

# A Good Corporate Citizen

ITOCHU is celebrating the 150th anniversary of its founding. There is only one reason why the Company has been able to continue operating for such a long period of time, and that is the unwavering execution of founder Chubei Itoh's management philosophy of "*sampo yoshi*"—the idea that transactions must benefit ("*yoshi*") all three parties ("*sampo*"), that is, the seller, the buyer, and the society. It is this philosophy that guides the Company in its activities as a good corporate citizen in the areas of corporate governance, social responsibility, and environmental conservation and in building strong relationships with all of its stakeholders around the world.



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# Corporate Governance

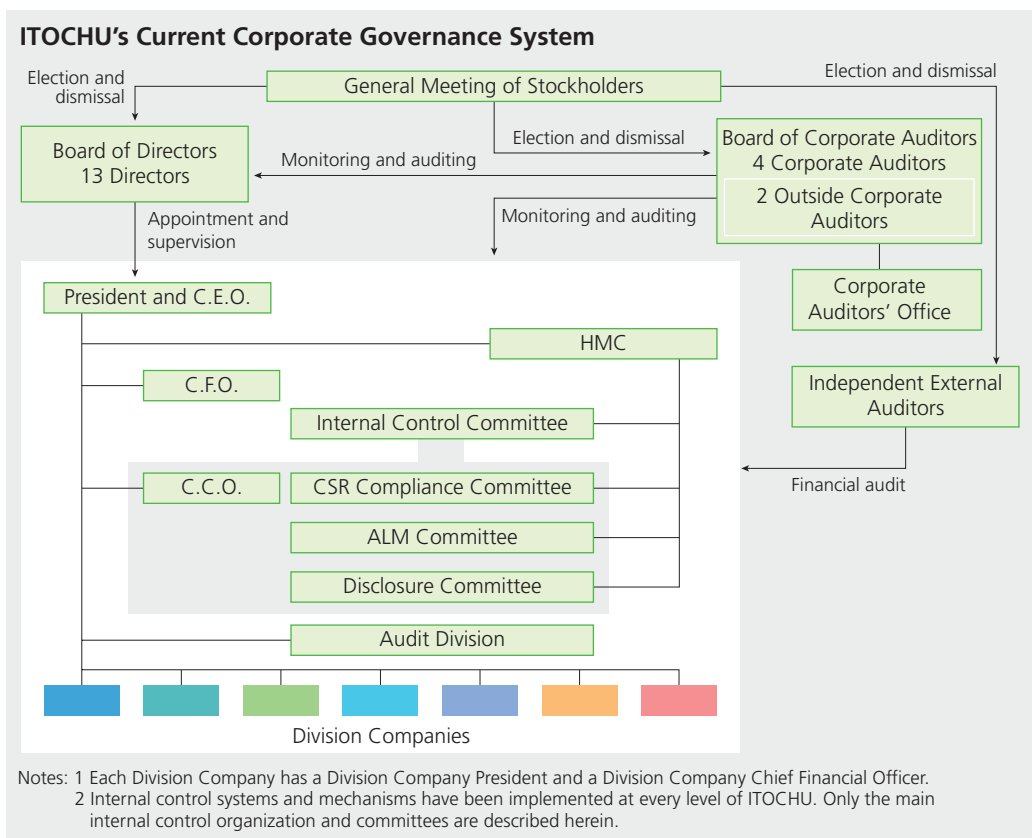
ITOCHU operates its business in accordance with the "ITOCHU Credo and Way" and the "ITOCHU Corporation Code of Conduct." Our fundamental policy is to work toward the long-term preservation and enhancement of our corporate value by building positive and effective relationships with our stakeholders. To execute our business activities in a fair and efficient manner in accordance with our fundamental policy, we are increasing the transparency of our decision-making process and constructing a corporate governance system that incorporates appropriate monitoring and supervisory functions. Furthermore, we will operate our business on a basis of trust with our stockholders by ensuring adequate and timely disclosure of information and by maintaining accountability to our stockholders.

## ITOCHU'S CORPORATE GOVERNANCE SYSTEM

ITOCHU's corporate governance system is made up of the General Meeting of Stockholders, which is the highest decision-making body; the Board of Directors, which makes important decisions at the next level; and the Board of Corporate Auditors, which oversees the operational execution of Directors.

The Headquarters Management Committee (HMC) is a supporting body of the President and is where company-wide management policy and important issues are discussed and decided. Management issues are also examined and discussed by various internal committees that support the decision making of the President and the Board of Directors.

