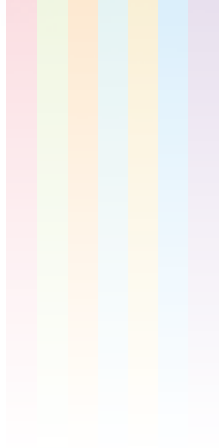


ITOCHU Corporation
CSR Report 2006



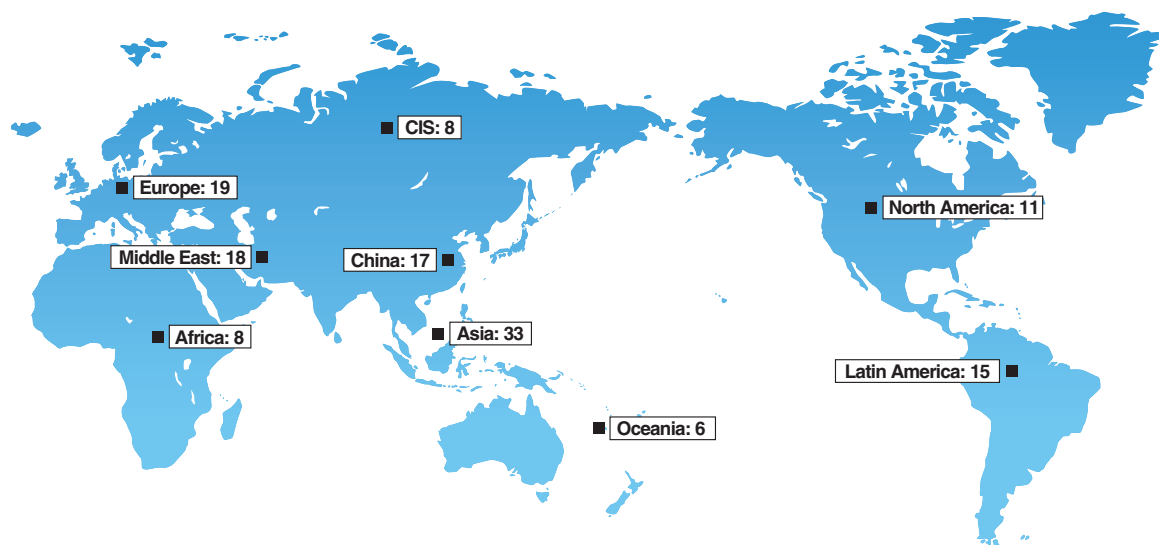
Corporate Profile

Corporate Name : ITOCHU Corporation
 Founded : 1858
 Incorporated : December 1, 1949
 Location of headquarters
 Tokyo headquarters : 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
 Osaka headquarters : 1-3, Kyutaromachi 4-chome, Chuo-ku, Osaka 541-8577, Japan
 President & CEO : Eizo Kobayashi
 Capital : ¥202,241 million
 Number of offices : 18 (Japan), 135 (Overseas)
 Number of employees : 4,007

(as of March 31, 2006)

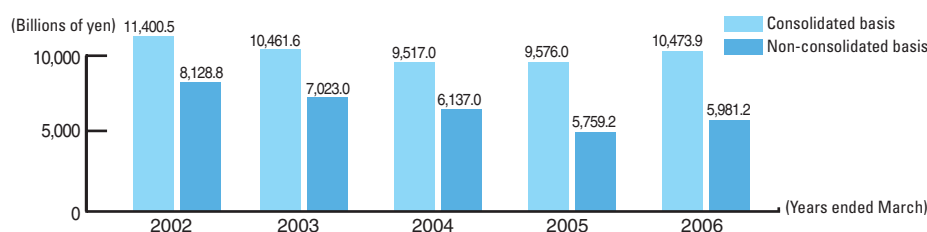


Overseas Offices



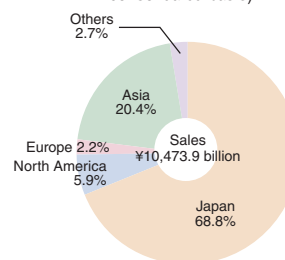
Financial Overview

Total trading transactions

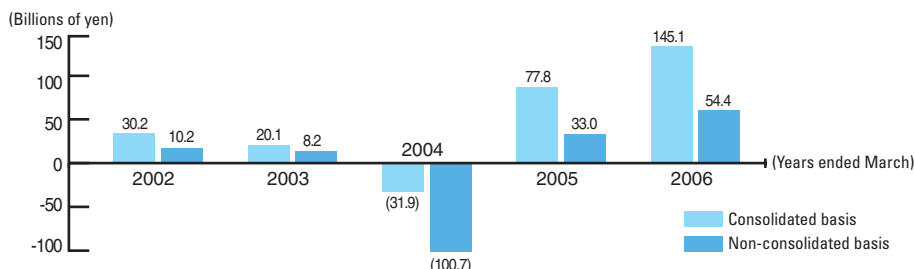


Total trading transactions by Region

(The fiscal year ended March 31, 2006, consolidated basis)

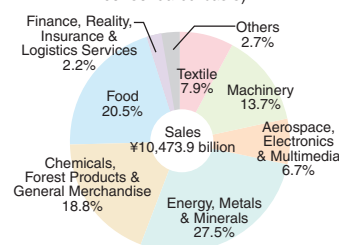


Net income/loss



Total trading transactions by Division Company

(The fiscal year ended March 31, 2006, consolidated basis)



Notes:

- The financial statements of ITOCHU Corporation are presented in accordance with U.S. GAAP.
- "Total trading transactions" is presented in accordance with Japanese accounting practice, and consists of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
- "Total trading transactions" by Region (the fiscal year ended March 31, 2006, consolidated basis) is prepared in accordance with Japanese reporting practice, and presented by each geographical segment that is based on the nearest region where ITOCHU Corporation and its subsidiaries are located.

Editing policy

In releasing this first CSR report, we discussed ways for ITOCHU Corporation as a *Sogo Shosha*^{*1} and its group companies to jointly promote CSR initiatives in our main business. The report presents these initiatives mainly with reference to the CSR objectives (CSR action plans) formulated by the seven Division Companies^{*2}. In addition, we held a stakeholder dialogue session with the participation of eminent persons to exchange views on what kind of roles ITOCHU Corporation should play in society, as well as to gain their insights and opinions on our CSR action plans.

In the preparation of this report, we referred to the Environmental Reporting Guidelines (fiscal 2003 publication) and the Sustainability Reporting Guidelines 2002 issued by the Ministry of the Environment and the Global Reporting Initiative respectively.

^{*1} *Sogo Shosha* originated with the general trading companies that fueled commerce and trade throughout Japan and eventually globally. Today's *Sogo Shosha* have evolved into widely diversified global conglomerates, whose business activities and reach extend far beyond trade to finance, infrastructure development, energy and power development, information technology, logistics, integrated supply and manufacturing, and a host of other industrial projects. With their global focus and reach, today's *Sogo Shosha* provide information, expertise and contact networks unmatched in scope and vision.

^{*2} ITOCHU Corporation adopts a Division Company system, consisting of seven Division Companies: the Textile Company; the Machinery Company; the Aerospace, Electronics & Multimedia Company; the Energy, Metals & Minerals Company; the Chemicals, Forest Products & General Merchandise Company; the Food Company; and the Finance, Realty, Insurance & Logistics Services Company.

Reporting period

This report principally covers actual data for the fiscal year beginning on April 1, 2005 and ended on March 31, 2006. However, some of the more recent information on our activities and approaches are also included.

Reporting scope

Information on ITOCHU Corporation (18 domestic offices and 135 overseas offices) and major group companies is presented in this report.

The date of publication

August 2006 (next issue: tentatively August 2007)

For more information, please contact us:

ITOCHU Corporation

CSR Promotion Office
CSR & Compliance Division
TEL : +81-3-3497-4064
FAX : +81-3-3497-7769
E-mail : tokcr@itochu.co.jp

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"*Sampo yoshi*" is in ITOCHU's DNA. We are determined to fulfill our role in the creation of a sustainable society by being fully aware of our influence.



Eizo Kobayashi

President & Chief Executive Officer

Rooted in "*sampo yoshi*," a practice that has been carried on for the 150 years since our founding

ITOCHU has remained continuously in business since its founding for approximately 150 years. I believe we have been able to do so because we have carried on the spirit of "*sampo yoshi*" the watchwords applied by Chubei Ito, our founder, in his trade. The central idea is that transactions must benefit ("*yoshi*") all three parties ("*sampo*"), i.e., the seller, the buyer, and the society.

In 1992, when we changed our English company name to ITOCHU Corporation from C. Itoh & Co., Ltd. we discussed what our corporate credo should be, and decided upon "committed to the global good," which reaffirms the "*sampo yoshi*" spirit.

A corporate enterprise must be a good corporate citizen. As a global enterprise, ITOCHU Corporation must be a good corporate citizen not only in Japan, but also throughout the world. This is what I am constantly telling our employees.

We have been working to implant this spirit of "*sampo yoshi*," our business morals and ethics, into our employees working in Japan as well as our national staff*(see page 34) working in other countries.

We have a responsibility to fulfill given our position as a *Sogo Shosha* with global information capabilities and leading edge access to information regarding social changes

Society has changed greatly over the last ten years. ITOCHU Corporation has about 100,000 business partners all over the world, as well as human and information networks enabling us to quickly learn what kind of new concepts and ideas are arising in other parts of the world and how those new concepts and ideas are affecting society. As we see it, it is the role of a *Sogo Shosha* to discern tomorrow's social needs, breed business adapted to those needs, and thereby contribute to society.

These days, we are faced with various global issues, the most serious being those related to food, energy, and the environment. The situation demands comprehensive analysis of information obtained on a daily basis and consideration of courses that we should take from the standpoint of Japan's security regarding food and energy. We are convinced that only *Sogo Shosha* are capable of developing business along this line, and that we have a crucial role to play.

At present, Japan's food self-sufficiency rate has declined to as low as 40 percent. We would immediately be faced with a critical situation if imports should be halted for some reason. To prevent any such thing from happening, we are doing our utmost to keep food in stable supply by harnessing our far-flung worldwide network.

As for the energy problem, we are considering ways to more efficiently use energy and more extensively utilize clean energy in order to continuously supply energy to Japan in a stable manner.

For example, the utilization of ethanol has become feasible as a business now that the demand is rising against the background of higher costs for fossil fuels. Although businesses that help preserve the environment sometimes entail a trade-off with profitability, viable alternatives must be explored while monitoring the world situation.

Rising role of *Sogo Shosha* in step with the times

The role of *Sogo Shosha* has kept changing to befit the needs of the times. Today, our main focus is shifting to how to provide additional value in our business process,

from the upstream to the downstream, or from raw materials to goods and services eventually delivered to consumers. Involvement in all processes from the upstream to the downstream implies a substantial increase in social impact. Because of the huge sums of money handled, misjudgments can have an immense adverse effect on society. It is vital for each and every one of our employees to remain aware of this factor.

Promotion of our initiatives tied to business in each Division Company's CSR action plans

ITOCHU Corporation consists of seven Division Companies. These Companies differ markedly from each other in respect of business models, and consequently have different CSR to fulfill. Therefore, each Division Company prepared its own CSR action plans setting forth CSR objectives and indicators upon discussion of targets for the next three, five, and ten years. We decided to have each Division Company declare its targets and take CSR actions on its own initiative.

If things were left at this, ITOCHU Corporation would be an aggregate of seven Companies, each going their own way on CSR, instead of a *Sogo Shosha*. This is why we share a common philosophy to be embraced by all of the Companies alike in the pursuit of our CSR initiatives.

For example, regardless of their business model or business location in the world, all employees obviously must act honestly and refrain from wrongdoing as a rule of the most basic sort. In addition, we made it a fundamental company-wide requirement for each employee to constantly give consideration to the coexistence with the society, safety, and security.

I would also like to add that I am always telling our employees to be humble. People do not want to advise those who are arrogant and think they are above all around them. By taking a step back and adopting a humble attitude, one is bound to get a better grasp of the views of others.

CSR as the infrastructure of corporate management, grounded in communication and human resources development

Our prime assets as a *Sogo Shosha* are our people. It is our individual employees who spawn new business. By the same token, the lapse of a single employee can instantly result in the loss of social trust placed in us. We are well aware that all we have built up over the last 150 years could be lost overnight. This is why we particularly emphasize the importance of communication and human resource development.

Communication is at the foundation of CSR, which is part of the infrastructure of corporate management.



Precisely for this reason, a company's very existence and survival depends on communication. At Company-Wide Employees Meetings and in training classes, we always deliver the message about honest and forthright behavior while encouraging coexistence with society and humility, and we listen closely to what our employees have to say.

As ITOCHU Corporation is a global company, a diversity of human resources is vital for engendering new ideas. To cultivate such diversity, we are putting special efforts into employee education and training. Before appointing national staff to executive positions in overseas offices, for example, we have them come to Japan for long-term training and actively communicate with them. During their stay, we make sure that they understand the importance of good corporate citizenship. After being installed as executives in their own countries, I am confident that they will spread our philosophy themselves. The sharing of this philosophy by each and every employee automatically helps to lead our business into the direction of further contribution to the creation of a sustainable society.

Carrying the CSR spirit into the future

When I assumed the post of President & CEO, I selected "challenge, create, and commit" as the key words for the President's Principle. At the same time, I pledged to lead the members of our company by taking this principle into full consideration. This policy is at the very essence of the CSR spirit to which ITOCHU Corporation aspires.

CSR is a never-ending mission. There is no choice but to work steadily to try and make today better than yesterday, and tomorrow better than today. In the process, we must not lose the urge to learn and progress. The "*sampo yoshi*" spirit, which is nothing less than the CSR spirit, is in ITOCHU's DNA. I am determined to do the utmost in our business so that we will be able to carry on this DNA intact for another 50, 100, or, 150 years.

CSR for ITOCHU Corporation

What is the essence of social responsibility for ITOCHU Corporation?

What must we do to discharge it?

These are questions we have continuously discussed within the company since the spring of 2005.

This section presents ITOCHU Corporation's perspectives on CSR.

ITOCHU Corporation's perspectives on coexistence with society

Rooted in "sampo yoshi"

ITOCHU Corporation traces its origins to the fabric wholesale business started by Chubei Ito, the company's founder, in 1858, the twilight years of the Tokugawa shogunate.

Chubei was of the conviction that a merchant should never lie under any circumstances, and he adhered to this dictum throughout his life. It means that merchants must be honest with customers, other merchants, and, above all, themselves. Although the times have changed, we have carried on Chubei's convictions about integrity in business.

It should also be noted that Chubei also grounded his business in the spirit of "sampo yoshi," a management philosophy embraced by merchants in his birthplace, the feudal province of Omi. The central idea is that transactions must benefit ("yoshi") all three parties ("sampo"), i.e., the seller, the buyer, and the society. It may be viewed as a precursor of today's corporate social responsibility, which rests on the belief that companies ought to do business that delivers a balanced benefit to all of their stakeholders. In other words, ITOCHU Corporation began espousing this ideal 150 years ago.

ITOCHU Corporation as a global company

Over the approximately 150 years since our founding, we have dramatically changed our style of business. More specifically, we started our business from the simple business model of merely selling merchandise purchased from suppliers. We have expanded our business domain to one encompassing investment, including mergers and acquisitions, in addition to conventional trading. In the process, we also have extended our involvement in all business phases, from handling raw materials and other upstream business to retailing and other downstream activities.

With the arrival of the 21st century, various worldwide

problems have come to the fore as negative aspects of globalization, and there are mounting calls for companies to fulfill their social responsibilities. This naturally raises the question of how ITOCHU Corporation's business influences society at large.

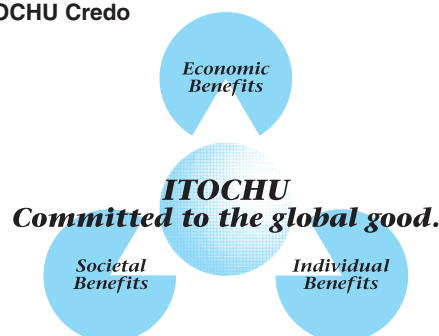
ITOCHU Corporation has business locations in 75 countries around the world and engages in business activities across national and regional borders. With our huge pool of business partners in a diversity of industries, the impact exerted by our business on society is by no means slight.

Towards a sustainable society

Considering worldwide issues such as global warming and poverty in developing countries as well as the immense influence of economic activities in developed countries, the social responsibility to be discharged by ITOCHU Corporation must be deemed great in both qualitative and quantitative terms.

Ever mindful of what obligations we must assume for the sake of society from now on, ITOCHU Corporation has formulated a corporate credo of being "committed to the global good." In keeping with this credo, we are defining our social responsibilities and executing our tasks toward the creation of a sustainable society.

The ITOCHU Credo



ITOCHU Corporation Code of Conduct

1. Observance of Laws and Regulations

ITOCHU respects the laws and regulations of the countries where it does business and international rules, and will pursue the highest standards of ethical behavior in its dealings with customers, suppliers, employees, shareholders, and other stakeholders.

2. Supply of Quality Products and Services

ITOCHU is concerned with product safety and the conservation of the environment, energy and natural resources, and maintains a keen interest in the supply of safe and quality products. ITOCHU will carefully consider the social utility of the products and services it supplies.

3. Management with a Long-term Vision

ITOCHU will not pursue short-term interests at the expense of its reputation for integrity, and will conduct its business with a long-term vision.

4. Fair Dealing

ITOCHU recognizes that free and fair competition is a fundamental principle of the market economy and will engage in free and fair competition. In addition, ITOCHU will maintain a fair, sound, and open relationship with government agencies and political bodies.

5. Disclosure

ITOCHU values communication with its shareholders, other stakeholders and the public at large, and will fulfill its duty to make full, fair, and timely disclosure of corporate information.

6. The Environment

ITOCHU will remain vigilant in addressing today's critical environmental issues.

7. Good Corporate Citizen

ITOCHU will seek harmony between the pursuit of profit and contributing to society, and will actively fulfill its role as a good corporate citizen.

8. Working Conditions

ITOCHU will promote good working conditions for its employees, respect the dignity and personality of employees, and foster an open culture where ideas can be freely expressed and creativity can be fully developed.

9. Policy Against Antisocial Organizations

ITOCHU will stand firmly against forces or organizations that threaten the order and security of the public.

10. Globalization

ITOCHU will respect the cultures and customs of all countries in which it operates, and conduct its overseas activities in a way that contributes to the development in all such locales.

11. Compliance

ITOCHU intends that all directors, officers, and employees of ITOCHU understand and comply with this Code and will develop a system to enhance the understanding, implementation, and effectiveness of this Code.

12. Commitment by Executives

The executives of ITOCHU will take the lead in implementing and enforcing this Code, and will vigorously address violations through investigations. Fair and appropriate disclosure shall be made of any such incidents, and appropriate discrepancy measures, based on principles of accountability, including action directed toward themselves, shall be taken by ITOCHU's executives.

