the following day. (occupational accidents)

\*5 LTIFR: The rate of occurrence of incidents that caused employees to miss work per million working hours (calculated as the number of sufferers of LTI divided by the total number of working hours times 1 million)

### Performance benchmarking against industry average (wholesalers and retailers with over 100 employees)

	2016	2017	2018
Lost-time incident rate	1.74	1.94	2.08

\* The data above references the Ministry of Health, Labor and Welfare's 2018 Research on Work-related Accident Trends

## Total number of participants in training related to health and safety standards (individual employees)★

	FYE 2017	FYE 2018	FYE 2019
General training on health and safety standards* <sup>1</sup>	2,744	3,410	3,543
Human resources-led training on health and safety standards* <sup>2</sup>	48	61	48

\*1 Training new recruits (career-track employees and clerical employees), managerial workshops, training in preparation for overseas assignments and training in preparation for JOT/JOT-M, evacuation drills at the Tokyo headquarters.

\*2 Career vision training (including mindfulness classes and mental health management)

## FYE 2019 Number of employees that received our main health and safety-related training

(unit: number of employees)

Type of training	Training details	Number of employee attendees
Training new recruits	Employees newly joining ITOCHU are informed on the importance of health for their personal life and their career. The training includes information on mental health and lifestyle-related diseases. Employees are also educated on the company's health and safety management by our occupational physician and our clinical psychologist.	138
Managerial workshop on building a healthy workplace	This workshop is for all employees in management positions to educate and train them on building a healthy work environment. Training topics include how to manage the mental wellbeing of employees, and how to prevent and address cases of harassment.	405
New manager training on health management	For newly promoted junior managers, we provide training on how to guide and manage the health and safety of subordinates through case-studies. The training also provides guidance on how to maintain one's own health once promoted to their new positions.	44
Training in preparation for overseas assignments or junior overseas training	The training is mainly conducted by our occupational physician, and covers health issues that are likely to occur in relevant countries, as well as crucial differences in medical environments and lifestyles between Japan and assigned countries. The training also covers necessary preparations that are recommended prior to dispatch, and information on how to receive health checkups during their assignment. We also provide the same training for the family members of our employees, and provide information on key contact points and resources in case of emergencies.	292

★Data assured by KPMG AZSA Sustainability Co., Ltd, an external assurance provider based on the international standard ISAE 3000 (P200).

# Health Management

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In FYE 2017 we began to work on health management in earnest. This entailed promoting a range of measures to improve employee health, based on the ITOCHU Health Charter (established in June 2016). These include the introduction of "Health MyPage," which allows all employees to manage their health status, individual programs for employees with a high risk of lifestyle-related disease (distributing wearable devices and offering expert advice on health and diet), and better support for those trying to quit smoking (reimbursing medical costs involved in quitting). And in April 2018, we opened a new health-focused integrated dormitory for unmarried employees. In an effort to increase the health awareness of each employee, we introduced the "Health MyPage" app in April 2017. This app lets employees view medical checkup results via a PC or smartphone, and permits centralized management of lifestyle data, such as number of steps walked that day, weight, percent body fat and calorie intake. We also launched a personal guidance program for young employees with a high potential risk of lifestyle-related diseases. Participants receive wearable devices which collect data on exercise and sleep, and manage data on diet as well. This enables them to receive daily diet and exercise instructions online from a health coach and national registered dietitian. So far, more than 240 people have taken advantage of the opportunity and made progress under the program.

Our Health Insurance Union operates two recreation centers in Japan, and implements initiatives which include cooperating with the Health Administration Center to fully cover the cost of treatment that helps employees stop smoking.

Moreover, in August 2017 we began to lead the way in Japan with company efforts to support balancing cancer care and work from the three perspectives of prevention, treatment, and coexistence. We are striving to create a workplace in which all employees, regardless of whether they suffer from cancer or long-term illness, can continue to work without concern toward their fullest potential, all the while maintaining motivation and finding meaning in their work.

## | Policies for Living with Cancer

In August 2017, we began to implement measures to support balancing cancer treatment and work in accordance with the ideas behind the ITOCHU Health Charter enacted in June 2016.

It is said that, today, one in two Japanese will develop cancer at some time in their life. Every year, 850,000 individuals are diagnosed with cancer, with working-age adults accounting for 30%. Cancer typically requires a certain period of intensive treatment, followed by careful, long-term follow-up care. At ITOCHU, some employees continue to work while fighting cancer, and some have succumbed to the struggle. We believe that providing a work environment where employees may continue to work without fear, and without giving in to cancer, leads to positive work on the part of the employees and energizes the organization. So we have decided to keep the following three perspectives in mind as we implement this measure.

- Establish an environment in which employees can seek counsel and share information without concern
- Strengthen the system that the entire organization uses to support prevention, early detection, and treatment of cancer
- Establish internal systems and programs which permit employees to continue to work and play active roles while they receive treatment

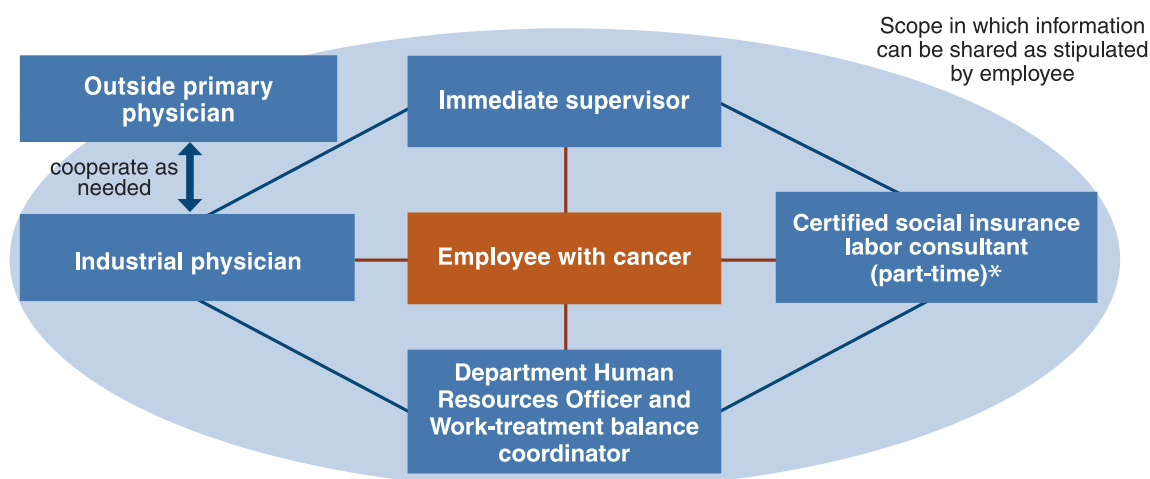
Thus far ITOCHU has maintained a support system for long-term illness that included an enhanced health management system, subsidies for high-cost medical care, and a flexible work/leave system. We have now decided to add the following new initiative to support balancing cancer care with work from the three perspectives of prevention, treatment, and co-existence.

- Cooperate with National Cancer Center
  - Prevention: To improve the rate of early detection, we have added special cancer examinations under the supervision of cancer specialists to our regular medical checkup.
  - Treatment: If an exam comes back positive, we refer the employee to the National Cancer Center for detailed examination. If cancer is detected, we immediately coordinate with specialists from the National Cancer Center to arranged state-of-the-art treatment.

- Establish a system that offers support for balancing work with cancer treatment (See the figure below.)
  - Assign a coordinator who supports balancing work with cancer treatment, and foster a system and climate in which other employees, including the head of the organization, can help the employee with cancer to balance treatment and work. After receiving the initial report, formulate a plan to support balancing treatment and work which follows a prescribed flow that is dictated by the individual patient's condition.
  - Create a handbook explaining how to support balancing treatment and work, and establish a leave system that allows such support to be provided.
- Enhance financial support for advanced cancer treatment
  - The company purchases a blanket policy to provide financial support to employees who receive advanced medical treatment not covered by insurance.
- Expanded scholarships for children and job search support
  - Increase the amount of scholarship money paid to bereaved children through graduate school by roughly two to three times what it had been previously.
  - If a bereaved child or spouse desires to work for the ITOCHU Group, every effort will be made to find a place for them within the Group.

By promoting these measures, we hope to create a workplace in which all employees, regardless of whether they suffer from disease, can continue to work as much as they like without concern, and reach their fullest potential. We aim to build a working environment where employees are able to maintain their motivation while finding a sense of worth in their work.

### ITOCHU Corporation support system for balancing work and cancer treatment



\* Career consultation desk provided by qualified counselor

## Application to Group Companies

Due to our consolidated management, our efforts with regards to occupational health and safety, and safety management, cover not only our employees (including contract employees) but also those of our group companies. Specifically, Group companies also conduct things like stress checks, safety initiatives in Japan, information on safety measures overseas, collaboration with overseas security and medical service companies, and seminars prior to overseas assignments. Group companies are increasingly adopting a morning-focused work style, and the group overall is striving to reduce the total number of working hours and promote employee health. In addition, we are working to strengthen the labor management of the overall ITOCHU Group by regularly conducting workshops that hone the knowledge and expertise of our personnel, and assessments of labor and human resources.



## Details of Personnel and Labor Support Provided to Group Companies in FYE 2019

### 1. Labor management case study workshops

These workshops focus on case studies that highlight possible labor management cases including mental health problems and working hours management. Participants gain specialized knowledge and learn how to handle these types of problems. In addition to Tokyo, we held this workshop in Osaka for the first time in three years in FYE 2019. Tokyo: 38 participants from 23 companies (July and November) Osaka: 16 participants from 10 companies (October)

### 2. Labor management case study workshops (special edition)

In these workshops, lectures explain key points that are likely to cause problems for human resources and labor management and propose solutions to these problems. In FYE 2020, the workshop's theme was "Equal Pay", and gathered 104 participants from 61 companies.

### 3. ITOCHU Group Human Resources and General Affairs Liaison Council

This council aims to allow those in charge of human resources and general affairs from our Group companies to exchange information and strengthen relationships. Activities include discussing the latest trends in human resources and general affairs, sharing information about ITOCHU Corporation measures and support situation, and updating one another about the content of revisions to laws. FYE 2019, 138 employees participated from 85 companies.

### 4. Human resources and labor management assessments

These are health assessments aimed at checking whether rules, systems, and management related to overall personnel and labor affairs are operated in an appropriate manner. These include labor contracts, internal rules, occupational health and safety, and time management. We conducted assessment of 11 companies in FYE 2019.

### 5. ITOCHU Group Human Resources and Labor Management Portal Site

We established a new portal site in May 2018 to share the regulations and expertise of ITOCHU with group companies. The aim of this site is to strengthen the human resources and labor management in group companies.

## Ensuring Safety in Uranium Exploration

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Uranium exploration is one of our business areas that requires careful attention to ensure the safety of employees and surrounding communities. Our engagement in uranium exploration occurs through JCU (Japan-Canada Uranium ), in which we have a one-third share ownership. JCU currently owns interest in 13 uranium assets in Canada, where it conducts uranium exploration. Only one of these assets has completed the prefeasibility study, with the rest being suspended or still requiring more exploration work. Thorough prefeasibility and feasibility studies are crucial for us to understand the quantity of potential resources and economic value of each site, as well as technical and safety-related parameters and concerns. If JCU and its JV partners determine to proceed to development and production in the future, our policy is to continuously conduct meticulous measurements of radiation levels and implement necessary measures to limit radiation exposure among employees and surrounding communities to a minimal level. Likewise, it will also be our policy to minimize any risk of emitting low level radioactive waste.

## Peaceful usage of nuclear fuel

If JCU and its JV partners determine to proceed to uranium development and production, our policy is to strictly limit any usage of sold uranium concentrates to peaceful usage. The sole objective of our uranium exploration business is to contribute to the enhanced power generation for civilian use. Our minimum commitment to achieve this policy will be to meet any local or international regulations regarding security trade control. Furthermore, we will implement a chain of custody monitoring structures to ensure peaceful use among our direct customers as well as any customers involved in further resale.

## Radiation hazard assessments

All JCU business activities related to uranium exploration are ensured to meet local laws that align with the International Atomic Energy Agency's (IAEA) guidelines for uranium development and production regulations. This includes our commitment to meeting IAEA recommendations and requirements, as well as Canadian local regulations regarding implementation of radiation hazard assessments and management to ensure its appropriate execution.

## Management of radiation exposure to employees and communities

If JCU and its JV partners determine to proceed to uranium development and production, our first and foremost priority across all activities regarding uranium concentrates will be health, safety, security, and environment (HSSE). It is therefore fundamental for us to implement necessary measures to ensure the safety of employees and the community – especially those in close proximity to the site. This includes our commitment to meeting IAEA recommendations and requirements as well as Canadian local regulations regarding measurement of radiation exposure among all personnel at relevant facilities, cumulative radiation dosage management for employees, and thorough monitoring.

Regarding JCU's uranium exploration activities, throughout the past three years (2016-2018) we have not identified any cases of radiation levels that exceed natural levels in relation to employees and the community.

## Management of radioactive operational waste

All uranium exploration projects we are involved in via JCU aim for the development and production of natural uranium concentrates. Therefore, any radioactive operational waste occurring from the mine and the refining facility will predominantly be limited to having naturally-induced low level radioactive wastes. We will commit to meeting IAEA recommendations and requirements as well as Canadian local regulations regarding the appropriate management and disposal of these radioactive wastes.

Throughout the past three years (2016-2018), we have not generated any high-level, mid-level, or low-level radioactive operational waste.

## External Appraisal/Assessment

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In FYE 2016 ITOCHU Corporation obtained the highest rank in the Development Bank of Japan (DBJ) Health Management Rating System for the first time as a general trading company. We were also selected as a Health and Productivity Stock for two years in a row in 2016 and 2017 in the health and productivity management program jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

We succeeded in these areas thanks to positioning work-style reforms and Health and Productivity Management as important management strategies. We introduced a morning-focused working system ahead of other companies, and cooperated with industrial physicians and the Health Insurance Union to promote aggressive measures for improving health throughout company.

In FYE 2018 ITOCHU received the Minister of Health, Labour and Welfare Prize during the 2017 Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control, which is sponsored by the Ministry of Health, Labour and Welfare. The award was granted in recognition of our Support Measures for Balancing Cancer Care and Work, which began in FYE 2018. We also won an award of excellence, during the Tokyo Metropolitan Government awards commending companies that implement excellent initiatives to help cancer patients balance cancer treatment and work.

Our Balancing Cancer Care and Work Support System was acknowledged in FYE 2019. We received the Award of Excellence in the Corporate Human Resources category at the Nihon no Jinjibu HR Awards 2018. The Nihon no Jinjibu HR Awards are awards that honor innovators in fields such as human resources, personnel development and labor management. We also received the Gold Award at the 1st gan-ally-bu Awards. The gan-ally-bu Awards are awards aiming for workplaces and a society where it is possible to work actively while receiving cancer care.

		
<p><b>Health and Productivity Stock 2016-2017</b></p>	<p><b>Award for Companies Promoting Cancer Control in the Action Plan for Promotion of Cancer Control, sponsored by the Ministry of Health, Labour and Welfare</b></p>	<p><b>Tokyo Metropolitan Government award commending companies which implement superior initiatives to help cancer patients balance cancer treatment and work</b></p>
<p>Selects companies engaged in strategically carrying out efforts with regard to employee health from a management perspective (Selected February 2017 / Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE))</p> <p>* First general trading company to be selected two years in a row</p>	<p>This program recognizes companies that are proactive in taking cancer control measures and which are engaged in comprehensive, advanced cancer control measures. (Selected in February 2018 / Ministry of Health, Labour and Welfare)</p>	<p>This program recognizes companies that implement superior initiative to help employees with cancer balance treatment with work. (Selected in February 2018 / Tokyo Metropolitan Government)</p>
		
<p><b>The Best Practice Enterprise</b></p>	<p><b>Nihon no Jinjibu HR Awards 2018 Award of Excellence in the Corporate Human Resources Category</b></p>	<p><b>1st gan-ally-bu Awards</b></p>
<p>These awards are held once a year to select just one company in each prefecture as The Best Practice Enterprise that is working proactively to reduce long working hours as a part of the overwork elimination campaign. (November 2017 / Tokyo Labor Bureau)</p>	<p>This is an award system that honors innovators in fields such as human resources, personnel development and labor management. (November 2018)</p>	<p>These awards were established to realize workplaces and a society where it is possible for cancer patients to work actively while receiving care. They were established by the gan-ally-bu private sector project working on the problem of cancer and employment in which employees work while receiving cancer care. (October 2018)</p>

# Employee Relations: Workplace Environment / Work-style

## Working Hours Management / Morning-Focused Work

Not only do we comply with legislation like the 36 Agreement, but we are focusing on work-style reform aimed at reducing total number of hours worked.

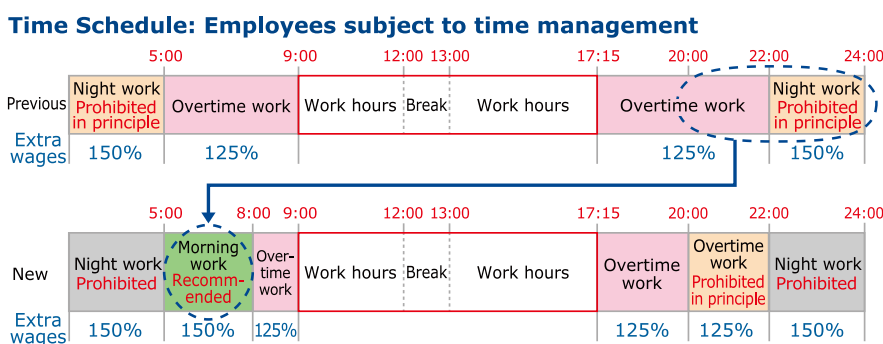
ITOCHU has long sought to reduce overtime work from a perspective of managing employee health and promoting effective operations. To achieve a more effective working style, we reconsidered the way of thinking that assumes employee will work overtime and determined that a shift in employee awareness was needed. So in October 2013 we introduced a morning-focused work system intended to help shift work habits from night-focused to morning-focused. This progressive approach has impacted not just the industrial world, but the political and business establishment as well. It has grown into a large movement that is changing the way Japanese people work. More than five years after its introduction, the approach continues to produce steady results and is the core element in our work-style reforms.

ITOCHU believes its efforts as a pioneer in work-style reform will both empower individual employees to change their approach to work, and promote balanced operational reforms. In this way, the Company is striving to achieve a work environment that enhances operational effectiveness, helps maintain and improve employee health, support the activities of employees who face time constraints from raising children or caring for family members in poor health and allows a more diverse set of employees to make full use of their capabilities.

### Outline of Initiatives

- Night work (10 p.m. - 5 a.m.) is prohibited. Working between 8 p.m. and 10 p.m. is prohibited in principle. However, work after 8 p.m. may be allowed in special circumstances after prior approval if it is unavoidable.
- We pay increased wages at the same rate as for night work to encourage employees to work earlier in the morning (5 a.m. - 8 a.m.)(employees subject to time management: 150%; employees not subject to time management: 25%).
- \* When an employee starts working at 7:50 a.m. or earlier, the higher wages are applied not just for the hours of 5 a.m. to 8 a.m. but also for 8 a.m. to 9 a.m.
- We also provide light meals to employees who begin work before 8 a.m. to aid in managing their health.

### Morning-Focused Work System Diagram



Providing light meals to employees

### Effects of Efforts

		Prior to introduction	First year after introduction	Five years after introduction
Left bldg.	8:00 p.m. or later	Approx. 30%	Approx. 7%	Approx. 5%
	(10:00 p.m. or later)	(Approx. 10%)	(Almost 0)	(Almost 0)
Entered bldg.	8:00 a.m. or before	Approx. 20%	Approx. 34%	Approx. 44%
Hours of overtime per person		-	Approx. 7% decrease	Approx. 11% decrease

## Dress-down Days

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In June 2017, ITOCHU introduced "Dress-down Days" as a new work-style reform aimed at creating an environment in which each employee can vibrantly participate and more fully demonstrate their capabilities.

Wednesday and Fridays are designated "Dress-down Days," and employees are allowed to dress down even more than they could during the previous Casual Fridays. In lieu of business suits, they can wear what they like as long as it can be considered "work clothes" suitable for business settings. Employees may even wear jeans and sneakers, and are encouraged to wear outfits that express the freedom characteristic of ITOCHU. This program aims to have employees consider how best to dress down with consideration for their relationships with customers and the people around them. This will develop their ability to think flexibly and foster a workplace environment that facilitates the creation of new ideas. The following key measures were implemented in FYE 2018 to increase employee awareness of the program and encourage its spread. We intend to continue to develop similar programs appropriate to each season.



### FYE 2018

- A program in which personal stylists give 10 or so employees a complete makeover and get them to try new styles. The program is conducted three times a year (summer, autumn/winter and spring) in cooperation of Isetan Shinjuku Store of Isetan Mitsukoshi Ltd.
- Internal company events that invite employees to wear a specific item ("Jeans Day" and "Sneakers Day", etc.) and which involve related events on the same day. These could be sales, lectures by stylists on dressing well, etc. in cooperation with ITOCHU Group/associated companies.

### FYE 2019

- We have established a new permanent concept space called the "D+ Lounge" just for Dress-down Days on the second floor of the Tokyo Headquarters. This space offers events relating to personal appearance every month to refine the power of expression of our employees. These events include personal color diagnoses, stylist consultations, shoe shining, first-class shaving experiences and make-up lectures for working women.

### FYE 2020

- We have established Dress-down Every Day to enable employees to think about what clothes to wear to work in response to the time, place and occasion (TPO) and the weather every day only in the summer (May to September). Every day during this period is a Dress-down Day regardless of the day of the week.

\* Applies to both full-time and part-time employees

## Cooldown Rooms

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In June 2012, ITOCHU Corporation introduced Cooldown Rooms on the first floor and first basement floor of its Tokyo Headquarters. These rooms seek to help beat the summer heat by keeping visitors comfortable inside the building and giving employees a comfortable place to work. To help fight global warming and save electricity in summer when demand for power is high, ITOCHU stipulates that air conditioners in the building not be set lower than 28 degrees Celsius. However, the Cooldown Rooms have lower ceilings than other rooms and can be cooled more efficiently. Cool air is supplied at 15 degrees Celsius to keep room temperature below 20 degrees. This makes them great spaces for visitors to the building and employees returning from sales activities to cool down on hot summer days. In December 2016, we began to make effective use of the Cooldown Rooms in winter as well by raising the temperature settings so that people could use these spaces to warm up. We also established a permanent history exhibition corner called "ITOCHU History" in December 2016. This is so that many people can learn about the founding principles of our company while effectively utilizing the Cooldown Rooms in the winter.

\* Can be used by both full-time and part-time employees

## Shower Lounge and Shower Room

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In the summer of 2016, ITOCHU installed a shower lounge on the third floor of our Tokyo Headquarters, and a shower room on the second basement floor. Their goal is to help create a workplace environment that encourages job satisfaction. The seeds of this idea were accounts from employees who often found airport shower rooms crowded when returning from business trips on early morning flights. Many reported using external facilities (such as gyms and saunas) on their way to work. In response to this feedback, ITOCHU established shower facilities at Headquarters so that employees returning from business trips can be more comfortable as they begin work. The facilities are equipped with overhead shower heads, which warm the body quickly in winter, and amenities like towels, hair driers, shampoo, and conditioner. A total of 1,100 employees have used the facilities in the two years and 9 months since they opened. The facilities have been well received, with employees reporting they are able to work in comfort. In response to employee requests, the facilities now stay open longer and can also be used by employees who exercise to improve their health. They are also open to employees of affiliate companies.



\* Can be used by both full-time and part-time employees

## The Hiyoshi Dormitory

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In March 2018, ITOCHU Corporation opened the Hiyoshi Dormitory in the Kohoku ward of Yokohama, Kanagawa prefecture. The dormitory has approx. 360 units to house unmarried employees. It brings together unmarried male employees who had been scattered across four locations in the Tokyo Metropolitan area. The design concept for the dormitory is "under the same roof," as opposed to positioning it as a mere welfare facility. Accordingly, it is equipped with a variety of common areas designed to bring residents together and deepen communication across boundaries like age and department. These include a dining room with shared kitchen, a multi-purpose meeting room, a large bathroom with a sauna, and communication spaces on each floor (including study areas and an open terrace).

It also incorporates measures that take into account Health and Productivity Management. The cafeteria provides breakfasts and dinners that take into account a nutritional balance from the viewpoint of policies such as health and productivity management. We have also partnered with a local fitness club to give residents opportunities to exercise. As a rule, smoking is prohibited throughout the dormitory, including private rooms, and is only allowed in designated smoking areas. We also provide a program that utilizes a smartphone app to assist those who wish to quit smoking. Through efforts like these, we hope to create an environment that encourages employees to voluntarily reform their work-style and improve their health.

This dormitory is designed to function as a secondary office for the Tokyo Headquarters and is vital to our business continuity plan (BCP) for disasters. It uses the same Internet environment as our offices and we have installed emergency generator equipment. We have also stocked the dormitory with food, water, emergency supplies and other items.

\* Intended only for full-time employees

# Employee Relations: Labor Union and Employee Benefits

## Policy and Basic Concept

ITOCHU Corporation hopes to achieve an environment in which employees can leverage their individual talents and concentrate on their work without worry. To this end, we maintain a system of rich employee benefits and employee welfare facilities. Our original employee welfare measures include a morning-focused work style, health management, support for living with cancer and dress-down day. These have met with praise both inside and outside the company, and have contributed to increased employee motivation.

\* See "Employee Benefits (P113)" for details on the primary employee benefits that have been introduced and expanded in recent years (for both full-time and part-time employees).

## Targets

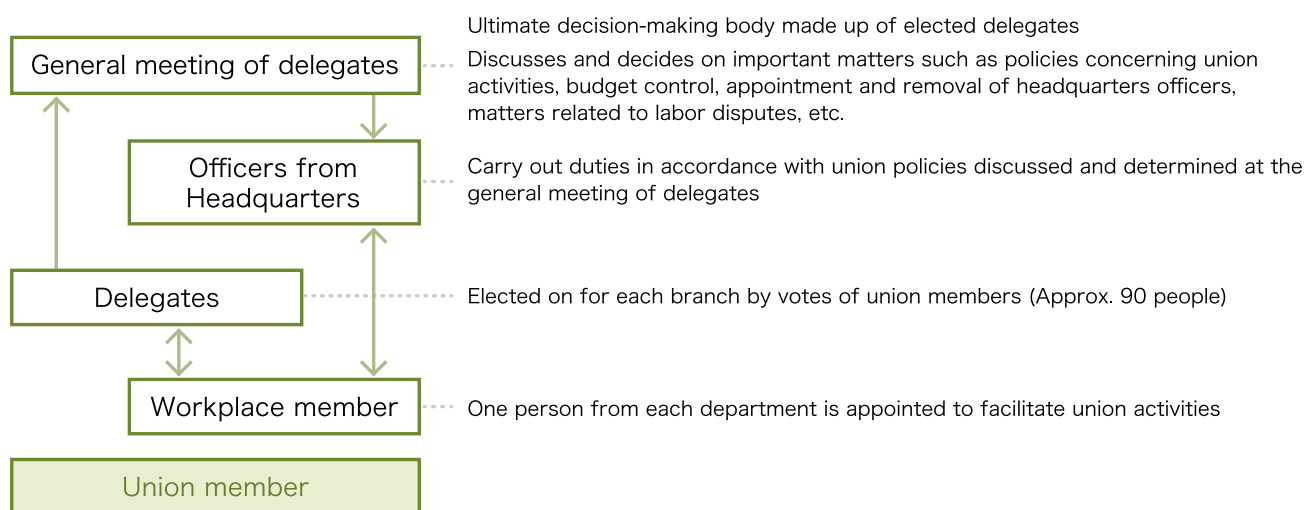
- We are aiming for a 70% or higher rate of positive responses to the "employee engagement" items on our engagement survey.
- FYE 2021: improve health indices (such as BMI) compared to FYE 2017.
- FYE 2021: 0% job separation rate due to cancer or long-term illness.
- FYE 2021: use stress checks to keep rate of high stress individuals below 5%.

## Structures and Systems

ITOCHU Corporation has had a labor union since its founding. The objective of the Labor Union is to improve labor conditions and other economic concerns of its members. The Labor Union carries out all required operations to fulfill this objective.

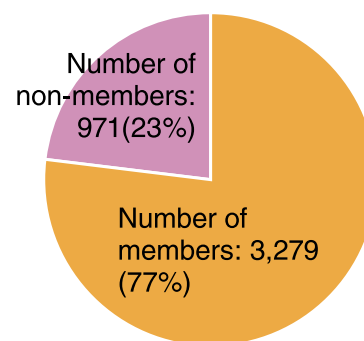
(Article 3, Rules of the ITOCHU Labor Union)

- Headquarters: General meeting of delegates and officers at headquarters (Secretariat: Liaison for labor management negotiations consisting of the president and secretary general)
- Branch: Six branches (Tokyo, Osaka, Nagoya, Tohoku, Hokuriku and Kyushu)



The company is prohibited from taking any of the following actions:

1. Providing disadvantageous treatment to a worker because the worker is a union member, or on similar grounds  
Example: Discharging or transferring a worker because the worker has gone on strike as a union member, or on similar grounds
2. Refusing to bargain collectively without justifiable cause  
Example: Refusing to come to the bargaining table or sending someone without authority as a representative to attend a collective bargaining session as a representative
3. Interfering with or providing financial assistance for the organization or operation of a labor union  
Example: Interfering with or interrupting the union's events or providing financial support for union operational expenses
4. Providing disadvantageous treatment, such as dismissal, to a worker in response to an allegation made by the worker to the Labor Relations Commission  
Example: Providing treatment, such as dismissal or wage reduction, to a worker in response to an allegation made by the worker to the Labor Relations Commission, or to a similar action by the worker



Ratio of ITOCHU Labor Union members as of April 1, 2019

### Efforts Together With ITOCHU Labor Union in FYE 2019

April 2018 to March 2019 (monthly)	Health Committee
June-18	Account settlement meeting
July, August, September and November-18	Collective bargaining & Labor-management committee for salary revisions
November-18	Labor-management committee for overseas compensation and benefits
January-19	Labor-management committee for time management
March-19	Management meeting with the President COO

### Activities by the Headquarters of the Labor Union in FYE 2019

April and May 2018	General Meeting of Delegates
June-18	Meeting attended by three top-ranking officers from each branch
September-18	General Meeting of Delegates
October-18	Sports Day
February-19	General Meeting of Delegates
March-19	<ul style="list-style-type: none"> <li>● Meeting attended by three top-ranking officers from each branch</li> <li>● Labor Union event at Tokyo DisneySea</li> </ul>





**Shion Shinohara**  
President,  
ITOCHU Labor Union

## Comments from the ITOCHU Labor Union President

We negotiate and discuss with the company to achieve compensation and benefits and an environment suitable to be called a "top trading company both in name and substance." We do this in light of the two missions of the labor union - to protect our members and to build a good company.

- 1. Philosophy:** Our philosophy is "Moving on Together - Working together actively with enthusiasm and motivation." With this in mind, we aim to create a work environment that allows employees with diverse characteristics, values and circumstances to remain motivated to actively and enthusiastically work together, and which allows each individual to achieve their best performance.
- 2. Vision:** We aim to achieve a "virtuous cycle of corporate management" by improving labor conditions and the economic status of members. This "virtuous cycle of corporate management" describes a positive cycle of: improved work environment → active participation by employees → improved company performance → improved employee treatment → improved morale → improved work environment, and so on.
- 3. Action Guidelines:** The entire union (members, worksite committee members, liaison officers, delegates, branch officers and headquarters officers) make concerted efforts based on the three key concepts of "Stay ahead," "Speak up," and "Be reliable."
  - Stay ahead: Always think one step ahead and work on something new. Think and move forward together.
  - Speak up: Each member should take the initiative to speak up.
  - Be reliable: Build an organization that can be depended on and meets expectations.

## Dialogs with the Labor Union

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ITOCHU Corporation discusses a wide range of issues with the ITOCHU Labor Union in order to achieve our corporate mission of being "Committed to the Global Good." We held a total of eight sessions of management meetings with the President & COO, settlement of accountings meetings with the CFO and other collective bargaining and labor-management committee meetings in FYE 2019. Recurrent, active discussion between labor and management makes both cognizant of the challenges facing the company and keeps them on the same page. This builds a healthy relationship that enables them to consider and implement measures for improvement.

## Dialogs with the President

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ITOCHU proactively establishes opportunities for the President and employees to engage in direct two-way dialogue. The President visited approximately 30 Japanese and overseas branches and overseas local subsidiaries where opportunities for dialogue with the President are usually limited to hold dialogue meetings in FYE 2019. The President personally conveyed the management policy and his passion toward the realization of that directly to employees in these dialogue meetings. At the same time, the employees were also able to directly express their own opinions and ask questions to the President. Therefore, these were valuable opportunities to deepen two-way communication. The content of these meetings is wide-ranging - even including private matters in addition to the management policy. Accordingly, these are always extremely lively meetings.

# Employee Benefits

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ITOCHU Corporation employs a variety of welfare facilities and schemes to stimulate communication between employees and provide opportunities for exchange. Stimulating communication helps foster a sense of belonging and job satisfaction in individual employees. It also helps to invigorate the organization as a whole.

## | Employee Cafeteria

The employee cafeteria at the Tokyo Headquarters underwent large-scale renovations in May 2013 that transformed it into a brighter and a more comfortable meeting place. Since then we have taken further steps to make the cafeteria a more attractive space for employees. These include introducing a Wellness Cafeteria menu created under the supervision of Kagawa Nutrition University\* which aims to help employees improve their health. We have also revised our menus and altered the layout of the room based on employee feedback. Nearly 1,600 people use the employee cafeteria every day.

