

Environmental Activities Policy

ITOCHU has positioned global environmental issues such as global warming as one of its highest management priorities, and to fulfill its corporate credo, *Committed to the global good*, the Company takes measures in all aspects of corporate activities to conserve the environment based on its Environmental Policy.

ITOCHU Corporation's Environmental Policy

ITOCHU revised its Environmental Policy in September 2007, using modern, readily understandable expressions; we included the "Main revisions" on this page. The new content reflects changes in the frames of reference that society uses to make value judgments. As an indication of the responsibilities it will meet as a company in relation to the environment, ITOCHU has set out the Basic Philosophy and Activity Guidelines below, to which its top management has committed himself inside and outside the Company.

Environmental management system based on ISO14001

In December 1997, ITOCHU became the first general trading company to acquire ISO14001 certification, and we have established an environmental management system. Led by 77 environmental managers and approximately 320 eco leaders, each division pursues environmental conservation activities.

ITOCHU Corporation's Environmental Policy

I. Basic Philosophy

Global warming and other environmental issues will affect the future of mankind. As a global enterprise, ITOCHU is positioning these issues as one of the most important management policies. ITOCHU contributes to the realization of a sustainable society by promoting active involvement in environmental issues based on ITOCHU Code of Conduct, in order to achieve the goals of ITOCHU Credo, "Committed to the global good."

II. Activity Guidelines

In keeping with the basic philosophy presented above, ITOCHU pursues a continual improvement of its environmental management system and defines the following guidelines concerning activities of environmental conservation.

(1) Prevention of environmental pollution

In all business activities, duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.

(2) Observance of laws and regulations

Observe all domestic and foreign laws and regulations related to environmental conservation, along with other requirements to which we have subscribed.

(3) Promotion of environmental conservation activities

Besides promoting activities for conservation of energy and resources as well as reduction and recycling of waste as needed to establish the recycling-oriented society, endeavor to develop and supply products and services that help to conserve the environment.

(4) Harmonious coexistence with society

As a good corporate citizen, aspiring for the prosperity of succeeding generations and positive contribution to society in general, support local communities for environmental education and assist in basic research pertaining to conservation of the global environment.

(5) Promotion of educational activities

Educate both our own employees and those of group companies in order to raise their awareness of environmental conservation and improve the quality and effectiveness of associated activities.

September 2007

Eizo Kobayashi

President and Chief Executive Officer

Main revisions

1. In "I. Basic Philosophy" we stated our commitment to "contribute to the realization of a sustainable society," which is one of our fundamental CSR concepts, because we intend to pass on to the next generation a prosperous society and environment.
2. In "II. Activity Guidelines, (3) Promotion of environmental conservation activities" we added "endeavor to develop and supply products and services that help to conserve the environment" as an expression of our commitment to contribute even further to environmental conservation through our core businesses.

Evaluation of the Environmental Impact of Business Activities

As a global company engaged in a wide variety of trading and business investment in Japan and overseas, ITOCHU is aware that its activities can have a significant impact on the global environment. In order to prevent such environmental impacts and contribute to the achievement of a sustainable society, we have established an environmental assessment system while developing and providing products and services that help to conserve the environment.

Main environmental impacts by business activities

ITOCHU trades and invests in businesses globally. Therefore, its business activities can have a significant effect on the global environment in a variety of ways. In order to minimize such impact, we

annually conduct environmental risk evaluations for each product we handle using Life Cycle Assessment-based procedures*, which identify the environmental impacts of products' life cycles, from raw materials procurement through to disposal. The environmental effect of Division Companies' main business activities is as shown by the icons below. Always mindful of the

effect its business activities could have on the environment, ITOCHU Corporation implements risk management while developing businesses that reduce the environment burden.

* Life Cycle Assessment: A procedure for evaluating the environmental impact of products at all stages of their lifecycles, from raw material procurement, production, and transportation through to usage, disposal, and reuse.

Overview of business activities and environmental impacts

The icons in this chart represent examples of the possible environmental impacts of the products handled by Division Companies, identified using Life Cycle Assessment-based procedures.

The large icons indicate "potentially significant environmental impacts," which we control based on a variety of regulations and procedural manuals.



Initiatives for the Environment

In addition to initiatives to reduce the impact that its business activities place on the environment, ITOCHU contributes to conservation of the global environment through a broad variety of activities, including the development of environment-conserving businesses in its core operations as a general trading company, educational initiatives, and social contribution activities. ITOCHU views environmental conservation as a high priority in group corporate management. Therefore, ITOCHU's environmental initiatives are not limited to the Company, but extend throughout the Group.

Overview of the ITOCHU Group's initiatives for the environment

As a company conducting business activities globally, ITOCHU has taken Groupwide measures to conserve the environment and reduce the environmental impact. However, we believe that we need to step up our Groupwide environmental management. Accordingly, we are mobilizing the whole ITOCHU Group to tackle a wide spectrum of environmental activities based on five environmental initiative categories.



