

# CSR for ITOCHU Corporation

What is the essence of social responsibility for ITOCHU Corporation?

As a global company engaged in multifaceted business activities in a wide range of fields and various regions of the world, ITOCHU fully recognizes the impact of its actions, contributes to building sustainable societies through its core businesses, and plays a role as a good corporate citizen.

## Basic perspectives on CSR at ITOCHU

ITOCHU Corporation has a keen awareness of the need to coexist with society as a good corporate citizen. The circumstances currently surrounding society contain many factors on a global scale that threaten sustainability, such as global warming and other environmental problems, and poverty in developing countries. These are critical issues that cannot be resolved unless industries and citizens in addition to the public sectors take initiatives respectively. As we are engaged in multifaceted business activities at many locations both in Japan and abroad, we must firmly realize the magnitude of the impact our activities can have on society, and take proactive approaches to environmental problems and other global issues.

We are also making ongoing efforts to listen to the views in society and to respond to its needs. While contributing to the creation of a sustainable society through our core businesses, we aspire to be the kind of company that is supported, trusted, and needed by society ten and even 100 years from now.

## Rooted in "sampo yoshi"

ITOCHU Corporation traces its origins to the fabric wholesale business started by Chubei Ito, its founder, in 1858, in the twilight years of the Tokugawa Shogunate. Chubei grounded his business in the spirit of "sampo yoshi," a management philosophy embraced by merchants in the feudal province of Omi, where he was born. The central idea is that transactions must be good ("yoshi") for all three parties ("sampo"), that is, the seller, the buyer, and the society. It may be viewed as a precursor of today's idea of CSR, which rests on the belief that companies ought to do business that delivers a balanced benefit to all of their stakeholders. ITOCHU has been steadily practicing this ideal for some 150 years.

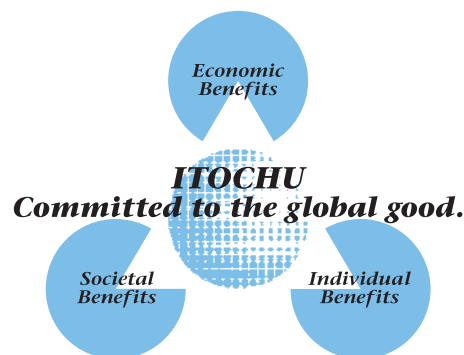
## Penetration and practice of the ITOCHU Credo

In 1992, ITOCHU Corporation established its corporate credo, "Committed to the global good.," in the aim of considering how to make a commitment to society down the road as a global company and putting it into practice. In our view, the fulfillment of CSR is nothing less than the sharing and realization of this credo by all of our employees. In August 2006, at the initiative of the ITOCHU Labor Union, a conference for consultation on the ITOCHU Credo between the management and the union was held. The conference reiterated the background leading

up to the adoption of the Credo and reconfirmed its various connotations. It also underscored the necessity of having the ITOCHU Credo shared by all employees as a concrete target and sense of values so that it is reflected in actual corporate activities.

In addition, we formulated the ITOCHU Corporation Code of Conduct as an explicit statement of corporate behavior based on the ITOCHU Credo. We are continuously making efforts to promote understanding of the ITOCHU Credo among employees by distributing pamphlets on the Credo and the Code of Conduct and instructing them through e-learning programs. We are going to continue with our efforts to penetrate and practice the credo and code throughout the company in order to heighten CSR awareness.

The ITOCHU Credo—Committed to the global good.—



## ITOCHU Corporation Code of Conduct

- |  |  |
|--|--|
| 1. Observance of Laws and Regulations      | 7. Good Corporate Citizen                  |
| 2. Supply of Quality Products and Services | 8. Working Conditions                      |
| 3. Management with a Long Term Vision      | 9. Policy against Antisocial Organizations |
| 4. Fair Dealing                            | 10. Globalization                          |
| 5. Disclosure                              | 11. Compliance                             |
| 6. The Environment                         | 12. Commitment by Executives               |

\* Please refer to the following web site to see the full text of the code of conduct. [http://www.itochu.co.jp/main/coy/coy\\_11e.html](http://www.itochu.co.jp/main/coy/coy_11e.html)

## Incorporating CSR into the mid-term management plans

In Frontier+ 2008, our mid-term management plan, we have positioned the promotion of CSR activities as a key priority. To give due consideration to CSR in corporate activities, each organizational unit identified priorities for CSR activities during the term of Frontier+ 2008 when formulating its basic mid-term plan.

