



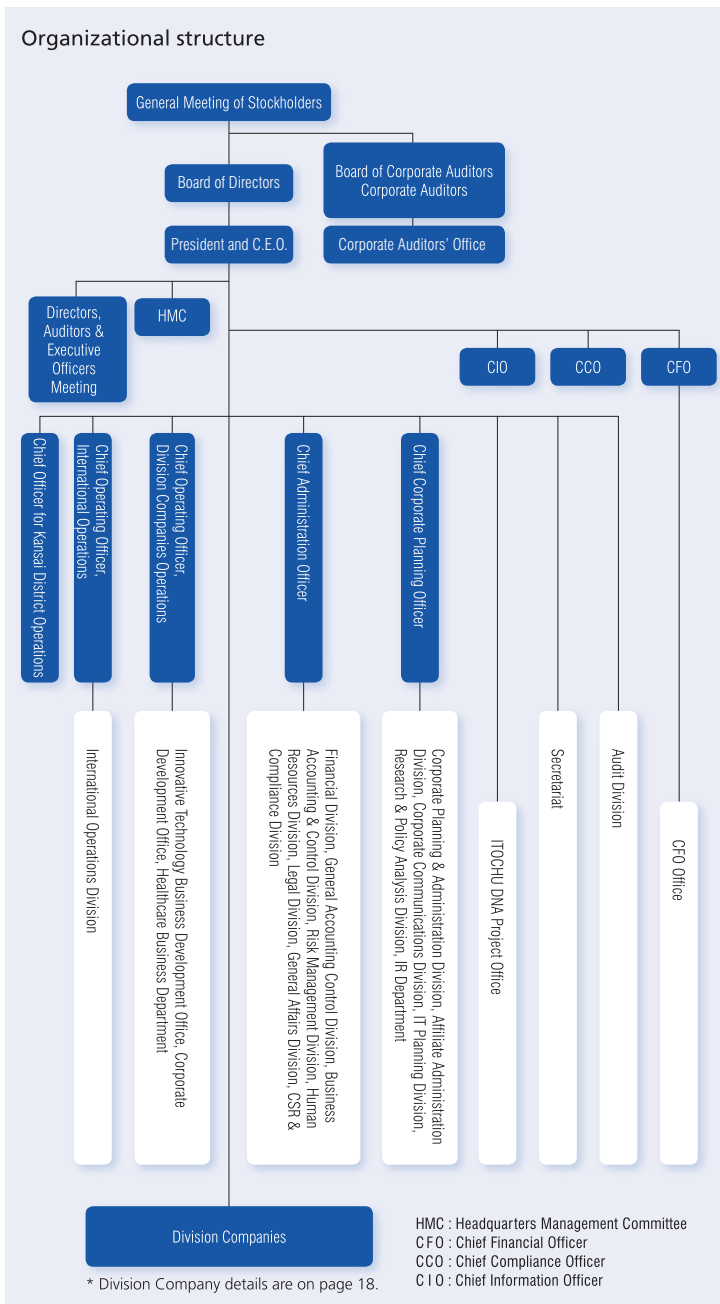
ITOCHU Corporation

CSR Report 2008

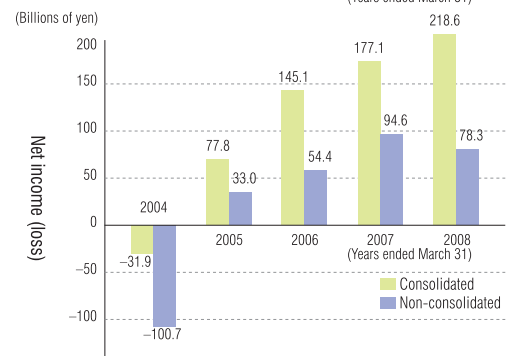
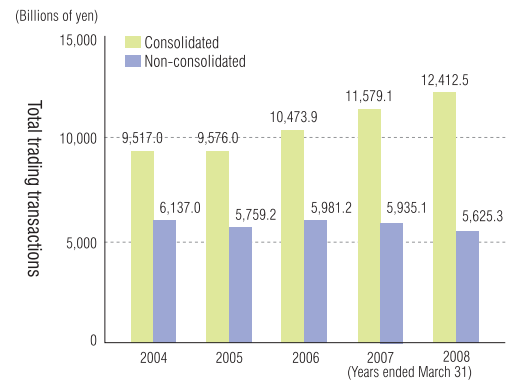
Corporate Profile

Corporate Name: ITOCHU Corporation
 Founded: 1858
 Incorporated: December 1, 1949
 Location of headquarters
 Tokyo headquarters: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
 Osaka headquarters: 1-3, Kyutaromachi 4-chome, Chuo-ku, Osaka 541-8577, Japan
 President & CEO: Eizo Kobayashi
 Capital: ¥202,241 million
 Number of offices in Japan: 17
 Number of offices overseas: 136
 (North America: 8 offices, Latin America: 15 offices, Europe: 19 offices, Africa: 8 offices, Middle East: 19 offices, CIS: 9 offices, China: 18 offices, Asia: 34 offices, Oceania: 6 offices)
 Number of employees: Consolidated: 48,657* / Non-consolidated: 4,107
 (as of March 31, 2008)

* The number of consolidated employees is based on actual working employees excluding temporary staff.

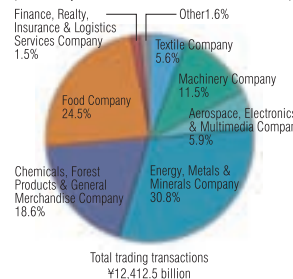


Financial overview



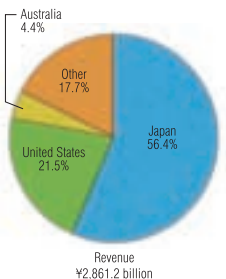
Total trading transactions by Division Company

(The fiscal year ended March 31, 2008, consolidated)



Revenue by region

(The fiscal year ended March 31, 2008, consolidated)



Notes:

- The financial data of ITOCHU Corporation are presented in accordance with U.S. GAAP.
- "Total trading transactions" is presented in accordance with Japanese accounting practice, and consists of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as an agent.
- "Revenue" is attributed to countries based on the locations of the assets.

(as of April 1, 2008)

Editing Policy

ITOCHU's perspectives on CSR

We at ITOCHU Corporation believe that corporate social responsibility (CSR) lies in corporate thought and action on the question of how to play a role in building sustainable societies through business activities. This report presents the role we must discharge and our initiatives for it.

CSR promotion in our business through CSR action plans

The nature of our business varies greatly depending on the Division Company, and each Division Company faces different issues regarding sustainability. With the aim of pursuing CSR activities with actual effect in their respective businesses, the seven Division Companies are taking the lead in preparing their CSR action plans to identify key tasks, and solve and improve them. This report details Division Companies' progress in activities based on CSR action plans. Further, it reports on the progress in developing CSR measures in the ITOCHU Group as a whole.

Improving the quality of CSR action plans

Issues in relation to CSR action plans, now in their third year, are to increase objectivity, to concentrate on more material issues, and to improve quality every year. Mindful of those issues—timed to coincide with our review of CSR action plans for fiscal 2007 and revision of CSR action plans for fiscal 2008—we had meetings with outside experts in order to hear their opinions and proposals regarding the material issues of respective businesses.

The corporate-wide issues of ITOCHU Corporation

In response to the stakeholder dialogues in fiscal 2007, ITOCHU Corporation determined to pursue initiatives for human rights and labor issues and the environment as corporate-wide issues, and this report details those efforts.

The role of this report

We strove to make this report a clear one that would not only inform on our CSR activities to society widely, but also, to each and every employee of ITOCHU Group, give a good understanding of CSR activities and help conduct such activities themselves.

Referenced Guidelines

Sustainability Reporting Guidelines 2006 issued by Global Reporting Initiative (GRI)
Environmental Reporting Guidelines (2007 version) issued by the Ministry of the Environment

* The comparative table with *GRI Sustainability Reporting Guidelines 2006* is posted on the following web site.

http://www.itochu.co.jp/main/csr/csr_report/download_e.html

Reporting Period

This report principally covers actual data for the fiscal year beginning on April 1, 2007, and ended on March 31, 2008 (FY2007). However, some of the more recent information on our activities and initiatives is also included.

* The terms "FY2007" and "fiscal 2007" refer to the period noted above.

Reporting Scope

This report covers ITOCHU Corporation (17 domestic offices and 136 overseas offices) and its major group companies.

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Based on *sampo yoshi*, a spirit of challenge, and human resources development, we will contribute to worldwide progress while developing businesses on a global scale.

Eizo Kobayashi

President and Chief Executive Officer

For 150 years, *sampo yoshi*, a spirit of challenge, and human resources development have supported ITOCHU Corporation

ITOCHU Corporation is celebrating its 150th anniversary this year.

When I ask myself why ITOCHU has earned the endorsement of society during that period, three reasons come to mind.

The first is corporate management reflecting the spirit of *sampo yoshi*, the management philosophy that focuses on the good of all three parties: the seller, the buyer, and the society that Chubei Itoh, our founder, viewed as fundamental to our business. In that philosophy, seeking to be good for society through corporate management has been particularly important, what we call today corporate management that gives first priority to cultivating relationships of trust with various stakeholders. In fact, we can say that *sampo yoshi* and ITOCHU's CSR philosophy are really one and the same thing.

Second is our ability to face changing times and conditions boldly and see change as a chance to build new businesses, in other words a spirit of challenge.

The third reason is human resources development. Since its establishment, ITOCHU has put a significant amount of effort into developing its human resources. Because trading companies do not sell their own products, nor do they have the advantages of proprietary technologies or patents. Therefore, in the end, human resources are everything for trading companies.

Based on those three foundations, for 150 years we have sensed society's needs and expectations and created businesses ahead of others. Consequently, we have contributed to society and earned its trust. In order to ensure ITOCHU continues over the coming 50 years, 100 years, and 150 years, we have to firmly establish businesses on those foundations.

From midstream businesses to building value chains—by changing its business model, ITOCHU is further broadening its role in society

During the past 150 years, the nature of business has changed dramatically. Broadly speaking, there are only two trading-company business models. Previously, trading companies were centered on a business-to-business format, positioned between upstream and downstream businesses. I believe we survived during that period because we had two advantages: our use of "information gaps" and "trading-company finance," in other words risk capital. ITOCHU Corporation, during its first 130 years, also had a business model that exploited differences in the quality, volume, and timeliness of information while undertaking investment and finance that bet on society's future needs.

However, after that period, upstream businesses and downstream businesses began to forge links that bypassed midstream businesses, bringing about a period of harsh business conditions for trading companies, which has been dubbed the "trading-company winter." In response, we began building



value chains spanning from midstream to downstream, which has been our business model for the past 20 years.

In the textile business area, for example, we have become closely involved in the entire lifecycles of products, from upstream through to downstream, by acquiring brands and recruiting personnel to compete with those of leading manufacturers.

To take the energy and natural resources business area as another example, we have extended from midstream businesses to include upstream businesses. By upstream businesses I mean the acquisition of equity interests in such resources as oil and coal. As a result of that extension, we have benefited from hikes in the prices of natural resources and energy.

Further, we have developed our business portfolio in a well-balanced way by expanding our involvement in downstream businesses, including convenience stores, restaurant chains, and gas stations. Those initiatives have established business structures that produce earnings throughout the entire value chain and underpin ITOCHU today.

Amid dramatically changing social conditions, trading companies are expected to play a broader role

Having entered the 21st century, one of its striking features is the dramatic, multifaceted change in social conditions. That change differs from previous changes. One difference is that it is faster and on a broader scale. The second difference

is that it is global. Third, change is affecting many different businesses at the same time. Our ethanol businesses are one example of those trends. Those businesses would not be possible without collaborative efforts among the teams from our energy businesses, food businesses, and chemicals businesses. We can no longer keep up by relying only on the expertise of personnel from one type of business. Against the backdrop of such change, trading companies' role as organizations able to combine different businesses is becoming very large.

Looking forward, Japan faces two problems. One is food and water, the other is energy. How to acquire those resources will be a significant problem. The day may come when even if we have the money to pay for them, we will not be able to buy food, water, and energy. In preparation for such a contingency, we must establish systems for securing food and energy as soon as possible. With respect to that necessity, I think trading companies can and must take the initiative.

Aiming to address the problem of global warming, we will promote businesses that substantively reduce CO₂ emissions

Food, natural resources, and energy issues are clearly linked with environmental concerns. Among environmental concerns, the most serious at present is global warming. In response, ITOCHU is furthering businesses that are addressing the problem of global warming.

In particular, we are focusing efforts on promoting such natural energy as solar power generation and geothermal power generation to establish systems that minimize emissions of CO₂. In those efforts, using Japanese technology to develop large businesses is important. We should promote Japan as a country with a strong focus on technology by making technology-based contributions to environmental efforts worldwide.

In the new energy business area, we have already started up new businesses. For example, in the Sarulla region of Indonesia, ITOCHU Corporation is developing a geothermal power generation business using overseas technology. In the solar power generation business area, we are building a value chain that encompasses collaborating with overseas companies, manufacturing which capitalizes on Japanese technology, and marketing in the United States. In the Philippines, we are developing a methane collection project that produces emissions credits, and we will continue our involvement in emissions trading. In the new energy business area, I want to step up efforts to establish value chains that achieve even more substantive results.

We will strengthen communication with stakeholders to avoid complacency in CSR initiative

In order to become a *truly global enterprise*, we need to be a company that diverse stakeholders understand, accept, and look to with high expectations. To that end, ITOCHU will distribute a wide variety of information and treat feedback from stakeholders seriously and with a sense of urgency.

I often remind employees to listen to the opinions of as wide a group of stakeholders as possible so that we never become complacent about our CSR activities. Also, we regularly include CSR as a topic in dialogues between our senior management team and those outside our organization in order to hear their views.

Our common sense is not always the world's common sense—aiming to create workplaces that reflect regional characteristics to become a *truly global enterprise*

ITOCHU has always anticipated emerging trends. To achieve that, we must have a keen insight into change and move forward a half step or one step ahead of others. The only way

to realize such farsightedness is for employees to study. Frequently, I encourage employees to have a lot of different networks and develop their sensitivity to change.

Including group companies, the ITOCHU Group has approximately 48,000 employees. The common sense that prevails at ITOCHU Corporation's Tokyo Head Office is not necessarily acceptable throughout the world. Bearing in mind that half of ITOCHU Group employees work overseas, we must reach a consensus by considering differences in cultures and laws and statutory regulations and incorporating internationally accepted thinking on the environment and human rights.

Until recently, ITOCHU Group planned most business strategies and human resources policies in Tokyo and then implemented them overseas. However, we enabled the preparation of human resources policies on a regional basis by establishing Global Talent Enhancement Centers in New York, London, Singapore, and Shanghai in 2007. Following its overriding policies, the ITOCHU Group will flexibly incorporate methods suited to each region to create a company in which employees across all regions find it comfortable to work.

Compared with the business of 150 years ago, the scope and scale of ITOCHU's business has grown almost beyond recognition. In a sense, I think that we are developing in line with the progress of the world. Based on the foundations of *sampo yoshi*, a spirit of challenge, and human resources development, ITOCHU will develop businesses to become a *truly global enterprise* and thereby contribute to the creation of a better society.



ITOCHU Corporation's 150th Anniversary and the Roots of CSR, *Sampo Yoshi*

In 2008, ITOCHU Corporation celebrated the 150th anniversary of its founding.

ITOCHU Corporation has been able to continue growing because for 150 years it has put into practice the spirit of the Ohmi merchants' *sampo yoshi* management philosophy, which is the wellspring of its CSR initiatives today. Further, ITOCHU Corporation has prospered because while changing in step with evolving social conditions, it has built a corporate culture of anticipating change and viewing change as an opportunity.

Our founder Chubei Itoh and *sampo yoshi*

ITOCHU traces its origins back to 1858, the year in which Chubei Itoh set out from Toyosato Village in Shiga Prefecture on a journey to Nagasaki as a traveling linen merchant.

Chubei Itoh grounded his business in the spirit of *sampo yoshi*, a management philosophy embraced by merchants in the feudal province of Ohmi, where he was born. In adherence with their *sampo yoshi* philosophy, as well as being good for the seller and the buyer, Ohmi merchants contributed to the economies of the regions they visited. In the shogunate era, Ohmi merchants came into existence and their economic activities were permitted because they were regarded as being good for society. This can be said to be the roots of today's idea of CSR, which calls on companies to balance their business activities with the interests of a variety of stakeholders. That spirit is evident in Chubei Itoh's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of society."



Our founder Chubei Itoh (1842-1903)



Ohmi merchants (courtesy of Museum of Ohmi Merchant)

The roots of a management philosophy passed down for 150 years

Our founder Chubei Itoh established a "store law" in 1872. Also, he adopted a meeting system. The store law was a set of house rules covering what in modern parlance we would call management philosophy, a human resources system, and employment regulations, which subsequently became the foundation of ITOCHU Corporation's management philosophy. Emphasizing communication with employees, Chubei Itoh chaired meetings himself. Moreover, he incorporated a series of what were at the time groundbreaking management systems,

including the codification of "sharing of profit by three parties"* and Western bookkeeping methods. Those initiatives built the foundations of mutual trust between the store owner and employees. Since that era, we have based our corporate management on CSR.

* Sharing of profit by three parties: In a predominately feudal era, this was an extremely progressive philosophy of sharing profits with employees. The store's net profit was divided among three parties: the store owner, the store's reserve fund, and store employees.



A daifukucho ledger from the time of ITOCHU's founding

150 years of history and CSR

Since its foundation, ITOCHU Corporation has consistently thrived despite the turmoil it has faced in different eras, including two world wars and periods of economic volatility.

Launched as a trading company mainly handling textiles, ITOCHU Corporation has fulfilled the role of a trading company that has responsively changed according to the demands of each generation while significantly changing its product and business portfolios—expanding its sphere of influence to include areas from upstream raw materials through to downstream consumer sales. As it has grown, ITOCHU Corporation has evolved into a general trading company and from there into a globally integrated corporation.

We are convinced that our history has continued for 150 years because we have surely upheld and passed on the spirit of *sampo yoshi* while remaining an essential component of society by responding to changes in its expectations in different eras.



"Itoh Itomise" thread and yarn store at the time of its opening in 1893

CSR for ITOCHU Corporation

ITOCHU Corporation's approach to CSR is encapsulated by the spirit of *sampo yoshi*, which founder Chubei Itoh made the foundation of his business and that each employee has since inherited. ITOCHU Corporation has been able to grow and progress for 150 years because it has conducted business in the spirit of being good for the seller, the buyer, and society since the time of its founder.

In the coming 150 years, we will continue to implement CSR initiatives rooted in *sampo yoshi*.

Basic perspectives on CSR at ITOCHU

Modern society faces a variety of problems, including social problems and environmental issues such as global warming. In order to solve those major issues, everyone in the world—in the public sector, in the citizen sector, and in the business sector—must work together. Among those sectors, situated at the center of economic activity, the business sector shoulders significant responsibility. Society will not recognize companies as good corporate citizens unless they take steps to solve such issues through their corporate activities.

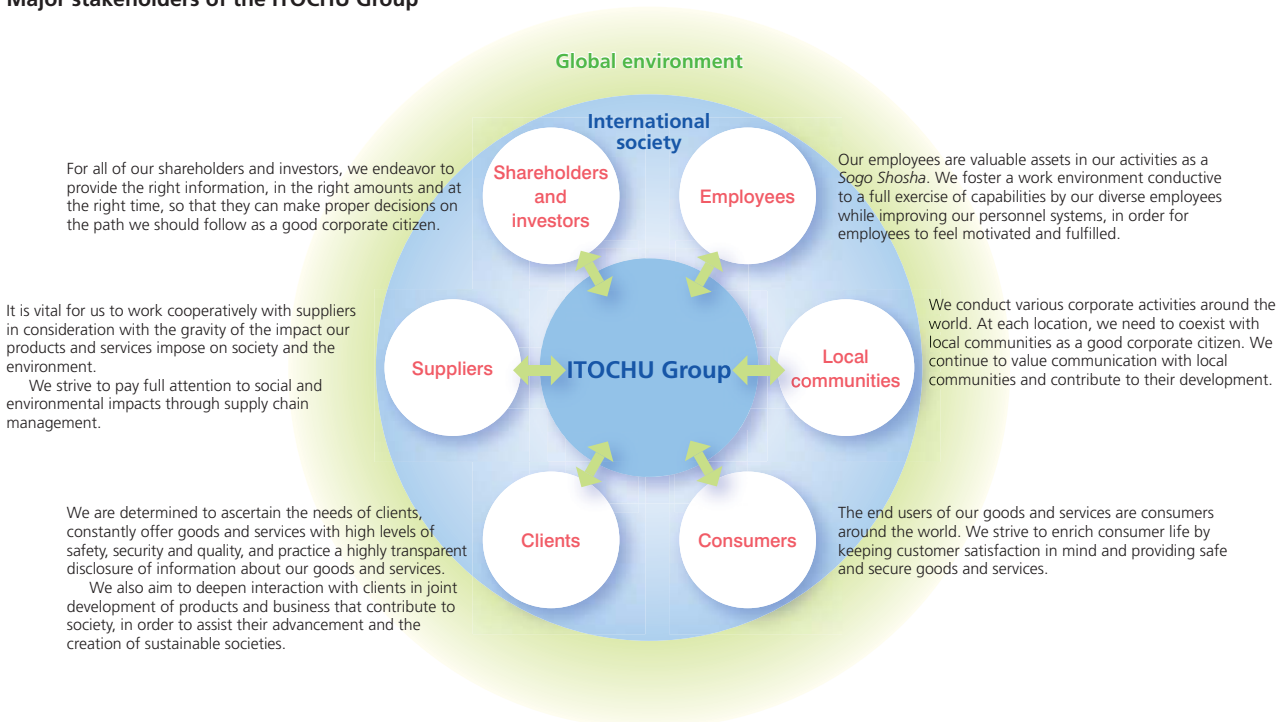
ITOCHU Corporation operates multifaceted businesses at a large number of bases around the world. We must recognize

the effect our corporate activities have on society and understand clearly the various demands society makes of us. And, we must make the utmost effort in responding to those demands. We believe that such responsiveness will realize CSR consistent with our *sampo yoshi* philosophy. Putting that CSR philosophy into practice will earn us recognition as a good corporate citizen, enable sustainable corporate activities, and thereby contribute to the achievement of a sustainable society. In our next 150 years, we aim to be a company that society continues to trust and need.

