

ITOCHU Corporation
CSR Report 2009



Corporate Profile

Corporate name ▶ ITOCHU Corporation

Founded ▶ 1858

Incorporated ▶ December 1, 1949

Headquarters ▶ Tokyo: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
Osaka: 1-3, Kyutaromachi 4-chome, Chuo-ku, Osaka 541-8577, Japan

President & CEO ▶ Eizo Kobayashi

Capital ▶ ¥202,241 million

Number of offices ▶ 15 (Japan), 139 (Overseas)

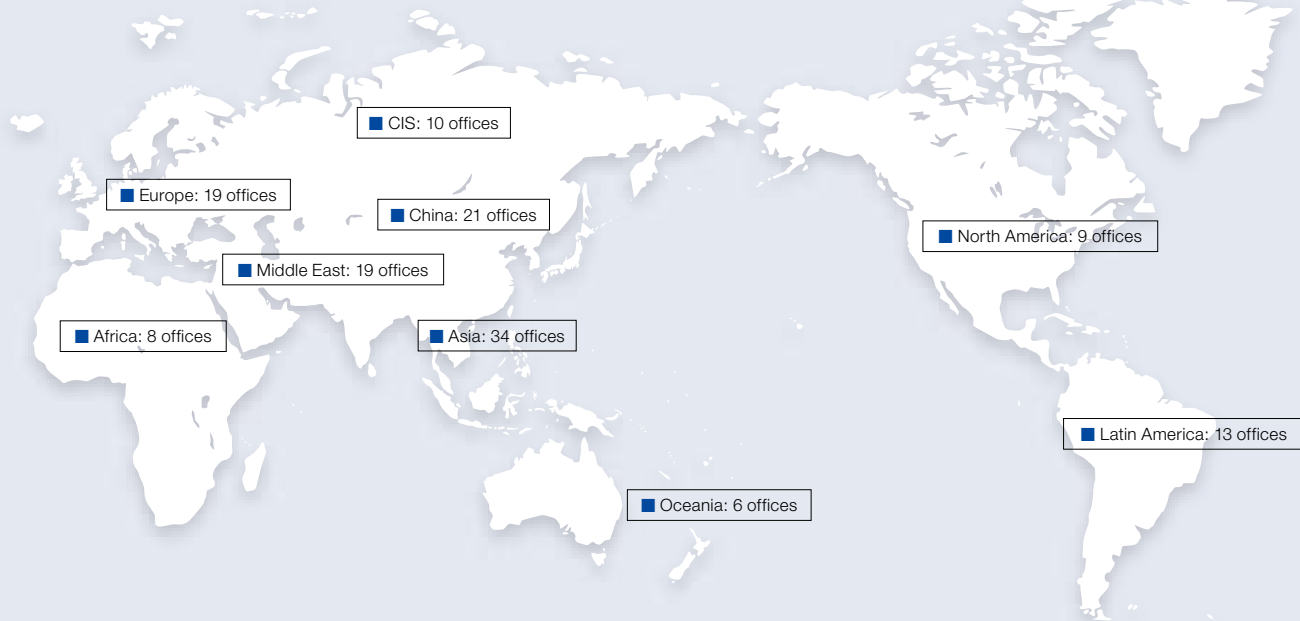
Number of employees ▶ Consolidated: 55,431* / Non-consolidated: 4,175

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

(as of March 31, 2009)