We strive to make our CSR activities more effective by mapping out CSR tasks when formulating our management plans.

spread of these activities throughout the Group, including overseas offices, as a corporation practicing consolidated management on a global scale.

### Basic policies in the CSR promotion activities in FY2007

ITOCHU has determined basic policies for the CSR promotion activities in the course of Frontier+ 2008. The policies include the same three items from the past, including "ensuring and enhancing safety and reliability (going beyond the level of mere compliance with laws and regulations)," which is a strong requirement of society. We added to them a fourth item (expanding the scope of CSR activities) to encourage the

### Basic policies in the CSR promotion activities during Frontier+ 2008

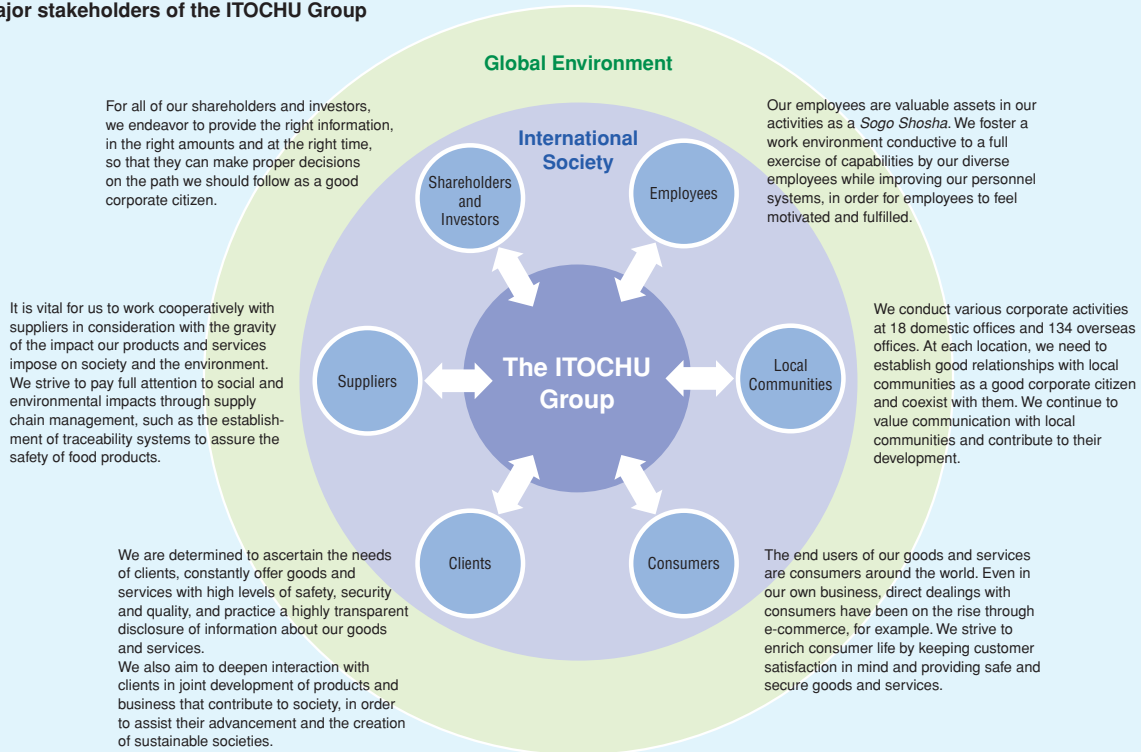
1. Strengthening communication with stakeholders
2. Ensuring and enhancing safety and reliability in the product, service and human aspects
3. Promoting CSR-related education and enlightenment
4. Expanding the scope of CSR activities

\* In the descriptions of Division Companies' action plans for fiscal 2007 on pages 17–30, their action plans corresponding to the basic policies have the above numbers noted.