CSR approaches through dialogue with our stakeholders

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

Major stakeholders of the ITOCHU Group

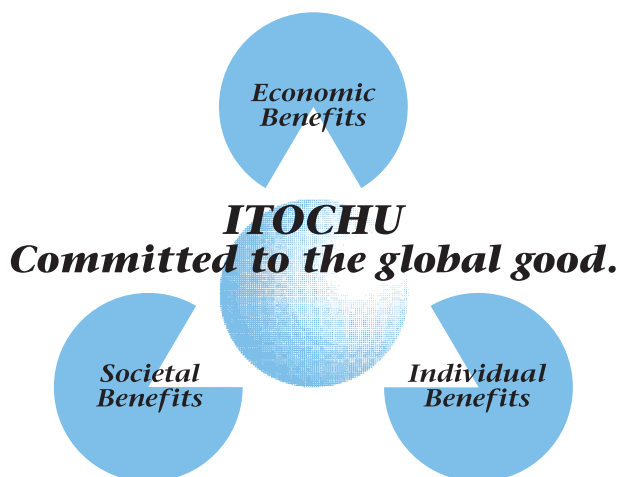


Besides those noted above, the list of our major stakeholders includes many other parties, such as NGOs and NPOs, financial institutions, government ministries and agencies, mass media, and the coming generations.

The ITOCHU Credo

In 1992, ITOCHU Corporation established its corporate credo, "Committed to the global good.," with the aim of considering how to make a commitment to society down the road as a global company and putting it into practice. Forming the basis of our approach to CSR, the ITOCHU Credo represents values our employees share worldwide and that we put into practice through our corporate activities.

The ITOCHU Credo—Committed to the global good.—



Incorporating CSR into our Mid-Term Management Plan to share and realize the ITOCHU Credo worldwide

ITOCHU Corporation's Mid-Term Management Plan Frontier+ 2008—Enhancing Corporate Value on the World Stage, sets out as its overriding goal of becoming a *global enterprise that is highly attractive to all stakeholders*. To that end, the entire ITOCHU Group, as an international organization, must share the *Committed to the global good* ITOCHU Credo and implement CSR initiatives.

Therefore, Frontier+ 2008 positions the promotion of CSR initiatives as a priority. Further, we included consideration of CSR when preparing other measures for that Mid-Term Management Plan. Taking such an approach incorporates CSR initiatives into the mainstay operations of departments throughout the Company, which makes our CSR initiatives practical and effective.

Basic policies in the CSR promotion activities for fiscal 2008

In order to incorporate more specific CSR initiatives into management plans, when preparing Frontier+ 2008 we established basic policies in the CSR promotion activities during the period of Frontier+ 2008.

To become a *truly global enterprise*, we must extend our CSR initiatives to encompass overseas bases, group companies, and suppliers in our supply chain.

Accordingly, in fiscal 2007 and 2008 ITOCHU expanded the scope of its CSR initiatives to include all overseas offices/blocs. In addition, we are continuously expanding the promotion of CSR initiatives among group companies. Also, viewing the Group's business activities from the perspective of supply chains, ITOCHU Corporation has begun extending the scope of CSR initiatives to include its suppliers.

Reference P. 9–10, 36, 38

Basic policies in the CSR promotion activities during Frontier+ 2008

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

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

Checking Suppliers in Relation to CSR

Ensuring consideration for human rights and labor issues in supply chains is one of the most important CSR issues that global companies face. In response to recommendations from experts during the stakeholder dialogue in 2007 that we should step up initiatives, we discussed the type of measures that we should take and decided to begin corporate-wide checking of suppliers in relation to CSR.

Our approach to promoting CSR in supply chains

For ITOCHU Corporation and its business partners, business activities have to be sustainable. In the supply chains of the businesses that we are involved in, we engage business partners in dialogue to find out whether there are any problems, particularly those related to human rights, labor issues, and the environment. If we discover a problem, we consider how to resolve it. Promoting CSR initiatives in our supply chains, those efforts are one of our measures focused on "Expanding the scope of CSR activities," which is one of our "Basic policies for CSR promotion activities during Frontier+ 2008."

Initiatives to promote CSR in supply chains

ITOCHU Corporation has seven Division Companies, which are engaged in a wide range of businesses. Each Division Company prepares its own CSR action plans, which guide the Division Company's implementation of CSR initiatives. Therefore, the most practical method for promoting CSR initiatives in supply chains is on a Division Company basis. Specifically, each Division Company prepares a checklist that reflects current conditions in the industries it is involved in and that mainly centers on human rights and labor issues (please see the example checklist below). Using those checklists, managers visit suppliers to conduct investigative interviews or conduct surveys through

questionnaires. Division Companies choose target suppliers based on such parameters as operating regions, products handled, and transaction amounts and by referring to the criteria of the FTSE4Good Index, which is an internationally recognized index of socially responsible investment. Each Division Company independently began checking suppliers from fiscal 2007. ITOCHU Corporation does business with a huge number of suppliers, and its checking of suppliers in relation to CSR has just begun. However, we will steadily continue those initiatives.

Checking suppliers in relation to CSR in fiscal 2007

In fiscal 2007, six Division Companies prepared plans for checking 284 suppliers and conducted surveys accordingly. To help us launch the checking of suppliers and increase our managers' knowledge of this area, we invited Dr. Naoki Adachi of Response Ability, Inc., to give us lectures and advices on how to proceed with checking suppliers.

The number of companies we surveyed is shown in the table below. Among the suppliers surveyed, we did not discover any serious CSR problems. Meanwhile, communicating with suppliers through the surveys proved to be a good opportunity to further their understanding of ITOCHU Corporation's CSR philosophy.

An example of a checklist used for checking suppliers in relation to CSR (Textile Company)

[Textile Company]		Supplier name: _____		
		ITOCHU unit in charge: _____		
		Person in charge: _____		
CSR Checklist for Supplier			Check	Comments
1	The company has a policy or system for compliance with laws and regulations, and implements them.			
2	The company guarantees the rights of freedom of association and collective bargaining .			
3	The company does not practice forced labor .			
4	The company does not practice child labor .			
5	The company does not practice discrimination in hiring and employment .			
6	The company has taken measures to protect occupational health and safety .			
7	The company observes the national (host country) laws and regulations regarding working hours .			
8	The company observes the national laws and regulations regarding minimum wage .			
9	The company has a policy or system for dealing with complaints from its business partners, and implements them.			
10	The company has a policy or system for environmental conservation / complies with national laws and regulations concerning environmental conservation .			
11	The company does not handle goods infringing upon intellectual property rights .			
12	The company ascertains the country of origin of the procured items and checks the environmental and social aspects of its suppliers .			

* Respective Division Companies, except the Aerospace, Electronics & Multimedia Company, prepared their own checklists similar to the one above and conducted surveys.

Number of suppliers each Division Company targeted and surveyed

Division Company name	Number of suppliers targeted	Number of suppliers surveyed
Textile Company	21	16
Machinery Company	12	12
Energy, Metals & Minerals Company	8	7
Chemicals, Forest Products & General Merchandise Company	160	139
Food Company	64	52
Finance, Realty, Insurance & Logistics Services Company	19	3

In tandem with the checking of suppliers by the managers of respective Division Companies, a department responsible for CSR promotion helped to make the checking of suppliers more practical by conducting pilot investigative visits to suppliers and sharing information among Division Companies. The following are two cases from such investigative visits.

Case 1

PT. Aneka Tuna Indonesia
(Food Company supplier)

Implementation date: February 21, 2008
Location: Surabaya, Indonesia

PT. Aneka Tuna Indonesia mainly manufactures and sells canned tuna. Particularly praiseworthy aspects of the company are its rigorous product safety controls, essential for food manufacturers, under the slogan "Safety, Good quality, Clean;" its appropriate management of local employees in accordance with local labor laws and statutory regulations; and its adequate labor health and safety measures at plants. Issues the company should consider as a procurer of tuna, which is a natural resource, are the labor conditions of its own suppliers and continued care regarding the protection of biodiversity.



Comments from the Supplier

Mr. Kenji Tanaka
President Director,
PT. Aneka Tuna Indonesia

The recent visit by members of the CSR Promotion Office reaffirmed to me the importance that ITOCHU Corporation places on CSR. As a company operating in Indonesia and producing canned foods, I think we have two corporate social responsibilities. The first is our responsibility to the 2,000 local employees that work hard with us and the local community that supports their everyday lives. The second is our responsibility to realize food safety, an area that is becoming ever-more important. All of our employees are firmly resolved to tackle that area.



The plant takes appropriate labor health and safety measures



Site check

Case 2

DEVELOPMENT CO., LTD.
(Chemicals, Forest Products & General Merchandise Company supplier)

Implementation date: February 29, 2008
Location: Ho Chi Minh, Vietnam

DEVELOPMENT CO., LTD., manufactures laminated lumber*. We highly evaluate the company for providing appropriate working conditions and labor management for its 550 employees amid Vietnam's volatile economic conditions, which are characterized by inflation and rising personnel costs. Further, the company takes environment-friendly measures. It appropriately controls the adhesive agents (chemicals) used for laminated lumber. Also, the company sustainably recycles the materials that it procures by reusing the gum trees from which it extracts latex (rubber sap) and planting trees in areas that have been cleared. We look forward to seeing the company's management team and employees cultivate a shared awareness of CSR to further develop the company and increase its corporate value.

* Laminated lumber: Boards, sawed boards, or small cuts of timber that are glued together using adhesive agents after being dried and having defective areas such as knots and cracks removed and grain directions made parallel



Comments from the Supplier

Mr. Nguyen Tien Dat
Managing Director,
DEVELOPMENT CO., LTD.

Last year, Vietnam joined the WTO. In order to achieve further economic development, the country has to step up the incorporation of technology and advice from industrialized nations. At the same time, rather than focusing on earnings, we need to consider corporate management from a long-term perspective. With that in mind, we take care of our employees as our most important asset and regard improving working conditions as important. In response to continuing inflation in Vietnamese society we are improving wages and welfare for employees. Also, we are undertaking ongoing initiatives to contribute to the environment and society through afforestation projects. Because we think CSR is very important for our growth, we will continue business activities based on CSR.



Laminated lumber plant



Stakeholder Engagement Initiatives

At ITOCHU Corporation, we are concentrating efforts on stakeholder engagement.

With a view to “Strengthening communication with stakeholders” as set out in our “Basic policies for CSR promotion activities during Frontier+ 2008,” we listen to the views of in-house and external stakeholders and reflect them in CSR activities.

Meetings with third-parties regarding the CSR action plans of Division Companies

ITOCHU Corporation furthers CSR initiatives based on CSR action plans that each of its seven Division Companies formulate. Aiming to upgrade the content of those plans for fiscal 2008, each Division Company invited experts in its business area to participate in third-party CSR meetings. The meetings saw lively discussions about whether, from an outsider’s viewpoint, each Division Company’s CSR action plans identified the material issues and responded adequately to society’s demands.

Reference P. 19–32, “Perspectives from a third-party participant in our CSR meeting”



The Finance, Realty, Insurance & Logistics Services Company's third-party CSR meeting



The Chemicals, Forest Products & General Merchandise Company's third-party CSR meeting

CSR seminars

ITOCHU Corporation regularly organizes internal CSR seminars to incorporate the views and expertise of stakeholders about a wide variety of CSR issues within the company and to educate employees. In fiscal 2007, we held three seminars and invited outside experts and representatives of companies with advanced CSR initiatives to discuss the subjects (shown below) that we should focus on.

We plan to continue organizing CSR seminars focused on the CSR issues that each Division Company should pay particular attention to in its business activities.



First seminar

Seminer	Date / Subject
First:	October 18, 2007 Subject: Human rights / labor issues
Second:	February 25, 2008 Subject: Global warming and the business of general trading companies Reference P. 49
Third:	March 12, 2008 Subject: The influence of information technology on Japanese society

Comments from a speaker

Akira Sakaino
Manager, Sales Promotion Department,
Net Business Division, NTT Communications Corporation



I felt that the idea of a panel discussion in which executives participated was very meaningful. The meeting enabled participants to pose problems from a wide variety of perspectives, such as the contradictions of market fundamentalism and the dangers of an Internet-based society, and it was a good opportunity to motivate employees to consider CSR policies. In the areas that executives mentioned, such as education, medical-related business, and work-life balance, I look forward to ITOCHU Corporation developing new CSR initiatives that use information and communication technology and seek cooperation among industry, academic institutions, governments, and citizens.



Panel discussion at third seminar

Results of CSR Report 2007 questionnaire for employees

Continuing from fiscal 2006, after issuing *CSR Report 2007*, we conducted via intranet a *CSR Report 2007* employee questionnaire targeting all employees. Further, in fiscal 2007 we extended the questionnaire's scope to include national staff*. These questionnaires are becoming a useful tool for gathering CSR-related feedback from our employees worldwide. The questionnaire comprises eleven questions (nine questions in the overseas version) and is designed to ascertain the level of familiarity with the words corporate social responsibility and identify CSR issues that require corporate-wide

initiatives. Below are some representative replies to some of the questionnaire's open-ended questions.

Replies to the CSR Report 2007 questionnaire for employees

	Number of employees	Number of replies	Reply rate
Questionnaire for domestic employees	4,742	2,971	62.7%
Questionnaire for national staff*	1,743	836	48.0%

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

Feedback from employees

Q9. What do you think about the opinions in the 2007 stakeholder dialogue?



Shunichi Ohtani
Manager,
Fresh Food & Business Solution Section,
Food Company

I think the opinion that trading companies should play a linking role between upstream and downstream areas was significant because there is information that only trading companies can gather through extension of their mainstay business. Furthermore, fully realizing that role as a trading company is also important from the perspective of differentiating our products and information. At the same time, I think it will become increasingly important to educate employees throughout the ITOCHU Group, including those overseas, about CSR initiatives.



Hiroaki Shiokawa
Europe Textile Group

Regarding the opinion that the key word "people" is missing, I felt a dilemma. Even if in principle we agree with that opinion, I wonder if companies can function by only following principles. I understand the desirability of realizing the *sampo yoshi* philosophy of being good for the seller, the buyer, and the society, but in reality it is difficult to be good for people all over the world. I have a renewed sense that the role of trading company employees is to strike a balance between ideals and reality, but this task is quite difficult and challenging to me.

Q10. What do you regard as CSR initiatives unique to ITOCHU Corporation? What is needed in order to promote CSR initiatives unique to ITOCHU Corporation?



Mihoko Kato
Planning and Coordination Department,
International Operations Division

I think CSR initiatives unique to ITOCHU Corporation are those that reflect value judgments based on a global, wide-ranging perspectives and that contribute to society accordingly. To realize such initiatives, I think that each employee must heighten their awareness accordingly.



Yoshiharu Fujita
Overseas/Trade Insurance Section,
Insurance Department No. 1,
Finance, Realty, Insurance & Logistics
Services Company

CSR initiatives pursued on a global scale in the spirit of *sampo yoshi* are unique to ITOCHU Corporation. To advance such unique initiatives, the continuing education of all employees is necessary. Further, I think we need to listen to the opinions of stakeholders worldwide.



Yoshihide Sakai
Infrastructure/Utility Section No.3,
Plant & Project Department No.2,
Machinery Company

I think we should look for initiatives that only we as an organization with knowledge about a wide variety of industries can achieve. Increasing efficiency in value chains based on various types of indicators to further benefit society and reduce burdens will realize CSR initiatives unique to ITOCHU Corporation. To achieve that, I think we have to exchange knowledge through lateral operations within the Company and also by circulating personnel laterally.

Opinion of a national staff



Mohammad Faisal
Kuala Lumpur Office

CSR reflects our belief that our business agenda should include improving the conditions surrounding our stakeholders. The first step for CSR is educating our own staff on how they can be an important part of it. Overall, I do think that our company is moving on the right path in the CSR world!

Considering Upstream Issues in the Cornerstone Businesses Comprising Society

We invited four experts to participate in a dialogue entitled “Considering Upstream (natural resources extraction, agriculture, forestry) Issues in the Cornerstone Businesses Comprising Society.” President & CEO Eizo Kobayashi and members of ITOCHU Corporation’s senior management team attended and took part a discussion touching a variety of areas.

(Held on June 17, 2008)



Tell us properly where things come from

Tamba: General trading companies handle a comprehensive range of items, from raw materials through to products, from upstream through to downstream. Today, we would like to examine the “furthest” upstream area, which comprises activities that are a very important pillar of our operations, such as natural resources development and raw materials procurement. In that area, we would like to identify what society wants from trading companies and clarify what is needed in terms of CSR initiatives.

Kobayashi: With *Committed to the global good* as our corporate credo, we have developed our businesses while considering how to help enrich the world and people’s lives. Regarding today’s theme of natural resources, excepting the past five years or so, natural resources prices have been stable for about 20 or 30 years. Consequently, most consumers did not need to think about natural resources. In recent years, however, several factors, including the rapid increase in natural resources consumption by such emerging countries as China, have combined to drive natural resources prices upward. As a result, natural resources have become a significant issue for people all over the world. In a position that links products and consumers, trading companies have undertaken operations for food and energy that are essential for national security. Going forward, I believe that how to view natural resources and how to advance our businesses while achieving accountability are significant issues.

Taniguchi: Looking at the sites of large-scale natural resources development around the world gives you an idea of how large an effect natural resources development has on nature and local

residents. The world depends on developing countries for 35% of natural resources extraction, and that percentage will continue to rise. Natural resources development destroys ecosystems such as rain forests and the cultures and traditions of indigenous peoples. Particularly in Southeast Asia, Africa, and South America, the situation is worsening at an alarming rate. Such natural resources development underpins modern material civilization. Consumers have to know about such problems and change their way of thinking.

Kawaguchi: We have had a long favorable period in which consumers have not needed to consider the problem of natural resources. Companies’ approach to business was to do everything for consumers so that they did not have to think about anything. However, in an era when there are not enough upstream natural resources, using that approach to further increase demand will likely bring us to an impasse in the near future. From now on, I would like companies to tell consumers properly where things come from. I think companies have a responsibility going forward to tell consumers: “resources are finite,” “extracting them causes problems such as environmental destruction,” “a lot of effort is needed to secure natural resources,” and “therefore let’s use them carefully.”

In order to raise consumer awareness of natural resources

Tatsumi: Until now, consumers have chosen products and services almost entirely based on price. I think it is probably fair to say that consumers did not think at all about what products are made from or how they are made. Information available to consumers was scarce, and we thought about product usage and

Panelists



Mariko Kawaguchi
Senior Analyst, Strategic Management Laboratory, Daiwa Institute of Research Ltd.



Minoru Kumazaki
Chairman, Japan Wood Pellet Association, Professor Emeritus, University of Tsukuba



Kikuko Tatsumi
Executive Director, Nippon Association of Consumer Specialists



Masatsugu Taniguchi
Director, United Nations University Zero Emissions Forum

ITOCHU Corporation



Eizo Kobayashi
President & CEO



Toshihito Tamba
Executive Vice President, Chairman, CSR Committee



Yoshio Matsukawa
Managing Executive Officer, Executive Vice President, Energy, Metals & Minerals Company



Hiroo Sato
Executive Officer, General Manager, Provisions Division, Food Company



Kenichi Oshitani
Representative General Manager, Forest Products & General Merchandise Division

perhaps, at the very most, also about product disposal. I want companies to provide information that enables consumers to discern products that are good for the environment and society, in order to create a society in which consumers make informed choices. Recently, a trend toward disclosure of CO₂ emissions volumes has begun. Soon perhaps products will include information about their carbon footprints*.

Also, I think the creation of a recycling-based society in which downstream products are returned upstream is very important. If companies tell consumers about the importance of natural resources, I believe it will motivate them to take steps toward recycling.

Tamba: Admittedly, communications between consumers and companies may not be working well. Looking at my own behavior as a consumer, I am in a “waiting” position and do not go and get information. I think the issue is how to encourage companies to take the initiative in providing information and encourage consumers to be more active.

Matsukawa: During a long association with oil field development, the first time I felt the importance of environmental problems was at the beginning of the 1990s when I was involved in developing an oil field in the North Sea. A debate arose in relation to how much money should be spent restoring the natural environment after completing extraction, and there were proposals to create standards with the countries adjacent to the site of the development. In the end, a huge amount of money, an amount which would have been unthinkable at the time, has been spent on work to restore the site to its former state. Ultimately, that cost is passed on to consumers, and I think we have to make sure consumers understand this. Some people complain about hikes in gasoline prices. If we do not

consider the environment, we can extract oil at a lower cost. On the other hand, there are calls for us to protect the environment. We have to meet both requirements.

It is the same with respect to society. Previously, when we were developing a uranium mine in Australia, we realized that aborigines have strong feelings of resistance toward the development, so we stopped the development and restored the site to its former condition. I think we have to communicate to consumers that we conduct development based on respect for the cultures of indigenous peoples and local residents.