1 Risk management

Evaluating environmental impact of products and services through Life Cycle Assessment-based procedures

From the procurement of raw materials through to disposal after use, ITOCHU divides the lifecycles of products and services that it handles into stages, such as production, transportation, use, and disposal; pinpoints environmental factors in each stage; and identifies the environmental impact of each factor. Then, we ascribe numerical values to each environmental impact and designate those with numerical values above benchmarks as "significant environmental aspects," which we control through various regulations and the preparation of procedural manuals.

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Evaluating environmental impact of new business investments

When tackling new business investment projects, divisions responsible use an "Investment / Development Project Control Check Sheet" to evaluate the impact the project will have upon the environ-

ment from a variety of perspectives, including the natural environment, pollution, and laws and regulations. Further, for projects that could conceivably affect the environment we ask appropriate outside specialist bodies to conduct prior investigations. If the results of such investigations confirm that there are no environmental problems, we proceed with the new investment project.

Environmental risk management of group companies

The ITOCHU Group is engaged in various types of businesses and appreciates that these could possibly have a wide-ranging effect on the environment. In order to manage environmental risk for the whole Group, Global Environment Department has visited approximately 20 group companies per

year to investigate their environmental management since fiscal 2001.

Our aim is to strengthen environmental management systems by conducting meetings about compliance with applicable environmental laws and regulations, waste management, energy use, and environmental education, implementing on-site inspections of plants and warehouse, and exchanging opinions.



An environmental inspection of a group company's plant in Canada

2 Environment-conserving businesses

Aiming to step up environmental conservation initiatives in its core operations as a general trading company, ITOCHU is developing many different businesses that help to conserve the environment. Exploiting the expertise and networks we have fostered, we pursue initiatives in the business areas of our seven Division Companies as well as laterally among them. Those wide-ranging initiatives include new-energy businesses, energy conservation businesses, recycling businesses, emission trading businesses, and the businesses based on our position as the master licensee of a brand for a recycling-oriented society. Including initiatives of some group companies, ITOCHU accounted for a total of 184 initiatives for environment-conserving businesses in fiscal 2007, as is shown on the table on this page.

Brand for material that adapts to different temperatures

The Textile Company's Brand Marketing Department No. 3 is developing operations under the OUTLAST® brand for a material that adapts to different temperatures. The paraffin wax enclosed within the micro-thermal capsules of OUTLAST® products absorbs heat when it is hot and releases stored heat when it is cold. That property enables wearers to keep their skin temperature at a comfortable 33 degrees centigrade. By using functional apparel, wearers remain comfortable even if cooling system temperatures are set high in warm conditions or heating system temperatures are set low in cold conditions. Also, we are participating in Team Minus 6% as the OUTLAST® secretariat. By developing OUTLAST® brand operations, we



Material with fibers that incorporate micro-thermal capsules

Overview of environment-conserving businesses

Environmental conservation area	Number of projects	Project example
Prevention of global warming	71	Participation in solar power related business including solar park projects, management of wind power generation businesses, bioethanol production and sales businesses
Prevention of ozone layer depletion	1	Sale of CFC substitutes
Prevention of air pollution (including acid rain and offensive odors)	6	Renovation of power stations, environment-friendly packaging sheets (do not produce dioxin when burned)
Prevention of water pollution	23	Sale of ink and printers for non-water dyes, sale of effluent purification systems, sale of groundwater filtration systems
Prevention of groundwater pollution	0	_____
Reduction in waste discharge	66	Sale of textile made from recycled PET bottles, sale of scrap iron, sale of textile made using discarded material, sale of biodegradable plastic products
Prevention of soil pollution	7	Recycling-based agriculture
Prevention of desertification	1	Participating in greening projects overseas
Prevention of marine pollution	0	_____
Conservation of fresh water	1	Participation in seawater desalination projects
Conservation of biodiversity	8	Sale of internationally certified forest resources, sale of food certified by the Rainforest Alliance
Total	184	

will encourage energy conservation and help prevent global warming.

CDM Project for methane gas collection at pig farms

ITOCHU Corporation and DOWA ECO-SYSTEM Co., Ltd., decided to jointly develop a clean development mechanism (CDM) business that creates emission credits by reducing greenhouse gases through the collection and burning of methane produced from fermentation in the waste treatment processes of pig farms in the Philippines. After concluding contracts with pig farms near Manila, we plan to install methane collection equipment and produce around 150,000 tons of emission rights per year from 2009. As well as expanding those operations in the Philippines, we aim to develop similar projects in other countries to contribute to Japan's measures to curb greenhouse gases. Furthermore, this is the first pig farm methane capturing CDM project undertaken in the Philippines by a Japanese company.