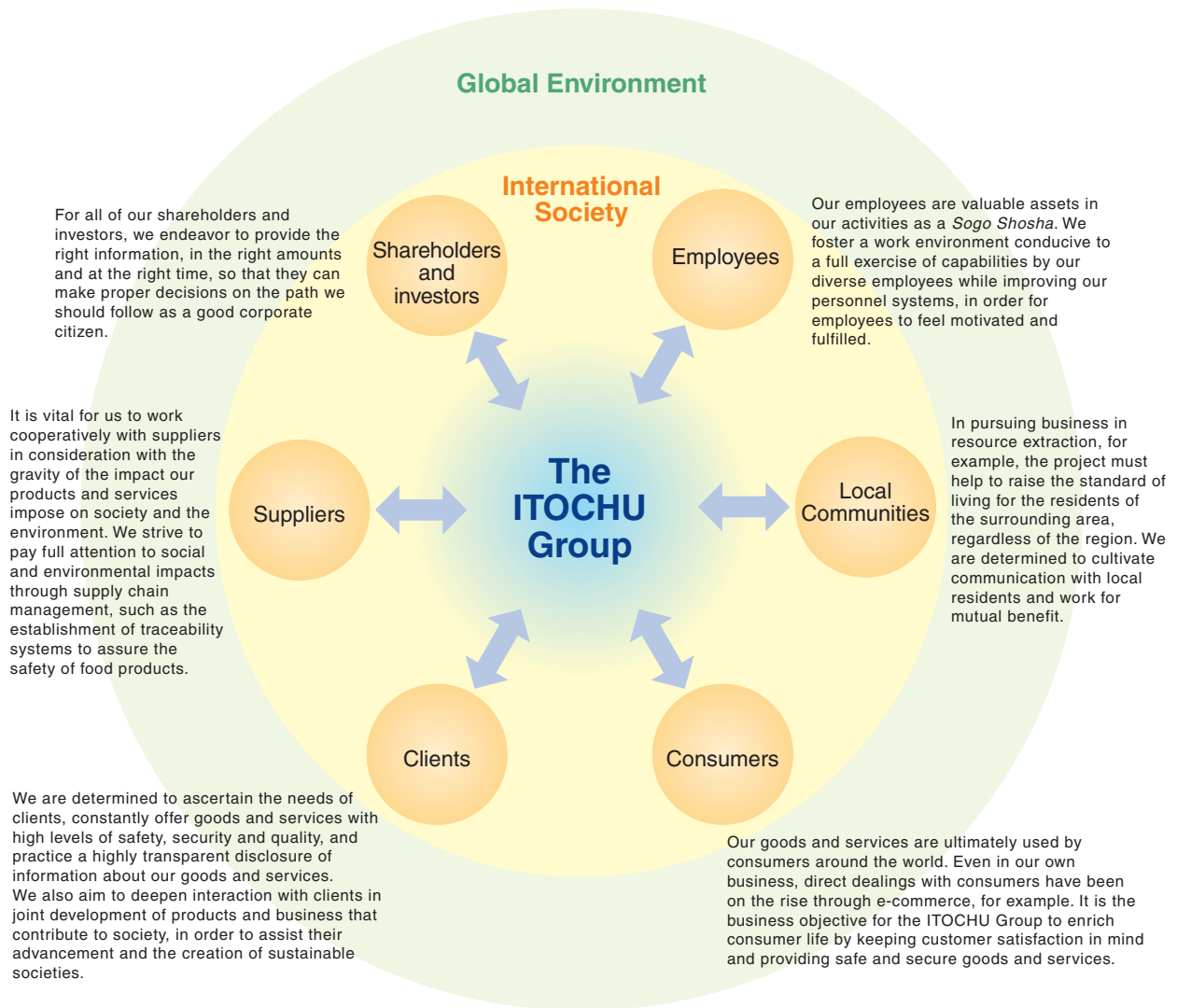
Involvement with stakeholders

In engaging in diverse business activities in numerous regions, the ITOCHU Group is involved with many stakeholders.

To coexist with society, we consider it of paramount importance for the ITOCHU Group to reflect the expectations and apprehensions of our stakeholders in our daily business

activities by identifying them through communication. We are convinced that the construction of firm relations with our stakeholders will enable us to advance ourselves and contribute to the creation of a sustainable society.

Major stakeholders of the ITOCHU Group



Besides those noted above, the list of our major stakeholders includes many other parties, such as NGOs and NPOs, financial institutions, government ministries and agencies, mass media, and the coming generations.

CSR for ITOCHU Corporation

ITOCHU Corporation's basic perspective on CSR

ITOCHU Corporation has a keen awareness of the need to coexist with society as a corporate citizen. We have to carefully consider what we must do to remain a company that is supported, trusted, and needed by society 10 or even 100 years into the future.

In light of this requirement, we produced the following summary statement of our basic perspective on CSR.

Basic perspective on CSR

As a constituent of society, a corporate enterprise has obligations to fulfill in order to be a good corporate citizen.

Therefore, ITOCHU Group must take account of the needs and requests of various stakeholders, and through active communication with them, develop and implement management visions and specific initiatives that benefit society.

This shall enable the ITOCHU Group to gain their support and trust as well as to ensure its sustainability.

In keeping with this perspective, we intend to develop our distinctive CSR activities, as follows.

Long-term perspective

It is the social role of a *Sogo Shosha* to identify social needs through its information and other networks stretching around the world, and thereby anticipate coming trends and nurture forerunning business grounded in those needs.

It is vital to view the world and the business from a long-term perspective.

Thought and action by all

ITOCHU Corporation is involved in a wide range of multifaceted business activities in various parts of the world. Many of our employees serve as managers or producers for diverse undertakings and projects, and must make decisions on various matters on all sorts of occasions.

Each and every one of our employees shall aspire to consideration and practice of CSR.

Emphasis on process

We have undertaken all sorts of CSR activities thus far, but realize that CSR is a never-ending task.

As such, while results (whether or not CSR goals were attained) are certainly important, we want to place more emphasis on the process, i.e., the identification of issues and setting of targets to induce results.

Toward effective CSR activities

In line with our basic perspective on CSR as outlined, we have positioned the promotion of CSR activities as one of our priority measures in the context of "Frontier-2006," our mid-term management plan. For the duration of this plan, we have defined the basic policies in this promotion as follows with a view to developing effective CSR activities.

Basic policies in the CSR promotion activities during Frontier-2006

1. Strengthening communication with stakeholders
2. Enhancing safety and reliability in the product, service, and human aspects
3. Promoting CSR-related education and enlightenment

The core of our CSR activities is a firm desire to contribute to the creation of a sustainable society through our business.

We are engaging in all sorts of business in numerous locations at home and abroad, and the impact of our activities on society is by no means slight. Conversely, our activities have the potential to make a positive contribution to the creation of a sustainable society in various aspects.

We have a keen appreciation of the importance of contributing to the building of a sustainable society through our business activities by making the most of our superb human resources and global network in a broad spectrum of fields.

Alignment of all of our business activities in this orientation faces many issues and would be no easy task. To make our CSR activities effective for society, we decided to adopt a policy of practicing CSR by each and every one of our employees in their work.

Formulation of CSR action plans

Promotion of effective CSR activities in our work demands sure execution of specific approaches. To this end, it is indispensable to clearly define targets and draft concrete plans. We consequently decided to formulate CSR action plans and have CSR activities executed in accordance with them.

Our seven Division Companies are involved, respectively, in different industries and fields. We therefore adopted the policy of having each Division Company formulate its own CSR action plans, in the belief that targets had to be set separately for each domain.

In formulating action plans, employees involved in actual business activities in their respective Division Company had repeated discussions and made an in-depth review of the Division Company's mission and business. This made it possible for them to draft practical plans to be executed by the individual employees.

In the process of formulating the plans, we were also able to identify various CSR issues bound up with their business activities. For example, in energy development projects in which ITOCHU has a minority interest, we are in a dilemma about the degree in which we are able to urge our business partners with the majority interest in the projects to practice CSR. The planning consequently clarified issues that must be examined for future CSR activities.

Implementation of CSR action plans

The CSR action plans formulated by our Division Companies in the fiscal year ended March 2006 are now at the stage of execution. The results are to be reviewed semi-annually for ongoing improvement of the action plans. We are determined to ensure that the plans bear fruit by following the PDCA cycle.

Expansion of CSR activities to our group companies

In the belief that it is vital to take a group-wide approach to CSR, we are taking steps for the spread of CSR activities from ITOCHU Corporation per se to our group companies in Japan and, in turn, to those in other countries. To this end, we are selecting a few major group companies with a lot of impact in the CSR aspect under each Division Company to study the current status of their CSR activities. We plan to hold meetings and training courses to share our CSR perspectives, with the aim of formulating CSR action plans by the end of the fiscal year ending March 2007.

➔ See pages 9–22 for the CSR action plans of our Division Companies.

Role and activities of the CSR Promotion Office



Masaki Nakamura
Manager
CSR Promotion Office

At the CSR Promotion Office, we are currently placing the greatest emphasis on the internal penetration of CSR awareness. Since ITOCHU Corporation is engaged in many diverse businesses, it is not easy to proliferate the CSR idea so that each employee is conscious of and practices it in his or her work. To achieve this difficult task, we are informing and educating employees about excellent CSR programs at other companies, and holding seminars for each in-house layer. We also offer as much assistance and support as possible for execution of the CSR action plans at each Division Company.

Because the ITOCHU Group manages a consolidated group on a global scale, it would not be sufficient to have CSR activities pursued merely by ITOCHU Corporation. We realize that we have the remaining task of inducing the spread of CSR activities throughout the ITOCHU Group, in each region of the world, and in all links of the supply chain.

Road map for CSR management at group companies



CSR Action Plans of the Textile Company

MISSION

Contributing to the creation of a healthy, prosperous, and active society by meeting the diverse needs and expectations of our customers through the provision of assured quality and new value

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Textile Material & Industrial Textile Division	Risk and quality control, and management of business partner relations accompanying overseas procurement	Suppliers	1. Managing business partner relations based on management guidelines and checklists 2. Exploring new procurement sites in addition to China	1. Drafting management guidelines (checklists) 2. Holding interviews to identify problems at new procurement sites
	Expanding transactions related to environmental business projects	Suppliers Consumers	Establishing technologies in collaboration with partners, and commercializing prospective products based on scientific and technical analyses and criteria Assisting the establishment of next-generation technology for DPF, expanding sales (in Japan, Europe, Asia, etc.) through the ITOCHU Group, and publicizing our vigorous actions on environmental issues to consumers	Commercializing prospective products at the earliest possible date by supporting technology development by partner firms and conducting market research
Textile Division	Monitoring, and providing guidance for improvement to, overseas suppliers as regards the treatment of employees, the on-site workplace environment, and other compliance matters	Suppliers	Promoting concerted approaches between the headquarters and overseas offices by utilizing the ISO 14001 system	Conducting surveys and studies using prepared questionnaire forms
	Understanding environmental management systems at overseas suppliers (factories)	Environment and suppliers	Taking concerted approaches between the headquarters and overseas offices	Conducting fact-finding surveys on invested factories
	Fair employment, compliance with laws, and better work environment	Employees	Promoting cooperation between the staff in charge of personnel administration of the Textile Company and its group companies	Conducting training and education programs not only for ITOCHU employees but also for employees of group companies and consignees
	Maintaining and stabilizing transactions with domestic producing districts by bolstering the capabilities of local branches	Local communities	Promoting local community-oriented activities by hiring indigenous professionals and leveraging their human network; increasing the vitality of indigenous human resources working at branches in the producing districts; and promoting cooperation with development team located at branch office.	Continuing regular communication between development teams and the Sales Section based in Osaka with a view to bolstering branch capabilities in the sales aspect.
Apparel Division	Risk control, quality control, and management of business partner relations accompanying overseas procurement	Clients	Maintaining structure to prevent a decline in the level of control along with familiarity, and reinforcing educational programs for factories	Selecting new factories, narrowing down existing factories for sourcing, and strengthening the management system
	Compliance with laws and regulations including international human rights standards throughout the supply chain	International community	Selecting suppliers (especially factories) in developing countries upon a review of their degree of compliance with laws and regulations	Conducting surveys and studies using questionnaire forms
Brand Marketing Division 1	Reinforcing CSR for major brands (including quality control and check of environmental impact)	Suppliers (factories)	Sharing production management know-how (including brand-holders' supervision) among major brands	Promoting the sharing of production management know-how for global brands, and checking CSR issues (environmental impact) regarding materials
		Business partners (brand holders)	Gaining an understanding of global sales and manufacturing situations of business partners for major licensed brands, and gathering information to set up selection standards of suppliers adapted to the brand market and production / quality control	Studying production control of European business partners
	Managing business partners (regarding production by sub-licensees)	Clients and suppliers	Gaining an understanding of situations at the factories for major brands (especially when ITOCHU is involved in logistics)	Preparing draft standards for selection of partners for major factories
	Promoting communication to increase level of customer satisfaction	Clients and consumers	Conducting retail training to increase customer satisfaction, inclusive of the handling of claims	Continuously promoting participation by employees of group companies in retail training programs at ITOCHU Corporation, and preparing training programs concerning CSR and customer satisfaction for group companies
Brand Marketing Division 2	Tightening quality control for domestic and overseas production and imported products	Suppliers	Sharing production control know-how	Sharing information about management systems in each division of the Company, preparing plans for improvement, and sharing related know-how

Business Outline

The mission of the Textile Company lies in the global provision of all sorts of goods and services pertaining to everyday life, with its basis firmly rooted in the textile business. Our business development across a wide range of fields is supported by versatile capabilities extended in a vertical orientation, from materials procurement to production and sales of finished products.

Products & Services

Textile and industrial materials, textiles, apparel, fashion goods, and brand-name products in such spheres as clothing, food, household goods, and music

CSR Outlook

Reinforcement of procurement-related supply chain management and ties with consumers

The Textile Company considers its CSR to be an accommodation of desires for better living through contributions to lifestyle diversity via apparel and other fields.

Given that we have numerous production sites and suppliers in China and other parts of Asia, one of our key CSR tasks for the foreseeable future is the reinforcement of supply chain management. We appreciate that social aspects pertaining to suppliers and purchased products (in terms of working conditions, legal and statutory compliance, human rights, and product liability, etc.) are assuming increased importance for the textile industry, and, indeed, in the building of a sustainable society. It is our mid-term objective to establish the optimum selection standards for our suppliers through dialogue with transaction partners, with full consideration for the social aspects stated above.

As another key task, we also recognize the ongoing importance of enhancing our relationship with consumers. As we continue to expand our downstream business, including retail operations and e-commerce, we also intend to promote our CSR initiatives by ensuring the protection of personal information, maintaining product reliability, reinforcing customer relations and striving to meet and exceed the needs and desires of consumers as stakeholders.

Examples of Our Initiative

Reinforcing procurement-related supply chain management

The CSR agenda includes the controlling of risks accompanying procurement from other countries, and the management of quality and suppliers involved in such procurement. In certain group companies outside Japan, we station full-time quality control officers at host-country locations to ensure that factories are rigorously managed to headquarter expectations. We have posted mid-term targets including the establishment of standards (in the form of a checklist) for supplier selection and formulation of management guidelines, to continuously guarantee that we procure reliable goods for consumers from reliable producers.

Major Group Companies

Group companies	Business
ITOCHU Fashion System Co., Ltd.	Comprehensive consulting in the fashion industry
Prominent Apparel Ltd.	Production control and wholesale of textiles and apparel
Roy-ne Co., Ltd.	Manufacture and wholesale of woven and knitted products
JOI'X CORPORATION	Sales of men's apparel
TOMMY HILFIGER JAPAN CORPORATION	Sales of Tommy Hilfiger brand products
RAIKA CO., LTD.	Design, manufacture and wholesale of apparel

CSR Initiative



Kiyoshi Yamaguchi
General Manager
Planning & Coordinating Department
Textile Company

The awareness of each and every employee is the basic requirement for our CSR initiative

Along with the diversification of lifestyles, our domains are broadening at an accelerating pace. We are increasingly dealing directly with individuals (consumers) in addition to transactions with companies. To further expand our business under these circumstances, it will no longer be sufficient merely to pursue profit as a corporate enterprise; it is becoming imperative for us to secure the absolute trust of all parties concerned, such that they can take for granted the reliability of the goods and services we offer. Therefore, a fundamental element of CSR is shared awareness and the actions taken accordingly by each and every employee on a daily basis. I am determined to build a high-level structure for CSR to align such awareness between employees.

Closer ties with individuals including consumers

We are committed to strengthening our system to protect personal information whilst expanding retail and e-commerce sales of brand-name products under the initiative of group companies. We implemented a questionnaire survey concerning the handling of such information in the fiscal year ended March 2005, and have conducted biannual reviews in this area ever since. For members of our group that fail to meet the standards, we have personnel visit them to identify problems, offer advice for improvement, and assist them in efforts to maintain and raise levels of control. We are also acquiring Privacy Mark certification where necessary, as in some cases personal information itself is an asset for a particular group company.

CSR Action Plans of the Machinery Company

MISSION

Contributing to the creation of an environment-friendly society by developing eco- businesses and products to help mitigate environmental impact, and expanding their sales. Contributing to the advancement of local communities and the international community by complying with laws and regulations.

