

Textile Company CSR Action Plans and Activity Report

Masahiro Okafuji
President
Textile Company



Mission and commitment to CSR promotion activities

We have been contributing to the creation of a healthy, prosperous and active society as our mission. We are committed to meeting the diversifying wants and needs of our customers by creating new value and continuously pursuing goods and services endowed with a quality customers can trust. In promoting CSR activities, we intend to further refine our setup with an emphasis on through compliance with laws and regulations as a basic imperative.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
Textile Material & Industrial Textile Division	Risk and quality control, and management of business partner relations accompanying procurement from China	1. Drafting management guidelines (checklist) 2. Holding interviews to identify problems at new procurement sites	★★★	Developed new overseas sites other than China and dispatched personnel in charge of production management there in January 2007 to reinforce plant management in the startup phase	➡
	Expanding transactions related to environment-related business projects	Commercializing prospective products at the earliest possible date by supporting technology development by partner firms and conducting market research	★★	Continued support for technological development at partners to aim at the establishment of product technologies at highest priority	➡
Textile Division	Monitoring overseas suppliers and providing guidance for improvement, as regards the treatment of employees, the on-site workplace environment, and other compliance matters	Conducting surveys and studies using prepared questionnaire forms	★★	Implemented fact-finding surveys at two major plants in China, but deferred the preparation of questionnaire formats and detailed points of guidance for improvement to the next fiscal year	➡
	Understanding environmental management systems at overseas suppliers (factories)	Conducting fact-finding surveys on invested factories			
	Fair employment, compliance with laws and regulations, and better work environment	Conducting training and education programs not only for ITOCHU employees but also for employees of group companies and consignees	★★★	Conducted divisional trainings for employees with low seniority (18 times)	🔄
	Maintaining and stabilizing transactions with production districts by bolstering the capabilities of local branches	Continuing regular communication between development teams and the Sales Section based in Osaka with a view to bolstering branch capabilities in the sales aspect	★★★	Conducted regular discussion with local branches	🔄
Apparel Division	Risk and quality control, and management of business partner relations accompanying overseas procurement	Selecting new factories, narrowing down existing factories for sourcing, and strengthening the management system	★★★	Conducted frequent exchange of information with overseas offices through sales operations	➡
	Compliance with laws and regulations including international human rights standards throughout the supply chain	Conducting surveys and studies using prepared questionnaire forms	★★★	Deferred implementation of surveys using prepared questionnaire forms to the next fiscal year, but conducted checks through regular sales activities including visits to overseas factories	➡
Brand Marketing Division 1	Reinforcing CSR activities for major brands (including quality control and check of environmental impact)	Promoting the sharing of production management know-how for global brands, and checking CSR issues (environmental impact) regarding materials	★★	Shared CSR awareness by presenting our CSR Report 2006 to key overseas partners, and conducted in-house interviews regarding the production of several major brands	➡
		Studying production control of European business partners			
	Managing business partners (regarding production by sublicensees)	Preparing draft standards for selection of partners for major factories	★★	Visited the factories of business partners in China and understood the situation by employees assigned exclusively to production	➡
	Promoting communication to increase level of customer satisfaction	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	★★	Established divisional targets and reaffirmed the mission of delivering satisfaction to customers	➡
			★★★	Conducted a survey of consumers' images for major brands by external consultants	➡
Increasing the motivation of employees in all categories, including those working at subsidiaries and associates	Conducting divisional brand business seminars, continuously promoting participation by employees of group companies in training programs at the ITOCHU Corporation headquarters and Division Companies, and identifying and implementing steps to make the workplace environment more comfortable for women	★★★	Held the basic brand business seminar for sharing of brand business know-how with employees with low seniority, companywide retail training participated by many from subsidiaries and associates, and conferences for sharing of information with the presidents of subsidiaries and associates	➡	
Brand Marketing Division 2	Tightening quality control for domestic and overseas production and imported products	Sharing information about management systems in each division of the Company, preparing plans for improvement, and sharing related know-how	★★	Enhanced quality control in the context of regular sales operations, but deferred the sharing of know-how regarding management systems with other divisions	🔄
	Managing business partners (in production of licensed products)	Conducting fact-finding surveys, and recommending and implementing corrections to identified problems	★★	Created lists of factories for major brands, but deferred assessment of the quality control system	➡

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➡: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)
🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

In fiscal 2006, our first year of CSR practice, we placed reinforcement of procurement-related supply-chain management and closer ties with consumers as our priority tasks over the medium term. On this basis, we set specific agendas and targets in wide range of areas, from enhancing programs of employee education and enlightenment for stricter compliance with laws and regulations to expanding environment-related transactions, in addition to fact-finding studies of quality control systems at existing overseas business partners, initiation of studies to formulate a checklist for selection standards and examination of the social aspects of products we procured. Progress in our approaches to these targets may be exemplified by our visit to a Chinese factory in which we invested to ascertain the CSR situation there and acquisition of Privacy Mark certification by the group company MAGASseek Corporation in December 2006.

Policy for FY2007 based on the assessment of FY2006

Society wants companies to establish procurement guidelines and standards and to check and ask their suppliers to promote CSR activities. We believe that these are CSR items that ought to be practiced by us at the Textile Company (as well as by ITOCHU Corporation as a whole). For fiscal 2007, we intend to identify the tasks of top priority, and once discerning the facts, we are going to promote far-reaching CSR activities in an unrushed manner with "steadiness" as the hallmark.

Division	Continuation	FY2007 action plans	Basic policies*
All Divisions	➔	Responding to procurement risks Starting supply chain management (SCM) surveys for major overseas suppliers, mainly in China, based on the standardized CSR questionnaire prepared by the Textile Company	1・2 4
Textile Material Fabric Division	➔	Promoting businesses for environmental conservation business Continuing support for establishment of next-generation diesel particulate filter (DPF) technology, and establishing a mass-production system of unhydrous dyes by InkMax Co., Ltd.	1・2
Apparel Division		Reinforcing response to clients and consumers Continuously implementing CSR education and enlightenment activities in divisional meetings	1・2 3
Brand Marketing Division 1	➔	Reinforcing response to clients and consumers Continuously holding seminars to hand down brand business to young and middle-standing employees	1・2 3
Brand Marketing Division 2		Reinforcing response to clients and consumers Continuously implementing CSR education and enlightenment activities in divisional meetings	1・2 3
Planning & Coordinating Department and Affiliate Administration Section		Expanding CSR activities among group companies Promoting the spread of CSR activities among group companies	1・2 3・4

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

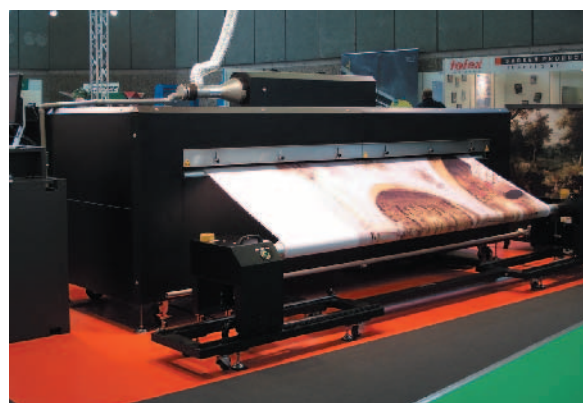
Examples of major initiatives

InkMax—dye technology that does not use water

Using environment-friendly pigments, this technology requires 95 percent less water than the conventional dyeing process and cuts energy costs by 75 percent.

The conventional process consumes water and power in large quantities for treatment of waste liquid and high-temperature processing. InkMax, in contrast, enables dyeing with almost no water and much less consumption of energy.

Through the spread of this new technology, we hope not only to mitigate environmental problems but also to assist the revitalization of Japan's textile industry as one of its members.