## CSR approaches through dialogue with our stakeholders

In each and every one of our wide range of corporate activities, we always take care to avoid arbitrary logic and judgments. For this reason, in our approaches to CSR as well, we engage in dialogue with our stakeholders based on the premise that judgments in society are by definition correct.

### 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.

# Methods and Structure for CSR Promotion at ITOCHU

As a "Sogo Shosha," ITOCHU Corporation is involved in various fields of business and has a diverse business models. To cope with this corporate character, we must promote organized and systematic CSR activities in each business segment. With this in mind, this section describes how we promote our CSR activities.

## Methods and structure for CSR promotion

### 1 Need for CSR practice by each and every employee

At ITOCHU Corporation, many employees function as producers or managers of multifaceted businesses and projects, and have to make their own decisions in many respects. For this reason, we could not fulfill our CSR unless they all practice it in their work. We are striving to promote CSR activities with the participation of all employees, by making them fully aware of this fact and creating environments and mechanisms to encourage them to practice CSR on their own initiatives. This, we believe, will enhance employees' motivation and heighten the corporate value as well as strengthen their capabilities.

### 2 Promotion of CSR activities by each organizational unit

The practice of CSR by each and every employee demands a scheme for identification of specific tasks, setting of targets, and execution of plans. ITOCHU Corporation is comprised of seven Division Companies that operate in numerous industries and fields. Therefore, instead of setting up uniform company-wide targets, we decided to pursue CSR activities more in line with each business or domain.

Specifically, each Division Company and Administrative Divisions at Headquarters prepare CSR action plans according to their business and functions. In the Division Companies, CSR promotion activities including the preparation of action plans are led by the general managers of each Planning and Coordination Department and the personnel in charge of CSR promotion in each Division Company, who have first-hand knowledge of the sales front. In each unit, employees respectively put the CSR action plans into practice, and promote effective CSR activities.

We recognize that in fiscal 2006, we had managed to establish a unique method for CSR promotion centered around the action plans prepared by each unit as noted above.

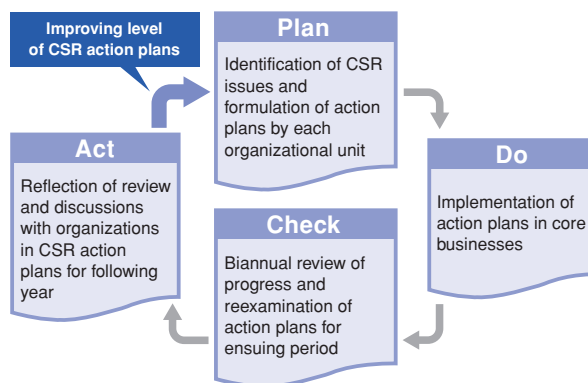
### 3 Operation of CSR action plans

CSR action plans are grounded in an apprehension of the current status to identify areas where initiatives are weak or should be strengthened as viewed from the CSR perspective. This is followed by the setting of targets for improvement and reinforcement, and action toward them. Each unit makes its own plans, reviews them biannually, and reflects the results for improvement in the subsequent half-year term. Through implementation of this plan-do-check-act (PDCA) cycle, we are aiming for continuously improving the level of CSR action plans.

Reviews made in fiscal 2006 applying this method found that certain plans were hard to execute and verify because they were not specific enough; therefore, they were neither fully improved nor reinforced. They also revealed other shortcomings, such as failures to incorporate CSR objectives in daily operations.

To create better CSR action plans for fiscal 2007 that reflect lessons learned, we had plenty of discussions with respective units from the planning stages while referring to the reviews of fiscal 2006 and opinions from employees and organizations. By reflecting the results of discussions in the subsequent year, we hope to raise the level of CSR action plans year after year and thereby do a better job of fulfilling our CSR as the primary objective.

CSR Action Plan PDCA Cycle



## Measures for internal penetration of CSR activities

### 1 Spread of CSR activities

Each and every employee must be fully aware of our CSR activities to become deeply involved in the preparation and promotion of CSR action plans and to raise the level. To this end, we took the following measures in fiscal 2006.