This special cafeteria can also be used to share meals with customers, and operates as a pub at night. It has a regular Happy Hour, during which alcoholic beverages are available for free or at a discount. This boosts communication between people from both inside and outside the company. In 2017, the menu was fully revised and the cafeteria underwent major renovations once again. This has made it a great place for employees to interact over meals.

- \* Kagawa Nutrition University is a pioneering force in nutrition education. The menu it helped create focuses on daily specials with healthy dishes that fulfill different nutritional requirements. These include an energy value of around 600 kcal, salt content of 3 g or less, and vegetable servings of 140 g or more.
- \* Can be used by both full-time and part-time employees

## | "SOGO-KAI" Associations


"SOGO-KAI" associations are groups where fellow employees can assemble to enjoy the same sports or cultural activities. Spreading out from Tokyo and Osaka, there are more than forty such associations active within the company nationwide. They boast a combined membership of more than 800 employees. The associations are not limited to current ITOCHU Corporation employees. Many former employees and Group company employees also take part. These associations use sports and cultural activities to promote exchange and communication across different generations and organizations.

- \* Both full-time and part-time employees can join

# Respect and Consideration for Human Rights

## Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically).</li> <li>Decline in credibility that may result from defects in the social infrastructure services we provide. And others.</li> </ul>	<ul style="list-style-type: none"> <li>Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities.</li> <li>Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain. And others.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
<b>Textile Company</b>							
Respect human rights	 	Establishing a supply chain reflecting consideration for human rights and the environment	Supply chain management	We will promote information-sharing in the overall Group and establish a safe, secure supply chain, thereby helping customers with risk reduction and contributing to sustainable economic development.	Make Group-wide efforts to review the social and environmental safety of the supply chain and make improvements as necessary, thereby promoting the establishment of a safe, secure commodity supply system.	FYE 2024: Establish and visualize the supply chain of the overall Group, from material procurement to sales, to ensure a responsible procurement policy.	In FYE 2019 we conducted an investigation of 50 of our suppliers from the standpoint of Environmental, Social and Governance (ESG) criteria. In FYE 2020 we plan to increase this to 80 companies, and continue to work to establish a healthy supply chain.
<b>Machinery Company</b>							
Respect human rights	 	Improving water and hygiene infrastructures	Water and environmental projects	We will contribute to improving the hygiene environment, the development of economic activities, and the protection of the global environment through the appropriate treatment and effective use of water and waste.	Expand water and environment projects to promote the appropriate use and treatment of water and the effective utilization of resources, and reduce the environmental impact.	Expand and diversify the investment portfolio in the water and environment field.	<b>Water Sector</b> We are participating in Water Supply and Sewerage Treatment Companies in the UK and Spain, Seawater Desalination Projects in Australia and Oman. Our Project in Oman started commercial operation in 2018. We continue to invest in portfolio in the water sector.  <b>Environment Sector</b> We invested in four Waste Management Projects in the UK and awarded a 25-year Waste Management and Resource Recovery Project in Belgrade, the republic of Serbia in 2017.
		Establishing a supply chain reflecting consideration for human rights and the environment	Overall electric power and plant projects	We will contribute to improving the quality of life of all stakeholders in the supply chain and business investment destinations.	Set rules on due diligence related to social and business environmental safety for suppliers and business investment destinations based on the distinctive characteristics of each business, implement due diligence, and strengthen monitoring continuously.	FYE 2020: Aim to implement the due diligence described on the left in all new development projects.	We observed ESG checklist for all new investment of development and also checked 7 main issues on guideline of social responsibility. (Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community participation and Development.)
<b>Metals &amp; Minerals Company</b>							
Respect human rights	 	Sustainable mine development that reflects consideration of the risks in occupational safety and health and environmental risks, and that contributes to local communities	Mining business	<ul style="list-style-type: none"> <li>We will promote sustainable development of natural resources by fully committing to EHS (environment, health, occupational safety) and harmonious coexistence with local communities in areas which we operate.</li> <li>We will improve local infrastructure such as medical care and education.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the thorough application of the EHS guidelines.</li> <li>Contribute to local communities through activities for improving medical care, education and infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of annual internal seminars to ensure our employees are fully aware of the EHS guidelines.</li> <li>Donations to medical care, education and build infrastructure in local communities.</li> </ul>	<ul style="list-style-type: none"> <li>We held internal EHS (Environment, Health and Safety) training courses for supervisors and company employees belonging to sections engaged in resource development. The attendance rate of those subject to this training was 100%.</li> <li>In FYE 2019, we checked five existing projects and one new project under EHS guidelines using the check sheet, and set follow-up items.</li> <li>We carried out CSR activities that contribute to the local community as part of each project we invest in.</li> <li>As an original initiative, our Australian subsidiary, ITOCHU Minerals &amp; Energy Australia Pty. Ltd., co-sponsored citizen awards in the communities surrounding the port of our iron ore projects.</li> </ul>
<b>Energy &amp; Chemicals Company</b>							
Respect human rights		Establishment of an energy resources development system that goes well with local society and environment	Exploration & Production of Oil & Gas	Contributing in the development of local society by advancing exploration & production projects that accommodate social and environmental concern.	Implementation of projects in compliance with the laws and regulations of the respective government and internationally-recognized administrative body.	<ul style="list-style-type: none"> <li>Be compliant with HSE (Health, Safety and Environment) standards in the respective government and the ones set by internationally-recognized administrative body.</li> <li>Reduction of HSE issues that involve serious damage to human beings and/or environment.</li> </ul>	<ul style="list-style-type: none"> <li>We are duly complying with the HSE management standards set by the governments and relevant authorities.</li> <li>In accordance with our internal regulations, we monitor the number of incidents, seriousness and contents of the cases on a monthly basis. (In FYE 2019, no major operational incidents have been reported as of the end of February.)</li> </ul>
<b>Food Company</b>							
Respect human rights	 	Establishing a supply chain reflecting consideration for human rights and the environment	Provisions	We will establish a procurement system that conforms to third-party certification criteria and unique codes of conduct of manufacturers as our customers.	<ul style="list-style-type: none"> <li>Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers.</li> <li>Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil.</li> </ul>	Proceed with discussions of targets for the sustainable procurement of palm oil by collaborating with the trading industry organization based on customers' situations and industry trends.	By 2025 we aim to switch the palm oil we handle to sustainable palm oil (RSPO/MSP0/ISPO, etc.). On the basis of the industry trends and customers' circumstances, we are going to improve our procurement system to provide sustainable palm oil with industry groups.
<b>General Products &amp; Realty Company</b>							
Respect human rights		Providing an environment that enables the focus to be placed on stable production activities	Construction	We will operate industrial estates in a high-quality manner that will permit tenant companies to focus on stable production activities.	<ul style="list-style-type: none"> <li>Establish a safe, secure, environmentally-friendly infrastructure, including facilities such as those for power supply, industrial water/wastewater treatment, security and fire prevention systems, or improve the existing infrastructure to make it like the above.</li> <li>Create employment by inviting companies, and in addition, promote locally-based contribution activities.</li> </ul>	Undertake further improvements of infrastructure facilities and the service system in industrial estates and continue diverse local contribution activities.	We continue to carry out the following initiatives at the Karawang International Industrial City <ul style="list-style-type: none"> <li>Provide a service structure that takes into account safety, security and the environment.</li> <li>Activities that contribute to neighboring areas.                             <ol style="list-style-type: none"> <li>Support for establishment of a pediatric health contact center, supplying baby food, providing medical equipment to midwives.</li> <li>Provision of scholarships to Jr. high and high school students.</li> <li>Afforestation/donating saplings to local governments and establishing agricultural parks.</li> </ol> </li> </ul>

# Policy and Basic Concept

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The ITOCHU Group has adopted the ITOCHU Mission of being committed to the global good as our corporate philosophy. This "global good" means a sense of well-being that offers both material and mental satisfaction. We are committed to the good of society and the good of individuals as a company deploying diverse businesses throughout the world and we respect human rights and individuality.

The ITOCHU Values in our corporate philosophy are five values that we must cherish to fulfill our commitment to the global good. We have adopted diversity as one of these values. We cherish the human rights and individuality of each and every person. The human rights policy of the ITOCHU Group is as below.

## Human Rights Policy of the ITOCHU Group

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### **1. Basic Principles and Position of This Policy**

The ITOCHU Group has established the ITOCHU Group Human Rights Policy (hereinafter "this Policy") and is promoting efforts to respect human rights. We have established this Policy based on various international norms. These include the UN Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the code of conduct on human rights in the United Nations Global Compact that we have participated in since 2009, and the United Nations Guiding Principles on Business and Human Rights. This Policy is also a declaration of our efforts to respect human rights based on the ITOCHU Group's corporate philosophy, code of conduct, corporate message and Basic Policy on Promotion of Sustainability.

### **2. Scope of Application**

This Policy applies to all organizations across the world in the ITOCHU Group. The ITOCHU Group also requests that our business partners and other stakeholders comply with this Policy.

### **3. Responsibility to Respect Human Rights**

We, the ITOCHU Group, are working to fulfill our responsibility to respect human rights. We do this by not violating human rights and by responding to the negative impact on human rights that occurs in our business activities.

If a negative impact on human rights is induced by the ITOCHU Group's business partners or in our value chain, we encourage an appropriate response to be taken toward rectifying that to fulfill our responsibility to respect human rights.

### **4. Compliance with Applicable Laws and Ordinances**

The ITOCHU Group will comply with the laws and regulations in the respective countries and regions where we perform our business activities in addition to Japan. If there is a contradiction between internationally recognized human rights and the laws and ordinances of a country or region, we will pursue a method to maximize respect for international human rights principles.

### **5. Organizational Structure**

The ITOCHU Group will build structures to realize this Policy. The Sustainability Officer will bear the responsibility to oversee the compliance and implementation situation of this Policy.

### **6. Education**

The ITOCHU Group will raise awareness internally by providing appropriate education and instruction to all our officers and employees (including contract workers and temporary workers) so that this Policy is incorporated and enforced in all our business activities.

### **7. Human Rights Due Diligence**

The ITOCHU Group will fulfill our responsibility to respect human rights. We will do this by building a human rights due diligence mechanism to identify any negative impact on human rights based on the United Nations Guiding Principles on Business and Human Rights and then aim to prevent and reduce that negative impact.

## 8. Dialogue and Discussion

The ITOCHU Group will utilize independent and external human rights expertise in the efforts of this Policy. At the same time, we will engage in sincere dialogue and discussion with our various stakeholders.

## 9. Remedy and Rectification

If the business activities of the ITOCHU Group induce a negative impact on human rights or if involvement in such becomes clear, we will strive to remedy and rectify that through appropriate procedures and dialogue.

## 10. Policy Publication

This Policy will be approved by senior executive in charge of sustainability and be reported to our Board of Directors and we will widely publish it to the public. We will also report on our human rights efforts based on this Policy on the ITOCHU website and in our sustainability report.

# Individual Policy

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Respect and consideration for human rights is an important issue for ITOCHU as we deploy our business activities in various regions around the world. ITOCHU also asks all our stakeholders to approve, understand and put into practice the human rights policy of ITOCHU in addition to education for employees to respond to this important issue.

## Response to Modern Slavery and Human Trafficking

ITOCHU is committed to efforts to ensure that there is no modern slavery or human trafficking in our supply chain and business activities. We are participating in the United Nations Global Compact. Together with this, we are reflecting the concept of the United Nations Guiding Principles on Business and Human Rights in our business activities. The existing principles of ITOCHU contain efforts to ensure that modern slavery and human trafficking do not occur in our sales activities and supply chain across the world.

\* Reference : [Status of Initiatives at ITOCHU Europe PLC. \(FYE 2018 Slavery and Human Trafficking Statement\)](#) 

## Consideration for Foreigners

If foreign workers, interns and trainees are accepted in our supply chain, we pay full attention so that we comply with the labor related laws and ordinances in the country concerned and so that we do not commit acts contrary to the purpose of that acceptance system. We do this from the point of view of respect for human rights and relief because such people are liable to become the target of illegal acts due to their low social and economic status.

## Respect for the Rights of Children

ITOCHU supports the United Nations Convention on the Rights of the Child and Children's Rights and Business Principles. We respect the four pillars of the United Nations Convention on the Rights of the Child – a child's right to life, development, protection and participation.

ITOCHU has adopted the development of the next generation as one part of our Basic Activity Guidelines on Social Contribution. We perform activities to support the healthy development of the young people who will be responsible for the next generation.

Related activities can be found in the [Growth of Future Generations](#) page.

## Security Company Appointment Concept

The United Nations adopted the Code of Conduct for Law Enforcement Officials in December 1979. This aims to ensure that member states thoroughly implement and promote the appropriate roles of law enforcement officials (e.g., the police and military authorities) and respect and protect the dignity of humans while carrying out their duties. ITOCHU supports the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials in which the United Nations has established the principles on the use of firearms by law enforcement officials under the above code of conduct. We select security companies according to the content of that.

## Respect for the Rights of Indigenous People

We recognize that indigenous people have their own culture and history when we conduct business activities in regions where indigenous people live as part of our commitment to respect human rights. We respect and take into consideration the rights of indigenous people established in the laws of the countries and regions where we perform our business activities and international agreements (e.g., the Declaration on the Rights of Indigenous Peoples and the International Labour Organization (ILO) Convention 169). When examining new business investment projects, we also strictly enforce prior checks concerning the impact on the rights of indigenous people by that business.

## Structures and Systems

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ITOCHU promotes the formulation and implementation of action plans with respect and consideration for human rights serving as one of our key issues. Under the sustainability promotion structure, the person responsible for this issue is the Sustainability Officer while the Sustainability Management Department serves as the secretariat. The secretariat performs a review every year together with the persons responsible for ESG in each division. This content is deliberated on and reported to the Sustainability Committee. Important matters are also discussed and reported to the Board of Directors.

\* Reference : Sustainability Promotion Structure Chart (P11)

## Human Rights Due Diligence

### ITOCHU's Understanding of Human Rights Due Diligence

Human rights due diligence as understood by ITOCHU is a mechanism in which the impact on human rights in the business of ITOCHU is identified and evaluated. Those evaluation results are then incorporated into risk management. Finally, the implantation and effectiveness of measures are tracked.

It is necessary to report externally how we are addressing the negative impact on human rights through due diligence.

### New Business Investment Projects

For more details, please refer to "Evaluating ESG Risks of New Investment Projects (P139)".

### Existing Business

When entering into business with new suppliers, ITOCHU informs all applicable suppliers in advance of the ITOCHU Sustainability Action Guidelines for Supply Chains. If a matter in violation of the purpose of this policy is confirmed, we seek corrective measures from that supplier. At the same time, if it is judged that correction is difficult even though we have made continuous requests for correction, we deal with this under a stance of reviewing our business with that supplier.

We also perform due diligence with the seven core subjects of ISO26000 serving as the mandatory survey items (including modern slavery and human trafficking) when making new investments with major suppliers. We conduct additional due diligence with external specialist organizations for investment projects requiring a professional point of view.

## Supply Chain Management

For more information see Sustainability in the Value Chain (P136).

## Risk Assessments

We conduct risk assessment on human rights including modern slavery and human trafficking. We do this through group company fact-finding surveys in which we visit sites together with external experts as appropriate. This is in addition to our supplier surveys in due diligence. We have also established policies and responses for procurement by product in regards to products with a significant impact on society and the global environment. This is an attempt to reduce the risks in our supply chain.

\* Reference : Human Rights Audits in the Poultry Industry in Thailand (P137)

## Consultation Desk

### Employee Consultation Desk

We have established an employee consultation desk called 7830 (Nayami Zero) to respond to worries and consultations from each individual employee. We have also posted the HR Help Guide Book on the Intranet and have widely informed employees about the consultation desk. This means we have established a structure in which it is possible for employees to consult with us.



HR Help Guide Book on the Intranet

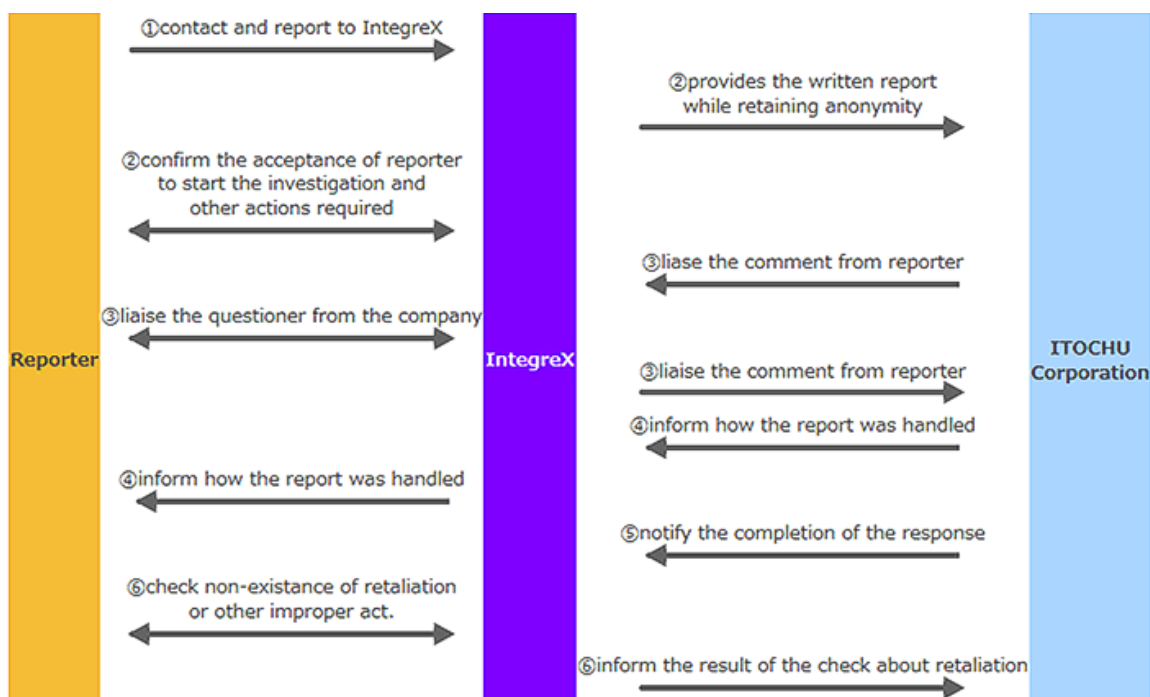
### Career Counseling Center

ITOCHU established our Career Counseling Center ahead of other companies. This office accepts workplace culture, human relations, treatment and harassment related consultations in addition to consultations on the careers of individuals by telephone, fax, e-mail and the post. Full-time office employees deal with these consultations.

### Employee Hotline

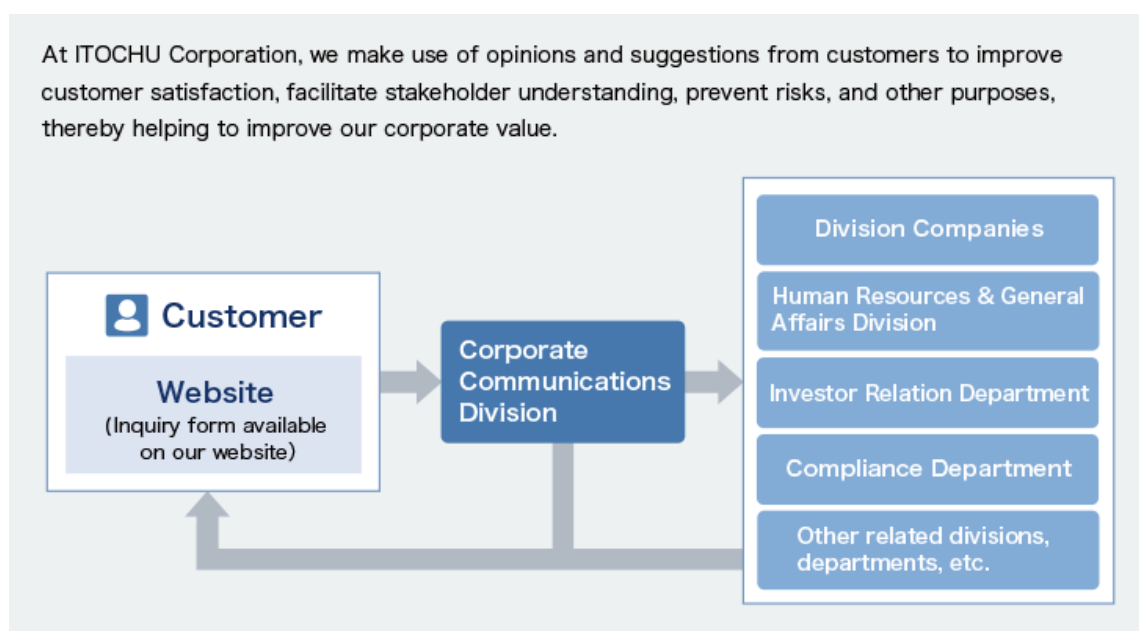
In addition to a direct hotline to those responsible for compliance in each division, we have also established a consultation desk to external lawyers and an external hotline.

### Flow of report



## Business Partner Consultation Desk and Hotline

ITOCHU accepts opinions, proposals and grievances from all our stakeholders.



Inquiries

<https://www.itochu.co.jp/en/inquiry/index.html>

## Efforts

### Implementation of Fair Recruitment

Human resources are the greatest management resources for ITOCHU - a general trading company deploying a variety of businesses around the world. ITOCHU conducts activities to recruit those newly graduating from universities and graduate schools every year. We also separately recruit those who have experience in the middle of their careers. Combining new graduate and mid-career hires, we recruit 150 to 160 employees a year. The table below gives our recruitment record over the last three years.

#### Number of hires by gender★

(Unit: persons)

	New-graduates			Mid-career			Total
	Male	Female	Total	Male	Female	Total	
FYE 2018	121	29	150	7	5	12	162
FYE 2019	103	35	138	11	4	15	153
FYE 2020*	96	31	127				

\* The figures as of April 1st, 2019

We also offer internships (work experience workshop) every year separate to our recruitment activities. The aim of these internships is to provide support to university and graduate school students in forming their careers. We provide opportunities to deepen knowledge about the business of trading companies and about working in a trading company.

ITOCHU recruits employees chiefly on the basis of their personal character. We recruit employees fairly and impartially without concern for their age, gender, nationality or otherwise. We have provided human rights education with lecturers from the Tokyo Metropolitan Human Rights Promotion Center and have also reflected that content in our interviewer education. We have also established a watchdog system in which employees are selected and notified to serve as watchdogs to establish a fair recruitment screening system.



## Training

We raise awareness about the relationship between our corporate activities and human rights in our various internal training programs. We develop the mind to respect human rights that should be possessed as an ITOCHU person in our new employee training. For example, we hold training to acquire consideration for nationality, age and gender (including sexual minorities such as LGBTs) from the basic concept of human rights and points of concern. We raise the problem of sexual harassment (including discriminatory behavior and harassment toward sexual orientation and gender identity) and abuse of authority in internal training aimed at organizational heads. We provide education and instruction for measures when harassment has actually occurred and when we have received reports of such. We strive to create an environment that does not allow harassment on a daily basis. Through these efforts, we are aiming for a thorough understanding toward human rights. We are also striving to raise awareness in various regions by looking at consideration for human rights in our supply chain in pre-overseas assignment training. There were 789 participants in our human rights training in FYE 2019.

### FYE 2019 Human Rights Training Record

(Unit: persons)

	No. of Participants
New employee training	131
Organization Manager Workshop	405
Pre-overseas appointment training	253

In addition to the above training, we made business and human rights one of the themes in our sustainability e-learning in FYE 2019. Please see the Spreading Sustainability at Itochu page (P26-27) for more details.

## Sustainability Seminars

We have continued to hold internal seminars since 2007 on human rights issues. The aim of this is to adopt insight and opinions from those outside the company. We made business and human rights (in the supply chain) a theme in FYE 2019.

We conducted awareness activities for business and human rights. The purpose of these was to learn about the latest trends concerning corporate activities and human rights problems and to make use of that in our business as a general trading company which deploys various businesses across the world and which plays an important role in the supply chain.

Seminar Details (P27).

## Various Publications

We are endeavoring to raise awareness of human rights. The aim of this is to ensure that human rights violations do not occur in the workplace. We are doing this through various publications that we distribute to all our employees.

- We convey our basic concept on respect for human rights in a booklet that explains to all our employees the ITOCHU Group corporate philosophy and code of conduct.
- We call on our employees not to induce human rights violations in business in our compliance handbook. We do this by establishing pages on respect for human rights and harassment with concrete examples.
- We have written rules (e.g., the strict prohibition on harassment) on cards of a size that can be carried around at all times.
- We have prepared a handbook on communication with our suppliers. We deploy a check mechanism in which those in charge of surveys can understand the actual state of the management of human rights and labor practices in important suppliers more clearly and so that they can then offer advice on making improvements. At the same time, we utilize this in keeping our employees informed.

## Countermeasures Against Harassment

ITOCHU is raising awareness on the importance of making systems well-known and engaging in communication through organizational head training. We are doing this so that pregnant employees and employees persevering with their work while being engaged in childcare and nursing care can also contribute to their workplaces with a sense of their work being worthwhile. This is without employees in the workplace being subjected to abuse of authority or sexual harassment (including disadvantaging and harassing employees who are applicable to sexual minorities). Superiors encourage employees with restrictions due to balancing their work with childcare or nursing care to make use of the related systems appropriately. In addition to this, we are also ensuring employees are fully informed about the importance of reviewing work content, work division and work styles over the entire workplace. Furthermore, we have thoroughly established a workplace environment which does not allow discriminatory remarks relating to sexual orientation or gender identification and remarks made under unconscious assumptions of gender segregation. We have also established a desk to receive consultations from employees. We have stipulated that discrimination due to race, gender, religion, creed, nationality, body, illness, age or other illogical reasons in relation to duties and sexual harassment (including discriminatory behavior and harassment concerning sexual orientation and gender identification) are clearly prohibited in the Human Rights Protection Violations in our work regulations. We have determined penalties against those who commit such acts.

## Cooperation with Stakeholders

### — Participation in Workshops on Human Rights Issues

- Business and Human Rights Training: Effective Stakeholder Engagement
- Supply Chain Labor and Human Rights Audit (Practical) Training (Lloyds's Register Japan)
- Caux Round Table
- Human Rights Education Subcommittee (GCNJ)

# Responsibilities to Customers

## Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>Decline in credibility that would result from the occurrence of a problem related to the safety or health of consumers and service users.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in demand for food safety and security and health improvement.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Food Company							
Contribute to healthier and more enriched lifestyles		Supplying safe, secure food	Overall food-related businesses	We will select and concentrate on suppliers who are capable of manufacturing and supplying safe, secure food stably.	Increase the number of persons with international certifications/ qualifications related to judgment on the Food Safety Management System (FSMS) to enhance the capability of human resources for selecting suppliers.	Proceed with the appropriate allocation of human resources as judges mentioned on the left to business departments, with the leading role played by the food safety management organization of ITOCHU Corporation.	In FYE 2019 three more personnel were certified as ISO22000 Provisional Auditors. We expect a similar increase in the qualified personnel in next fiscal year.

## Policy and Basic Concept

### Responsibilities to Customers

ITOCHU, which engages in multifaceted corporate activities in a wide range of fields in various regions around the world, believes that meeting the expectations of society through our business activities will maintain sustainability and lead to further growth.

ITOCHU has limited direct access to consumers in much of our business due to our characteristics as a trading company. Nevertheless, we recognize the importance of quality and safety management. We fulfill our responsibilities to customers by promoting efforts to ensure this concept penetrates into the value chain.

### Product Safety

ITOCHU complies with our obligations as stipulated in safety related laws and ordinances for the products we handle. We are striving to ensure safety by formulating product safety manuals for each company based on our policy of providing even safer products with greater peace of mind to our customers. We will continue to work on providing safe products with peace of mind in the future. We will do this while promoting internal education, setting up departments responsible for product safety, establishing information transmission routes and reviewing our response in the event a product accident does occur. Please refer to Sustainability Efforts by Product (P140-163) to learn about our efforts in detail.

## | Responsible Marketing

We engage in responsible advertising and marketing that fully takes into account our social responsibility. We do this under our corporate philosophy of being "Committed to the Global Good," our code of conduct and our corporate message of "I Am One with Infinite Missions." We accept expectations and requests from society through two-way dialogue with stakeholders. We then put them into practice.

### — Advertising

We have unified the visual image of ITOCHU to improve and ensure the penetration of our brand image to customers. Internal regulations have been developed to advertise and perform publicity with the appropriate expressions, content and media. We also give due consideration to slander, discriminatory expressions, exaggerations and false representations, religious and political beliefs, the environment, third party privacy, personal information and intellectual property rights. This is done in accordance with our sustainability policy. We promote appropriate advertising and publicity efforts by sharing knowledge on advertising and publicity activities through regular meeting for our group companies.

### — Marketing

We are thoroughly committed to creating content and expressions that do not cause misunderstanding and which do not infringe upon the rights, credibility and honor of others. This is done under relevant laws and ordinances, our internal regulations, various internal training programs and our company-wide compliance structure. We carry out responsible marketing activities by emphasizing dialogue with the various stakeholders around us in the diverse business activities we deploy on a global scale.

## Individual Policy

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## | Safety of Food Products

### — Policy, Basic Concept and Structure

The Food Company is engaging in food safety management based on the following mission and activity guidelines.

#### **Philosophy**

FOR THE NEXT GENERATION

#### **Mission**

1. To contribute to the sound development of society while gaining strong trust from consumers
2. To provide health and happiness to people by realizing rich food lifestyles through the stable supply of safe food
3. To contribute to the interests of consumers, business partners, shareholders and employees through fair corporate activities

#### **Activity guidelines**

The following serve as the concrete activity guidelines to achieve our basic philosophy and mission. We comply with laws and ordinances and the ITOCHU Group corporate philosophy and code of conduct. We then thoroughly inform all relevant employees in the Food Company about these. Upon doing that, we engage in food safety management and fair business which form the basis of trust from consumers.

The Food Safety and Compliance Management Office gives instructions and guidance on the above in the Food Company Group.

## Responsible Food Business: Commitments and Policies

The ITOCHU Group aims to support people's lives by providing various products and services. In doing so, we aim to ensure the best quality in our offerings by comprehensively managing the entire supply chain of our products and services, from the procurement of raw materials to the retailing of finished products. In keeping with this business approach, our Food Company consists of three divisions: the Provisions Division, the Fresh Food Division, and the Food Products Marketing & Distribution Division. The three divisions are designed to allow us to develop a value chain that caters to consumer needs, is ensured to add top-quality value, and seamlessly connects various processes, from the development of food resources, the supply of raw resources, production and processing, midstream distribution, and retail. Our Food Company synergizes these business aspects throughout the Japanese, Chinese, and greater Asian markets. At the same time, by continuously improving and refining our management and controls around food safety, we aim to become a leading company in the global food industry.

ITOCHU Group takes a market-oriented approach, incorporating the needs and expectations of the market and consumers as an integral part of our business model. Our food retailing business, which includes FamilyMart, is no exception. We first and foremost consider the needs of our customers, and based on key insights we draw from market and consumer trends, we build our strategy and approach. This allows us to build a value chain that adds value from the procurement and production of raw materials, to the development and manufacturing of products. As for our food business, we identify the issues noted in the table below as material topics that especially require our careful management to provide safe and reliable food products. It is subsequently our policy to commit to addressing each of these issues.

Material issue	Description	Management approach
Reducing negative product impact of food products on customers	Ensuring the safety of imported food products, processed foods, and fresh food produces (e.g. managing issues regarding pollution, pesticide residues, abnormal prions, additives, and genetic modification)	<ul style="list-style-type: none"> <li>● Self-management system for food safety</li> <li>● Assessments for supplier's management systems in place to ensure food safety (factory inspections and audits)</li> </ul>
Responsible advertising, marketing, and promotion of food products	Provision of information regarding food allergies and additives.	<ul style="list-style-type: none"> <li>● Management rules for the registration of food labels</li> <li>● Improvement initiatives regarding checks and verifications of food labels</li> <li>● Training certified personnel regarding food labeling</li> </ul>
Responsible advertising, marketing, and promotion of alcoholic beverages	Provision of information regarding the prevention of drinking among minors and pregnant women	Internal education programs on the liquor tax law
Access to better nutrition	<ul style="list-style-type: none"> <li>● Medical Foods – a service catering to home care patients</li> <li>● Providing nutritiously balanced solutions to the elderly</li> </ul>	Cooperation with regional hospitals and nutritionist organizations

## Improving Access to Better Nutrition

As part of its commitment to realize a high-value-adding business, one of our major concerns in the food business area is access to nutrition.

In developed countries, aging society is a pervasive issue. Elderly populations with unbalanced nutrition or lack of nutrition are increasing, straining medical budgets as well as caregivers. Furthermore, for conditions such as acute forms of diabetes and liver disease that require home care, there is a widespread need to secure nutrition balances that are healthy, nutritious, and prevent obesity.

At one of our subsidiaries, FamilyMart, we sell Medical Foods to home care patients that require dietary limitations due to conditions such as acute diabetes and liver diseases. Through our Medical Foods service, customers including those elderly can gain access to lunch deliveries that aim at the improvement of their nutrition. Furthermore, based on thorough consultation with certified nutritionists, we provide health support products such as nutritious products that limit calorie and salt intake, health enhancement products that supplement the body with lactic acid bacteria and dietary fibers, and health enhancement products that limit the body's intake of excessive sugar or salt.