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Plant & Project-Division	Resolving problems in urban transport (congestion, exhaust emissions, etc.)	Environment and clients	Providing environment-friendly Japanese-made railway transport systems	Promoting High-Speed Surface Transport (HSST; an urban transportation system using electromagnetic levitation liner motorcars) overseas
	Supplying clean energy	Environment and clients	Promoting environmental, conservation-oriented projects in fields such as shipping, petrochemicals, and power generation	Promoting transport by LNG carriers
	Contributing to efficient use of energy	Environment and clients	Promoting projects in fields such as wind power, biomass, geothermal energy, and energy from waste (EFW), and projects to refurbish and retrofit dilapidated plants (power, petrochemical, and water desalination plants, etc.) to new international environmental standards	Promoting EFW projects in Europe
	Conducting demonstration tests for technology to mitigate environmental impact	Business partners and R&D	Gathering data on the onsite hydrogen generation system through demonstration tests, and conducting final tests for commercialization	Confirming the performance and durability of the onsite hydrogen generation system in Japan with the cooperation of the Tokyo Gas Group, and conducting demonstration tests
	Consulting to mitigate environmental impact, and promoting eco-friendly equipments	Clients	Extensively introducing and installing LED signboards, which help reduce CO ₂ emissions, in convenience stores	Experimental introduction and installation of LED signboards, which help reduce CO ₂ emissions, in convenience stores
Automobile Division	Contributing to the creation of a recycling-oriented society by expanding automobile recycling business	Clients	Making investment to improve processing capacities	Assuring processing capacities to 15,000 vehicles per year
		Suppliers	Cultivating suppliers for a stable supply of end-of-life vehicles	Assuring purchase of 15,000 units of end-of-life vehicle per year
		Employees	Improving in-house management systems	Improving in-house management systems to keep up with expansion of operations
	Contributing to the mitigation of environmental burden by expanding sales of diesel engines with excellent fuel efficiency and low emission levels	Clients	Continuously exploring new clients	Establishing and launching businesses
		Environment	Checking trends in emission regulations in each country	Gathering information on trends in emission regulations and response by automakers in each country
Contributing to the mitigation of environmental burden by developing and commercializing high-performance DPF	R&D	Conducting tests and acquiring a license from the Ministry of Land, Infrastructure and Transport	Exploring sales channel and starting sales	
	R&D	Aiming to commercialize DPF in the construction machinery retrofitting market in California and in the construction machinery and truck markets as OEM products in Japan after its performance is assessed by Clean AIR Systems, Inc. in the US	Starting sales activities in the retrofitting market after Clean AIR Systems, Inc. completes the development of DPF; and continuously developing DPF as OEM products in Japan, and jointly assessing its prototypes	
Industrial Machinery & Solution-Division	Meeting the seeds with the needs to mitigate environmental impact	Business partners and R&D	Promoting the development of next-generation cell technology	Introducing manufacturer testing and considering the possibility of and promoting its mass production
		Business partners	Supplying materials for solar cells, selling modules, and serving as a broker for technology licensing	Promote projects
All Divisions	Contributing to the international community including the advancement of local communities	Local communities and international community	Contributing to advancement of developing countries, improving conditions for education, and promoting environment-friendly projects	Studying measures to improve existing projects, and promoting specific projects
	Reinforcing communication	Employees	Conducting CSR-related education and enlightenment activities on the Company level (particularly putting efforts to gain an understanding of CSR activities by competitors and business partners)	Planning and conducting CSR-related training programs on the Company level, and reviewing the results, and studying measures for improvement

Business Outline

We in the Machinery Company are engaged in trading and business investment toward our goal of developing local communities and contributing to the international society. Our Plant & Project Division is involved in many infrastructure projects overseas. Our Automobile Division is diversifying its business from the field of trading to those of retailing and financing. Our Industrial Machinery & Solution Division handles a wide spectrum of items, including construction machinery, industrial machinery, and medical devices, and provides solutions together with our group companies inside and outside Japan.

Products & Services

Plants (oil, gas, and chemical), Ships, Automobiles, Rolling stock, Power generating equipment, Construction machinery, Textile machinery, Industrial machinery, Medical devices, Electronic devices and equipment

CSR Outlook

Developing local communities and contributing to the international society through business

In the Machinery Company, we handle projects and items with a substantial impact on society and the environment, such as social infrastructure projects, automobiles, ships, and industrial machinery. We intend to fulfill our social responsibility through business activities that help alleviate environmental burden and resolve problems in local and international communities. In recent years, there has been an increase in requests received from customers about environment-friendly specifications. We are consequently deploying educational and consciousness-raising programs among all our employees so that they can make proper decisions from the viewpoint of CSR.

We also believe it is important to get an accurate picture of the impact our business activities have on the environment and society, and apply the CSR perspective in our decisions on investment and selection of partners.

Each of our divisions is engaged in projects reflecting concern for the environment. Our Plant & Project Division, for example, is promoting infrastructure projects for power generation utilizing renewable energies such as wind power, geothermal energy, and biomass. Similarly, our Automobile Division is expanding sales of diesel engines with excellent features in respect of fuel efficiency and exhaust emissions in emerging markets such as China in order to reduce environmental burden, and our Industrial Machinery & Solution Division is striving for the practical utilization and spread of new environment-friendly technology.

By vigorously engaging in businesses that show concern for the environment as described above, we are committed to helping develop local communities and contributing to international society.

Examples of Our Initiative

Starting demonstration tests to bring environment-friendly technology up to the practical level

We invested in H2Gen Innovations Inc., a US company engaged in the development of high-quality and compact onsite hydrogen generation systems*, and began demonstration tests of the first pre-commercial unit for the Japanese market in March 2006. With assistance from the Tokyo Gas Group, performance, durability and safety of the unit will be clarified in terms of the characteristics of city gas in Japan, and commercial sales of industrial units are planned to start in the fiscal year ending March 2008.

* Onsite hydrogen generation systems are installed in the site when in use. There are great expectations that, in future, such systems will be widely used for hydrogen filling stations for CO₂ emission-free fuel cell vehicles.

Major Group Companies

Group companies	Business
ITOCHU SANKI CORPORATION	Wholesale of industrial machinery
Century Medical, Inc.	Wholesale of medical equipment and materials
MCL Group Ltd.	Warehousing, retail and financing of motor vehicles
ITOCHU Automobile America Inc.	Holding company for auto-related business
Century Leasing System, Inc.	Diversified leasing business

CSR Initiative



Shigeji Sugimoto

General Manager
Planning & Coordinating Department
Machinery Company

Actively developing environment-friendly business

I am really pleased to have an opportunity to profile the Machinery Company's approaches to environment-friendly business through the ITOCHU Corporation CSR report. While machines are apt to be thought of as cold and hard, we are taking various steps on this front by handling materials incorporating environment-friendly technology and participating in environment-conscious projects. In fact, the activities introduced in this report are only a small fraction of the total. I want to continue expanding business that will merit mention in this report and actively pursue operations that will be given high ratings from the CSR standpoint as well.

Expanding business in transport of LNG, a clean energy

Our Plant & Project Division is actively promoting the transport of liquefied natural gas (LNG), of which demand is increasing as a from of clean energy. We came into possession of three LNG carriers for Korea and Algeria, and finished building a new type of LNG carrier in Oman in the fiscal year ended March 2006. We plan to charter the new carrier on a long-term basis to use in off-taking Oman-produced LNG for a period of 20 years and supply to electric power companies in Japan. Our ownership and chartering of LNG carriers will offer support for the midstream section of the natural gas value chain and assist the supply of clean energy.

CSR Action Plans of the Aerospace, Electronics & Multimedia Company

MISSION

1. Contributing to the creation of a safe, convenient, and rich society through corporate activities
2. Contributing to the interest of consumers, business partners, shareholders, and employees through corporate activities

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Aerospace & Electronic Systems Division	Delivering safety and convenience in the air transport field	Clients and suppliers	<ol style="list-style-type: none"> 1. Proposing security equipments and systems meeting the needs of airports and customs checkpoints 2. Anticipating the market needs related to business jets and helicopters for disaster relief 3. Contributing to safe operation by clients (including national authorities and local governments) 	<ol style="list-style-type: none"> 1. Maintaining close communication with suppliers 2. Gaining an understanding of needs through close communication with clients (including airports, customs, and other public agencies as well as national authorities and local governments) 3. Reinforcing maintenance business to provide stable services
IT & Business Solutions Division	Promoting life science business	Consumers and business partners	<ol style="list-style-type: none"> 1. Unearthing and satisfying the needs for preventive medicine in the health-oriented society 2. Improving reliability by further reinforcing expertise and technological capabilities when promoting clinical trial business 3. Checking and responding to trends in the creation and revision of related laws and regulations 	<ol style="list-style-type: none"> 1. Unearthing the market needs by looking ahead to changes in social environments such as declining birthrates and an aging society, and establishing a new PET center 2. Reinforcing development systems, and continuously promoting the development of human resources 3. Promoting initiatives
	Fully enforcing and promoting information security management at group companies	Clients, suppliers, consumers, and employees	<ol style="list-style-type: none"> 1. Improving software and hardware related to information security 2. Promoting the acquisition of the Information Security Management System (ISMS) certification and the Privacy (P) Mark certification 3. Responding to accidents swiftly and properly 4. Continuously providing educational and enlightenment programs to employees 	<ol style="list-style-type: none"> 1. Improving software and hardware related to information security 2. Promoting the acquisition of the ISMS certification and the P Mark certification 3. Responding to accidents swiftly and properly 4. Continuously providing educational and enlightenment programs to employees
Media Business Division	Deepening environmental awareness through 3R (Reduce, Reuse, and Recycle) activities	Consumers, business partners, and mass media	Contributing to society through the recycling business	Expanding business partners through wider recognition
	Improving social infrastructures by providing more pleasant means of communication, applications, and services	Consumers and business partners	To bolster approaches to consumers while deepening their trust in ITOCHU: <ol style="list-style-type: none"> 1. Rigorously managing customer information 2. Identifying and meeting the end-user needs 	<ol style="list-style-type: none"> 1. Solving problems identified by the results of fact-finding surveys at group companies 2. Studying and implementing specific measures
	Contribution to the creation of a rich society by promoting meaningful contents	Consumers and business partners	<ol style="list-style-type: none"> 1. Further acquiring and distributing content 2. Identifying end-user needs 	<ol style="list-style-type: none"> 1. Establishing and improving ties of trust with clients, suppliers, and business partners through transactions 2. Studying and implementing specific measures

Business Outline

The company's IT & Business Solutions Division and the Media Business Division are actively developing business and new projects applying new technology, such as IT-related services and mobile communications. The Aerospace & Electronic Systems Division is involved in sales and leasing of aircraft, and sales of space- and security-related devices.

Products & Services

Programming supply and entertainment business, Mobile-phone and related equipment and services, IT services and related equipment, e-business and services, Aerospace systems, Security and electronics systems

CSR Outlook

Contribution to safe, convenient, and enriched living

The Aerospace, Electronics & Multimedia Company has helped to enrich society by developing various businesses such as international telephone services and TV program supply services as part of the satellite communications business since 1985, when the telecom sector was deregulated. We therefore have a tradition of boldly taking up the challenge of opening up new industries and fields. True to this tradition, we are continuing to challenge new business toward the goal of building an even more advanced sustainable society. As we see it, our mission lies in contributing to the creation of a society in which all members have access to the information they want and need.

A case in point is our new social contribution business on which we are collaborating with the MOTTAINAI Project now under way. This constitutes a new business model that proceeds from our challenging spirit. The future business spawned by these operations will have an immense impact on the whole world, and the presentation of our vision for it will at the same time manifest the orientation of ITOCHU's CSR activities.

➔ For more information on the MOTTAINAI Project, see page 40.

Examples of Our Initiative

Creating an enriched society through new media

Our Media Business Division launched video-on-demand (VOD) services adapted to the broadband age, and commenced the supply of these services in March 2005 by On-Demand TV. Inc. The number of households receiving broadband services is projected to double over the next three years, and On-Demand TV. Inc. is enlarging its service area to meet increasing demand for VOD services. The Division is planning to develop a variety of services harnessing the interactive capabilities of broadband circuits, in keeping with our CSR goal of enhancing the quality and convenience of modern life.

Major Group Companies

Group companies	Business
ITOCHU TECHNO-SCIENCE Corporation	System consultation, integration, administration, maintenance, support, training, and outsourcing
CRC Solutions Corp.	Information processing service, system integration, sales, administration, and support
Excite Japan Co., Ltd.	Internet portal services
ITC NETWORKS CORPORATION	Retail network of mobile phones
NANO Media Inc.	Provision of mobile contents and services in broadcasting / communications connection
SPACE SHOWER NETWORKS INC.	Music channel on cable / satellite television
CAPLAN Corporation	Placement services, temporary staffing services, educational training services, reemployment support services, and outsourcing services

CSR Initiative



Hiroshi Suguta
General Manager
Planning & Coordinating Department
Aerospace, Electronics &
Multimedia Company

Expansion of CSR activities to group companies as the task for the future

The Aerospace, Electronics & Multimedia Company is engaging in various businesses toward the goal of raising levels of safety, convenience, and quality in modern life. We are distinguished by our pursuit of such businesses through a concerted effort by our diverse group companies.

To heighten the effectiveness of our CSR activities, we are considering the deployment of consciousness-raising campaigns to see that our employees constantly bear CSR in mind in the execution of their duties (i.e., ask themselves whether their work will contribute to the creation of a sustainable society) and to encourage the spread of the CSR activities among all members of our group.

Acquiring certification related to information security

For the Company that handles mainly information, the maintenance and improvement of information security is our CSR task. Some of our group companies that handle personal information have acquired Information Security Management System (ISMS) certification and Privacy Mark certification to heighten the quality of their information security. We are encouraging other group companies that especially handle personal information to take advantage of their experience and acquire such certification on a priority basis. GLOBE-TROTTER T&E Inc. has commenced studies with a view to obtaining the P-Mark in 2006.

CSR Action Plans of the Energy, Metals & Minerals Company

MISSION

1. Stably developing and procuring resources and energy
2. Supplying safe, environmentally-friendly energy to consumers
3. Giving due consideration to the global environment in these processes

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Metals, Mineral Resources & Coal Division	Contributing to the creation of a recycling-oriented society through resource recycling. Task: Properly recovering, treating, managing, and acquiring waste for recycling	Suppliers and business partners	1. Establishing recycling systems for waste beverage containers 2. Transforming waste from all group companies into resources	1. Selecting and determining waste treatment companies 2. Starting recycling activities
		Group companies		1. Holding seminars on waste and recycling 2. Starting recycling activities
		Local communities and governments		1. Holding recycling study meetings with local governments 2. Starting recycling activities
	Contributing to and promoting projects to reduce greenhouse-gas emissions approved by the United Nations	International community	Reducing methane emissions from livestock manure	Identifying and targeting projects for participation
	Business partners	Reducing N ₂ O emissions from chemical processes		
Energy Development Division	Implementing countermeasures against global warming	International community, business partners, and environment	Implementing measures to mitigate the environmental burden through discussions with operators (oil and gas developers, etc.)	Reviewing and checking environmental standards
		Environment, international community, and local communities	Accelerating the development of new energy that has low environmental impact	Continuously promoting the development of new energy that has low environmental impact
	Contributing to social advancement in oil- and gas-producing developing countries	Local communities	Improving the efficiency of our contribution by conducting in-depth studies of the benefits thereof	Studying and engaging in contribution projects in the areas of education, sports, etc. in oil- and gas-producing countries
		Local communities	Checking the effects and formulating measures to improve efficiency as necessary	Studying and implementing measures for improvement
Energy Trade Division	Preventing tanker accidents and responding to emergencies	Environment	Rigorously applying standards for chartered ships within ITOCHU's energy group companies	Educating new employees and strictly applying standards for chartered ships
	Assuring safety at tank terminals	Local communities and environment	Reviewing security measures at terminals	Rigorously implementing security measures
	Making CSR efforts related to oil and gas sales at ITOCHU ENEX	Local communities and environment	Actively engaging in social activities such as encouraging employees to acquire disaster prevention expert qualifications	Encouraging all salespersons in the Car Life Division (for Automotive Lifestyle Business) to acquire disaster prevention expert qualifications
All Divisions	Making effective communication	Local communities and local governments	Establishing opportunities for communication with local communities and local governments	Holding recycling study meeting with local governments
		Group companies	Encouraging group companies to resolve waste and recycling problems	Holding waste and recycling seminars
		Business partners	Monitoring compliance with environmental standards through communication with operators	Continuously communicating with operators
		Environment	Rigorously applying in-house voluntary standards for the environment, such as standards for tanker chartering, within group companies	Monitoring whether group companies are rigorously applying in-house voluntary standards for the environment
		International community	Monitoring the degree of contribution through communication with the governments of oil- and gas-producing countries	Maintaining communication with the governments of oil- and gas-producing countries

Business Outline

Based on our "Frontier-2006" initiative, our company-wide focus has been on business related to resource development. With regard to metals, mineral resources, and coal, we are participating in several iron ore, coal, and aluminum development projects, mainly in Australia. Concerning the development of energy resources, we are involved in natural gas and LNG projects in countries including Qatar, Oman, and Algeria. In the area of oil exploration and production, we are active participants in the ACG Project in Azerbaijan, the BTC Pipeline Project, the Sakhalin-1 Project, and other projects.

Products & Services

Crude oil, petroleum products, LPG, LNG, nuclear fuel, iron ore, coal, aluminum, steel scrap, steel products

CSR Outlook

Stable supply of resources and energy in Japan and the world

Our primary mission is to provide a stable supply of resources and energy to Japan and the world. We are focused on creating a system to ensure the stable supply of crucial resources and energy to safeguard against shortages, regardless of the state of the economy, the outbreak of disputes, or the occurrence of natural disasters.

As resource and energy development businesses can impose a heavy burden on society and the environment, CSR requires our utmost consideration. With that in mind, we conduct social and environmental assessments prior to investment and base our determination on whether to participate in the projects on such assessments. Once engaged in a project, we continue to conduct business from a CSR standpoint. By doing so, we wish to demonstrate our belief in socially-responsible resource development. We also strive to contribute to local communities through the projects in which we participate.

In terms of energy trading, we promote diversification of our supply sources through global trade. In addition, we are committed to compliance with vessel chartering standards to ensure safe transport as well as the implementation of security measures for tank facilities.

Examples of Our Initiative

Starting business in CO₂ emissions trading

In April 2006, our Metals, Mineral Resources & Coal Division instituted a department to establish new environmental businesses; such department has already commenced projects related to CO₂ emissions trading.

We are also pursuing business opportunities that utilize the Clean Development Mechanism (CDM^{*1}). Our activities on this front may be exemplified by one project in which tent-like equipment was used in connection with the recovery and combustion of methane gas derived from hog manure collected at hog farms in developing countries so as to curtail the release of gas into the atmosphere. Another such project was one in which a catalyst was used to decompose nitrogen oxide released into the atmosphere as a by-product by nitric acid plants, and thereby curtail such release.

^{*1} CDM is a scheme whereby developed countries promoting emission-reducing projects in developing countries can transfer part of the emission reduction resulting from the project to their own countries.

Major Group Companies

Group companies	Business
ITOCHU Non-Ferrous Materials Co., Ltd.	Import, export and wholesale of non-ferrous / light metals and products
ITOCHU Petroleum Japan Ltd.	International trade in crude oil and petroleum products, charter and operation of oil tankers, sale of bunker fuel oil, and operation of oil storage facilities
ITOCHU Minerals & Energy of Australia Pty Ltd	Investment in projects for iron ore mining, coal mining and sales, manufacture of alumina, mining of bauxite, and oil exploration
ITOCHU Oil Exploration (Azerbaijan) Inc.	Exploration and production of crude oil
Marubeni-Itochu Steel Inc.	Import, export and wholesale of steel products
ITOCHU ENEX CO., LTD.	Wholesale of petroleum products and gas
i-Recycle Inc.	Steel scrap trading and recycling business development

CSR Initiative



Masanori Mitsuhashi

Deputy General Manager
Planning & Coordinating Department
Energy, Metals & Minerals Company

Promoting environmentally-friendly development of resources and energy

In resource-poor Japan, establishing a stable supply of resources and energy and recycling such resources and energy are crucial components of our corporate mission. As a company that cares about local communities and the global environment, builds strong partnerships with stakeholders, and contributes to the development of society as a whole, we are determined to continue conducting business in accordance with our CSR philosophy.

In addition, we are also looking to become more extensively involved in projects that can help to prevent global warming, such as emissions trading and new forms of energy development.

Concerning CSR, it is critical to deepen the awareness of each and every employee. We are endeavoring to establish a corporate culture that encourages employees to take CSR measures on their own initiative.