Fabric printing using waterless printer

New CSR practice review meeting

The wider range of items we handle, the broader scope of (industry-specific) laws and regulations we must observe. CSR activities demand higher levels of awareness and knowledge on compliance among the people who practice them. For this reason, in fiscal 2006, we began holding quarterly review meetings on CSR and compliance practice, under the leadership of the Planning & Coordinating Department. At these meetings, we invited experts from inside and outside the company in various domains to lecture employees, and built a system for sharing detailed compliance-related information and swiftly communicating such information to all members when necessary. We intend to continue reinforcing this system.

CSR initiatives at our major group company

Start of CSR activities by itochu fashion system

itochu fashion system co., ltd. prepared CSR action plans and launched CSR activities, as follows.

Major CSR tasks	FY2007 action plans
[Management side] • CSR awareness building as a member of the ITOCHU Group • Concern for the environment	Absorption and permeation of the basic concepts behind CSR through training and seminars Thorough implementation of the followings: less use of paper, lights off during breaks, sorting of refuse, adjustment of temperature settings in office space, etc.
[Business side] • Drafting and implementation of projects with consideration of influence on end users and society	Interdepartmental initiatives such as exchange of views and case studies

Machinery Company CSR Action Plans and Activity Report

Takanobu Furuta
President
Machinery Company



Mission and commitment to CSR promotion activities

We in the Machinery Company are committed to contributing to the creation of an environment-friendly society by developing eco-business and products to help mitigate environmental impact and expanding their sales. While tightening compliance with all pertinent laws and regulations, we also are determined to contributing to the advancement of communities on both the local and international levels.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
Plant & Project Division	Resolving problems in urban transport (congestion, exhaust emissions, etc.)	Promoting High-Speed Surface Transport (HSST; an urban transportation system using electromagnetic levitation liner motorcars) overseas	★★★	Conducted overseas marketing for market expansion and continued negotiations for conclusion of deals in Asia, the Middle East and other areas	➡
	Supplying clean energy	Promoting transport by LNG carriers	★★★	Continued talks for an increase in the fleet of LNG carriers	➡
	Contributing to efficient use of energy	Promoting Energy from Waste (EFW) projects in Europe	★★★	Signed the second contract in the UK in October 2006 (completion scheduled for fiscal 2010) and continued activities to win additional contracts	➡
	Conducting demonstration tests for technology to mitigate environmental impact	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	★★★	Completed demonstration tests	
	Consulting to mitigate environmental impact and promoting eco-friendly equipment	Introducing and installing LED signboards on a trial basis, which help reduce CO ₂ emissions in convenience stores	★★	Started introduction and installation of LED signboards for convenience stores	➡
Automobile Division	Contributing to the creation of a recycling-oriented society by expanding automobile recycling business	Assuring processing capacities of 15,000 vehicles per year	★★	Considered facility investment to improve processing capacities	♻️
		Assuring purchase of 15,000 units of end-of-life vehicle per year	★★★	Expanded supply from major suppliers	
		Improving in-house management systems to keep up with expansion of operations	★★	Strengthened the in-house system along with business expansion	
	Contributing to the mitigation of environmental burden by expanding sales of Isuzu diesel engines with excellent fuel efficiency and low emission levels	Establishing and launching businesses	★★★	Completed installation on prototypes in China, signed contract for joint prototyping for the US, and continued talks for other markets	➡
		Gathering information on trends in emission regulations and response by car-related manufacturers in each country	★★★	Gathered information on trends in regulations in the US, China, Europe, etc. and especially continued to focus on the trend in China, which has uncertain factors	➡
	Contributing to the mitigation of environmental impact by developing and commercializing high-performance DPF	Exploring sales channels and starting sales	★★	Took actions to prepare for sales launch, such as testing actual vehicles in Japan	➡
Starting sales activities in the retrofitting market after Clean Air Systems Inc. completes the development of DPF, continuously developing DPF as OEM products in Japan, and jointly assessing its prototypes		★★	Promoted development through continuous testing on actual vehicles in Japan	➡	
Industrial Machinery & Solution Division	Meeting the needs with the needs to mitigate environmental impact	Implementing manufacturer testing of lithium cells and considering and promoting the possibility of its mass production	★★★	Implemented testing and received assessment results	
		Supplying materials for solar cells, selling modules, and promoting projects such as related equipment sales	★★★	Expanded equipment sales, and continued studies and promotion including business development	➡
All Divisions	Developing local communities and contributing to the international community	Studying measures to improve existing environmental-friendly projects, and promoting specific projects	★★★	Promoted new energy related business	♻️
	Reinforcing communication	Planning and conducting CSR-related training programs on the Company level, reviewing the results, and studying measures for improvement	★★★	Explained policies in the CSR promotion activities at meetings of compliance officers, and acquired their understanding	➡

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➡: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)

♻️: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

In fiscal 2006, each of our three divisions actively implemented programs keyed by concern for the environment. Specifically, the Plant & Project Division worked for the spread of High Speed Surface Transport (HSST) systems overseas, promotion of transportation by LNG carriers, and Energy from Waste (EfW) projects in Europe. Our Automobile Division helped to lighten environmental impact through its focus on trends in emission regulations and development and commercialization of high-performance DPF. Similarly, our Industrial Machinery & Solution Division strove to develop next-generation battery technology and promote sales of solar cells for reduced environmental impact. Although certain programs are lagging, activities were basically executed as planned in the Company as a whole.

Policy for FY2007 based on the assessment of FY2006

In fiscal 2007, we have taken it as our mission to continue fulfilling our social responsibilities through projects reflecting concern for the environment, and are going to engage in further CSR activities to this end. For fiscal 2007, we are making efforts for the spread of activities throughout our group. We have positioned CSR programs as the first step in our Company's environmental management, and are determined to steadily implement them.

Division	Continuation	FY2007 action plans	Basic policies*
Plant & Project Division	➔	Supplying clean energy: Continuing promotion of activities for receiving orders for LNG carrier and terminal projects	
	➔	Resolving problems in urban transport (congestion, exhaust emissions, etc.) Continuing promotion of HSST, railway, transport, and infrastructure projects	
	➔	Promoting projects for more efficient energy use and mitigation of environmental impact 1. Promoting EfW projects in the UK and consideration of participation in the business 2. Promoting projects for biomass power generation in Eastern Europe 3. Promoting projects for geothermal power generation 4. Developing and promoting projects for alternative energy in Thailand and other Southeast Asian countries 5. Continuously promoting activities to win contracts for projects for power station remodeling and desulfurizers in Eastern Europe 6. Expanding sales of Doormiser and other energy-saving/environment-friendly equipment, and development of new equipment	
Automobile Division	➔	Contributing to the mitigation of environmental impact by expanding sales of diesel engines with excellent fuel efficiency and low emission levels and development and commercialization of high-performance DPF 1. Continuing policy discussions with manufacturers to decide direction 2. Continuing talks regarding engines for new prototypes and conducting the Chinese market research 3. Collecting information on the actual status of emission regulations in China, and monitoring the trends in environment-oriented engines 4. Aiming to alleviate environmental impact through future sales of high-performance DPF after trials with actual vehicles 5. Completing and assessing prototype vehicles	
Industrial Machinery & Solution Division	➔	Taking initiatives in solar cell business for reduction of environmental impact 1. Continuing sales of manufacturing equipment and study of business development 2. Promoting sales of solar cell modules and generation systems, mainly in North America	
All Divisions		Expanding CSR activity among group companies	4
	➔	Reinforcing communication: Holding compliance seminars including industrial special law and promoting activities to raise CSR awareness	1・3

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Promotion of EfW projects in Europe

In fiscal 2006, we received a contract together with Takuma Co., Ltd. from SITA UK for construction of a waste incineration plant equipped with power generation facilities. This is one of the contracts for total waste disposal promoted by the Cornwall County Council in the United Kingdom. There is a growing movement for EfW facilities in the United Kingdom as a measure to reduce greenhouse gas (GHG) emissions based on the EU Directives. Through this contract, we hope to jointly develop environment-oriented business.