Kumazaki: With globalization progressing to the extent that it has, the distance between consumers and the sites of natural resources development and companies involved in such development has become very large. Unless consumers learn more and think about this problem from a global perspective, I do not think that distance will decrease.

* Carbon footprint: This is an indicator that ascribes numerical values to CO₂ emissions volumes to quantify the effect of companies' products and services and individuals' activities on global warming. It is used to analyze the extent of the effect of products and services from production through to disposal.

Incorporating the value of nature into market mechanisms

Taniguchi: With the development of a material society, we have tended to overvalue wealth and convenience. As a result, environmental destruction has become more serious in areas furthest upstream due to the development of natural resources. The fundamental cause of this is that the value of nature is not incorporated into market mechanisms. Incorporating the value of nature into market mechanisms, known as “sustainability and pricing,” is becoming a worldwide trend in environmental economics. A consensus is rapidly building that we must not

regard natural resources and the environment as concepts below the economy, as we did in the 20th century.

Tatsumi: Apart from humans, all animals on the planet live within the limits of the resources nature gives them. Only humans place a burden on the environment through lifestyles that involve buying products and using services. I think prices must reflect the burden that we place on the environment in our pursuit of convenience.

Matsukawa: Companies are tasked with providing products as inexpensively as possible within social and environmental constraints. However, consumers should increasingly call on companies to take such kinds of steps as we took to restore the development site in the North Sea. As a result, costs will rise. But, at the same time companies will work to reduce these costs. That kind of interaction is a good model for reducing the environmental and social burden of producing goods.



Sato: For consumers, cheaper products are better. On the other hand, natural resources are limited. Taking the food business area as an example, previously the weather largely determined food supplies at stable prices. However, recently the number of factors causing price fluctuations have increased. If production volumes decrease due to such natural disasters as floods and hurricanes, prices rise. Further, the increased consumption of such emerging countries as China is creating imbalances between supply and demand. Also, speculative money is flowing into related markets. Other factors affecting prices include the use of agricultural products for uses other than food, such as biofuel. I think companies have to clearly communicate to consumers why products have particular prices so that they understand and accept them.

Kawaguchi: Quoting the words of wisdom by Gandhi, “earth provides enough to satisfy every man’s need, but not any man’s greed.” I think we have to differentiate between “needs” and “wants” by determining what we need and how far some things are based on desire. Products that satisfy our desires tend to be high-value-added products such as fashion goods. I would like companies to develop products in those categories that we can use and enjoy for a long time, rather than taking a low-margin high-turnover approach to the marketing of these types of products. Further, I ask companies not to entrust themselves to consumer desire and exploit natural resources accordingly but to change to business models that control consumer desire based on natural resources constraints.

Toward the sustainable use of forest resources

Kumazaki: Until now, we thought that forests were a plentiful natural resource and forecast the future of forest resources comparatively optimistically. We estimated that even if the population reached 10 billion, there would be enough forest resources to meet lumber demand. However, we based those calculations on the assumption that we would still be able to use fossil fuels. If forest resources also have to meet energy demand in the future, then we will not have sufficient forest resources.

Oshitani: I have been involved in the paper pulp business for a long time. It is a fact that for several decades paper prices hardly changed. However, I am reminded that it is important for trading companies and manufacturers to tell consumers that valuable forest resources are used to make paper. Also, paper demand will likely increase due to higher use by emerging countries. Because usable forest resources are finite, I think we should ensure we avoid wastage when using wood resources by wisely and selectively using forest resources in accordance with applications.

Kumazaki: Recently there has been a marked increase in bioethanol projects that use wood. However, making ethanol from wood resources is very difficult. Converting wood into chips and burning them as a source of heat is a way of using energy from wood that offers better energy conversion efficiency.

I am often asked how much ethanol can be extracted from forests. However, due to the nature of forestry management, it is not possible to only take wood debris for ethanol use. We have to establish a system that uses wood according to its quality, with high-quality wood used for lumber, the next quality level for plywood, and the remainder for ethanol.



Oshitani: Meanwhile, as lumber imports increase year by year, domestic lumber volumes are decreasing. However, among the world’s forest resources, we can only use a limited amount. Therefore, I think we have to revise the entire distribution system of Japan’s forest industry. And, I think trading companies can contribute a great deal to such efforts.

Kumazaki: At long last domestically produced lumber is becoming competitive. However, what worries me is that although we have reached this favorable situation, Japan does not have the infrastructure for a sustainable forest industry. Looking ahead, we have to deal with the large issue of how to make Japan’s forestry management sustainable.

Tamba: Japan’s forest industry needs revitalizing. If we can no longer import lumber, I think attention will turn to domestically produced lumber. The resource itself is already there, so the only question remaining is how to make it economically viable. I think we have to drastically change the present systems of the forest industry, including how we secure forest industry workers.

Food is also a finite resource

Kobayashi: It is not just the forest industry, we have to reinvigorate agriculture. In the near future, we may not be able to get food even if we have money. Therefore, this is a problem that cannot wait. The business world is beginning to take positive steps to address this problem.

Sato: On a calorie basis, Japan has a food self-sufficiency rate of 39%, which is one of the lowest among developed countries. How to raise that self-sufficiency rate is a major problem that we will need to tackle. In addition to securing food from overseas, I think trading companies can help invigorate Japanese agriculture. For example, I think trading companies can realize agricultural products with prices that can compete with imported agricultural products by forming tie-ups with farmers that are taking measures to reduce agricultural chemicals or increase fertilizer efficiency, supporting processing and marketing, and rationalizing distribution. In other words, trading companies can contribute by building value chains. With that in mind, we have already begun initiatives.

Taniguchi: Regarding food supply, from the perspective of the furthest upstream area, the lack of fertilizer is becoming a big problem. Agricultural products need three elements to grow: nitrogen, phosphorus, and potassium. However of those phosphorus is in short supply, triggering a worldwide scramble to acquire the element.

Sato: Just as mineral resources have a limit, agricultural products cannot be produced endlessly. Water and cultivatable land is finite, and as Mr. Taniguchi pointed out there is a shortage of mineral phosphates. I think we will soon have to recognize that agricultural products are finite.

Kawaguchi: Every year Japan discards 20 million tons of food, said to be double of the amount of worldwide food aid. I think it is important to stop wasteful food practices. Another method under debate is changing to diets that curb such cereal-intensive foods as pork and beef, which require large volumes of feed to produce.



The turning point toward a sustainable society

Taniguchi: From now, I think we need “CSR as competitive advantage.” Based on the urban mine concept, if we recycle downstream resources, which are very valuable, we will not have to extract upstream natural resources, a fact that is surprisingly unknown. It is important to understand not only that we should be careful with natural resources but also that recycling is extremely beneficial in terms of global interests. Furthermore, such recycling efforts will leave more untouched natural resources for the next generation, the value of which we can regard as corporate value. This “CSR as competitive advantage” approach involves incorporating into evaluations monetary values ascribed



according to the level of contribution made by business activities to the external economy and numerical values given to the benefits resulting from environmental activities, which conventional financial statements do not recognize.

Kobayashi: Thank you very much for making this such a lively debate. Listening to your opinions made me ask myself, “Perhaps economic growth is not compatible with protecting the earth?” and “But, on the other hand, perhaps pursuing economic growth is unavoidable?” People have desire and they want to become better. However, becoming better does not just mean economic growth. This discussion has reaffirmed to me the need to capitalize on our expertise and technology to achieve a balance between advancing business activities, protecting the environment, and benefiting society. Today, society has reached a turning point. Going forward, the shift toward a sustainable society will likely gather momentum rapidly. And, the ITOCHU Group aims to stand at the forefront and lead that change.

Reflections after the stakeholder dialogue

Through this stakeholder dialogue, themed on “Considering Upstream Issues in the Cornerstone Businesses Comprising Society,” we gained multifaceted insights from various experts regarding the type of issues that general trading companies face.

The discussion generated thought-provoking proposals, particularly with respect to companies’ responsibility to ensure that consumers receive accurate information about the environmental cost of processes needed to secure natural resources. Also, the discussion reconfirmed to us the finite nature of natural resources and the importance of using them effectively.

Based on today’s dialogue, we will consider how to balance economic growth and issues related to natural resources and the environment, think about the roles and functions that we as a general trading company should perform to achieve this goal, and reflect our conclusions in business activities.

Toshihito Tamba
Executive Vice President
Chairman, CSR Committee

Business Outline of the ITOCHU Group

The businesses of the ITOCHU Group comprehensively encompass upstream raw materials business areas through to downstream retail business areas, enabling it to provide a wide variety of goods and services that support people's everyday lives. In order to advance businesses worldwide, we make the fullest use of our capabilities as a general trading company. In other words, we trade, invest in businesses, and add value to these businesses through their overall coordination.

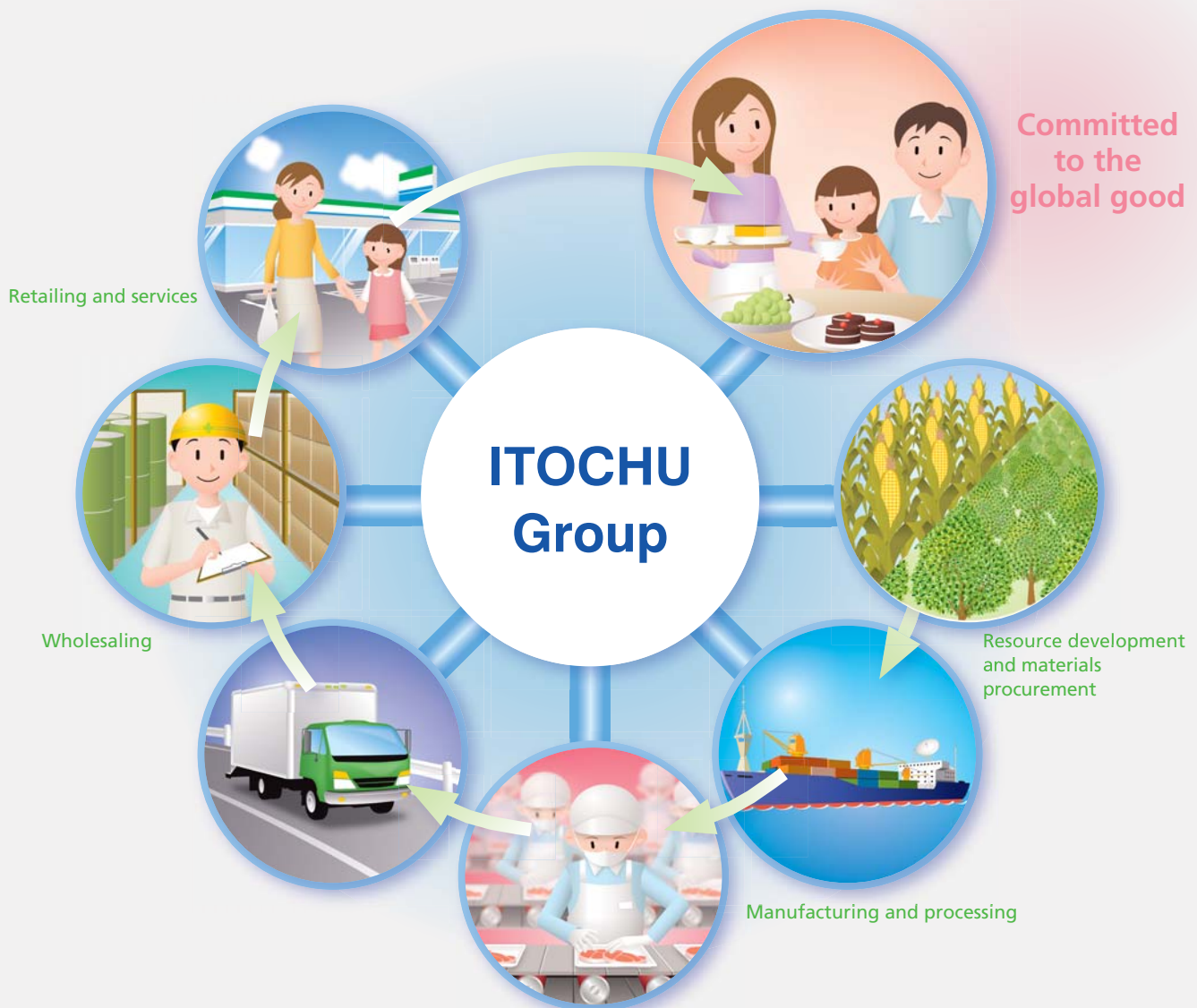
Further, a feature of the ITOCHU Group is its well-balanced business portfolio, which covers a broad range of industries and business areas.

Trading

Trading is our core capability. It is to find in-demand, quality goods and services worldwide, purchase them, add value to them, and deliver them to places where they are in demand. Delivering quality goods and services to those who need them helps enrich everyone's life physically and spiritually and realizes our *Committed to the global good* corporate credo.

Business investment

As well as trading, the ITOCHU Group develops businesses across a wide area by investing in or acquiring companies in key business areas and participating in their management. Those initiatives include upstream raw materials and natural resources development, midstream manufacturing and processing, and downstream retailing. By drawing on our diverse capabilities and deploying personnel, capital, and expertise to develop businesses, we strengthen group corporate management and build sound value chains linking upstream through to downstream businesses.

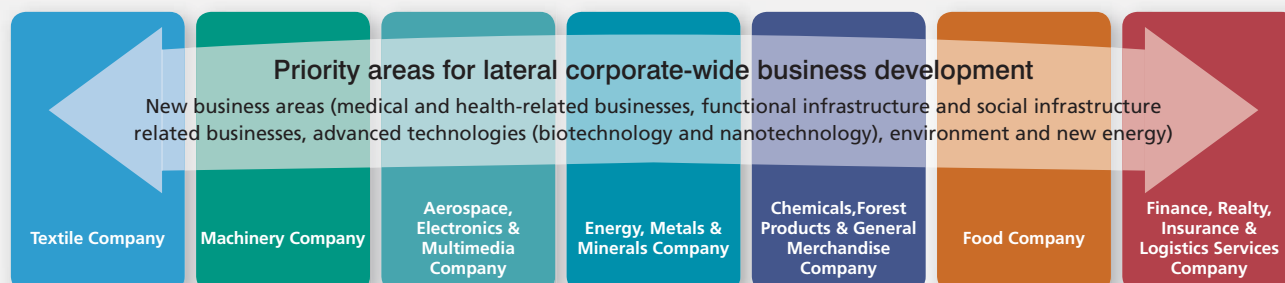


The distinctive features and roles of Division Companies

ITOCHU Corporation uses a Division Company system in which each Division Company is responsible for corporate management in its business area. The resulting fast, flexible decision making enables us to operate businesses that cater to demand in a wide range of industries and business areas.

Also, ITOCHU Corporation develops lateral corporate-wide

businesses that concentrate the collective strength of Division Companies. Our medium-term management plan positions the lateral development of new corporate-wide businesses as a priority strategy in efforts to adopt a more aggressive approach to corporate management. Accordingly, we are developing businesses laterally to create synergies.



Overview of Division Companies

Summary of businesses	Major products and services	Major group companies	Report page
<p>Textile Company</p> <p>The Division Company globally develops businesses that range from raw materials to apparel and fashion goods. Not limited to the garment business area, its activities cover a broad spectrum of consumer-related businesses, including food and living. While the Textile Company expands brand businesses, which is one of its core businesses, to overseas market, it also promotes further development of advanced technologies and focuses on new sales channels in the retail business area such as television and Internet shopping. By taking on the challenges of creating new business models, the Company aims to gain stable earnings and continuous growth.</p>	Textile raw materials, industrial textiles, textiles, apparel, fashion goods, branded products and services such as apparel, food, and living	<ul style="list-style-type: none"> • ITOCHU FASHION SYSTEM Co., Ltd. • ROY-NE CO., LTD. • JOI'X CORPORATION • ITOCHU TEXTILE (CHINA) CO., LTD. • Prominent Apparel Ltd. 	P19
<p>Machinery Company</p> <p>With a mission to contribute to the development of local communities and international society, the Machinery Company develops infrastructure overseas as well as investing in businesses and trading in areas that include automobiles, ships, construction machinery, and industrial machinery. Also, the Division Company develops environment-friendly businesses, including trading in equipment related to water resources and the environment and the development of businesses related to renewable and alternative energy sources.</p>	Gas, oil, and petrochemical plants, ships, automobiles, railway rolling stock, power generation equipment, construction machinery, textile machinery, industrial machinery, medical equipment, electronic devices and equipment, equipment related to water resources and the environment	<ul style="list-style-type: none"> • ITOCHU Plantech Inc. • ITOCHU Automobile Corporation • ITOCHU Sanki Corporation • MCL Group Limited • ITOCHU Automobile America Inc. • Century Leasing System, Inc. 	P21
<p>Aerospace, Electronics & Multimedia Company</p> <p>The Division Company's IT & Business Solutions Division and Media Business Division help improve the convenience and efficiency of everyday life mainly through investment in businesses in the areas of IT-related services, media content, and mobile telecommunication equipment and services. The Aerospace & Electronic Systems Division engages in trading in such areas as the sale and leasing of aircraft and the sale of aerospace and security equipment.</p>	Programming supply and entertainment business, mobile telecommunication equipment and services, IT services and related equipment, systems and related equipment for computers and information processing, e-business, aerospace equipment, equipment related to security and electronic systems	<ul style="list-style-type: none"> • ITOCHU Aviation Co., Ltd. • ITOCHU Techno-Solutions Corporation • Excite Japan Co., Ltd. • ITC NETWORKS CORPORATION • NANO Media Inc. • SPACE SHOWER NETWORKS INC. 	P23
<p>Energy, Metals & Minerals Company</p> <p>Centered on business investment and trading, this Division Company is involved in the development and stable supply of mineral resources and energy, natural resource recycling business, and the development of new energy that minimizes the environmental burden. The Division Company provides stable supplies of mineral resources and energy to Japan and other countries and contributes to the economic development of resource-producing countries and the creation of a recycling society through resource recycling.</p>	Crude oil, petroleum products, LPG, LNG, nuclear fuel, iron ore, coal, aluminum, steel scrap, steel products, DME, solar cell related products	<ul style="list-style-type: none"> • ITOCHU Metals Corporation • ITOCHU Petroleum Japan Ltd. • ITOCHU Minerals & Energy of Australia Pty Ltd • ITOCHU Oil Exploration (Azerbaijan) Inc. • Marubeni-Itochu Steel Inc. • ITOCHU ENEX CO., LTD. 	P25
<p>Chemicals, Forest Products & General Merchandise Company</p> <p>The Division Company comprises the Forest Products & General Merchandise Division, which handles lumber, housing materials, paper, pulp, afforestation, natural rubber, tires, glass, cement, and other materials, and the Chemicals Division, which deals in organic and inorganic chemicals, plastics, and other chemical products. With businesses catering to a broad range of customer groups, from upstream industries through to downstream consumers, the Division Company helps make people's everyday lives the world over safe and convenient.</p>	Logs and lumber, building materials, chips, pulp, paper, crude rubber, tires, ceramic products, basic chemicals, fine chemicals, pharmaceutical raw materials, inorganic chemicals, plastics, various consumer products	<ul style="list-style-type: none"> • ITOCHU Kenzai Corp. • ITOCHU Pulp & Paper Corp. • ITOCHU CHEMICAL FRONTIER Corporation • ITOCHU PLASTICS INC. • DAIKEN CORPORATION • TAKIRON Co., Ltd. • C.I. KASEI Co., Ltd. 	P27
<p>Food Company</p> <p>The Division Company combines trading and business investment in Japan and overseas to develop food value chains that extend from food resource development, production, and processing through to intermediate distribution and retailing. The Food Company's mission is to protect people's lives by providing a stable supply of safe food.</p>	Wheat, barley, flour, rice, starch, vegetable oil, soybeans, corn, soybean oil, rapeseed oil, sugar, sweeteners, isomerized sugar syrup, dairy products, coffee, liquor, cacao, fruit juice, beverages, marine products, livestock products, fruit and vegetables, frozen vegetables, frozen seafood, commercial-use ingredients, processed food, confectionery, frozen food, canned food, pet food	<ul style="list-style-type: none"> • ITOCHU SHOKUJIN Co., Ltd. • NIPPON ACCESS, INC. • Japan Foods Co., Ltd. • Fuji Oil Co., Ltd. • FamilyMart Co., Ltd. • YOSHINOYA HOLDINGS • Yayoi Foods Co., Ltd. 	P29
<p>Finance, Realty, Insurance & Logistics Services Company</p> <p>The Financial & Insurance Services Division advances business in the areas of corporate financial solutions, which use financing techniques; insurance and reinsurance agent businesses; and underwriting. The Construction & Realty Division is engaged in the development of housing, logistics facilities, commercial facilities, and office facilities that uses real estate securitization methods (real estate funds) and undertakes housing-related businesses such as condominium businesses. The Logistics Services Division is responsible for logistics inside and outside the ITOCHU Group. In particular, the Division is developing integrated logistics value chains overseas.</p>	Foreign exchange, credit card business, fund (securitization) business, insurance agent business and insurance broker business, real estate securitization business, housing-related business, international general logistics	<ul style="list-style-type: none"> • ITOCHU Finance Corporation • ITOCHU Property Development, Ltd. • ITOCHU Urban Community Ltd. • CENTURY 21 REAL ESTATE OF JAPAN LTD. • i-LOGISTICS CORP. • Orient Corporation 	P31

Textile Company

CSR Action Plans and Report on Activities

At the Textile Company, we regard the realization of a healthy, prosperous, and active society as our mission. Accordingly, we will take concrete measures to achieve rigorous supply chain management and respond to customers and consumers, reflecting the priority we place on such CSR issues as further improving safety and customer satisfaction for goods and services. Also, the Textile Company will strengthen CSR initiatives by promoting environmental businesses and continuing CSR activities at group companies.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies *2
All divisions	Respond to risks associated with procurement	Based on a standard CSR survey sheet that the Division Company prepared, begin supply chain investigation of main overseas suppliers concentrating on China	★★★	All divisions narrowed down suppliers to be investigated, sales managers visited 16 companies and conducted interview investigations P.20, Major CSR initiatives 2	Continue investigative visits while analyzing investigation results	1 2 4
Textile Material & Industrial Textile Division	Promote businesses that conserve the environment	Establish mass production system for non-water dyes at INKMAX CO., LTD.	★★	Began sales of ink-jet printers and printing services for non-water dyes	Expand business in North American and European markets and in materials area	1 2
Apparel Division	Strengthen response to customers and consumers	Continue CSR education at meetings within division	★★★	Section managers, coordinators, and logistics section managers participated in CSR practice review meetings (three times), undertook compliance reminders, and rigorously informed employees about compliance at meetings within division	Continue participation in CSR practice review meetings and implement CSR education at meetings within division Strengthen communication with customers	1 2 3
Brand Marketing Division 1	Strengthen response to customers and consumers	Continue holding meetings to pass on brand business targeting young to mid-career employees	★★★	Division Company organized lectures for group companies themed on responding to consumers P.20, Major CSR initiatives 3 Held meetings within division to pass on brand business	Implement meetings and plans related to CSR and compliance, such as meetings and plans for group companies about responding to consumers Continue holding meetings within division to pass on brand business	1 2 3
Brand Marketing Division 2	Strengthen response to customers and consumers	Continue CSR education at meetings within division	★★★	Section managers, coordinators, and logistics section managers participated in CSR practice review meetings (three times), undertook compliance reminders, and rigorously informed employees about compliance at meetings within division	Continue participation in CSR practice review meetings and implement CSR education at meetings within division Strengthen communication with customers	1 2 3
Planning & Coordinating Department, Affiliate Administration Section	Implement at group companies	Promote implementation of CSR initiatives at group companies	★★★	Two group companies newly prepared CSR action plans Implemented compliance education at meetings of managers of group companies and at separate training sessions	Continue compliance education targeting group companies Increase number of companies that participate in CSR initiatives	1/2 3/4

*1: ★★★: Achieved ★★: Nearly achieved ★: Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier+ 2008" on page 8

Perspectives from a third-party participant in our CSR meeting

Kikuko Tatsumi
Executive Director,
Nippon Association of Consumer Specialists



The life of apparel products covers considerable time and space. At present, when we purchase clothing it does not include information about its life. As a result, consumers do not think about the lives of products. Furthermore, there is no way for us to know that ITOCHU Corporation is deeply involved in those lives of products.