Furthermore, we recognize that in developing countries, hunger and malnutrition are socially important issues caused by various elements including poverty. At ITOCHU Group, in order to take action in solving these issues we have implemented various initiatives. For example, we provide financial support to the World Food Programme (WFP) and working with Table for Two (TFT), which aims to alleviate the dietary inequality between developed and developing nations. In this way, we aim to provide high quality, nutritious food solutions to the children of developing countries.

Throughout the initiatives introduced above, we provide products and services and engage in community investment activities to support the nutrition and health of people in and out of Japan. We will commit to continuing these efforts to enhance self-care, reduce medical expenditure, and provide healthy food options to children living in poverty, to contribute to solving issues of access to better nutrition among underprivileged groups.

## Structures and Systems

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### Quality Management

At our Food Company, the Food Quality and Compliance Management Team is responsible for implementing our quality management system. The Food Quality and Compliance Management Team is responsible for addressing the following issues:

1. Facilitation of the Food Company and their respective domestic and overseas subsidiaries in their efforts to design a food safety self-management system.
2. Management of the labeling, safety, and trade-related issues of our food products.
3. Provision of education and training to employees regarding food safety.
4. Provision of training to members of our food safety management team in China.
5. Enhancement of the food safety management audits and subsequent corrective guidance for subsidiaries and supplier factories.

In addition to the above, the Team is responsible for management of trade and logistics, management of compliance related issues, and CSR/environmental activities.

### Due Diligence for New Suppliers

When the Food Company conducts business with a new business partner, the Company is required to assess the potential supplier's management level of the manufacturing process, and whether it has received certification from well-recognized institutions such as the ISO22000. In doing so, we use an internal assessment criteria that is designed to evaluate practices around food safety management.

## Factory Audits

Based on the Food Safety Management Manual (issued in December 2002), we conduct factory audits for relevant business partners, including subsidiaries and overseas suppliers. For overseas suppliers, our factory audit procedure is as follows:

Process	Description
Agreeing on a frequency for audits	The sales division and the Food Safety and Compliance Management Team are required to agree upon a frequency for audits (at minimum once a year) for each manufacturing factory for import food products.
Conducting the factory audits	The sales division is required to conduct factory audits based on the agreed frequency to assess the safety management systems – currently more than 150 sites are subject to this mandatory audit.
Issuing a findings report and requesting corrective measures (as per necessary)	The final report must be created in line with the GFSI/Global Market Program Ver 1 factory audit framework.

## Participation in Food Safety-Related Initiatives and Organizations

At ITOCHU Group, we aim to maintain and enhance our quality management to ensure that we supply safe and reliable processed foods. In doing so, we make sure to cooperate with external parties and are members to industry groups in order to engage in knowledge sharing and collaboratively work toward enhanced solutions.

### — Association for the Safety of Imported Food, Japan (ASIF) (Japanese only)

A group of concerned companies involved with importing, manufacturing, distribution, and sales formed ASIF in November 1988, beginning to work towards solving imported food safety issues. These activities led to the ASIF receiving permission from the Ministry of Health, Labour and Welfare in September 1992 to become an incorporated association. ASIF received authorization to become a public interest corporation on April 1st, 2011. ASIF is involved in a wide variety of activities to support food vendors in fulfilling the social responsibility of "delivering safe and secure imported foods."

### — Japan Food Hygiene Association (Japanese only)

This association was established on November 1st, 1948 as a collaborative effort between private companies in the food sector and administrative organizations regarding the food hygiene law in order to enhance self-regulation in the market. The establishment of the organization shortly followed the enactment of the food hygiene law in 1947, which was created to prevent any accidents or issues regarding eating and drinking, as well as improve public hygiene in Japan.

Ever since its establishment, the association has continued its efforts to cooperate with organizations throughout Japan, and contribute to the enhancement of food safety and hygiene among private companies. The association participates in a wide range of purpose-led initiatives for public interest, and provides training regarding the self-regulation of food safety management, provides assessments and verifications of certain food products, promotes food sales legal liability insurance, holds seminars and events, issues and promotes food hygiene related books and reports, provides informative guidance to consumers, participated in international cooperation regarding food hygiene, and promotion of relevant research.

### — Japan Plant Quarantine Association (Japanese only)

The Japan Plant Quarantine Association was founded on October 1st, 1986, with approval from the Minister of Agriculture, Forestry and Fisheries, aiming to comprehensively pursue public interests regarding plant quarantines. The Association engages in a variety of initiatives to enhance the safety of Japan's agricultural production and conserve its natural resources. For example, the Association conducts promotional activities to disseminate knowledge on plant quarantines to the general public, engages in research regarding plant quarantines, facilitates the establishment of inspection systems, and other various activities to enhance the smoothness of plant quarantine processes.

## Efforts

### Securing the Safety of Food through Regular Audits of Overseas Suppliers

Eating habits are diversifying, food distribution is becoming globalized and health consciousness is rising. Against this background, interest among consumers for food safety and peace of mind is increasing ever further. On the other hand, there have been incidents and problems which have threatened food safety and peace of mind. These include the problem of BSE, residual agricultural chemicals in excess of the standard values and distribution of food using additives that have not been inspected for safety. ITOCHU established the Food Safety Management Office (now: Food Safety and Compliance Management Office) in the Food Company in FYE 2003. We are taking wide-ranging measures to ensure safety in the food business. As part of this, we have been conducting regular visits and audits of the food processing factories of overseas suppliers for imported food since FYE 2012.



Food Audit

These regular visits and audits are directly conducted by employees, local staff, or subsidiary employees, based upon an agreed frequency and sites subject to the audit that are agreed upon with the local factory, with consideration given to variables such as the supplier's local laws, management capability, product, and hygiene-related risks associated to the manufacturing process. Auditors are required to reference a Plant Audit Check Sheet that we have originally devised, which incorporates elements of well-known international food safety standards such as Codex HACCP, ISO22000, and FSSC22000. Any points of improvement identified through the checklist are appropriately addressed, and necessary corrective measures are ensured to be communicated. We conducted visits and audits on 196 companies in FYE 2019. In addition to the above, we set up a new China Food Safety Management Team in Beijing in January 2015. The aim of this is to strengthen the safety management of food imported from China in particular. We have been dispatching a member of our Japanese staff with a wealth of practical experience in factory audits (IRCA\* ISO22000 lead auditor) as a trainer. Through this, we have been building a management structure at a comparable level to that required in Japan. In addition to regular audits by Chinese supervisors, we are increasing opportunities for mutual confirmation through follow-up audits to ensure continuous improvement. We conducted regular audits and follow-up audits on 57 companies in FYE 2019. The systematic implementation of hygiene management according to HACCP is scheduled to begin with the recent revision to the Food Sanitation Act in Japan. We are considering expanding the sites we will visit and audit along the food chain in accordance with the sites subject to management in this system.

\* International Register of Certificated Auditors

Furthermore, we also ensure food-related safety among our direct subsidiaries by implementing a management system that aligns to well-known international frameworks on food safety, such as HACCP, ISO22000, and FSSC22000.

#### Subsidiaries that have ISO22000 or FSSC22000 certifications

- Japan Nutrition Co., Ltd.
- Mirai Shiryo Co., Ltd.
- Prima Meat Packers, Ltd.
- Fuji Oil Holdings Inc.
- Sho-wa Co., Ltd.
- ITOCHU Sugar Co., Ltd.
- DOLE ASIA HOLDINGS PTE. LTD.
- PT. ANEKA TUNA INDONESIA
- PT. ANEKA COFFEE INDUSTRY



## Staff Education and Training to Ensure Compliance to Responsible Advertising, Marketing, and Promotion Standards and Food Safety Standards

We provide e-learning as an education and training program to ensure responsible advertising, marketing, and promotion of food products, and compliance to food safety standards. We are looking to raise awareness and improve knowledge about responsible marketing, food safety, and compliance with relevant laws and regulations among employees. Furthermore, given the expansion of our food business and the subsequent increase in our auditing scope, we are also invested in training personnel capable of site audits.

Main content	<ul style="list-style-type: none"> <li>● Food safety and responsible advertising, marketing, and promotion</li> <li>● Compliance</li> <li>● Internal regulations and manuals</li> <li>● ESG</li> </ul>
Those subject to taking the education and training	<ul style="list-style-type: none"> <li>● All employees in the Food Company (including part-time workers, temporary workers, employees seconded from the company and employees seconded to the company)</li> <li>● All employees in the Food Management Support Corporation (subsidiary to complement the functions of the Food Company)</li> </ul>
Number of trainees	689 in FYE 2017, 699 in FYE 2018 and 754 in FYE 2019
Attendance rate	99.3% in FYE 2017, 99.9% in FYE 2018 and 100% in FYE 2019

We will continue to provide this education and training with the aim of ensuring that knowledge becomes reliably entrenched.

## Initiatives to Support Socially Vulnerable Groups

### FamilyMart

At FamilyMart, one of ITOCHU's subsidiaries in the Food Company, we engage in food retailing that first and foremost values the local community's needs. This means that we highly value the contributions we can make to socially vulnerable groups, and implement measures to address this issue throughout the FamilyMart business such as in the following ways.

#### Responsible advertising, marketing, and promotion of alcohol

At FamilyMart, we are promoting initiatives to prevent sales of alcohol and tobacco products to minors. In July 2017, we upgraded our register system to trigger an audio guidance after scanning alcoholic and tobacco-related products, which requires both the clerk and the customer to recognize a mandatory warning. This has allowed for us to improve upon maintaining and increasing awareness of the issue among our store staff, as well as facilitating the communication between store staff and customers to identify ages.

It is also mandatory at FamilyMart to train new staff members on age identification prior to selling any products in the store. Additionally, we conduct biennial trainings for all staffs throughout all FamilyMart stores on the selling of alcohol and tobacco-related products.

Furthermore, in order to ensure that our employees comply with these standards, in addition to tracking training records on a staff-by-staff basis, we also require store managers and supervisors to conduct checks on critical elements such as the installation of appropriate labels and signs above what is legally required, the appropriate division of products, and posters that we require be put up to clearly communicate that we conduct age identification and strictly prohibit sales of alcohol and tobacco-related products to minors.

#### Reducing negative impact of food products

In an increasingly ageing society, the demand for medical budgets and caregivers is rapidly increasing, becoming pervasive social issues in Japan. In light of this social issue, FamilyMart proactively sells products and services aimed at supporting the health of its customers, and has combined part of its business with drugstores. These initiatives aim to support the enhancement of healthy diets among customers, increase a self-care mindset among community members, and reduce medical expenditures.

## Examples of health-supporting products and services

- Selling Medical Foods: Medical Foods are products that specifically limit its containment of salt, sugar, and protein, which aims to meet the dietary requirements of people with acute diabetes and liver diseases who are subject to dietary restrictions and home care. FamilyMart provides these products in cooperation with local hospitals and relevant medical institutions.
- Selling products certified by nutritionists and the Smart Meal Certification: With thorough consultation with certified nutritionists, we have produced products that cater to nutrition needs, which limit calorie and salt, and increase nutrition balance. One of our lunch boxes sold on a reservation basis, known as the Aburi-Salmon Bento became the first convenience store produced food product to be certified as a Smart Meal<sup>\*</sup>, meaning that the lunch box was recognized for having a particularly balanced nutrition.
- Sales strategy that balanced an "on-and-off concept": We sell a variety of food products that as a collective, aim to increase intake of nutrition, such as products that focus on vegetable, lactic acid bacteria, and dietary fibers, and at the same time decrease intake of salt and sugar without compromising on flavor.

\* This certification scheme is managed by the Healthy Food and Food Environment Consortium, which is composed of 10 academic organizations that specialize in health-related issues such as high blood pressure and diabetes.

## Food safety and reliability

At FamilyMart, we aim to provide ready-made meals such as rice-balls, sushi, lunch boxes, deli dishes, salad, and sandwiches that ensure safety and reliability for our customers. In order to achieve this, we have voluntarily enhanced our safety and quality requirements to build upon what is legally required. Throughout each and every process of production, from procurement of raw materials and manufacturing to the logistics and sales of products, we make it mandatory to follow these strict requirements, and have implemented support systems to ensure that this can be sustained. We also especially value the continuous improvement of hygiene management among contracted manufacturing factories for our ready-made meals, and are implemented measures accordingly. Moreover, we are also invested in reducing additives in our food products, and aim to ensure that the safety and reliability of our products is at a high level.

Process	Initiative
Procurement of raw materials	<ul style="list-style-type: none"> <li>● Mandatory food plant inspection (50 items are comprehensively examined)</li> <li>● Assessment and approval of raw materials (identification of necessary quality certifications)</li> <li>● Responsible labeling of fast-food ingredients (including raw materials and country of production)</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>● Promoting HACCP implementation among contracted manufacturing factories for our ready-made meals</li> <li>● Training provision to our suppliers and contractors through the Nationwide Quality Management Conference</li> <li>● Quality audits conducted by third parties</li> <li>● Inspections conducted by FamilyMart plant managers</li> <li>● Reducing the inclusion of additives in our products</li> </ul>
Logistics and sales	<ul style="list-style-type: none"> <li>● Ensuring a sales environment that addresses three fundamental requirements: hygiene management, expiration date management, and temperature management</li> <li>● Training for stores based on a hygiene tool</li> </ul>

## Community engagement for a brighter future

As a member of the Japan Franchise Association, FamilyMart has been promoting the Safety Station Activity, an activity to help protect the safety of local communities, since 2000. This activity was launched by the National Police Agency, where efforts, such as anti-crime measures, disaster prevention, safety measures, thorough prohibition against the sale of cigarettes and alcohol to people underage to urge those people to go home at late night, are actively promoted in collaboration with the government, municipalities, and community people. As part of our Safety Station activities, we also provide protection to vulnerable groups such as children, women, and elderly in case of emergencies, and provide guidance and support for youths to build an inclusive community. Furthermore, at our stores we also set up donation boxes as part of an initiative to contribute to the protection and development of future generations, as well as preserving the natural environment for these future generations.

## — ITOCHU Sugar (Japanese only)

At ITOCHU Sugar, an ITOCHU group subsidiary, we produce and sell a trademark oligosaccharide product made from domestically procured sugar beets, which contain only about half the amount of calories in normal sugar. This product is effective in maintaining a healthy intestinal environment by enhancing the performance of Bifidobacteria. The health and nutrition benefits of this product have been widely recognized, with the Ministry of Health, Labour and Welfare certifying it as a Food for Specified Health Uses (FOSHU). FOSHU is a certification system that recognizes foods containing ingredient with functions for health and officially approved to claim its physiological effects on the human body.

\* Reference : [FOSHU \(Food for Specified Health Uses\)](#) 

## | Initiatives to ensure responsible labeling

The Food Company operates a food label registration management guideline, which provides a detailed framework for us to responsibly label our food products. To ensure compliance to the guidelines, we also provide training to staff that belong to relevant sales divisions and the Food Safety and Compliance Team. The training aims to enhance our staff's understanding of the food label registration management guidelines and their capability to conduct inspections and checks on appropriate food labeling. Given increasing importance for this issue and the increasing size of our food business, we are also aiming to leverage this training to increase the number of food labeling practitioners certified by the Food Labeling Certification Association, a Japanese industry organization. In this way, we maintain the necessary internal capacity to cooperate with specialized third party organizations to ensure compliance to our guidelines as well as legal requirements.

At FamilyMart, the responsible labeling of processed foods is especially important as our customers widely vary. For example, we recognize that we must ensure the safety of anyone with food allergies, and prevent the excessive intake of certain substances that can have heavy health consequences. Therefore for products sold at FamilyMart, in addition to the 7 items that are legally required in food labelling, we also make sure to label on the optional 20 items to maximize the safety and reliability of our products. We also set internal requirements on the labeling of information that can help consumers to better understand the food they purchase. Items we additionally require to label include raw ingredients, nutritional substances, and how to preserve the product.

With regard to processed food and alcohol, we especially make sure that responsible labeling is thoroughly addressed. For example, we have implemented measures to simplify and clarify the warnings related to alcohol poisoning, alcoholism, and underage drinking.

## | Involvement in industry initiatives to ensure the safety of alcohol consumption

It is important to our business that we thoroughly address issues regarding the potential negative impacts of alcoholic products such as alcoholism, alcohol poisoning, and underage drinking. We also recognize that these negative impacts are also especially important with regard to vulnerable groups. Therefore, our subsidiaries that sell alcoholic products are members to industry organizations introduced below, in order to participate in knowledge sharing and be in tune with the latest market trends and best practices.

## — Gyoshuren Cooperative (Japanese only)

The Gyoshuren Cooperative is an organization composed of trading companies that represent regions throughout Japan, which engage in alcoholic wholesale. Currently the cooperative consists of about 200 major wholesalers from throughout Japan. ITOCHU SHOKUHIN CO., Ltd., an ITOCHU subsidiary, is a member to this cooperative.

— Tokyo Alcohol Retail Cooperative (Japanese only) 

Tokyo Alcohol Retail Cooperative is an organization with corporate members that participate in the alcohol business, aims to elevate the level of social responsibility associated to acquiring an alcohol permit. For example, the organization promotes legal compliance, engages in awareness raising of the negative social impacts that must be managed across various product types, leads initiatives to maintain cultural traditions around alcohol, leads initiatives to enhance the current culture around appropriate amounts of alcohol consumption, and supports companies in achieving sustainable business models. Throughout these activities, the Tokyo Alcohol Retail Cooperative contributes to the health and wellbeing of the Japanese population, and promotes market competition that is fair and complies with high standards. The Cooperative highly values harmonious cooperation among member companies, and has supported the sustained management of businesses throughout the industry and has subsequently led the development of the industry in general. Nippon Access, Inc., an ITOCHU subsidiary, is a member to this cooperative.

Contributive initiatives to alleviate hunger and poverty in developing countries

— World Food Programme (WFP)



Given the global level at which we operate our food business, hunger and poverty are important social issues that we recognize we have a responsibility to contribute to. One such way that we make our contribution is by being an official contributor to the Japan Association for the World Food Programme. As a contributor, we participate in various initiatives led by WFP.

In May 2018, we supported WFP's child hunger eradication campaign called "Walk the World". The annual global walk aims to raise awareness and funds, as well as encourage action to end child hunger. In Japan the event was held in Osaka and Yokohama, and 710 and 192 employees from ITOCHU Group as well as ITOCHU subsidiaries volunteered in each location respectively.



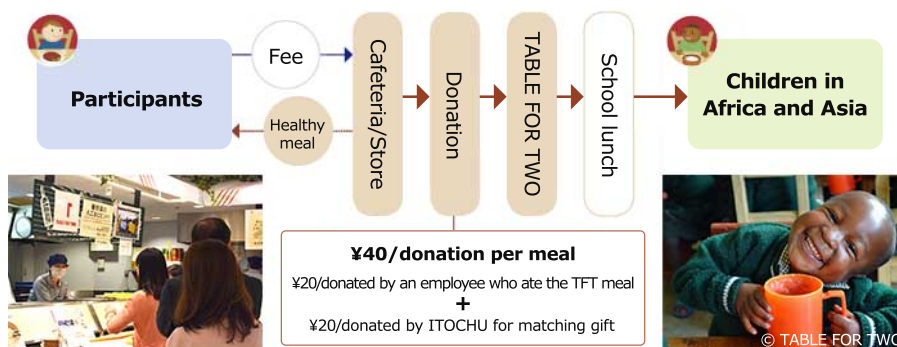
ITOCHU employees participating in the 2018 Walk the World event

— Table for Two



Table for Two is an international NPO that was founded by an affiliate of the World Economic Forum's Young Global Leaders. The organization aims to right the imbalance between the 1 billion people in the world who suffer from undernutrition, and the 1 billion people in the world who suffer from obesity. The organization does so by implementing a "calorie transfer" program, where the organization partners with companies, universities, restaurants, and organizations throughout the world to provide more nutritious school meals to the former, and healthier meals to the latter.








Table for Two was founded in Japan in October 2007. Owing to ITOCHU's long -standing commitment to social contribution, we were one of the first companies in Japan to partner with Table for Two and implement the calorie transfer program in our employee cafeteria at the Tokyo, Osaka, and Nagoya offices the following April. More specifically, whenever one of our employees chooses a healthier TFT meal from our cafeteria menu, 20JPY is donated per meal. In addition, through a matching gift scheme, the company also donates the same amount of money as the employee, making the total donation 40JPY per meal. The donation contributes to providing nutritious school meals to children in developing countries.



# Sustainability in the Value Chain: Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>Decline in credibility that would result from the occurrence of a problem related to the safety or health of consumers and service users.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in demand for food safety and security and health improvement.</li> <li>Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain.</li> <li>Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials. And others.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Textile Company							
Respect human rights	 	Establishing a supply chain reflecting consideration for human rights and the environment	Supply chain management	We will promote information-sharing in the overall Group and establish a safe, secure supply chain, thereby helping customers with risk reduction and contributing to sustainable economic development.	Make Group-wide efforts to review the social and environmental safety of the supply chain and make improvements as necessary, thereby promoting the establishment of a safe, secure commodity supply system.	FYE 2024: Establish and visualize the supply chain of the overall Group, from material procurement to sales, to ensure a responsible procurement policy.	In FYE 2019 we conducted an investigation of 50 of our suppliers from the standpoint of Environmental, Social and Governance (ESG) criteria. In FYE 2020 we plan to increase this to 80 companies, and continue to work to establish a healthy supply chain.
Ensure stable procurement and supply		Provision of commodities that help achieve a sustainable lifestyle	Brand marketing business	We will contribute to increasing the visibility of a sustainable lifestyle by taking advantage of our strengths as a marketing company.	Raise awareness of an ethical, sustainable lifestyle through brand business, thereby promoting awareness-raising not only in the overall industry but also among consumers.	FYE 2021 : Take initiatives with new brands. Have a sustainable lifestyle understood and instilled more widely.	This has not led to closing any contracts on a new brands that appeal to ethical lifestyles. But we see a need in the market and are continuing to work to achieve this.
Machinery Company							
Contribute to healthier and more enriched lifestyles		Promoting good health among people	Sales of leading-edge medical devices and provision of medical services	We aim to improve quality of life by providing leading-edge medical devices and advanced medical services in the field of medical care, where technologies are innovated rapidly.	Promote sales of advanced medical devices, such as MRI-guided radiation therapy systems, and the business of supporting the operation of designated regional cancer care hospitals.	Increase the penetration of advanced medical devices in Japan, such as MRI-guided radiation therapy systems.	We delivered radiation therapy equipment to Edogawa Hospital in August 2018, our second facility in Japan after the National Cancer Center Hospital in March 2017. We are pursuing collaborative research with National Cancer Center to establish national standard treatment. Also, with equipment's new technology, we are able to challenge for pancreatic cancer as well as other intractable cancers.
Metals & Minerals Company							
Ensure stable procurement and supply	 	Sustainable mine development that reflects consideration of the risks in occupational safety and health and environmental risks, and that contributes to local communities	Mining business	<ul style="list-style-type: none"> <li>We will promote sustainable development of natural resources by fully committing to EHS (environment, health, occupational safety) and harmonious coexistence with local communities in areas which we operate.</li> <li>We will improve local infrastructure such as medical care and education.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the thorough application of the EHS guidelines.</li> <li>Contribute to local communities through activities for improving medical care, education and infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of annual internal seminars to ensure our employees are fully aware of the EHS guidelines.</li> <li>Donations to medical care, education and build infrastructure in local communities.</li> </ul>	<ul style="list-style-type: none"> <li>We held internal EHS (Environment, Health and Safety) training courses for supervisors and company employees belonging to sections engaged in resource development. The attendance rate of those subject to this training was 100%.</li> <li>In FYE 2019, we checked five existing projects and one new project under EHS guidelines using the check sheet, and set follow-up items.</li> <li>We carried out CSR activities that contribute to the local community as part of each project we invest in.</li> <li>As an original initiative, our Australian subsidiary, ITOCHU Minerals &amp; Energy Australia Pty. Ltd., co-sponsored citizen awards in the communities surrounding the port of our iron ore projects.</li> </ul>
Energy & Chemicals Company							
Contribute to healthier and more enriched lifestyles		Promoting good health among people	Pharmaceutical products	Contributing to the improvement of people's health and working environment through accelerating the development of pharmaceuticals and other products in fields with significant needs including cancer-related fields.	Actively promoting to support the development and marketing of new pharmaceutical and other products.	Aiming to obtain approvals in Asia and North America for new pharmaceutical and other products of which we are engaged in supporting the development, and to launch them into the market.	<ul style="list-style-type: none"> <li>In May 2018, our operating company began selling non-absorptive liquid for protecting oral mucositis, under the approval we received for the production and distribution of medical device in Japan. (This liquid control and relief pain of oral mucositis caused by chemotherapy or radiotherapy when treating diseases such as cancer.) In February 2019 we also gained approval for the production and distribution of medical device in China with regards to the same medicine.</li> <li>We began full-scale sales of the pain reliever in North America after acquiring FDA approval through our operating company in February 2018.</li> </ul>

Food Company							
Contribute to healthier and more enriched lifestyles		Supplying safe, secure food	Overall food-related businesses	We will select and concentrate on suppliers who are capable of manufacturing and supplying safe, secure food stably.	Increase the number of persons with international certifications/qualifications related to judgment on the Food Safety Management System (FSMS) to enhance the capability of human resources for selecting suppliers.	Proceed with the appropriate allocation of human resources as judges mentioned on the left to business departments, with the leading role played by the food safety management organization of ITOCHU Corporation.	In FYE 2019 three more personnel were certified as ISO22000 Provisional Auditors. We expect a similar increase in the qualified personnel in next fiscal year.
Respect human rights	 	Establishing a supply chain reflecting consideration for human rights and the environment	Provisions	We will establish a procurement system that conforms to third-party certification criteria and unique codes of conduct of manufacturers as our customers.	<ul style="list-style-type: none"> <li>Start procuring coffee beans in Latin America in a way that conforms to the unique codes of conduct of manufacturers as our customers.</li> <li>Participate in conferences of RSPO, a third-party certification body on palm oil, and start supplying RSPO-certified oil.</li> </ul>	Proceed with discussions of targets for the sustainable procurement of palm oil by collaborating with the trading industry organization based on customers' situations and industry trends.	By 2025 we aim to switch the palm oil we handle to sustainable palm oil (RSPO/MSPO/ISPO, etc.). On the basis of the industry trends and customers' circumstances, we are going to improve our procurement system to provide sustainable palm oil with industry groups.
General Products & Realty Company							
Ensure stable procurement and supply		Using sustainable forest resources	<ul style="list-style-type: none"> <li>Wood products &amp; materials</li> <li>Pulp</li> <li>Woodchips</li> </ul>	We deal in sustainable forest resources to reduce the impact on the environment and prevent the increase of greenhouse gases.	<ul style="list-style-type: none"> <li>Continue to request suppliers who have yet to obtain certifications to obtain them.</li> <li>Conduct sustainability surveys of suppliers and visit them.</li> </ul>	FYE 2026: Aim to achieve a rate of 100% for materials under high-level management or certified ones that we handle.	<ul style="list-style-type: none"> <li>Verifying traceability by conducting individual on-site inspections</li> <li>Expanding the handling of products subject to "timber traceability verification by third-party organizations."</li> </ul>
	 	Realization of sustainable supply of natural rubber	Natural Rubber	We shall use our best efforts to establish measures to identify any suppliers developing on High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatland, in order to avoid procuring rubber from them.	We will establish a traceability system to make uncertain raw material procurement supply chain transparent.	We aim to procure raw materials with traceability and sustainability ensured in natural rubber processing business.	* Because of new commitment, review will be conducted from the next fiscal year.
ICT & Financial Business Company							
Contribute to healthier and more enriched lifestyles		Promoting good health among people	<ul style="list-style-type: none"> <li>Business of clinical development support and pharmaceutical marketing support</li> <li>Business of providing health care management solutions for individuals</li> </ul>	We will provide value-added services for pharmaceuticals and medical sites, and will contribute to improvement of people's Quality Of Life (QOL) by utilizing cutting-edge ICT tools.	Store and utilize health data obtained from health checkup, wearable devices, and body composition scales.	FYE 2021: Managing the health data of 1,000,000 people.	The number of people targeted for health data management is increasing steadily, and is projected to reach 700,000 people by the end of FYE 2019. We are helping to promote people's health by working to make vital data visible and increasing health consciousness.

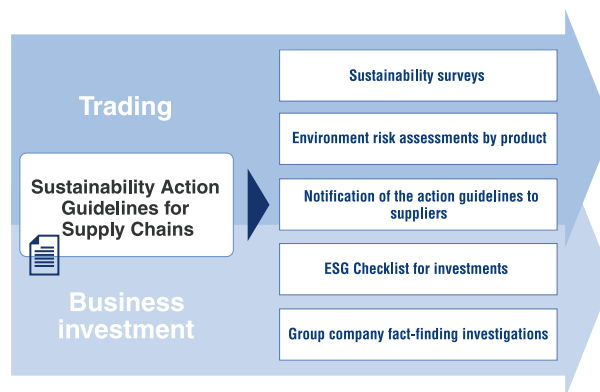
# Sustainability in the Value Chain: Policy and Basic Concept

## Supply Chains

ITOCHU also gives consideration to human rights, labor and the environment in our supply chain and business investments. We do this through sustainability management tailored to each business activity. Through this, we have built a sustainable value chain. This is leading to an improvement in the competitiveness and corporate value of the ITOCHU Group.

### Notifying Suppliers of the Sustainability Action Guidelines for Supply Chains

We believe it is important to acquire the understanding and cooperation of our suppliers for our procurement policies. Accordingly, we once again notified approximately 4,000 suppliers with whom we are engaged in ongoing business of the ITOCHU Sustainability Action Guidelines for Supply Chains in FYE 2014. We also stipulated that new suppliers must be notified of these guidelines in advance when engaging in business with them from January 2015. We are deepening communication on our sustainability policy in this way.



### ITOCHU Sustainability Action Guidelines for Supply Chains

ITOCHU promotes sustainability through our business activities toward the realization of a sustainable society. The aim of this is to fulfill our corporate philosophy of "Committed to the global good". It is necessary to engage in supply chain management with consideration for the impact on society and the environment by the wide range of products and services we handle in the supply chain due to the characteristics of this business form. ITOCHU has established Sustainability Action Guidelines for Supply Chains. Through these, we communicate the concept of ITOCHU to our suppliers. We expect and encourage our suppliers to understand and put into practice the items stipulated below.

1. Suppliers shall respect the human rights of their employees and shall not treat them in an inhumane manner such as with abuse (including physical punishments)
2. Suppliers shall not engage in forced labor or child labor with respect to their employees
3. Suppliers shall not practice discrimination in employment
4. Suppliers shall prevent unfair low-wage labor
5. Suppliers shall respect the rights of their employees to organize and bargain collectively to ensure smooth consultation between labor and management
6. Suppliers shall appropriately manage the working hours, holidays and vacations of their employees to ensure they do not exceed statutory limits
7. Suppliers shall strive to provide their employees with a safe, hygienic and healthy working environment
8. Suppliers shall work to reduce their usage of energy, greenhouse gases, water, waste and other resources with consideration for biodiversity and other environmental problems in their business activities
9. Suppliers shall comply with relevant laws and ordinances and international rules, and ensure fair transactions and prevent corruption
10. Suppliers shall disclose information relating to the above items in a timely and appropriate manner

# Sustainability in the Value Chain: Structures and Systems

## Supply Chain

Against a backdrop of an expansion in our business areas, ITOCHU's supply chain has become wider and more complex. There is now a further need for risk management concerning human rights, labor and the environment in the procurement of raw materials, producing areas, intermediate distribution and regions of consumption in addition to in the processes directly managed by us. We pay particular attention to the on-site management of suppliers who account for a relatively high share of our purchases. We view our consideration and sense of responsibility for these areas as matters of great importance to be addressed with high priority. ITOCHU has established the ITOCHU Sustainability Action Guidelines for Supply Chains. We strive to prevent the occurrence of problems by conducting investigations and reviews as below. If we discover a problem, we aim for improvement through dialogue with the concerned supplier.



Figure of Supply Chain Management Promotion

## Sustainability Surveys

Since FYE 2009, we have set the seven core subjects of ISO26000 as essential survey items to understand the actual conditions of suppliers. Following on from that, each company and applicable group company selects important suppliers based on certain guidelines (e.g., high risk countries, products handled and monetary value handled). The sales representatives of those companies and representatives from overseas subsidiaries and operating companies then visit those suppliers to conduct interviews. They also conduct sustainability surveys in a questionnaire format (sustainability checklist).

### — Sustainability Checklist

We conduct surveys with a sustainability checklist. This checklist is based on the seven core subjects of the ISO26000 (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development). These surveys are also conducted according to the field. For example, besides the core subjects, we add forest conservation check items in the Forest Products & General Merchandise Division (Paper and Chips/Timber), food safety items in the Food Company and intellectual property right protection items in the Textile Company. With reference to the opinions of external experts, we have set 19 of the survey questions as important questions. These are mainly focused on human rights, labor practices and the environment for which an insufficient response or lack of measures will increase sustainability risks. We are focusing on encouraging suppliers to make improvements. We have also prepared a handbook on communication with suppliers. We are using this to inform our employees of how to communicate with suppliers. At the same time, we have set up a check system that enables those in charge to understand concretely the management situation in terms of the environment, human rights, labor practices and corruption prevention in important suppliers to give advice on making improvements. We will continue to conduct surveys and communicate with suppliers in the future to improve the awareness of our employees and to seek understanding and implementation from our suppliers.



Supply Chain Communication Handbook



## Example Excerpt from the Handbook

### Prohibition on forced labor

Companies must not force employees to work.