(1) We published the first CSR Report on the corporate level in July 2006 and distributed one copy to every single employees inside and outside Japan (including temporary staff and national staff\*1).

(2) *ITOCHU Monthly* (the corporate magazine) carried a series of articles in which the heads of each unit described its CSR action plans.

(3) Through the Intranet, we provided various kinds of CSR information and presented a motion-video display of the multi-stakeholder dialogue held in 2006.

\*1 National staff refers to locally hired staff at overseas offices.

## 2 Internal penetration of CSR through collection of opinions from employees and discussion at business sites

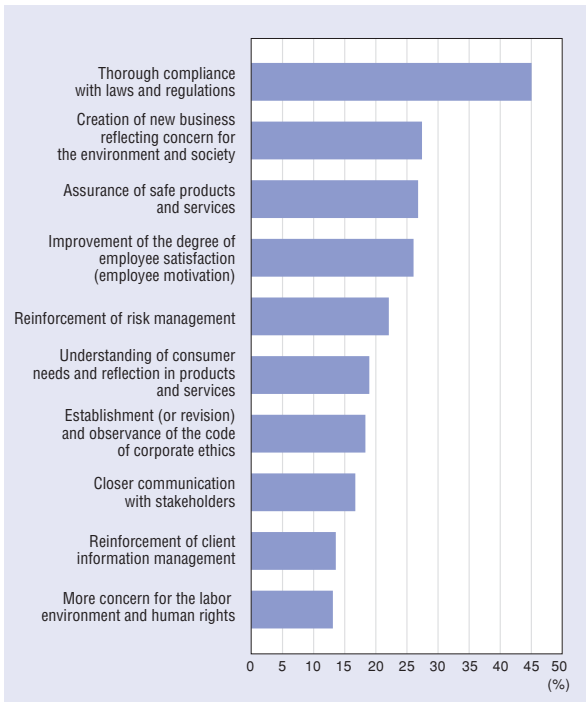
We took the following measures in fiscal 2006 to gather opinions from employees on CSR and reflect them in the penetration of CSR activities.

### (1) Employee questionnaire about the CSR Report

Following publication of the CSR Report 2006, we conducted a questionnaire with employees about it. We had 2,951 responses out of 4,773 employees, the total workforce as of October 2006 when the survey was collected, with a retrieval rate of 61.8 percent. This is a very high rate for a voluntary survey, and underscores the strong interest in CSR among the employees.

The questionnaire collected a wide spectrum of views. While some employees expressed that they are proud of ITOCHU for its earnest efforts for CSR activities, others pointed out that the current activities were insufficient.

CSR tasks to be addressed by my unit



### (2) CSR workshops

Along with the distribution of the CSR Report, we prepared a video to raise CSR awareness in the company and distributed it to the organizational units in order to deepen their understanding of CSR. After the video was shown in each unit, we held CSR workshops to discuss CSR activities in each unit. In these workshops, each unit made a CSR declaration on actions to be taken in their unit, and put together CSR proposals

on actions to be expected from the company as a whole.

Like the employee questionnaire about the CSR Report 2006, the workshops were valuable opportunities to discuss what actions should be taken at the unit level. The managers, who are at the mid-management level, played central roles in the discussions for their units. They served to add impetus to spread CSR activities.



### 3 Other measures for internal penetration of CSR

Other measures to penetrate the CSR mindset may be exemplified by CSR lectures held at branches, offices and group companies in Japan, and various training programs incorporating CSR instruction. As this suggests, we are taking every opportunity to raise CSR consciousness throughout the company.