Conceptual view of the completed EfW plant in Cornwall, UK

Business in solar cells

The Machinery Company has thus far been involved in infrastructure projects in areas including power generation utilizing renewable energy such as wind, geothermal energy, and biomass. Beginning this fiscal year, we are stepping up our environmental business through full participation in projects based on solar cells, which are sources of clean energy that have promising growth prospects. We are going to be involved in all phases of solar cell business, from the upstream to the downstream. (We are currently taking initiative in solar cells in collaboration with the Energy, Metals & Minerals Company.)



Large solar cell installations for residential use



Solar cells installed on the roof of a home

CSR initiatives at our major group company

ITOCHU SANKI's CSR task force

To promote CSR activities, ITOCHU SANKI CORPORATION got all employees to engage in discussions on the promotional methods and formulated action plans for fiscal 2007 on both the management and business side, respectively. We set the following key agenda in the business side to promote eco-friendly business: the sale of energy-saving equipment and biomass-fueled power generation and utility equipment to help reduce CO₂ emissions. It also hopes to refine its CSR structure, mainly with a view to tightening compliance with laws and regulations.



Biomass-fueled boiler equipment

Aerospace, Electronics & Multimedia Company

CSR Action Plans and Activity Report

Shigeki Nishiyama
President
Aerospace, Electronics
& Multimedia Company



Mission and commitment to CSR promotion activities

The Aerospace, Electronics & Multimedia Company has been actively engaged in the cultivation of new industries and fields through development of business in areas such as satellite communications, international telephone services, and digital multiplex broadcasting. It is our mission, and the very reason for our existence, to open up new markets and help to make society more safe, convenient, and fulfilling. We shall continue to pursue this mission.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
Aerospace & Electronic Systems Division	Delivering safety and convenience in the air transport field	<ol style="list-style-type: none"> Maintaining close communication with suppliers 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) Reinforcing maintenance business to provide stable services 	★★★	Through ongoing communication with clients and suppliers, we strove to ascertain and unearth needs, and managed to achieve results in the fields of security equipment and medical helicopters	➔
	Promoting life science business	<ol style="list-style-type: none"> 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 Reinforcing development structures and continuously promoting the development of human resources in the support for drug discovery business Continuously working to ascertain trends in enactment and amendment of related legislation, and make proper responses to them 	★★★	<p>We contributed to medical services in the Hanshin area by opening a new PET center, and strengthened our organization by acquiring more experts in the support for drug discovery business</p> <p>In addition, we founded Wellness Communications Corporation, which is engaged in reservation services for health examinations and management of data on the results, and launched operations in business process outsourcing (BPO) for employee health management in companies</p>	➔
IT & Business Solutions Division	Fully enforcing and promoting information security management at group companies	<ol style="list-style-type: none"> Improving software and hardware related to information security Promoting the acquisition of the ISMS or P Mark certifications Responding to accidents swiftly and properly Continuously providing educational and enlightenment programs to employees 	★★	<p>We took continuous approaches to improving information security management by, for example, employee education and review of hardware and software, but there remained issues at certain group companies</p> <p>Not much headway was made in studies for group companies to get newly certified under the Information Security Management (ISMS) or Privacy (P) Mark systems</p>	➔
	Deepening environmental awareness through 3R (Reduce, Reuse, and Recycle) activities	Expanding business partners through higher social recognition related to environmental business (recycling-oriented society)	★★★	<p>We worked to spread the MOTTAINAI philosophy and widen our scope of licensees through various events and activities</p> <p>We began to make use of recycled mobile phones in the protection and delivery service started in fiscal 2006 by Asurion Japan K.K., a member of our group company</p>	➔
Media Business Division	Improving social infrastructures by providing more pleasant means of communication, applications, and services	<ol style="list-style-type: none"> Conducting fact-finding surveys on customer information management and studying ways to improve problem areas found from the surveys, in order to keep the trust of consumers Studying and implementing concrete measures to ascertain consumer needs 	★★	<p>We achieved results such as establishment of a scheme for getting feedback from end users and reflecting it in video-on-demand (VOD) services at On Demand TV, Inc.</p> <p>However, we did not make as much progress as we expected in infrastructural improvement, i.e., diffusion of optical fiber</p>	➔
	Contributing to the creation of an affluent society by promoting meaningful content	<ol style="list-style-type: none"> Establishing and improving ties of trust with clients, suppliers, and business partners through transactions for the further acquisition and diffusion of content Studying and implementing specific measures to ascertain consumer needs 	★★★	<p>Space Shower Networks Inc. took steps to strengthen communication with viewers (e.g., start of program distribution through the Internet and holding of events inviting viewers), and began to construct structures and systems for apprehension of end user wants and needs</p> <p>In addition, we took initiatives to diffuse attractive content, such as the start of distribution of educational content by On Demand TV, Inc. and a tie-up with Comic Book Movies, LLC</p>	➔

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➔: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)

🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

In fiscal 2006, the main objective of our action plans was twofold: 1) to identify trends in new technologies and products as well as market preferences through communication with clients and suppliers, and 2) to reinforce security information management. We made some progress toward the former, as exemplified by the sales of medical helicopters to Nagasaki Prefecture, the opening of a new positron emission tomography (PET) center, and the launch of the mobile phone protection and delivery service. Work toward the latter left some issues, as problems arose in information security management at some group companies.

Policy for FY2007 based on the assessment of FY2006

The Aerospace, Electronics & Multimedia Company is joining hands with group companies to promote business such as to do some processes on behalf of clients and to involve direct contact with general consumers. In light of the nature of our business mentioned above, we have placed a strengthening of our compliance structure, inclusive of information security management, at the center of our CSR management for fiscal 2007. We want to heighten the efficacy by transmitting our CSR management methodology to group companies.

Division	Continuation	FY2007 action plans	Basic policies*
Aerospace & Electronic Systems Division	➔	Improving convenience and safety in the air transport field <ul style="list-style-type: none"> Promoting communication with clients, accurate apprehension of needs, and provision of products contributing to safety and security (security devices, medical helicopters, rescue helicopters, etc.) Continuing close communication with suppliers and monitoring of new technologies and products Promoting marketing activities concerning insulation materials for aircraft for higher resistance to fire Managing tighter compliance throughout the group 	1・2 3
	➔	Taking initiatives to new fields <ul style="list-style-type: none"> Developing VA services in fields related to health examinations Strengthening setup for investment in IT ventures in Europe and North America Organizing education funds Supporting venture businesses emerging from Waseda University 	1・2
IT & Business Solutions Division	➔	Reinforcing information security management <ul style="list-style-type: none"> Continuously improving hardware and software related to information security, and employee education and enlightenment Encouraging group companies to acquire certification under the ISMS or P Mark systems 	2・3
	➔	Realizing business based on the 3R philosophy <ul style="list-style-type: none"> Encouraging a shift to MOTTAINAI lifestyles and executing measures to expand sublicensees Studying and implementing measures to promote the diffusion of the mobile phone protection and delivery services 	1・3
Media Business Division	➔	Reinforcing information security <ul style="list-style-type: none"> Reviewing the structure of information security management at group companies, and implementing employee education and enlightenment programs 	2・3
	➔	Providing new high-VA services and applications, and diffusing attractive content <ul style="list-style-type: none"> Studying and implementing measures to ascertain the needs of customers (general consumers) Researching venture firms inside and outside Japan with unique technologies and products Maintaining and constructing networks for content acquisition and diffusion 	1・2
All Divisions		Expanding CSR management among the major group companies <ul style="list-style-type: none"> Conducting fact-finding surveys of the targeted companies, and using the results to identify CSR tasks and formulate action plans 	4

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Initiatives to life science business

With an eye on trends in the social climate such as falling birthrates and aging population, we are actively taking initiatives in the life science field. IML Co., Ltd. paired with Dokkyo Medical University to open a positron emission tomography (PET) center in Tochigi Prefecture in April 2005, and with the Hyogo College of Medicine to open a new PET center in Hyogo Prefecture in November 2006. PET exams are effective for early discovery of cancer, diagnosis of the spread of disease before treatment, measurement of treatment effects, and detection of recurrence after treatment. We hope to make a contribution to local medical services by the establishment and operation of PET centers in partnership with key local hospitals.