Forced labor means all labor forced on a person against his or her will. Examples include restrictions on an employee's freedom to leave his or her job until he or she repays a debt to the company or restricting an employee's freedom to leave his or her worksite under contract. Forced labor may be identified by asking employees what their work shifts are like, whether they have break times and whether they are able to eat meals. It may also be ascertained by observing their facial expressions. In a worst-case scenario, people are deprived of the freedom to live their lives; they have to live in a dormitory on the premises of the company's factory and are not allowed to go outside those premises. It is also effective to check whether there are employees who have come to work from areas far away or other countries in a company. Employers must be prohibited from taking the originals of passports, IDs and work permits because this can lead to force labor.

#### Reference

It is necessary to check for forced labor in factories in Japan as well as in emerging nations. In recent years, Japan's Technical Intern Training Program (TITP) has been criticized by some from overseas. Accordingly, please also check whether suppliers in Japan employ anyone from overseas and whether there are problems in terms of working hours and wages.

## FYE 2019 Sustainability Surveys

We conducted surveys on a total of 343 companies, including 101 suppliers of overseas offices and group companies, in FYE 2019. We did not discover any serious problems requiring an immediate response from those results. We have also checked the prompt improvement measures and countermeasures taken by our business partners on problems raised as concerns at the time of the survey. We will continue to seek understanding for the concept of ITOCHU from our business partners and to communicate with them in the future.

FYE 2019 Results	Applicable Criteria	No. of Companies Surveyed	Survey Items
Textile	<ul style="list-style-type: none"> <li>High risk countries</li> <li>Over a certain amount of money</li> <li>Handling of certain product groups</li> </ul>	49	<p>• <b>Main Questions Common to All Companies</b></p> <p>(1) Organizational governance: Establishment of a responsibility-taking structure and internal report system</p> <p>(2) Human rights: Risk assessments of human rights violations in business, abolition of child labor, forced labor, harassment and discrimination, and payment of appropriate wages</p> <p>(3) Labor practices: Working hour management, health and safety management, and worker health</p> <p>(4) Environment: Waste and drainage treatment, handling of hazardous substances, and climate change and biodiversity efforts</p> <p>(5) Fair operating practices: Prevention of corruption, information management, prevention of intellectual property right infringements and a sustainable procurement policy</p> <p>(6) Consumer issues: Quality control and traceability</p> <p>(7) Community involvement and development: Dialogue with consumers and neighboring residents</p> <p>• <b>Questions by Field</b></p> <ul style="list-style-type: none"> <li>Textile Company: Chemical substance management and protection of intellectual property rights</li> <li>Food Company: Food safety and producing area management</li> <li>Forest Products &amp; General Merchandise Division (Paper and Chips/Timber): Forest conservation and the presence or absence of third party certification</li> </ul>
Machinery		13	
Metals & Minerals		19	
Energy & Chemicals		39	
Food		110	
General Products & Realty		108	
ICT & Financial Business		5	
Total		343	

The Sustainability Management Department also visits and surveys important suppliers together with external experts as necessary.

## Human Rights Audits in the Poultry Industry in Thailand

### Inspection of the CPF Saraburi Factory

We conducted a human rights audit targeting foreign workers in the Saraburi Factory (a chicken meat processed product factory) of Charoen Pokphand Foods Public Company Limited (CPF) — one of the main suppliers of the Food Company — accompanied by external auditors.

Recent years have seen an increase in cases where Japanese companies with Thai firms in their supply chain have been warned by NGO groups about human rights violations of foreign workers in the livestock and fishing industries in Thailand. We checked the factory for human rights risks in our supply chain through this audit.

This factory (slaughterhouse and food processing site) employs 3,400 Cambodians — equivalent to approximately 50% of its workers. That makes them an important part of the factory's labor force. We checked a number of items in this audit. These included the extent of signage in Cambodian in facilities in the factory, a check of the evacuation routes, the attendance management situation, and the personal storage situation of passports and work permits. In addition, we also randomly chose some Cambodian employees actually working there and interviewed them about their actual working conditions.

This audit did not find any violations of the human rights of foreign workers, and reaffirmed there is sufficient consideration for human rights and the proactive approach CPF takes toward sustainability.

### CPF has developed a safe working environment for its foreign workers.



CPF Saraburi Factory



Those from CPF Who Cooperated with the Audit



Interview with a Cambodian Worker on His Actual Working Conditions



All Signs in Cambodian on Fire Prevention Facilities



Advice Not to Over-stack Auxiliary Feedstock

➤ [Supplier CSR Audit Report: CP Foods, Saraburi \(PDF 678KB\)](#) 

## Management Rules by Business

### — Operation of the EHS Guidelines

The Metals & Minerals Company has established and is operating Environment, Health and Occupational Safety (EHS) Guidelines for its metal and mineral, coal and uranium mining businesses. EHS guidelines supports us to work on sustainable mining development leading to the stable supply of resources.

It is our obligation to avoid and reduce the EHS risks such as environmental pollution, health hazards of workers and operational accidents caused by our business activities (e.g., exploration, development and production). To that end, we have prepared EHS guidelines as technical reference documents summarizing the EHS issues and recommendations for risk management. For throughout implementation of the guidelines, we also utilize checklists available in Japanese and English.

EHS Guidelines apply to new investments, as well as projects in which we are already participating. We communicate intensively with our partners for consultation and improvement on resource development with greater consideration for the environment and safety. In FYE 2019, we performed checks on one new project and five existing projects in non-OECD countries. We then set items requiring follow-up.

We have prepared guidelines in line with global standards such as the International Finance Corporation (IFC) and standardized processes with checklists. Meanwhile, we continuously review the processes so that we can operate the guidelines flexibly to suit the individual risks of each project.

First of all, it is important that organization members have an awareness of EHS compliance. Accordingly, we aim to thoroughly spread information by conducting awareness activities using concrete examples every year. We held internal training courses for supervisors and company employees belonging to sections engaged in resource development in FYE 2019. The attendance rate of those subject to this training was 100%.

### — Regular Visits and Surveys of Food Processing Factories

The Food Company has been regularly visiting and surveying the food processing factories of its overseas suppliers since FYE 2012 in regards to imported foods under the initiative of the Food Safety and Compliance Management Office. In FYE 2019, we visited 196 overseas suppliers and deployed preventive measures to ensure safety in food transactions. We established a China Food Safety Management Team in Beijing in January 2015. With this, we have set up a structure to be able to audit our Chinese suppliers. We conducted regular audits and follow-up audits on 57 companies in FYE 2019. Please refer to Responsibilities to Customers (P127) to learn about our efforts in detail.

## Response to Suppliers in Violation of This Policy

When we have confirmed a case in which there has been a violation of the intent of this policy, we request corrective action from the applicable supplier. Together with this, we conduct an on-site investigation to give guidance and improvement support as necessary. We made 14 requests for correction to suppliers with an inadequate response to human rights in our surveys in FYE 2018. We are continuing to make requests in this way to non-compliant suppliers. If it is judged that correction is difficult even though we have made continuous requests for correction, we deal with this under a stance of reviewing our business with that supplier.

# Business Investment Management

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The business activities of companies in which we invest must recognize and deal with their possible impact on the environment and society. To that end, we strive to understand ESG risks and work on preventative activities. We perform risk assessments on ESG in general through the utilization of a checklist and visits and surveys to formulate the necessary measures. These are continuously reviewed and improved in the framework of our environmental management system.

## Evaluating ESG Risks of New Investment Projects

It is compulsory in new business investment projects for the division making the application to use the ESG Checklist for Investments to evaluate the project in advance (perform due diligence). The division making the application looks at whether policies and structures have been established from a perspective of ESG. It also looks for the risk of a significant adverse effect on the environment, violation of laws and ordinances, and complaints from stakeholders. This checklist consists of 33 check items. These include elements of the seven core subjects\* in ISO26000 — the CSR international guidelines.

The division making the application also then refers to review opinions based on risk analysis from relevant functional divisions (management divisions). If there are any concerns, it requests additional due diligence from external specialist organizations for matters requiring a professional point of view. The project is then only undertaken upon confirming that there are no problems in those results.

\* Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

## Group Company Fact-finding Investigations

We have continued to conduct on-site visits and surveys in group companies since 2001 to prevent environmental pollution. We visited and surveyed a total of four companies in FYE 2018. We did this together with external experts upon consideration for the environmental and social risks of each company. We have completed investigations into a total of 283 offices as of the end of March 2018.

These investigations inspect the factory and warehouse facilities, the situation of drainage to rivers, the environmental law and regulation compliance situation, labor safety and human rights, and communication with the local community in addition to holding a question and answer session with management. We identify problems or demonstrate preventative measures. We then check to see whether the situation has been corrected.

### Visit and Survey Report: DOLE THAILAND Fact-finding Investigation



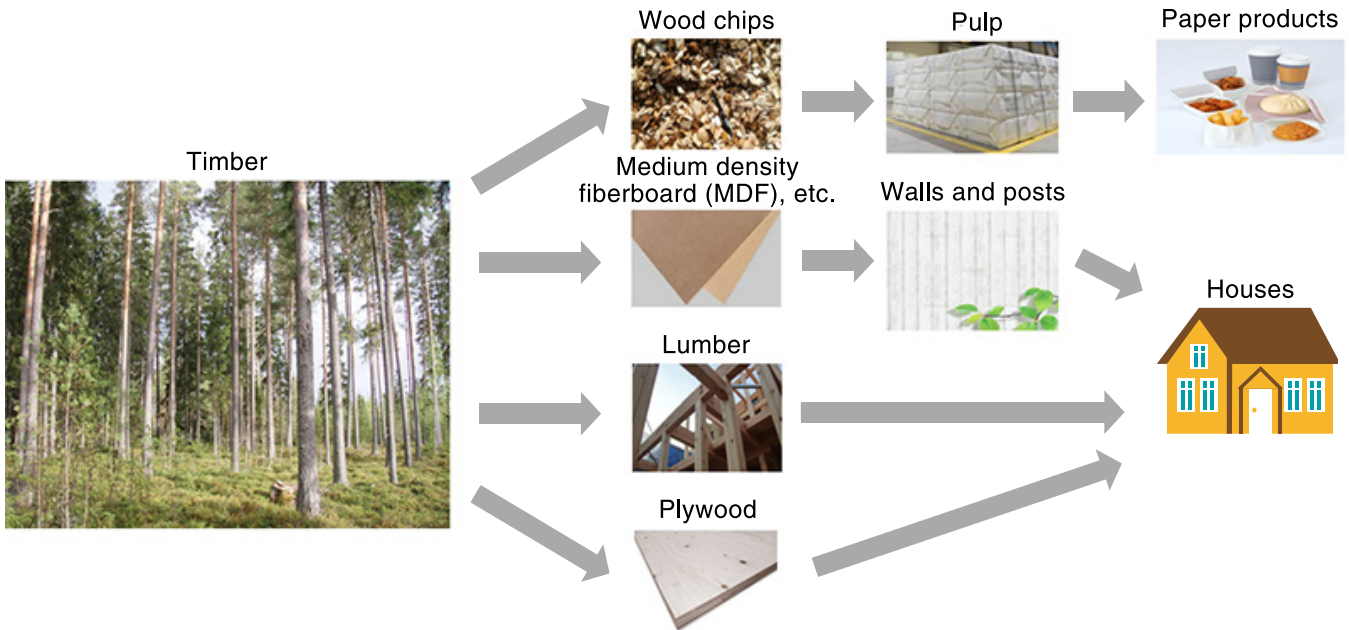
We visited and surveyed the Hua Hin Factory of DOLE THAILAND, a company which manufactures pineapple and other fruit cans and pouches in Thailand, on the 7 and 8 December, 2016. We performed a detailed check concerning the environment and labor safety related risk management and legal compliance situation (e.g., soil pollution, waste, chemical substance management and safety measures) based on the findings of external experts well-versed in the local laws and regulations. We confirmed that these matters are being appropriately managed. In addition, we confirmed that the company takes measures important in ESG — including the establishment of an internal occupational health committee, the setting and steady implementation of environmental targets, guarantees of purchases from farmers under contract, and regular dialogue with the local government. The company has appropriately responded to advice relating to measures to prevent accidents resulting from the operation of food processing machinery and is working to further improve its management level.

# Sustainability in the Value Chain: Sustainability Efforts by Product

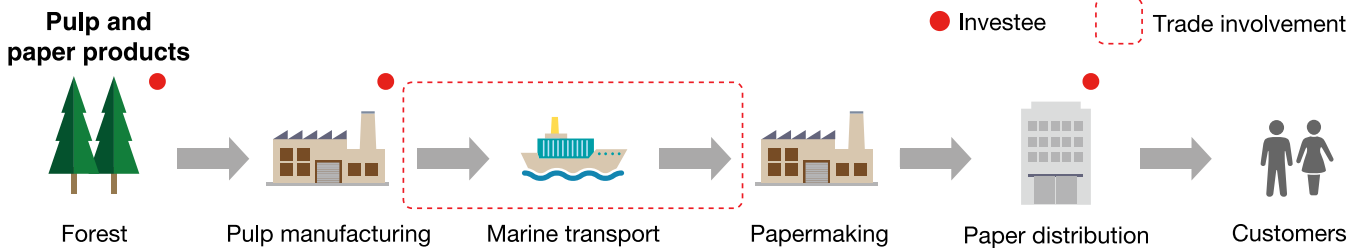
## Wood, Wood Products, Papermaking Raw Material, and Paper Products

### Business Overview

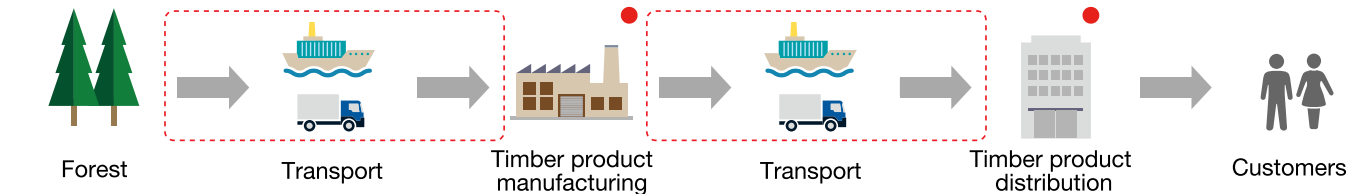
#### Timber use



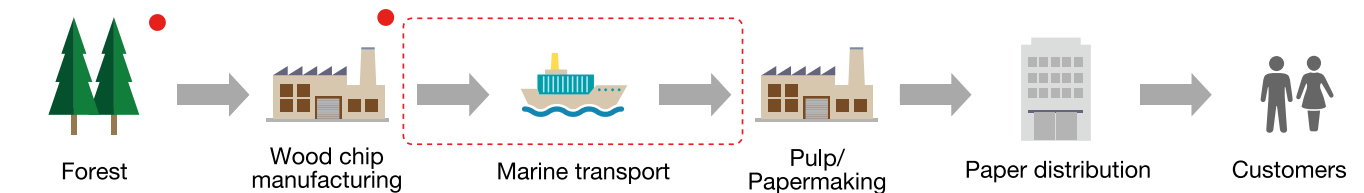
#### Supply chain



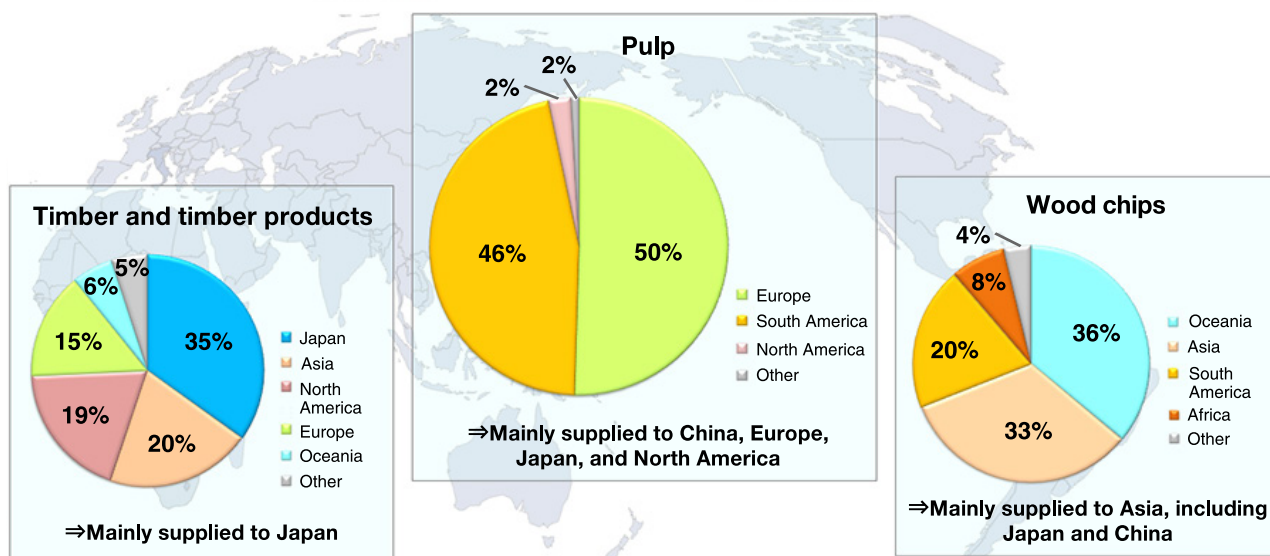
#### Timber and timber products



#### Wood chips



## Supply Sources and Destinations (Volume Basis)



## Policy and Basic Concept (Procurement Policy for Wood, Wood Products, Papermaking Raw Material, and Paper Products)

### Purpose and Background

ITOCHU Corporation ("ITOCHU") has established Sustainability Action Guidelines for Supply Chains to fulfill our corporate social responsibility and is engaged in business activities aimed at achieving a sustainable society. We have also established the procurement policy below to ensure the protection of natural forests and sustainable use of forest resources. We referred to the advice of WWF Japan when putting this policy together.

### Applicable Organizations

ITOCHU and our subsidiaries

### Applicable Products

Logs, wood products, raw materials for papermaking such as wood chips and pulp, and paper products (hereinafter, "forest products").

### Basic Policy

ITOCHU and our subsidiaries will engage in procurement based on the policy below.

1. Support expansion of reliable forest management certification systems and give priority to forest products with reliable certifications.
2. Work to gather information so that it can be confirmed that there has been no destruction of forests in the production areas of raw materials and aim to improve traceability of forest products.
3. Support the protection and preservation of High Conservation Value (HCV) and High Carbon Stock (HCS) regions and continually work on reducing our environmental burden.
4. Work to procure forest products from suppliers that observe the law in production areas and perform the proper procedures.

### Operations

In order to contribute to sustainable forest management, we will cooperate with our business partners, experts, non-governmental organizations, and other stakeholders and regularly review our policies as we go about our operations.

### Information Disclosure and External Communication

In order to ensure transparency, we publish the progress on our efforts in the ESG Data Book and other materials, and we promote understanding of sustainable use of forest resources within society through proper communication with our business partners.

## Structure

Every year, we provide a report on target setting and progress to management of Division Company and obtain their approval. We also share feedback from non-governmental organizations and other stakeholders and review the policies related to our efforts if there are any issues.

Additionally, those in charge of promoting sustainability conduct training at least once a year for members that handle the products to educate them on domestic and international trends and problems related to forest resource development and utilization of sustainable forest resources.

## Target

Aim for 100% use of certified material or material for which advanced management can be verified until 2025.

## Efforts (Information Disclosure and External Communication)

### — Examples from Group Companies

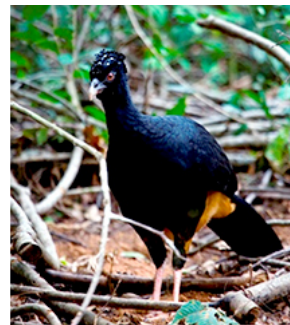
#### Example 1: Celulose Nipo-Brasileira S.A.

ITOCHU invested in Celulose Nipo-Brasileira, the world's eighth largest manufacturer of commercial hardwood pulp, together with a major Japanese pulp manufacturer and others and sells 1.2 million tons of the company's pulp produced 100% from plantation trees as a worldwide export distributor. Celulose Nipo-Brasileira has obtained Forest Management certification and CoC certification (a certification for management of the processing and distribution processes) from the Forest Stewardship Council (FSC) and handles everything up to pulp manufacturing through sustainable plantation-based forest management. The company plants trees on roughly 130,000ha out of the approximately 250,000ha (about the size of Kanagawa Prefecture) of land it owns to produce pulp. The remaining roughly 100,000ha is left as permanently protected forest or legally protected forest, and they are working to maintain the ecosystem.

They also plant 70,000 saplings of four kinds of trees found in natural forests in the region annually for the purpose of regenerating forests in areas where there have been soil disruptions, landslides or withering of vegetation. These tree planting activities take place on 300ha of land per year. At Macedonia Farm, a natural forest preserve, the company engages in activities to protect endangered birds and ensure that they reproduce, protecting, breeding, and releasing rare wild birds like the "mutum" (a pheasant-like bird).



Vast plantation of Celulose Nipo-Brasileira



Protection and breeding of endangered mutum

#### Example 2: Metsä Fibre

ITOCHU has a stake in Metsä Fibre, a world-class softwood pulp manufacturer based out of Finland. Metsä Fibre boasts an annual pulp production capacity of around 3.2 million tons (including the Äänekoski Plant, which was expanded in August 2017 and has begun new operations). They have tapped ITOCHU as the exclusive distributor for their softwood pulp destined for Asian markets. The company manufactures pulp from 100% traceable forest resources of which 80% have received two certifications, namely the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification Schemes (PEFC).

In Finland, pulpwood growth exceeds consumption, which allows for a long-term, stable supply of pulpwood. Additionally, Metsä Fibre generates electricity in the pulp manufacturing process. What is not used in-house is supplied to neighboring communities, contributing to a reduction of fossil fuel consumption in the area. Through efforts carried out with excellent partners such as this, we will promote the use of sustainable forest resources and continue to promote further strengthening of our business.



New Äänekoski Plant commissioned in 2017

## ■ Sustainability Survey

Every year, we conduct a survey of our suppliers and those of our main business companies in relation to our products. We include suppliers that have been deemed low risk according to the guidelines so that we can engage in continuous dialog with a broader scope of suppliers.

## ■ On-site Inspections

In addition to the sustainability survey, we work to ascertain the situation through on-site inspections and due diligence at those suppliers that have received suggestions from non-governmental organizations and actively urge them to obtain forest certification or certification by a third party agency.

### **Example 1: Sarawak, Malaysia**

A non-governmental organization has pointed out problems with illegal logging and human rights in Sarawak, Malaysia. Every year, we work to ascertain the situation through interview surveys of our supplier, the local government, a timber association, human rights lawyers with the human rights committee, local residents, local non-governmental organizations, forest consultants, and others.

We have not found the problems pointed out by the non-governmental organization through these surveys, but to eliminate concern, we have repeatedly requested that the supplier engage in specific efforts. As a result, in recent years, the supplier has actively worked to obtain forest certification, and the number of certified forest areas has increased. Changes have also occurred in the local government in Sarawak, including reinforcement of regulations to eliminate illegal logging and announcement of measures to promote forest certification.



Interview with indigenous community in Anap Muput Forest Management

### **Example 2: Romanian Supplier (Schweighofer)**

Romanian supplier Schweighofer is one of ITOCHU KENZAI's lumber suppliers and was alleged by a non-governmental organization to be engaged in illegal logging. ITOCHU KENZAI called on the supplier to make efforts to eliminate the concern and referred to advice given by the non-governmental organization to select sites to visit. Every year, ITOCHU KENZAI conducts interview surveys with various stakeholders, including local government agencies, industry groups, forest certification organizations, and local non-governmental organizations, to ascertain the situation.

Schweighofer possesses PEFC certification and conducts risk assessments of its supply chain to make sure that no lumber from illegal logging finds its way into the supply chain. In 2016 Indufor, an international forestry consulting firm, certified the effectiveness of this risk assessment. In 2017, the company introduced a timber traceability system called "Timflow" that ensures traceability from all of its timber collecting points to its sawmills for the purpose of eliminating any timber produced by illegal logging from its operations. The following year, they announced an open-door policy to improve communication with non-governmental organizations, allowing representatives from pre-registered non-governmental organizations to visit their sawmills without notice. Through on-site visits, ITOCHU KENZAI was able to verify that timber produced by illegal logging has been eliminated and that efforts to increase transparency have improved year after year.



Interview with Romania Water and Forest Ministry



## Performance Data

The timber carried by ITOCHU can be broken down into four categories according to basis of legitimacy.

### — Forest certification system

(A) Timber from suppliers that have received forest certification or timber that has been recognized as controlled timber by a certification body

(B) Timber from countries and territories evaluated as low risk based on the forest certification system

### — Verification of legitimacy based on Clean Wood Act

(C) Timber verified as legitimate based on documents certifying that it was harvested legally from the production area (Specifically, timber verified using export permit, certificate of origin, etc.)

(D) Timber verified as legitimate through additional measures (Specifically, timber verified as having been harvested legally by requesting that the supplier show the distribution route)

FYE 2019 Outlook	Basis of Legitimacy			
	Certified timber or timber for which advanced control can be verified			—
Item	(A)	(B)	(C)	(D)
Timber	36%	44%	17%	3%
Wood chips	100%	0%	0%	0%
Pulp	100%	0%	0%	0%

## Example from Group Company: Certification of Traceability for Chinese Timber

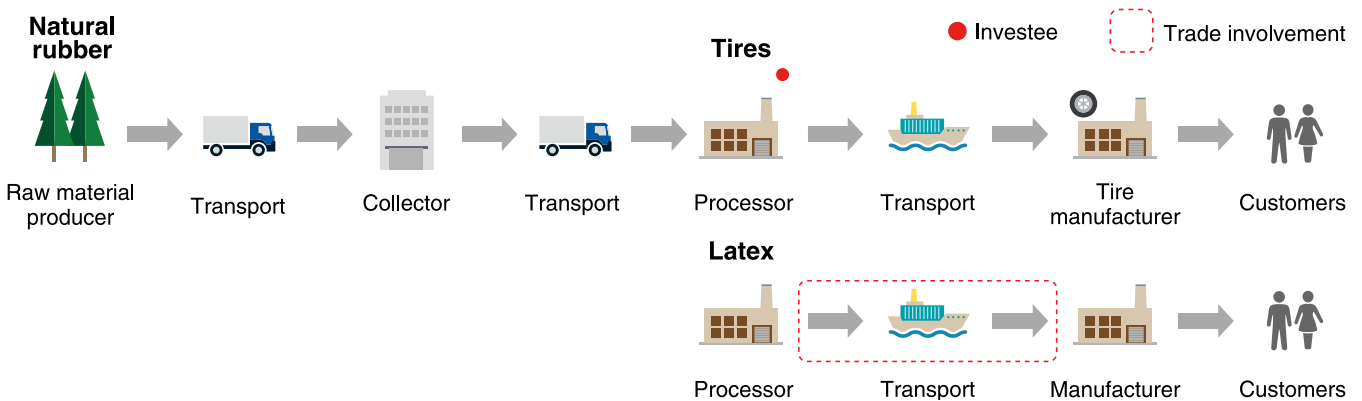
Since 2013, ITOCHU KENZAI has been working to create a system for certifying the traceability of plywood manufactured in China. In 2017, we were audited by Japan Gas Appliances Inspection Association (JIA), a certification body, and we received certification of timber traceability in our main supply chain. The Timber Traceability Certificate ensures traceability and that timber is managed throughout all processes within the supply chain, from the logging areas to the veneer and plywood factories, by obtaining logging permits and other evidence, auditing factories, observing the logging areas, and other means. With this, ITOCHU KENZAI was able to reliably ensure that no timber from illegal logging is used in around 40% of the plywood manufactured in China for which forest certification has not been obtained.

[Timber Traceability Certificate \(PDF : 524KB\)](#) 

# Natural Rubber

## Business Overview

### Supply chain



## Policy and Basic Concept (Natural Rubber Procurement Policy)

### Preface

ITOCHU Corporation (hereinafter "ITOCHU") has established its sustainability approach based on the original spirit of *sampo yoshi* in its Basic Policy on Promotion of Sustainability (P7), which aims to bring about and lead towards a sustainable society.

In addition, ITOCHU has established ITOCHU Sustainability Action Guidelines for Supply Chains (P134), and ITOCHU is striving to improve its supply chains and prevent the occurrence of problems through dialogues with its suppliers. ITOCHU has participated in the 'Global Platform for Sustainable Natural Rubber (GPSNR)' (established in October 2018) as one of its founding members. ITOCHU has agreed to the GPSNR's 12 specified principles, and ITOCHU will continue to assist with and contribute to the development of the standards and operation of this platform.

### Purpose

The purpose of ITOCHU's policy in this area is to bring about a sustainable natural rubber supply and to define the procurement policies for its natural rubber business, so that it fulfils ITOCHU's social responsibilities.

\* ITOCHU conducts processing and trading operations in the natural rubber business.

### Scope

This policy is applicable to the ITOCHU and its subsidiaries.

### Priority items

- We commit to working towards providing safe, hygienic and healthy working conditions and paying at least the national, regional or local minimum wage to employees. We commit to respecting international norms, such as the fundamental principles reflected in the International Labour Organization (ILO), and all of the applicable laws and regulations in the countries/regions where we operate and conduct business activities.
- We will work to actively collect information to encourage zero deforestation in raw material-producing areas and we shall endeavor to explore new technologies and methods to enhance the traceability of natural rubber and to ensure compliance by all members of the rubber supply chain, which consists of many stakeholders, including small holders (small-scale farmers) and intermediate raw material dealers.
- We shall use our best efforts to establish measures to identify any suppliers developing on High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatland, in order to avoid procuring rubber from them.
- We shall follow the procedures set out in the Free, Prior and Informed Consent (FPIC) principles, which were established by the 'Reducing Emissions from Deforestation and Forest Degradation (UN-REDD)' program. In addition, we will undertake to identify suppliers whose activities cause any negative impacts to indigenous peoples - such as the illegal acquisition of land, - in order to avoid procurement of rubber from them.
- We are committed to complying with all applicable laws and regulations in the countries/regions in which we operate regarding water usage and effluent discharge, we will ensure to treat discharged water in accordance with all laws and regulations, and we shall work to reduce water consumption through the recycling and reuse of water resources.

## — Policy regarding Operations

We will work to review the operational policies of ITOCHU periodically in cooperation with suppliers, specialists, NGOs and other stakeholders, while considering further initiatives for the entire supply chain aimed at the sustainability of natural rubber, all of which we shall conduct through GPSNR.

## | Structure

Every year, we provide a report on target setting and progress to management at DMC, the voting body of the company, and obtain their approval. We also share feedback from non-governmental organizations and other stakeholders and review the policies related to our efforts if there are any issues.

## | Efforts (Information Disclosure and External Communication)

### — Example 1. Participation in Global Platform for Sustainable Natural Rubber (GPSNR)

In October 2018, ITOCHU participated in the Global Platform for Sustainable Natural Rubber (GPSNR), a new global platform for ensuring sustainable natural rubber, as the only Japanese trading company among the founding members. This organization was founded by automobile manufacturers, tire manufacturers, and natural rubber processors involved in the natural rubber industry and aims to collaborate through the supply chain, establish traceability, and achieve a higher level of sustainability.

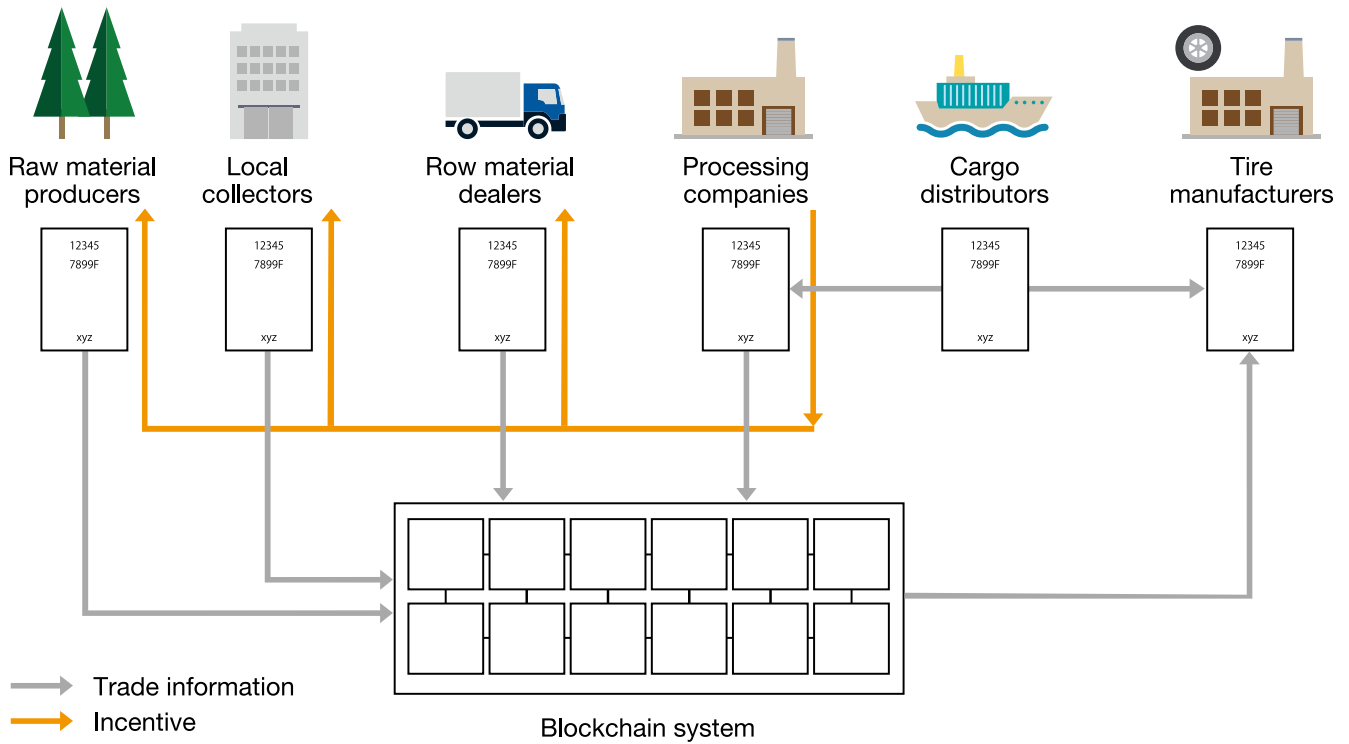
### — Example 2. Blockchain PoC for Traceability

In February 2019, we started a Proof of Concept (PoC) with the aim of developing a blockchain traceability system that ensures stable procurement and supply of raw material for our investment companies and trading parties, improving the traceability of its distribution.