With the aim of increasing decision-making speed and management efficiency, ITOCHU introduced the Division Company System in the fiscal year ended March 1998 and the Executive Officer System in the following year. Each Division Company is responsible for the management of its field of operations, and each Division Company's President receives decision-making assistance from the Division Company Management Committee (DMC). At the same time, the Headquarters focuses on planning overall management strategy and ensuring comprehensive coordination through centralized management of the Division Companies. In addition, Executive Officers carry out the operations for which they are responsible in an appropriate and efficient manner, under the guidance and supervision of Representative Directors. The terms of office of Directors and Executive Officers were reduced to one year in the fiscal year ended March 2007.



## PRINCIPAL INTERNAL COMMITTEES

Name	Objectives
Internal Control Committee	<ul style="list-style-type: none"> <li>Evaluates and confirms the status of implementation and operation of internal control systems based on the Basic Policy regarding the Internal Control System and proposes further improvements to the HMC and directors</li> </ul>
ALM* <sup>1</sup> Committee	<ul style="list-style-type: none"> <li>Performs comprehensive balance sheet and risk management analysis and makes recommendations on monitoring systems and improvement measures for management</li> </ul>
Strategic Investment Committee	<ul style="list-style-type: none"> <li>Deliberates and makes recommendations on strategic investment as planned in the management plan</li> </ul>
Company-wide Business Committee	<ul style="list-style-type: none"> <li>Maximizes the collective and comprehensive strengths in company-wide business and supports and promotes the realization of synergies between the Division Companies</li> </ul>
Corporate Officer Compensation Consultative Committee	<ul style="list-style-type: none"> <li>Deliberates and makes recommendations on the implementation and operation of the corporate officers' compensation system</li> </ul>
CIO* <sup>2</sup> Committee	<ul style="list-style-type: none"> <li>Deliberates, promotes, and makes recommendations on policies for the introduction and implementation of information technology to the ITOCHU Group</li> </ul>
Disclosure Committee	<ul style="list-style-type: none"> <li>Deliberates and makes recommendations on internal control policies and measures concerning information disclosure (including disclosure of financial statements)</li> </ul>
CSR Compliance Committee	<ul style="list-style-type: none"> <li>Deliberates, promotes, and makes recommendations on policies and measures concerning CSR</li> <li>Implements policies and programs for the full understanding of, and compliance with, the Company's management principles and corporate code of conduct</li> </ul>
DNA* <sup>3</sup> Project Committee	<ul style="list-style-type: none"> <li>Deliberates and makes recommendations on policies and measures for promoting business process re-engineering throughout the entire ITOCHU Group</li> </ul>

\*1 ALM = Asset Liability Management \*2 CIO = Chief Information Officer \*3 DNA = Designing New Age

## ROLE OF BOARD OF CORPORATE AUDITORS

The role of objective management oversight is undertaken by Corporate Auditors, including outside corporate auditors, who regularly attend meetings of the Board of Directors and other important internal meetings. Corporate Auditors are strengthening cooperation with the Company's independent auditors and the Audit Division in order to enhance the audit function. They also discuss internal audit planning with the Audit Division and hold regular meetings among themselves. In addition, the Corporate Auditors' Office, reporting directly to the Board of Corporate Auditors, supports Corporate Auditors in the performance of their duties. Though ITOCHU does not appoint outside Directors, Corporate Auditors fully carry out the oversight function within the Company.

## INTERNAL CONTROL

Compliance with laws and regulations is one of the goals of our internal control system. The Chief Compliance Officer and the CSR Compliance Committee are playing a major role in enhancing the Company's compliance system. We have built up a structure over time that incorporates appropriate internal controls into the actual business process in order to ensure the reliability of ITOCHU's financial reports. To strengthen this process, preparations are being made to introduce a company-wide internal control audit in the current fiscal year, and this effort is being led by a project team. Another operational reform project, the ITOCHU DNA Project—Designing New Age—, was launched in the fiscal year under review to improve management effectiveness and efficiency.

On April 19, 2006, the Board of Directors formulated the Basic Policy regarding the Internal Control System (summary on page 48), and at that time it was decided to revisit and improve internal controls on a periodic basis to ensure their effectiveness. Furthermore, in the fiscal year ending March 2008, we established the Internal Control Committee. This committee evaluates and confirms the status of internal controls and their operation, based on the Basic Policy, and suggests improvements to the HMC and the Board of Directors.