PET/CT equipment integrating PET and computed tomography (CT) at the PET Center in the Hospital of Hyogo College of Medicine

Development of business around the 3R ideas

To broaden the MOTTAINAI campaign throughout the world advocated by Wangari Maathai, Nobel Peace Prize laureate, we are rolling out MOTTAINAI as a brand for the recycling-oriented society. In fiscal 2006, we took steps to have the philosophy of "3Rs (Reduce, Reuse, and Recycle)" take root in lifestyles, through such activities as the establishment of the MOTTAINAI Lab. (a lifestyle research institute) and the MOTTAINAI Department in Shibuya University Network (a non-profit organization). The number of MOTTAINAI brand licensees increased to 25.

We are also promoting active use of recycled mobile phones in the protection and delivery service started by Asurion Japan K.K., a member of our group company, in fiscal 2006.

CSR initiatives at our major group company

Publication of CSR Report by CTC

ITOCHU Techno-Solutions Corporation (CTC), a key member of our group company, published its first CSR report in July 2007.

In publication of the report, CTC organized an interdepartmental task force that engaged in repeated discussions on various matters. The members discussed CSR issues at the business groups or group companies to which they belonged. This activity obtained responses to fundamental questions such as the meaning of CSR to the CTC Group and the requirements for promoting it. This provided footing for the formulation of CSR action plans by each business group and group company.



The logo mark of ITOCHU Techno-Solutions

Energy, Metals & Minerals Company CSR Action Plan and Activity Report

Yoichi Kobayashi
President
Energy, Metals &
Minerals Company



Mission and commitment to CSR promotion activities

The mission of the Company lies in the following three tasks: 1) development and stable supply of mineral resources and energy, 2) development of new energy with low environmental impact, and 3) engagement in recycling business. ITOCHU Corporation's activities are no longer confined to Japan. As a global firm with over half the earnings gained from overseas, I believe the entire group must carry out CSR activities.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
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	Establishing selection criteria and choosing waste treatment companies	★★★	Ensured thorough reporting by waste treatment companies on the amount of CFCs recovered upon scrapping vending machines, in advance of the October 2007 revision of the Law Concerning the Recovery and Destruction of Fluorocarbons	➡
		1. Holding seminars on waste and recycling 2. Starting recycling activities	★★★	Implemented seminars on waste and recycling with business partners and held programs to train certain subsidiaries, affiliates and business partners about the responsibilities of waste generators and outsourcing standards for waste treatment	🔄
		Holding recycle study meetings with local governments	★★★	Implemented recycle study meetings with local governments and examined packaging recycling with waste treatment companies	🔄
	Contributing to and promoting UN certified projects to reduce greenhouse-gas emissions	Identifying and targeting projects for participation	★★★	Started greenhouse gas emissions credit trading in fiscal 2006 and continued studies of participation in projects for emissions reduction on the company level	➡
Energy Development Division	Implementing countermeasures against global warming	Reevaluating and checking environmental standards	★★★	Continued discussion on environmental measures through partner's meetings with operators and partners (specifically for strict compliance with environment related laws and regulations in the North Sea project)	➡
		Continuously promoting the development of new energy with low environmental impact	★★★	Started the construction of a small-scale plant in Japan to produce environment-friendly dimethyl ether (DME) from natural gas, to be completed in June 2008	🔄
	Contributing to social advancement in oil- and gas-producing countries	Studying, implementing and improving measures to contribute to the local communities where projects are on going	★★★	Continued discussion with operators on contribution measures through partner's meetings	➡
		Through projects we participate in, 1. Continuously studying ways and making efforts to expand employment opportunities 2. Suggesting measures to improve job training	★★★	Implemented measures to contribute to expanding employment opportunities through projects	➡
	Studying and engaging in projects in the areas of education, sports, etc. in oil- and gas-producing countries where our projects are on going	★★★	Continued working on projects in the areas of education, sports, etc. in such countries	➡	
Energy Trade Division	Preventing tanker accidents and responding to emergencies	Educating new employees and strictly applying management standards for ships chartered by ITOCHU's energy group companies	★★★	Held training for new employees and divisional seminars on business related to chartered tankers and the operation	➡
	Assuring safety at tank terminals	Rigorously implementing security measures	★★★	Implemented an in-house environmental fact-finding study on the tank terminal at Etajima in July 2006 and paid more attention to improve safety measures by reviewing work manuals	➡
	Making CSR efforts related to oil and gas sales at ITOCHU Enex Co., Ltd.	Encouraging all salespersons in the Car Life Division (for Automotive Lifestyle Business) to acquire disaster prevention expert qualifications	★★★	Aimed at acquiring such qualifications for all employees of ITOCHU Enex Co., Ltd., including the Car Life Division, resulting in 310 employees receiving the qualifications in fiscal 2006	🔄
All Divisions	Increasing effective communication	Holding recycling study meetings with local governments	★★★	Held recycling study meetings with local governments and studied packaging recycling with waste treatment companies	🔄
		Holding waste and recycling seminars	★★★	Implemented waste and recycling seminars with business partners and held programs to train certain subsidiaries and affiliates, and business partners about the responsibilities of waste generators and outsourcing standards for waste treatment	🔄
		Continuously communicating with operators	★★★	Participated in partner's meetings on a regular basis and continued active communication with operators and partners	➡
		Monitoring whether group companies are rigorously applying in-house environmental standards	★★★	Continued monitoring through supervisory departments, implemented in-house environmental fact-finding studies at the Etajima tank terminal in July 2006, and completed an examination for renewal of ISO14001 certification at the same terminal	➡
		Maintaining communication with the governments of natural resource and energy producing countries	★★★	Maintained and strengthened communication with natural resource and energy producing countries, through regular conferences	➡

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➡: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)
🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

In fiscal 2006, each division carried out specific CSR activities in accordance with its action plans set at the start of the year. Although it was the first year for the CSR action plans, each division generally achieved the plans. In the development of metals, mineral resources and energy, while paying attention to the ecology and global environment, we are contributing to the economic advancement in developing countries through improvement of social infrastructure, creation of employment opportunities, and other activities. In addition, the stable supply of resources brings stable income for producing countries and at the same time secure stable operation for consuming countries. Thus, we are playing a role to promote steady development in the economy and society as a whole. In the field of environment-friendly new clean energy sources, we actively continued our efforts, such as commencement of greenhouse gas emissions credit trading, commercialization of dimethyl ether (DME) made from natural gas, participation in photovoltaic (PV) power generation projects, and initiation of preliminary feasibility studies for bioethanol business. Meanwhile, we strove to encourage the proper recovery and processing of recyclable waste through various activities, such as holding waste and recycling seminars with business partners, and educating certain subsidiaries and affiliates, and other parties about the responsibilities of waste generators and outsourcing standards for waste treatment. In the field of energy trade, we paid utmost attention to logistics in terms of safe navigation and operation, by assuring all group companies complied with not only applicable laws and regulations but also in-house management standards for chartered ships, and by taking strict measures to ensure a safe tank environment.

Policy for FY2007 based on the assessment of FY2006

In fiscal 2007, we aim at steadily achieving the action plans for ongoing tasks, as we did in fiscal 2006. In addition, we intend to continue raising the standard of CSR activities for the entire group company by promoting CSR awareness and holding the education and training activities at overseas group companies.