The PoC takes place in the natural rubber supply chain of Pt. Aneka Bumi Pratama (headquartered in Indonesia; President Director: Hisashi Yajima; hereinafter "ABP"), a natural rubber processing company fully owned by ITOCHU. ITOCHU Techno-Solutions Corporation (headquartered in Chiyoda-ku, Tokyo; President & CEO: Satoshi Kikuchi; hereinafter "CTC") develops a technology solution for this PoC.

Natural rubber is essential in our daily life. It is mainly produced in Indonesia and other Southeast Asian countries, and approximately 70% is used for tires. While the motorization pushes up the demand for natural rubber, deforestation and various violations of rights of local residents are a concern in relation to the production and distribution of natural rubber. It is critical to assure that our business activities demonstrate a strong respect for the environment and human rights. Currently, multiple operators (local collectors and raw material dealers) are involved in the supply chain from the production to the delivery to tire manufacturers, and greater transparency in the distribution of natural rubber is required.

# Natural Rubber Supply Chain and Field Tests



The PoC uses a smartphone app that allows buyers and sellers to conduct mutual authentication and to record transaction details in the blockchain including date, time and location. This ensures the transparency of the supply chain of natural rubber up to the processing plant. In addition, ITOCHU provides a system to offer an incentive for accurate recording in order to promote cooperation from the suppliers.

ITOCHU will work on "Reinventing its Business", one of the basic policies set out in the medium-term management plan that aims to achieve continuous growth using a "reinvented *sampo yoshi*" approach ("Good for the seller, Good for the buyer, and Good for society"). It will also contribute to the achievement of the 17 Sustainable Development Goals listed in "The 2030 Agenda for Sustainable Development" adopted by the United Nations.

# Real Estate

## Basic Policy

The ITOCHU Construction, Realty & Logistics Division and its group will provide quality housing and logistics services essential for daily life and continue to make efforts to contribute to society, building relationships of trust with customers, shareholders, investors, and local communities through dialog. This will be achieved by working proactively on the priority themes below and being involved in everything from real estate development to operations and management with a focus on housing and logistics facilities.

## Priority Themes

- Work environment development and contribution to local communities
- Introduction of energy-saving technologies and creation of system for support services and educational activities
- Provision of safe and reliable housing and services
- Collaborative activities for forming local communities

## Structures and Systems

Scope	Development/Construction	Sales	Real Estate Management	REIT Management/Funds
Housing	ITOCHU Corporation ITOCHU Property Development ITOHPIAHOME	ITOCHU Housing	ITOCHU Urban Community	AD Investment Management
Logistics Facilities, etc.				ITOCHU Asset Management
Industrial Park	KAWARANG INTERNATIONAL INDUSTRIAL CITY			ITOCHU REIT Management

When purchasing commercial land, the ITOCHU Construction, Realty & Logistics Division and its group conduct a survey of the real estate to be purchased using a checklist and check beforehand to make sure there are no concerns with respect to soil contamination, waste, anti-social forces, or related laws and ordinances. We have also established procedures for disposing of industrial waste and work to ensure that there are no violations of environmental laws or ordinances. When executing real estate transactions, we implement proper anti-money laundering measures by preparing and keeping thorough records verifying customer identity and transaction details based on the Act on Prevention of Transfer of Criminal Proceeds.

## | Specific Efforts

### — Example 1: Contributing to work environment development and local communities

#### **Karawang International Industrial City**

ITOCHU is engaged in joint development of Karawang International Industrial City (KIIC) to the east of the Indonesian capital of Jakarta with local partners, and more than 150 companies have set up operations within the roughly 1,400ha area. The company's basic CSR policy and activity reports are posted at the entrance to KIIC, and we are actively disclosing our efforts related to sustainability.

KIIC is developing a safe, reliable, and environmentally friendly infrastructure. An electrical substation of the national power company has been built on the premises to ensure power and establish a system of stable supply. The stable infrastructure also includes our own industrial water and wastewater plants as well as a regulating reservoir as an emergency backup, and there are paved roads to prevent traffic accidents. We also have 24/7 security provided by a 150-member security team. A police station, coordination with the Karawang government and Karawang police on matters of public order and security, deployment of fire trucks and ambulances, and other such services ensure safety and peace of mind. Furthermore, we are working to reduce our environmental impact and have installed smart street lights\*, a first for industrial parks in Indonesia.

Moreover, in addition to creating jobs by attracting companies, we are engaged in various long-term, ongoing activities contributing to the region from the standpoint of medicine, agriculture, the environment, and education, among others. Independent activities of KIIC include our support for opening regional infant health centers and providing medical equipment to midwives in six neighboring villages. Meanwhile, joint efforts with tenant companies include donating saplings to local authorities on World Environment Day and planting them every year, constructing an agricultural park on the premises to promote education and training on things like agriculture and environmental conservation, bringing in experts to provide agricultural instruction to nearby farmers, and growing more than 10,000 saplings for planting every year. As the executive office for the sustainability activities of tenant companies, we actively provide support for such efforts as supplying baby food to infants living nearby every month, providing scholarships to junior high and high school students, providing assistance during floods, and engaging in pest control activities targeting mosquitoes and other pests to prevent infectious diseases like dengue fever.

Through these efforts, KIIC aims to be an industrial park that develops together with the local community.

\* Smart street lights: An IoT solution to reduce power consumption and carbon dioxide emissions by adding dimming control to power-saving, high efficiency LEDs to improve the operation, maintenance and management of street lighting (adding smart functionality). There are about 1,200 of these lights installed within KIIC.

### — Example 2: Support and awareness-raising for installation of energy-saving technologies

ITOCHU Property Development, Ltd. (IPD) has worked to raise awareness of reducing environmental impact by providing services to support energy-saving lifestyles. At some condominiums, the Mansion Energy Management System (MEMS) building management system has been installed. This allows us to provide a service to support energy reduction by measuring power usage within the condominium using smart meters installed in each unit, reducing power via a collective purchasing service, and shifting peak demand.

For example, we introduced a household support service for saving energy in collaboration with Tokyo Gas Co., Ltd. that supports energy-saving lifestyles. Information on power, gas, and hot water use by individual tenants is measured and tracked to provide each unit with Eco Reports containing individualized advice on how to save energy. Additionally, energy saving contests are held in which tenants have fun competing against each other to reduce household CO<sub>2</sub> emissions.

### Example 3: Providing safe and reliable housing services

IPD has introduced the CREVIA LIFE HUG comprehensive disaster prevention support program at all condominiums since 2012. We are pursuing and realizing multi-faceted and multi-layered security from the three standpoints of community formation, disaster prevention stockpiling, and housing quality.

ITOCHU Urban Community Ltd. (IUC), which manages condominiums, makes proposals to extend the life of and regenerate buildings over the next generation to protect the value of building assets in addition to maintaining and managing condominiums on a daily basis. It has launched the 100-Year Sustainable Condominium Research Society as part of this.

It is common to either destroy old condominiums and sell the land or rebuild them anew. However, IUC proposes the option of "regenerate and continue to live" with the aim of realizing condominiums that everyone can continue to live in comfortably. It carries out appropriate large-scale repair work on shared areas that have degraded over time. At the same time, it performs regeneration and renovation with the aim of increasing the value of the building assets by improving various functions and creating a better image. IUC replaces the parts that cannot be seen (e.g., the piping and electrical facilities) and prevents accidents occurring in private areas.

In addition, high-quality training of management personnel with a high sense of professionalism is essential for condominium maintenance and management. We carry out carefully planned training for employees such as in-house training for vocational school certification and work to improve the work environment, including health and safety.



#### (1) Hug Community

Community formation for friendly connections

- Communication tool "iLista"
- Preparation and distribution of disaster prevention manuals at each condominium and support for adding to or revising the manual
- Holding of disaster prevention events, etc.

#### (2) Hug Items

Extensive disaster prevention items to reliably prepare

- Facility support of disaster prevention measures base (3)Hug Quality
- Standardization of disaster prevention stockpiling warehouses and supplies, etc.

#### (3) Hug Quality

Reliable structure for strong support

- Building structure, measures against liquefaction, etc.

#### ■ Example 4: Cooperative activities for local community formation

IPD is also actively promoting efforts related to community formation utilizing connections between the areas we develop and neighboring areas and between residents, universal design addressing the needs of various generations and those with disabilities, and ecology.

We are carrying out an activity called "KANAZAWA HAKKEI UMIMACHI LABO" at "CREVIA KANAZAWA HAKKEI THE BAY," a new condominium that was completed in Kanazawa-ku, Yokohama in 2018. The aim of this effort is to build a healthy community within the condominium by actively communicating and sharing the appealing aspects of the town of Kanazawa Hakkei and emphasizing ties with the area to foster a love for the town and preparing various events for tenants that they can participate in even before they move in. Cooperative activities that we engaged in included holding events such as cruising tours and dragnet fishing for tenants, participating in local events, and providing a venue for events. We also participated in the Eelgrass Transplanting Event held by the Amamo Revival Collaboration in Kanazawa-Hakkei, Tokyo Bay Area and other sponsors as an effort to promote biodiversity. It was implemented with the cooperation of local students who transplanted eelgrass or "amamo," a kind of seaweed that provides a home to marine organisms.

"CREVIA TOTSUKA" is a condominium built as part of a public-private collaboration with Yokohama City Housing Development Public Corporation and Kanagawa Chuo Kotsu Co., Ltd. in Totsuka, a town that is expected to grow as a result of urban redevelopment. Just a two-minute walk from the station, it offers convenient access to public transportation, and the equipment and specifications are tailored to all generations as well as those who are disabled or elderly.



# Chemicals

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## Policy and Basic Concept

The chemicals, synthetic resins, and products that use these as raw materials carried by the Chemicals Division are used in various ways in our daily lives and are very useful. At the same time, many of these chemicals are toxic or dangerous due to their nature. As such, they are regulated by many related laws in terms of how they are manufactured, sold, transported, stored, etc.

Because this is a matter of grave concern related to people's health and environmental conservation, there are various laws and regulations related to chemical trade, and they are very strict. Moreover, the penalties for legal violations are very severe. There are also many products that require licenses or permits to carry them, and if these licenses or permits were to be revoked due to a legal violation, it would have a serious impact on the business of the Chemicals Division.

Furthermore, there is an international trend toward minimizing risk at the chemical supply chain level. New regulations are being introduced, and major revisions are starting to be made to existing regulations in both developed and developing countries. It is expected that the legal and regulatory environment related to handling of chemicals will become increasingly strict.

Based on this awareness, we recognize the importance not only of product and industry knowledge but also of legal compliance as a company that carries chemicals. As such, our basic policy is for each person in charge to conduct business in accordance with legal requirements, having an accurate understanding of the laws and regulations related to the products they carry.

## Structure

The Chemicals Division is in charge and manages chemical substances to ensure that each sales department within the division that primarily carries chemical substances and the group companies under it can properly comply with the law. The division also provides guidance and advice as appropriate to sales divisions and group companies that carry some chemicals.

The method of management is based on thorough inquiries to external consulting firms and centralized management of laws using a dedicated system. Specifically, we work to ensure legal compliance by checking and recording applicable laws and matters to address at the chemical substance level for each product using a proprietary legislative management system developed in 2016, implementing eLearning on major laws, and engaging in ongoing education of sales representatives through distribution of a handbook on related laws that summarizes the key points of major laws.

We use Technohill Co., Ltd. (Headquarters: Chuo-ku, Tokyo; President: Kazuyuki Suzuki), which possesses a high level of expertise with respect to control of chemical substances, as an external consulting firm, and they provide us with support from various angles, including comprehensive advice on our control structure and individual consultations on things like applicable laws by product.

### ■ Management Structure for Responding to Emergencies and Accidents

We provide both internal and external reports according to the ITOCHU Accident and Emergency Response Rules and respond according to separate procedures depending on the situation. For example, in the event of an accident involving poisonous and deleterious substances, we respond according to the ITOCHU "Hazard Prevention Procedures for Non-medical Poisonous and Deleterious Substances." Specifically, we take actions including "providing the necessary reports via the emergency contact network attached to the rules and responding swiftly to minimize the hazards from poisonous and deleterious substances" and "in cases where the substances have dispersed, leaked, flowed out, seeped out or soaked into the ground and there is a risk of harm to the health of an unspecified or large number of people, reporting the incident to the health center, police department or fire department and taking the necessary steps to prevent harm to people's health."

## Performance Data

### ■ eLearning on Laws Related to Chemicals

We have implemented this program every year since FYE 2017. The primary targets are employees of the Chemicals Division and group companies that the division is in charge of, but the program is also carried out at some companies other than the Energy & Chemicals Company. This fiscal year, it was carried out in October 2018, and 141 employees from the Chemicals Division participated.

### ■ Handbook on Laws Related to Chemicals

The first edition was published in 2012, and the current edition was revised in 2016. It covers 32 laws and provides an overview of each along with the key compliance requirements. The purpose is for new employees and sales representatives from outside the Chemicals Division that deal with chemicals who do not have sufficient knowledge of laws pertaining to the chemical industry to reference it as necessary and for it to promote voluntary awareness of industry-related laws.



#### **Handbook on Laws Related to Chemicals**

Published: December 1, 2016

Editorial team: M&R Office, Energy & Chemicals, Chemical Planning & Coordinating Sect., ITOCHU Corporation

### ■ Status of Legal Compliance

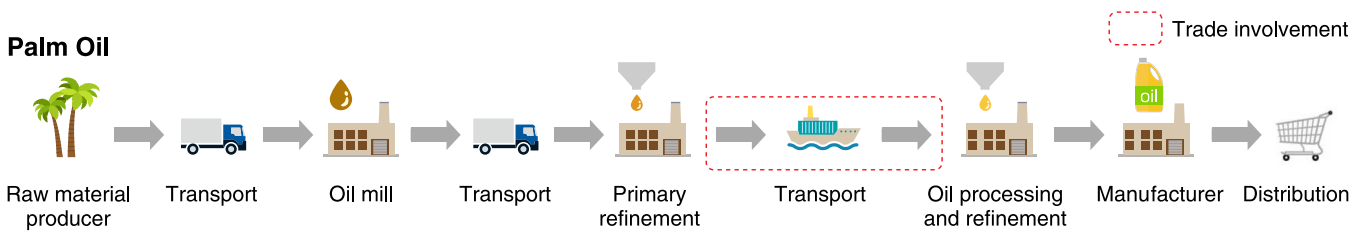
As of April 2018, there have not been any major violations resulting in license suspension or other severe penalties.

# Support for the Sustainable Procurement of Palm Oil

## Business Overview

### Supply chain

#### Palm Oil



## Policy and Basic Concept (Sustainable Palm Oil Procurement Policy)

### Purpose and Background

It has been identified that palm oil business has a relationship with environmental destruction and human rights issues concerning plantation development and production of palm oil. ITOCHU pays particular attention to these issues, and recognizes our responsibility for them from the viewpoint of connecting producers and end users. Therefore, we have established the Sustainability Action Guidelines for Supply Chains to fulfill our corporate social responsibility. We have also established the following procurement policy in order to achieve our goal for procuring sustainable palm oil.

### Applicable Organizations

ITOCHU and our subsidiaries

### Applicable Products

#### Palm oil

ITOCHU is involved in trading for our palm oil business. We do not own any palm plantation.

### Targets

To realize the stable procurement and supply of sustainable palm oil, ITOCHU will verify our supply chains based on evaluations of the following priority items to fulfill our corporate social responsibility. We will then find problems and make improvements. In doing this, we will achieve our stated target of switching all the palm oil we procure to sustainable palm oil\*<sup>1</sup> by 2025. In particular, ITOCHU are aiming to realize procurement based on the No Deforestation, No Peat, No Exploitation (NDPE)\*<sup>2</sup> principle.

\*1 Sustainable palm oil: the palm oil procured by the suppliers to have the RSPO standard or the sustainable standards admitted by the other certified organizations

\*2 No Deforestation, No Peat, No Exploitation (NDPE): Zero deforestation, zero peatland development and zero exploitation

## — Priority Items

- Transparency in palm oil supply chains where there is involvement by many stakeholders (e.g., small holders (small plantations), interim dealers and oil mills)
- No Deforestation, No Peat, No Exploitation (NDPE) principle
- Prevention of development in High Conservation Value (HCV<sup>\*1</sup>) regions, High Carbon Stock (HCS<sup>\*2</sup>) regions and peatland<sup>\*3</sup>
- Conducts of HCV assessments, SEIAs<sup>\*4</sup>
- No burning, and best management practices (BMPs) for peatland and soil principle
- Compliance with the laws/ordinance of the countries/regions where we perform business activities and international norms established by the International Labor Organization (ILO) and other organizations in relation to labor conditions (e.g., employee minimum wage and abolition of all forms of discrimination including gender)
- Illegal labor (including child labor and forced labor), and provision of working environments with excellent safety, hygiene and health for employees
- Free, Prior and Informed Consent (FPIC<sup>\*5</sup>) principle and respect for the rights of indigenous people
- Effective implementation, valuation and improvement of grievance mechanisms

\*1 High Conservation Value (HCV) region: Region defined by the High Conservation Value Resource Network (HCVRN)

\*2 High Carbon Stock (HCS) region: Region defined by the High Carbon Stock Approach Network (HCSA)


\*3 Peatland: This is land where a large amount of carbon is found in the ground. The development of this would result in large amounts of greenhouse gases being emitted into the atmosphere.

\*4 SEIAs: Social and Environmental Impact Assessments

\*5 FPIC: Protection and conservation of regions and consideration for local residents and society

## — Operations and Information Disclosure

We periodically review our policy in cooperation with our stakeholders (e.g., business partners and experts) in our operations. We disclose information relating to this matter through our ESG report, Sustainability Action Plan and Annual Communication of Progress (ACOP).

- Sustainability Action Plan (P16-23)
- [Annual Communication of Progress \(ACOP\)](#) 

## | Structure

We report on target setting and the state of progress on our targets to the management of Food Company every year and obtain approval. The Oil, Fats & Grain Products Department in the Provisions Division of the Food Company — the department in charge of this — procures palm oil based on our policy.

## | Efforts

- We joined the Roundtable on Sustainable Palm Oil (RSPO) in 2006 and respect the Principle and Criteria (P&C) for the Production of Palm Oil. We promote transparency in our supply chain and strengthen our sustainable palm oil procurement structure by expanding the business with suppliers who are enhancing supply chain traceability based on RSPO P&C.
- We monitor priority items through Sustainability-Supplier surveys (including on-site surveys) and direct communication with suppliers. We then are going to improve sustainability of the supply chain by utilizing this information.

# Marine Products

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## Policy and Basic Concept

We mainly handle skipjack and yellowfin as marine products. In Indonesia, we operate the PT. Aneka Tuna Indonesia (ATI) canned tuna factory in a joint venture with partners. We have established voluntary management regulations for tuna. We thoroughly stick to our policy of only procuring skipjack and yellowfin that has been appropriately managed by fishing organizations.

We also responsibly procure marine resources for marine products other than skipjack and yellowfin. We currently handle many fish caught in nature. However, our policy is to also focus our efforts on handling farmed fish to also take into account our burden on the environment in the future.



Fishing Management with Observers Aboard Dispatched from the Indonesia Fisheries Agency

## Targets

The acquisition of MSC<sup>\*1</sup> certification is limited among fishermen for the highly migratory fish of skipjack and yellowfin at present. Under these circumstances, we handle 4,500 tons of MSC raw ingredients per year at present in the trade of skipjack and yellowfin for canned raw material. We are also aiming to encourage fishermen to acquire MSC so that we handle 10,000 tons per year within five years.

The rate of pole and line fished<sup>\*2</sup> products in our canned tuna handling was 7% in FYE 2014. However, this rate exceeded 14% in FYE 2019. We would like to continue maintaining and expanding this rate with the aim of reaching 20%.

The usage rate and quantity of pole and line fished raw material in ATI more than doubled from 20% at 8,000 tons in 2013 to 40% at 20,000 tons in 2018. It has become one of the few canned tuna factories in the world that uses pole and line fished raw material. We will continue striving to secure, maintain and expand pole and line fished raw material.

\*1 The Marine Stewardship Council (MSC) is an international NPO established in 1997 to work on spreading sustainable fishing. Its headquarters are located in London, England.

\*2 Pole and line fishing is a method of fishing by catching one fish at a time. It is a sustainable fishing method that does not involve the catch of large quantities of fish at one time. It is said that it is an environmentally friendly fishing method because it is also possible to avoid the bycatch of non-targeted fish.

## Structure

We regularly visit and survey our suppliers. This is so that we responsibly procure marine resources for all the marine products we handle. We also promote cooperation with various fishing organizations. Every year, those in charge of sales visit and survey 45 suppliers applicable to our internal selection criteria in cooperation with our Food Safety and Compliance Management Office. This is for the regular visits and surveys on our suppliers to responsibly procure marine resources. We also engage in business after confirming that suppliers are appropriate from a viewpoint of ESG.

We established voluntary management regulations called Tuna Handling Management Regulations in September 2017 for the skipjack and yellowfin that we handle in especially large quantities. We are promoting efforts based on a policy of procuring and stocking only from fishermen that perform appropriate resource management under the management and supervision of fishing organizations such as the Western and Central Pacific Fisheries Commission (WCPFC). We do this without procuring fish caught through illegal, unreported and unregulated (IUU) fishing.

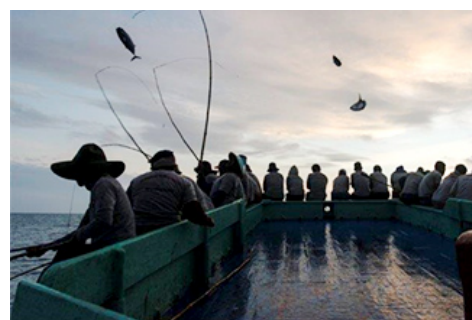
## Efforts

We acquired distributor certification and chain of custody certificate (CoC)<sup>\*1</sup> certification from the Marine Stewardship Council (MSC) in March 2018.

We joined the Organization for the Promotion of Responsible Tuna Fisheries (OPRT) in 2012 in the tuna business. This is an organization that was established for the sustainable use of tuna resources. We are now promoting efforts that comply with our aforementioned voluntary management regulations.

ATI is strengthening its handling of pole and line fished raw material—considered to be the most environmentally friendly skipjack and yellowfin fishing method. The need for products made with pole and line fished raw material is growing every year in markets with a high interest in sustainability (e.g., the U.K. and Australia) for the canned tuna market as well. It is our policy to strengthen our handling of pole and line fished products manufactured by ATI.

ATI joined the Indonesian Association of Pole & Line and Hand Line in 2014. It is offering its cooperation such as by providing data. This data is used in the Fishery Improvement Program (FIP)<sup>\*2</sup>. ATI is also cooperating for the acquisition of MSC in Indonesia. Moreover, it joined an international organization called the International Seafood Sustainability Foundation (ISSF)<sup>\*3</sup> in 2016. The firm is offering its cooperation such as by providing information in the same way as it does with the Indonesian Association of Pole & Line and Hand Line.



Pole and Line Fishing

\*1 Chain of custody certificate (CoC) is certification for processors and distributors. This is to ensure the traceability of MSC certified marine products and other products in the management of processing and distribution processes specified by MSC.

\*2 The Fishery Improvement Program (FIP) is a project in which small fishermen finding it difficult to acquire MSC certification and market stakeholders cooperate and work together aiming for sustainable fishing under the goal of future MSC acquisition with MSC compliant fishing methods.

\*3 The International Seafood Sustainability Foundation (ISSF) is an organization running under the aim of sustainable skipjack and yellowfin fishing. It was launched in response to an appeal by major canned tuna operators in 2009.

## Performance Data

Item	FYE 2014 Results	FYE 2019 Forecast	Target (Next Five Years)
Quantity of skipjack and yellowfin MSC for canned tuna raw material	n/a	4,500 tons	10,000 tons
Pole and line fished tuna product ratio	7%	14%	20%
Quantity of pole and line fished raw material in ATI	8,000 tons	20,000 tons	Maintain

# Dairy Products

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## Policy and Basic Concept

In terms of the dairy product and supply structure in Japan, the domestic production and supply structure has been established with a focus on Hokkaido. Meanwhile, import opportunities have steadily been increasing. This is due to the formation of the TPP that was established at the end of 2018 and the Japan-EU EPA that is scheduled to commence on February 1, 2019. Currently, Japan imports dairy products from multiple countries and regions – New Zealand, Australia, European countries, North America and South America. The agricultural policies and production structures in each country and region have been reflected in efforts for the sustainable growth production structure in dairy products. Producer organizations and companies have also started efforts toward gradually building a sustainable growth production structure. We are striving to grasp the efforts of major producing areas and major suppliers. We will then work to build close communication and relationships with major suppliers so that it is possible to provide even safer dairy products with greater peace of mind.

## Targets

Import opportunities will increase in the future due to the formation of the TPP and EPA. We will work to build close communication and relationships with major suppliers so that it is possible to provide even safer dairy products with greater peace of mind.

## Structure

The most important efforts in securing the safety of dairy products are those to ensure the safety of raw milk. The structure for this is as follows. Raw milk is milked from cows and collected by dairy farmers before being brought to dairy product factories. Antibiotic contamination tests are then conducted at the acceptance stage. Only raw milk confirmed to be safe is used.

Cheese and butter is individually wrapped in cardboard boxes of 10 kg or 20 kg. Meanwhile, powdered skim milk (not including milk powder) is produced in manufacturing factories mainly in 25 kg paper bags. The manufacturing date is printed on these boxes and bags. This means it is possible to trace products up to their date of production in their manufacturing factory.

- \* The standards for hormones and antibiotics used in raising beef and dairy cows are stipulated by the relevant organizations of each country. Dairy product manufacturers have established voluntary management rules based on those standards. A check is also performed each time to see whether there are any residual substances other than raw milk in the transportation vehicles used when bringing it from farmers to factories.

## Efforts

In New Zealand, which has an important position as a supply base for Japan, dairy cows are basically raised with a focus on grazing. Efforts are made on a routine basis from the point of view of improving productivity. For example, dairy cows are raised while regularly changing their field so that these fields do not become ruined.

The development and distribution of grass-fed\* butter and other products has started as a new experiment in New Zealand and elsewhere.

- \* Grass-fed refers to beef and dairy cows raised only by eating grass. Regular butter is made using the milk of cows raised by eating mainly grains. In contrast to this, grass-fed butter is made with the milk of cows raised only by eating grass or only by eating grass above a certain rate. This has the advantage of being less of an economic burden compared to raising cows mainly on grains.

The Netherlands is engaged in the overall management of its number of breeding cows as a nation. This is being done in consideration of the impact the phosphate contained in the excreta of dairy cows has on the soil.

# Meat

## Policy and Basic Concept

The Meat Products Department in the ITOCHU Food Company imports and procures raw meat ingredients (beef, pork and chicken) from various countries around the world. It handles pork in the greatest quantities with raw ingredients primarily being procured from North America and Europe. Meanwhile, it imports beef from Australia and the U.S. We have jointly invested in Teys Australia Condamine Pty Ltd. in the cattle fattening business in Australia together with an Australian beef supplier called Teys and Prima Meat Packers.

The following is our basic policy for performing inter-company efforts when procuring raw meat ingredients from overseas: Production suppliers who do business with ITOCHU should be aware of environmental aspects at the production stage. They should take into consideration the workers involved in production. Finally, above all, they should construct production operations including traceability that can guarantee safety and peace of mind.

ITOCHU regularly visits factories that are our supply sources. We do this under a commitment to responsible meat procurement. We establish good relationships through close communication with overseas suppliers.



Teys Australia Condamine's Cattle Fattening Farm

## Targets

The mission of ITOCHU is to stably supply safe raw ingredients of foods with peace of mind to the manufacturers who are our customers and consumers. The following are the conditions to realize this: Local production operations should be sustainable and traceability should be established.

We ask our production suppliers to reduce CO<sub>2</sub> emissions and energy usage to minimize the burden on the environment as much as possible. We also request that they create an environment in which employees can work with satisfaction.

## Structure

Although there are differences depending on the supplier, the following serves as the mechanism for basic trace back operations. It is possible to trace back to detailed information including the time of the slaughter of the animal from which the raw ingredients are derived, the time it was brought to the factory and the farm on which it was raised. This is based on the information on the label affixed to the box into which the applicable raw ingredients are packed.

## Efforts

### — Establishment of a Stable Production Structure with Integration promotion

HyLife Group Holdings manages an integrated supply chain. This is achieved by establishing an integrated production structure that includes pig farming, feed production and pork processing to realize stable production of safe and high-quality products with peace of mind. The company is promoting the development of an even more efficient and stable production structure. This is done by pork processing with the introduction of state-of-the-art technology in its recent expansion to its facilities to further enhance these strengths in the mid-to-long term.



Processing Line



## — Safe and Tasty Pork Production Business with Peace of Mind

ITOCHU holds 49.9% of the shares in HyLife Group Holdings (HyLife) which is engaged in the pork production business in Manitoba, Canada. HyLife is capable of supply chain management and coordination in-house because it performs integrated production that includes pig farms, mixed feed factories and pork processing. The company has utilized this production structure to realize a stable supply of safe, high-quality and traceable products with peace of mind. In addition, it is possible to feedback the individual needs of customers to pig farms through such integrated production. The firm has established a specialty program customized for Japan – a program that has received a high appraisal in the market. Currently, it is the number one company in Canada in terms of refrigerated pork exports to Japan. Production in the specialty program for Japan is thoroughly managed and supervised on a daily basis with the addition of cooperation from resident employees of ITOCHU. This production sees pigs crossbred from three selected varieties fed mainly wheat produced in Manitoba which is famous as a high quality producing area. The process here takes place under the guidance of the firm's own dieticians and veterinarians.



Pork Processing Process

Teys Australia Condamine introduced 1,034 solar panels in 2015. This has made it possible to generate approximately 506,000 kWh of power annually. Accordingly, approximately 50% of the power used in this facility comes from renewable energy. The introduction of solar power generation has reduced CO<sub>2</sub> emissions by approximately 395 tons. Consequently, a reduction in CO<sub>2</sub> emissions of approximately 49% has been realized compared with before the introduction of solar power generation.



Installed Solar Panels

We also procure beef to be slaughtered and processed from Teys – our joint investment partner in Australia. This firm has formed sustainable operations. It extracts methane gas generated in the slaughter process and reuses it as heat for its factory.

## — Initiative Participation

Companies in wide-ranging lines of businesses – from producers to retailers – are participating in an initiative called the Global Round Table for Sustainable Beef (GRSB) with the aim of sustainable beef production. ITOCHU has built business relationships with multiple companies participating in the GRSB. We are exchanging information with them on the latest trends.

## | Performance Data

The major premise for ITOCHU is to be able to thoroughly trace the products we deliver to our customers back to their producers above all else while considering the safety and peace of mind of food as our number one priority. The overseas production suppliers with whom ITOCHU is in business have built mechanisms to enable 100% trace back to the production stage.

## | Animal Welfare

ITOCHU Group carries out the following efforts in accordance with local laws to treat animals humanely based on the idea of animal welfare.

Teys Australia is committed to ensuring that all cattle are treated humanely.

As part of our commitment to animal welfare, all Teys Australia processing facilities operate under the Australian Livestock Processing Industry Animal Welfare Certification System (AAWCS). An independently certified animal welfare program that ensures that livestock under our control (from receipt to humane processing) are managed in accordance with best practice animal welfare standards.

Teys Australia operates its feedlots in strict compliance with the independently audited National Feedlot Accreditation Scheme.

Respecting Animals is a HyLife Core Value and the obligation and responsibility of all employees.

HyLife provides optimal environmental conditions for the animals in our care providing climate controlled housing, nutritionally balanced diets and veterinary animal health oversight.

All employees receive comprehensive training in the proper care and handling of animals and farms are operated in accordance with the Canadian Code of Practice for the Care & Handling of Pigs and are certified under the Canadian Quality Assurance Program.

# Textile Raw Materials

## Policy and Basic Concept

In recent years, the trend for sustainability has been gradually penetrating the fashion market. For example, global fashion brands have declared that they will switch to using environmentally friendly materials (e.g., organic cotton, recycled polyester etc.) for the materials they procure as an effort to develop the labor environment in the supply chain and to deal with the disposal of clothing and other problems. Under these circumstances, the Apparel Division has established a basic policy. This basic policy calls for us to gradually shift the textile raw materials we primarily handle to those with a low burden on the environment in the trade of textile raw materials that is the founding business of ITOCHU. The policy also requires us to establish traceability from the procurement of raw materials to sales in the future. In the mid-to-long term, we would like to continue developing and expanding our business with environmentally friendly materials at the core over our entire value chain. We will achieve this by branding the environmentally friendly materials we procure, commercializing them in the context of our production and then providing them as global brands. We will utilize the global value chain — from upstream to downstream — possessed by the Textile Company in doing this.

