

Environmental Assessment in Business Investments and Product Transactions

ITOCHU Corporation engages in a wide variety of product transactions and business investments both inside and outside Japan, and realizes that its activities exert a substantial impact on the global environment. For this reason, we have established a system for environmental assessment to fully check environmental aspects in advance of new transactions and investments.

Environmental impact assessment in business investments and product transactions

Basic stance on environmental assessment

ITOCHU Corporation engages in product transactions in various forms on a global scale. The activities themselves, which include development of resources such as iron ore and crude oil as well as construction of the related plants, have the potential to exert a serious impact on the environment both directly and indirectly.

This is why we emphasize environmental assessment in our investments and transactions. Full assessment of environmental impact on the occasion of application for new investment (development) projects or for new product transactions is a top agenda item and reflects of our concern for the environment.

System of environmental assessment

In the case of new investment projects, environmental assessment is based on an in-depth examination, from all angles, of the possible environmental impact at the time of application. If it is found that the project could have an impact on the environment, the matter is referred to the Global Environment Office. If necessary, an environmental assessment is made by a specialized institution (for advance determination of environmental impact as regards the natural environment, host-country laws and regulations, and international treaties).

For new product transactions, all applications undergo a check in the environmental aspect by the Global Environment Office.

A case of environmental assessment: response to a soil contamination problem

One environmental assessment made in the fiscal year ended March 2006 concerned a project for the initiation of a logistics business (warehousing) project for ordinary consumer goods in the United Kingdom. It accorded prime importance to a check of the land slated for acquisition with respect to soil contamination. A soil contamination survey was made by a reliable investigative organization from the two standpoints noted below, and did not detect any problems.

1. Reliability (in the environmental aspect) on the site of logistics operations
2. Prevention of the actualization of potential risks that could derive from soil contamination in the operation of the project

Environmental assessment for products currently handled

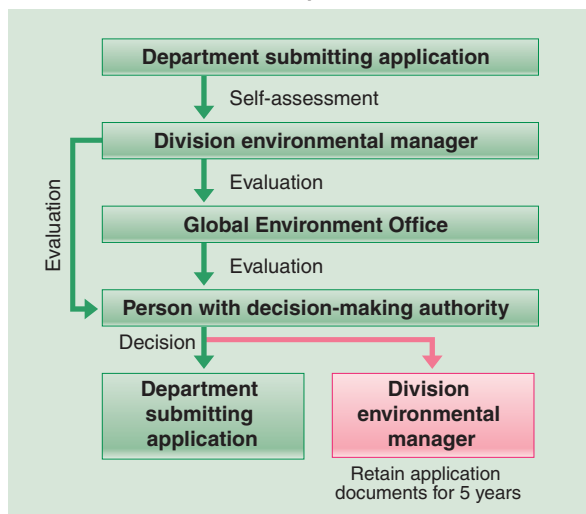
For the products we already handle, we examine the entire product flow from procurement of raw materials to discarding/scrapping each year and apply the life cycle analysis procedure to specify factors that could impact the environment and their effects. We have constructed a procedure for checking and guidance by the Global Environment Office at regular intervals (once a year) for the duration of the product transactions by the concerned unit if the examination finds that the transactions could possibly place a burden on the environment.

Environmental assessment of group companies

The ITOCHU Group consists of a variety of companies in diverse industries. Some of them are in manufacturing, logistics, or other fields requiring careful consideration of environmental problems. As such, in promoting environmental measures in the ITOCHU Group, it is vital for us to practice environmental risk management from a group-wide perspective. For this reason, in the fiscal year ended March 2002, we initiated a fact-finding survey of matters such as environmental burden and observance of related laws and regulations at group companies. In each of the five years up to the fiscal year ended March 2006, we selected more than 20 companies requiring particular attention to the environment in their business for this survey. By the end of March 2006, we had therefore surveyed a total of 116 companies. In each case, we gave instructions to the companies with a focus on preventing environmental risks from actualizing.