#### List of regular training programs and lectures incorporating CSR instruction

- Training for new graduates
- Training for mid-career employees
- Training for managers
- Training in advance of transfer to other countries
- Training for national staff at ITOCHU Headquarters
- Lectures on compliance at branches and offices in Japan
- Compliance liaison conferences
- Various lectures at group companies



Training for national staff at ITOCHU Headquarters



Lectures on compliance at branches and offices in Japan

# Toward Expansion of the Scope of CSR Activities

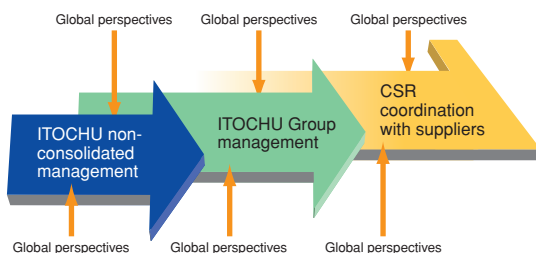
As ITOCHU Group promotes consolidated management globally, it is indispensable for the entire group to take initiatives for effective CSR promotion activities. Recognizing that, we started promoting CSR activities among group companies in fiscal 2006. From now on, we intend to expand the scope of this effort to include more group companies, our overseas offices and the supply chain.

## Basic policy on the expansion of the scope of CSR activities

As a new policy, "expanding the scope of CSR activities" has been added to the past basic policies in the CSR promotion activities for the period of Frontier+ 2008, our new mid-term management plan.

The ITOCHU Group practices consolidated management on a global scale, and its pursuit of CSR activities consequently must not be confined to ITOCHU Corporation. We are highly aware of the need to carry out CSR activities throughout the Group. For this reason, we are going to systematically expand CSR activities to the whole group by applying the method practiced at ITOCHU Corporation, that is defining CSR action plans implemented in the core businesses. At the same time, we need to encourage CSR efforts in 134 overseas offices. We also intend to promote CSR activities in our supply chain.

Road map to expand the scope of CSR management



## Concept on CSR group management

In fiscal 2006, we started a CSR group management program among the 13 major companies in our group. To widen the scope to all members of the Group, we plan to expand CSR activities mainly to domestic group companies during the period of Frontier+ 2008.

The seven Division Companies take a lead, select members from group companies which each Division Company supervises, and deploy the program at the selected companies. The deployment plan is incorporated into the Division Company's CSR action plans. Specifically, each Division Company is expected to implement CSR activities into a few group companies per year and increase the number gradually. The CSR Promotion Office at the Headquarters plays a role as an advisor to help Division Companies to provide CSR training and promote concrete CSR activities for the selected group companies. Thus, we aim at conducting CSR activities distinctive to the ITOCHU Group.

## Method for CSR promotion at group companies

ITOCHU Corporation has practiced a method in its core businesses to formulate CSR action plans. Using the method as a model, we will follow below stages in order to promote CSR activities in the group companies.

STAGE 1

### Establishment of CSR promotion structure and enlightenment in selected group companies

Selected group companies choose interdivisional members to promote CSR activities. It is essential to have members from not only administrative units but also sales units, especially to promote CSR activities in the core business. The team members receive education and enlightenment on the CSR concept so that they share a common understanding of why the entire ITOCHU Group must carry out CSR activities.

STAGE 2

### Diagnosis of the current status of CSR at each company

Group companies diagnose the current status of CSR activities, using the CSR diagnosis checklist we prepared that covers 31 items indispensable for CSR, such as compliance with laws and regulations, services to clients and consumers, labor conditions, and the environment. This diagnosis focuses on the identification of CSR tasks that must be addressed by the management.

STAGE 3

### Formulation of CSR action plans

- CSR action plans for the management
- CSR action plans for the core business

Group companies create CSR action plans for the management based on the findings of diagnosis by the CSR checklist above. At the same time, action plans for the core business, which is the key to CSR promotion activities at ITOCHU, are formulated with due consideration of the nature of their business. The team members from the sales units take a lead, identifying CSR tasks in their routine operation, engaging in discussions repeatedly on the subject, and incorporating the conclusions into the action plans.

STAGE 4

### Decision-making procedures in each company and notification to all employees

The CSR action plans created in this way are formally determined by the group companies respectively, and then notified to all employees. It is important to align CSR perceptions in the group company to conduct the action plans steadily.

STAGE 5

### Implementation and review of CSR action plans

The action plans are implemented, and the progress is reviewed one year later to reflect the findings to action plans in the subsequent year.