## ESTABLISHMENT OF ADVISORY BOARD

As a means of further raising the quality of its corporate governance, ITOCHU established the Advisory Board, which comprises experts from outside the Company, with the aim of receiving objective, specialized third-party opinions.

## ACCOUNTABILITY

ITOCHU is working to maintain communication not only with stockholders but also with society in general. To ensure timely and appropriate disclosure of impartial and accurate corporate information in accordance with disclosure rules, a system is in place to facilitate close contact among related parties company-wide.

## Basic Policy regarding the Internal Control System (Outline—Approved: April 19, 2006; Revised: April 18, 2007)

### Notes

#### 1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

##### (1) Corporate Governance

- 1) As the decision-making body, the Board of 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. The executive officers are to be appointed pursuant to a resolution by the Board of Directors, and are to carry out their designated functions and duties under the command and supervision of the 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.”

##### (2) Compliance

- 1) Directors and employees are to conduct themselves in accordance with the “ITOCHU’s Credo and Way” and the “ITOCHU Corporation Code of Conduct.”
- 2) ITOCHU is to establish a department that oversees all compliance matters, including all matters relating to the Chief Compliance Officer and the CSR Compliance Committee. In addition, the “ITOCHU Group Compliance Program” is to be created to further enhance our compliance system.

##### (3) 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 Chief Financial Officer to ensure the reliability of financial reporting.
- 2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the internal control systems to ensure the reliability of financial reporting.

##### (4) Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President. 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 Stockholders, 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.

#### 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

##### (1) The HMC and Other Internal Committees

The HMC (Headquarters Management Committee) as a supporting body to the President, and a number of other internal committees, are to

facilitate the proper and agile decision-making by the President and the Board of Directors.

##### (2) Division Company System

Under the Division Company System, the position of 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.

##### (3) 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 Corporation and Its Subsidiaries)

##### (1) Subsidiary Management System

ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation 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 Corporation is to send directors and auditors to each subsidiary to ensure the adequacy of the subsidiary’s operations.

##### (2) Compliance

ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system at each subsidiary in accordance with the “ITOCHU Group Compliance Program,” and is to implement full compliance in the entire ITOCHU Group through education and training.

##### (3) Internal Audits

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 Auditors and Independence of Such Personnel from the Directors

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

##### (1) 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.

##### (2) 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 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.

#### 8. Other Relevant Systems to Ensure the Proper Functioning of Audits

##### (1) Coordination with the Auditors in 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.

##### (2) Retaining External Experts

When deemed necessary, the Corporate Auditors are to independently retain external experts for the implementation of an audit.

The status of internal controls during the fiscal year ended March 2007 was evaluated at a meeting of the Board of Directors convened on April 18, 2007, and compliance with the Basic Policy regarding the Internal Control System was confirmed.

# Corporate Officers

As of July 1, 2007



**EIZO KOBAYASHI**  
**President and Chief Executive Officer**  
 1972 Joined ITOCHU Corporation  
 2004 President and Chief Executive Officer



**UICHIRO NIWA**  
**Chairman**  
 1962 Joined ITOCHU Corporation  
 2004 Chairman



**SUMITAKA FUJITA**  
**Vice Chairman**  
 1965 Joined ITOCHU Corporation  
 2006 Vice Chairman



**AKIRA YOKOTA**  
**Executive Vice President**  
**Chief Operating Officer, Division Companies Operation**  
 1967 Joined ITOCHU Corporation  
 2003 Executive Vice President



**KOUHEI WATANABE**  
**Executive Vice President**  
**Chief Corporate Planning Officer; Chief Information Officer**  
 1971 Joined ITOCHU Corporation  
 2006 Executive Vice President



**TOSHIHITO TAMBA**  
**Senior Managing Director**  
**Chief Administration Officer; Chief Financial Officer; Chief Compliance Officer**  
 1972 Joined ITOCHU Corporation  
 2005 Senior Managing Director



**SHIGEKI NISHIYAMA**  
**Senior Managing Director**  
**President, Aerospace, Electronics & Multimedia Company**  
 1974 Joined ITOCHU Corporation  
 2006 Senior Managing Director



**MASAHIRO OKAFUJI**  
**Senior Managing Director**  
**President, Textile Company**  
 1974 Joined ITOCHU Corporation  
 2006 Senior Managing Director



**YOSUKE MINAMITANI**  
**Managing Director**  
**President, Chemicals, Forest Products & General Merchandise Company**  
 1974 Joined ITOCHU Corporation  
 2006 Managing Director