Division	Continuation	FY2007 action plans	Basic policies*
Metals, Mineral Resources & Coal Division	➡	Recycling and properly recovering recyclable waste • Rigorously observing the process management requirements under the revised Law Concerning the Recovery and Destruction of Fluorocarbons, and carefully selecting waste treatment companies	1・2
	➡	Contributing to projects for reduction of greenhouse gas emissions • Expanding emissions trading, developing solar cells and other forms of renewable energy, and constructing value chains to increase markets for these products	1・2
Energy Development Division	➡	Taking measures to mitigate global warming and preserve the global environment • Implementing all possible environmental measures through discussion with operators and partners	1・2
	➡	Contributing to social advancement in resource developing countries • Contributing to local communities where projects are under way, in such fields as education, culture, and sports	1
Energy Trade Division	➡	Preventing tanker accidents and taking a sure response in emergencies • Rigorously observing in-house management standards of chartered ships to prevent tanker and terminal accidents, and thoroughly implementing and periodically reviewing measures for environmental preservation	2
All Divisions		Training overseas group companies on CSR • Implementing programs for CSR education, and training at overseas trade group companies	3・4

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Entry into the bioethanol business

In April 2006, we organized an interdivisional ethanol task force and began to promote bioethanol business. In November of the same year, we reached an agreement on a plan to commercialize a bioethanol production project together with the two Brazilian companies, Development Company of the Sao Francisco Valley (CODEVASF) and the Japan-Brazil Agricultural Development Cooperation Program (CAMPO). Similarly, in Thailand, we launched a feasibility study for production of ethanol using molasses as input material together with a prominent Thai partner.

Production of alternative energy with low environmental impact

Dimethyl ether (DME) has low environmental impact and is attracting attention as a promising energy alternative to diesel fuel and liquefied petroleum gas (LPG). Together with nine companies including Mitsubishi Gas Chemical Company Inc., we are constructing a commercial plant with an annual production capacity of 80,000 tons of DME. The plant is slated to start production and supply in June 2008. We are also considering the construction of a large DME plant outside Japan further in the future.

Investment in a manufacturer of silicon wafers for solar cells

We decided to invest in the Norwegian firm NorSun AS, which is starting production of silicon wafers for solar cells. We intend to become involved in the discovery and commercialization of new technologies and construction of a value chain extending from the upstream sector (polysilicon manufacturing business) to the downstream sector (production and sale of PV system modules). PV power generation is viewed as a promising source of clean energy, and we are taking aggressive approaches to it in consultation with ITOCHU's Machinery Company.

Emissions trading business

For intensive development of emissions trading business, we newly established the Environment and Strategic Business Development Group in our Coal Department and started greenhouse gas emissions credit trading. We plan to actively pursue not only trading emissions but also acquiring emissions credit through various projects to reduce greenhouse gas emissions.

CSR initiatives at our major group company

ITOCHU Non-Ferrous Materials Co., Ltd.

ITOCHU Non-Ferrous Materials newly established a CSR unit in November 2006. Besides keeping all employees aware of CSR, it is expanding sales of aluminum alloy ore to automakers, which can contribute to higher energy efficiency and lighter vehicle weight. In addition, it is deepening its cooperation with suppliers with a view to meeting client needs for green procurement while taking due account of the need for stable supply of safe and reliable materials and products.

ITOCHU Petroleum Japan Ltd.

With the safe tanker operation and prevention of oil terminals as its motto, ITOCHU Petroleum Japan is complying with the management standards for chartered ships, thoroughly taking security measures at oil terminals and strengthening education to its employees. With the highest priority placed on the safety operation, it is going to take into account local communities and global environment.

Chemicals, Forest Products & General Merchandise Company

CSR Action Plans and Activity Report

Yosuke Minamitani
President
Chemicals, Forest
Products & General
Merchandise Company



Mission and commitment to CSR promotion activities

As our business deals in a wide range of products and spans various activities from procurement of raw materials to sale to consumers, we regard protection of the natural environment and safety management of dangerous/hazardous chemical substances as our key CSR agenda. While endeavoring to assure safety and quality of products and taking full account of environmental impact, we are committed to swift and steady supply of goods, resources and materials that properly meet the needs of customers. Thus, we contribute to enrich their lifestyles.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
Forest Products and General Merchandise Division	Assuring raw material traceability	Continuously examining raw material traceability systems through on-site investigations and questionnaire surveys at suppliers	★★★	Implemented on-site investigations and questionnaire surveys at suppliers	➡
		Confirming procurement guidelines under the Green Purchasing Law announced annually, and preparing documents in accordance with laws and regulations	★★★	Prepared a work manual and established traceability for imported lumber	➡
	Handling products certified for international forest management	Handling 1.1 million tons of forest-management certified pulp per year	★★★	Handled 1.28 million tons of forest-management certified pulp, exceeding the target	➡
		Acquiring Australia Forestry Standard (AFS) certification in connection with resources for chip processing in eastern Australia	★★★	Acquired AFS and Forest Stewardship Council (FSC) certification for this chip processing	➡
		Disclosing information on the status of forest management certification at group companies over our website, etc.	★★★	Disclosed information on the status of the certification at group companies over our website	🔄
	Responding to the Green Purchasing Law	Acquiring certification from the importers' associations, and continuously conducting on-site investigations and questionnaire surveys at suppliers	★★★	Acquired certification from the Japan Lumber Importers' Association and also from PEFC-CoC* (see page 26)	➡
	Protecting natural forests	Confirming whether suppliers harmonize with local communities through on-site investigations, etc.	★★★	Implemented on-site investigations and put together the record	➡
		Gathering information on protection of natural forests, and having dialogue with NGOs/NPOs through the Global Environment Office	★★★	Strove to gather and disclose information on protection of natural forests, and held dialogue with NGOs/NPOs on our efforts with the Global Environment Office	🔄
Chemicals Division	Managing dangerous/hazardous chemical substances	Checking whether all various requirements under the Poisonous and Deleterious Substances Control Law are complied with	★★★	Checked legal requirements such as confirmation of registration forms and acceptance of transfer slips when selling such substances	🔄
		Requesting suppliers to disclose information on ingredients for the purpose of searching applicable laws and regulations	★★★	Acquired material safety data sheets (MSDS) and used tables for management of dangerous substances, liquid chemicals, etc.	🔄
		Holding courses on chemical-related laws and regulations, and conducting self-inspection of searching such laws and regulations for all products even at overseas offices	★★★	Held such courses with external experts and extended safety management method of self-check of applicable laws and regulations from the head office to overseas offices	➡
		Eradicating omissions in approval and notification to authorities	★★★	Strove to strengthen the management structure while heeding administrative guidance	🔄
		Requesting transport companies to rigorously observe laws and regulations in a written form, and examining whether they comply with such laws and regulations	★★★	Requested business partners in a written form to observe laws and regulations on transportation of poisonous and deleterious substances	🔄
	Assuring sources for stable supply of resources and materials	Studying the possibility to establish business from new projects to secure mineral resources	—	Reviewed the policy on business establishment	
		Creating employment opportunities through the establishment of new group companies	—	Reviewed the policy on business establishment	
	Procuring safe and secure products	Aiming at reducing complaints to zero by strengthening systems for inspection and certification, and requesting suppliers to acquire ISO certification	★★★	Received zero complaints about product safety	➡

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➡: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)
🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

The Forest Products and General Merchandise Division carried out many activities related to forest resources and accomplished all of the actions planned for fiscal 2006. Our handling volume of forest-management certified pulp also increased.