However, sensitive consumers are rapidly turning their attention to the various stages of the lives of products. Consumers are increasingly interested in the social and environmental friendliness of the lives of products, who is evaluating these facets, and how they evaluate them. The time when consumers demand explanations is coming relentlessly. The CSR management of the supply chain that ITOCHU Corporation is currently advancing can become one step toward meeting those demands for explanations. But, how will ITOCHU Corporation communicate its findings to consumers? With respect to its entire supply chain, expectations of ITOCHU Corporation are surely increasing.

Helping people lead affluent lives full of excitement

Masahiro Okafuji

President, Textile Company

We cater to diversifying customer demand by creating new value and continuing to pursue reliable quality and services that provide peace of mind. In fiscal 2008, the Textile Company will continue to implement and strengthen measures under those themes to enrich the infrastructure of people's everyday lives and will help as many people as possible to live exciting, active lives.



Major CSR initiatives 1

Pre-Organic Project

Cotton cultivation accounts for approximately 25% of agricultural chemical use worldwide. Organic cotton is cultivated on land where agricultural chemicals have not been used for three years, and instead non-chemical fertilizers are used. Encouraging the spread of organic cotton will improve the health of the global environment and cotton producers. The Textile Company began its organic cotton business from the beginning of the 1990s. However, the significant cost to farmers of changing over to organic cultivation hindered an increase in the acreage under cultivation. In response, the Textile Company achieved product traceability through an alliance with an organic agriculture support association in India. At the same time, the Division Company launched the Pre-Organic Project, which uses cotton harvested during the three years until farmers' cotton gains recognition as organic cotton.

In this initiative, we commercialized, marketed, and increased the visibility of pre-organic cotton through cooperation with *kurkku*, represented by the music producer Takeshi Kobayashi, known for his involvement with Mr. Children and other artists. As a result, we are helping increase the acreage under organic cotton cultivation and conserve the global environment.

Tetsuro Kano

Manager, Textile Materials Department 2,
ITOCHU Textile Materials (Asia) Ltd. (Hong Kong S.A.R, China)



All organic cotton is handpicked.



Mr. Children tour merchandise made from organic cotton

Major CSR initiatives 2

Supply chain investigation

Takuro Sakatoku

Apparel Department 2, Apparel Division



In order to understand the actual situation of product procurement, we prepared a supply chain management survey sheet that included questions under 12 categories, such as compliance, protection of human rights, and environmental measures. Based on that survey sheet, we conducted a survey of the major overseas suppliers of our divisions. Salespeople in charge at Head Office actually visited overseas suppliers and conducted interviews with the managers of 16 companies. Aiming to achieve product procurement that reflects CSR, we will broaden the scope of these investigations in fiscal 2008.



Sewing plant in Vietnam

Major CSR initiatives 3

Lecture on responding to customers and consumers

Katsuhiko Yonemushi

Brand Marketing Division 1



Because the Textile Company has businesses that are close to consumers, communication with customers and consumers is an important issue. In particular, group companies face that issue more often because they have more direct contact with consumers. Mindful of that, in February 2008 we invited lecturers from Watami Co., Ltd., and Wacoal Corp. to conduct lectures on responding to customers and consumers, mainly for group companies. Both from companies that emphasize communication with consumers and use it to achieve success in business, the lecturers gave talks that were extremely interesting and instructive for attendees.



A lecture on communication with consumers

Machinery Company CSR Action Plans and Report on Activities

The Machinery Company will endeavor to help toward the realization of a society that is in harmony with the environment by developing environment-friendly businesses and products that reduce substances that impact the environment adversely and increasing sales of the resulting products. Also, we will ensure strict compliance and contribute to the prosperity of local communities and international society.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic Policies *2
Plant & Project Division	Supply clean energy	Continue activities to get orders for LNG carriers and terminal projects	★ ★	Currently continuing activities to get orders for LNG carriers	Promote new LNG carriers and terminal projects	
	Resolve transportation problems (traffic congestion, exhaust emissions, etc.)	Continue to promote High-Speed Surface Transport (HSST, magnetic levitation transportation system) / transportation/infrastructure projects	★ ★ ★	Advancement in progress	Continue promoting specific projects	
	Promote projects to increase energy usage efficiency/reduce substances with adverse environmental impact	<ul style="list-style-type: none"> Promote Energy from Waste (EfW) projects, biomass power generation in Europe Develop and promote geothermal power generation businesses, alternative energy businesses in Southeast Asia Continue power station renovation and activities to get orders for desulfurization equipment in Eastern Europe Increase sales and new development of energy-conserving / environment-friendly equipment, including Doormiser 	★ ★ ★ ★	Actively promoted respective projects. Generally progressing favorably	<ul style="list-style-type: none"> Continue to promote Energy from Waste (EfW) projects and renewable energy businesses in Europe Promote geothermal power generation business projects in Southeast Asia Pursue sales and new development of energy-conserving/environment-friendly equipment 	
	Secure and utilize water resources	—————	—	—————	<ul style="list-style-type: none"> Promote seawater desalination plant/rehabilitation projects, etc. P. 22, Major CSR Initiatives 2 Increase sales of filtration systems for underground water 	
Automobile Division	Sell and commercialize equipment that reduces substances with adverse environmental impact	<ul style="list-style-type: none"> Continue selling diesel engines for Chinese market and surveying Chinese market Develop and commercialize high-performance Diesel Particulate Filters (DPFs) 	★ ★ ★	Business negotiations with manufacturers in progress (also completed construction of DPF prototype vehicle, surveying of Chinese market and other markets in progress)	<ul style="list-style-type: none"> Market diesel engines for China Undertake technological evaluation of DPF prototype vehicle Consider possibility of commercializing new exhaust emissions cleaning system as equipment to reduce substances with adverse environmental impact 	
Industrial Machinery & Solution Division	Undertake solar cell businesses to reduce substances with adverse environmental impact	<ul style="list-style-type: none"> Continue selling manufacturing equipment and considering business development possibilities Promote sales of solar cell modules and power generation systems mainly in North America 	★ ★ ★	Achieved solid results for equipment sales. Also promoted sales in North America, Europe, and other markets P. 22, Major CSR Initiatives 1	<ul style="list-style-type: none"> Continue to expand sales of manufacturing equipment Continue to promote sales of solar power generation systems and expand initiatives for solar energy related businesses 	
All divisions	Develop CSR activities	Promote implementation of CSR activities by group companies	★ ★ ★	Selected three new companies, total of four companies prepared action plans. Also conducted CSR supply chain investigation	<ul style="list-style-type: none"> Implement steadily and continue CSR activities in Group Conduct CSR supply chain investigations and spread CSR checklists 	4
	Strengthen communication	Hold compliance seminars, including special industrial laws and promote CSR education	★ ★ ★	Held meetings of compliance officers and Division Company seminars every six months	Hold compliance seminars, including special industrial laws, and promote CSR education	1 3

*1: ★★: Achieved ★: Nearly achieved ☆: Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier+ 2008" on page 8

Perspectives from a third-party participant in our CSR meeting

Hitoshi Ikuma

Director/Head of Center for the Strategy of Emergence
The Japan Research Institute, Limited



CSR initiatives on a companywide basis have become quite common. However, I think the inclusion in ITOCHU Corporation's CSR report of commitments from each operating division is unique and meaningful because it means we can expect ITOCHU Corporation to achieve even more if an awareness of CSR spreads throughout actual operations. On the other hand, I feel it is important to realize that it is difficult for operating divisions with responsibility for earnings to focus on CSR activities on the same level as those pursued on a companywide basis. At the CSR meeting, I heard about many initiatives that are meaningful from the viewpoint of CSR. I hope that those initiatives will lead to the development of the kind of CSR activities that only a major trading company can achieve.

Policies and tasks for fiscal 2008

Developing environment-friendly businesses overseas

Takanobu Furuta

President, Machinery Company

In fiscal 2008, continuing from the previous year, we will step up initiatives to develop environmental and energy-conserving businesses in adherence with our mission of fulfilling social responsibility through environment-friendly businesses. Further, we will accelerate the development of businesses involved in new energy and related equipment—including solar energy, geothermal energy, and biomass energy—and businesses involved in water resources, such as seawater desalination projects, etc. Also we will encourage CSR activities at group companies and steadily implement environmental management of the Machinery Company group.



Major CSR initiatives 1

Promoting solar projects

In June 2007, we acquired U.S. company SOLAR DEPOT, INC., a wholesale distribution and systems integrator of solar electric and solar thermal systems. The company boasts one of the largest shares of the market for residential-use solar electric and solar thermal systems in California, which accounts for 70% of its operations in the United States.

As well as increasing sales of residential-use and commercial-use solar electric and solar thermal systems globally, we are marketing solar cell manufacturing equipment upstream. Downstream, we are furthering solar projects, including those that combine solar power generation businesses (solar park) and storage battery businesses. (Joint promotion is in progress with the Energy, Metals & Minerals Company.)

Ichiro Okura

Manager, Operational Strategy/Development Section,
Industrial Machinery & Solution Division



SOLAR DEPOT, INC.

Major CSR initiatives 2

Developing businesses related to water resources



Akihiko Suzuki
Representative Manager,
Plant & Project Business Development Department, Plant & Project Division

Over more than 30 years, we have delivered a large amount of on-land-use seawater desalination plant, primarily in the Middle East. In Saudi Arabia, we established a joint venture company with a major Saudi corporate group in 2002. Through that company, we are concentrating efforts on getting orders for new projects. Also, we further strengthened our businesses related to water resources by concluding a capital tie-up with Sasakura Engineering Co., Ltd., in February 2008.



A ceremony marking the completion of renovation of a desalination plant at the Jeddah desalination plant in Jeddah

CSR initiatives by a major group company

The CSR activities of ITOCHU Automobile Corporation

ITOCHU Automobile Corporation prepared CSR action plans for fiscal 2008 that address its corporate management and main business activities. In corporate management efforts, we are taking the initiative to further develop our compliance systems, the foundation of CSR, conduct CSR education, prepare business continuity plans (BCPs), and improve workplace environments. In our main business activities, we are promoting operations that reflect CSR by reducing adverse environmental impact through the sale of genuine parts for automobile repair and realizing safe and favorable labor conditions at overseas group companies.

Tadashi Tanowaki
Manager, Human Resources/
General Affairs Section,
ITOCHU Automobile Corporation



A CSR seminar at Dalian office



Aerospace, Electronics & Multimedia Company CSR Action Plans and Report on Activities

The Aerospace, Electronics & Multimedia Company has consistently been in the vanguard of the development of new industries and business areas, such as media businesses, Internet-related businesses, and life science businesses. "Developing new markets and contributing to the achievement of a safe, convenient, and wealthy society" is the Division Company's mission and raison d'être. By pursuing that mission, we will bolster our CSR initiatives.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic Policies *2
Aerospace & Electronic Systems Division	Improve convenience/safety in air transportation business area	<ul style="list-style-type: none"> Promote communication with clients, understand needs accurately, provide products that contribute to safety and peace of mind (security equipment, medical helicopters/rescue helicopters, etc.) Continue close communication with suppliers and follow new technologies and products Promote marketing activities for aircraft insulation materials with greater fire-resistance Strengthen Group compliance management 	★ ★	<ul style="list-style-type: none"> Won major orders in security business area and delivered medical helicopters / rescue helicopters to local governments Discovered past case at a group company that may infringe upon the Self-Defense Forces Personnel Ethics Act. Conducted training for personnel at headquarters and group companies to prevent recurrence 	<ul style="list-style-type: none"> Continue to propose and offer solutions based on products such as medical helicopters and security equipment that contribute to the building of safe, secure social infrastructure Continue to strengthen compliance systems by conducting training about national civil service ethics law (Self-Defense Forces Personnel Ethics Act) 	1 2
	Take on new business areas	<ul style="list-style-type: none"> Develop value-added services in business areas related to health examinations Strengthen systems for investments in IT ventures in Europe and North America Organize education funds Support venture businesses originating from Waseda University 	★ ★ ★	<ul style="list-style-type: none"> Constructed foundations for medical representatives dispatching business in the life science business area targeting pharmaceutical companies Began building environment-friendly data center P.24 	<ul style="list-style-type: none"> Start up new businesses in the life science business area Consider the possibility of investing in North American and European companies/funds in such business areas as "green tech" Implement Internet technology contest for university students 	1 2
IT & Business Solutions Division	Strengthen information security management	<ul style="list-style-type: none"> Continue upgrading hardware and software related to information security and conducting information security education for employees Encourage group companies to acquire ISMS/P Mark certification 	★ ★ ★	<ul style="list-style-type: none"> Continued ISMS (information security management system) training and verification tests for division personnel Supported acquisition of privacy marks by group companies 	<ul style="list-style-type: none"> Continue upgrading hardware and software related to information security and conducting information security education for employees Continue supporting acquisition of ISMS/P Mark certification by group companies 	2 3
	Realize businesses based on 3R philosophy	<ul style="list-style-type: none"> Encourage shift to MOTTAINAI lifestyle and take steps to increase licensees Consider and implement measures to popularize mobile handset insurance service 	★ ★ ★	<ul style="list-style-type: none"> Concentrated efforts on spreading philosophy through development/sale of MOTTAINAI products P.24, Major CSR Initiatives Increased customers for mobile phone insurance and warranty services thanks to introduction of new mobile handset sales models 	<ul style="list-style-type: none"> Increase sales of MOTTAINAI products and continue to popularize philosophy through brand development Continue measures to promote spread of mobile handset insurance services 	1 3
Media Business Division	Provide new high-value-added services and applications and spread appealing content	<ul style="list-style-type: none"> Consider and implement measures to ascertain needs of customers (general consumers) Research venture firms inside and outside Japan with unique technologies and products Maintain and construct networks to acquire and spread content 	★ ★ ★	<ul style="list-style-type: none"> Began operation of mobile social networking service (SNS) through SPACE SHOWER NETWORKS INC., built system that reflects user preferences in programs 	<ul style="list-style-type: none"> Consider the possibility of value-added services that contribute to increased user convenience by using mobile-based infrastructure, next-generation networks (NGNs), etc. Begin specific measures for the overseas roll-out of content originating in Japan 	1 2
	Strengthen information security management	<ul style="list-style-type: none"> Reform information security systems of group companies and conduct information security education for employees 	★ ★ ★	<ul style="list-style-type: none"> Built operational systems in accordance with information security guidelines at major group companies 	<ul style="list-style-type: none"> Build information security management systems at group companies concentrating on sub-subsidiaries 	2 3
All divisions	Implement CSR management of major group companies	<ul style="list-style-type: none"> Conduct fact-finding investigations of target companies and based on results identify CSR tasks and prepare action plans 	★ ★ ★	<ul style="list-style-type: none"> Selected target companies and supported preparation of action plans for fiscal 2008 	<ul style="list-style-type: none"> Begin CSR management operations through PDCA cycles 	4

*1: ★★ ★★: Achieved ★★: Nearly achieved ★: Unachieved
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Perspectives from a third-party participant in our CSR meeting

Mika Takaoka, Ph.D.

Associate Professor, College of Business, RIKKYO UNIVERSITY

Efforts by the Division Company to establish CSR targets tailored to the business characteristics of divisions that differ greatly from each other gives a sense of its strong commitment to CSR. In CSR initiatives, the Aerospace & Electronic Systems Division pursues rigorous compliance while the IT & Business Solutions Division and Media Business Division aim to build "a society that simultaneously realizes peace of mind, safety, and convenience." Handling IT solutions and media contents services, the IT & Business Solutions Division and Media Business Division will likely see their business lines multiply. In commercial distribution, the planning capabilities of a trading company play a more important role when the company is handling services, as compared with the handling of normal goods. Therefore, if employees have a shared vision of an "ideal sustainable society" and offer customer solutions based on new services that reflect that vision, the Division Company will be able to promote its CSR initiatives into a new phase.



Tackling new businesses and strengthening compliance

Hiroo Inoue

President, Aerospace, Electronics & Multimedia Company

In fiscal 2008, we will consistently pursue initiatives for new products and services in the business areas of aerospace, electronics, information technology, and media to realize a convenient, wealthy society. Also, given its distinctive business characteristics due to engagement with IT infrastructure businesses and close involvement with general consumers, the Division Company will continue to strengthen compliance systems based on an awareness that compliance in information security management and other areas is its highest-priority CSR task.



Major CSR initiatives

Stepping up MOTTAINAI brand roll-out

The Aerospace, Electronics & Multimedia Company is marketing and developing the MOTTAINAI recycling-society brand based on the 3R (Reduce, Reuse, Recycle) + Respect concept that 2004 Nobel Prize winner Wangari Maathai advocates. In fiscal 2007, we jointly launched an environment-friendly school uniform brand MOTTAINAI SCHOOL with CHIKUMA & CO., LTD. In another joint effort, we launched MOTTAINAI TOUR with GLOBE-TROTTER T&E Inc. Other efforts to popularize the MOTTAINAI lifestyle include the marketing of personal chopsticks and shopping bags with original illustrations that communicate the MOTTAINAI concept in a readily understandable way.

MOTTAINAI official web site URL <http://www.mottainai.info/english/>

Suguru Yamaryo
Content Business,
Network & Content Business Department,
Media Business Division



Some MOTTAINAI-brand products

CSR initiatives by a major group company–1

ITCN Assist acquires special subsidiary accreditation

In June 2007, ITC NETWORKS CORPORATION established ITCN Assist as a wholly owned subsidiary in order to create opportunities for the employment of the physically challenged. ITC NETWORKS CORPORATION consigns a portion of its distribution operations to the new subsidiary and has created an environment suited to individuals with disabilities by, for example, adopting employment regulations that make it easy for the physically challenged to work. Consequently, the subsidiary gained recognition as a special subsidiary as stipulated by the Law for Employment Promotion, etc. of the Disabled in October 2007. The subsidiary will fulfill its CSR by supporting the participation of the physically challenged in society.



Working at ITCN Assist

CSR initiatives by a major group company–2

CTC breaks ground for environment-friendly data center

ITOCHU Techno-Solutions Corporation (CTC) began construction of the Mejirozaka Data Center in Bunkyo-ku, Tokyo. We will create an environment-friendly, green data center by using a direct-current power source and incorporating a heat-venting system that fully exploits the building's characteristics and highly efficient air conditioners. CTC participates in Green Grid, an IT industry body established to improve the energy efficiency of data centers, and will continue to develop data center operations based on consideration for the environment.