### Ideal Course of Action in the Mid-to-long Term

- Increase the use of environmentally friendly materials (e.g., cotton, polyester, cellulose etc.)
- Expand deployment over the entire value chain — from upstream to downstream



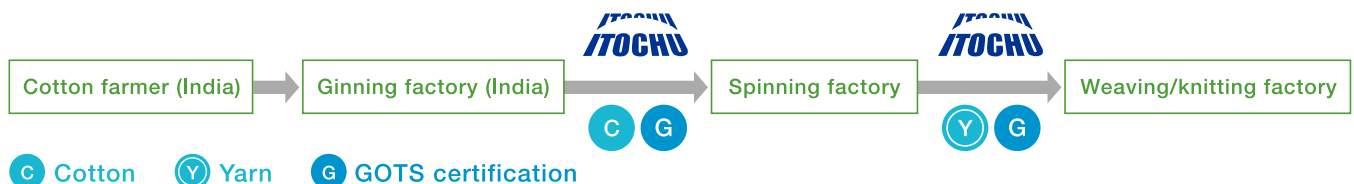
## Targets

We aim to ensure that we switch 50% of the textile raw materials primarily handled by the Textile Raw Material Section to those that are traceable and with a low burden on the environment by 2025.

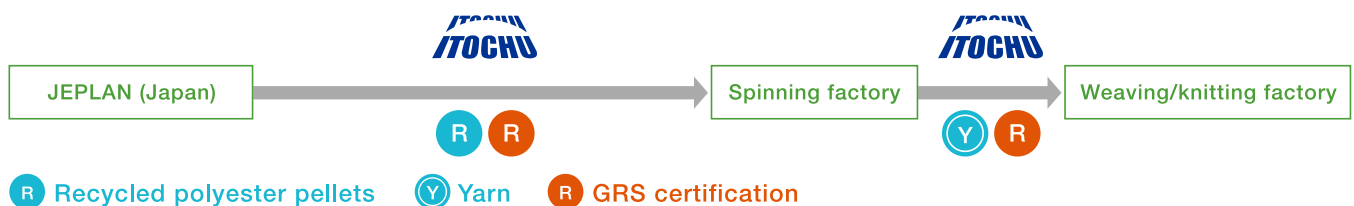
## Structure

### Current Efforts

- Traceability in organic cotton procurement in India



- Traceability in the recycled polyester business utilizing the technologies of JEPLAN



When we procure organic cotton in India, we first purchase raw organic cotton that comes with a certificate from a ginning (work to separate the seeds and fibers after harvesting raw cotton) factory in India that has acquired GOTS certification. We deliver that raw organic cotton to spinning factories that have acquired GOTS certification in India or Asia. Finally, we purchase the yarn spun in those spinning factories and sell it to weaving/knitting factories in Japan and overseas. ITOCHU has a history of trading Indian organic cotton over 35 years. We have been encouraging cotton farmers in India to transition to organic farming methods since 2008. To that end, we have been working to spread cotton in transition (tentative name) cultivated during the transition period (three years) to such organic farming methods. We have also provided support to local ginning factories and spinning factories to acquire GOTS certification. With such extensive experience and network in India, we ensure 100% traceability up to cotton farmers for the procurement of organic cotton and cotton in transition in India that we currently handle. We invested in JEPLAN, INC., which possesses technology to recycle polyester resin, in May 2018. Upon starting recycled polyester business utilizing that company's technology, we took advantage of our experience in procuring organic cotton in India to quickly acquire GRS certification up to the spinning process.

## Efforts

The Apparel Division is building a value chain that originates with the raw materials for which we have assumed a leadership role. This is part of our attempt to reinvent our businesses for the next generation — the basic policy in our current mid-term management plan. We have been making efforts for several years to brand, commercialize our original raw material brands of natural fibers such as HAMILTON LAMBS WOOL and ONE Cotton. In response to the trend for a shift to sustainable materials in the global apparel market in recent years, we have also been striving to increase our use of environmentally friendly materials. We invested in JEPLAN, which possesses technology to recycle polyester, in May 2018. Meanwhile, we agreed to establish an environmentally friendly cellulose fiber pilot plant co-financed with a major company in the Finnish forestry industry called the Metsa Group in October 2018. We invested in the LYCRA Company in the U.S. together with a Chinese firm called the Shandong Ruyi Group in February 2019. We will continue to focus on the development of environmentally friendly materials jointly with LYCRA in the future. We will continue to accelerate the pace of our cooperation with global companies toward our increasing use of environmentally friendly materials in the future. At the same time, we will work to acquire certification in the spinning, weaving/knitting and sewing processes and to expand internal cross-company business toward establishing branding and traceability up to commercialization — our medium term target.



ONE Cotton and HAMILTON LAMBS WOOL — Our Original Material Brands

\* [ONE Cotton \(ONE is an abbreviation for Organic Natural Ethical\)](#)

## Performance Data

Quantity (1,000 kilos)	2015	2016	2017
Organic cotton (OC)	269	449	556
Percentage accounted for by OC in all cotton trading business	6%	7%	9%
Traceability	100%	100%	100%
GOTS certification	100%	100%	100%

\* We have acquired GOTS certification for all organic cotton.

# Pharmaceuticals

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## Quality and Safety

### — Policy and Basic Concept

We contribute to the fulfillment of medical needs by delivering a stable supply of pharmaceutical raw materials and products at the level of quality required of pharmaceuticals. Additionally, we will satisfy latent medical needs by working on clinical development in new drug development to enable treatment of heretofore difficult-to-treat diseases. Our main market is Asia, including Japan, but we will also work on procurement and sales in Europe and the United States. We ensure safety in product supply and clinical development in accordance with Pharmaceuticals and Medical Devices Act.

### — Structure

Expertise is required, so pharmaceutical undertakings are primarily handled by group companies possessing that expertise. We implement quality control in accordance with Pharmaceuticals and Medical Devices Act to ensure quality. This includes, for example, checking the quality of imported materials at our lab before it is sold.

### — Efforts

Not only do we implement quality control at our lab as stated above but we also visit our overseas suppliers regularly and perform inspections to make sure that the manufacturing process conforms to the Pharmaceuticals and Medical Devices Act.

## Contribution to Improving QOL in the Pharmaceutical Field

We contribute to controlling the rise of medical costs by providing a stable supply of raw materials for generic drugs. We will also invest in companies that develop regenerative medicines and new drugs to alleviate the side-effects of cancer and work to raise the level of future treatments and improve patient quality of life.

## Pharmaceutical Ads and Labels

### — Policy and Basic Concept

Final pharmaceutical products are sold only to licensed companies. We do not engage in advertising. We ensure that labels on product packages are in thorough compliance with Pharmaceuticals and Medical Devices Act.

### — Structure

We are thorough in the above-mentioned package labeling, including checking it when beginning product preparation.



*Governance*

# Corporate Governance

## Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Maintaining and reinforcing a governance system for achieving sustainable growth	Corporate governance	We will implement highly effective supervision over the management from an independent and objective standpoint and ensure the appropriate and efficient execution of business operations by improving the transparency of our decision-making, aiming to our sustainable growth as well as the medium- and long-term improvement of our corporate value.	<ul style="list-style-type: none"> <li>Appoint several outside directors, who have a high level of independence that fulfills our independence criteria and are expected to contribute to the company management with a high level of knowledge in their respective fields.</li> <li>Maintain a highly transparent and objective directors' and officers' remuneration system, which can increase their motivation to contribute to our medium- and long-term improvement of our company's performance and the improvement of our corporate value.</li> </ul>	Continue to implement measures to strengthen the supervising function of the Board of Directors, through an annual evaluation of the Board of Directors.	<ul style="list-style-type: none"> <li>We have decided to always keep 1/3 or higher percentage of outside directors.</li> <li>We conducted the evaluation as to the effectiveness of FYE 2019 Board of Directors, and released the result in April 2019.</li> </ul>

## Policy and Basic Concept

ITOCHU commits itself to the global good. To realize this mission, ITOCHU strives to respect each individual and to make meaningful contribution towards creating a bright future for all human beings and the environment. In addition, "I am One with Infinite Missions" was adopted as a corporate message to express the ITOCHU Mission in plain terms. Underlying the message is the exceptional ability of each employee, the core strength of ITOCHU.

It is our fundamental management policy to build a fair and good relationship with various stakeholders based on our corporate philosophy and our code of conduct and thus improve our corporate value from a long-term perspective. In accordance with this policy, with the intention to ensure proper and efficient execution by management, we will enhance the transparency of decision-making and establish a corporate governance system in which monitoring and supervision functions are appropriately incorporated.

A strong leadership and a transparent decision-making system are pillars of good corporate governance. ITOCHU adopts an organizational structure with the presence of Audit & Supervisory Board (kansayaku secchi kaisha). In recent years, ITOCHU has gradually shifted to a governance model where executive officers decide and carry out the day-to-day business under the direction and supervision of the Board of Directors, along with implementing measures to strengthen monitoring. In order for the Board of Directors to further exercise effective control and management over the corporation, independent outside Directors have already joined the Board and, as another measure to strengthen its corporate governance, ITOCHU has also established a Governance and Remuneration Committee and a Nomination Committee as advisory committees to the Board of Directors. Each committee is chaired by an independent outside Director and is composed of half or more outside members. In order to separate execution by and monitoring over management, we reduced several executive Directors and the percentage of outside Directors in our Board of Directors was increased to one-third or more from April 2017. We keep this percentage of outside Directors also in FYE 2020 and onwards. In appointing outside Directors and outside Audit & Supervisory Board Members, ITOCHU places great importance on their independence, and in this connection, ITOCHU has adopted its own independence criteria, augmenting the independence criteria established by the Tokyo Stock Exchange. This highly independent Board of Directors monitors execution by management as well as deliberates the execution of business that is of high quantitative or qualitative importance. The Company believes this arrangement facilitates not only appropriate monitoring over execution by management but also the consideration of important business execution from an external perspective.

It is also vital that ITOCHU timely and adequately discloses its financial and non-financial information to the stakeholders as part of good governance. In May 2015, in line with the ITOCHU Mission and Corporate Governance Code of the Tokyo Stock Exchange, ITOCHU adopted a "Basic IR Policy" to further promote a multi-party stakeholder dialogue. Through the communication with its stakeholders, ITOCHU aims to enhance its corporate value on a long-term basis.

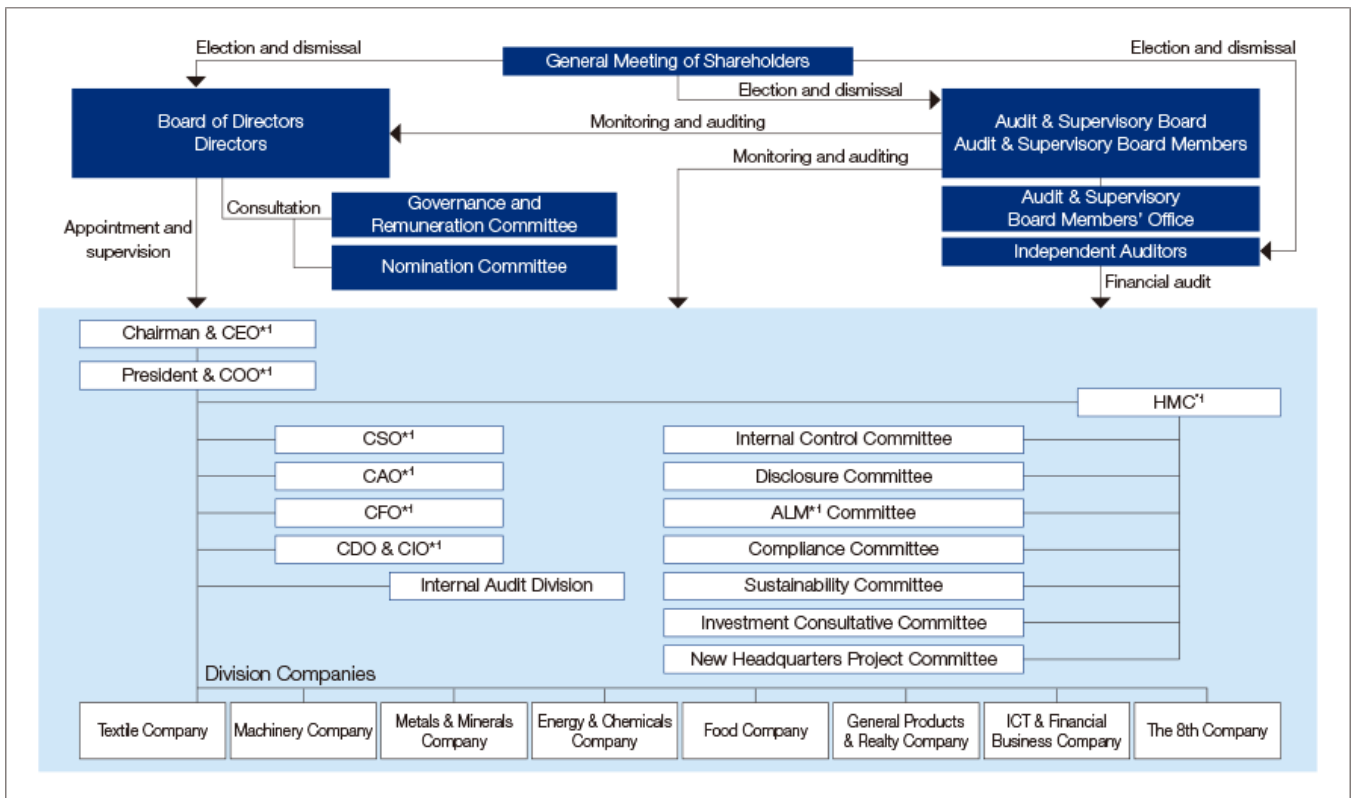
We believe that our current corporate governance structure accords with good and effective corporate governance called for by the Tokyo Stock Exchange, in its Corporate Governance Code. ITOCHU will continue to evaluate and improve its corporate governance structure so that it always best suits ITOCHU in any given moment and time in its corporate history.

# Structures and Systems

## Corporate Governance

1. As the decision-making body, the Board of Directors, consisting of Directors and Outside Directors, is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.
2. Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.
3. ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.
4. The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

### Overview of ITOCHU's Corporate Governance and Internal Control System (As of July 1, 2019)



\*1 HMC=Headquarters Management Committee CEO=Chief Executive Officer COO=Chief Operating Officer  
CSO=Chief Strategy Officer CAO=Chief Administrative Officer CFO=Chief Financial Officer CDO · CIO=  
Chief Digital & Information Officer ALM=Asset Liability Management

\*2 CAO is the chief officer for compliance.

\*3 Each Division Company has a Division Company president.

\*4 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

## Steps Taken to Strengthen Corporate Governance

	Actions Taken	Purpose
1999	<ul style="list-style-type: none"> <li>Introduction of a system of executive officers</li> </ul>	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> <li>Appointment of outside directors (two)</li> </ul>	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> <li>Response to Japan's Corporate Governance Code</li> <li>Establishment of a Nomination Committee and a Governance and Remuneration Committee</li> </ul>	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> <li>Increase in the number of outside directors (from two to three)</li> <li>Reorganization of the Nomination Committee and the Governance and Remuneration Committee (appointing outside directors as chairmen, outside executives account for half or more of members)</li> </ul>	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> <li>Transition to a Board of Directors with a monitoring-focused structure</li> <li>Increasing the ratio of outside directors to at least one-third</li> <li>No directors except one Division Company President appointed to concurrent positions</li> </ul>	Thorough separation of management execution and supervision
2018	<ul style="list-style-type: none"> <li>Transition to a Management Structure with a Chairman &amp; CEO and a President &amp; COO</li> <li>Improve diversity of outside directors</li> <li>Maintain an outside directors' ratio of at least one-third.</li> <li>Discontinue consultant and advisor system</li> </ul>	Maintenance of the Board of Directors' system in response to Internal and external changes
2019	<ul style="list-style-type: none"> <li>Maintain the ratio of outside Directors more than one-third at anytime</li> <li>Further improve the diversity of outside directors</li> <li>Achieve 20% of the ratio of female Directors at the Board of Directors (in addition, two female executive officers (non-directors))</li> </ul>	Further improvement of the Effectiveness of the Board of Directors

## Board of Directors

### Overview

- The Board of Directors, comprising 10 Directors including 4 outside Directors, is chaired by the Chief Executive Officer. The Board of Directors is held, in principle, at least once a month, and it makes decisions on important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and supervises the performance of the Directors. Two of the outside Directors a female, and the average term of overseas assignment period of our internal Directors is 5.5 years (as of 21 June, 2019).
- Each Director carries out functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and the other internal regulations.

### Corporate Governance System

Type of system	Company with the Board of Directors and the Audit & Supervisory Board
Number of Directors (Of which, number of outside Directors)	10(4*)
Number of Audit & Supervisory Board Members (Of which, number of outside Audit & Supervisory Board Members)	5(3)
Term of office for Directors	1 year (the same for outside Directors)
Adoption of an Executive Officer System	Yes
Organization to support CEO decision-making	Headquarters Management Committee (HMC) deliberates on companywide management policy and important issues
Advisory committees to the Board of Directors	Governance and Remuneration Committee, Nomination Committee

\* Two of the outside Directors is female, and the average term of overseas assignment period of our internal Directors is 5.5 years.



## Members of the Board





Name	Current position and responsibility in the Company	FYE 2019 Number of Attendance at Meetings of the Board of Directors	Governance and Remuneration Committee	Nomination Committee
Masahiro Okafuji	Chairman & Chief Executive Officer	17/17 (100%)	○	○
Yoshihisa Suzuki	President & Chief Operating Officer	17/17 (100%)	○	○
Tomofumi Yoshida	Member of the Board, Executive Vice President President, General Products & Realty Company	13/13 (100%) (since his appointment)	-	-
Yuji Fukuda	Executive Vice President CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations	-/- (-%)	-	-
Fumihiko Kobayashi	Member of the Board, Senior Managing Executive Officer Chief Administrative Officer	17/17 (100%)	-	○
Tsuyoshi Hachimura	Member of the Board, Senior Managing Executive Officer Chief Financial Officer	17/17 (100%)	-	-
Atsuko Muraki	Member of the Board	17/17 (100%)	◎	○
Harufumi Mochizuki	Member of the Board	17/17 (100%)	-	◎
Masatoshi Kawana	Member of the Board	13/13 (100%) (since his appointment)	○	-
Makiko Nakamori	-	-/- (-%)	○	-

◎ Chair ○ Member

The ratio of outside directors on the Board of Directors is 40% while the ratio of female directors on the Board of Directors is 20%.

## History of the Board of Directors



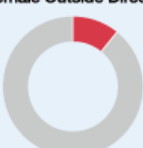

### FYE 2017

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
<b>11</b> 	<b>3</b> 	<b>7%</b> (1 female Outside Director) 	<b>21%</b> 	In addition to the CEO and three officers from headquarters, the Board of Directors included seven directors who were also Division Company Presidents handling the management of individual segments.

P: Division Company President







### FYE 2018

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
<b>5</b> 	<b>4</b> 	<b>11%</b> (1 female Outside Director) 	<b>44%</b> 	Transitioned to a monitoring-focused Board of Directors by drastically reducing the number of executive directors.







### FYE 2019

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
<b>5</b> 	<b>3</b> 	<b>13%</b> (1 female Outside Director) 	<b>38%</b> 	Transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and to respond to rapid changes in the world.



### FYE 2020

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
<b>6</b> 	<b>4</b> 	<b>20%</b> (2 female Outside Directors) 	<b>40%</b> 	Maintain an Outside Directors' ratio of at least one-third. Paying attention to the diversity of the Board of Directors, we increased the number of female Directors (Outside Directors) from one to two, thereby bringing the ratio of women on the Board of Directors to 20%.

Overseas: CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations

## Policy and Process for Appointing Candidates for Directors

In order to effectively supervise management and decide important business matters as the Board of Directors of a general trading company with broad range of business, ITOCHU's Board of Directors consists of, in principle, the Chairman, President, officers in charge of headquarters administrative functions, one appropriate Division Company president, and such several outside Directors that the percentage of outside Directors in our Board of Directors is one-third or more to improve supervisory function of the Board of Directors. In appointing outside Directors, ITOCHU prioritizes candidates with higher independence, based on the criteria for "independent Directors" prescribed by the Tokyo Stock Exchange, and ITOCHU's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members," who with his or her experience and knowledge in the relevant category, are expected to contribute to the management of ITOCHU. Proposal on candidates for Directors is created by the Chairman & CEO taking into consideration diversity such as knowledge, experience, gender and international experience, and submitted to the Nomination Committee for further deliberation before the Board of Directors finally nominates the candidates for election at the General Meeting of Shareholders.

Name	Independent Directors	Reason for Appointment as Outside Director (For Independent Directors, Including Reason for Designation as an Independent Director)
Atsuko Muraki	○	Ms. Muraki is appointed as an outside Director in the anticipation that she will use her wealth of experience and high-level knowledge she accumulated as a government official and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Ms. Muraki qualifies as an independent Director. Accordingly, ITOCHU believes that she is unlikely to have conflicts of interest with general investors, and she has been designated as an independent Director.
Harufumi Mochizuki	○	Mr. Mochizuki is appointed as an outside Director in the anticipation that, based on his wealth of experience and high-level knowledge he accumulated as a government official at the Ministry of Economy, Trade and Industry (and the former Ministry of International Trade and Industry) and his experience as a corporate executive at other entities where he concurrently serves, he will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Mochizuki qualifies as an independent Director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Director.
Masatoshi Kawana	○	Mr. Kawana is appointed as an outside Director in the anticipation that, based on his experience as a doctor at Tokyo Women's Medical University Hospital for many years and as an important post such as the Deputy Director of the same hospital as well as his high level of medical knowledge, he will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Kawana qualifies as an independent Director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Director.
Makiko Nakamori	○	Ms. Nakamori is appointed as an outside Director in the anticipation that, based on her high level expertise regarding finance and accounting as a certified public accountant as well as her extensive experience as a corporate executive, she will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Ms. Nakamori qualifies as an independent Director. Accordingly, ITOCHU believes that she is unlikely to have conflicts of interest with general investors, and she has been designated as an independent Director.

# Remuneration

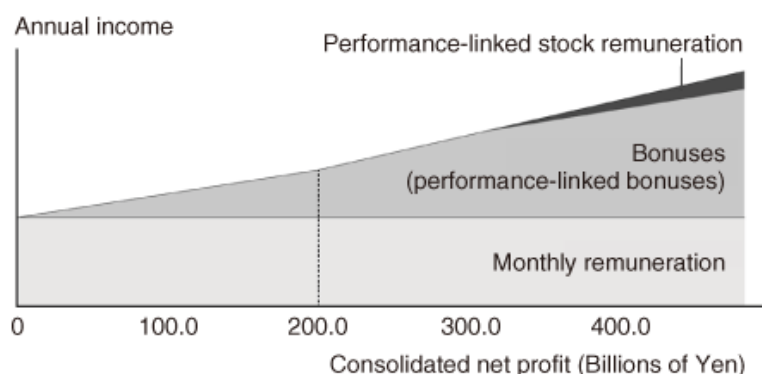
## Corporate Officer Remuneration System

Our current remuneration plan for Directors is designed to be an incentive to grow business performance. Performance-linked bonus has a high proportion of overall remuneration, and his or her remuneration plan, including the calculation method, has been previously disclosed publicly, making it highly transparent. In order to increase awareness of contribution to raising business performance an enlarging corporate value over the medium to long term, we are including stock remuneration as part of the remuneration plan. Our remuneration plan for Directors is resolved at the Board of Directors with consideration of the annual financial plan of each year following the deliberation at the Governance and Remuneration Committee under the Board of Directors as voluntary advisory committees.

Remuneration Plan for Directors for FYE 2020 consists of (1) monthly remuneration, (2) performance-linked bonuses, (3) share price-linked bonuses, and (4) performance-linked stock remuneration (trust type). Of these, (3) share price-linked bonuses is a revision of the market capitalization-linked bonuses, which were introduced in FYE 2019, and the share price-linked bonuses are not designed on the single year base used when the market capitalization-linked bonuses was introduced. The bonus amount is calculated based on the evaluation of the relative growth rate of ITOCHU Corporation's share price during the period of each medium-term management plan versus the growth rate of Tokyo Stock Price Index (TOPIX). The share price-linked bonuses are, like the stock remuneration, also for further strengthening awareness of enlarging corporate value from a medium- to long-term perspective.

Net profit (consolidated) is of high interest on the stock market because it is an easy-to-understand indicator of capital for growth-oriented investment and returns to shareholders and we have an unshakeable belief in its importance as an indicator going forward. In addition, bonuses for employees are linked to net profit (consolidated) so we have net profit attributable to ITOCHU (consolidated) as the linked indicator for performance-linked bonuses ((2), above) and performance-linked stock remuneration ((4), above). Also, regarding share price-linked bonuses ((3), above), as stated above we have the growth rate of ITOCHU Corporation's share price during the period of each medium-term management plans as the linked indicator, but for the calculation of the growth rate of the share price, we use the simple average of the final price for each fiscal year.

### Remuneration image of Directors (excluding Outside Directors)



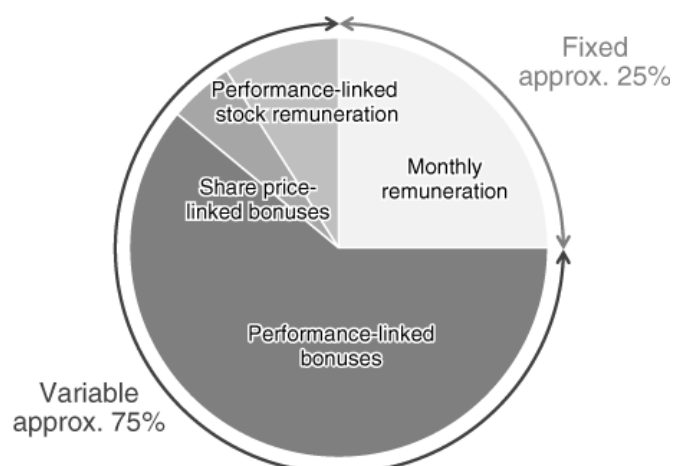
\* Excluding share price-linked bonuses

Type of remuneration	Details	Fixed / Variable	Remuneration limits	Resolution at General Meeting of Shareholders
(1) Monthly remuneration	Determined according to factors that include degree of contribution to ITOCHU Corporation, based on a standard amount for each position	Fixed	¥0.8 billion per year as total amount of monthly remuneration (of that amount, ¥0.1 billion per year for Outside Directors)	June 21, 2019
(2) Performance-linked bonuses	Total amount of payment is determined based on net profit (consolidated), and the each individual payment amount is determined in relation to the position points for the Director	Variable (single year)	¥2.0 billion per year as the total amount of bonus * Not paid to Outside Directors	
(3) Share price-linked bonuses	Bonus amount is calculated based on an evaluation of the relative growth rate of ITOCHU Corporation's share price during the period of the medium-term management plan versus the growth rate of TOPIX*1			
(4) Performance-linked stock remuneration	Total payment amount is determined based on net profit (consolidated), and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonus*2	Variable (medium- to long-term)	The amounts below are limits for two fiscal years, for Directors and Executive Officers <ul style="list-style-type: none"> <li>● Limit on contribution to trust by ITOCHU Corporation: ¥1.5 billion</li> <li>● Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share)</li> </ul> * Not paid to Outside Directors	June 24, 2016

\*1 The bonus amount for each fiscal year is calculated based on the growth rate of ITOCHU Corporation's share price and the growth rate of TOPIX in each fiscal year, and then the share price-linked bonuses are calculated at the end of the medium-term management plan by totaling the bonus amount for each fiscal year during the period of the management plan. The share price-linked bonuses are paid after each officer retires.

\*2 Regarding stock remuneration, officers are granted points each year during their terms of office, and when the officers retire, stock remuneration corresponding to the accumulated number of points is paid at one time from a trust.

#### Remuneration composition ratios image of Directors (excluding Outside Directors)



\* In the case of net loss (consolidated), Directors will receive neither performance-linked bonuses nor performance-linked remuneration

## — Formulas for Performance-linked Bonuses and Stock Remuneration

### Performance-linked bonuses

Director performance-linked bonuses for FYE 2020 will be paid in amounts calculated according to the methods described below, following the conclusion of the 96th Ordinary General Meeting of Shareholders.

#### a. Total amount paid to all Directors:

The total amount paid to all Directors shall be the lesser of the sum of the amount paid to an individual Director in b. below or ¥2.0 billion.

#### b. Amount paid to an individual Director

The formula to calculate the amount paid to an individual Director is below:

Total base amount paid to all Directors=(A+B+C) x Sum of Position points for all the eligible Directors/55

Where:

A=(Consolidated net profit attributable to the Company for FYE 2020 for the portion up to ¥200.0 billion) x 0.35%

B=(Consolidated net profit attributable to the Company for FYE 2020 for the portion more than ¥200.0 billion but up to ¥300.0 billion) x 0.525%

C=(Consolidated net profit attributable to the Company for FYE 2020 for the portion exceeding ¥300.0 billion) x 0.35%(amount less than ¥1 shall be rounded down)

### Share price-linked Bonuses

By resolution of Board of Directors held on 2 February 2018 and for the purpose of the incentive towards increasing the Company's corporate value, ITOCHU introduced Market Capitalization-linked Bonuses structure which is linked to the increased amount of the Company's market capitalization as compared to the last fiscal year. In order to further strengthen awareness of enhancing corporate value from a medium- to long-term perspective, the following changes were made, and the name was changed from market capitalization-linked bonus to share price-linked bonus:

- Changed a design based on the medium-term business plan (3 years) rather than on a single year
- Changed a linked indicator from market capitalization to stock price in order to better align with shareholders
- In order to secure fairness, included an index relative to the absolute amount

For Share price-linked bonuses, the bonus amount for individual director is calculated for each fiscal year based on the following specific calculation formula for individual payment amounts, and when the director retires or when, in the case of taking on the position of executive officer after retirement of the director, the executive officer retires, such amount will be paid.

#### a. The First Fiscal Year for the Medium-Term Management Plan

$$\left[ \left( \frac{\text{Average of Daily Closing Price of the Company ("Average of Daily Closing Price") in the First Fiscal Year of the Medium-Term Management Plan}}{\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan}} \right) - 1 \right] \times 1,300,000 \times (\text{Points assigned to each Director according to the position ("Position Point")} / 108.8 \text{ points} \times \text{Relative Stock Price Growth Rate}^{*1})$$

\*1 Relative Stock Price Growth Rate = 
$$\frac{\text{Average of Daily Closing Price in the First Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}}{\text{Simple average of daily TOPIX}^{*2} \text{ in the First Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan}}$$

\*2 TOPIX = Tokyo Stock Price Index, the principal index consisting of all Japanese common stocks listed on the First Section of Tokyo Stock Exchange.

## **b. The Second Fiscal Year of Medium-Term Management Plan**

$[(\text{Average of Daily Closing Price in the Second Fiscal Year of the Medium-Term Management Plan}) - (\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan})] \times 1,300,000 \times (\text{Total Position Points in the First and Second Fiscal Year}) / (108.8 \text{ points} \times 2(\text{years})) \times \text{Relative Stock Price Growth Rate}^{*3} - (\text{share price-linked bonus calculated in the above a.}).$

\*3 Relative Stock Price Growth Rate =  $(\text{Average of Daily Closing Price in the Second Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}) / (\text{Simple average of daily TOPIX of the Second Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan})$

## **c. The Final Fiscal Year of Medium-Term Management Plan**

$[(\text{Average of Daily Closing Price in the Final Fiscal Year of the Medium-Term Management Plan}) - (\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan})] \times 1,300,000 \times (\text{Total Position Points in the First, Second and Final Fiscal Year}) / (108.8 \text{ points} \times 3(\text{years})) \times \text{Relative Stock Price Growth Rate}^{*4} - (\text{share price-linked bonus calculated in the above a.} + \text{share price-linked bonus calculated in the above b}).$

\*4 Relative Stock Price Growth Rate =  $(\text{Average of Daily Closing Price in the Final Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}) / (\text{Simple average of daily TOPIX of the Final Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan})$

The Position Points assigned to each position are same as those applied for performance-linked bonuses.

The share price-linked bonuses together with performance-linked bonuses are paid to the eligible Directors within the Director bonuses limit of ¥2.0 billion.

(If the amount of performance-linked bonus and share price-linked bonus based on the above formula exceeds 2.0 billion yen, the performance-linked bonus is preferentially allocated to the limit amount)

## **Performance-Linked Stock Remuneration Plan**

By resolution at the 92nd Ordinary General Meeting of Shareholders held on 24 June 2016, ITOCHU introduced the performance-linked stock remuneration plan (the "Stock Remuneration Plan") and, by resolution of the Board of Directors held on 2 May, 2018, we continue this plan from FYE 2019.

- Under this plan, in June of every year during the trust period, Directors who served as Directors from 1 July of the previous year to the last day of June of the said year are granted as points based on performance in the fiscal year that ended on 31 March of said year and in accordance with the number of months of service during that period.
- The method of calculating the number of points granted to Directors (excluding outside Directors) in FYE 2020 is described below. One point corresponds to one share in ITOCHU, and amounts of less than one point are discarded.

$\text{Points} = \text{Individual stock remuneration amount}^{*1} / \text{Average acquisition stock price of ITOCHU shares in the trust}^{*2} \times \{(\text{Number of months of service from July, the beginning month of the applicable period of payment, to June of the following year (rounding up fractions of less than one month)}) / 12\}$  (rounding down fractions)

\*1 The individual stock remuneration amount is calculated on the basis of the total stock remuneration amount, which is calculated as indicated below.