"Covered lagoon" equipment installed at a waste treatment facility captures methane gas produced through fermentation

Energy-saving equipment for convenience stores

The Machinery Company's mainstay group company ITOCHU Plantech Inc. is strengthening its sales of energy-saving equipment for supermarkets and convenience stores. As part of that initiative, the group company is bolstering sales of Doormiser, which curbs electricity consumption by heaters that prevent dew condensation in commercial refrigerators and freezers. Further, plans call for full-fledged marketing of next-generation signs that use light-emitting diodes (LEDs) as a light source. Through such lineups, we will help supermarkets and convenience stores reduce their CO₂ emissions and electricity costs. Also, from fiscal 2008 the group company will implement a variety of initiatives, including the preparation of CSR action plans, the promotion of energy-conserving businesses, and the preparation of a business continuity plan (BCP).



A FamilyMart convenience store with LED signs

3 Educational activities

Aiming to raise awareness of environmental conservation and further related initiatives, ITOCHU undertakes a wide range of activities targeting not only its employees but also ITOCHU Group employees.

In-house education

Every year, we conduct general environmental education programs to heighten awareness of the environment. In fiscal 2008, we will incorporate e-learning into such programs and enable efficient learning by creating systems that adapt flexibly to each employee's schedule. Further, for personnel engaged in operations that could have a significant impact on the environment or operations for which environment-related laws and regulations are applicable, we undertake operation-specific education based on operational regulations and procedural manuals. In addition, we organize in-house environmental auditor training five times a year for those hoping to become qualified in-house auditors. In fiscal 2007, we trained 92 in-house auditors. Those that completed the training are now active members of our internal environmental audit team.

Various environment-related seminars

We organize seminars on environment-related laws and regulations, including Soil Contamination Countermeasures Law, Waste Management and Public Cleansing Law, and Revised Law Concerning Rational Use of Energy, as well as lectures on global warming and other topics. Entitled "Global Warming and General Trading Company Business," our second CSR seminar featured guest speaker Ms. Junko Eda, who translated Al Gore's "An Inconvenient Truth." Dealing with the prevention of global warming and the actions general trading companies should take, Ms. Eda's lecture was full of thought-provoking ideas.



Ms. Junko Eda delivering a lecture

4 Coexistence with society

As a good corporate citizen, ITOCHU coexists with society through initiatives that reflect a policy of "aspiring for the prosperity of succeeding generations and positive contribution to society in general, support local communities for environmental education and assist in basic research pertaining to conservation of the global environment."

Supporting Center for Climate System Research, The University of Tokyo

Since 1991, ITOCHU and its group companies have supported basic research on such themes as global warming by Center for Climate System Research, The University of Tokyo, which researches climate change. As part of that support, we hold lectures open to the general public in Tokyo and Osaka to announce research results.

In fiscal 2007, we held lectures themed on "The Whereabouts of Carbon Dioxide" at the University of Tokyo Yasuda Auditorium and ITOCHU's Osaka Headquarters. The size of the audiences testified to the growing interest in global warming, with 400 people, including 100 elementary, junior high, and high school students, attending the Tokyo Yasuda Auditorium lecture.



A public lecture

Summer School Programs on the Environment

Since 1992, we have organized Summer School Programs on the Environment primarily targeting elementary school students in Minato-ku, Tokyo, with a view to providing environmental education for children as the leaders of the next generation, coexisting with society, and fostering environmental volunteers. In fiscal 2007, approximately 50 elementary school students participated in the programs, which included easy study on such issues as global warming, acid rain, and plants and animals threatened with extinction; exploring local natural areas

with nature conservation educators; and hands-on lessons about global warming conducted by weather forecasters.



A weather forecaster teaches a children's class

5 Office activities

At ITOCHU, we also tackle environmental conservation initiatives that are achievable in our immediate surroundings by conserving energy at our offices and recycling waste through the participation of all employees.

Promoting energy conservation and waste recycling

ITOCHU participates in Team Minus 6%, a national campaign aimed at preventing global warming. We aim to set cooling systems at 28 degrees centigrade in summer and heating systems at 20 degrees centigrade in winter, and we ensure employees switch off unneeded lighting and office automation equipment when leaving the office. Further, we strictly enforce the separation of waste from offices and promote recycling.

Initiatives under Tokyo Metropolitan Government Program to Prevent Global Warming

Our Tokyo Headquarters building is subject to the Tokyo Metropolitan Government Program to Prevent Global Warming as an "operational base with significant greenhouse gas emissions" and categorized as a "type 1 designated energy management factory." In response, we have prepared a plan to reduce CO₂ emissions from fiscal 2005 to fiscal 2009 by 4.1% using the average emissions value in the period from fiscal 2002 to fiscal 2004 as a benchmark. To reach that target, we are mainly introducing new energy-saving equipment, such as inverters that we are installing for air conditioners.

For details about our office initiatives please visit the following web site.

URL http://www.itochu.co.jp/main/csr/env/conservation/index_e.html