The Chemicals Division deals in products such as poisonous and deleterious substances, which require careful handling and are subject to numerous major laws and regulations. Thus it places top priority on compliance and safety management. For this reason, it checks laws and regulations governing all the products it handles at least once a year, and has implemented the same management method in its overseas offices. It also invited external experts to lead a program of education for employees on laws and regulations pertaining to chemicals.

Policy for FY2007 based on the assessment of FY2006

The Forest Products and General Merchandise Division has been taking initiatives to conduct CSR activities related to forest resources. It is going to continue such activities to promote forest certification acquisition and material traceability.

The Chemicals Division is continuing with its efforts for compliance with laws and regulations and safety management as its top priorities. It is also committed to regularly checking laws and regulations as well as providing education for employees.

Division	Continuation	FY2007 action plans	Basic policies*
Forest Products and General Merchandise Division	➔	Assuring material traceability Revising traceability questionnaire surveys and implementing on-site investigations and questionnaire surveys	1・2 4
	➔	Handling internationally certified forest products Requesting acquisition of CoC certification to suppliers that have not yet acquired it	3・4
	➔	Responding to the Green Purchasing Law Reviewing the work manual	2・4
		Complying with labor laws and regulations Implementing questionnaire surveys at suppliers	1・3 4
	➔	Protecting natural forests Continuing investigations through regular visits to suppliers	1・4
		Assuring product safety Continuously maintaining the system to supply low-formaldehyde products	2
Chemicals Division	➔	Managing dangerous and hazardous chemical substances Continuously conducting activities including holding of seminars to enlighten people about compliance with laws and regulations Responding to the European RoHS and REACH directives	1・2 3・4
	➔	Procuring safe and secure products Requesting suppliers to acquire the ISO certification	2

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Preservation of natural environments and assurance of material traceability

The Forest Product and General Merchandise Division does a lot of business related to forest resources. Therefore, it is essential in its procurement activities to take into account the preservation of the natural environment through the protection of natural forests and acquisition of forest-management certification. In fiscal 2006, it conducted on-site investigations and questionnaire surveys at suppliers to ascertain matters such as their ownership of forests, methods of procuring raw materials, and status of forest and ISO certifications. In accordance with the Green Purchasing Law, it has established traceability of imported lumbers and acquired certification under the Programme for the Endorsement of Forest Certification – Chain of Custody (PEFC-CoC) certification and business certification by the importers' associations.

* PEFC-COC is a system of assessment and certification of forest management in accordance with criteria and indicators of sustainable forest management.



Forested site by CENIBRA in Brazil

Holding of lectures to understand chemical-related laws and regulations

The Chemical Division handles a wide range of chemicals including organic chemicals, inorganic chemicals, synthetic plastics, functional chemicals, electronic materials, and pharmaceuticals. Some of them cannot be handled without special transport facilities or permits from the authorities. As key CSR tasks, it is promoting handling with a solid understanding of product characteristics and the related laws and regulations.

In fiscal 2006, experts were invited from outside the company to lecture on laws and regulations governing chemicals to the employees of the division and major group companies. It continues to hold such lectures on a regular basis to deepen understanding of the latest amendments and major laws and regulations for the entire chemicals group.



Lecture on laws and regulations governing chemicals

Food Company CSR Action Plans and Activity Report

Shigeharu Tanaka
President
Food Company



Mission and commitment to CSR promotion activities

It is the mission of the Food Company to build value chains covering the downstream, midstream, and upstream segments and to supply safe foods on a stable basis. The role of trading firms is expanding from confirming the safety of food, to being concerned about the protection of the environment. We believe it is vital to contribute to society through CSR activities and to pursue a well-grounded business based on the trust from the public.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
All Divisions	Educating and raising awareness of food safety management	Continuously auditing food safety management Holding meetings to explain food safety management to raise awareness	★★★	Audited food safety management in all divisions of the Food Company In-house study programs (11 in Japan and 2 overseas) Presentations for clients (6)	➡
	Improving and strengthening control systems of origin, ingredients and labeling	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 Confirming the conditions for proper labeling North America: Inspection of traceability systems, contract conditions, and product standards	★★★	[Action to address the "positive list"] Incorporated in the work process inspection procedures in line with the instructions from regulatory agencies Continued implementation in ordinary transactions	➡
	Efficiently procuring materials and products based on the needs of business partners	Understanding consumer needs through retailers Reinforcing capabilities to convey consumer needs to suppliers Jointly developing products to satisfy consumer needs	★★★	Implemented the action plans in the routine sales activities (request for checks of residual chemicals, response to needs to ship non-genetically modified organism (GMO) crops)	🔄
	Preventing accidents in the production and distribution stages	Checking business partners' measures, and continuously examining their validity	★★★	Regularly took actions to prevent accidents, such as confirmation of safety schemes at manufacturing partners	🔄
	Properly responding to emergencies	Giving guidance for improvement in food safety audit	★★★	Audited six group companies for food safety management and gave guidance	🔄
Provisions Division	Improving productivity and efficiency in food processing	Inspecting the effects and process of exchanging information in each field of streamline	★★★	Prevented aflatoxin in corn Actively promoted tightening of systems to ship non-GMO crops in the US, mainly led by Quality Technology International Inc.	🔄
	Developing and introducing production processes, products, and packaging materials with less environmental burden	Expanding the scope of use for such packaging materials	★★★	Invested in cyclic farm projects combining dairy farm management and organic vegetable production in Shandong Province, China	➡
Fresh Food & Food Business Solutions Division	Establishing traceability systems (TS) for major products handled	Publicizing and utilizing established TSs	★★★	Continuously handled domestic eel products through efforts with domestic eel processing manufacturers with traceability system	🔄
	Assuring proper food labeling	Responding to new requirements for indication of allergens in the EU Conducting survey on overseas group companies	★★★	Conducted an on-site survey at Harro Foods Ltd. and confirmed the management setup Responded to each case for ICREST International LLC Visiting employees from Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd. (BIC) participated in seminars	➡
Food Products Marketing & Distribution Division	Improving stability and efficiency by sharing information among all areas from wholesalers to food service and retailing sector	Promoting efforts to share information among retailers and wholesalers, provide management support, and study the effects	★★★	Shared wholesale product database and shared database with cooperating retailers	➡
	Developing products and distribution channels in response to the changing needs of consumers	Developing products taking account of the generational and regional characteristics, and checking the effects	★★★	Developed products taking account of the regional characteristics and value added products targeting at certain customer segments Launched famima FOODPARK, a shopping website, with famima.com	🔄
	Assisting affected areas in the event of a disaster	Concluding agreements on emergency relief activities with local governments Confirming the emergency system through such drills with local governments	★★★	Newly concluded agreements on emergency relief activities with 6 local governments (23 prefectures and 7 cities in total)	🔄
	Establishing an environmental-friendly distribution system	Expanding the implementation of hybrid vehicles	★★★	Replaced 164 out of a total of 2,081 FamilyMart delivery trucks with hybrid vehicles	➡
	Introducing energy- and resource-conserving facilities	1. Promoting the introduction of LED signs 2. Refining energy-saving air conditioning/refrigeration systems and light-adjustment systems 3. Conducting a survey to detect progress of the store fixture recycling promotion	★★★	Expanded installation of stand-alone dessert cases (170 as compared to the target of 150) and of new light-adjusting signs (586 as compared to the target of 500) as part of the efforts to promote eco-friendly shops	🔄

★★★: Achieved ★★: Nearly achieved ★: Unachieved ➡: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)

🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

In fiscal 2006, we took a variety of steps in the product aspect. We established traceability systems for safety food supply, took actions to comply with new regulations, such as the Positive List System for Agricultural Chemical Residues, and also performed proper product-labeling to assist consumer decisions. We also implemented a wide range of measures, from distribution (e.g., environment-friendly store delivery systems) to waste (e.g., feed production using expired food in shops). Thus, action plans at large were addressed.