## Promotion of CSR activities by model companies

In fiscal 2006, we selected from one to three of group companies under each Division Company, for a total of 13 in all (shown in the table below), to serve as models for the promotion of CSR activities. The selected companies are thought to have a large influence on the environment, society, economy and others from the CSR perspective. At those companies, the CSR action plans were formulated in the second half of the year and are implemented in fiscal 2007.

After the status was diagnosed in the second stage of this process, one company identified tasks to strengthen its information management system, while another realized the necessity to have a CSR promotion office and set it up. There is also a company which found the need to address the issue of employees' mental health. In this way, tasks at model companies were identified and incorporated in their CSR action plans.

At the third stage (formulation of CSR action plans for the core business), opinions from the sales front were collected as far as possible and discussed repeatedly. Because each company is involved in different business, the CSR action plans naturally vary. While some targeted reinforcement of initiatives with suppliers, others aimed for sales expansion of environment-friendly products.

At present, the model companies are executing the action plans and are going to review progress at the end of fiscal 2007. Basically this method will be also applied to other group companies scheduled to implement CSR group management down the road.

\* For information on the distinctive initiatives at each model company, please see each Division Company's pages noted in the table below.

### The 13 companies selected as models for CSR management in FY2006

Division Company	Group company	Page
Textile	itochu fashion system co., ltd.	P18
Machinery	ITOCHU SANKI CORPORATION	P20
Electronics & Multimedia	ITOCHU Techno-Solutions Corporation	P22
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd.	P24
Energy, Metals & Minerals	ITOCHU Petroleum Japan Ltd.	P24
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corporation	
Chemicals, Forest Products & General Merchandise	ITOCHU CHEMICAL FRONTIER Corporation	
Chemicals, Forest Products & General Merchandise	ITOCHU PLASTICS INC.	
Food	Family Corporation Inc.	
Food	YAYOI FOODS CO., LTD.	P28
Finance, Realty, Insurance & Logistics	ITOCHU PROPERTY DEVELOPMENT, LTD.	P30
Finance, Realty, Insurance & Logistics	ITOCHU URBAN COMMUNITY LTD.	P30
Finance, Realty, Insurance & Logistics	i-LOGISTICS CORP.	P30

## Expansion of CSR activities to overseas locations

The ITOCHU Group is operating on a global scale, with 134 overseas offices, which are grouped into 15 blocs/offices. Realizing the need to actively address CSR activities in overseas offices like the domestic ones, we firstly started creating CSR action plans at seven blocs/offices\*1 from fiscal 2007 and the remaining eight will start from fiscal 2008. In formulating CSR action plans, taking into consideration the current core business and business for future emphasis at each bloc/office, they are creating action plans mainly for CSR tasks particularly important in respective regions/countries.

If the CSR action plans prepared by the Division Companies may be likened to the warp of a fabric, those prepared by these overseas locations would be the woof. We aim at developing action plans so that they form a network interlinking all members of the group.

\*1 North America, Europe, Oceania, Indonesia, Eastern ASEAN, Indochina, and China are the 7 selected blocs/offices for fiscal 2007.

## CSR management in the supply chain

One of the most vital CSR tasks for a "Sogo Shosha" not engaged in production and development itself is CSR management in the supply chain. CSR-related problems among suppliers could have a big impact on the ITOCHU Group. Realizing the importance to take CSR initiatives in collaboration with our suppliers of goods and services, Division Companies are promoting efforts aligned with the situation in their own industry.

More specifically, the Chemicals, Forest Products & General Merchandise Company has been conducting a survey with its forest product suppliers on the environmental preservation. In fiscal 2006, the Company added a new item on the labor environment to the questionnaire and asked suppliers for reply.

Meanwhile, in step with the movement in its industry, which has strong needs for CSR-minded supply chain management, the Textile Company prepared a questionnaire format containing such items as compliance with laws and regulations, protection of workers' human rights, and environmental measures, as a part of its action plans. The Company intends to conduct the questionnaire beginning with key suppliers with large transaction volumes.

For the future, we hope to actively practice continuous and effective CSR-minded supply chain management aligned with the progress and situation in each Company, with the aim of achieving growth together with suppliers.