Activities to promote and diffuse new energy

Within our Energy Development Division, in an effort to expand the use of environmentally-friendly natural gas, we are working to cultivate new technology for the utilization of dimethyl ether (DME^{*2}), a new energy that can be used as fuel. In 2001, together with Mitsubishi Gas Chemical Company, Inc., Mitsubishi Heavy Industries, Ltd., and JGC Corporation, we established Japan DME Ltd. to develop all phases of our DME business, from global scale material procurement to promotion of the use of DME. In the meantime, with regard to LNG^{*3} fields, we became the first *Sogo Shosha* to conclude a long-term contract for the purchase of LNG from Oman, with sales under such contract commencing this year. Such activities demonstrate our commitment to developing new business to promote the further use of LNG.

^{*2} DME is a new energy that can be manufactured from biomass as well as natural gas, imposes a low environmental impact, and is easy to handle.

^{*3} LNG is formed by pressurizing natural gas generated by fossil fuels under the ground (consisting mainly of methane) at low temperatures to liquefy it in order to facilitate its transport.

CSR Action Plans of the Chemicals, Forest Products & General Merchandise Company

MISSION

Contributing to the fulfillment of rich lifestyles through swift and stable supply of products, resources, and commodities that fully meet customer needs while assuring product quality and safety with maximum concern for the environment

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Forest Products & General Merchandise Division	Assuring raw material traceability	Suppliers	Expanding approaches with suppliers based on legitimate and sustainable forest resources	Continuously examining raw material traceability systems through on-site investigations and questionnaire surveys at suppliers
		Government ministries/agencies	Establishing traceability systems for imported lumber	Confirming procurement guidelines under the Green Purchasing Law announced annually, and preparing documents in accordance with laws and regulations
	Handling products certified for international forest management	Clients	Actively expanding sales of forest-management certified pulp	Handling 1.1 million tons of forest-management certified pulp per year
		Suppliers	Requesting uncertified suppliers to acquire forest-management certification, and promoting the acquisition of such certification within group companies	Acquiring Australia Forestry Standard (AFS) certification in connection with resources for chip processing in eastern Australia
		NGOs/NPOs	Disclosing information on the status of forest management certification at group companies	Disclosing information on the status of forest management certification at group companies over our website, etc.
	Responding to the Green Purchasing Law	Government ministries/agencies	Establishing a system in accordance with the Green Purchasing Law	Acquiring certification from importers' associations, and continuously conducting on-site investigations and questionnaire surveys at suppliers
	Protecting natural forests	Local communities	Expanding actions with suppliers recognized by local communities	Confirming whether suppliers harmonize with local communities through on-site investigations, etc.
NGOs/NPOs		Sharing common perceptions on protection of natural forests	Gathering information on protection of natural forests, and having dialogue with NGOs/NPOs through the Global Environment Office	
Chemicals Division	Managing dangerous / hazardous chemical substances	Clients	Strongly encouraging our sales people to obtain copies of sales licenses for toxic / deleterious substances from all the clients, and also examining whether it is appropriate for us to sell the chemicals to such clients	Checking whether all various requirements under the Poisonous and Deleterious Substances Control Law are complied with
		Suppliers	Strongly encouraging our sales people to acquire the Material Safety Data Sheet (MSDS) from the suppliers and urging suppliers to disclose information on ingredients (for search of applicable laws and regulations)	Requesting suppliers to disclose information on ingredients
		Employees	Continuously educating employees about chemical-related laws and regulations, maintaining search for all products once a year, establishing systems to check compliance with applicable laws and regulations overseas, and appointing a full-time officer in charge of compliance with chemical-related laws and regulations	Holding courses on chemical-related laws and regulations, and searching such laws and regulations for all products even at overseas offices
		Government ministries/agencies	Eradicating omissions in approval and notification, and accurately and swiftly notifying in the event of incidents and following official instructions	Eradicating omissions in approval and notification to authorities
		Transport companies	Giving instructions regarding the observance of related laws and regulations, such as the possession of yellow cards (detailing emergency response measures)	Requesting transport companies to rigorously observe laws and regulations in a written form, and examining whether they comply with such laws and regulations
		Assuring sources for stable supply of resources and materials (at the Inorganic Chemicals Department)	Suppliers	Studying projects for new mineral resources (fluorite, cobalt, etc.)
	Local communities		Rigorous complying with laws and regulations in host countries, and creating new business	Creating employment opportunities through the establishment of new group companies
Procuring safe and secure products	Suppliers	Continuously instructing suppliers to reinforce systems for inspection of imported products, and requesting them to acquire the ISO certification	Aiming at reducing complaints to zero, and requesting suppliers to acquire the ISO certification	

Business Outline

In domains that support modern life, we are conducting various businesses, ranging from resource development to retailing. In markets prioritized by our "Frontier-2006," such as North America, China, and other Asian countries, we are aggressively promoting business in overseas markets. In consumer-related fields, we are retailing lifestyle goods by leveraging our horizontal business strength.

Products & Services

Logs & Lumber, Construction materials, Chips, Pulp, Paper, Natural rubber, Tires, Ceramic products, Basic chemicals, Fine chemicals, Pharmaceutical materials, Inorganic chemicals, Plastics, Various consumer products

CSR Outlook

Protection of the natural environment and safety management

— Promotion of CSR encompassing investment destinations

Our Company considers protection of the natural environment and safety management for dangerous and hazardous chemical substances as our key CSR tasks.

In our Forest Products & General Merchandise Division, where business related to forest resources accounts for a high percentage of the sales, it is vital to take account of environmental and social aspects in the countries and regions that supply materials. Specifically, we are promoting conservation of the natural environment through activities to protect natural forests and acquisition of forestry-related certification. At the same time, we hope to establish a scheme to trace materials we procured.

In our Chemicals Division, our main tasks are to fully understand chemicals-related laws and regulations, which are frequently revised; to comply with all such laws and regulations, and to improve labor safety and hygiene in the operation of plants by group companies.

We are trying to implement a business model that can take advantage of the synergistic effects of trading and investment. CSR activities encompassing our group companies are tasks of prime importance.

Examples of Our Initiative

Sustainable forest management by CENIBRA in Brazil

CENIBRA, our group company in Brazil, is involved in everything from forest management to pulp production. On land measuring 230,000 hectares, CENIBRA planted trees in 120,000 hectares, an area about twice as large as the ward area of Tokyo, and is producing 960,000 tons of pulp per year. The CENIBRA's forest management is firmly grounded in concern for the natural environment in the region.

CENIBRA obtained certification for sustainable forest management by the Forest Stewardship Council (FSC) in June 2005, and Chain of Custody (CoC) certification in July 2005.

Major Group Companies

Group companies	Business
ITOCHU Kenzai Corp.	Wholesale of wood products and building materials
ITOCHU Pulp & Paper Corp.	Wholesale of paper, paperboards, packaging materials, and pulp
ITOCHU CHEMICAL FRONTIER Corporation	Wholesale of fine chemicals and related raw materials
ITOCHU PLASTICS INC.	Development and sale of plastics and related products
DAIKEN CORPORATION	Manufacture and sale of building materials and construction part
TAKIRON Co., Ltd.	Manufacture and sale of flat and corrugated plastic sheet
C. I. KASEI. Co., Ltd.	Manufacture and sale of PVC pipe and film and related materials
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil

CSR Initiative



Michichika Suzuki

Manager, CSR & Compliance Team
Planning & Coordinating Department
Chemicals, Forest Products & General Merchandise Company

Aiming at becoming a Company that gives consideration to safety and the environment as well as is trusted by a wide range of stakeholders

Our Company is distinguished by its handling of an enormous assortment of products used in modern life and wide range of business extending from purchasing of resources and materials to retail sale to consumers. Safety management in the area of chemicals in particular and concern for the environment, mainly in connection with life materials, are consequently key requirements. It is essential for us to remain aware of our many stakeholders in our actions, respond to their needs, and retain their trust. We are also taking positive action to tighten compliance with all requirements and thereby to prevent the occurrence of any incidents and accidents that could detract from the reputation of the ITOCHU Group. We hope to assist many of our group companies to share these policies.

Research of water-retention agent to help green deserts

ITOCHU CHEMICAL FRONTIER Corporation, our core group company in the field of organic chemicals, is promoting use of super absorbent polymer (SAP), a water-retention agent, to support afforestation and greening projects. The company's goal is to green an area equivalent to 0.1 percent of the total land area of China while expanding the area of farmland and improving the life environment there. In order to commercialize SAP, the company began to conduct tests with a Chinese research institute a few years ago. SAP is effective water conservation technology to preventing desertification, a global concern. The company intends to support greening projects through the use of SAP, which enables sure conservation of water.

CSR Action Plans of the Food Company

MISSION

1. Contributing to the sound growth of society while gaining high trust of customers
2. Providing rich and varied diet through stable supply of safe foods and contributing to health and happiness of consumers
3. Contributing to the benefit of consumers, business partners, shareholders, and employees through fair corporate activities

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Provisions Division	Improving productivity and efficiency in food processing	Suppliers, clients, and business partners	<ol style="list-style-type: none"> 1. Establishing even more stable transaction relationships with suppliers through frequent exchanges of information 2. Creating information routes to track consumer demand 	Promoting approaches, and checking the effects in each field
	Developing and introducing production processes, products and packaging materials with less environmental burden	Business partners	<ol style="list-style-type: none"> 1. Research on utilization of by-products 2. Expanding products that use packaging materials with less environmental burden 	Expanding the scope of use for such packaging materials
Fresh Food & Food Business Solutions Division	Establishing traceability systems (TS) for major products handled	Clients	<ol style="list-style-type: none"> 1. Active utilizing TSs already established 2. Studying the possibility of introducing TSs for other products 	Publicizing for and actively utilizing TSs already established
	Assuring proper food labeling	Suppliers Business partners	<ol style="list-style-type: none"> 1. Promoting proper food labeling in Japan 2. Surveying the situations of domestic business in other countries and giving instructions for improvement 	Responding to new requirements for indication of allergens in the EU Conducting survey on overseas group companies
Food Products Marketing & Distribution Division	Improving stability and efficiency by sharing information among all areas from wholesalers to food service and retailing sector	Business partners	<ol style="list-style-type: none"> 1. Constructing information infrastructure for retail support 2. Supporting the food wholesalers to streamline the management 	Promoting approaches, and studying the effects
	Developing products and distribution channels in response to the changing needs of consumers	Consumers	Conducting feasibility studies anticipating changes in population structure, and developing optimal products based on the results	Developing products taking account of the generational and regional characteristics, and checking the effects
	Assisting affected areas in the event of disaster	Consumers, local communities, and government ministries/agencies	<ol style="list-style-type: none"> 1. Promoting to conclude agreements on emergency relief activities 2. Establishing an emergency system, and making all parties understand the system 	Conclusion of agreements on emergency relief activities with local governments. Confirming the emergency system through such drills with local governments
	Establishing a environmentally-friendly distribution system	Business partners	Expanding environmental preservation measures while checking the effects	Expanding the implementation of hybrid vehicles
	Introducing energy- and resource-conserving facilities	Business partners	Expanding the use of energy- and resource-conserving equipments in the facilities while checking the effects	<ol style="list-style-type: none"> 1. Promoting the introduction of LED signs 2. Refining energy-saving air conditioning/refrigeration systems and light-adjustment systems 3. Promoting store fixture recycling
All Divisions	Educating and raising awareness of food safety management	Employees Business partners	Sharing and improving manuals for food safety management	Continuously auditing food safety management Holding meetings to explain food safety management to raise awareness
	Improving and strengthening control systems of origin, ingredients and labeling	Suppliers	<ol style="list-style-type: none"> 1. Japan: Action to address the “positive list” system 2. North America: Improving traceability systems, strict control of contract conditions and product standards, and continuing efficacy evaluation 	Tightening control system of origin and labeling management Establishing and observing rules for regular inspections Giving guidance to improve checking systems for residual agricultural chemicals
		Clients		Confirming the conditions for proper labeling
		Business partners		North America: Inspection of traceability systems, contract conditions, and product standards
	Efficiently procuring materials and products based on the needs of business partners	Consumers	Communicating more closely with retailers and better meeting consumer needs	Understanding consumer needs through retailers
		Suppliers		Reinforcing capabilities to convey consumer needs to suppliers Jointly developing products to satisfy consumer needs
	Preventing accidents in the production and distribution stages	Business partners, suppliers, and employees	<ol style="list-style-type: none"> 1. Strengthening safety management systems at partner manufacturers 2. Expanding existing approaches through food safety audit 	Checking measures, and continuously examining their validity
Properly responding to emergencies	Employees, consumers, and mass media	Strict compliance with applicable rules	Giving guidance for improvement in food safety audit	

Business Outline

The Food Company's mission is the stable supply of safe food products. Our business seamlessly brings together all elements of the foodstuff field, from material procurement in Japan and overseas, to manufacturing, processing, distribution, and retail business. We have built a value chain spanning the downstream, midstream, and upstream sectors, and are developing our supply and demand system based on consumer needs. We are also expanding our business overseas by applying the know-how acquired in Japan.

Products & Services

Wheat/barley, vegetable oils, soybeans/corn, juice/coffee, sugar, dairy products, marine, livestock, and agri products, frozen foods, processed foods, pet foods, soft drinks, liquor

CSR Outlook

Ensuring the safe and stable supply of foods to meet consumer needs

We are developing our business by applying a Strategic Integrated System (SIS), which features the building of a supply and demand system based on the needs of consumers, such as FamilyMart customers. In the domestic distribution sector, the Company has built a top-level food distribution network consisting of the food wholesale companies within our group, such as ITOCHU SHOKUHIN Co., Ltd. and NIPPON ACCESS, INC. In the food materials procurement sector, we are striving to reinforce our relationships with major producers in North America, China and other countries. In all of these activities, our chief CSR concern is to meet the diversifying needs of consumers by ensuring food safety and securing a stable supply of food.

In several market sectors, consumers consider full disclosure about safety and security to be essential for purchasing decisions. They express strong demand for labeling that meets their needs. In response, we are strengthening our checking capabilities as a distributor and pressing for appropriate label indications. In order to provide more accurate information that consumers seek, we are also endeavoring to establish traceability systems for the major products we handle.

In terms of products characterized by price volatility and unstable supply, all related parties—including manufacturers, distributors and customers—place even greater emphasis on stable supply. In this regard, we aim to ensure a distribution scheme focused on supply stability while assuring food safety.

Through these activities, we set out to offer an environment enabling consumers to choose products in accordance with their priorities as regards safety, quality, and price.

Examples of Our Initiative

Education and training

The Food Company established a Food Safety Management Office in 2002 which—in addition to its consulting services—furnishes programs for the education and enlightenment of ITOCHU Corporation, its group companies, and business partners. As part of these activities, an e-learning course in food safety management was provided to employees working at the ITOCHU Corporation headquarters and those on secondment to group companies in the fiscal year ended March 2006—a course which all 546 completed.

We also hold lectures about the Waste Management and Public Cleansing Law and the Positive List System for Agricultural Chemical Residues that was enacted in May 2006. Furthermore, we extend this information to our group companies and business partners to ensure compliance.

Major Group Companies

Group companies	Business
ITOCHU SHOKUHIN Co., Ltd.	Wholesale and distribution of foods
Nishino Trading Co., Ltd.	Wholesale of foods and sundries
NIPPON ACCESS, INC.	Wholesale of foods
Japan Foods Co., Ltd.	Production of soft drinks
Fuji Oil Co., Ltd.	Integrated manufacturer of cooking oil and soybean protein
FamilyMart Co., Ltd.	Franchise-based convenience store business
Prima Meat Packers, Ltd.	Production and marketing of meat, ham, sausage, and processed foods
CGB Enterprises, Inc.	Handling of grain and operation of barges

CSR Initiative



Michiaki Takai

General Manager
Food Safety Administration Office
Planning & Coordinating Department
Food Company

Assuring safety and security by building a safety management system out of the food marketing and distribution industry

It is the ambition of all in the food production and marketing business to deliver health and happiness to the general public by encouraging the consumption of healthy food for one's well-being and vitality, and to enrich cuisine with a delicious line-up of foods.

On the other hand, BSE and various other food-related concerns have made the public extremely wary about food safety. We have numerous tasks to tackle in connection with issues such as labeling, food allergies, traceability, and chemical residues.

Thus, the need for safety management systems within the food industry is growing rapidly.

In order to ensure our customers' safety and security, we are switching from the former post-incident reactive approach, to a new approach using an integrated prevention system. We remain dedicated to "Safeguarding our Food".

Activities to reduce environmental burden

Family Corporation, Inc. delivers merchandise to FamilyMart stores throughout the major regions of Japan daily. The company is now introducing environmentally-friendly hybrid trucks to the fleet. As of the end of March 2006, 47 such trucks had been incorporated into its operation. In order to maximize the reduction in emission of pollutants such as CO₂, NO_x, and particulate matters, the company plans to replace its entire fleet with hybrid models by 2012. We are also addressing a reduction in the environmental load imposed by the FamilyMart chain as a whole. The introduction of LED signs in stores represents one such effort.

