

## Earnings Opportunities for Growth

- Change in consumer trends in Japanese market including inbound tourism
- Expansion of consumer market in China and other parts of Asia due to an improvement in standards of living
- New business opportunities by joining the Trans-Pacific Partnership, etc.



- Create a stable structure for manufacturing products through a supply chain that values human rights and achieves improvements in the working environment



- Meet new consumer demand for sustainability and ethical practices by creating environment-friendly businesses, such as those using recycled textiles

CSR Materialities



Climate change



Sustainable use of resources



Contribution to local communities



Respect and consideration for human rights

### IN DEPTH

#### Expanding Business in the Chinese Market by Establishing a Joint Venture with the DESCENTE Brand and ANTA Sports



Signing ceremony

##### Management Resources

The renowned DESCENTE brand, ANTA Sports' strong sales management capabilities, and the ITOCHU Group's robust network

##### Creating Added Value

Through an overseas subsidiary ITOCHU established a joint venture with ANDES Sports Products Limited and DESCENTE Global Retail, Ltd. and entered into a basic agreement to develop the DESCENTE brand in China on an exclusive basis. ANDES Sports is a subsidiary of ANTA Sports Products Limited, and DESCENTE Global Retail is the South Korean subsidiary of DESCENTE Ltd.

ANTA Sports is a leading sportswear brand management company in China with excellent network management capabilities, and the DESCENTE Group offers superior brands from Japan. The collaboration also utilizes the ITOCHU Group's value chain spanning raw materials to products and a robust network of prominent local companies through this new venture we aim to expand the DESCENTE brand in the Chinese market.

## Challenges to Address

- Encouraging consumption through the creation of new ways to add value for consumers under the shrinking domestic apparel market
- Cultivating overseas markets with influential partners under a decreasing domestic population



- Improve the precision of supply chain management and conduct more in-depth and broader initiatives



- Ensure business sustainability by responding swiftly and positively to environmental legislation

### IN DEPTH

#### Supply Chain Management (Sustainable Labor Management and Environmental Practices)



Field survey at TI GARMENT

##### Reason for Importance from a Strategic Perspective

Manufacturing is at the heart of the Textile Company and as we expand production worldwide, including manufacturing bases in China and other parts of Asia, we must take full account of labor customs in the supply chain and our environmental impact. A lack of care in such areas could result in reputational damage and legal sanctions, which could significantly affect business continuity.

##### Current and Future Actions

Based on ITOCHU's CSR Action Guidelines for Supply Chains, we currently perform monitoring surveys on an ongoing basis that include Group companies as part of our efforts to cooperate with suppliers in ascertaining risks and promoting improvements. In FYE 2016, we worked with third-party specialists to conduct surveys of ROY-NE CO., LTD., a Japanese underwear manufacturing subsidiary, and TI GARMENT COMPANY LIMITED, an overseas subsidiary that produces shirts in Myanmar. We plan to continue boosting the precision of our supply chain management going forward.