**SHIGEHARU TANAKA**  
**Managing Director**  
**President, Food Company**  
 1974 Joined ITOCHU Corporation  
 2006 Managing Director



**TAKANOBU FURUTA**  
**Managing Director**  
**President, Machinery Company**  
 1973 Joined ITOCHU Corporation  
 2006 Managing Director



**YOICHI KOBAYASHI**  
**Managing Director**  
**President, Energy, Metals & Minerals Company**  
 1973 Joined ITOCHU Corporation  
 2006 Managing Director



**TAKAO SHIOMI**  
**Managing Director**  
**President, Finance, Realty, Insurance & Logistics Services Company**  
 1975 Joined ITOCHU Corporation  
 2006 Managing Director



**MASAHITO TOMINAGA**

**Corporate Auditor**  
 1971 Joined ITOCHU Corporation  
 2005 Executive Officer  
 2007 Standing Corporate Auditor



**NOBUYOSHI UMEMO**

**Corporate Auditor**  
 1968 Joined ITOCHU Corporation  
 2001 Managing Executive Officer  
 2004 Standing Corporate Auditor



**HARUO SAKAGUCHI**

**Corporate Auditor**  
 1989–1990 Vice Chairman, Japan Federation of Bar Association; Chairman, Osaka Bar Association  
 2001–2006 Chairman, Osaka Public Bid Monitoring Committee  
 2003 Corporate Auditor, ITOCHU Corporation



**TADASHI KUDO**

**Corporate Auditor**  
 2002–2003 President & Chief Executive Officer, Mizuho Bank, Ltd.  
 2004 Advisor, Mizuho Bank, Ltd.  
 2005 Corporate Auditor, ITOCHU Corporation

## Approach to Auditing

Haruo Sakaguchi, Corporate Auditor



Drawing on my many years of experience and specialist knowledge as a lawyer specializing in business, I strive to move beyond a formal approach to gain an accurate understanding of the actual state of compliance and other audit areas. Specifically, as ITOCHU is a general trading company that has adopted the Division Company System, I look closely at whether disclosure at each Division Company is sufficient and whether decisions are reached through a process of adequate discussion and verification among the people involved.

With the Corporate Law having taken effect on May 1, 2006, I examine whether internal control systems and corporate governance structures are firmly in place and functioning properly in accordance with the spirit of the law.

I would also like to fulfill my responsibilities as an auditor by not only attending more management meetings but also actively pursuing issues, through comments like “Doesn’t that proposal require more study” or “Shouldn’t this be discussed further,” on which it is difficult for employees to express their opinions.



## MANAGING EXECUTIVE OFFICERS

**TORU OTA**

General Manager for Nagoya Area  
1970 Joined ITOCHU Corporation  
2005 Managing Executive Officer

**YOSHIO AKAMATSU**

Chief Executive for Asia  
1974 Joined ITOCHU Corporation  
2005 Managing Executive Officer

**MASAHIRO NAKAGAWA**

Deputy Chief Corporate Planning Officer;  
Chief Officer for International Operations  
1974 Joined ITOCHU Corporation  
2005 Managing Executive Officer

**NOBUO KUWAYAMA**

General Manager for China;  
Chairman, ITOCHU (China)  
Holding Co., Ltd.;  
Chairman, ITOCHU Shanghai Ltd.  
1971 Joined ITOCHU Corporation  
2006 Managing Executive Officer

**YOSHIIISA AOKI**

Executive Vice President, Food Company;  
Deputy Chief Operating Officer, Food Products  
Marketing & Distribution Division  
1974 Joined ITOCHU Corporation  
2006 Managing Executive Officer

**HIROO INOUE**

Manager, ITOCHU DNA Project Office;  
Deputy Chief Operating Officer,  
Division Companies Operation;  
General Manager, Innovative Technology  
Business Development Office  
1975 Joined ITOCHU Corporation  
2006 Managing Executive Officer

**YOSHIIISA SUZUKI**

President & C.E.O., ITOCHU  
International Inc.;  
President, ITOCHU Canada Ltd.  
1979 Joined ITOCHU Corporation  
2006 Managing Executive Officer

**TADAYUKI SEKI**

General Manager, Finance Division  
1973 Joined ITOCHU Corporation  
2007 Managing Executive Officer

**KAZUTOSHI MAEDA**

Deputy Chief Administration Officer  
(Legal, General Affairs, CSR & Compliance)  
1974 Joined ITOCHU Corporation  
2007 Managing Executive Officer