CSR Action Plans of the Finance, Realty, Insurance & Logistics Services Company

MISSION

1. Promoting highly transparent and convenient financial business
2. Assuring impartiality and trustworthiness as an insurance broker
3. Increasing the degree of customer satisfaction and giving further consideration to the environment and safety in the logistics business
4. Providing highly-reliable reaty goods and services

Division	CSR tasks	Stakeholders	Medium-term action plans	Action plans for April 2006–March 2007
Financial Services Division	Rigorously managing personal information and tightening security measures for a better control	Individual customers	Reinforcing measures to prevent illegal access to customer information and rigorously educating employees	Heightening the awareness among members of management, educating staff, and continuously conducting periodical reviews
	Securing channels to local communities, and unearthing needs	Local communities	Contributing to business activities and revitalization of local economies by offering services with a focus on financial solutions to small- and medium-sized enterprises (SMEs), including local ones	<ol style="list-style-type: none"> 1. Reinforcing inter-divisional functions in businesses related to SMEs 2. Establishing a new customer base and customer relations 3. Discovering new investment projects through private equity funds
Construction & Realty Division	Supplying quality housing	Consumers	Continuously building high-quality houses and providing rewarding residential environments to society	Studying product plans to attain the medium-term goal
	Helping provide high-quality public services through PFI projects	Local governments, and consumers	Providing private-sector ideas, expertise, and business experience to society as a whole	Reinforcing the capabilities of group companies and the cooperation among them to attain the medium-term goal
Insurance Services Division	Observing the Insurance Business Law and various other laws and regulations	Employees	Helping employees gain full knowledge on compliance programs and industry-specific legal manuals (through consciousness-raising and educational activities), and reviewing them once a year	<ol style="list-style-type: none"> 1. Reviewing compliance programs and industry-specific legal manuals 2. Helping employees gain full knowledge on compliance requirements at departmental meetings etc. 3. Holding insurance agency compliance seminars for newly posted personnel (by the Division)
		Clients	<ol style="list-style-type: none"> 1. Complying with laws governing sale of financial products and consumer contracts 2. Reinforcing personal information management 	<ol style="list-style-type: none"> 1. Explaining important items at sale of insurance products 2. Managing personal information in accordance with the Privacy Mark standard
		Suppliers	Sharing information on the amendment to industrial laws and regulations etc.	<ol style="list-style-type: none"> 1. Sharing information on the amendment to industrial laws and regulations by fax or post 2. Participating in seminars held by suppliers on various concerned laws and regulations
	Providing appropriate insurance products accompanied by accurate and easy-to-understand explanations	Employees	<ol style="list-style-type: none"> 1. Increasing the understanding of products 2. Reinforcing purchasing capabilities 3. Continuously implementing consciousness-raising and educational activities 	<ol style="list-style-type: none"> 1. Increasing the understanding of products by participating in external new products seminars 2. Proposing new product development to other insurance companies 3. Continuously implementing consciousness-raising and educational activities
		Customers	<ol style="list-style-type: none"> 1. Holding hearings about customer needs 2. Proposing new products matching customer needs 3. Proposing multiple types of products satisfying customer needs 	<ol style="list-style-type: none"> 1. Continuously holding hearings about customer needs 2. Proposing development of the new product based on the findings of hearings to each insurance company 3. Continuously proposing multiple types of insurance products to customers
	Handling insurance benefit claims	Employees	Participating by personnel in charge of benefit claims in education and training activities in order to enhance their knowledge	<ol style="list-style-type: none"> 1. Participating by personnel in charge of benefit claims in internal and external seminars on the handling of insurance products and claims 2. Helping newly appointed personnel mastering expertise for handling claims by engaging in ordinary operations with experienced staff
Logistics Services Division	Constructing logistics schemes reflecting concern for the environment and safety	Business partners	Aiming at constructing logistics schemes that take full account of the environment and safety on business sites	<p>Selecting new partners that follow CSR requirements, and biannually conducting monitor reviews with reference to the following CSR items</p> <ol style="list-style-type: none"> 1. Compliance with laws and regulations 2. Acquisition and renewal of requisite licenses and permits 3. Preparation of manuals for safety and waste handling
Insurance Services Division	Reinforcing communication	Employees	<ol style="list-style-type: none"> 1. Sharing information on insurance products and claims with other employees 2. Helping employees gain knowledge about compliance at departmental meetings and through other consciousness-raising and educational activities 	<ol style="list-style-type: none"> 1. Continuously exchanging business progress reports at departmental and sectional meetings 2. Continuously helping employees gain knowledge about compliance at departmental and sectional meetings 3. Encouraging new employees to attend compliance courses for insurance agencies
		Suppliers	Sharing information to provide products accommodating customer needs, and developing new products	<ol style="list-style-type: none"> 1. Participating in seminars and product presentation meetings held by suppliers 2. Promoting information sharing when legally permissible, including claim-related information 3. Continuously holding business study conferences
Logistics Services Division		Clients, business partners, and employees	Gaining an understanding of stakeholder needs through regular meetings with clients and logistics firms by strongly focusing on CSR considerations (the environment and safety), and updating our CSR activities	Reviewing the contents and frequency of regular meetings

Business Outline

The Finance, Realty, Insurance & Logistics Services Company is a "Service and Solution Provider"; our four divisions in the areas of financing, real estate, insurance, and logistics provide highly creative services to customers inside and outside the group. In collaboration with our group companies, we are involved in various financial and insurance services such as credit card and insurance agency business; logistics network creation projects; housing-related business; and construction and real estate business including Private Finance Initiative (PFI) schemes.

Products & Services

Foreign exchange, Credit card business, Fund (securitization) business, Insurance agency/brokerage business, Integrated international logistics and warehouse business, Housing-related business

CSR Outlook

Our shared objective: provision of a sense of security and reliability to our customers

Our Financial Services, Realty, and Insurance Services Divisions do business in accordance with various laws and regulations. We constantly strive for proper service provision with a view to furnishing customers with a sense of security and reliability by giving full advance explanations of products, along with our effort to tighten personal and other information security and comply with laws and regulations. We intend to continue enlightening and educating group employees toward the goals of sustained expansion of our business by rigorously complying with laws and regulations, further reinforcing our information systems, and improving convenience for customers.

Another major part of our mission is to contribute to the advancement and vitality of local communities through investment activities utilizing various private equity funds.

To create smooth logistics schemes rooted in customer needs, our Logistics Services Division sets standards for the selection of our partners, and monitors and reviews them from the viewpoint of their concern for society and the environment. We are going to apply this policy not only in Japan but also in China and other countries, which hold immense potential as markets.

Examples of Our Initiative

Information security system at FX Prime Corporation

Our wholly-owned group company, FX Prime Corporation, handles on-line transactions in foreign currencies. From the perspective of information security management, the company has established systems to identify information assets including personal (customer) information, and timely respond to and review security risks based on risk management. The company also has laid down a particularly strict control system for customer information that meets standards set by the law protecting personal information by limiting the number of in-house personnel who are allowed access to this information.

Major Group Companies

Group companies	Business
ITOCHU Finance Corporation	Lending and other financial business
CENTURY 21 REAL ESTATE OF JAPAN, LTD.	Headquarters of real estate franchise system
i-LOGISTICS CORP.	Comprehensive logistics services (warehousing and overland transport, international air cargo handling, customs clearance, NVOCC)
Cosmos Services Co., Ltd.	Corporate insurance brokerage and consulting services
Orient Corporation	Consumer credit

CSR Initiative



Tsutomu Arakawa
Deputy General Manager
Administration Department
Finance, Realty, Insurance & Logistics
Services Company

Providing inter-divisional products and services that satisfy customer needs by leveraging synergy effects

While each of our four divisions covers a distinct business domain independently, we are hoping to improve customer services by leveraging inter-divisional synergy effects generated through integrated operations within our Company. This is, in fact, an important priority of ours.

Such synergy may be exemplified by interaction between the Financial Services and Realty Divisions (securitization of real estate), the Realty and Logistics Services Divisions (logistics funds), and the Insurance and Logistics Services Divisions (international logistics). In those cases, we are already offering inter-divisional goods and services that match customer needs. As we further engage in such businesses, we believe that increasing the safety and security of our goods and services as well as the degree of customer convenience and satisfaction by acting with CSR awareness will strengthen our ties of trust with the customer and lead directly to business growth.

Contributing to the community through PFI projects

As of July 2006, ITOCHU has participated in three PFI* projects. In a project to construct a new building for the Museum of Modern Art, Kamakura & Hayama in Kanagawa Prefecture, we are serving as a project manager, and recruited a wide range of partners from different industries to form a consortium. We are currently in charge of the construction, ownership, and maintenance of public facilities and the operation of incidental facilities. While making a multifaceted response to outsourcing needs among national and local governments, we are furnishing ordinary citizens with a high value for money.

* PFI (Private Finance Initiative) is a scheme for utilizing private-sector funds, technology, and operation know-how in the design, construction, operation, and management of public facilities.

Stakeholder Dialogue

What CSR Means to ITOCHU Corporation

What CSR does a *Sogo Shosha* have, and what social role must ITOCHU Corporation play? To explore such questions, we staged a dialogue with a panel representing various stakeholder groups on May 24, 2006.

The CSR of a *Sogo Shosha*

The current of CSR and corporate responsibility for social needs

Shima: I have continued to observe the actions of corporate enterprises ever since I became an economic journalist about 40 years ago. I feel the same debate is going on about the ideal corporate character these days under the CSR banner.

A look at postwar corporate history shows that we have gone through various phases. The period of pollution was followed by the oil crises. In the 1980s, some companies established offices for social contribution or chapters of the "1-percent" club. And when Japan's economic bubble factor was at its height, people talked of the transition from "gung-ho" to "beautiful," meaning that companies had to manifest an integrity which would serve as a model for the rest of society. But once the bubble burst, companies did their utmost to survive, and no longer discussed such a transition.

Over the last two or three years, companies have regained some stability, and the focus of discourse in this area has shifted from compliance to CSR. It appears that companies do not have any fixed views on the subject. The term "CSR" has a fresh ring to it, but to my mind, it is essentially the same as the ideal that has been held up for companies from early on. The core of CSR is finding an answer to the question of what the company must do in its involvement with society.

When Professor Clark established the Sapporo Agricultural College, instead of making a mass of rules, he merely exhorted the students to "Be gentlemen." He wanted the students to think for themselves and conduct themselves like responsible adults as opposed to attempting to restrict their behavior with exhaustive regulations. I think this applies to juridical persons as well as private ones.

Nagasaka: I would like to comment on how today's CSR differs from what society has expected from companies in the past.

The CSR concept is a new management system theory that was constructed through partnership between companies and NGOs beginning in the late 1980s. It started to gather momentum in the late 1980s because NGOs made a strategic switch to a line of partnership and collaboration with businesses as opposed to attacking them. This change was prompted by the realization that attacks on companies were not going to resolve the problems of poverty and climate change.

In the CSR outlook, societies call upon companies to address social needs.

By nature, *Sogo Shosha* address needs. At the same time, they acquire seedlings that are on the verge of entering the phase of growth and nurture them up to that of maturation. And once those seedlings reach maturation, they find the succeeding batch and nurture them to maturation. Through skilled performance of this cycle, they have played the role of discovering new business and continued to subsist as a result. In this sense, they have lived by CSR, and will presumably continue to do so in the 21st century as well.

In my opinion, CSR differs fundamentally from conventional management theory in that it obliges the incorporation of not only financial return but also environmental and social factors into all management processes.

This raises the question of just what parties are defining the needs in society and the world. There is a global consensus to the effect that NGOs act as the spokespersons. It is important for Japanese companies to understand this consensus better and to reflect it in their corporate activities. How they put this into practice is a key to business chances and also risk management. For *Sogo Shosha*, I believe that CSR activities offer a golden opportunity to continue prospering in the 21st century.

Adachi: Developing countries are facing very difficult circumstances in respect of sustainability. The ones who best know what is happening in those developing countries and are active on the actual scene are NGOs. I see a need for companies to go a step further and consider how to interact with such groups. I think that, to discharge their role of supporting the social infrastructure, it will be imperative for *Sogo Shosha* to have the inclinations and arrangements for working with NGOs and absorbing information from them.

Nagasaka: CSR has been built up through concerted action by the NGO and NPO sector and corporate enterprises to address actual needs, but awareness of this angle has been completely lacking in Japan. Moreover, even companies that have not mounted serious approaches to CSR can reap profits over the short term when business is good. For such reasons, I think that the CSR boom is receding in Japan. In the rest of the world, however, the situation is quite the contrary; the CSR concept is taking hold among developing countries even in Asia. Ten years from now, Japanese companies neglecting their CSR could very well be confronted with a loss of competitiveness relative to their counterparts in other countries.

Panelists



Jiro Adachi
Executive Director
Japan Center for a Sustainable
Environment and Society
(JACSES)



Nobuhiko Shima
Journalist



Takejiro Sueyoshi
Special Advisor to the UNEP
Finance Initiatives in the Asia
Pacific region



Toshihisa Nagasaka
Professor of International
Development, Takushoku
University, and Chairman of
the NPO Family House



Fusako Matsuda
Ph.D., President, Environmental
Economics Institute, Inc.



Coping with the changing world of financing

Sueyoshi: The UN has identified poverty, the environment, and economic growth as the major issues currently facing the global community. To put it another way, we are confronted with the question of how to cope with negative legacies that are being magnified by economic and social globalization. The adverse influence caused by global warming looms particularly large in this picture. I think it is right to say that the problem, which has been identified as a major risk in the realm of science, is coming to be perceived as a business risk.

Another question is how to implant awareness of the crisis into the perception of society as a whole. To use soccer as a metaphor, it could be said that the 20th century allowed any kind of play on the pitch, which began to be torn up as a result of the rough behavior. Today, we have finally started to get a shared perception of the status of risks. To prevent the pitch from being ruined any further and to repair the damaged areas, we have to change the rules of the games played on it. In other words, we must lay down a new set of international rules—a new order—for operation of the global community in the 21st century. Unless they have this kind of awareness, companies with global operations will not be able to conform to the new rules.

Matsuda: I would like to comment on the topic from the standpoint of corporate stance in today's world of tough competition.

Certainly one of the biggest issues as regards social responsibility is the problem of global warming. While some countries and companies stand to gain from the situation through emissions trading, there are also countries on the losing end, such as Tuvalu, an island country in the South Pacific in danger of submersion. There is nothing wrong with profiting from emissions trading. But companies that do profit from the trading should ask themselves how to support the places being affected by global warming. As I see it, when they participate in projects, companies must evince a stance and send a message showing that they can and will be of assistance in such aspects, even if it is a matter of contributing only 1 percent of their profits.

Adachi: Another point for CSR is how to absorb the views of the impoverished in developing countries. It is a universally recognized fact that, as one of its negative aspects, globalization is breeding more poor throughout the world. Human rights may be observed in Japan, human rights are not given priority in many

developing countries. Frankly, it would not be enough merely to donate 1 percent of the profits. I realize extreme difficulties are involved, but I think that taking steps to solve such problems is at the heart of CSR for *Sogo Shosha*.

Sueyoshi: The Financial Initiative*¹ has the same view. In the financial world, people are thinking of ways for companies to alleviate poverty in developing countries. For example, microfinancing*² schemes are being applied to help the poor get on their feet in economic terms. There has also surfaced a movement to get investment circles more involved.

There are very strong inclinations to take some positive action to resolve problems saddling the global community utilizing financial infrastructures.

A case in point is the establishment of new Principles for Responsible Investment (PRI)*³ on April 27 this year by more than 50 parties, mainly world-class institutional investors in New York, Tokyo, and Paris. The principles are grounded in the conviction that institutional investors ought to incorporate environmental, social, and governance concerns into the decision-making process. This is known as the "ESG" issue, the acronym standing for the environment, society, and governance. The principles also dictate that shareholders are to act in the same way. The institutions declared that investors must seek disclosure of ESG information from companies that are prospective objects of investment.

Under the rules of socially responsible investment (SRI), the scope of investment was somewhat limited. Investors were encouraged to assist companies that had a keen concern about the environment and CSR even if it meant a lower return. But the new declaration brings ESG issues into the realm of investment as a whole.

We have entered an age in which companies that neglect to act on the ESG issue will not be able to attract high-quality investment.

*1 An organization to promote the spread of financial activities with concern for the environment and sustainable advancement, formed by conclusion of an agreement by the UN Environment Programme and individual financial institutions on their own initiative.

*2 A type of financial service furnishing small scale loans to the poor, with the aim of assisting their business operations and supporting their economic independence.

*3 Principles announced by the UN, to have institutional investors managing assets take account of environmental, social, and governance concerns in their investment.

ITOCHU Corporation



Toshihito Tamba
Chief Administration Officer



Kazutoshi Maeda
Deputy Chief Administration Officer



Hisashi Tatsunokuchi
General Manager
CSR & Compliance Division



Masaki Nakamura
Manager
CSR Promotion Office

The theme of CSR at ITOCHU Corporation

Tasks in the formulation and execution of CSR action plans

Matsuda: I think the ITOCHU action plans are put together very well. It is an excellent idea to have things examined in divisional units. The crux is how to strike a balance between business and CSR activities. I think companies should start by realizing that they bear an extremely heavy responsibility in the age of globalization. They must turn a profit and also have the mission of giving their employees a livelihood. It is therefore vital for them to strike a proper balance between CSR and earnings.

Nagasaka: When rating institutions that grew out of NGOs such as ETHIBEL look at reports, they focus on two major points: whether a scheme has been constructed for management of human rights, the environment, labor, and the like, and whether that scheme is functioning properly. One criterion in this connection is the extent of NGO and NPO involvement in individual projects.

I think the ITOCHU report is marvelous as compared to those of other companies, but it may be regarded as a little short of impact when read in translation by international institutions. I say this because there are only a few interactions with NGOs and NPOs. For the future, when ITOCHU establishes standards for action on CSR, the discussion should not be confined to the in-house level. The work should go more smoothly if the company incorporates behavioral standards such as the PRI mentioned by Mr. Sueyoshi as well as GRI (Global Reporting Initiative) indicators.

Shima: How about making a study of the NGOs and NPOs pertaining to ITOCHU's businesses and their codes of conduct, and having the CSR Promotion Office report on the findings to the Division Companies?

By way of example, I would like to mention the book "Shopping for a Better World," which was published in the United States in the 1980s. It contains judgmental standards for building a better society under 11 parameters, including donations, appointment of female executives, in-house promotion of minorities, involvement with military industries, treatment of animals, disclosure of internal information, community contribution in the area of social education, involvement with nuclear power, environmental protection, and contribution to employees. It encourages consumers to buy from companies that rate well in these aspects if levels of quality and price are about the same. Although it came out about 20 years ago, it takes up roughly the same problems and issues that are in the spotlight today. I think it would simplify things for ITOCHU to ponder what it should do while considering how the parameter priorities should be changed and whether any new ones should be added.

Promotion of CSR activities in the supply chain as the key

Matsuda: Supply chain management is another major task. The big question is the extent to which companies can ascertain and influence components of the supply chain, including those in developing countries. It will probably become necessary to set some sort of standards for drawing the line here.



Sueyoshi: On the subject of supply chains, it is my conviction that companies must not outsource CSR activities. Management becomes looser as core operations get farther away from the corporate nucleus. External rating institutions would also take an extremely dim view of it.

For these reasons, I consider it important to balance between business outsourcing and CSR functions performed by headquarters, and to hammer out a distinctive CSR policy that befits its nature as a *Sogo Shosha* and wins the empathy of society.

Distinctive CSR in keeping with ITOCHU's character

Shima: I suggest ITOCHU should think about doing something unique. It should have the notion of creating its own axis. On the environmental front, for example, clouds of yellow dust have become a substantial problem in China and neighboring countries. ITOCHU could conceivably assemble environmental and energy-conserving technology from Japan and the whole world, and cooperate with China on environmental problems while doing business there. This would presumably also help to improve relations between China and Japan. It would be extremely distinctive, and may even lead to advancement with a linkage between business and social issues. In connection with the problem of poverty, education is a major factor, and it would be good to explore the prospect of developing business with a focus on education and poverty.

What can ITOCHU do for the world and for Japan? It is imperative for the company to clearly define its views and work out distinctive approaches.

Sueyoshi: I, too, am in favor of distinctive CSR activities. The crucial element is not the way in which ITOCHU makes a commitment to the world, but the contents of this commitment. Unless ITOCHU delivers a message that the company is determined to get involved in various CSR activities as means and tools to fulfill its



commitment, the message will be greatly muted both within Japan and overseas. In my view, ITOCHU must do its utmost to ascertain what the world wants and which parties need help.

Nagasaka: ITOCHU is promoting the MOTTAINAI Project. It would indeed be "mottainai" (a waste) if the company did not weave Maathai's concept into its own overall concept.



I suggest that ITOCHU could make an in-house examination of the significance of Maathai's movement and implant an awareness of it to see that it takes root in the company. The word "mottainai" has been publicized by the world's NGOs and through corporate CSR activities. I think it would be wonderful if a Japanese term were to come into widespread use in civil society around the globe.