An image of CTC's new data center

Energy, Metals & Minerals Company CSR Action Plans and Report on Activities

1) Develop natural resources and energy and provide stable supplies to contribute to the steady progress of society at large. 2) Recycle and recover resources from recyclable waste appropriately and enforce environmental and security measures for tankers and tanks rigorously. 3) Develop new, green energy that does not burden the global environment and pursue business initiatives in the areas of solar power generation, bioethanol, dimethyl ether (DME), and emissions trading. Concentrating on the above tasks, we will prepare and carry out CSR action plans while taking on the challenge of such new initiatives as popularizing and promoting energy-conserving businesses.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies *2
Metals, Mineral Resources & Coal Division	Recycle and recover resources from recyclable waste appropriately	Comply with process management requirements pursuant to the revised Law Concerning the Recovery and Destruction of Fluorocarbons and apply even stricter standards in selection of waste processing companies	★ ★ ★	Visited waste producers and explained requirements as well as visited waste processing companies and explained requirements, rigorously informed related parties and requested participation in national and industry presentations	Revise system for checking appropriateness of industrial waste processing	1 2
	Contribute to projects for reduction of greenhouse gas emissions	Increase emissions trading, develop solar cells and other forms of renewable energy, and build value chains to increase sales of these products	★ ★ ★	Increased emissions trading, decided to undertake Clean Development Mechanism (CDM) projects based on pig farm methane gas processing P. 48 . Decided to investment in solar cell related businesses and intensify involvement P. 26: Major CSR initiatives	Promote and expand CDM projects to further reduce emissions	1 2
Energy Development Division	Take measures to counter global warming and conserve global environment	Implement all possible environmental measures through discussions with operators and partners	★ ★ ★	Intensified discussions with operators and partners about environmental measures through management meetings, operational meetings, and other meetings	Develop applications for dimethyl ether (DME), advance creation of businesses and promote energy projects that minimize environmental burden	1 2
	Contribute to social advancement in resource-developing countries	Contribute to education, culture, and sports in local communities where projects underway	★ ★ ★	Donated sports equipment and promoted sports in local communities where projects underway	Promote educational and cultural contributions in local communities where projects underway	1
Energy Trade Division	Prevent tanker accidents and realize thorough responses to emergencies	Comply rigorously with in-house control regulations for chartered ships to prevent tanker and terminal accidents and implement environmental conservation measures rigorously and revise them periodically	★ ★ ★	Held in-house study sessions, informed employees about control regulations for chartered ships. Began analyzing risk related to terminals	Conduct environmental investigations of terminals based on even stricter standards	2
All divisions	Promote CSR education at overseas group companies	Implement programs for CSR education and training at overseas group companies engaged in trading	★ ★ ★	Implemented CSR education at overseas group companies using videos and other means	Implement CSR education at more overseas group companies	3 4

*1: ★★ ★: Achieved ★ ★: Nearly achieved ★: Unachieved

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Perspectives from a third-party participant in our CSR meeting

Masatsugu Taniguchi
Director,
United Nations University Zero Emissions Forum

It became clear to me that because their operations are in the uppermost stream, the personnel of the Energy, Metals & Minerals Company are very aware of CSR. In other words, as the Division Company has expanded its previous trade-based operational format to include business investment, its social responsibilities have become correspondingly more global. The enthusiasm of the participants in the CSR meeting was evident. I was particularly impressed that the Division Company discussed Brazilian bioethanol projects at management meetings from a CSR standpoint. In my view basic discussions involving senior management are more important than beautifully presented reports.



Accelerating businesses that contribute to society in the areas of natural resources, the environment, and reuse

Yoichi Kobayashi

President, Energy, Metals & Minerals Company

There is concern about natural resources shortages in the near future due to burgeoning demand worldwide for metals and energy resources, centered on such emerging economies as China and India. This Division Company develops and provides steady supplies of iron ore, coal, non-ferrous metals such as aluminum, precious metals, and other metal resources and energy resources such as crude oil, gas, and uranium. Also, we are moving forward with businesses that place less burden on the environment, including liquefied natural gas (LNG), dimethyl ether (DME), and solar power generation. At the same time, the Division Company is engaged in reusable bioethanol businesses, recycling businesses, emissions rights businesses tasked with reducing greenhouse gas emissions, and businesses that seek to spread energy conservation.



Major CSR initiatives

Building value chains linking upstream through to downstream businesses

In fiscal 2007, we invested in NorSun AS, a company that produces silicon wafers for solar cells, following up on the investment we made in the previous year. Further, we simultaneously considered the feasibility of a variety of projects under two main themes: participation in upstream polysilicon manufacturing businesses and participation in downstream systems integration businesses.

Michio Tanaka

Representative Manager, Solar Cell Section,
Metals & Mineral Resources Department,
Metals, Mineral Resources & Coal Division



In fiscal 2008, we will complete value chains and make maximum use of them to bed down operations. At the same time, we will pave the way toward the next stage of our development by discovering and commercializing new technologies. We aim to benefit society significantly by developing those businesses and expanding businesses in the area of solar cells, which are a green energy. (Joint promotion is underway with the Machinery Company.)

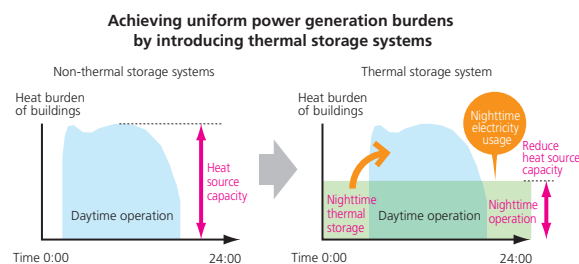
CSR initiatives by a major group company-1

Takashi Shirakawa
General Manager,
Business Development Department,
Aoyama Energy Service



Achieving uniform power generation burdens and promoting energy conservation through thermal storage

In Japan and overseas, we provide electricity-based energy conservation solutions for a variety of areas, including industry, transportation, households, and businesses. In the Middle East, we are catering to growing demand for electricity for air conditioners by introducing thermal storage systems. Moreover, we are popularizing those systems by offering consulting services for the preparation of programs relating to town development plans and energy measures. As well as countering global warming by reducing their CO₂ emissions, our customers benefit from lower investments in power station construction thanks to uniform electricity supply burdens and lower energy consumption thanks to stable operation of heat source equipment.



CSR initiatives by a major group company-2

Masayuki Uchida
General Manager,
Technical Evaluation, Technical Department,
ITOCHU Oil Exploration Co., Ltd.



Realizing environmental management of gas and oil fields

The companies that operate the oil and gas field development projects in which ITOCHU Corporation participates implement environmental management that complies rigorously to international standards and the domestic standards of oil-producing countries. In order to ensure compliance with our standards and those of stakeholders in Japan, we check the environmental management of operators and propose improvements as needed. Also, we will continue rigorously informing personnel of the insights gained through the preparation of CSR measures for respective projects.

Chemicals, Forest Products & General Merchandise Company CSR Action Plans and Report on Activities

Handling a wide variety of products and operating diverse businesses ranging from raw materials procurement through to sales to consumers, we view our main CSR tasks as protecting the natural environment and safely managing hazardous chemical substances. Aiming to provide safe, quality products, we will enrich people's lives by providing stable, timely supplies of products, natural resources, and commodities that match customer needs while giving the utmost consideration to the environment.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies *2
Forest Products & General Merchandise Division	Ensure raw material traceability and protect natural forests	Revise traceability questionnaire surveys and conduct investigative visits and questionnaire surveys	★ ★ ★	Made investigative visits to suppliers and conducted questionnaire surveys with additional questions about labor conditions and employment-related areas (sent 132 questionnaires, collected 120 responses, made 111 visits), sought to understand actual situation and implement education. Held three meetings with NGOs/NPOs	Upgrade questionnaire surveys, implement questionnaire surveys and investigative visits	1 / 2 4
	Comply with labor laws and statutory regulations	Add questions about labor conditions and employment environment to above questionnaire surveys	★ ★ ★	Reached target of 1.3 million tons annually for certified pulp handling. Requested suppliers to acquire CoC certification if they had not yet done so	Upgrade questionnaire surveys, implement questionnaire surveys and investigative visits	1 / 3 4
	Handle internationally certified forest products	Request increase in handling of certified pulp and request suppliers to acquire CoC certification if they have not yet done so	★ ★ ★	Revised work manuals appropriately	Continue requesting suppliers to acquire CoC certification if they have not yet done so, target 1.4 million tons annually for certified pulp handling	3 4
	Respond to the Green Purchasing Law	Revise work manuals	★ ★ ★	Increased handling of medium-density fiberboard (MDF) products low in formaldehyde 41% year on year	Continue initiatives in everyday operations	2 4
	Ensure product safety	Maintain system to supply products low in formaldehyde	★ ★ ★	Held three seminars for division personnel on chemicals laws and statutory regulations. Examined all products in relation to chemicals laws and statutory regulations	Supply products low in formaldehyde. Maintain system and develop new suppliers	2
Chemicals Division	Manage hazardous chemical substances	Continue compliance education including holding seminars	★ ★ ★	Held two seminars on REACH. Collected information with view to provisional registration, prepared list of affected products	Continue compliance education including holding seminars	1 / 2 3 / 4
		Respond to European RoHS directives and REACH regulations	★ ★ ★	Ascertained status of suppliers' acquisition of ISO certification through distribution of CSR survey sheets	Begin registering related products because provisional registration for REACH regulations begins from June 2008	1 / 2 3 / 4
	Procure safe, reliable products	Request suppliers to acquire ISO certification	★ ★ ★	Continue requesting suppliers to acquire ISO certification if they have not yet done so	2	

*1: ★★ ★★: Achieved ★★: Nearly achieved ★: Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier 2008" on page 8

Perspectives from a third-party participant in our CSR meeting

Izumi Satou

Lawyer, Member of Committee on Pollution Control and Preservation of Environment, Japan Federation of Bar Associations

Procurement that reflects CSR contributes to labor safety and conservation of the environment in developing nations. ITOCHU Corporation is undertaking appropriate CSR activities by adhering stringently to a policy of protecting natural forests and mainly purchasing internationally certified forest products in its procurement of paper, pulp and lumber and by comprehensively controlling hazardous chemical substances and providing related information. I look forward to ITOCHU Corporation forming alliances with even more stakeholders to broaden the scope of its CSR initiatives. For example, tie-ups with overseas local NGOs or initiatives to use Japan forestry resources come to mind. Regarding chemical substances, perhaps ITOCHU Corporation might consider alliances with upstream and downstream companies to tackle such issues as preventative measures to avoid adversely affecting the next generation and protecting consumers from sick building syndrome and other dangers.



Further advancing supply chain management

Koji Takayanagi

President, Chemicals, Forest Products & General Merchandise Company

The Forest Products & General Merchandise Division has been involved in environment-friendly initiatives for many years. In fiscal 2008, we will further those initiatives by increasing the ratio of internationally certified forest lumber and pulp that we handle and bolstering efforts to achieve traceability for raw materials. The Chemicals Division's highest priority tasks are compliance and safety control based on consideration of the whole supply chain. Accordingly, the Division will raise control to an even higher level by regularly checking laws and thoroughly educating employees about them.



Major CSR initiatives 1

Traceability and consideration for the environment

The Forest Products & General Merchandise Division conducts annual surveys on traceability and labor conditions of its raw materials and products suppliers in the lumber, pulp and paper industry through questionnaires as well as individual visits. We surveyed 120 companies and visited 111 in fiscal 2007. Daily contacts and regular surveys revealed that our suppliers adequately understand and continue to carry out business in accordance with ITOCHU's procurement policy.

Through our investments in overseas plantation projects, we aim to increase handling volumes of plantation-based renewable raw materials and products, and certified forest products. The percentage of certified pulp traded in fiscal 2007 decreased to 78% from the 81% in fiscal 2006, but traded volume increased by 10%.

Tomoaki Kato

General Manager, Forest Resources & Products Department,
Forest Products & General Merchandise Division



Celulose Nipo-Brasileira S.A. (CENIBRA) Plantation

Major CSR initiatives 2

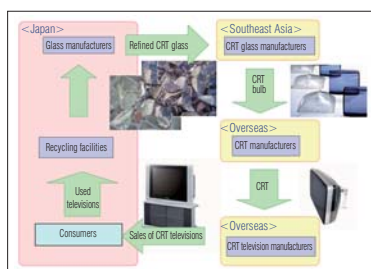
Prompting television recycling



Keiji Mizuta

General Manager, Inorganic Chemicals Department, Chemicals Division

As the 2011 introduction of digital broadcasting approaches, people are discarding cathode-ray tube televisions in increasing numbers. At the Inorganic Chemicals Department, we recycle such televisions and sell the resulting raw material to overseas glass manufacturers. Due to the robust network that ITOCHU Metals Corporation has built among recycling plants and the Chemicals Division's long-standing relationships with glass manufacturers, the volume of such recycled raw material that we handle is growing steadily. At present, we handle approximately half of the raw material recycled from televisions in Japan. Furthermore, when used to make glass, the recycled raw material, or cullet, melts more easily than regular raw materials, affording glass manufacturers the added benefit of being able to operate furnaces at lower temperatures and thereby conserve considerable amounts of energy. This project capitalizes on Japan's outstanding environmental technology to make a valuable contribution environmental conservation efforts.



Cullet recycling

CSR initiatives by a major group company

ITOCHU CHEMICAL FRONTIER CORPORATION undertakes desert greening project in China

In partnership with a Japanese manufacturer and a local public research institution, ITOCHU CHEMICAL FRONTIER CORPORATION is conducting trials in the Hsinchiang Uighur Autonomous Region of China to ascertain the feasibility of a forestation businesses based on the use of an acrylic-acid-type water retention agent. In this large area, Hsinchiang Uighur is 1.65 million square kilometers, advancing desertification causes the yellow sand phenomenon that affects China, Japan, and South Korea and is becoming a worldwide environmental problem. In pursuing this project, our mission and our hope is to grow willows or other plants in the desert.



Desert greening project in Hsinchiang Uighur Autonomous Region

Food Company CSR Action Plans and Report on Activities

Driven by customer demand, the Food Company organically links upstream, midstream, and downstream businesses worldwide. As a general trading company, we have to cater to society's diverse needs. Working tirelessly, the Division Company responds to fluctuating prices and realizes its mission to provide consumers with stable supplies of safe food.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic Policies *2
Provisions Division	Build systems for stable supply of safe and secure raw materials	Maintain and reinforce capabilities to select appropriate suppliers Communicate consumer needs continuously to production regions Continue educating suppliers Establish quality control systems	★ ★ ★	Checked safety by testing new-year crops for residual agricultural chemicals Started up supply system for non-genetically-modified soybeans produced in China	Continue to provide information to production regions (residual agricultural chemicals etc.) Maintain production bases for non-genetically-modified crops	2
	Develop and introduce production processes, products, and packaging that burden the environment less	1. Develop applications for by-products 2. Promote introduction of products and packaging that burden the environment less	★ ★ ★	Started rearing dairy cattle and growing fruit and vegetables through recycling based agricultural project in Shandong, China	Promote agricultural project in Shandong, China, increase sales channels	4
Fresh Food & Food Business Solutions Division	Improve and strengthen control systems for production regions	1. Introduce and use Japan Agricultural Standards (JAS) for production information disclosure 2. Take measures for domestically grown fruit and vegetables	★ ★ ★	1. Prepared for introduction of accreditation under JAS 2. Established sales company for domestically grown fruit and vegetables (I-Square Corporation) on August 31. Marketed differentiated fruit and vegetables page 30, case study 1 P. 30. Major CSR initiatives 2 3. Continued traceability management for eels 4. Audited frozen food processing plant in China 5. Checked inspection systems and established inspection policies in Japan and in regions producing frozen food raw materials and products	1. Continue traceability management 2. Handle products compliant with JAS for production information disclosure 3. Expand business of sales company for domestically grown fruit and vegetables 4. Prepare and implement schedules for visiting plants other than those in China 5. Implement inspections in accordance with inspection policy for frozen food and expand and improve inspection system 6. Establish food safety Task Force (TF) within divisions and develop systems within divisions	3
	Promote appropriate food labeling	1. Continue education internally and externally 2. Implement checks and reviews through food safety audits	★ ★ ★	1. Conduct training sessions at Division Companies, group companies 2. Check through food safety audits	1. Conduct education internally and externally 2. Continue to check labeling in relation to safety	2
Food Products Marketing & Distribution Division	Improve stability and efficiency by sharing information among all areas from wholesalers to food retailing businesses (including food service)	Continue aiming to increase number of companies involved in initiatives	★ ★ ★	Began operational alliance with Uny Co., Ltd., for the provision of point-of-sales (POS) data Began merchandising projects with major manufacturers	Continue aiming to increase number of companies involved in initiatives	1
	Establish environment-friendly delivery system	Realize more environment-friendly, fuel-efficient transportation by aiming to replace all vehicles with vehicles such as hybrid trucks by the end of 2012	★ ★ ★	Replaced 226 of 2,130 FamilyMart store delivery trucks with hybrid trucks (as of March 31, 2008)	Promote changeover to hybrid vehicles. Introduce diesel vehicles with outstanding fuel efficiency and consider and implement timely introduction of other new environmental vehicles	4

*1: ★★ ★: Achieved ★ ★: Nearly achieved ★: Unachieved

2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier 2008" on page 8

Perspectives from a third-party participant in our CSR meeting

Nobuko Hiwasa
Director, Snow Brand Milk Products Co., Ltd.

Among the Food Company's initiatives, I give particularly high marks to the introduction of hybrid trucks based on specific timeframes and numerical targets, and the development of a model farm in the Shandong region of China. I also highly rate the Division Company's rapid responses to the current food problem through such efforts as expanding the business of a sales company for domestically grown fruit and vegetables. We enjoy a rich variety of food sourced from around the world. Until now, trading companies have been at the forefront of enabling that lifestyle. I think, however, they will need new policies to deal with completely unprecedented situations. For example, trading companies may not be able to import the products they want. Also, trading companies will have to meet exacting environmental standards and consider such problems as the decline of Japan's agriculture and the country's low self-sufficiency rate.



Promoting food safety initiatives

Shigeharu Tanaka
President, Food Company

A series of incidents such as the intentional mislabeling of food and problems with dumplings from China shaken confidence in food safety. As a result, society is demanding stronger controls for food safety. In response, the Food Company will take steps, primarily through its Food Safety and Compliance Management Office, by educating employees about food safety control and fortifying supply chain management to prevent problems.



Major CSR initiatives 1

Promoting local food culture through the "Gourmet Search"

The Food Company established a web site, "Gourmet Search," to promote regions through food. Collaborating with local governments and regional television stations, we discover, introduce, and market regional specialties. At the same time, we support brand development based on those products. On the web site, we have established independent pages for each of the 47 prefectures in Japan. Not only local general users but also the personnel of local television stations, distribution service providers, and manufacturers use the web site to communicate and distribute local food-related information. A portion of revenues goes to "GO! Noto Feature," a project included in the web site that promotes the peninsula. Through such initiatives we invigorate regions throughout Japan.

Kenji Nakamura
Food New Business Planning Section,
Food Planning & Coordinating Department



The Gourmet Search web site

Gourmet Search URL <http://www.gotochi-soken.jp/>
(Japanese only)

Major CSR initiatives 2

Establishment of sales company for domestically grown fruit and vegetables through tie-up with agricultural corporation

Agri Products & Food Service Department,
Fresh Food & Food Business Solutions Division

Against the backdrop of increasing demand for domestically produced goods due to consumers' safety concerns, in August 2007 the Agri Products & Food Service Department established I-Square Corporation as a group company that sells fruit and vegetables which are domestically cultivated under contract. Based on an alliance with Japan Brand Agricultural Corporation, which comprises approximately 40 agricultural corporations, we mainly market the corporation's fruit and vegetables to restaurants and other commercial users. Because the mainstays of trading companies' fruit and vegetable operations are imported fruit such as bananas, the launch of a

company based on the ideal of helping revitalize and develop Japanese agriculture is attracting attention in the trading industry.



A bok choy Chinese cabbage field in an allied production region

CSR initiatives by a major group company

Donation of "Yayoi School" to Cambodia

As part of its international contribution efforts, frozen food manufacturer Yayoi Foods Co., Ltd., donated the "Yayoi School" to the Kingdom of Cambodia. Yayoi Foods originally started as a provider of school meals. To give back to society, they donated the Contanan Elementary School building (known as Yayoi School), based on three key words, 1. school, 2. school meals, 3. children. The school was built on February 6, 2008, for children of Cambodia, who often do not receive adequate education nor nutrition. By also providing a destination for some of the school meals that Yayoi Foods distributes through the United Nations World Food Program, the school unites the three key words.



Yayoi School and its students



Finance, Realty, Insurance & Logistics Services Company CSR Action Plans and Report on Activities

The Finance, Realty, Insurance & Logistics Services Company will advance highly transparent finance businesses tasked with heightening customer convenience. Also, as an operator of insurance agency and brokerage businesses, the Division Company will ensure its neutrality and reliability. Further, our goal is to provide safe, environment-friendly, logistics services that completely satisfy customers as well as highly reliable real estate related products and services.