We are going to continue with this survey and work for preventive security against risks and preservation of the environment.

Flow Chart of Environmental Assessment in New Investment and Development



Business Adapted to the Recycling-based Society to Help Make Society Better

Considering the question of how to contribute to environmental preservation through our business, we concluded that the task of putting environment-friendly businesses into practice, one after another, was a major mission of ours. This section presents a profile of the business-related MOTTAINAI Campaign we are promoting for building a recycling-based society.

Objective and outline of the MOTTAINAI Campaign

The MOTTAINAI Campaign is led by Wangari Maathai, who was awarded the Nobel Peace Prize for her work in support of planting trees. It was the first time that the Peace Prize was presented for achievements in the environmental field. ITOCHU Corporation has endorsed the campaign since July 2005, and is making efforts to spread "MOTTAINAI" as the world's first environmental brand, towards emergence of the recycling-based society.

We are widening the MOTTAINAI Campaign to worldwide dimensions through transformation of "mottainai" into a commercial brand. This commercialization rests on an agreement with the campaign base office (The Mainichi Newspapers), and takes full advantage of our know-how in licensed commercialization accumulated through our involvement in various brand businesses to date. The subjects are products that apply the 3Rs (of waste reduction, reuse, and recycling) as their design standard. We will also steadily promote related business in fields of contents where we wield particular strength (e.g., music distribution, imaging, and events) from our own unique perspective.

Part of the profits from the sales of products bearing the MOTTAINAI brand will be donated to the green belt movement for afforestation that was launched by Maathai. The campaign therefore allows the cooperating companies not only to stimulate their business but also to make a positive contribution to the global environment through it. Our activities on this front are unfolding under the banner of proposing a "MOTTAINAI" lifestyle to consumers. We are targeting the recruitment of at least 50 companies as licensees and campaign sponsors over the next three years.



Flow of product development and sales

To be worthy of the MOTTAINAI brand, a product must reflect at least one of the 3Rs. More specifically, it must be made of recycled materials (e.g., neckties made of reconstituted textiles), reduce waste in itself, or be made for reuse (e.g., bundling kerchiefs and eco-bags).

To publicize the MOTTAINAI philosophy per se, we are going to market official MOTTAINAI goods at regular intervals. The first in this line of official goods is the MOTTAINAI THANKS BAND, whose production is commissioned to Kenyan women in keeping with the spirit of the Job for Housewives movement spurred by Maathai. The idea is to assist advancement in the concerned areas by creating new industrial opportunities that do not depend exclusively on agriculture as well as to support women's employment.

Sales of the MOTTAINAI THANKS BAND

The first in the series of official goods, the MOTTAINAI THANKS BAND is a token of support for the campaign. It was conceived with the hope of getting its wearers to become more aware, even if only a little, of the 3Rs in their daily life, and awakening a feeling of gratitude for human, material, and non-material resources as well as concern for the environment. Kenyan women make the bands by hand using only natural materials that are gentle to the earth. In Japan, it sells for 390 yen (tax included), and ITOCHU donates 39 yen on each sale to the aforementioned green belt movement.



MOTTAINAI THANKS BAND workshop in Kenya



MOTTAINAI THANKS BAND

Staging of a lecture by Wangari Maathai

On February 14, 2006 we sponsored a lecture at our Tokyo headquarters by Wangari Maathai, who is Vice-Minister of the Environment in Kenya and was awarded the Nobel Peace Prize in recognition of her work in planting more than 30 million trees over the last 30 years. Maathai has long been involved in movements for the planting of green belts and the "3Rs" of reduction, reuse, and recycling. It was on the occasion of her first visit to Japan in 2005 that she learned of the adjective "mottainai," which struck her as one without parallel around the world for expression not only of the concept behind the 3R movement she has long pushed but also of respect for materials and the things made of

them, all in a single word. She is reportedly using the phrase "Do your MOTTAINAI" to deliver the message of environmental preservation. The lecture was a resounding success and attracting an audience of more than 350 employees. Some of them even stood in the aisles as they listened intently to Maathai's remarks.