Policy for FY2007 based on the assessment of FY2006

Our action plans for fiscal 2007 consist of items carried over from fiscal 2006 that require continued efforts in addition to newly defined specific plans. The action plans are centered upon the two themes: 1) assurance of food safety and security and 2) concern for the environment.

We consider the continued pursuit of these activities to be the CSR of the Food Company, and believe we can win the trust from the consumers through our actions.

Division	Continuation	FY2007 action plans	Basic policies*
Provisions Division	➔	Establishing systems for stable supply of safe and secure materials Maintaining and reinforcing capabilities to select appropriate suppliers Continuously communicating consumer needs to the product districts Continuously providing education to suppliers Establishing quality control systems	2
	➔	Developing and introducing production processes, products, and packaging with less environmental burden 1. Expanding usage of byproducts 2. Promoting the introduction of products and packaging with less environmental burden	4
Fresh Food & Food Business Solutions Division	➔	Improving and strengthening control systems of origin, ingredients and labeling 1. Actively introducing and utilizing the JAS Standards with public disclosure of manufacturing information 2. Taking measures for domestically grown vegetables and fruits	3
	➔	Promoting proper food labeling 1. Continuing enlightenment campaign both internally and externally 2. Checking and reviewing through the audit of food safety management	2
Food Products Marketing & Distribution Division	➔	Improving stability and efficiency by sharing information among all areas from wholesalers to food retailing sector (including food service) Continuously aiming for an increase in the number of firms involved in the current initiatives	1
	➔	Establishing an environment-friendly delivery system Aiming at replacing all means of transportation by the end of 2012 with fuel efficient and more environment-friendly vehicles such as hybrid trucks	4

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Food safety education and internal auditing

Through its Food Safety and Compliance Management Office, the Food Company is deploying programs of education, enlightenment, and guidance for all of its employees as well as those of group companies and business partners. All our employees, including newly recruited employees in fiscal 2006, have completed the Food Safety E-learning course that began in fiscal 2005. From September 2006, major group companies started taking the course. To confirm the proper practice of food safety management, we conduct food safety audit once a year within the Company. The audit was also introduced to group companies in fiscal 2006.

An initiative for product supply to reduce environmental burden

The Coffee & Beverage Marketing Department is strongly promoting sales of coffee beans that were grown on plantations certified under the Rainforest Alliance*1. FamilyMart, one of our group companies, sells coffee brewed from these beans, in the form of its private brand canned coffee and Ready-To-Drink coffee.

*1 Rainforest Alliance is an environmental NPO that certifies plantations meeting standards for sustainable agriculture including environmental and employment aspects. It aspires to protection of biodiversity and sustainability through corporate activities, and is dedicated to preserving the ecosystem marked by the symbiosis of humans and wildlife.



Passo Presso iced coffee (sweetened)

CSR initiatives at our major group company

"Kids' Chef" program for dietary education

YAYOI FOODS CO., LTD., a manufacturer of frozen foods, is conducting a dietary education program 'Kids' Chef' for children in the upper grades of elementary school, who are the principals of the 21st century. The program is implemented jointly with the Syndicat de la Haute Cuisine Française au Japon headed by French chef Kiyomi Mikuni. It is designed to help develop their sense of taste by experiencing authentic flavor. In addition to the "sense of taste class" using the world's most prestige foods, the program allows children to devise their own French dishes using locally grown food. Through the cooking, the children deepen their interest in food and develop a sense of pride in their locally community. Begun in 2000, the program has thus far been held at 28 elementary schools across the nation. It is attracting the attention of educators nationwide as the interest in dietary education grows in recent years.



Instruction by Chef Mikuni

Finance, Realty, Insurance & Logistics Services Company

CSR Action Plans and Activity Report

Takao Shiomi
President
Finance, Realty,
Insurance & Logistics
Services Company



Mission and commitment to CSR promotion activities

It is the mission of our Company to promote financial business that is highly convenient for and transparent to our clients, assure our impartiality and trustworthiness as an insurance broker, achieve higher levels of customer satisfaction in our logistics business, and provide highly reliable real estate and services in our realty business. In pursuing these goals, we are committed to taking full consideration of safety and environmental issues.

Division	CSR tasks	FY2006 action plans	Status	FY2006 results	Continuation
Financial Services Division	Rigorously managing personal information and tightening security measures to improve control	Heightening the awareness among members of management, educating staff, and conducting regular reviews	★★★	<ul style="list-style-type: none"> Conducted periodical reviews at both headquarters and group companies Acquired certification for information security management under international standards at group companies (ISO/IEC 27001:2005) Achieved the result of five headquarters employees qualified for personal security manager (PSM) 	➔
	Securing of channels to local communities, and unearthing needs	<ol style="list-style-type: none"> Reinforcing inter-divisional functions in businesses related to SMEs Establishing a new customer base and improving customer relations Discovering new investment projects through private equity funds 	★★★	Extensively invested in leading SMEs through ITOCHU Finance Corporation (IFC) venture funds etc.	🔄
Construction & Realty Division	Supplying quality housing	Continuously building high-quality houses and providing rewarding residential environments to society	★★★	<ul style="list-style-type: none"> Determined selection standards for construction and design companies in the first half, and built a scheme for strict selection of partners based on these standards Checked and reviewed efforts in each development project 	➔
	Helping provide high-quality public services through PFI projects	Enhancing functions of all group companies and promoting their cooperation in order to provide private-sector ideas, expertise, and business experience to society as a whole	★★★	<ul style="list-style-type: none"> Acquired no new projects in bidding, but placed emphasis on efficient approaches in projects under consideration for bidding Found no problems in existing projects 	🔄
Insurance Services Division	Complying with the Insurance Business Law and various other laws and regulations	<ol style="list-style-type: none"> Reviewing compliance programs and industry-specific legal manuals Helping employees gain full knowledge of compliance requirements at departmental meetings etc. Holding insurance agency compliance seminars for newly posted personnel (by the division) 	★★★	<ol style="list-style-type: none"> Revised compliance programs at four group companies Helped employees gain full knowledge of compliance requirements as necessary at departmental meetings etc. Received monthly e-learning classes related to compliance, provided by external insurance companies at ITOCHU Orico Insurance Services Co., Ltd. (IOS) 	➔
		<ol style="list-style-type: none"> Explaining important items during sale of insurance products Managing personal information in accordance with the Privacy Mark standard 	★★★	<ol style="list-style-type: none"> Explained important items during sale of insurance products as part of routine work Acquired Privacy Mark certification from IOS in January 2007 	➔
		<ol style="list-style-type: none"> Sharing information on amendment to industry laws and regulations by fax or post Participating in seminars held by suppliers on various concerned laws and regulations 	★★★	<ol style="list-style-type: none"> Participated as necessary in seminars held by suppliers on amendments to industry laws and regulations Executive participation in compliance seminars held by non-life insurance companies 	➔
	Providing appropriate insurance products accompanied by accurate and easy-to-understand explanations	<ol style="list-style-type: none"> Increasing the understanding of products by participating in external and internal seminars on new products Proposing new product development to other insurance companies Regularly providing consciousness-raising and educational activities 	★★★	<ol style="list-style-type: none"> Made efforts to deepen understanding of products by participating in external and internal seminars on new products on an ongoing basis Practiced 2 & 3 in routine operations 	➔
	Handling insurance claims	<ol style="list-style-type: none"> Regularly holding hearings on customer needs Proposing development of the new products based on feedback from individual insurance companies. Continuously proposing multiple types of insurance products to customers 	★★★	Practiced in routine operations	➔
Logistics Services Division	Constructing logistics schemes reflecting concern for safety and the environment	<ol style="list-style-type: none"> Getting personnel in charge of insurance claims to participate in internal and external seminars on the handling of insurance products and claims Helping newly appointed personnel mastering expertise for handling insurance claims by engaging in ordinary operations with experienced staff 	★★★	<ol style="list-style-type: none"> Held internal seminars on the handling of insurance claims (IOS) Shared expertise through OJT etc. in routine operations 	🔄
		<ol style="list-style-type: none"> Selecting new partners that follow CSR requirements and conducting biannual monitoring reviews with reference to the following CSR items: <ol style="list-style-type: none"> Compliance with laws and regulations Acquisition and renewal of licenses and permits Preparation of manuals for safety and waste handling 	★★	<ul style="list-style-type: none"> Continuously monitored status at partner companies as regards the labor environment, safety, and environmental measures Created 'divisional standards for partner selection,' but discovered a need for further improvement, such as the establishment of more detailed standards. Developed plans to conduct periodic reviews to produce continuous improvement 	➔
Insurance Services Division	Reinforcing communication	<ol style="list-style-type: none"> Having closer communication with employees <ol style="list-style-type: none"> Exchanging business progress reports at departmental and sectional meetings Helping employees gain knowledge about compliance at departmental and sectional meetings Encouraging new employees to attend compliance courses for insurance agencies 	★★★	<ol style="list-style-type: none"> Shared information as appropriate at such meetings Conducted case studies of insurance benefit claims at in-house study groups (IOS) Internally shared information on insurance claims (IOS) 	➔
		<ol style="list-style-type: none"> Having closer communication with business partners <ol style="list-style-type: none"> Participating in seminars and product presentation meetings held by suppliers Promoting information sharing when legally permissible, including insurance claims Holding regular business study conferences 	★★★	<ol style="list-style-type: none"> Participated in seminars and e-learning classes held by suppliers as appropriate Shared such information in routine operations Held regular business study conferences 	➔
Logistics Services Division		Reviewing the contents and frequency of regular meetings with clients and business partners	★★★	Needs are sufficiently understood for the time being, but adopted policy to promote finer identification of needs as well as the sharing and implanting of goal awareness with concerned parties in pursuit of further logistics improvement and higher CS	🔄