I would also like to say a few words about the relationship between CSR and labor unions. The positioning of labor unions is

extremely important for CSR. Although they have very little power of influence in Japan, labor unions are viewed as having a definite social role to discharge in most other countries. An organization will have a very great impact internationally if it is addressing CSR together with its labor union. ITOCHU actively engages in dialogue with its labor union, and I suggest ITOCHU to make good use of this in the report.

Matsuda: I think it would be good to hold such dialogue on the level of the Division Companies as well. I believe a lot of issues that have been overlooked by employees would come to light through dialogue inclusive of NGOs and NPOs. This practice would probably clarify what ITOCHU should emphasize, without being bound by the conventional idea of CSR.



Sueyoshi: ITOCHU consists of seven Division Companies, each of which is taking CSR actions on its own. If so, how does it maintain its unity as a company? It is crucial for ITOCHU to draw an appropriate distinction between activities by the seven Division Companies and what must be done in a unified manner by the

company as a whole.

I would also like to comment on the CSR missions of the Division Companies. Looking at the mission statements, it occurred to me that they could have been composed, say, 20 years ago. Take safety and security, for example. The pattern of pursuing safety today is completely different from that of 20 years ago. Therefore, unless the difference is brought out, the statement will not deliver a strong message that things are really going to change. What kind of added value does ITOCHU prize? I would like to see the company tell the society about it.

Proposals to make Japan respected around the world

Shima: We have to look not only at the world but also at Japan. The big problems facing Japan in the 21st century are population decline, population aging, safety and security, and local economic revitalization. These problems are closest to us. I think it is critical to begin taking some concrete action on them, too.

Japan is the world's second-greatest economic power, but appears bound to become a middle-ranking one in 20 or 30 years. Japan is on the verge of losing its current identity in the global context. It consequently needs to plot a strategy for its future evolution and figure out how it can remain respected in the international community even as a medium power. *Sogo Shosha* possess all kinds of information. As such, they should have a keen realization that it is a major role of theirs to prepare proposals based on this information instead of leaving things to the government.

Thoughts on the dialogue

This was the first time for us to hold a dialogue with our stakeholders. The panelists from various fields gave us some valuable views and proposals.

I believe we gained their understanding of our CSR approach of formulating and executing CSR action plans by each of the seven Division Companies. At the same time, the panelists pointed out the need for further coordination with NGOs and NPOs, the question of the extent of responsibility for ascertaining and promoting CSR initiatives in the supply chain, and the advisability of developing distinctive CSR programs befitting our character. Their expression of opinions from various standpoints gave us a good idea of what society expects of us and made our tasks for the next step clearer.

For the future, we shall continue with our efforts to deepen our dialogue and communication with stakeholders, and to develop CSR activities so that we fulfill our social responsibilities.

Toshihito Tamba
Chief Administration Officer

Corporate Governance

It is our fundamental policy to work towards the long-term improvement and preservation of our corporate value through building positive and effective relationships with our stakeholders. In order to execute our business activities in a fair and efficient manner in accordance with our fundamental policy, we will increase the transparency of our decision-making process and construct a management system that incorporates appropriate monitoring and supervisory functions. Furthermore, we will operate our business on a basis of trust with our shareholders by ensuring adequate and timely disclosure of information and developing and maintaining accountability.

Management structure

ITOCHU Corporation has adopted "the Board of Corporate Auditors" system. Under this system, the Board of Corporate Auditors monitors the performance of the directors. With respect to the operation and execution of our business activities, ITOCHU Corporation has adopted the Executive Officer System and the Division Company System. The Executive Officer System introduced in 1999 enables us to strengthen the decision-making and supervisory capabilities of the Board of Directors as well as to raise the efficiency of business execution. Under the Division Company System, our seven Division Companies assume responsibility for the management of their respective business areas, and respond timely to the needs of the market and customers. ITOCHU Corporation's headquarters performs centralized group-wide strategic planning and overall business administration. With discrete management at the Division Companies level and centralized planning and administration at the Headquarters level, we have constructed a highly efficient and well balanced management structure. We have also established the Headquarters Management Committee (HMC) as a supporting body to our President & CEO to deliberate on group-wide management policies and major matters. In addition to HMC, various other internal committees have been created for specific areas, and each internal committee is to examine and deliberate on management issues in the area for which it is responsible, and to assist the decision-making of our President & CEO and Board of Directors. In order to enhance management responsibilities of our directors, in the fiscal year ended March 2006 we abolished the directors' retirement and severance allowances in favor of a unified compensation scheme, which is determined on an annual basis to reflect the business performance of our company. Beginning with the fiscal year ending March 2007, the director tenure is to be reduced to one year.

Internal control

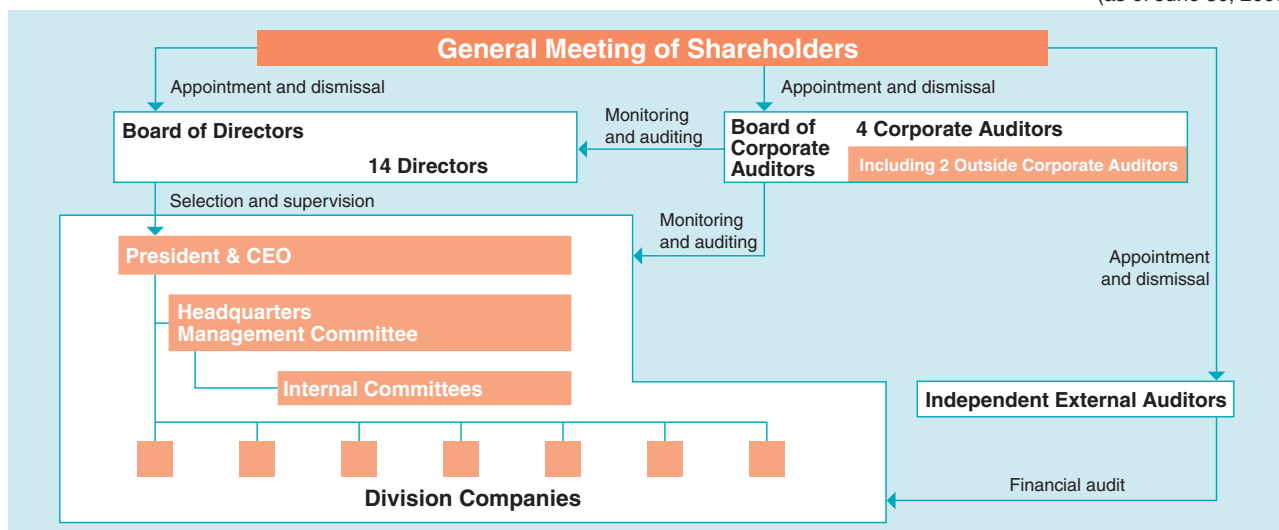
The general objectives of internal control are three-fold: 1) to achieve full compliance with laws and regulations, 2) to ensure accuracy, truthfulness and reliability of financial reporting, and 3) to improve effectiveness and efficiency of management. With regard to the first objective, compliance with laws and regulations has always been and will continue to be an integral part of our continued endeavor to enhance the compliance system, as described on the following page. With respect to the second objective, we are developing internal regulations that incorporate appropriate control functions into the actual business process and are undertaking various internal control projects in order to ensure the accuracy, truthfulness and reliability of our financial reporting. Finally, with respect to the third objective, we have launched the "ITOCHU Designing New Age (DNA) Project" as of the fiscal year ending March 2007, a business process re-engineering project aimed at improving the effectiveness and efficiency of our management.

Risk management

To adequately address the various risks associated with our business operations, such as market risk, credit risk, and investment risk, we have developed the requisite risk management system and risk management techniques, for example, establishing a full range of management regulations, investment criteria, and risk limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, we regularly review the effectiveness of the risk management system and are working to develop ever more sophisticated risk management techniques. In the fiscal year ended March 2006, we formulated the Business Continuity Plan to prepare ourselves in the event of a major disaster. The Business Continuity Plan will continue to be improved and updated.

Corporate Governance Structure

(as of June 30, 2006)



Compliance

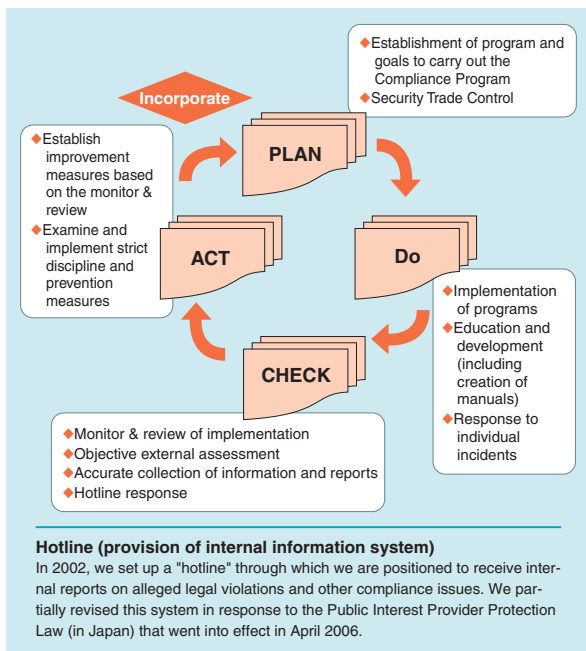
To do “*kyosei*” (living and working together for the common good) as a good corporate citizen, ITOCHU Corporation must as a minimum prerequisite strictly comply with laws and regulations.

ITOCHU Corporation positions compliance as the very foundation of CSR.

Continuous improvement through the PDCA cycle

To implement compliance, each organization within the ITOCHU Group has formulated a “Compliance Program” as one of its action plans. Based on these programs, we are pursuing a continuous improvement of compliance by engaging our business activities in accordance with the PDCA cycle.

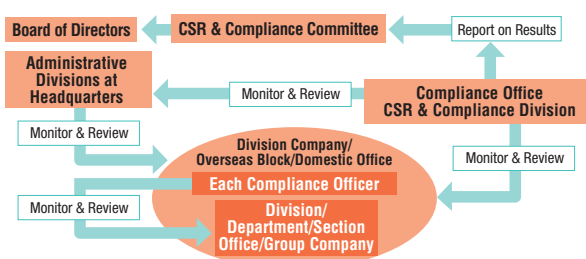
PDCA Cycle



Check of activities through monitor and review

As one of the mechanisms for the check portion of the PCDA cycle, we have established a system to monitor the status of the creation and improvement of various programs, and compliance manuals and the implementation of education and training programs by each organization within the ITOCHU Group, and then, to review the results for improvement. More specifically, we semi-annually dispatch and collect questionnaires directed to our Division Companies, administrative divisions at headquarters, domestic and overseas branches and offices, and group companies to obtain their responses on this subject. Moreover, the questionnaires are sent by each of those organizations to front-line personnel within the unit, and we report on the findings to the top management.

Mechanism of Monitor & Review



Results of questionnaires on monitor and review (excerpt)

Questionnaire items	Results				
	03/2004	09/2004	03/2005	09/2005	03/2006
1. Percentage of our group companies that have formulated a Compliance Program	82%	83%	94%	97%	99%
2. Percentage of our overseas offices that have formulated a Compliance Program	69%	71%	87%	99%	99%

Compliance education and training

We have classified laws and regulations into two categories: "company-wide laws" (laws and regulations that commonly apply to all types of business) and "industry-specific laws" (laws and regulations that apply to specific types of goods and services handled). A list of applicable laws as well as compliance manuals are prepared by each administrative divisions at headquarters for the former, and the respective units of the Division Companies for the latter.

Task for the future: enhancing compliance by overseas offices and group companies

One of the priorities for the fiscal year ending March 2007 is to enhance compliance outside of Japan. In the fiscal year ended March 2006, we provided compliance consulting services to about 200 group companies in Japan, and we plan to offer the same kind of services to our offices and group companies outside of Japan. This will enable us to raise the level of compliance in the ITOCHU Group even higher.

Security Trade Control

To prevent the proliferation of weapons of mass destruction and conventional weapons, Japan maintains a strict security-related trade control under the Foreign Exchange and Foreign Trade Law. To observe such laws and regulations we have implemented our own internal security trade control program. Further, to ensure that we do not take part in business transactions that threaten international peace and security, not only does ITOCHU meticulously comply with existing government laws and regulations, but we are voluntarily taking extra measures to ensure that our stakeholders and corporate reputation are adequately safeguarded through our implementation of a global security risk management program.

The potential intersection of corporate operations with global terrorism or the development and proliferation of weapons of mass destruction can give rise to reputational and financial risks for ITOCHU and other companies with extensive international business operations.

Accordingly ITOCHU recognizes that, as a responsible member of society and the global business community, we need to manage carefully the potential risks associated with business operations in certain areas. In response to the growing field of corporate governance termed global security risk, ITOCHU has developed and implemented corporate policies, procedures and internal reporting structures to ensure that we perform rigorous, security-minded due diligence with respect to projects and transactions in which security issues are implicated.

CSR Management

While each Division Company practices CSR in its own business in a manner adapted to its domain, the administrative divisions at headquarters* take the lead in formulating and executing action plans for corporate-wide CSR issues.

* This term refers to the corporate staff units of the headquarters. Specifically, it includes the Corporate Planning & Administration Division, Affiliate Administration & Risk Management Division, Corporate Communications Division, IT Planning Division, International Operations Division, Finance Division, General Accounting Control Division, Human Resources Division, Legal Division, General Affairs Division, CSR & Compliance Division, Audit Division, and the Secretariat.

CSR promotion structure

ITOCHU Corporation has long practiced CSR in its business activities. In April 2005, we established a CSR Promotion Office in order to promote CSR activities in a more organized and systematic manner. In addition, the CSR Compliance Committee discusses and deliberates on basic policies and measures related to CSR. These arrangements constitute a better structure for ITOCHU Corporation to more vigorously pursue CSR activities.

Action plans in the management aspect

CSR initiatives at the headquarters

ITOCHU Corporation has many CSR tasks to be addressed. We intend to pursue CSR activities mainly by having each Division Company take the CSR initiative in its own domain and industry (see pages 9–22). At the same time, we consider it important to regularly review the progress of CSR promotion, identify corporate-wide CSR issues to be addressed and reinforced, and tackle the issues under headquarters' leadership. In keeping with this outlook, we plan to take action on the issues described in the chart to the right in the fiscal year ending March 2007.

Internal penetration of CSR awareness

One of the three basic policies in the CSR promotion activities during "Frontier-2006," our mid-term management plan, is to promote CSR education and enlightenment. We are working toward internal penetration of CSR awareness, so that each employee has a firm understanding of CSR and actually puts it into practice in the performance of his or her daily duties and business activities.

More specifically, we are implementing CSR training for various in-house layers and publishing CSR features in *ITOCHU MONTHLY* (the corporate magazine). We also held a stakeholder dialogue on May 24, 2006 with the attendance of employees, and the video image of the dialogue's digest version was later available for all employees via our intranet. Through such information and publicity about CSR, we hope to engender a corporate culture that facilitates employees' initiative in thinking about CSR on their own. Furthermore, we have positioned this CSR Report as one of the tools for such penetration, and plan to organize sessions to "read the CSR Report" and encourage lively discussion on the subject in each organizational unit.

CSR action plans led by the administrative divisions at headquarters

	CSR issues/tasks	Assigned unit
CSR management	Ascertaining the current status in the CSR aspect	CSR & Compliance Division
	Corporate-wide education and enlightenment about CSR	CSR & Compliance Division
	Examination of investment projects from the CSR perspective	CSR & Compliance Division, and Affiliate Administration & Risk Management Division
Utilizing diverse human resources	Recruiting and developing diverse human resources	Human Resources Division
	Preparing workplace environments conducive to work	
	Strengthening communication with employees -Reflecting employee needs in management	Corporate Planning & Administration Division, and Human Resources Division
Accountability	Increasing accountability -Preparing systems for information disclosure	Corporate Planning & Administration Division, Investor Relations Department, CFO Office
Crisis management	Formulating and refining the Business Continuity Plans (BCP)	Corporate Planning & Administration Division, Human Resources Division, General Affairs Division, and IT Planning Division
	Identifying and hedging risks in each region/country Formulating emergency response plans Assuring the safety of national staff and Japanese expatriate staff	International Operations Division, and Human Resources Division
Information security	Managing information security	IT Planning Division
	Reinforcing client and customer information management	IT Planning Division, Corporate Planning & Administration Division, and Legal Division

Medium-term action plans	Action plans for April 2006–March 2007
Gaining an understanding of the status of approaches to CSR problems in the order of overseas offices, group companies, and supply chain components	<ol style="list-style-type: none"> 1. Preparing a CSR checklist for CSR issues to be emphasized in each region/country (in coordination with the International Operations Division) in order to gain an understanding of the status of approaches to CSR problems overseas 2. Conducting surveys on approaches to CSR problems at overseas offices (in cooperation with the International Operations Division) 3. Initiating actions to ascertain approaches to CSR problems at group companies
Promoting corporate-wide CSR education so that each and every employee understands the CSR concept, acquires a CSR mindset, and puts CSR into practice in daily duties and business activities Implementing CSR-related education and enlightenment activities at group companies with as far a reach as possible	Education <ol style="list-style-type: none"> 1. Providing CSR training in various in-house training programs 2. Heightening CSR awareness through e-learning and in-house videos 3. Organizing trial sessions to "read the CSR Report"
More closely examining investment projects from the CSR perspective	<ol style="list-style-type: none"> 1. Identifying projects to be examined from the CSR perspective 2. Preparing CSR checklists
Recruiting and developing diverse human resources, regardless of nationality, sex, and age	Steady implementation of plans for human resource diversification
Increasing the use of employee support systems to strike a balance between work and family (e.g., child-raising, nursing, volunteer activities) <ol style="list-style-type: none"> 1. Promoting an understanding by managers 2. Increasing awareness of employee support systems 	<ol style="list-style-type: none"> 1. Reinforcing publicity through the intranet 2. Conducting training for managers
Gaining an understanding of employees' working conditions, and preventing overwork <ol style="list-style-type: none"> 1. Preventing unpaid overtime in cooperation with the labor union, and periodically reviewing the status of observance of Article 36 of the Labor Standards Law 2. Promoting understanding by managers 	<ol style="list-style-type: none"> 1. Implementing periodic reviews with the labor union 2. Conducting training for managers
Holding Company-Wide Employee Meeting and management conferences with labor unions	Holding Company-Wide Employee Meeting and management conferences with labor unions
<ol style="list-style-type: none"> 1. Reinforcing systems for IR 2. Creating systems for internal control 	<ol style="list-style-type: none"> 1. Continuously reviewing and improving systems for information disclosure 2. Continuously preparing systems for internal control
<ol style="list-style-type: none"> 1. Formulating concrete BCPs of each business unit requiring emergency response 2. Installing emergency communication and safety confirmation systems 3. Holding preliminary drills 4. Continuously reviewing BCPs 	<ol style="list-style-type: none"> 1. Holding preliminary drills 2. Continuously reviewing BCPs
<ol style="list-style-type: none"> 1. Continuously updating and identifying risks in each block/country (in cooperation with the Affiliate Administration and Risk Management Division) 2. Compiling and providing overseas information 3. Coordinating with the "Crisis Management Meeting," and providing information 	<ol style="list-style-type: none"> 1. Gaining an understanding of political and social developments in each country 2. Identifying risks in each block/country
Establishing the PDCA cycle, and continuously improving information security at ITOCHU Corporation	Reviewing the status of compliance with information management rules at the headquarters, IT architecture, etc.
Implementing measures for group companies	Reviewing the status of preparation of information management rules and compliance with minimum standards at group companies
Further reinforcing technical security measures	<ol style="list-style-type: none"> 1. Completing PC encryption procedures 2. Continuously recommending and endorsing technical measures for group companies
Implementing Service Level Management (SLM)	Applying Service Level Agreements to our Division Company system
Implementing system audits	Continuously implementing system audits
Implementing security education and tightening measures to protect personal information	<ol style="list-style-type: none"> 1. Continuously implementing security education for employees through e-learning 2. Incorporating security education into training for managers
Continuously complying with and increasing awareness about the Personal Information Protection Law, and implementing monitoring and reviews once a year	Implementing monitoring and reviews concerning compliance with the Personal Information Protection Law

Involvement with Business Partners

As a *Sogo Shosha*, one of the most important CSR tasks is CSR management in the supply chain. In this area, we are deepening communication with our suppliers and clients, and aiming at constructing a sustainable supply chain.