### **a. Total stock remuneration amount**

(the amount of consolidated net profit attributable to ITOCHU for FYE 2020 - ¥300.0 billion  $\times$  0.175%  $\times$  Sum total of Position Points of eligible Directors / 55 (rounding up fractions of less than ¥1)

### **b. Individual stock remuneration amount**

= Total stock remuneration amount  $\times$  Position Points of Director / Sum total of Position Points of Directors (rounding down fractions less than ¥1,000)

Position Points for each Director are the same as the number used for calculating Director bonuses.

\*2 In the event that the trust period has been extended, this is the average acquisition stock price of ITOCHU shares that were acquired by the Trust in accordance with the extension of the trust period. (However, if no ITOCHU shares are acquired by the trust in accordance with the extension of the trust period, then this is the closing stock price of ITOCHU shares on the market of Tokyo Stock Exchange on the first day of the extended trust period).

- Points to be granted to executive officers (excluding those serving concurrently as Directors) in June of each year will be calculated using the similar method as points for Directors.
- As the Stock Remuneration Plan, ITOCHU has adopted a framework called "Board Incentive Plan Trust (BIP)" ("BIP Trust"). The BIP Trust is a stock incentive plan for executives based on the performance share and restricted stock plans in the United States. ITOCHU will conduct delivery and payment of ITOCHU shares acquired by the BIP Trust and an amount of money equivalent of the conversion value of said shares ("ITOCHU Shares, etc."), together with dividends derived from ITOCHU shares, to Directors, etc. following retirement from office (or after death in the event of the death of a Director, etc.; the same applies hereinafter), based on performance, etc.

#### Outline of the Stock Remuneration Plan is as follows:

- (1) Persons entitled to receive Stock Remunerations: Directors and executive officers of ITOCHU (excluding outside Directors and those who are non-residents of Japan, as of June, 2019, the numbers of the Directors applicable is 5 and of the executive officers not being Director is 17)
- (2) Maximum amount of money contributed by the Company to the Trust: a total of ¥1.5 billion for 2 fiscal years
- (3) Method for the acquisition of shares by the Trust: Scheduled to be acquired on the stock market (thus no dilution of shares in anticipated)
- (4) Upper limit on the number of shares to be acquired by Directors, etc.: For the trust period, with an applicable period of 2 fiscal years, the upper limit will be 1,300,000 points (an average of 650,000 points per year)
- (5) Performance Index under the Stock Remuneration Plan: Consolidated net profit attributable to the Company (upon which the amount of total stock remuneration will be calculated).
- (6) Timing of delivery of shares: After retirement from office
- (7) Voting rights concerning share in the Trust: Will not be exercised in order to ensure neutrality toward management

## — Compensation Paid to Directors

Details of the compensation paid to Directors of the Company in FYE 2019 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Directors (Outside Directors)	10 (5)	1,779 (48)	<b>(1)</b> Monthly remuneration: ¥493 million <b>(2)</b> Bonuses for FYE 2019: ¥1,000 million <b>(3)</b> Special Bonuses for FYE 2019: ¥113 million <b>(4)</b> Stock Remuneration for FYE 2019: ¥173 million



Name, position and amount of compensation paid to Directors receiving compensation of ¥100 million or more during FYE 2019, are follows.

Name	Category	Monthly Remuneration	Bonus	Special Bonus	Stock Remuneration	Total
Masahiro Okafuji**	Director	¥153 million	¥334 million	¥38 million	¥63 million	¥589 million
Yoshihisa Suzuki	Director	¥95 million	¥251 million	¥29 million	¥42 million	¥417 million
Tomofumi Yoshida	Director	¥55 million	¥147 million	¥16 million	¥19 million	¥238 million
Fumihiko Kobayashi	Director	¥76 million	¥134 million	¥15 million	¥25 million	¥250 million
Tsuyoshi Hachimura	Director	¥65 million	¥134 million	¥15 million	¥24 million	¥238 million

(Rounded to nearest million yen)

\* The remuneration paid to Directors (excluding outside Directors) in FYE 2019 comprised monthly remuneration, performance-linked bonuses, special bonuses, and performance-linked stock remuneration for Directors (Board Incentive Plan Trust). Monthly remuneration is determined by the contribution to ITOHU of each Director according to a base amount set by position, and the total amount of performance-linked bonuses is determined on the basis of consolidated net profit attributable to ITOCHU. (\*\*) Monthly remuneration includes housing allowance.

## Evaluation as of the Effectiveness of the Board of Directors

ITOHU conducted the evaluation as to the effectiveness of the Board of Directors targeting Directors and Audit & Supervisory Board Members in FYE 2019.

As a result of this evaluation, in terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision and training, the Board of Directors of ITOCHU confirmed that the effectiveness of the Board of Directors was secured.

According to the external consultant, it is evaluated that (1) the score has improved in the majority of the questionnaires, (2) the Chairman of the Board of Directors as well as the secretariat cooperate with outside Directors to improve the governance and realize more efficient and high-density operation of the Board of Directors and (3) the objectivity, independence and transparency of the advisory committees to the Board of Directors have been improved due to the efforts of both inside Directors and outside Directors.

As to the operation of the Board of Directors based on the transition to "Monitoring-Focused Structure" which we recognized as an issue as a result of the previous evaluation of the Board of Directors, it was opined that the more agenda such as the mid-term management plan review after announcement, internal control and compliance were certainly discussed, but we should more timely discuss the vision and strategy of the specific business area. We will discuss what should be discussed at the Board of Directors based on the opinion from the outside Directors. As to the enhancement of reporting to the Board of Directors the deliberations of the advisory committees which we also recognized as an issue as a result of the previous evaluation, we resolved at the Board of Directors what the Nomination Committee should discuss about the succession plan and how the discussion thereof should be reported to the Board of Directors, and we will follow the resolution.

Based on the results of this evaluation of the Board of Directors, we will continue to maintain and improve the effectiveness of the Board of Directors.

For your reference, please see the result in our website at:

[https://www.itochu.co.jp/en/files/board\\_evaluation\\_2018e.pdf](https://www.itochu.co.jp/en/files/board_evaluation_2018e.pdf)

## Advisory Committees

### Advisory Committees to the Board of Directors

Name	Function/Activities
Governance and Remuneration Committee	Deliberates and advises on proposals related to remuneration system for Directors and executive officers and other matters on corporate governance.
	This committee was held for four (4) times with the participant of all members, and the remuneration plan for Directors, evaluation as to the effectiveness of the Board of Directors and the measures required to Japan's Revised Corporate Governance Code were deliberated therein.
Nomination Committee	Deliberates and advises on proposals related to nomination and dismissal of executive officers, nomination of candidates for Directors and Audit & Supervisory Board Members, dismissal of Directors and Audit & Supervisory Board Members, and appointment and dismissal of responsible Directors and officers.
	This committee was held for four (4) times with the participant of all members (except one absence of Mr. Uryu), and the measures required to Japan's Revised Corporate Governance Code, and the executive management appointment, and the plan for the successor were deliberated therein.

### Composition of the Governance and Remuneration Committee and the Nomination Committee (As of July 1, 2019)

Name	Title	Governance and Remuneration Committee	Nomination Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director		○
Atsuko Muraki	Outside Director	◎ (Chair)	○
Harufumi Mochizuki	Outside Director		◎ (Chair)
Masatoshi Kawana	Outside Director	○	
Makiko Nakamori	Outside Director	○	
Kiyoshi Yamaguchi	Audit & Supervisory Board Member		○
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member	○	
Shingo Majima	Outside Audit & Supervisory Board Member		○
Kentaro Uryu	Outside Audit & Supervisory Board Member		○
Kotaro Ohno	Outside Audit & Supervisory Board Member	○	
		(7 members)	(8 members)

# Corporate Auditors and the Audit & Supervisory Board

## Overview

Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings to hear from Directors etc. about the status of the execution of their duties in accordance with the "Audit and Supervisory Board Regulations," "Auditors' Auditing Standards" the policy on auditing and the division of responsibilities as specified by the Audit & Supervisory Board.

In addition, each auditor views important documents approved by management, etc., investigates the operations and assets at Headquarters and other key offices, requests subsidiaries to report on their businesses as required, and strictly audits the execution of duties of Directors and executive officers.

Furthermore, a council comprising internal Audit & Supervisory Board Members of key group companies has been established as part of the activities conducted to focus on cooperating with the Audit and Supervisory Board Members of consolidated group companies. Mr. Shingo Majima, Auditor, is qualified as a certified public accountant in Japan and United States of America, and has adequate knowledge and experience in the fields of finance and accounting. In addition, Mr. Kentaro Uryu and Mr. Kotaro Ohno, both Audit & Supervisory Board Members, are qualified as a lawyer in Japan and have adequate knowledge and experience in the field of law.

## Members of the Audit & Supervisory Board

The Audit & Supervisory Board is comprised of 2 internal Audit & Supervisory Board Members and 3 non-executive Audit & Supervisory Board Members (outside auditors). The Audit & Supervisory Board Members are to oversee the performance of the Directors based on the "The Audit & Supervisory Board Regulations" and "Auditors' Auditing Standards."

Name	Position in the Company	FYE 2019 Number of Attendance at Meetings of the Board of Directors	FYE 2019 Number of Attendance at Meetings of the Audit & Supervisory Board	Governance and Remuneration Committee	Nomination Committee
Kiyoshi Yamaguchi	Full-time Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	-	○
Shuzaburo Tsuchihashi	Full-time Audit & Supervisory Board Member	13/13 (100%) (since his appointment)	9/9 (100%) (since his appointment)	○	-
Shingo Majima	Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	-	○
Kentaro Uryu	Audit & Supervisory Board Member	16/17 (94%)	13/13 (100%)	-	○
Kotaro Ohno	Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	○	-

## Policy and Process for Appointing Candidates for Audit & Supervisory Board Members

As Audit & Supervisory Board of a sogo-shosha with broad range of business, for effective monitoring and audit, candidates for Audit & Supervisory Board Members are selected from those with understanding about ITOCHU's management and with high expertise and extensive experience in the relevant area such as accounting, finance, legal and risk management. Among Audit & Supervisory Board Members, half or more of the members always consist of outside Audit & Supervisory Board Members. In appointing outside Audit & Supervisory Board Members, ITOCHU prioritizes candidates with higher independence, based on the criteria for "independent Directors" prescribed by the Tokyo Stock Exchange, and ITOCHU's own independence criteria who are expected to effectively monitor and audit ITOCHU's activities. In addition, ITOCHU selects at least one member with adequate expertise in finance and accounting. Candidates for Audit & Supervisory Board Members are selected by the Chairman & CEO after the discussion with the executive Audit & Supervisory Board Member and submitted to the Nomination Committee for further deliberation before the Board of Directors (with consent of the Audit & Supervisory Board) finally nominates the candidates for election at the General Meeting of Shareholders.

Name	Reason for Appointment as Outside Audit and Supervisory Board Member (For Independent Auditors, Including Reason for Designation as an Independent Auditor)
Shingo Majima	Mr. Majima is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise on finance and accounting as a certified public accountant. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Majima qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.
Kentaro Uryu	Mr. Uryu is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his high level of expertise in law and extensive experience as an attorney-at-law for many years. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Uryu qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.
Kotaro Ohno	Mr. Ohno is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his advanced specialized knowledge in law and the extensive experience he accumulated while serving in important positions at the Ministry of Justice, including Vice-Minister of Justice, Superintending Prosecutor of Tokyo High Public Prosecutors Office and Prosecutor-General. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Ohno qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.

## Compensation Paid to Audit & Supervisory Board Members

Details of the compensation paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2019 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Corporate auditors (Outside Audit & Supervisory Board Members)	6 (3)	115 (43)	Only monthly remuneration

(Rounded to nearest million yen)

Maximum compensation paid to all Audit & Supervisory Board Members:

¥13 million per month (resolved at General meeting of Shareholders on 29 June, 2005, as of the date hereof, the numbers of the Audit & Supervisory Board Members applicable is 5)

## Principal Internal Committees

Name	Committee Chairman	Objectives
Internal Control Committee	CAO	Deliberates on issues related to the development of internal control systems
Disclosure Committee	CFO	Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee	CFO	Deliberates on issues related to risk management systems and balance sheet management
Compliance Committee	CAO	Deliberates on issues related to compliance
Sustainability Committee	CAO	Deliberates on issues related to sustainability and ESG, including environmental problems and social contribution initiatives, excluding governance related issues
Investment Consultative Committee	CFO	Deliberates on issues related to investment and financing
New Headquarters Project Committee	CAO	Deliberates on issues related to New Headquarters Project

## Checking and Balancing System by the Independent Executives

### Performance of the Independent Executives

In July 2018, the Japan Fair Trade Commissions issued a cease and desist order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to ITOCHU regarding its sales of uniforms to ALL NIPPON AIRWAYS CO., LTD. up until FYE 2017. Also, in October 2018, the Japan Fair Trade Commissions issued a cease and desist order and surcharge payment order (amount of surcharge to be paid: ¥4.29 million) to ITOCHU for illegal acts under the Antimonopoly Act regarding the supply of uniforms to NTT DOCOMO, INC. up until that same year. Each of these matters is, like its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION regarding which the cease and desist orders were issued by the Japan Fair Trade Commissions in January and February 2018 to ITOCHU, a matter regarding our uniforms sales operations up until FYE 2017, and in the process of formulating and carrying out measures to prevent recurrence we stopped illegal activities ourselves before the start of the Japan Fair Trade Commission's investigation. Each of outside Directors Ms. Atsuko Muraki, Mr. Harufumi Mochizuki and Mr. Masatoshi Kawana and each of outside Audit and Supervisory Board Members Mr. Shingo Majima, Mr. Kentaro Uryu, and Mr. Kotaro Ohno has continually made statements in Board of Directors meetings concerning the importance of legal compliance, and, after the incident became known, conducted proactive advocacy concerning the further enforcement of legal compliance in ITOCHU and the Group, as well as measures to prevent recurrence of incidents, including the development of internal rules for compliance with the Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. They perform continuous checking of these initiatives to strengthen our compliance systems.

# Internal Control System

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On April 19, 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System, which was most recently partially revised as of May 6, 2016. ITOCHU intends to revise and improve the internal control system tirelessly in order to build a system that is even more appropriate and efficient.

## Basic Policy Regarding the Internal Control System

- 1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

### Corporate Governance

- (1) As the decision-making body, the Board of Directors, consisting of Directors and Outside Directors, is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.
- (2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.
- (3) ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.
- (4) The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

### Compliance

- (1) Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct.
- (2) ITOCHU is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

### Internal Control to Ensure Reliability of Financial Reporting

- (1) ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of CFO to ensure the reliability of financial reporting.
- (2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the development and implementation status of the internal control systems to ensure the reliability of financial reporting.

### Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President and Chief Executive Officer. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

## — 2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Shareholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, the Company will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

## — 3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

## — 4. System to Ensure Efficient Performance of Directors

### **The HMC and Other Internal Committees**

The HMC as a supporting body to the President and Chief Executive Officer, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President and Chief Executive Officer and the Board of Directors.

### **Division Company System**

Under the Division Company System, the position of Division Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

### **Clearly Define the Scope of Authority and Responsibilities**

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

## — 5. System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)

### **Subsidiary Management and Reporting System**

- (1) ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU is to send directors and corporate auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.
- (2) With respect to subsidiaries that ITOCHU owns indirectly through its directly-owned subsidiaries, ITOCHU is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.
- (3) With respect to important matters on the management of subsidiaries, ITOCHU is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

## **Rules and Other Systems to Manage the Risk of Loss at Subsidiaries**

ITOCHU is to identify the subsidiaries which shall be subject to ITOCHU's Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU is to periodically review the effectiveness of such Group-wide management system.

### **System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries**

ITOCHU is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU.

### **System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation**

- (1) In principle, ITOCHU is to send directors and corporate auditors to each subsidiary and strive to ensure that the performance of duties of directors, etc. and employees of a subsidiary complies with laws and regulations and the Articles of Incorporation of such subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU.
- (2) ITOCHU is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.
- (3) All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

#### **6. Matters Concerning Supporting Personnel to Corporate Auditors, Independence of Such Personnel from the Directors and Ensuring the Effectiveness of Instructions to Such Personnel**

ITOCHU is to establish the Corporate Auditors' Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the corporate auditors. The supervisory authority over such employees is to belong exclusively to the corporate auditors, and evaluation of such employees is to be carried out by the corporate auditor designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such corporate auditor.

#### **7. System for Reporting by Directors and Employees to Corporate Auditors**

##### **Attendance at Important Meetings**

The corporate auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the corporate auditors are to have the right to inspect all relevant materials.

##### **Reporting System**

- (1) The directors and corporate officers are to regularly report to the corporate auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors and corporate officers are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the corporate auditors immediately after such decisions are made.
- (2) Employees are to have the right to report directly to the corporate auditors any matters that could cause serious damage to ITOCHU.
- (3) In the "ITOCHU Group Compliance Program," ITOCHU is to explicitly prohibit disadvantageous treatment of directors and employees who have reported to the corporate auditors and to ensure thorough familiarization with this prohibition.



## — 8. System for Reporting by Directors, Corporate Auditors and Employees of Subsidiaries or by a Person who Received a Report from Them to Corporate Auditors

### **Reporting System**

- (1) The directors and corporate auditors of subsidiaries may report directly to the corporate auditors of ITOCHU any matters that could cause serious damage to the said subsidiary.
- (2) A department that oversees compliance is to periodically report to the corporate auditors of ITOCHU a summary of matters that could cause serious damage to a subsidiary that were reported by the officers and employees of the said subsidiary.
- (3) In the "ITOCHU Group Compliance Program," ITOCHU is to explicitly prohibit disadvantageous treatment of persons who have reported to the corporate auditors under the provisions listed above and to ensure full familiarization with this prohibition.

## — 9. Matters Concerning Policy on Procedures for Prepayment or Refund of Expenses Arising in Relation to Performance of Duties of Corporate Auditors and Processing of Expenses or Obligations Arising in Relation to the Performance of Other Duties

When a corporate auditor claims prepayment, etc. from ITOCHU in relation to the performance of duties under Article 388 of the Companies Act, ITOCHU is to process the relevant expense or claim promptly upon confirmation by the responsible department.

## — 10. Other Relevant Systems to Ensure the Proper Functioning of Audits

### **Coordination with the Corporate Auditors by the Audit Division**

The Audit Division is to maintain close communication and coordination with the corporate auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

### **Retaining External Experts**

When deemed necessary, the corporate auditors are to independently retain outside experts for the implementation of an audit.

## **Overview of the Operational Status of Internal Control System**

For the proper operation of internal control systems, ITOCHU has adopted a system by which it further segments items stipulated by the Basic Policy into more detailed confirmatory items in respect of each fiscal year, and, after setting the department in charge of each of these confirmatory items, conducts checks of the construction and the operational status of internal control systems by each department (and by other related internal committees) at the Internal Control Committee meetings held each half year. As of FY2020, the Internal Control Committee is chaired by Chief Administrative Officer with the Corporate Planning & Administration Division as secretariat, and consists of Chief Financial Officer, General Manager of Internal Audit Division, and an external expert (attorney) as members. Corporate Auditors also attend and voice opinions every time.

At its meetings, the Internal Control Committee verifies the content of checklists summarizing achievement status, issues, etc. for each of the above confirmatory items, as submitted by the departments in charge of each. It also confirms the construction and operational status of internal control systems by verifying the content of individual reports from the departments in charge, with respect to important matters such as systems to ensure the reliability of financial reporting, compliance systems, systems to manage the risk of losses, and the construction and operational status of internal control systems in the ITOCHU Group. The results of deliberations by the Internal Control Committee are reported twice per year to the HMC and the Board of Directors, the latter of which conducts a full-year evaluation of the construction and operational status of internal control systems.

Regarding the meetings of main internal committees related to internal control in FY2019, the Internal Control Committee met 2 times, the Compliance Committee 2 times, and the ALM Committee 8 times.

ITOCHU's internal control systems are constructed on the base of the ITOCHU Group, consisting of ITOCHU Corporation and its subsidiaries, and the operational status of the Group base internal control systems, and the construction and operational status of internal control systems in subsidiaries, are reported regularly to the Internal Control Committee.

ITOCHU intends to revise and improve these internal control systems tirelessly in order to build systems that are even more appropriate and efficient. Further, a meeting of the Board of Directors convened on April 18, 2019 evaluated the development and implementation status of each item enumerated in the Basic Policy regarding the Internal Control System for FY2019 and confirmed that there were no significant deficiencies or defects.

## Initiatives to Further Enhance the Reliability of Financial Reporting

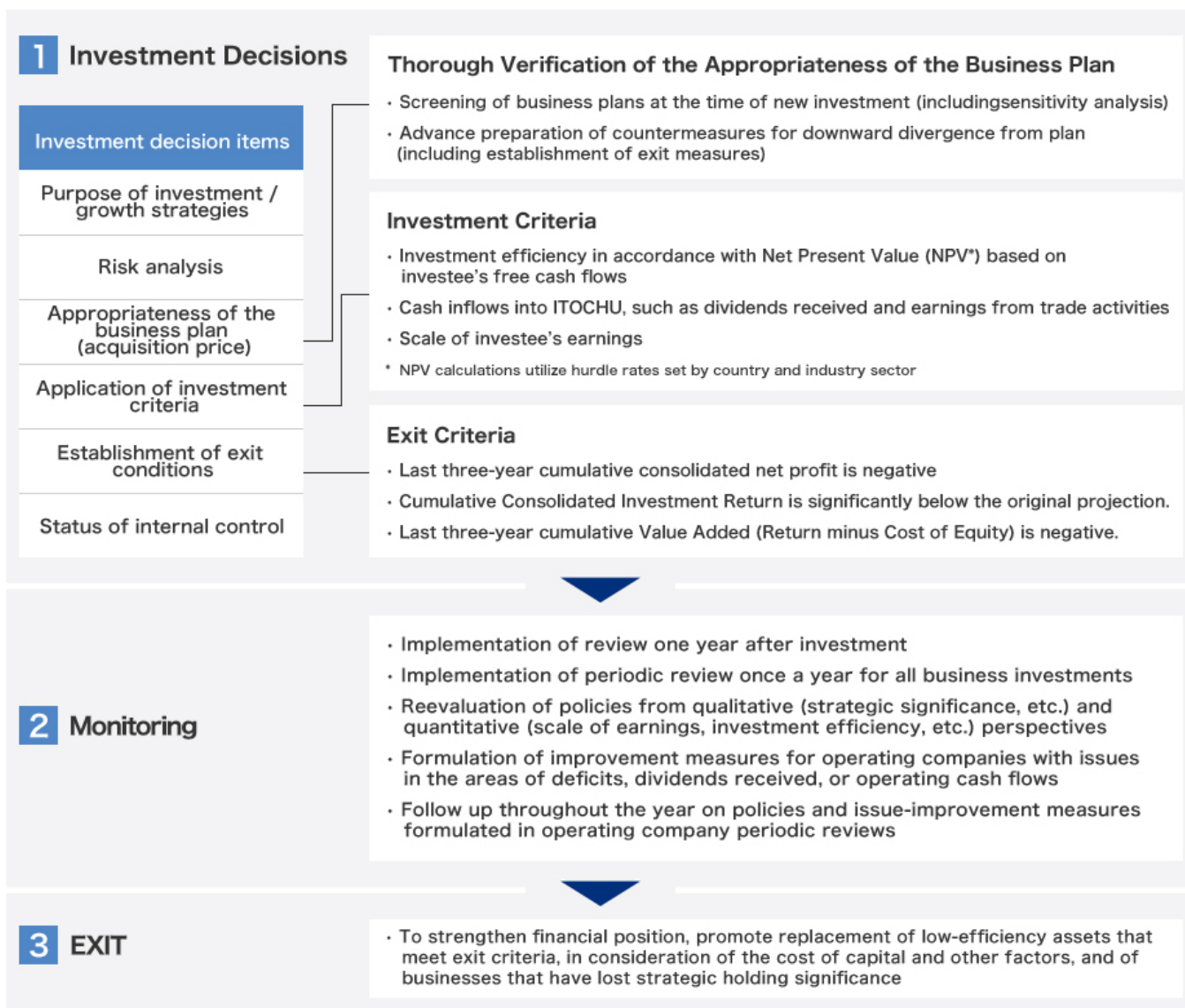
We have established an internal system in order to further enhance the reliability of our consolidated financial reporting. The designing and implementing of internal control are periodically assessed to keep making appropriate improvements. Specifically, a Chief Responsible for Internal Control has been appointed in each organization to design and implement internal control. The Internal Audit Division evaluates the effectiveness of internal control and provides feedback to each organization to ensure the continuous improvement. Overall management of these initiatives is conducted by the Internal Audit Division, and important matters are determined through deliberations in the Disclosure Committee chaired by the CFO. In this way, we are working to reinforce the companywide internal control system.

## Strengthening Risk Management on a Group Basis, Including Subsidiaries

ITOCHU has established internal committees and responsible departments in order to address the various risks associated with the Group's business operations, such as market risk, credit risk, country risk, and investment risk. At the same time, on a Group basis ITOCHU has developed the risk management systems and methods to manage various risks individually and on a companywide basis.

Those include a range of management regulations, investment criteria, risk exposure limits, and transaction limits, as well as reporting and monitoring systems. Moreover, ITOCHU regularly reviews the effectiveness of its risk management systems. As part of such efforts, the ALM Committee protects the ITOCHU Group's assets through deliberations on Group balance sheet management as well as analysis and management of risk.

### Process for Investments



## ■ Managing Concentrated Risks

We also manage overall country risk exposure to non-industrialized countries and manage individual country risk based on internal country rating standards. Country limits are deliberated by the Asset Liability Management (ALM) Committee and approved by the HMC.

## ■ Business Continuity Plan


ITOCHU Corporation has formulated, and is regularly reviewing, a Business Continuity Plan (BCP) to ensure that important business will not be interrupted, or when interrupted, the interruption shall last for only a short period, when unforeseen circumstances such as natural disasters, large earthquakes, epidemics of infectious diseases, terrorist attacks, etc. occur. We have formulated a plan for the event of a large-scale disaster. We have divided our response into four stages from BCP invocation to complete recovery – (1) initial recovery, (2) BCP invocation, (3) business restoration and (4) complete recovery. We have stipulated those who will give orders and the matters that will be dealt with for each of these stages. The formulation of a BCP is targeted to the ITOCHU Group as a whole, and is formulated separately for each business segment and function section.

When the Great East Japan Earthquake occurred in March 2011, we set up headquarters based on BCP, and quickly confirmed the safety of our employees and established a support system for the Tohoku branch. Although the Tohoku branch suffered great damage, we were able to take the necessary measures. Additionally, we also examined supporting measures for group companies, business partners, municipalities, etc., and carried them out accordingly.

# Risk Management

## Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Maintaining and reinforcing a governance system for achieving sustainable growth	Risk management	We will build a system for group risk management and maintain it to manage the risk of loss and ensure the appropriateness of our corporate group's operations.	Conduct regular reviews of risk management systems that have been established, including internal committees and risk management departments, various rules and regulations, reporting and monitoring systems, as well as the effectiveness of such systems.	Maintain a firm governance system in the medium- and long-term by establishing a PDCA cycle, including development and implementation of action plans by the departments responsible for risk management, and monitoring and reviews by internal committees.	<ul style="list-style-type: none"> <li>Each functional department responsible for risk management has reviewed the state of progress of the action plans for the first half of FYE 2019. The Global Risk Management Division has compiled information on the risk management system—including handling of events that occurred within the relevant period—to the effect that it is functional. The Division reported this to the October 2018 Internal Control Committee, which has acknowledged the report.</li> <li>Moreover, the Division plans to report to the same committee, when it is held in the first half of FYE 2020, concerning the review of the latter half of FYE 2019 and the FYE 2020 action plan.</li> </ul>

## Policy and Basic Concept

The ITOCHU Group is exposed to various risks due to its wide range of business natures, such as market, credit, and investment risks. These risks include unpredictable uncertainties and may have significant effects on the Group's future financial position and business performance.

We acknowledge risk management as a key management issue. Therefore, we have established our basic risk management policy and develop necessary risk management systems and techniques based on the concept of the COSO-ERM framework. Specifically, we have defined the following 18 risks as major risks\* and are responding to them by building information management and monitoring systems at each department responsible for managing these risks on a consolidated basis. In addition, we periodically review the effectiveness of management systems through our internal committees. Moreover in accordance with the medium-term management plan, we conduct risk assessments across the company to reevaluate the risks we are currently aware of and identify risks comprehensively.

### \*Major Risks

1. Compliance Risks
2. Legal Risks (Excluding Compliance Risks)
3. Risks Associated with Trade Security Policy Management
4. Risks Associated with Customs
5. Country Risks
6. Commodity Price Risks (Specific, Important Product)
7. Credit Risks
8. Investment Risks
9. Stock Price Risks
10. Foreign Exchange Rate Risks
11. Interest Rate Risks
12. Financing Risks
13. Information System Risks
14. Information Security Risks
15. Labor Management Risks
16. Human Resources Risks
17. Risks Associated with the Appropriateness of Financial Reporting
18. Risks Associated with Internal Control

# Structures and Systems

We established the Principal Internal Committee (Internal Control Committee, Disclosure Committee, ALM Committee, Compliance Committee, Sustainability Committee, Investment Consultative Committee) as the subordinate organization of HMC and has established and maintained a system to report and discuss individual projects and internal systems related to risks in various fields.

Overview of ITOCHU's Corporate Governance and Internal Control System (P166)

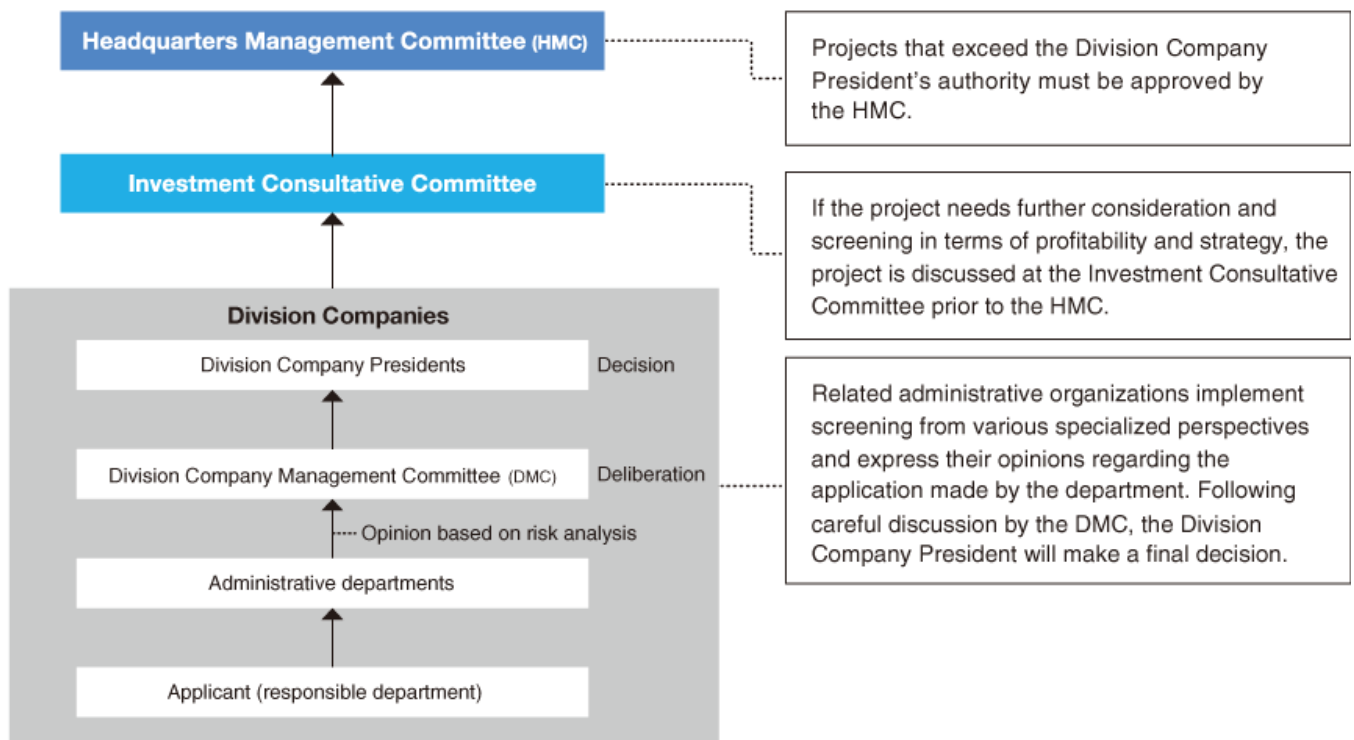
## Business Investment

### Fundamental Approach

Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize our corporate value and to expand trade and dividends received through the full utilization of our Groupwide capabilities. With larger-scale investments and increases in acquisition prices in recent years, we are rigorously screening the appropriateness of the business plan and acquisition price when we invest. For existing investments, to increase investment earnings and to exit quickly from low-efficiency assets, we are further strengthening monitoring procedures, centered on instituting more rigorous exit criteria and thoroughly implementing periodic investment review.