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies *2
Financial & Insurance Services Division (Finance)	Create opportunities for socially responsible investment	Select partners for establishment of funds and check pertinent laws and regulations	★ ★	Held discussions with environmental NGOs, CSR-related companies, experts, and industry insiders	Unearth/implement investment projects (fund establishment, emissions rights related projects)	1 4
	Strengthen security measures to achieve stringent control of personal information, improve and expand control systems	<ul style="list-style-type: none"> Promote and review control systems and security measures Heighten awareness among managers and rigorously educate employees. Continue regular reviews 	★ ★ ★	Ensured managers attended study sessions inside and outside company, heightened awareness and rigorously educated employees. Continued regular reviews	Ensure managers heighten their own awareness, rigorously educate employees, and continue regular reviews	2 3
Financial & Insurance Services Division (Insurance)	Comply with the Insurance Business Law and other laws and statutory regulations	<ul style="list-style-type: none"> Revise compliance programs and manuals for special industrial laws Continue rigorously informing employees about compliance through training, departmental meetings Continue sharing information with suppliers 	★ ★ ★	<ul style="list-style-type: none"> Completed implementation of compliance program and revision of manuals for special industrial laws Worked to achieve rigorous compliance through participation in study sessions 	<ul style="list-style-type: none"> Continue revising compliance programs and manuals for special industrial laws Continue rigorously informing employees about compliance through training, departmental meetings 	2 3
		Explain important items and acquire written confirmations required from April 2007	★ ★ ★	Explained important items to customers thoroughly	Continue explaining important items and acquiring written confirmations	1 2
	Provide appropriate insurance products accompanied by accurate and easy-to-understand explanations	Continue heightening product knowledge through training/on the job training (OJT)	★ ★ ★	Continued heightening product knowledge through training/on the job training (OJT)	Continue heightening product knowledge through training/on the job training (OJT)	2 3
		Conduct investigative interviews to understand customer needs and offer products that meet customer needs	★ ★ ★	Strove to always provide customers with readily understandable explanations and understand customer needs	Conduct investigative interviews to understand customer needs and offer new products	1 2
Construction & Realty Division	Supply quality housing with emphasis on safety and security	Place orders to appropriate construction and design companies, reorganize data on past development projects, such as building summaries, and ascertain compliance status for various ordinances and other pertinent laws and statutory regulations	★ ★ ★	Held quarterly inspections of projects at respective sales departments (members of headquarters administration divisions also attended), checked compliance status for various ordinances and other pertinent laws and statutory regulations	Comply rigorously with pertinent laws and statutory regulations by steadily implementing measures to strengthen control of construction/real estate group, provide quality housing	1 2
	Give rigorous consideration to the environment	Promote environment-friendly businesses (rooftop greening, energy-conserving equipment for boilers) at group companies	★ ★ ★	Planned businesses for sale of environment-friendly condominiums at group companies, also adopted water-supply-pipe-cleaning construction method	Promote environment-friendly businesses at group companies and implement reviews and training sessions	2 4
Logistics Services Division	Contribute to improvement of social overhead capital in newly industrializing countries through building of logistics infrastructure and increase level of customer satisfaction	<ul style="list-style-type: none"> Check problems concerning logistics sites in Chinese businesses and inspect labor conditions Expand logistics facilities mainly in Asia and pursue partner strategy 	★ ★ ★	Provided education and guidance through training at respective group companies to ensure they reflected Chinese labor laws appropriately	Encourage development of logistics infrastructure in Asia, contribute to increasing and strengthening social overhead capital and heighten customer satisfaction	4
	Provide logistics services with an emphasis on safety, efficiency, and concern for the environment	<ul style="list-style-type: none"> Confirm compliance with safety standards at logistics facilities periodically Consider possibility of efficient environment-friendly transport modes Develop standards for divisional initiatives 	★ ★ ★	Checked on-site compliance with safety standards at monthly meetings. Implemented a questionnaire survey targeting business partners	Provide logistics expertise in relation to amended Energy Conservation Law to companies the division uses, strengthen environment measures	2 4

*1: ★★ ★★: Achieved ★★: Nearly achieved ★: Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier+ 2008" on page 8

Perspectives from a third-party participant in our CSR meeting

Fusako Matsuda

Director, Institute of Environment & Economics Co., Ltd.

Discussion with the members of respective divisions at the meeting made it clear to me that, from the perspective of CSR as an important management issue, the CSR tasks of each division's action plans are practical because they are rooted in the divisions' core operations. As I was listening to the discussion, I thought of some initiatives that I would like ITOCHU Corporation to undertake. For example, I would like to see ITOCHU Corporation develop products and provide services toward realization of a low-carbon economy and society and undertake businesses that help tackle climate change through support for finance, insurance, real estate, buildings, and logistics that reduce CO₂. Other desirable initiatives include businesses that support anxiety-free, safe life planning and businesses that provide risk management services for industries and individuals. I think the benefits of such initiatives would be large because, directly and indirectly, this Division Company has a wide-ranging effect on society and our lifestyles. Please invigorate areas inside and outside the company by moving from a defensive to a proactive approach to CSR.



Planning to provide highly creative service functions

Kenji Okada

President, Finance, Realty, Insurance & Logistics Services Company

As a provider of services and solutions in the business areas of finance, real estate, insurance, and logistics, the Division Company will offer highly transparent and reliable products and services that enhance customer convenience. Also, in construction and real estate businesses and logistics businesses, we will further increase environment-friendliness and safety while heightening customer satisfaction.



Major CSR initiatives 1

Contributing to local communities through PFI business

ITOCHU Corporation's PFI^{*1} projects as of April 2008 include a project for the development and operation of the new Sendai observatory. Carrying on the basic idea adhered to since its construction 50 years ago of an observatory for the people of the city, we rebuilt the observatory in city's suburbs. We embarked on this project to help raise the level of the city's education and culture by creating a public educational facility that will allow the city's population to study nature and science through space and celestial objects. Completed in December 2007, the observatory opened on July 1, 2008. Through such initiatives, we are catering to the multifaceted needs of national and local governments while providing local residents with value for money^{*2} services.

*1 PFI (Private Finance Initiative): Projects in which private-sector capital, technological capabilities, and operational expertise are used for the design, construction, maintenance, management, and operation of public facilities.

*2 Value for money: This refers to the philosophy of providing maximum usefulness, or value, for taxpayers' money.

Hisashi Ozawa

Deputy Manager, Construction & Realty Section No. 3,
Construction & Realty Department No.1, Construction & Realty Division



The new Sendai observatory

Major CSR initiatives 2

Improving conditions of logistics sites and contributing to newly industrializing nations



Tomoaki Kitayama

Planning & Coordinating Section, Logistics Services Division

We regard environmental management of the logistics companies that we use in Japan as important. Accordingly, in the second half of fiscal 2007, the division conducted a questionnaire survey of 25 truck transportation companies with which it has ongoing business relationships to ascertain the current status of their environmental measures. In the first half of fiscal 2008, we plan to respond based on the results of that questionnaire survey and seek understanding and cooperation with our environmental policies. Overseas, particularly in China, we will check problems at logistics sites and the latest labor laws while identifying and responding to issues related to labor conditions. We will promote the development of new logistics infrastructure in emerging nations, especially in Asia. By contributing to the expansion and improvement of social overhead capital and strengthening our global management responses, we aim to further improve our CSR initiatives.

Major CSR initiatives 3

Participating in "MOTTAINAI Click Donation"



Minoru Abe

temporarily transferred to FX PRIME Corporation

A foreign exchange margin trading company, FX PRIME Corporation, includes "responding to environmental problems" in its corporate code of conduct and as part of its environmental activities is an official sponsor of the "MOTTAINAI Click Donation" initiative. By clicking on the banner of the official MOTTAINAI web site, visitors can donate for free to the "Green Belt Campaign," an afforestation project planting saplings in Africa. Also, as a sponsor of the MOTTAINAI campaign we participate in such environment-friendly initiatives as the campaign to pick up garbage from Mount Fuji.



MOTTAINAI Click Donation

URL <http://www.mottainai.info/click/>

(Japanese only)

Corporate Governance and Internal Control System

ITOCHU Corporation will heighten the transparency of decision making in order to ensure equitable, efficient operational implementation. At the same time, ITOCHU Corporation will build a corporate governance system that appropriately incorporates monitoring and oversight functions and conduct corporate management based on the trust of shareholders and other stakeholders. Further, ITOCHU Corporation will tirelessly revise its internal control system to improve it continuously and build an even more equitable and efficient system.

Corporate governance

ITOCHU Corporation has a Board of Corporate Auditors system under which corporate auditors monitor directors' performance of duties. In addition, we use an executive officer system and a Division Company system to implement management.

The introduction of an executive officer system in 1999 has enabled us to strengthen the decision-making and oversight functions of the Board of Directors and increase the efficiency of operational implementation.

Under the Division Company system, seven Division Companies autonomously manage the business areas under their responsibility to cater rapidly to market demand and customer needs. Headquarters specializes in the planning of corporate-wide management strategies and overall management control. We have built a highly efficient management

system that achieves a balance between the autonomous management of Division Companies and the overall management control of Headquarters.

Further, we have established the Headquarters Management Committee as a body that assists the president by deliberating corporate-wide management policy and important issues. Also, ITOCHU Corporation has a variety of internal committees that help the decision-making of the president and the Board of Directors by carefully investigating and deliberating management issues within their areas of responsibility.

Internal control

ITOCHU Corporation operates effective internal control through the Disclosure Committee, the DNA Project Committee, the ALM Committee, and the Compliance Committee, which are respectively tasked with 1) reliability of financial

reporting, 2) effectiveness and efficiency of business operations, 3) safeguarding of assets, and 4) compliance with applicable laws and regulations. Further, the Internal Control Committee deliberates corporate-wide internal control issues and remedial measures and is responsible for overall internal control.

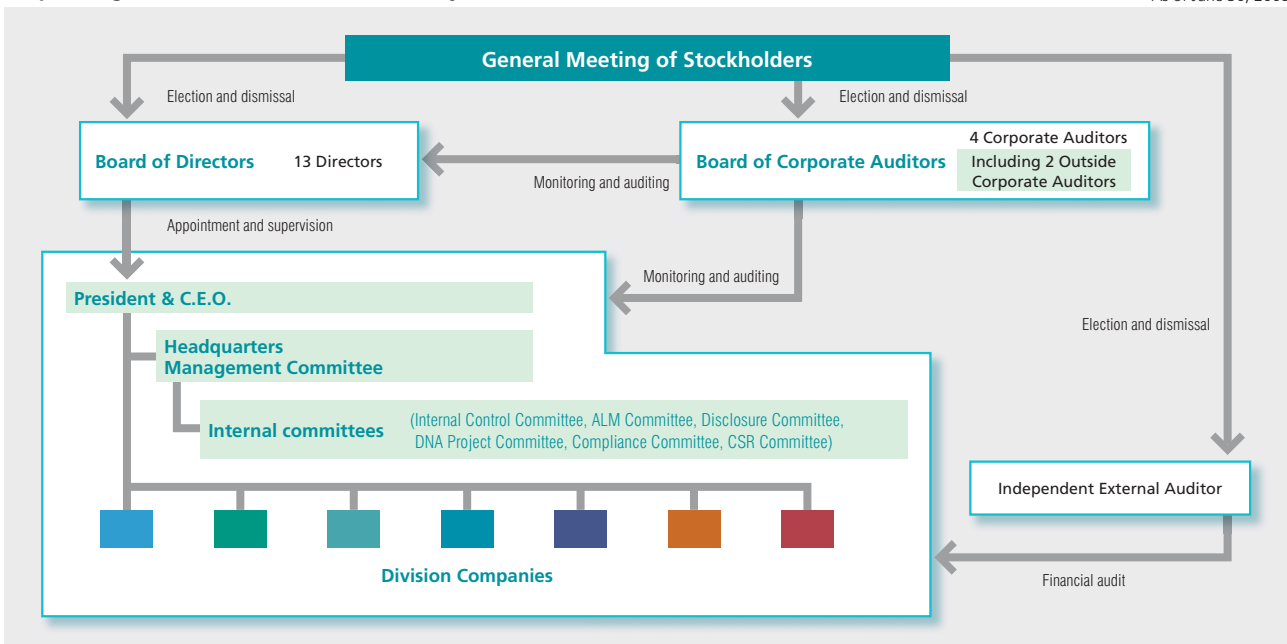
Ensuring appropriate financial reporting

—System for consolidated internal control reports begins

Fiscal 2008 will see the beginning of a report system concerning internal control over financial reporting pursuant to the Financial Instruments and Exchange Law. In order to increase the reliability of its consolidated financial reports, ITOCHU Corporation designated the Disclosure Committee as a steering committee and established internal controls within ITOCHU Corporation's main group companies in Japan and overseas in the areas of organization and systems, information systems, and business

Corporate governance and internal control systems

As of June 30, 2008



processes. (Please see chart 1: "Building internal control systems: Two levels and information technology.")

Further, in April 2008 we established a new Internal Control Audit Section, which objectively evaluates and monitors the appropriateness of the design and operation of internal control systems. (Please see chart 2: "Evaluation of internal control (PDCA cycle).")

The objectives of evaluations and audits is to verify the effective functioning of corporate-wide management tenets and ethics, accounting standard policies, procedural systems, IT infrastructure control systems, and control systems for operational processes related to financial

reporting and to ensure the effectiveness of the internal system that the management makes an oath on.

ITOCHU Corporation will continue to strengthen internal control for the whole group and disclose even more reliable financial reports to stockholders, other stakeholders, and markets.

Increasing operational efficiency
—ITOCHU DNA Project

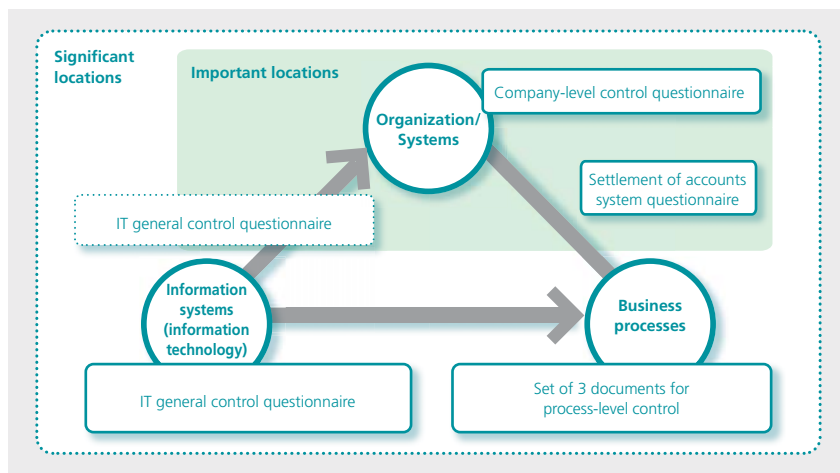
In 2006, ITOCHU Corporation launched a business process reengineering project: the *ITOCHU DNA Project* where DNA stands for "Designing New Age." The principle of the project is to strengthen the "on-site capabilities" of each

employee and his or her organization. Furthermore, with the viewpoint of total optimization of the ITOCHU Group in the future, ITOCHU Corporation is aiming to enhance its consolidated management.

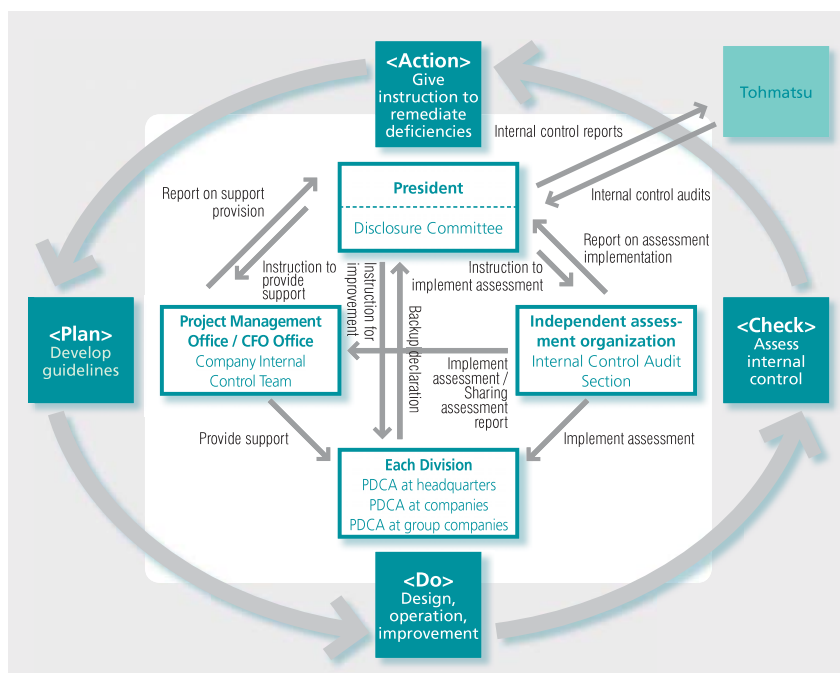
Under that initiative, the first step was to visualize all current business processes, and now it is in subsequently a process of standardizing those processes. From the perspective of internal control, all business processes are reviewed for standardization to increase work efficiency and quality which will eliminate inefficient processes that hinder on-site capabilities. Subsequently, a new organization structure to fit the standardized business processes will be constructed as well as systems to support them.

Strengthening on-site capabilities through business process reengineering will earn stakeholders' trust for ITOCHU Corporation. At the same time, those efforts will heighten the efficiency of employees' performance. The project will contribute to all ITOCHU employees feeling affluence through their daily work and helping create working environments without overwork.

[chart 1] Building internal control systems: Two levels and information technology



[chart 2] Evaluation of internal control (PDCA cycle)



Heated debate about the standardization of business processes

Risk management

In order to deal with a variety of risks, such as market risk, credit risk, and investment risk, ITOCHU Corporation controls risks comprehensively and separately through the establishment of necessary risk management systems and control methods. Those include a range of control regulations, investment benchmarks, risk amount limits, reporting and monitoring systems, and the preparation of business continuity plans. Also, we periodically review the effectiveness of control systems and upgrade control methods.

Compliance

A company built over a century and a half can be lost in a day. To ensure that we do not betray the trust our predecessors have placed in us, we will make concerted efforts to further expand and upgrade compliance systems and achieve rigorous compliance—the minimum requirement and the foundation of CSR.

Mobilizing the whole group to realize stringent compliance

ITOCHU Group has compliance officers not only within respective Division Companies but also at group companies. We are developing and operating our compliance system through such initiatives as compliance programs and preparation of law lists and others.

We hold liaison meetings attended by the compliance officers of all group companies twice a year, and we hold law research seminars on compliance trends as required.

From fiscal 2007, the Headquarters Compliance Office began distributing to group companies located in Japan a monthly e-mail magazine: *Compliance Information Bureau*. The magazine has become an effective tool for distributing and sharing compliance information and comprises three sections—"topics" such as the latest information on compliance and the danger of law infringements hidden close at hand, "legal research" corresponding to various situations such as law amendments, and "notifications" for group companies.

Strengthening compliance globally

North America

In North America, ITOCHU International Inc. (III) played a central role in efforts to strengthen compliance by means of, among others, conducting online training following a comprehensive revision of the code of conduct and organizing a North America compliance liaison meeting, which approximately 30 group companies in North America participated, including group companies managed by ITOCHU Corporation.

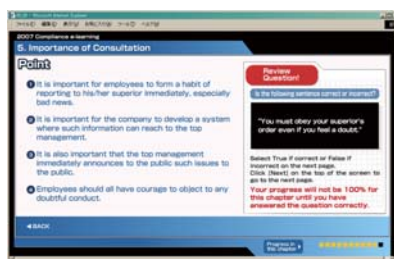
China

In China, we sought to further strengthen compliance by establishing a CSR and compliance department in fiscal 2007. Also, we held a compliance meeting in Shanghai in May 2007. Simultaneously broadcast to

Beijing and Hong Kong, the meeting featured speeches from the General Manager for China, the Headquarters Chief Compliance Officer, and other members of the senior management team about the need for rigorous compliance.

Education and training

We conducted compliance seminars for each region. Among those, members of the Headquarters Compliance Office visited cities in Asia and the Middle East—Beijing, Qingdao, Hong Kong, Hanoi, Ho Chi Minh, Bangkok, Jakarta, and Dubai—to conduct education and training. Further, at the same time the national staff of all overseas offices and all employees of ITOCHU Corporation Headquarters took e-learning courses, studying important issues, including the danger of dependence on industrial customs and existing practices and the importance of making suggestions and reporting to superiors.



English version of an e-learning course on the importance of making suggestions and reporting to superiors

Compliance initiatives for global security risk management and importing

Global security risk management

To prevent the proliferation of weapons of mass destruction and conventional weapons, Japan maintains strict trade-security under the Foreign Exchange and Foreign Trade Law. To observe such laws and regulations, we have implemented our own internal trade-security control program. Further, to ensure that we do not take part in business transactions that threaten international peace and security, not only do we meticulously comply with existing government laws and regulations, but we are

voluntarily taking extra measures to ensure that our stakeholders and corporate reputation are adequately safeguarded through our implementation of a comprehensive global security risk management program.

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

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

During fiscal 2007, ITOCHU developed an overseas e-learning program addressing global security risk management and a trade-security control program for overseas national staff. Further, aiming to reduce exposure to global security risk in light of changes in international geopolitics, we re-evaluated which countries we regard as requiring prior risk control and management scrutiny.

Customs control

Furthermore, to strengthen customs control, we established the Customs Control Office in the Headquarters CSR & Compliance Division in April 2007. Since then, we have been developing systems and taking measures related to overall control. The Customs Control Office is further strengthening customs compliance by conducting internal research at each Division Company before and after customs authorities' regular inspections, holding training sessions on import applications and customs valuation, and carrying out in-house monitoring activities.

CSR Promotion System

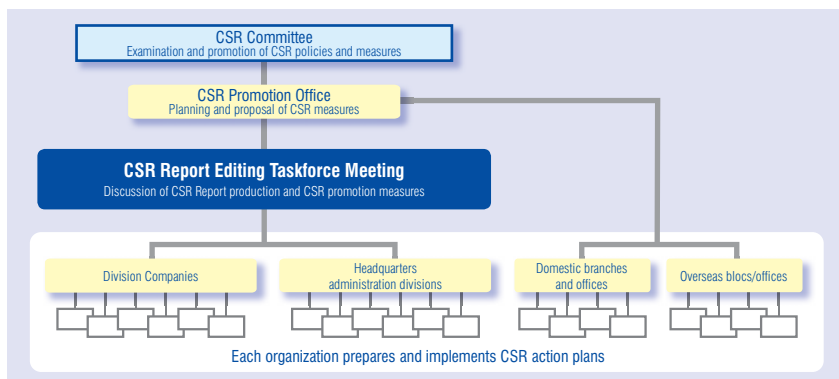
ITOCHU Corporation is a general trading company that uses a Division Company system. Its seven Division Companies are engaged in diverse business activities in their respective industries. The following reports on how, as a company with those characteristics, ITOCHU Corporation approaches CSR and what kind of systems it is building to promote CSR in a practical and effective way.