ITOCHU's supply chain

ITOCHU Corporation is engaging in a wide variety of transactions in a diversity of business domains. As such, approximately 100,000 of our business partners are found all over the world.

Importance of CSR promotion encompassing the supply chain

We consider CSR management in the supply chain to be one of the key CSR tasks for ITOCHU Corporation as a *Sogo Shosha*.

We generally do not undertake development or production by ourselves, and our business centers around business investment and trading. To see that the goods and services we handle always make a positive contribution to society, it is consequently vital for us to encourage our partners doing the actual development and production to practice CSR as well.

At present, much attention is focused on the negative aspects of globalization. More specifically, there is serious concern about poor working conditions, human rights violations, and environmental destruction associated with production plants in developing countries. Meanwhile, there is mounting consumer interest about food safety as well as the social and environmental impact of material procurement. Under these circumstances, provision of goods and services that offer high levels of reliability and satisfaction to consumers and clients requires knowledge of the activities of our business partners.

For these reasons, we are not only promoting CSR activities ourselves but also pursuing CSR management in the entire supply chain.

Since we have transactions with numerous business partners, it would be very difficult for us to get a firm grasp the nature of CSR problems at all of them. There is also some question about the extent to which we realistically ought to be responsible for procurement sources. Be that as it may, we want to ascertain the current situation at as many business partners as possible and practice CSR management for a sustainable supply chain.

Examples of our initiatives

Assurance of traceability for materials

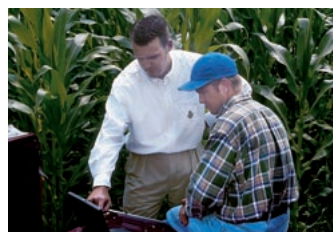
Traceability network for corn and soybeans

Two ITOCHU group companies are handling corn and soybeans in the United States. Illinois based Quality Technology International, Inc. provides products and services for farming, foods, feeds, and the technologies to develop the products, and Louisiana based CGB Enterprises, Inc. provides overall logistics, transportation and bulk commodity services.

In fields such as non-genetically modified corn and soybeans, special soybeans for tofu, miso (soybean paste) and soy milk, these two companies jointly concentrate on high quality grain and deliver the products to Japanese end users who utilize the grain to add more value in their operation. The crops

are produced and delivered under tight control on the use of agricultural chemicals, harvesting, and storage.

This integrated distribution system links the farmers, transporters, and customers in Japan functions organically, and customers give their confidence to our traceability network from farm to table.



Giving Instructions on cultivation, use of chemicals, and identity-preserved handling to a farmer



Checking the quality of received grain at CGB

Traceability network for paper materials

Our Paper Materials & Products Department visits our suppliers and undertakes questionnaire surveys in the interest of traceability, and obtains information from them on an ongoing basis.

To assure our supply of paper materials and alleviate environmental burden, we are investing in reforestation projects in countries including Australia, New Zealand, Vietnam, and Chile. Thus far, we have helped to plant trees over a combined area of some 80,000 hectares, and are establishing a system for proper forest management.

In addition, we preferentially trade with suppliers that have been certified for forest management by the Forest Stewardship Council (FSC) and other international institutions and encourage uncertified suppliers to obtain such certifications (see page 18).



FSC certificate awarded to Cenibra



Chain of Custody (CoC) certificate (for management of processing and distribution)

Selection of suppliers

Management of suppliers in China

The main sources for procurement by our Textile Company are our group companies overseas, especially in China. In dealings with buyers, mainly in Europe and North America, that have their own standards for supplier selection, we choose suppliers that faithfully follow those standards. Even for buyers that do not have fixed standards, we select suppliers upon consideration of their requirements in all aspects, including the labor environment as well as price, quality and delivery of products.

In the fiscal year ending March 2007, we are planning to launch a phased fact-finding survey of the supply chain, beginning with the major suppliers, in cooperation with our overseas offices. This is to be followed by the establishment of our own selection standards, discerning which suppliers are suitable for us, and selecting qualified suppliers.

Improvement of the labor environment at suppliers

Closer checking of the labor environment

These days, there is a growing call to give more consideration to the labor environment and human rights in the supply chain overseas.

Our Textile Company deals with many buyers that already have their own auditing guidelines. On this front, we are encouraging our suppliers to make improvements and comply with labor laws. Nevertheless, we have not yet developed a company-wide approach sufficient to induce improvement of the labor environment throughout the supply chain.

We regard the social aspects of procured products (including labor safety and protection of human rights) as important CSR issues. In our phased fact-finding survey starting with major suppliers, we plan to make closer checks of the labor environment and work for improvements.

For provision of high-quality products

Rigorous quality control

ITOCHU Corporation also realizes that rigorous quality control is a vital CSR priority. Our core group companies of the Textile Company, which are in charge of an integrated system of production from raw materials to finished apparel in China, have already posted full-time quality control officers for each factory to their regional offices, in order to keep a close eye on the factory management on behalf of the headquarters of ITOCHU Corporation. We have positioned the establishment of quality control guidelines as well as standards for supplier selection as a mid-term objective, in order to purchase products that consumers can trust from reliable suppliers.

Voices from our business partners



Kenji Kanda
Executive Officer
Raw Materials & Purchasing Division
Oji Paper Co., Ltd.

We at the Oji Paper Group consider environmental problems to be one of our chief management concerns, and have prepared a Basic Policy for our Environmental Charter. To put this policy into practice in our routine business activities, we have formulated our Environmental Action Plan 21, which extends to 2010 as the year for attainment of its targets. The Plan's targets include planting a combined area of 300,000 hectares overseas for forest recycling, as well as recycling more paper and reducing the unit consumption of fossil energy. To reach these goals, we are extensively involved in reforestation projects in Australia and New Zealand along with ITOCHU Corporation. And in Brazil, we are running an integrated pulp plant beginning right from the eucalyptus trees with the participation of ITOCHU and other major paper and pulp manufacturers from Japan. We have obtained FSC certification for almost all of our reforestation projects, and are aiming for a 100-percent certification rate for such projects overseas. We are committed to procuring raw materials from sustainable forests in cooperation with ITOCHU Corporation.



Eucalyptus forest planted in Brazil

Involvement with Employees

It is of paramount importance for ITOCHU Corporation's ongoing advancement that we recruit and cultivate diverse human resources on an international scope, regardless of sex, nationality, and age.

To this end, we are creating work environments conducive to the full exercise of our employees' capabilities, in order for them to feel motivated and fulfilled.

ITOCHU Corporation's human resources policy

In 1999, we revised our personnel affairs system to its current state; the revised system is designed to maintain competitiveness by maximizing the capabilities of all employees, with each sharing the same values and objectives as well as motivation and sense of fulfillment. Under this system, we shifted evaluation criteria from an individual employee's ability to his/her job performance, by placing importance on job duties, responsibilities and results. We also emphasized the placement of the right employee in the right position based on his or her aptitude, ability, and desires, and the recruitment and cultivation of diverse human resources regardless of sex, nationality, and age.

Recruitment and cultivation of diverse human resources

Formulation of a plan for human resource diversification

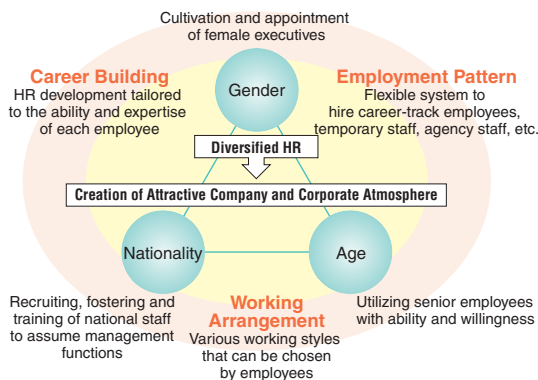
In order to thrive in the current environment of economic globalization, and under ITOCHU's group management, it is essential that we effectively utilize human resources to meet the demands of each industry or field. This is why we prepared a plan for human resource diversification in December 2003. This plan is aimed at making the best use of diverse human resources regardless of sex, nationality, and age. The specific measures include the hiring and training of women in career-track jobs, the cultivation of national staff, the utilization of senior employees, and the extensive employment of mid-career workers.

As a result of our efforts for human resource diversification, ITOCHU Corporation was commended by the Minister of Health, Labor and Welfare for actively hiring the disabled in the fiscal year ended March 2002 and by the Director-General of the Tokyo Labor Bureau for promoting gender equality in the fiscal year ended March 2006.



A ceremony to commend companies for promoting gender equality

Creation of an attractive company and corporate atmosphere

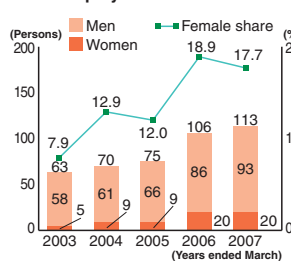


Cultivation and appointment of female employees

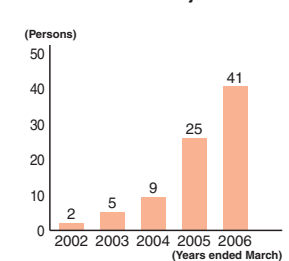
In the plan for human resource diversification, the active cultivation of female executive is an important task. Achievement of this task requires an increase in the number of women in career-track jobs. As such, we have set two targets: 1) doubling the rate of career-track women to all female employees to 5.0 percent of all career-track employees by March 2009, and 2) increasing the percentage of newly hired career-track women of all newly hired career-track employees to 20 percent. We are making smooth progress toward the first target; the aforementioned rate rose to 3.7 percent as of April 1, 2006. As for the second, the rate in question reached 18 percent among women who joined the company in the fiscal year ending March 2007.

In addition, we are preparing individual career development plans (CDP) for all women in career-track positions and periodically reviewing the plans to ascertain the state of progress. We have also started a mentor system in the fiscal year ended March 2005, under which senior employees offer advice and experience to junior employees and stand ready to counsel them across departmental boundaries.

Number of newly hired career-track employees



Number of mid-career employees hired for career-track jobs



Mentor program

The mentor program introduced in the fiscal year ended March 2005 is designed to present role models to younger female employees and actively counsel them about concerns unique to them, in addition to cultivating women for executive positions. In the fiscal year ended March 2006, we placed high priority on the participation by management executives in the program, appointed management executives as executive mentors, and had them begin mentoring services for women in career-track jobs. As a part of the program, we held lectures at which outside female executives were invited to speak. In the fiscal year ended March 2006, the audience heard lectures by Ms. Mitsu Kimata, President of the NPO, Joshi-Kyoiku-Shoreikai (The Society of Promoting Women's Education and Leadership), and Ms. Louise Francesconi, Vice-President of the US firm Raytheon Company.



Lecture by Ms. Kimata on the theme of harnessing female energies for Japan's economic revival

Hiring of the disabled

In 1987, we established ITOCHU Uneedus Co., Ltd. as a special subsidiary based on the Law for Employment Promotion, etc. of the Disabled, to provide opportunities for people with physical or other disabilities. Since the establishment of ITOCHU Uneedus, we have maintained a high level of hiring the disabled. As of April 1, 2006, the rate of our employees with disabilities to total employees was 2.2 percent (as compared to the legally required rate of 1.8 percent).

Recruitment and cultivation of national staff*

We are actively nurturing national staff as promoters of business development in their respective countries, versed in the local condition and culture. In our Global Leadership Program (GLP), we educate executive candidates to be management leaders while helping them experience the ITOCHU Way. In addition to this program, we have established other training programs on various levels to provide national staff with the opportunity to acquire the additional knowledge and skills. The programs also provide us with the opportunities to convey the ITOCHU's Corporate Credo and Code of Conduct, to be shared by all members of the ITOCHU Group.



Scene of national staff training

Training programs

In keeping with our conviction that human resources are our most precious assets, we have devoted significant resources to employee education and training. The development of managers over the medium and long term is a key priority for the promotion of consolidated management, and we provide training to instill our junior and middle-ranking employees with management-related skills. To bolster consolidated and global management, we also offer training to group company employees and national staff, as well as programs for taking advantage of an increase in mid-career hires.

Human resource development policy and training

HRD framework	Fields for reinforced training	Specific programs
1. Cultivation of executive candidates over the medium and long term	Cultivation of managers	Managers school, management training, business professional course
	Fostering of business leaders	Leadership training (second year, fourth year, ninth year, advanced, and executive), instructor training
	Company-wide embrace of the management mission	Training for managers (assessment training, organization management)
2. HRD for better consolidated / global management	Cultivation of group company employees	Training held by the Affiliate Administration & Risk Management Division (study groups etc.), study groups for newly appointed directors of group companies, etc.
	Cultivation of national staff	Headquarters training (GLP, GSP, NS), host-country training (China, other Asian countries, etc.)
	Cultivation of global human resources	Pre-assignment training, training for staff posted overseas, overseas dispatch of new personnel, dispatch of language trainees, dispatch of OJT trainees, dispatch of MBA trainees
3. HRD linked to diversity and career visions	Cultivation and utilization of diverse human resources	Training for support of career visions, training for specialists
		Mentor program, training for mid-career hires, training for administrative positions

* National staff is locally hired staff at overseas offices.

Creation of environments conducive to work

Support to maintain balance between work and family

In response to demographic trends, and to effectively utilize diverse human resources, we are working to create a pleasant work environment that allows employees to strike a balance between work and caring for their children or for elderly family members with peace of mind. Although we have implemented various systems to support childcare and eldercare, we saw a need to better communicate their availability and deepen the understanding of managers and colleagues in order to encourage more employees to take advantage of them. For this reason, in the fiscal year ended March 2006 we prepared customized pamphlets for managers, male employees, and those making use of these systems. We also continue to educate managers through training programs.



Childcare and eldercare handbooks

Career counseling

Our Career Counseling Center was instituted in 2002 for the purpose of creating a climate conducive to employee consultation about all sorts of career matters. Four professional counselors and others in the office provide career-related advice and assistance from an expert viewpoint, based on consulting employees' job experience and aptitude. The office also offers such services as training for managers and individual consultation.

Assessment systems

Besides a scheme of management by objectives (MBO), in which individual performance is reflected in pay, we apply a human resource assessment system, aimed at positioning the right person in the right job and developing human resources. This system allows each employee to engage in a full and frank dialogue with his or her manager, and annually review his or her own capabilities, aptitude, and expertise in order to shape plans for future transfer and career development. We commenced a multifaceted monitoring system in the fiscal year ended March 2005 to give managers a chance to gain others' perspectives on their management behavior and style, based on feedback from their subordinates. In these ways, the assessment systems play a vital role in stimulating in-house communication.

Involvement with Employees

Prevention of harassment

In 2000, we established an Employee Relation Center, which handles questions and complaints about sexual harassment and other problems on the job. To raise employee awareness in this area, in 2004 we added an explicit prohibition of sexual harassment to the service discipline section of our company regulation. We also conduct an annual seminar for managers in order to strictly prevent sexual harassment and other problems.

Support for mental health

Realizing the importance of preventive measures when it comes to mental health problems, in 2005 we initiated a stress management program to help employees recognize elevated stress levels at an early stage.

We have also made arrangements that enable employees to receive professional in-house counseling from psychiatrists or clinical psychologists. Additionally, we have set up a committee for health management composed of industrial medical personnel, representatives of the Human Resources Division, and managers of concerned units. This committee ascertains the status of employees on long-term leave due to injury or illness at regular intervals, and offers systematic support for their return to the job.

Our initiative for diversified work styles

In 1995, we introduced a flextime system throughout ITOCHU Corporation to respond to diversified work styles of our employees and prepare a climate more conducive to work. Under this system, it is up to our employees themselves to decide when they start and stop working. As part of our effort to build a more conducive working environment, and taking into consideration legal compliance and health management, we try to prevent excessively long hours. In collaboration with the labor union, we conduct annual reviews of situations with regard to overtime work without pay and observance of Article 36 of the Labor Standards Law, and endeavor to resolve any problems. We also strive to raise awareness about related issues among managers through training sessions.

Workplace environment in overseas offices

To protect the safety of employees posted to other countries and their families and to prevent accidents, we established an Overseas Security Management Center (OSMC) in 1998. The OSMC leads various activities including the collection and provision of information on overseas risks, the publication of safety manuals, and the offering of safety instructions in training for personnel before leaving Japan.

We have built a system for swift communication to ensure the safety of our employees and their families in the event of emergencies such as accidents, natural disasters, and terrorism. In addition, we are partnering with emergency medical service companies in preparation for such emergencies.

Our initiatives with labor unions

Labor union

At ITOCHU Corporation, the management team and corporate labor union share the management vision and the basic goal of fully exercising employee capabilities and making the company better. We consider it important to develop a close dialogue with, and provide full explanations to, the labor union, and actively engage in communication with it.

In the fiscal year ended March 2006, we provided opportunities for the labor union members to discuss with the President & CEO as well as management members of each of our four Division Companies on management. In advance of these conferences, the labor union conducted hearings and a survey with its members to gather opinions and questions for discussion with the management team. The topics for such discussion include not only concerns about staffing affairs, such as the utilization and development of human resources, but also all management aspects, including ITOCHU Corporation's management vision, business strategy, and risk management. The details of the discussions at these conferences are later summarized and provided to our employees. In addition to such conferences, we also hold other gatherings under such themes as account settlements and plans for human resource diversification.

Message from the labor union



Hirohisa Otomi
President
ITOCHU Labor Union

CSR activities are at the center of ITOCHU Corporation's Credo of being "committed to the global good." They are also the subject of expectations by its broader stakeholders, including clients, shareholders, employees, communities, countries, and the whole world. The creation of a work environment in which employees can work with motivation and a sense of fulfillment is part of CSR activities as well as a top priority for our union. However, we intend to go further and participate in a wide range of CSR activities in partnership with the management team on a corporate-wide scale and from the medium- and long-term perspectives. It is our belief that these activities will eventually increase our corporate value and the satisfaction felt by the employees and all other stakeholders.