**TAKEYOSHI IDE**

General Manager for European Operation;  
C.E.O., ITOCHU Europe PLC.;  
C.E.O., ITOCHU Deutschland GmbH  
1975 Joined ITOCHU Corporation  
2007 Managing Executive Officer

**TATSUO FUJINO**

Deputy Chief Corporate Planning Officer;  
Chief Officer for Kansai Operations  
2006 Joined ITOCHU Corporation  
2007 Managing Executive Officer

## EXECUTIVE OFFICERS

**KAZUhide SASA**

Chief Operating Officer,  
Brand Marketing Division 1  
1974 Joined ITOCHU Corporation  
2005 Executive Officer

**SHOZO YONEYA**

Deputy Chief Administration Officer  
(Internal Control, Accounting)  
1974 Joined ITOCHU Corporation  
2005 Executive Officer

**KENJI OKADA**

Executive Vice President, Finance, Realty,  
Insurance & Logistics Services Company;  
Chief Operating Officer, Construction  
& Realty Division  
1974 Joined ITOCHU Corporation  
2005 Executive Officer

**TETSUSHI ISHIZUKA**

General Manager, Human Resources  
Division  
1975 Joined ITOCHU Corporation  
2005 Executive Officer

**KOJI TAKAYANAGI**

Executive Vice President, Energy,  
Metal & Minerals Company;  
Chief Operating Officer,  
Energy Trade Division  
1975 Joined ITOCHU Corporation  
2005 Executive Officer

**TORU NOMURA**

Executive Vice President,  
Machinery Company;  
Chief Operating Officer, Plant  
& Project Division  
1976 Joined ITOCHU Corporation  
2005 Executive Officer

**YOSHIO MATSUKAWA**

Chief Operating Officer, Energy  
Development Division  
1974 Joined ITOCHU Corporation  
2006 Executive Officer

**TAKESHI KUMEKAWA**

Senior Vice President, Textile Company;  
Chief Operating Officer, Brand Marketing  
Division 2  
1974 Joined ITOCHU Corporation  
2006 Executive Officer

**KUNIIHIKO TAMANO**

General Manager, Business Accounting  
& Control Division  
1974 Joined ITOCHU Corporation  
2006 Executive Officer

**YOSHIHARU MATSUMOTO**

General Manager, Corporate  
Communications Division  
1975 Joined ITOCHU Corporation  
2006 Executive Officer

**SATOSHI KIKUCHI**

General Manager, Corporate Planning  
& Administration Division  
1976 Joined ITOCHU Corporation  
2006 Executive Officer

**SHINTARO ISHIMARU**

General Manager, IT Planning Division  
2006 Joined ITOCHU Corporation  
2006 Executive Officer

**TORU MATSUSHIMA**

Chief Operating Officer,  
Automobile Division  
1979 Joined ITOCHU Corporation  
2006 Executive Officer

**YUJI FUKUDA**

Chief Operating Officer, Chemicals Division  
1979 Joined ITOCHU Corporation  
2006 Executive Officer

**KOICHI WADA**

Chief Operating Officer, Apparel Division  
1975 Joined ITOCHU Corporation  
2007 Executive Officer

**MITSUGU KUNO**

Executive Vice President,  
ITOCHU International Inc.;  
General Manager, Food Division,  
ITOCHU International Inc.  
1975 Joined ITOCHU Corporation  
2007 Executive Officer

**KIMIO KITAMURA**

General Manager, General Accounting  
Control Division  
1975 Joined ITOCHU Corporation  
2007 Executive Officer

**KAZUAKI TAKADA**

Chief Operating Officer,  
Media Business Division  
1976 Joined ITOCHU Corporation  
2007 Executive Officer

**SHUICHI KOSEKI**

Chief Operating Officer, Textile Material  
& Fabric Division  
1979 Joined ITOCHU Corporation  
2007 Executive Officer

**ICHIRO NAKAMURA**

Chief Operating Officer, Metals, Mineral  
Resources & Coal Division  
1979 Joined ITOCHU Corporation  
2007 Executive Officer

**TOMOFUMI YOSHIDA**

Chief Operating Officer, Forest Products  
& General Merchandise Division  
1979 Joined ITOCHU Corporation  
2007 Executive Officer

**SHIGEMITSU TAKATORI**

Chief Operating Officer, IT & Business  
Solutions Division  
1980 Joined ITOCHU Corporation  
2007 Executive Officer