ITOCHU Corporation's CSR promotion

CSR promotion system

Established in April 2005, the CSR Promotion Office makes proposals for CSR promotion measures, which the CSR Committee examines and discusses. Further, the CSR Promotion Office forms a "CSR Report Editing Taskforce," and deliberates the production of CSR Reports and CSR promotion measures.

CSR promotion system



CSR promotion through CSR action plans

At ITOCHU Corporation, each organization formulates CSR action plans and, after understanding the CSR action plan applicable to them, employees carry out this plan in their respective duties.

At Division Companies, based on the leadership of the general managers of each company's Planning and Coordination Department and personnel in charge of CSR promotion, the responsible sales divisions take the initiatives in preparing CSR action plans and promoting CSR activities. Administrative Divisions at Headquarters, domestic branches and

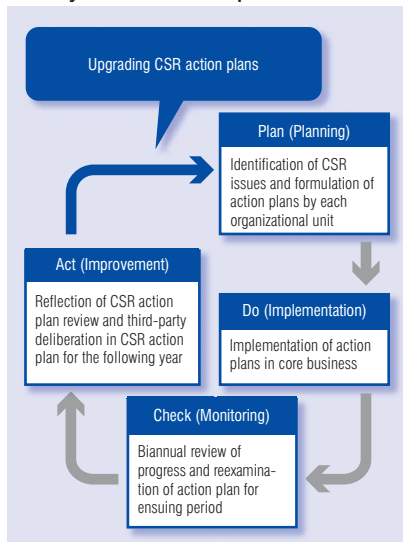
offices, and overseas bases undertake similar activities.

We apply the PDCA (please see the chart below) cycle system for CSR action plans, and we take a variety of other measures to continuously improve the content of CSR action plans, such as receiving objective assessments from third parties. In fiscal 2008, we held meetings with third parties regarding the CSR action plans of each Division Company. [Reference](#) P. 11

group companies formulated CSR action plans based on model methods and conducted progress reviews. In fiscal 2007, we increased the number of companies by adding a further 24 group companies.

In fiscal 2008, a total of 37 group companies will implement, review, and improve their CSR action plans continuously. At the same time, ITOCHU Corporation plans to increase the number of group companies implementing CSR activities, and group companies will undertake CSR initiatives that reflect their respective business lines.

PDCA cycle for CSR action plans



Implementing CSR initiatives at group companies

In efforts to undertake CSR initiatives at group companies, in fiscal 2006, 13

Group companies targeted for CSR implementation at a glance

Division Company	Companies targeted in FY2006	Companies targeted in FY 2007
Textile Company	ITOCHU FASHION SYSTEM Co., Ltd.	ROY-NE CO., LTD., ITOCHU MODEPAL CO., LTD.
Machinery Company	ITOCHU Sanki Corporation	ITOCHU Plantech Inc., ITOCHU Automobile Corporation ITOCHU CONSTRUCTION MACHINERY CO., LTD.
Aerospace, Electronics & Multimedia Company	ITOCHU Techno-Solutions Corporation	ITC NETWORKS CORPORATION ITOCHU ELECTRONICS CORP. CAPLAN Corporation
Energy, Metals & Minerals Company	ITOCHU Non-Ferrous Materials Co., Ltd. (now ITOCHU Metals Corporation) ITOCHU Petroleum Japan Ltd.	ITOCHU Oil Exploration Co., Ltd.
Chemicals, Forest Products & General Merchandise Company	ITOCHU Kenzai Corp. ITOCHU CHEMICAL FRONTIER Corporation ITOCHU PLASTICS INC.	ITOCHU Pulp & Paper Corp., ITOCHU Ceratech Corp. The Japan Cee-Bee Chemical Co., Ltd. Chemical Logitec Co., Ltd.
Food Company	Family Corporation Inc. Yayoi Foods Co., Ltd.	ITOCHU Feed Mills Co., Ltd., ITOCHU Rice Corporation ITOCHU Sugar Co., Ltd., I-FOODS Co., Ltd. ITOCHU FRESH Corporation, Universal Food Co., Ltd. NIPPON ACCESS, INC., CI Food Systems Co., Ltd.
Finance, Realty, Insurance & Logistics Services Company	ITOCHU Property Development Ltd. ITOCHU Urban Community Ltd. I-LOGISTICS CORP	FX PRIME Corporation ITOCHU Orico Insurance Services Co., Ltd. Superex Corporation

CSR management action plans

Regarding CSR management issues that require corporate-wide measures, the

Administrative Divisions at Headquarters^{*1}, based on their respective operations, formulate and implement CSR action plans. The following are performance results of the main CSR issues in fiscal 2007.

^{*1} This term refers to the corporate staff units of the headquarters. Specifically, it includes the Corporate Planning & Administration Division, Affiliate Administration Division, Corporate Communication Division, IT Planning Division, Research & Policy Analysis Division, International Operations Division, Finance Division, General Accounting Control Division, Risk Management Division, Human Resources Division, Legal Division, General Affairs Division, CSR & Compliance Division, Audit Division, and the Secretariat.

CSR tasks	FY2007 action plans	Status ^{*2}	FY2007 results	FY2008 action plans	Basic policies ^{*3}
CSR Management	Expand the scope of CSR activities	★ ★ ★	Supported the preparation of CSR action plans by the 24 group companies that Division Companies selected for CSR implementation in fiscal 2007. Also, supported Division Companies in reviewing the 13 group companies that implemented CSR from fiscal 2006 P.36	Support Division Companies' preparation of plans for CSR implementation in the Group for fiscal 2008, and expand CSR implementation in the Group by providing information and implementing education programs	4
		★ ★ ★	In addition to seven blocs/offices that undertook implementation in fiscal 2007, established system for the preparation of CSR action plans by all 18 blocs/offices P.38	Communicate with personnel involved in CSR promotion in all blocs, realize practical CSR action plans	4
	Promotion of corporate-wide CSR education	★ ★ ★	Prepared and distributed in-house CSR educational videos, held CSR workshops at respective divisions, held three in-house CSR seminars, implemented CSR education in a variety of in-house training programs P.37 P.11	Implement CSR education in a variety of in-house training programs, prepare educational tools such as CSR videos, continue planning and holding in-house CSR seminars	1 / 3
	Investigate investment projects from CSR perspective	★ ★ ★	Obtained in-house approval for introduction of CSR checklist for new M&A and began formal operation	Review content and operational methods for checklist, discuss/consider revision	4
	Initiatives for human rights/labor issues	★ ★ ★	Division Companies implemented CSR fact-finding surveys of 229 suppliers. CSR Promotion Office implemented sample CSR fact-finding surveys of 12 companies P.9-10	Continue Division Companies' CSR fact-finding surveys of suppliers in accordance with plan. Consider preparation of policy for ITOCHU Corporation suppliers	4
Support the activities of diverse human resources/realization of workplace environments that are comfortable to work in	Secure/develop diverse human resources	★ ★ ★	Based on <i>Promotion Plan on Human Resource Diversification</i> implemented specific employment measures P.39	Based on <i>Promotion Plan on Human Resource Diversification</i> , continue implementing various measures	1
	Realize workplace environments that are comfortable to work in	★ ★ ★	Revised systems related to child rearing and nursing care. Established "Personnel Help Guide Book" on intranet P.41	Implement measures to encourage a work-life balance	1
	Strengthen communication with employees/reflect employee needs in management	★ ★ ★	Held variety of meetings regularly with labor union P.42	Continue holding variety of meetings regularly with labor union	1
Internal control/accountability	Further enhance accountability/develop disclosure systems	★ ★ ★	Established Internal Control Committee. Reviewed development progress in relation to this committee in accordance with plan P.33-34	Continue reviewing internal control development progress in relation to Internal Control Committee. Develop systems in preparation for fiscal year when full-fledged internal control audit will be implemented	1 / 2
Crisis management	Prepare and upgrade business continuity plans (BCPs)	★ ★ ★	Implemented BCP rehearsal in accordance with plan	Continue implementing the action plan prepared in fiscal 2007	2
Information security	Strengthen information control/control of customer information and individual information	★ ★ ★	Reviewed/improved information security management regulations, strengthened technology countermeasures, continued education on information security through e-learning	Develop/operate/maintain systems for management of information assets	2

^{*2}: ★★ ★★: Achieved ★★: Nearly achieved ★: Unachieved

^{*3}: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier⁺ 2008" on page 8

CSR workshop initiatives

From fiscal 2006, ITOCHU Corporation began producing CSR educational videos in Japanese, English, and Chinese and distributing them to every division, domestic branches and offices, and overseas bases. At the same time, we

have been holding participative training "CSR workshops" at respective organizations. In fiscal 2007, our CSR video was themed on "global warming and human rights." Divisions and bases discussed their organization's initiatives and ideas going forward with respect to the environment and human rights. We have posted on the intranet and shared the initiatives and ideas submitted.



Implementing CSR activities at overseas bases

As a company engaged in global business activities, ITOCHU Corporation has 136 overseas bases. In response to the growing calls for CSR overseas, we

are also extending our CSR activities to overseas bases.

We reviewed implementation progress and made revisions at the seven blocs/offices that undertook advance formulation and implementation of CSR action plans in fiscal 2007. Further, from fiscal 2008 all remaining regions began

formulating and implementing CSR action plans in the same manner. As a result, 18 overseas blocs/offices have undertaken CSR activities. Results in fiscal 2007 and plans for fiscal 2008 (excerpts) are as shown in the following table.

Bloc/office	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies *2
North America	Supply chain management	Implement survey of suppliers with view to establishing standards for supplier performance, including human rights and labor issues. Strengthen relationships with and management of suppliers	★ ★ ★	Began discussions/examination for supplier survey. Visited suppliers, checked quality and raw materials production areas	Continue discussions/examination for supplier survey. Promote checking of quality and raw materials production areas by strengthening traceability	1 / 2 3 / 4
	Promote environment-conserving businesses	Promote investment in solar power generation related business	★ ★ ★	Participated in business selling solar power generation systems	Expand solar power generation related business and promote wind power/ biomass-related projects	4
Europe	Promote environment-conserving businesses	Increase environmental projects such as solar power generation	★ ★ ★	Solar power generation projects underway	Work towards realization of solar power generation projects	2
Oceania	Secure the safety and reliability of food	Visit and check Canola production area	★ ★ ★	Visited production areas, checked storage status and records of agricultural chemical usage	Check agricultural chemicals residue before shipping	2
	Promote environment-conserving businesses	Check the status of forest-management certification acquisition by forest resources suppliers, and encourage acquisition	★ ★ ★	Among 16 suppliers, 13, including newly acquired 2, have already acquired forest-management certification	Continue encouraging acquisition of forest-management certification	1 / 4
Indonesia	Regional contribution	Recruit companies with a high awareness of CSR to occupy Group-operated industrial estate and establish agriculture training facility and farm, aim to pass on agricultural technology and create employment opportunities	★ ★ ★	Opened agricultural park, began operations	Expand facilities, continue recruiting companies to occupy estate	2 / 4
Singapore (Eastern ASEAN)	Regional contribution	Support environmental NGOs and contribute to region through group comprising spouses of employees posted overseas	★ ★ ★	Supported programs of selected environmental NGOs, participated in bazaar through group comprising spouses of employees posted overseas	Continue supporting environmental NGOs and contributing to region through group comprising spouses of employees posted overseas	1
Indochina	Regional contribution	Provide regular educational support to university scholarship foundation	★ ★ ★	Donated to local universities and to foundation working to mitigate regional disparities	Establish CSR committee and select support recipients other than scholarship foundations	1
China	Promote environment-conserving businesses	Discover and promote businesses related to energy conservation and renewable energy	★ ★ ★	Expanded conservation-related businesses such as LED, energy-saving equipment	Promote/expand existing projects and continue developing new projects	2
	Regional contribution	Support local activities related to human resources development, medical care, welfare/education	★ ★ ★	Donated to "China foundation for the welfare of the physically challenged"	Establish CSR taskforce. Support regions within China. Establish "hope" elementary schools in impoverished areas	1

Bloc/office	CSR tasks	FY2008 action plans	Basic policies *2
Latin America	Regional contribution	Contribute to sustainable development of local communities in coffee producing regions through Group coffee production company's donations to social contribution foundation	1 / 2 / 3
Africa	Environmental conservation	Check the forest-management certification acquisition status of forest resources suppliers	1 / 4
Middle East	Promote environment-conserving businesses	Promote businesses that help conserve the environment, including such clean energies as solar power generation and wind power, garbage incinerators, energy-saving systems	1 / 2
Philippines	Promote environment-conserving businesses	Promote CDM business for methane gas collection from pig farms (establish local group company, file CER registration with United Nations)	2
Malaysia	Supply chain management	Prepare question sheet, conduct survey of local suppliers	1 / 2 3 / 4
Taiwan	Contribute to conservation of global environment/regions	Seek to heighten employees' environmental awareness, promote CO ₂ reductions through tree-planting activities	3 / 4
Vietnam	Supply chain management	Further penetration of CSR policy among employees and suppliers, encourage rigorous compliance	4
Southwest Asia	Promote environment-conserving businesses	Participate actively in LNG-related businesses, solar power generation, and emissions rights business	2
South Korea	Promote environment-conserving businesses	Promote sales of solar cells and consider/discover projects for participation in power generation businesses. Handle forest-management certified pulp	2
Mongolia	Promote environment-conserving businesses	Promote introduction of new energy in accordance with measures	1 / 2
CIS	Promote environment-conserving businesses	Reduce greenhouse gases, actively promote environmental businesses such as renewable energy projects	4

*1: ★ ★ ★: Achieved ★ ★: Nearly achieved ★: Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion activities during Frontier+ 2008" on page 8

CSR action plans for fiscal 2008

In fiscal 2008, all 18 blocs/offices, including blocs/offices that have begun newly formulating and implementing CSR action plans, will steadily implement CSR action plans in accordance with the basic policies for CSR promotion activities during Frontier+ 2008. Those action plans include contribution to local communities, conservation of the global environment and environment-conserving businesses, and supply chain management.

Employee Relations

Personnel underpin ITOCHU's stable, continuous growth. Under Frontier+ 2008, we aim to become a *global enterprise that is highly attractive to all stakeholders* by pursuing a human resources strategy of *recruiting, developing, and leveraging employees worldwide*. In those efforts, we help employees fully realize their potential, irrespective of their gender, nationality, or age.

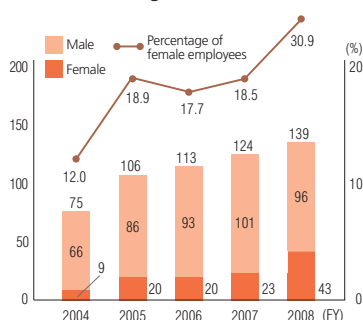
Basic philosophy regarding our human resources system

Our basic approach to human resources is to *pay for performance and strengthen employee capabilities while respecting the careers and diversity of individuals*. We aim to heighten employees' motivation and fulfillment and create workplace environments that give employees the confidence to fully realize their abilities. Further, we support employees' initiatives and ambitions by respecting employees' individuality and values and implementing plans to develop diverse personnel with international outlooks, regardless of their gender, nationality, or age.

Employing, developing, and promoting diverse personnel

Equal employment and opportunities
Unaffected by economic conditions or fluctuations, we consistently hire a diverse group of new graduates each year, regardless of gender, nationality, or age. Furthermore, we ensure fair and open recruitment by widely distributing information to the public through our recruitment web site, company presentations, and recruitment brochures.

Number of new graduates recruited



Supporting the progress of diverse personnel

Enabling diverse personnel to fully realize their capabilities is critical in order to become a *global enterprise that is highly attractive*. Guided by our *Promotion Plan on Human Resource Diversification*, we support a variety of employees.

Promotion Plan on Human Resource Diversification (January 2004–March 2009)

Objectives

- Provide maximum support to fully utilize the strengths and abilities of a variety of employees, **regardless of gender, nationality, or age**
- Create an **attractive company and corporate atmosphere** through the execution of the plan

Gender

We believe that increasing the number of female employees for career-track positions will broaden the areas in which female employees can realize their abilities and encourage their promotion to senior management positions. Based on that belief, we aim to create an in-house environment in which it becomes natural for female employees to play important roles. Accordingly, we are recruiting more female employees based on ability and aptitude. In addition, because we met our numerical target one year ahead of schedule, we have set new targets through to fiscal 2013.

Promotion Plan on Human Resource Diversification: targets and results

	Initial plan (FY2008)	Result for FY2007	New target (FY2013)
Percentage of female employees among newly graduated employees in career-track positions	20% or higher	31%	30% or higher
Percentage of female employees among all employees in career-track positions	5.0%	5.7%	10%

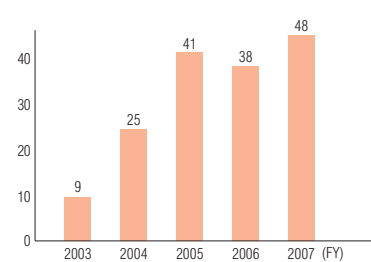
Number of male and female employees

	Male	Female	Total
FY2005	3,126	881	4,007
FY2006	3,122	915	4,037
FY2007	3,134	973	4,107

Age

Because we value personnel with diverse knowledge and experience, regardless of age, we are hiring mid-career employees. Also, through an employment extension system that offers a variety of options, such as enabling employees to continue working until the age of 65, we provide support for employees' efforts that caters to the diverse values of senior citizens.

Number of employees recruited mid-career (career-track)



Supporting the participation in society of people with disability

In 1987, ITOCHU Corporation established Itochu Uneedus Co., Ltd., as a special subsidiary based on the Law for Employment Promotion, etc. of the Disabled (Shogaisha Koyo Sokushin hou) in order to create work opportunities for those with disability. Last year the company celebrated its 20th anniversary. As of April 2008, 2.14% of our employees were with disability, higher than the legally stipulated level of 1.8%. We will continue to support the participation in society of individuals with disability.



Working at Itochu Uneedus Co., Ltd.

Human resources strategy with a global perspective

In adherence with its basic strategy of *recruiting, developing, and leveraging employees worldwide*, ITOCHU Corporation pursues human resources strategies from a global viewpoint. Aiming to maximize the value of its human resources and optimize the Group on a global basis through that strategy, ITOCHU Corporation is pursuing the following goals.

- Continue to develop global management personnel that will lead the ITOCHU group toward its goal of becoming a *global enterprise* and utilize them optimally, regardless of nationality, race, gender, or age
- Revolutionize the mindset of group employees, encourage them to become personnel that can play important roles with global perspectives

To realize those goals, we established a Global Talent Enhancement Center (GTEC) at each of our regional bases in New York, London, Singapore, and Shanghai in October 2007. In order to control those centers, at Headquarters we established GTEC Headquarters and, as its secretariat, the Global Talent Enhancement Office. In their respective regions, each GTEC will be responsible for advancing human resources strategies for personnel recruitment and retention, development, evaluation, promotion, and compensation and benefits.

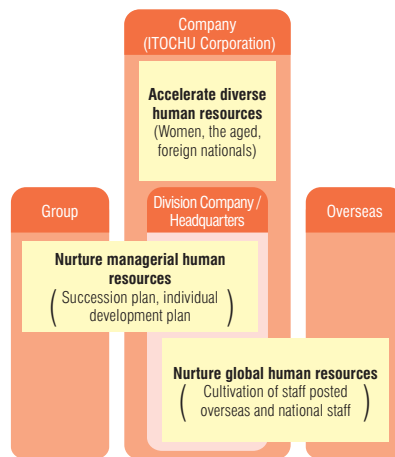
Structure to promote global human resources strategy



Human resources development policy

Based on our principle of *strengthening employee capabilities while respecting the careers and diversity of individuals*, we carefully balance on-the-job-training and off-the-job-training for employees in accordance with their aptitude. Those personnel development initiatives focus on three main areas: managers, international personnel, and personnel diversity. The annual cost of those training initiatives is approximately ¥1 billion.

Overview of human resources development system



Wide variety of training systems

In efforts to develop management human resources, we train all of the approximately 400 managers in Japan through three types of “manager school,” focusing on the kind of management capabilities we need to enhance. In initiatives to develop global human resources, we have made it mandatory for newly appointed section managers to attend short-term business schools overseas. Also, we have a system for posting new employees overseas for four months within four years of joining ITOCHU Corporation. Further, mainly through GLP*1 training, we train approximately 150 national staff*2 for two months every year at Headquarters. And, initiatives to develop diverse human resources include regular training for employees recruited mid-career. Moreover, we have developed career vision support training, which enables employees to select careers in accordance with diverse priorities.

Human resources development policy and training details (excerpt)

Overview of human resources development system	Training program name (excerpt)
Management human resources development	Manager school, overseas business school program for new section managers
Global human resources development	Training at Headquarters for national staff*2, posting new employees overseas
Diverse human resources development	Career vision support training, training for employees recruited mid-career/administrative employees

● Trainee comments ●

Participant in system for posting new employees overseas in fiscal 2007

Ryo Nagaike

Foreign Exchange and Securities Section, Financial Markets Department

I was able to improve my language skills by spending four months studying English at Iowa State University and living with local students in a dormitory. Also, the experience widened my outlook by giving me the chance to take part in volunteer activities through which I met local residents.



Participant in GLP*1 training in fiscal 2007

Tatiana Snigur

Energy, Metals & Minerals, Moscow Office, ITOCHU Corporation

I found the GLP training rewarding in many different ways. I was able to further my knowledge of ITOCHU Corporation's corporate spirit and of global business and issues. Also, the training honed my management skills and social skills and increased my business knowledge. Further, the program provided me with an opportunity to reconsider the meaning of diversity. Mixing with the managers and members of Headquarters divisions, and other GLP trainees heightened my awareness of being a member of a global company.