★★★: Achieved ★★★: Nearly achieved ★: Unachieved ➔: CSR tasks continued in FY2007 (Arrows' colors show connection to the FY2007 action plans)

🔄: CSR tasks to be addressed in routine work

Assessment of action plans conducted in FY2006 and policy for FY2007

Assessment of action plans conducted in FY2006

The Finance, Realty, Insurance & Logistics Services Company emphasizes reinforcement of communication with customers, employees on the sales front, and business partners.

For our customers, we constantly strove to provide clear explanations of products and services while complying with all relevant laws and regulations. We promoted the sharing of strategies and information between group companies providing the actual services and our supervisory units. We also continued to hold programs of education and training for employees on the sales site.

We also worked for better communication with our business partners. However, the establishment of a system for information sharing is a task that remains to be accomplished. In addition, we established standards for partner selection, but these are also thought to require further detailing.

Policy for FY2007 based on the assessment of FY2006

Besides prioritizing efforts for closer communication with partners as described above, our main CSR tasks for fiscal 2007 are the creation of opportunities for socially responsible investment in the Financial Services Division, and pursuit of environment-friendly business in the Construction & Realty Division. In this way, by adding these new action plans, we intend to widen our CSR initiatives.

Division	Continuation	FY2007 action plans	Basic policies*
Financial Services Division		Creating opportunities for socially responsible investment Selecting partners for institution of funds and confirming pertinent laws and regulations	1・4
	➔	Rigorously managing personal information and tightening security measures for improved control <ul style="list-style-type: none"> Promoting and reviewing the control system and security measures Heightening awareness among management and educating staff, and conducting regular reviews 	2・3
Construction & Realty Division	➔	Supplying quality housing with a focus on safety and security Placing orders to reputable construction and design companies, recompiling data on past development projects (ex: building outlines), and monitoring status as regards observance of various ordinances and other laws and regulations	1・2
		Giving due consideration to the environment Actively promoting environment-friendly business (rooftop greening, energy-saving boilers, etc.) at group companies	2・4
Insurance Services Division	➔	Complying with the Insurance Business Law and other laws and regulations <ul style="list-style-type: none"> Reviewing compliance programs and industry-specific legal manuals Helping employees gain full knowledge of compliance requirements through seminars or departmental meetings Sharing information with suppliers 	2・3
		<ul style="list-style-type: none"> Explaining important items and receiving written confirmations as required, beginning April 2007 	1・2
	➔	Providing appropriate insurance products accompanied by accurate and easy to understand explanations <ul style="list-style-type: none"> Regularly holding consciousness-raising and educational activities through seminars, OJT, etc. 	2・3
Logistics Services Division	➔	Contributing to improvement of the social overhead capital in newly industrializing countries through the building of the logistics infrastructure, and increasing the degree of CS <ul style="list-style-type: none"> Checking problems concerning logistics sites in Chinese projects, and checking the labor environment Expanding logistics facilities mainly in Asia, and executing partner strategy 	4
	➔	Providing logistics services with an emphasis on safety and efficiency, and concern for the environment <ul style="list-style-type: none"> Periodically confirming compliance with safety standards at logistics facilities Studying efficient environment-friendly transport modes Establishing departmental initiative standards 	2・4

* The numbers correspond with those of the basic policies in the CSR promotion activities on page 8.

Examples of major initiatives

Acquisition of international certification for information security management by FX PRIME Corporation

As a member of the ITOCHU Group, FX PRIME Corporation is devoted to foreign exchange margin account trading. In January 2007, it was certified under ISO/IEC 27001:2005, the international standard for information security management systems (ISMS). FX PRIME is aiming to ensure protection of client safety in foreign exchange transactions and privacy in Internet transactions. To this end, it has placed top priority on bolstering its internal control systems and taking proper measures to ensure the security and safety of information assets and client information.

Contribution to communities through PFI projects

One of the PFI¹ projects that were worked on by ITOCHU as of July 2007 concerned 'the construction and operation of a new astronomical observatory in Sendai.' The current municipal observatory was built 50 years ago, and rests on a commitment to service to the citizenry. The purpose of the project is to rebuild the observatory while carrying on this underlying idea, and help to raise the level of civic culture and education by providing a facility for social education about nature and science through observation of space, planets, etc. The observatory is being rebuilt on the outskirts of the city, and is to be opened in July 2008. While responding to the diverse needs associated with such commissions from national and local governments, we are also providing citizens with high value-for-money services².

¹ Private Finance Initiative (PFI): schemes for use of private-sector funds, technologies, and operating know-how in the design, construction, maintenance, and operation of public facilities.

² Value for money: the point is to maximize the value derived from use of citizen tax revenues.



Artist's impression of the new observatory in Sendai

CSR initiatives at our major group company

ITOCHU PROPERTY DEVELOPMENT, LTD.

The company has improved the safety and comfort of its housing by instituting a quality control center. At the same time, it is basing the selection of suppliers on their compliance with standards established from the perspective of CSR. In addition, it is working to make its housing more environment-friendly by installing all-electric home and disposers, and incorporating energy-saving designs etc.

ITOCHU URBAN COMMUNITY LTD.

The company has obtained certification under ISO 9001 for its workflow in condominium and building management. It has also established a PDCA cycle based on the determination of issues that need to be checked (mainly in connection with ISO agenda), and has built a system for CSR activity management. It carries out regular programs to educate employees in CSR matters, such as compliance with laws and regulations, and the protection of personal information.

i-LOGISTICS CORP.

The company is endeavoring to raise the standards of logistics through a campaign to get certified under ISO 9001 at all units. It is also trying to improve the workplace climate by ensuring practice of the "5G," good arrangement, good order, good cleanliness, good hygiene, and good behavior.

In the CSR area, it is deploying a company-wide campaign of education and consciousness-raising based on a "3R" (reduce, reuse and recycle) approach, while also showing concern for CSR supply chain management and the proper final disposal of industrial waste.