Dialogue with our employees in Company-Wide Employee Meetings

Company-Wide Employee Meeting ("CWEM") has been held semi-annually since 2001. CWEM is held at our headquarters in Tokyo and Osaka on a designated weekend, which enables our employees to attend voluntarily so that they may have an open and pro-active dialogue with our President & CEO as well as our Directors and Officers. Our employees in distant offices can also take part via videoconference systems or Internet connection linking the headquarters with venues in overseas offices and domestic branches and offices.

Breeding solidarity and cohesion through participation in CWEM

ITOCHU Corporation has been proud of a long-standing and wide reputation of our open, transparent, and straightforward communication among employees. However, the business environment surrounding us has been changing quite rapidly, and we recognize the increasing importance of our internal communication as a key element for success. Our President & CEO wants to express his own enthusiasm and expectations directly to our employees; employees, in turn, are eager to voice their views directly to top management. Thus, CWEM was born. Through CWEM, our employees learn the perspectives of our top management directly, while our top management can address the frank questions and opinions of our employees. In the context of corporate life, where employees often merely listen to what their superiors say, the meetings are precious occasions for dynamic two-way communication.

The videoconference systems and Internet connections enable not only our employees in domestic branches and offices but also those posted in all parts of the globe to join CWEM, emphasizing the world-wide presence that is one of the strengths and characteristics of a *Sogo Shosha*. The meetings therefore help to strengthen the solidarity and cohesion among us.

Extensive exchange of views between management and employees

Our CWEM in the first half of the fiscal year ending March 2007 was held on May 14 (a Sunday) at the Tokyo and Osaka headquarters, with videoconference system links to Bangkok and Beijing. In spite of the rainy weather, about 1,300 employees participated. The meeting began with a presentation of the results for the fiscal year ended March 2006, in which we posted a record-high profit, and the financial plans for the fiscal year ending March 2007. A presentation on the "ITOCHU DNA Project for business process reengineering" followed, with a subsequent Q&A session that lasted for about 80 minutes. The Q&A session was quite successful, as young employees in particular voiced various questions and opinions which lead to constructive and forward-looking discussions among the CWEM attendees.

The meeting closed with a stirring statement by our President & CEO, who called upon all employees to share objectives set by each unit, and to take up new challenges with enthusiasm and conviction.



Notable questions from participants and responses to them

Q1 About the ITOCHU DNA Project : "I strongly back the idea of the reengineering of business process. But I assume that the 'DNA of ITOCHU,' the essential of ITOCHUism, must be the independent sprits of traditional Omi merchants and powerful individual capabilities. So I am rather afraid that excessive standardization might destroy our aggressiveness and even make the business less efficient. President & CEO Kobayashi, what do you think about this?"

A1 "The term 'DNA' has two meanings. In the first place, it stands for 'Designing New Age,' aiming to show the future ITOCHU what it should be in ten or twenty years from now. In the second, it expresses our efforts to enhance the 'DNA of ITOCHU,' which has survived and evolved over 150 years. The increase in efficiency through standardization enables us to spend more time for strengthening our original 'DNA' eventually. Our essential 'DNA' shall never be neglected or weakened. We are going to listen to all of your views as we promote this project. We are confident that the participation by all of our employees shall be the key to success of this ITOCHU DNA Project."

Q2 "I belong to the Textile Company, and we are vigorously deploying our strategy to expand our retail-related business. I would like to ask the Executive Officers of the other Division Companies about their opinion and strategy in this business field."

A2 President Tanaka (Food Company): "The businesses of Food Company also stand close to the retail markets. Our strategy is to build vertically integrated business chains extending from raw materials, productions, intermediate distributions, and further to retailing. For the execution of this strategy, it is crucial to get a firm grasp of consumer needs. For example, one key goal of tie-up with FamilyMart, is to gain a better understanding of consumer trends. However, we have to admit that we could not run supermarkets by ourselves, due to lack of enough human resources and know-how. We should build strong ties with retailers, and our function shall be focused between the upstream and midstream of value chains to support the sustainable growth of our retailers." (The answers from other Division Companies are omitted.)

Thoughts on the CWEM

It was at the CWEM held shortly after when I joined ITOCHU that I raised my hand and asked a question to the former president Mr. Niwa. I saw the meeting as a precious opportunity for direct dialogue with him, and was determined to take advantage of it.

The chance for such dialogue with the President & CEO and other executives of the Division Companies gave me the strong impression of openness and communication characterizing ITOCHU's corporate culture. Employees who have something to say are free to do so. In my opinion, this meeting for all employees featuring face-to-face interchange is a precious venue these days, when the very definition of 'communication' has become blurred. I hope to continue building up ITOCHU Corporation through these meetings.



Hiromu Fukunaga
Industrial Textile Section 1
Industrial Textile Department
Textile Company

Social Contribution Activities

One of the three pillars of our Credo is the "societal benefits," that is, the building of societies that are enriched and more fulfilling.

To achieve these benefits, we are committed to retaining an international perspective, remaining aware of the role we must play as a good corporate citizen, and contributing to society both inside and outside Japan.

Outlook on social contribution

We at ITOCHU Corporation want to contribute to society through our business, and recognize the importance of activities for this purpose. In addition, we believe that, as a member of society, we should make an effort to contribute to society even outside our business, by looking for solutions and improvements with regard to social issues.

Out of our conviction that companies must be groups of employees with a high civic awareness, we are also actively supporting volunteer activities by our employees.

ITOCHU Corporation's Basic Ideology on Social Contribution Activities (revised August 26, 1997)

In order to realize the "societal benefits" which are an integral part of its corporate credo, ITOCHU not only carries out social action as a company, but also fully supports the independent social work of its staff.

Areas of Activity

- | | |
|-------------------------------|------------------------------------|
| 1. Social welfare | 4. Education, culture and the arts |
| 2. International exchange | |
| 3. Environmental conservation | 5. Community activities |

Social contribution through business

As ITOCHU Corporation is a private enterprise, it is, first and foremost, through our business that we aim to make a contribution to society. Based on this outlook, while our Division Companies each develop CSR activities, we intend to steadily build up an aggregate both of social contribution through their operations and of businesses that are of great worth to society as a whole.

ITOCHU Corporation has concluded partnerships with the prefectural governments of Gifu, Fukui, Shimane, Miyagi, and Mie, and is assisting local firms that are distinguished by outstanding features or new technologies. Such local business interaction ranges from investment in excellent indigenous firms to expansion of sales channels and human resource development drawing on the know-how of the ITOCHU Group.

Under the MOTTAINAI Campaign, we are donating part of the profits from commercialization of the MOTTAINAI brand to the movement for building green belts in Africa. In connection with the MOTTAINAI THANKS BAND, the first in the line of official goods, we are supporting employment opportunities for women in Kenya by consigning the production to them, in the spirit of the "Jobs for Housewives" movement aimed at helping women become more economically self-sufficient. In these and other ways, we are making a positive contribution to society, the environment, and communities.



Electric vehicles developed by ZEROSPORTS Co., in which ITOCHU made investments through its partnership with the Gifu Prefecture. The vehicles were used for transportation at Expo 2005 Aichi, Japan.

Separate activities of social contribution on the corporate level

Besides contributing to society through our business, ITOCHU Corporation makes social contributions outside the business context on its own initiative in keeping with its status as a good corporate citizen. In the pursuit of such activities, we take action after first clearly defining the fields where we can best play a role in the society through programs applying our infrastructure and human resources, for example.

Approaches in Japan

Disaster relief

The fiscal year ended March 2006 was a year of many disasters in various parts of the world, such as the earthquake in northern Pakistan and Hurricane Katrina in the United States. With a keen awareness of the urgency of post-occurrence situations, ITOCHU Corporation furnished support in the form of donations and material aid for the affected areas. Our employees actively engage in donation activities, with matching donations contributed by ITOCHU.

Food supply

To alleviate the chronic hunger and poverty caused by disasters and war, if only a little, we became a trustee of the UN World Food Program (WFP) Association, a certified non-profit organization (NPO) that assists the WFP (the only UN institution that furnishes food assistance) and began supporting the association in the fiscal year ended March 2006.

ITOCHU LOBBY CONCERT

Each year since 1992, we have asked the New York Symphonic Ensemble to perform at the ITOCHU LOBBY CONCERT, which we stage in our Tokyo headquarters. We also invite people from the community, as well as from facilities for the physically challenged, to come to our offices for the concert. To assist the challenged guests, we solicit volunteers from among our employees to work together with students from Kyoritsu Women's University and Junior College.



Guests invited to the concert

Support for basic research to prevent global warming

In cooperation with group companies, we have continuously provided the University of Tokyo's Center for Climate System Research with research support since 1991. Similarly, once each year since 1992, we have staged the ITOCHU Symposium, in which faculty members from the University of Tokyo explain climate issues in simple terms. The Symposium is also open to people from outside the company, and is part of our activities for education and enlightenment about the problem of global warming.

Summertime environmental classes

Since 1992, we have been offering assistance for free research during summer vacation to elementary schools in Minato Ward of Tokyo, in keeping with our goals of educating the next generation, harmonizing with the community, and encouraging volunteer work by employees. In cooperation with the Minato Ward Board of Education, we issue a far-reaching call for participation in the classes.

Approaches at overseas offices

ITOCHU International Inc. (USA)

In 1993, one group company of ITOCHU International Inc., pledged to assist all members of a fifth-grade class in a low-income district of New Jersey with their tuition up to and including college. Ever since, ITOCHU International Inc. has upheld this promise and provided the aid. Eight of these students graduated from college in June 2005, and a commemorative reception for them was held at the offices of ITOCHU International Inc. in July 2005.



Scene at the reception celebrating graduation

ITOCHU MINERALS & ENERGY OF AUSTRALIA PTY LTD. (Australia)

In Pilbara, Western Australia, we present the ITOCHU Junior Sports Award each year to children and sports clubs they belong to in the local community. On the day of the presentation, a company representative gives certificates and monetary awards to the winning children and their clubs, and also the runners-up.



Presentation of the ITOCHU Junior Sports Award

The ITOCHU Foundation

The mission of the ITOCHU Foundation is to nurture the sound development of children to lead the way into the next generation. It furnishes aid to private-sector groups such as the Association of Children's Libraries, which promote reading and related guidance for children, as well as the activities of individuals. So far, it has extended aid worth over 760 million yen combined for a total of 1,055 cases.

- Aid for purchase of children's books 869 cases
- Aid for 100 children's books 178 cases
- Training aid for the cost of holding training programs etc. 8 cases

Employee volunteer activities

We believe that independent action by each of our employees as good citizens will help to make ITOCHU a good corporate citizen. We therefore actively support volunteer work by our employees on their own initiative as citizens. Besides arrangements for volunteer work leave and holidays, we have a scheme whereby the company matches employee donations for disaster relief to certain organizations, and offers subsidies for employee seminar fees.

KIDS Project

Our employees participate as escort volunteers in the KIDS Project conducted by the NPO Knowing Is Doing Something (KIDS), which helps children with disabilities spend a day at Tokyo Disneyland. We pay for half of the expense of participation and recognize it as an activity eligible for volunteer leave.

Tokyo Sports Festival for the Disabled

Our employees also participate as care volunteers in the Tokyo Sports Festival for the Disabled. In the fiscal year ended March 2006, our volunteers numbered 10, and the Food Company donated 2,004 bottles of Evian bottled water. Since 2002, we have been in charge of caring for athletes from Soleil Hana no Sato, a facility for the mentally challenged headed by a former employee from ITOCHU.

Activities of the "Fureai no Network"

The Fureai no Network is a volunteer organization that was set up by employees in 1994 under the watchwords of "Just do what you can." It consists mainly of four subcommittees, and does all the planning and execution of its activities itself. Members of the Reading Aloud Subcommittee make monthly visits to the Pearl Community Center for Seniors, to read books aloud to the elderly there on day service. At the Disaster Rescue Meeting, which is held once a month, employees acquire the knowledge and know-how needed in the case of disaster. In the fiscal year ended March 2006, the meeting staged a seminar that included a simulation of the difficulty of getting back home in the wake of a disaster and took up lifeline issues. The Network also contains the Nature Watch Subcommittee for observation of nature and the wildlife, and the Grassroots Subcommittee, which sends calendars and notebooks at the end of year to elderly residents of temporary housing in those neighborhood in Kobe that were most severely affected by the Great Hanshin Earthquake and to residents of Yamakoshi village, which was severely damaged by the Niigata Chuetsu Earthquake.



Charity bazaar on Asahi Beer Evening

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

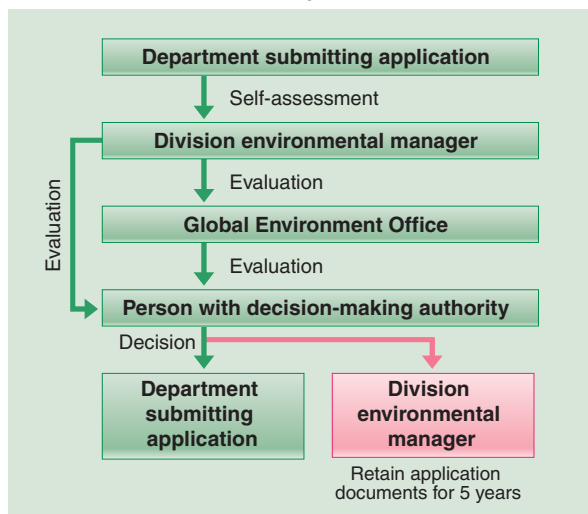
For the products we already handle, we examine the entire product flow from procurement of raw materials to discarding/scrapping each year and apply the life cycle analysis procedure to specify factors that could impact the environment and their effects. We have constructed a procedure for checking and 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

Comparative Table: GRI Guidelines*1 and ITOCHU Corporation CSR Report 2006

SUTAINABILITY REPORTING GUIDELINES 2002

Section	Element and Indicator	Page No.
1 VISION AND STRATEGY		
1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	3-8
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report.	3-4
2 PROFILE		
Organisational Profile		
2.1	Name of reporting organization.	1
2.2	Major products and/or services, including brands if appropriate.	9-22
2.3	Operational structure of the organisation.	1
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures.	1, 9-22
2.5	Countries in which the organisation's operations are located.	1
2.6	Nature of ownership; legal form (corporation/limited company, etc.)	1
2.7	Nature of markets served.	9-22
2.8	Scale of the reporting organization.	1
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organization.	6
Report Scope		
2.10	Contact person(s) for the report, including e-mail and web addresses.	2, Back cover
2.11	Reporting period (e.g., fiscal/calendar year) for information provided.	2
2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope.	2
Report Profile		
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	2
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information (if available).	41
3 GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS		
Structure and Governance		
3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.	27
3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	27
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social and related policies.	27
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	5-22, 37, 41
Stakeholder Engagement		
3.9	Basis for identification and selection of major stakeholders.	6
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	23-26, 35-36
3.11	Type of information generated by stakeholder consultations.	23-26, 35-36
3.12	Use of information resulting from stakeholder engagements.	35-36
Overarching Policies and Management Systems		
3.16	Policies and/or systems for managing upstream and downstream impacts.	9-22
3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	39
3.19	Programmes and procedures pertaining to economic, environmental, and social performance.	33-35, 39, 41
3.20	Status of certification pertaining to economic, environmental, and social management systems.	41
4 GRI CONTENT INDEX		
4.1	A table identifying location of each element of the GRI Report Content, by section and indicator.	42
5 PERFORMANCE INDICATORS		
Economic Performance Indicators		
Customers	EC1 Monetary flow indicator: Net sales.	1
	EC2 Geographic breakdown of markets.	1
Environmental Performance Indicators		
Energy	EN3 Direct energy use segmented by primary source.	WEB*2
Water	EN5 Total water use.	WEB*2
Emissions, Effluents, and Waste	EN8 Green house gas emissions. (CO2, CH4, N2O, HFCs, PFCs, SF6).	WEB*2
	EN11 Total amount of waste by type and destination.	WEB*2
Compliance	EN16 Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	41
Water	EN22 Total recycling and reuse of water.	WEB*2
Social Performance Indicators		
Labour Practices and Decent Work		
Employment	LA2 Net employment creation and average turnover segmented by region/country.	33
	LA4 Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring).	35
Diversity and Opportunity	LA10 Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	33
Employment	LA12 Employee benefits beyond those legally mandated.	34-35
Labour / Management Relations	LA13 Provision for formal worker representation in decision-making or management, including corporate governance.	36
Training and Education	LA16 Description of programmes to support the continued employability of employees and to manage career endings.	34
	LA17 Specific policies and programmes for skills management or for lifelong learning.	34
Human Rights		
Strategy and management	HR1 Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	33-35
Non-discrimination	HR4 Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	33-35
Freedom of Association and Collective Bargaining	HR5 Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.	35
Strategy and Management	HR8 Employee trading on policies and practices concerning all aspects of human rights relevant to operations. Include type of training, number of employees trained, and average training duration.	35
Disciplinary practices	HR10 Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights).	35
Product Responsibility		
Customer Health and Safety	PR1 Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	7, 9-22
Products and Services	PR2 Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	19-22
Respect for Privacy	PR3 Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	10, 14, 22

*1 GRI Guidelines is a framework issued by non-profit organization GRI (Global Reporting Initiative) to report economic, environmental, and social performances.

*2 WEB: Please see our website (http://www.itochu.co.jp/main/csr/env/index_e.html) for more information.

Editing Task Force

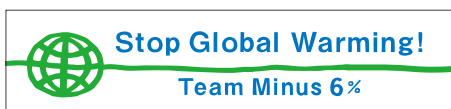
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Machinery Company	Yoshihiro Nishizawa		Human Resources Division	Tomohiro Sano
Aerospace, Electronics & Multimedia Company	Tetsuo Hayashi	Corporate Planning and Administration Division	CSR & Compliance Division	Yasujiro Motegi
Energy, Metals & Minerals Company	Masanori Mitsuhashi	Affiliate Administration & Risk Management Division		Shinichiro Ono
Chemicals, Forest Products & General Merchandise Company	Michichika Suzuki			Masaki Nakamura
Food Company	Juichi Takeuchi	Corporate Communications Division		Akemi Sakuramoto
		Investor Relations Department		Hiroko Nakayama
				Chikayoshi Hori



The cover of this report features the weave pattern of hemp cloth, the roots of ITOCHU Corporation's business. Almost 150 years have passed since our founder, Chubei Ito, went into business selling hemp cloth made in the feudal province of Omi (present-day Shiga Prefecture). ITOCHU Corporation is committed to continuously taking up new challenges while staying true to our origins in Chubei's business.

ITOCHU Corporation

CSR & Compliance Division
5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
TEL: +81-3-3497-4064 FAX: +81-3-3497-7769
E-mail: tokcr@itochu.co.jp
Website: <http://www.itochu.co.jp>



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