*1 Global Leadership Program: one of the training programs conducted at Headquarters for national staff

*2 National staff refers to locally hired staff at overseas offices.

Providing comfortable working conditions for employees

Initiatives to achieve a work-life balance

Because ITOCHU Corporation is promoting the diversification of its human resources, measures to develop environments in which a wide variety of personnel can work are important. With a view to ensuring that employees have fulfilling professional lives and home lives or private lives, we define the work-life balance as follows.

- The ability of employees who want to continue working to act autonomously through diverse working styles
- The creation of a culture of mutual respect (Respect Work Styles / Respect Lifestyles / Respect You)

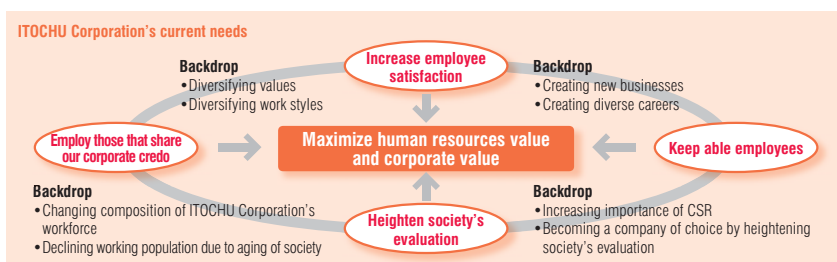
Initiatives to encourage a work-life balance:

- Aim to realize ITOCHU Corporation's *Committed to the global good* corporate credo and are
- Indispensable for securing and strengthening the development of human resources from a global perspective and realizing the goal of becoming a *global enterprise that is highly attractive to all stakeholders*.

We view encouraging a work-life balance as a management strategy for strengthening human resources capabilities.

Going forward, we will encourage employees to take vacations as well as expand and improve child care and nursing care systems. Moreover, in order to enable employees to achieve further successes in their working lives, we will explore diverse working styles unencumbered by previous ideas. For example, we will utilize systems for working at home and flextime.

Why is a work-life balance necessary?



Expanding and improving child care and nursing care systems

Reflecting proposals from the Diversity Forum, a meeting began in fiscal 2006 in which employees participate independently, we expanded and improved initiatives related to balancing work and other life commitments in November 2007. Through those initiatives, we sought environments that are easy to work in by introducing paternity leave and supporting maximum ¥50,000 monthly toward employees' child care or nursing care expenses. And, we organized seminars on nursing care entitled "Don't panic in an emergency! Get basic nursing care knowledge" in the second half of fiscal 2007.



A seminar on nursing care

Main systems established or revised (November 2007)

- Established "Family support vacations" to give families quality time together
- Established "Overseas transfer vacations for spouses"
- Set up "maternity support leave" for male employees
- Extended system for shortened working hours during child-rearing to elementary school graduation
- Increased allowance of child care or nursing care expenses to a maximum of ¥50,000 per month

Strengthening employee health management and consultation services

Our Health Administration Department provides regular health checkups, medical and dental treatment, and health consultation. Further, in light of our belief that prevention is key in mental health care, employees are able to receive counseling at any time from our in-house psychiatrists and clinical

psychologists. Also, we introduced an Internet-based stress-checking tool, or employee assistance program, in July 2007.

In addition, ITOCHU Corporation has an Employee Relation Center, which provides consultation and resolves problems for a variety of work-related worries such as harassment. As a way of strengthening our personnel safety net, we also create an environment conducive to consultation by providing an intranet "Personnel Help Guide Book."



Career counseling

The Career Counseling Center offers career-related consultation services and support for all employees, ranging widely from new employees to senior managerial employees. Through career selection workshops on the employment extension system, the center also helps employees select career paths.

Safety measures

As a company with business activities worldwide, ITOCHU Corporation seeks to assure the safety of its employees and their families through preventative measures for incidents, accidents, and natural disasters and a rapid communication system for emergencies. Also, in fiscal 2006 we introduced a safety confirmation system, and we are taking steps to protect the health of employees by raising awareness of infectious diseases such as avian influenza. And, we have established a comprehensive backup system for emergency illnesses and injuries through an alliance with an emergency medical services company.

Communication with employees

Company-Wide Employee Meeting

Since fiscal 2001, ITOCHU has been holding Company-Wide Employee Meetings (CWEMs) once or twice a year. Based on free participation, CWEMs enable direct dialogue between our senior management, including the President & CEO, and employees. At the meetings, the President & CEO and other members of senior management inform employees directly about ITOCHU Corporation's management policies and the management team's passionate commitment to realizing them. At the same time, employees can state their opinions and pose questions directly to senior management. These meetings thereby enable valuable two-way communication.

The CWEM for fiscal 2008 was held on May 10. Thanks to the use of television conference systems and the Internet, approximately 1,300 employees participated, including not only those at Tokyo Headquarters and Osaka Headquarters but also those at domestic branch offices and national staff at overseas offices in Shanghai and Singapore. The meeting saw lively exchanges of opinion about the human resources system and management policy and strengthened employees' sense of solidarity. Befitting a company that aspires to be a *truly global enterprise*, questions and answers from national staff about overseas management were in English.



"Question and answer" session in which everyone participates



President and CEO Eizo Kobayashi talks with employees

Diversity Forum

We instituted the Diversity Forum, where employees formulate specific measures to further diversify our workforce in September 2006. Under the theme for fiscal 2007 of "Work-Life Balance to Support Employee Diversity," the forum selected departments and teams to take on the challenge of adopting the working methods and operational styles they wanted for roughly half a year. An example of efforts to adopt diverse approaches working methods that are rational, efficient, and unencumbered by previous work styles was a proposal to change our core working time, between 10 am and 3 pm, and give employees the choice of beginning work at 11 am, 12 noon, or 1 pm, to synchronize their working hours with the time zones of overseas counterparts with whom they are negotiating. The forum reported on that proposal to senior management in March 2008. By steadily reflecting such reports in initiatives, we aim to create workplace conditions in which employees find it comfortable to work.

Dialogue with the Labor Union

We work to establish a shared management vision with the ITOCHU Labor Union and engage in corporate activities based on a sense of solidarity. At the same time, we create workplace environments that allow employees to fully realize their capabilities.

Comments from the Labor Union President

Hironobu Noda

President, ITOCHU Labor Union

ITOCHU Corporation's *Committed to the global good* corporate credo encapsulates the philosophy of CSR. The ITOCHU Labor Union believes that cultivating a shared commitment to that corporate credo, motivating employees and giving them a sense of satisfaction from their work, as well as developing an environment in which they can realize their capabilities to the utmost will advance ITOCHU Corporation's CSR. Accordingly, we are taking a variety of steps to realize related initiatives.



Initiatives with the Labor Union in fiscal 2007

'07	May	Settlement of accountings meeting
	July	Finance, Realty, Insurance & Logistics Services Company management meeting
	August	Management meeting with President & CEO
'08	October	Chemicals, Forest Products & General Merchandise Company management meeting
	December	Food Company management meeting
	February	Aerospace, Electronics & Multimedia Company management meeting
	March	Management meeting with President & CEO

Policies and tasks for fiscal 2008

Aiming to foster human resources that will underpin ITOCHU Corporation for the next 150 years

Kazutoshi Maeda
General Manager, Human Resources Division,
Managing Executive Officer



This year ITOCHU Corporation celebrates the 150th anniversary of its founding. Employees have supported our growth over that period and they will continue to fuel our growth going forward. Guided by our strategy of *honing human resources capabilities by recruiting, developing, and leveraging employees worldwide*, we will concentrate our efforts on hiring and fostering personnel that will support ITOCHU Corporation over the coming century and a half.

In fiscal 2007, we established a human resources strategy reflecting a global perspective at Division Companies, Headquarters, and overseas bases to hire, develop, and promote a diverse workforce. In addition, we furthered the development of workplace environments that are easy to work in and encouraged communication. In fiscal 2008, we will focus on advancing and further realizing those initiatives.

Social Contribution Activities

ITOCHU undertakes a variety of social contribution initiatives in accordance with the ITOCHU Credo, which calls on the Company to fulfill its role as a Good Corporate Citizen.

Social contribution areas

ITOCHU aims to contribute steadily to society by focusing on five areas: *action on global humanitarian issues, environmental conservation, community contribution, growth of the next generation, and active support for volunteer work by our employees.* To that end, we launched new social contribution programs in fiscal 2007.

Contributions in Japan

Establishment of social contribution week

We made the two weeks centered on December 1, the anniversary of our establishment, a period for undertaking various voluntary activities in which employees could freely take part in the following voluntary programs.

• Eliminating the food imbalance between developing and industrialized nations through the TABLE FOR TWO program

In the TABLE FOR TWO program, customers can contribute ¥20 every time they order a healthy meal from a special menu at the employee restaurants of our Tokyo Headquarters, Osaka Headquarters, and branch office in Nagoya. Including February and July, this was our third such program in 2007. (donations collected: ¥145,100, including ITOCHU Corporation's matching donations of ¥20 per meal)



A TABLE FOR TWO healthy menu

• Establishment of "earth day toys-in-capsules" program in which purchasers of old-fashioned toys-in-capsules from vending machines can make a contribution

• Book Magic program for gathering and selling used books and CDs and donating proceeds to an NGO

The Tokyo Headquarters sold 393 books and CDs collected from our branch offices in the Chugoku and Kyushu regions. Through JEN, we donated the proceeds to help with the building of schools in Afghanistan.

• Bringing depopulated villages back to life by farming nearby areas

In collaboration with the NPO Egao Tsunagete, we cultivated fallow land that had become wasteland. In fiscal 2008, we will plant soya beans in the cultivated fields and make fermented soya bean paste, known in Japan as *miso*, from the crop.



After a day spent working in the fields

• 'Holding a "getting to know guide dogs" event at Tokyo Headquarters

This event was held based on the cooperation of the Guide Dog & Service Dogs Association of Japan and ITOCHU Techno-Solutions Corporation. Ms. S. Park, Vice President of the Guide Dog & Service Dogs Association of Japan, explained how to behave toward guide dogs and service dogs when encountered on the street and conducted a demonstration using guide dogs and service dogs.

Many of the employees that took part praised the event, saying that it taught them for the first time how to help the visually impaired.



A guide dog demonstration

Basic Activity Guidelines on Social Contribution

1. As a globally active enterprise, ITOCHU Corporation shall take proactive approaches to humanitarian issues around the world and help to build a better, more humane world.
2. ITOCHU Corporation shall vigorously pursue activities of environmental conservation and contribute to sustainable social advancement.
3. As a good corporate citizen, ITOCHU Corporation shall construct favorable relationships, and harmonize its business, with local communities.
4. ITOCHU Corporation shall conduct activities to support the sound development of youth as tomorrow's leaders and work for the emergence of fulfilling and vibrant communities.
5. ITOCHU Corporation shall provide positive support for the activities of social contribution by each and every one of its employees.

Panel exhibition of the United Nations World Food Programme

From December 11 to 21, 2007, we held an exhibition entitled "WFP School Feeding Programme—Food and Futures for Children" on the first floor of our Tokyo Headquarters. The panels on display showed the World Food Programme's school feeding activities as well as pictures drawn by children who receive WFP food assistance. Also, at lunch breaks during the period of the exhibition many employees helped to collect donations and sold Santa Claus figures for charity. Through those collections and sales, we raised a total of ¥299,897.



WFP panel exhibition

ITOCHU baseball class

ITOCHU has started to give physically challenged children various opportunities to discover their full potential. We invited former Yakult Swallows pitcher Kazuya Yano as an instructor from Tokyo Yakult Swallows Baseball Club and held a baseball class at Jingu Gaien Indoor Baseball Practice Place in November

2007. The instructor taught participants about sportsmanship, basic movements, and basics that are difficult to practice at home—from how to catch balls through to pitching practice. A total of 84 people participated. The class proved very popular not only with the children but also with their guardians.



Interpreting the instructor's explanation by sign language as well

"Picture book delivery campaign" for developing countries

Since fiscal 2007, we have made the second Thursday of every month "picture book day" and taken part in the "picture book delivery campaign of Shanti Volunteer Association (SVA)." In this campaign, we stick seals with local language translations for Cambodia and other countries on the pages of Japanese picture books. The campaign is popular among employees because it enables them to enjoy picture books while contributing as volunteers. In fiscal 2007, a wide range of male and female employees of all ages produced approximately 500 books at the Tokyo Headquarters, the Osaka Headquarters, and our branch offices in Nagoya and the Chugoku region.

Employees participated in whichever way was convenient for them, with some male employees working on the books after taking them home and reading them to their children and others working during their lunch breaks.

Providing aid to areas affected by major natural disasters

For humanitarian reasons, we donate money for the emergency relief of people affected by natural disasters.



Presentation of donation (list) for the Niigata Chuetsu Offshore Earthquake

By collaborating with local branch offices and related organizations, such as Nippon Keidanren and NGOs, in fiscal 2007, we provided the following aid.

- The Noto Peninsula Earthquake: Donated ¥3 million (Total amount from Headquarters and Kanazawa branch office) Provided 480 bottles of drinking water (provided by Food Company)
- The Niigata Chuetsu Offshore Earthquake: Donated ¥10 million (Total amount from Headquarters and Niigata branch office) Provided 1,680 bottles of drinking water (provided by Food Company)
- Peru Earthquake: Donated US\$50,000
- Bangladesh Cyclone: Donated US\$100,000

Fureai No Network

The Fureai No Network is a voluntary organization comprising ITOCHU Group employees. Its activities are mainly through four groups for Nature Watching, Disaster Rescue, Stamp Collection Activities, and Reading Aloud Volunteers. Of those, the Reading Aloud Volunteers group has been visiting the Pearl Social Welfare Corporation in Daikanyama on the second Saturday of every month for five years. The managers of the facility have expressed their gratitude because, with the exception of one occasion when trains were cancelled due to a typhoon, volunteers have visited without fail during those five years, regardless of the weather.



Reading aloud at the Pearl welfare facility

ITOCHU Foundation

ITOCHU established the ITOCHU Foundation in 1974 to promote the sound development of youth. The Foundation's main activities comprise the following three programs: the assistance to reading programs for children (BUNKO)*, the operation of a children's house (the Center for Tokyo Elementary and Junior High School Students), and outdoor education programs. As to BUNKO, over

33 years, through to fiscal 2007, the Foundation has supported more than 1,250 cases in Japan and overseas by providing a total of ¥830 million. These initiatives include more than 50 overseas cases in 15 countries. Moreover, for hospitalized children the Foundation offered financial aid for books to 10 cases, and donated sets of 100 children's books each to seven cases in fiscal 2007.

*Voluntary reading activities for children by private groups or individuals.



Reading out loud to children from a book (Higashi-Motomachi BUNKO, Tokyo)

Overseas activities

A huge wildfire, said to be one of the worst natural disasters in California's history, broke out in Southern California in the United States in October 2007. The fire destroyed 2,000 square kilometers, an area almost equivalent to the area of Tokyo, in seven Southern Californian counties, including Los Angeles, Orange, and San Diego. In order to help rebuild the communities devastated by the wildfire and provide support for the evacuees, whose numbers peaked at one million, ITOCHU International Inc. donated US\$10,000 to the Southern California Wildfire Relief Fund through the Japanese Chamber of Commerce and Industry of New York, Inc.

Further, in January 2008 central and southern China saw its heaviest snowfalls in half a century. The snow damage was severe enough to attract the attention of international media and newspapers. Responding rapidly to an appeal from China's Ministry of Commerce, the ITOCHU China bloc donated 150,000 yuan (approximately ¥2.25 million), including donations collected from employees (comprising 50,000 yuan remitted to the Ministry of Civil Affairs of China and 100,000 yuan remitted to Shanghai Charity Foundation Pudong New Area Branch).

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.

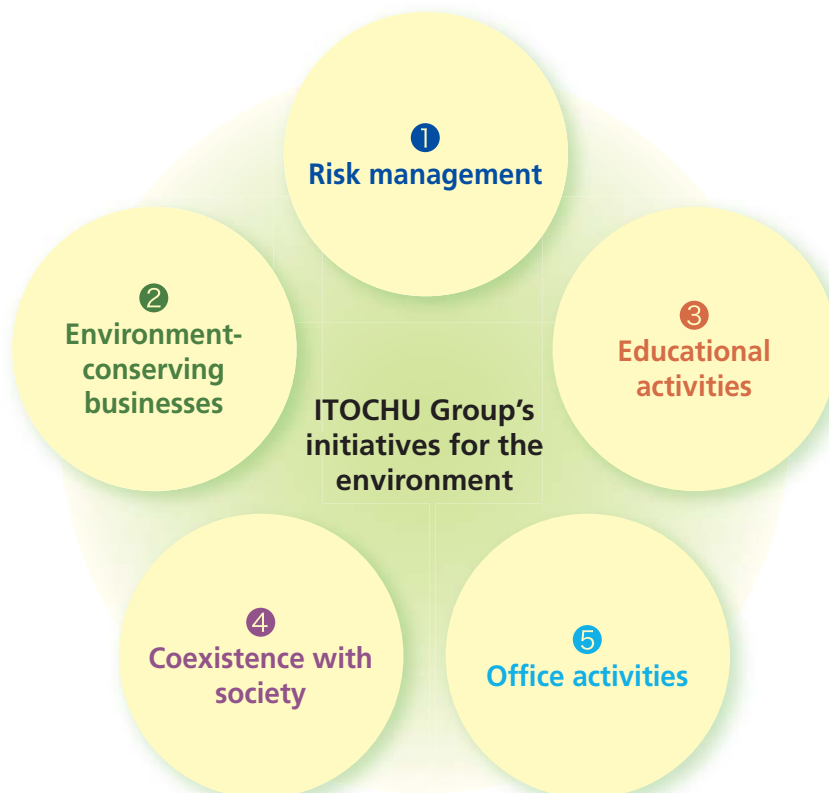


Initiatives for the Environment

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.

Reference P. 46

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.



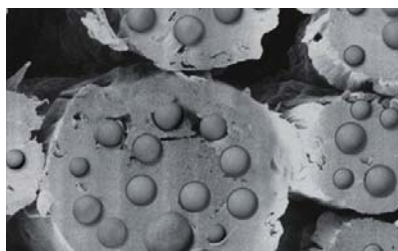
An environmental inspection of a group company's plant in Canada

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 Edahiro, who translated Al Gore's "An Inconvenient Truth." Dealing with the prevention of global warming and the actions general trading companies should take, Ms. Edahiro's lecture was full of thought-provoking ideas.



Ms. Junko Edahiro 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

Third-Party Opinion



Yoshinao Kozuma
Professor, Faculty of Economics, Sophia University

My impression of ITOCHU Corporation's CSR management is that the policies for action are clear and that the company is furthering these policies in a straightforward way, without any hesitation.

ITOCHU Corporation's fundamental philosophy is summarized in the "President's Commitment" at the beginning of this report. Recently an increasing number of companies avoid the expression "commitment" in favor of such titles as "A Message from the President." With its clearly stated "commitment," the CSR management of ITOCHU Corporation that President and Chief Executive Officer Eizo Kobayashi discusses can be summarized as follows.

First, three key slogans: *sampo yoshi*, which is the management philosophy, *a challenging spirit*, and *human resources development* form the foundation of policies for action. Further, a management stance that emphasizes stakeholders comes from *sampo yoshi*. Moreover, in order to respond to changing social conditions and promote CSR in their businesses, it is indispensable for ITOCHU Corporation to create new high-value-added value chains. In those circumstances, a challenging spirit is clearly shown. In addition, ITOCHU Corporation concentrates efforts on *human resources development* because, ultimately, the success or failure of a trading company's operations depends on its personnel.

That philosophy consistently underpins ITOCHU Corporation's basic policies for action, action plans, and disclosure—the core of CSR management—and is directly reflected in CSR tasks and their related measures. For example, in accordance with its emphasis on stakeholders, the Company has selected the straightforward method of holding stakeholder dialogues. In addition to dialogues between experts and the senior management team, which have become a regular fixture, ITOCHU Corporation engages stakeholder in a variety of ways, including the holding of meetings with third parties by each Division Company,

questionnaires for employees about CSR reports, Company-Wide Employee Meetings, and management meetings with the labor union. Further, in value chain building efforts, respective Division Companies conduct checking of suppliers' CSR with respect to human rights, labor, and the environment, with surveys implemented for more than 80% of target companies. Also, in *human resources development* ITOCHU Corporation is developing the personnel that will lead CSR initiatives by implementing the *Promotion Plan on Human Resource Diversification*, establishing Global Talent Enhancement Centers, and training and educating personnel systematically.

Another feature of ITOCHU Corporation is that the identification of specific CSR tasks and the preparation of CSR action plans is delegated to Division Companies, which are the organizations directly involved in operational implementation. The practicality of this system lends further impetus to ITOCHU Corporation's integrated CSR management.

By the same token, however, that integration and practicality also give rise to problems. I am referring to the relationship between overall CSR policy and Division Companies. Because sufficient explanatory data is not provided, I am not sure how respective Division Companies' initiatives link to overall CSR policy or on what basis respective Division Companies prioritize their initiatives. The same is true for the interrelation among Headquarters, Division Companies, and regional activities.

Without explanations, which are indispensable to understand complex CSR issues, CSR reports cannot communicate a clear consistent points of view and lose their appeal. Other issues include a lack of quantitative information such as KPIs (key performance indicators) and a lack of linkage with Internet information.

In future, more creative ideas to further transparency would be desirable.

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Corporate Planning & Administration Division	Akira Saito		Michiaki Takai
Affiliate Administration Division	Koshiro Suzuki		Akemi Sakuramoto
			Hiroko Nakayama



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

ITOCHU Corporation

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