Environmental Activity Policy and Setup for Promotion

In its pursuit of business activities, ITOCHU Corporation acts in accordance with our environmental policy. With a belief in the importance of raising consciousness of environmental preservation among all employees, we are also pursuing environmental activities in the office.

Perspectives behind environmental activities

ITOCHU's Environmental Policy (formulated October 1997; revised July 2004)

I. Basic Philosophy

Global environmental issues are a matter of serious global concern, since they affect the future of mankind. As a member of the international community, ITOCHU is positioning issues of environmental concern as one of the most important management policies. ITOCHU is committed to economic development in harmony with the natural environment, under the corporate ideal of being "Committed to the Global Good." We are actively promoting involvement by addressing environmental issues based on ITOCHU's Corporate Code of Conduct, in order to protect our precious earth and make a lasting contribution to the global community.

II. Basic Policy

ITOCHU's products and services encompass textiles, machinery, aerospace, electronics, multimedia, energy, metals, minerals, chemicals, forest products, general merchandise, food, finance, realty, insurance, logistics services by way of imports and exports between Japan and various countries and offshore trading. We are also engaged in development and business investment activities in Japan and abroad. Through such activities, ITOCHU will periodically work to evaluate and continually improve its environmental policy. At the same time, we shall define our basic policy on environmental conservation as follows: (only titles are listed)

- (1) Consideration for environmental impact
- (2) Observance of environmental laws and regulations
- (3) Promotion of environmental conservation activities
- (4) Harmonious coexistence with society
- (5) Promotion of educational activities

Eizo Kobayashi, President & Chief Executive Officer
July 2004

Environmental management system

Appointed by the President & CEO, the chairman of the Global Environment Committee has the ultimate responsibility for corporate activities of environmental preservation, and convenes the committee as an advisory body. The practical responsibility lies with the executive environmental manager, who is appointed by the chairman. Each division has an environmental manager (75 in total) and "eco leaders" are also appointed to work under the environmental manager. ITOCHU received ISO14001 certification in 1997, and carries out internal environmental audits each year that conform to the ISO14001 standard. In the fiscal year ended March 2006, the audit covered all 75 divisions and found two cases of (minor) nonconformity and 71 cases requiring guidance for correction. In each case, measures were swiftly taken to improve the situation.

In light of the need for environmental promotion activities among group companies, we started a scheme of appointed environmental managers at affiliates, beginning with our domestic consolidated subsidiaries on March 2005. Meanwhile, we continue to conduct environmental assessments for group companies requiring particular consideration of environmental problems (see page 39), and are striving to strengthen preventive protection against environmental risks. In such ways, we are pursuing a dynamic group management keyed by identification of priority fields and companies.

Response to trends in environment-related laws and regulations

We are doing our utmost to see that all concerned departments have sufficient knowledge of pertinent laws and regulations. The Global Environment Office distributes all kinds of information on trends in such legislation to the proper departments and also holds seminars on the subject as necessary. Recently, the office distributed news of the EU restriction of the use of certain hazardous substances in electrical and electronic equipment (the RoHS Directive) effected on July 1, 2006 and the obligation to provide information on chemical substances contained in home appliances and personal computers (under the R Mark system).

New scheme of action plans to mitigate global warming based on Tokyo Metropolitan Government's ordinance on environmental preservation

This scheme calls upon enterprises in Tokyo that have high levels of greenhouse gas (GHG) emissions to prepare action plans for reduction of those emissions. The Tokyo Metropolitan Government assesses the plans and releases the assessment results. The aim is to encourage efforts to prevent global warming by enterprises.

We also submitted an action plan, and will continue working for a reduction of GHG emissions at our Tokyo headquarters building through sure execution of the plan, which includes energy-conservation activities and renewal of facilities.

Web information Environmental performance data in the office ► URL : http://www.itochu.co.jp/main/csr/env/index_e.html