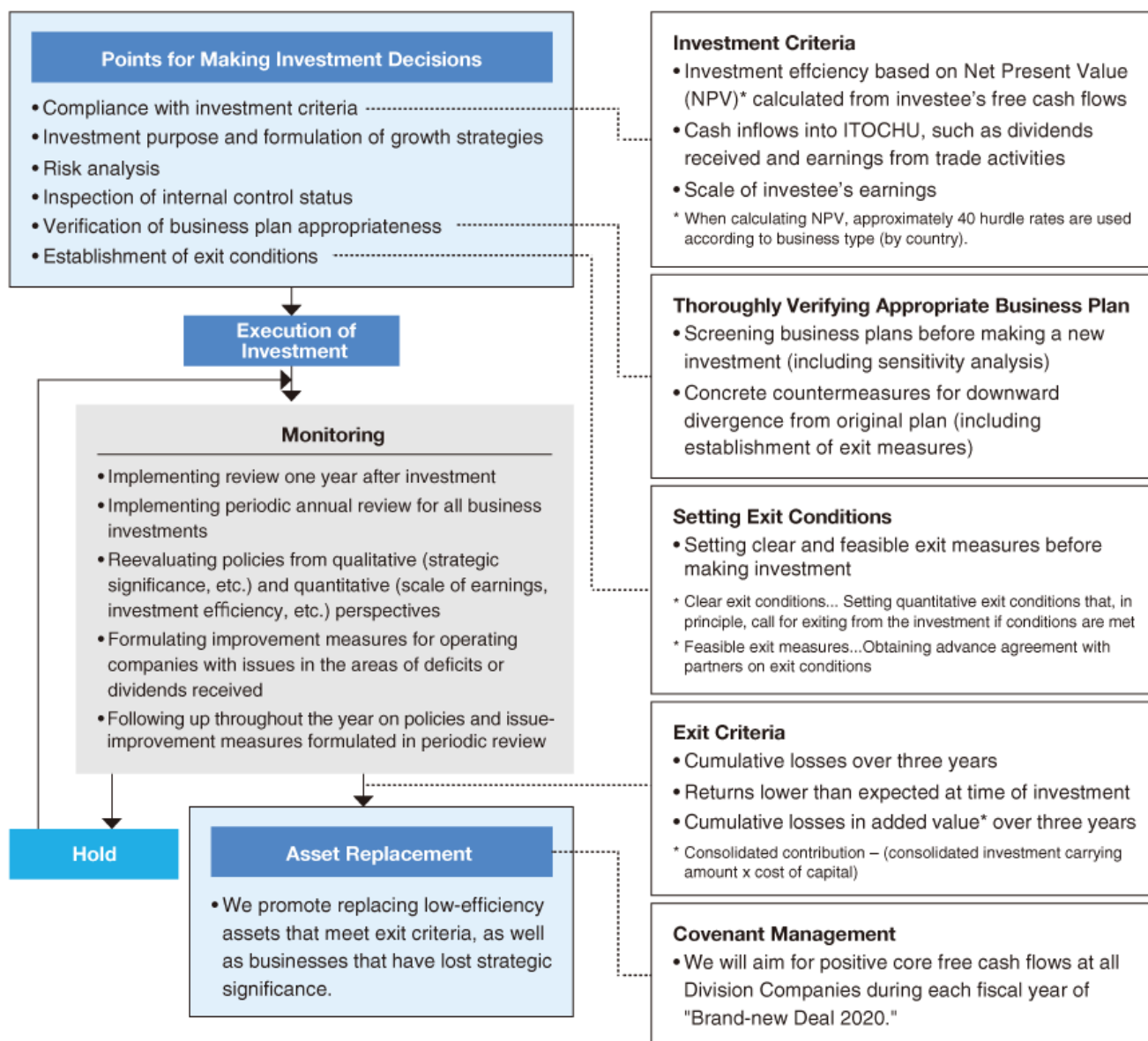
### Decision-Making Process for New Investments

A multilayered decision-making process that achieves quick decision-making by giving a certain level of discretion to the Division Companies while striving to pursue investment return and curb investment risk.

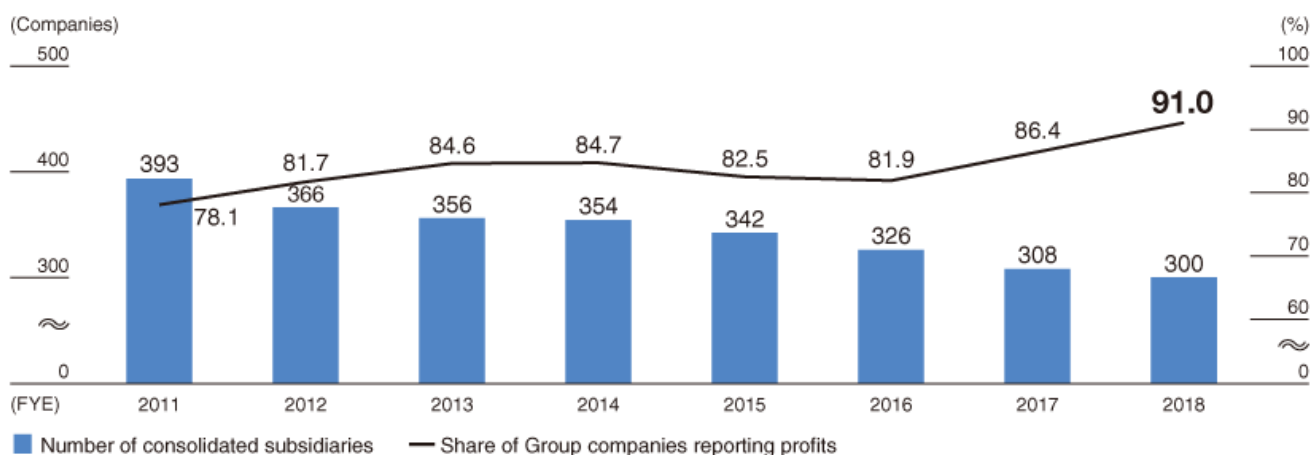


## Business Investment Process

Under "Brand-new Deal 2017," we achieved a 90% and higher share of Group companies reporting profits for the first time through a revision of exit standards and by upgrading business investment management. Through "Brand-new Deal 2020," we plan to build a strong earnings base with high risk tolerance and further improve the share of Group companies reporting profits by moving forward with our existing investment process, thoroughly inspecting the appropriateness of business plans, and conducting prioritized monitoring of sub-subsidiaries.



### Raised Share of Group Companies Reporting Profits by Promoting Asset Replacement and Issue Improvement



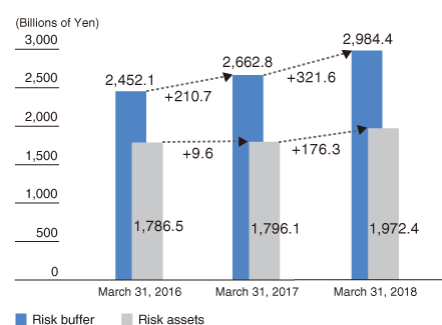
# Efforts

## Risk Management

### Risk Capital Management

We introduced Risk Capital Management in FYE 2000, when we were carrying large amounts of interest-bearing debt and inefficient assets, making far-reaching management reforms a matter of urgency. Since then, we have pressed forward with that spirit and understand risk quantitatively, and conduct control continuously and rigorously even now that our financial position has improved. Specifically, our basic operational policy involves first calculating risk assets based on the maximum amount of possible future losses from all assets on the balance sheet including investments and all off-balance-sheet transactions. Second, we manage the quantity of risk assets within the limits of our risk buffer (consolidated shareholders' equity + non-controlling interests). As we promote investment in new and next-generation technologies moving forward, we will work to maintain risk assets within the limits of our risk buffer, conduct strict risk management, and further strengthen our financial position.

**Risk Assets and Risk Buffer**



### Country Risk Management

The ITOCHU Group is actively expanding its business in countries and regions overseas and is therefore exposed to various country risks that arise as a result of political, economic, or societal circumstances in those countries and regions. Managing country risk is extremely important because negative factors, such as delay or inhibition of debt collection or operational implementation, can occur all at once and cause large losses.

To respond to these risks, we formulate appropriate risk countermeasures for each individual project and evaluate and analyze risk tolerance. We also establish Groupwide country risk management regulations from the standpoint of preventing excessive concentration of risk in specific countries or regions. Additionally, we work toward risk management by setting limits for each country that are based on internal country rating standards and maintain overall exposure at a level that is appropriate for the Group's financial strength.

Furthermore, we assign exposure limits to countries independent of deliberation processes concerning individual projects and conduct strict country risk management through measures such as not allowing related projects to proceed when country limits have not been assigned.

Additionally, we proactively work to reduce risk by formulating credit policies appropriate for each country according to need and stationing country risk management officials at each Division Company who collaborate with headquarters and manage risk for those Companies.

### Security Risk Management

In the past, our computers were infected with malware (malicious software), resulting in an external leak of client information. We have since focused on countermeasures aimed at preventing this from reoccurring. We have strengthened these preventative countermeasures by expanding security infrastructure for monitoring and defense, drastically revising the structure of our cybersecurity countermeasures team (ITCCERT: ITOCHU Computer Emergency Readiness, Response & Recovery Team), and hiring expert advanced cybersecurity analysts.


We routinely collect the latest information regarding threats through analysis of system logs and malware and conduct preventative measures. Additionally, when accidents (incidents) do occur, we respond instantly by investigating their causes, discussing possible countermeasures, and restoring services. In FYE 2018, we established an exclusive space for ITCCERT within our IT Planning Division and are working to strengthen security countermeasures across the entire Group and develop security countermeasure personnel. We also dispatch analysts to Chiba University under cross-appointment contracts (mixed-wage systems) in an effort to train and develop the cybersecurity countermeasure technicians that society needs. There are few examples of user companies in Japan that are working as actively as we are to develop systems and respond to information security risk. We plan to proceed with initiatives supporting sustained growth moving forward.

We periodically tackle the efforts below to maintain and improve the information management structure for information security education.

- We give training to all employees on measures against targeted e-mail attacks, a type of cyber-attack, twice a year.
- We simultaneously hold information security courses through e-learning with all employees and group companies in Japan and overseas every three years.
- We hold information security workshops and lectures for our group companies with ITCCERT serving as the lecturer several times a year.

## Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.</li> </ul>

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Ensuring compliance	Compliance	We will make employees more aware that ensuring compliance at any time is our contribution to the company and society.	Recognizing attitude of employees identifying issues and ensuring action plans to tackle the issues through periodic survey and direct communications.	Continuous direct communication with employees through face-to-face training programs whose contents shall be updated along with monitoring the measures according to risks, expectations from society and issues on site which will change with the time.	<ul style="list-style-type: none"> <li>● Based on the results of the Compliance Attitude Survey conducted in FYE 2018, we exchanged opinions with all Company Presidents regarding issues and conditions relating to individual and group companies.</li> <li>● In May 2018 we carried out e-learning for all employees of ITOCHU Corporation concerning the Antitrust Act. ITOCHU also conducted monitoring from October to December 2018 concerning application of the Basic Regulations on the Compliance with the Antimonopoly Act, etc. that we have established, one year after their introduction. We are currently requesting that principle group companies introduce similar regulations (implementation expected to be completed during FYE 2019).</li> <li>● The state of the cyclic training conducted in FYE 2019 is as follows (as of February 28, 2019).</li> <li>● For ITOCHU Corporation: Held 42 times with 1,265 attendees. For group companies (conducted for 91 companies): Held 177 times with 10,246 attendees.</li> </ul>

## Policy and Basic Concept

### Compliance

- Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct
- ITOCHU is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

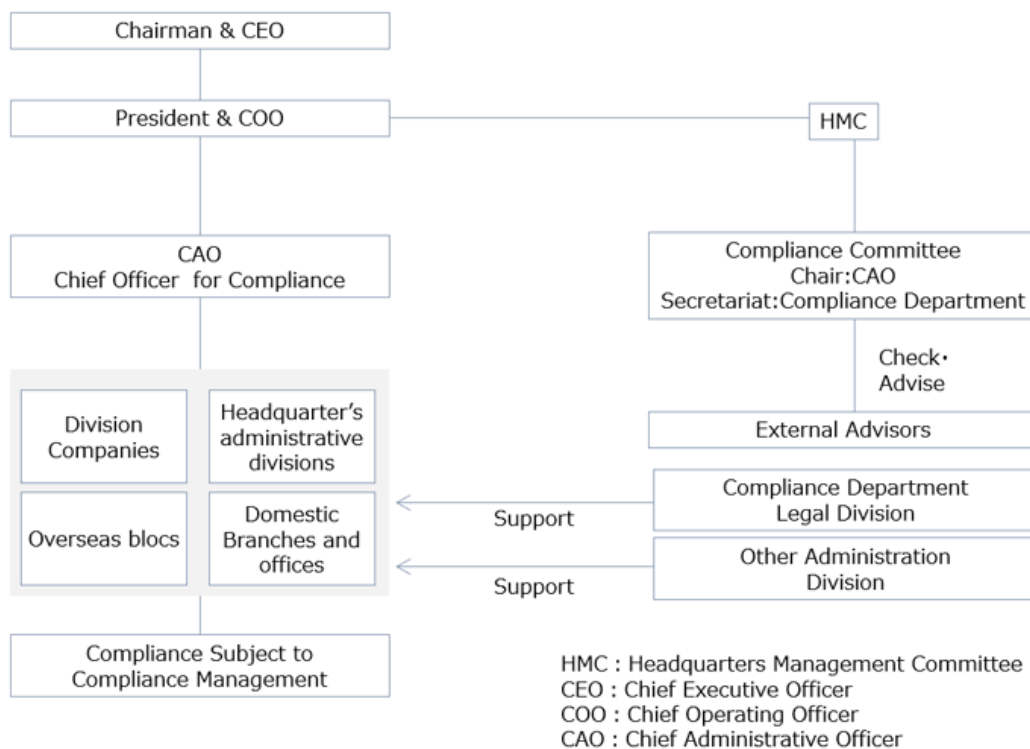
## Organization and Systems

The ITOCHU Group is building a structure to promote compliance. The Compliance Department in the Legal Division plans and drafts polices and measures to promote compliance over the whole group. We then place compliance officers in each organization in IOTCHU, our overseas offices and major group companies worldwide (including consolidated subsidiaries and some associated companies applicable to the equity method; hereinafter "companies subject to compliance management"). Compliance related matters discovered in organizations in IOTCHU, our overseas offices and companies subject to compliance management are reported to the Chief Officer for Compliance (Chief Administrative & Information Officer) and the Corporate Auditors; serious compliance related matters are reported to the Board of Directors as appropriate. The Compliance Committee, chaired by the Chief Administrative & Information Officer, consists of three external members and internal members constituting heads of relevant administrative divisions and the Chief Operating Officer of the Sales Division. The committee discusses matters pertaining to compliance as a permanent organization in business operations. The Compliance Committee was most recently held on February 19, 2019. (It is held twice a year in principles.)

The ITOCHU Group Compliance Program details the establishment of our compliance structure. This enables each organization in ITOCHU, our overseas offices and companies subject to compliance management to ensure compliance while taking into account business characteristics, business conditions and local legal systems. We conduct monitor and review surveys once a year on the compliance structure development and operation situation as a company-wide activity. In addition to this, we visit and give on-site guidance to important sites (e.g., overseas offices and companies subject to compliance management) to understand the actual conditions of compliance and to discover risks. We are working on these efforts with a focus on structural operation. We also formulating unique compliance strengthening measures in each organization in light of the trends in the incidents that have occurred and the monitor and review survey results. We are steadily implementing these measures. We ask all our employees to confirm in writing that they have observed compliance in their individual performance evaluations at the end of each fiscal year. This is to ensure that they are thoroughly observing compliance.



## Overview



## Subsidiary Management Structure

### System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)

#### Subsidiary Management and Reporting System

- (1) ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU is to send directors and corporate auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.
- (2) With respect to subsidiaries that ITOCHU owns indirectly through its directly-owned subsidiaries, ITOCHU is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.
- (3) With respect to important matters on the management of subsidiaries, ITOCHU is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

#### Rules and Other Systems to Manage the Risk of Loss at Subsidiaries

ITOCHU is to identify the subsidiaries which shall be subject to ITOCHU's Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU is to periodically review the effectiveness of such Group-wide management system.

#### System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries

ITOCHU is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU.

## — System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation

- (1) In principle, ITOCHU is to send directors and corporate auditors to each subsidiary and strive to ensure that the performance of duties of directors and employees of a subsidiary complies with laws and regulations and the Articles of Incorporation of such a subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU.
- (2) ITOCHU is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.
- (3) All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

## | Internal Information Reporting System (Hotlines)

ITOCHU has formulated the Internal Information Reporting System (Hotlines) Regulations. We have also installed hotlines in companies subject to compliance management. These efforts protect internal information reporters. At the same time, we have established a mechanism to appropriately process reports. This is leading to a strengthening of our compliance management by supporting the prompt discovery and rectification of unfair practices including bribery.

We have established multiple desks to receive reports both in Japan and overseas in the ITOCHU Hotlines System. (These include external desks to receive reports utilizing specialized operators and external lawyers). This system prohibits unfavorable treatment (e.g., retaliation) against internal information reporters. It also enables information reporters to make reports anonymously.

We have also built a mechanism so that inquiries from the general public are dealt with by the appropriate division according to their content posted on the ITOCHU website.

## | Response to Violations

In the event it has been confirmed that a case has occurred in violation of the aforementioned policies and regulations (including those to prevent corruption), we take a variety of corrective measures. These measures include an investigation of the causes and education and training for the parties concerned and other relevant parties. ITOCHU considers disciplinary action against officers and employees involved in violations of laws and ordinances (including bribery). We will not hesitate to impose harsh penalties according to the results of internal investigations.

## Efforts

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### | Employee Education

#### — On-site Training

We hold on-site compliance training every year for all officers and employees of ITOCHU while taking into account the points below. We use compliance incidents that have actually occurred as the teaching materials. The aim of this is to raise awareness of compliance and to prevent incidents from occurring.

- To raise awareness of complying with the laws necessary in business
- To raise awareness of preventing wide-ranging corruption – including bribery, insider trading and money laundering
- To raise awareness of preventing human rights violations due to harassment (e.g., harassment from a position of power and sexual harassment)

Group companies also give their officers and employees their own compliance training according to their business conditions. To go alongside this, the Headquarters holds on-site training for officers and employees of main group companies. In FYE 2019, we gave training to 98 companies in Japan (approximately 10,600 attendees) and 91 main overseas group companies (approximately 1,100 attendees). We also distribute the Compliance Handbook to all employees. This handbook gives advice for each situation (in a Q&A format) where there is a possibility of facing a compliance incident in work and provides instructions on what actions to take to prevent the risk of corruption. In addition, we also provide detailed education and training based on actual cases for each level in the employee hierarchy (e.g., new employee training, management training, group company officer training and pre-overseas assignment training).

## — Awareness Surveys

The ITOCHU Group conducts a Compliance Awareness Survey every two years on all employees in our group. This helps in understanding the actual state to which compliance has penetrated (including the level of understanding of our corporate philosophy) and in taking specific measures. We surveyed approximately 44,000 of our group employees in FYE 2018. We received responses from 41,215 of them (response rate: 93.4%). The analysis results are fed back to each organization and utilized in improving the compliance structure.

## | Corruption Prevention

We have set integrity as one of our values in the ITOCHU Mission and Values – the ITOCHU Group corporate philosophy and code of conduct. We have made the following declaration. "We will never obstruct competition through illicit means nor develop inappropriate relationships, such as those with public officials, for our own interests." The Anti-Bribery Policy of the ITOCHU Group stipulates that we shall not provide money, goods, entertainment, favors or any other benefits for the purpose of obtaining unfair profit to public officials and officers or employees in private companies either in Japan or overseas.

### ITOCHU Group Anti-Bribery Policy

#### 1. ITOCHU Group Anti-Bribery Policy

The ITOCHU Group has set being committed to the global good as our corporate philosophy. This conforms to the spirit of sampo yoshi, or the "three goods" (good for the buyer, good for the seller and good for society) – the management philosophy of the Ohmi merchants who included our founder Chubei Ito. Integrity, which we have inherited as one of the core values to achieve this, means the following: "to keep to promises made, to act without hypocrisy and to always engage with everyone with a strong ethical viewpoint no matter where." Accordingly, compliance is essential.

We recognize that we must be an organization permitted to exist in society by observing laws and ordinances as a matter of course and by paying strict attention to compliance so that the ITOCHU Group continues to widely provide societal good. There is no need for even for the smallest amount of profit obtained through bribery or other unfair means.

The ITOCHU Group has established, and strictly operates, rules on application and approval procedures and recording methods for types of acts that are liable to be used in bribery with the aim of eliminating the risk of bribery. These rules are based on the Regulations Concerning the Prohibition of Giving Illicit Profit and four relevant guidelines (public officials, foreign public officials, business partners and investments).

#### **ITOCHU Group Anti-Bribery Policy**

- We shall not provide money, goods, entertainment, favors or other benefits for the purpose of obtaining unfair profit to public officials or those in an equivalent position either in Japan or overseas
- We shall not provide money, goods, entertainment, favors or other benefits for the purpose of obtaining unfair profit to officials and employees of business partners in private companies

#### 2. Requests for All Partners

The ITOCHU Group needs the cooperation of all business partners and investors engaged in business with us to achieve the aforementioned Anti-Bribery Policy. The ITOCHU Group asks our business partners, investment targets and investment partners to implement due diligence and sign contracts that include anti-bribery stipulations.

We thank you for your understanding and cooperation with this matter.

April 1, 2018  
Masahiro Okafuji  
Chairman & Chief Executive Officer  
ITOCHU Corporation

There is a trend toward global bribery regulations being strengthened. This includes the U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the U.K. Bribery Act 2010. In light of this trend, ITOCHU established and strictly operated the Regulations Concerning the Prohibition of Giving Illicit Profit and three relevant guidelines (public officials, foreign public officials and agents) to widely prohibit the provision of unfair benefits to public officials or those in an equivalent position in or outside Japan. Nevertheless, we revised the agent guidelines to the business partner guidelines in December 2015 while expanding their scope of application. We also established new investment guidelines to thoroughly check for bribery risks in investment projects. With this, we have further strengthened our efforts to prevent corruption. The Regulations Concerning the Prohibition on Giving Illicit Profit include facility payments equivalent to low value payments solely for the aim of facilitating procedures relating to ordinary administrative services as being prohibited unfair provision of benefits. These regulations also prohibit commercial bribes equivalent to providing unfair benefits to private traders. In addition to bribery, our internal rules prohibits cases in which our officials and employees receive unfair benefits from our private business partners as being equivalent to a mix of official business and personal affairs (e.g., conflicts of interest).

The public official guidelines and foreign public official guidelines provide a guide to making judgments about entertainment and gift-giving to public officials and foreign public officials. It is under these guidelines that we conduct individual investigations. The business partner guidelines clarify the process for performing checks without omission when newly appointing or renewing the contracts of business partners (including agents and consultants) who provide services to ITOCHU. They also stipulate the contract process. The Corruption Perception Index (CPI) published by Transparency International is one of the criteria of risk certification for our overseas business partners. We incorporate articles prohibiting bribery and ban unfair payments (e.g., bribery or unfair provision of benefits) in various contracts which may be related to the risk of bribery – including contracts with our business partners. It is also clearly stated in these contracts that they may be canceled immediately if this ban is violated. The investment guidelines stipulate in concrete terms the implementation of due diligence and confirmation letter acquisition procedures from a perspective of preventing corruption when considering investment projects.

We raise awareness and instill the ITOCHU Group Anti-Corruption Policy, the Regulations Concerning the Prohibition of Giving Illicit Profit and the four guidelines in our officer and employee education. We are striving to prevent corruption, including unfair provision of benefits, by ensuring these policies and regulations are applied in daily management operations. We provide training specialized in bribery for organizations susceptible to an especially high risk of bribery. We also manage our political contributions, charity projects and sponsorship activities with reference to our internal regulations to ensure that our donations and sponsorships do not constitute acts of corruption. At the same time, we do this based on donation and sponsorship application rules established internally so that they satisfy social and fair ethical standards.

We check entertainment and gift-giving to public officials and foreign public officials and the appointment and renewal of agents and consultants by each organization in ITOCHU, our overseas offices and companies subject to compliance management in our monitor & review surveys held once a fiscal year explained above as the ITOCHU Group compliance promotion structure and management. We engage in dialogue on the implementation status of this with the compliance officers in each organization as necessary.

## Prevention of Collusive Bidding and Cartels

ITOCHU enacted the Basic Regulations on the Compliance with the Antimonopoly Act, etc. and the Standard on Prevention of Cartels and Collusive Bidding on November 1, 2017 to prevent involvement in unfair transactions. In addition, we regularly revise our Anti-Monopoly Law Manual and the easy reference A Must Read! 51 Q&A about the Antimonopoly Act. (The last revision was made in August 2017.) Meanwhile, we thoroughly inform our employees about this issue through various monitor & review surveys and education and training programs. We also set up the Antimonopoly Act Desk in the Legal Division to serve as a consultation desk and prepared The 29 Frequent Misunderstandings about the Antimonopoly Act as a new educational material in July 2017.

We passed instructions at a meeting of the Board of Directors according to two exclusion measure orders we received from the Fair Trade Commission in FYE 2019. We have notified and thoroughly informed all our employees of the content of this resolution.

## Tax Strategy

The basic philosophy of ITOCHU and the ITOCHU Group (collectively, "the ITOCHU Group") is to appropriately pay tax in compliance with the tax laws, treaties and related regulations of each country (collectively, the "Tax System"). We pursue the interests of all our stakeholders; these include the countries and regions where we deploy our business, shareholders, creditors, business partners and employees of the ITOCHU Group.

### 1. Basic Philosophy: Appropriate Payment of Tax in Compliance with the Tax System

The ITOCHU Group does not engage in transactions with the intent to avoid tax. We work on our taxation business with a sincere attitude according to the provisions in the Tax System.

### 2. Tax Cost Optimization

The ITOCHU Group strives to optimize our tax costs. We do this by eliminating double taxation and appropriately utilizing preferential tax systems based on the Tax System upon adhering to our basic philosophy.

### 3. Maintenance of Fair Relationships with the Tax Authorities in Each Country and Region

The ITOCHU Group works to ensure tax transparency throughout our group by preparing materials in a timely and appropriate manner. We strive to maintain fair relationships with the tax authorities in each country and region by engaging in constructive dialogue with them.

## Intellectual Property

ITOCHU is working to completely prevent infringements on intellectual property rights held by other parties in our intellectual property rights related business and ordinary business. To that end, we call attention to this issue by holding workshops for employees. We have also developed internal regulations and manuals that conform to related laws and ordinances. We have clarified and are appropriately operating internal regulations on employee inventions and copyright and rules on the application and renewal of various rights. The aim of this is to appropriately manage and handle intellectual property rights as company assets.

## Product Safety

ITOCHU complies with our obligations as stipulated in safety related laws and ordinances for the products we handle. We are striving to ensure safety by formulating product safety manuals for each division company based on our policy of providing even safer products with greater peace of mind to our customers. We will continue to work on providing safe products with peace of mind in the future while promoting internal education, setting up divisions responsible for product safety, establishing information transmission routes and reviewing our response in the event a product accident does occur.

## Import/Export Control

ITOCHU continuously strengthens and further improves our import/export control for appropriate and efficient trading – a pillar of our activities as a general trading company. We have formulated and are strictly managing a systematic and comprehensive trade control program in our security export control. The aim of this is to prevent the spread of weapons of mass destruction and ordinary weapons and to comply with the Foreign Exchange and Foreign Trade Act. In addition to compliance with the Foreign Exchange and Foreign Trade Act, our trade control program comprehensively covers international political risks (e.g., U.S. sanctions). This is so that we do not see our reputation damaged as a result of inadvertently becoming involved in transactions that threaten international peace and security. Corporate governance on security export control is becoming increasingly important. Consequently, we strictly review potential risks associated with various projects and trades as a responsible member of the international community. We ensure thorough tariff compliance by taking various measures based on our internal control regulations. These include internal import/export investigations (monitoring) and training on import/export customs clearance and tariff management to appropriately perform import/export customs clearance procedures – including import (tax payment) declarations. We have also begun providing the information necessary to build new business such as with giving specialized training on various economic partnership agreements which are being increasingly utilized in sales sections in the future. As a result of these efforts, we have acquired approval as an Authorized Economic Operator (AEO) (Authorized Importer and Authorized Exporter). This approval is given to operators with outstanding legal compliance structures and security control by the Director-general of the Yokohama Customs.

## Antisocial Forces

ITOCHU has a clearly stated policy of resolutely confronting antisocial forces and groups that threaten the order and safety of civil society. We have stipulated three basic principles plus one – don't be afraid, don't pay, don't use and don't associate – in our stance against antisocial forces and a specific 10-point guideline as a manual according to this policy. We thoroughly inform all our employees about this matter. We have also established a department with overall responsibility to deal with antisocial forces in the Human Resources & General Affairs Division. We are developing structures, providing education and raising awareness to prevent our employees from unintentionally entering into business relationships with antisocial forces and groups.

## Insider Trading Regulations

ITOCHU has established regulations on the restriction of insider trading. In April 2014, we revised these regulations and formulated the Guideline Regarding Reporting and Management of Insider Information. The guideline specifies the response we will take if we learn specific information on our investments and business partners. We are working to thoroughly inform our employees about this matter.

## Information Management

ITOCHU has enacted an Information Security Policy concerning the handling of information. All our officers and employees are striving to appropriately handle, store, protect and maintain information. We have also established the IT Security Management Policy for all our officers and employees to realize appropriate management of the information necessary in management activities. This is done by demonstrating a code of conduct and ensuring a high information security level. Specifically, we have stipulated regulations and standards relating to personal information management, document management and IT security. Through these, we are striving to prevent the leakage of personal information and confidential information. We have also developed a management structure for the My Number Act that came into force in 2015.

### — Personal Information Monitor & Review Surveys

The ITOCHU Group conducts personal information monitor & review surveys on ITOCHU itself and companies subject to compliance management every two years. This is led by the Corporate Planning & Administration Division, Legal Division and IT Planning Division. In FYE 2018, the ninth year of this program, we checked the personal information management structure of ITOCHU and 80 companies subject to compliance management from September to November 2017. In light of these results, we will continue to conduct awareness activities for improvement in ITOCHU and our group companies. At the same time, we are strengthening the structure for this and providing operational support through the advice of external lawyers.

## Evaluation by Society

### ITOCHU Selected as an index component of Dow Jones Sustainability Indices, a Global ESG Index

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ITOCHU Corporation has been selected as an index component of the World and Asia Pacific Index of the Dow Jones Sustainability Indices, a global stock ESG index, for 6th consecutive year.

The DJSI revises the indices every September by an independent survey of economic, environmental and social practices. In FYE2019, 317 companies including 32 Japanese companies were selected as DJSI World Member among 3,502 (3,484 last year) targeted companies around the world.

ITOCHU achieved the best score in "Trading Companies & Distributors" Industry (one of the 60 Industries), and has been named as the Industry Leader for the 4th consecutive year. (As of September 2018)



### ITOCHU wins Gold Class and Industry Leader at the SAM Sustainability Awards 2019

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ITOCHU Corporation was awarded Gold Class at the SAM Sustainability Awards 2019, winning the recognition of RobecoSAM, a Swiss research institution that evaluates companies making efforts in sustainability and offers information to investors. ITOCHU has become the top for the fourth consecutive year in the Trading Companies & Distributors sector. (As of February 2019)

\* 'Industry Leader' which was provided to the top scoring company in each sector, is integrated with Gold Class from 2017.



### Included in S&P/JPX Carbon Efficient Index, a global environmental stock index

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The S&P/JPX Carbon Efficient Index is a global environmental stock index adopted by Government Pension Investment Fund (GPIF). Using TOPIX as the universe, this index of S&P Dow Jones Indices, the world's leading independent index provider, overweights companies that have high carbon efficiency within their industry as calculated by Trucost on a market value basis and companies that disclose information on greenhouse gas emissions. It consists of 2,162 companies, including ITOCHU (as of September 2018).



CDP: We participate in the three CDP (a non-governmental organization based in the United Kingdom that represents institutional investors worldwide and surveys the climate change-related activities of companies) programs below.

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- **CDP Climate Change**

CDP Climate Change evaluates corporate action on climate change. In FYE2019, we scored a B.

- **CDP Water**

CDP Water evaluates corporate efforts related to water stewardship.

In FYE2019, we scored a B-.

- **CDP Forests**

CDP Forests evaluates corporate action on risks related to forest destruction within the supply chain.

In FYE2019, we scored a B-.



## ITOCHU Selected as an index component of SNAM Sustainability Index, set up by Sompo Japan Nipponkoa Asset Management Co., Ltd.

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Itochu Corporation has been selected as "SANM Sustainability Index" by the Sompo Japan Nipponkoa Asset Management Co., Ltd. (hereinafter "SNAM"). This index is used as a unique active index in "SNAM Sustainable Management", for pension funds and institutional investors, which invests widely in ESG-rated companies that SNAM started operation in August 2012.



## Evaluation by Stakeholders

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2019	Jun.	ITOCHU Selected as an index component of SNAM Sustainability Index
	Feb. 20	ITOCHU wins Gold Class and Industry Leader at the SAM Sustainability Awards 2019
2018	Sep. 25	Included in the constituents of the Global Environment Equity Index "S & P / JPX Carbon Efficiency Index"
	Sep. 13	ITOCHU Selected as an index component of Dow Jones Sustainability Indices, a Global ESG Index





## Independent Assurance Report

To the President and COO of ITOCHU Corporation

We were engaged by ITOCHU Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with ★ and ◆ (the “Indicators”) for the period from April 1, 2018 to March 31, 2019 included in its ESG Report 2019 (PDF version) (the “Report”) for the fiscal year ended March 31, 2019, except for the 'Number of hire by gender', whose figures as of April 1, 2019 are the subject of this assurance engagement (the “Indicators”).

### **The Company's Responsibility**

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting Hofu Energy Service Co., Ltd. and Hofu No.2 Power station Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### **Conclusion**

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

### **Our Independence and Quality Control**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

October 28, 2019

## ITOCHU Corporation

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