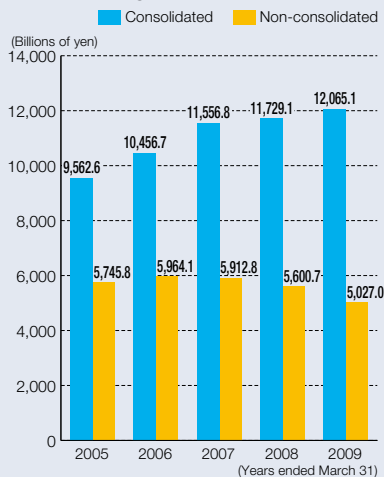


Overseas bases

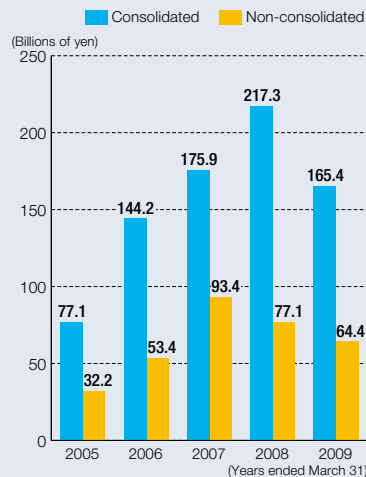


Financial overview

Total trading transactions

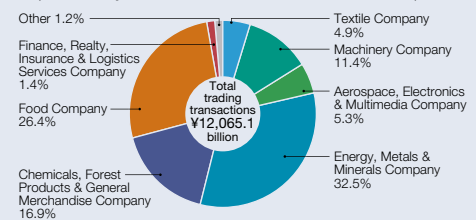


Net income (loss)



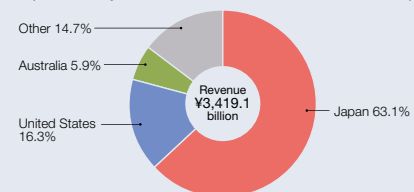
Total trading transactions by Division Company

(The fiscal year ended March 31, 2009, consolidated)



Revenue by region

(The fiscal year ended March 31, 2009, 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.

Editing Policy

ITOCHU Corporation'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 formulating and implementing their CSR action plans. This report details 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. Issues in relation to CSR action plans are to increase objectivity, to concentrate on more material issues, and to improve quality every year. In fiscal 2008, we continued to have meetings with outside experts in order to hear their opinions and proposals regarding the material issues of respective businesses.

Highlight

The following three initiatives, which ITOCHU is placing special focus on, are presented in this Report as highlight features.

- 1) Initiatives to build a value chain in our solar energy business, which ITOCHU is pursuing on a corporate-wide basis among the fields of environment and new energies.
- 2) Social contribution programs to commemorate the 150th anniversary of our foundation in 2008 in order to fulfill our corporate social responsibility for the next 150 years.
- 3) Initiatives concerning supply chain management, an important issue for a *Sogo Shosha*, and, in response to the stakeholder dialogue of fiscal 2008, a documentary report project on supply chains tracing back the supply chain of the products that we handle.

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, 2008, and ended on March 31, 2009 (FY2008). However, some of the more recent information on our activities and initiatives is also included.

* The terms "FY2008" and "fiscal 2008" refer to the period noted above.

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PRESIDENT'S COMMITMENT

Eizo Kobayashi, President and Chief Executive Officer

There are contributions to the world that only a *Sogo Shosha can make. To inherit ITOCHU's DNA, *sampo yoshi*, for the next 150 years and to keep growing.**

A rearranged ITOCHU Credo to ensure further growth for the next 150 years

Last year, ITOCHU celebrated the milestone of the 150th anniversary of its foundation. Looking back on these 150 years, I believe that the origin that enabled us to grow and develop is the spirit of *sampo yoshi*. One could call it a tradition of ITOCHU that we always ask ourselves whether a business is truly good for society. To have all employees share this basic spirit, we established the ITOCHU Credo “*Committed to the global good.*” in 1992. At this milestone of 150 years, we reorganized this Credo to *ITOCHU Mission and Values* in March 2009 in an effort to rearrange the conceptual system in an easily comprehensible way and disseminate it on a wide basis including overseas, while passing on the traditions of ITOCHU (see pages 5-6).

During 150 years, ITOCHU inherited a DNA of three basics: a spirit of challenge facing new things and changes; putting continuous efforts into human resources development; and becoming a good corporate citizen with the spirit

of *sampo yoshi*. To continue our development over the next 150 years, I believe that we need to add two perspectives to these: how we should act as a *truly global enterprise*; and whether we understand diverse value concepts.

The new *ITOCHU Mission* incorporates the belief in further growth toward the *future*, and holds up five Values: *visionary, integrity, diversity, passion and challenge*. We further established “5 self-tests” to ensure that every single employee practices these value concepts by constantly asking himself or herself questions. ITOCHU will fulfill the Mission “*Committed to the global good.*” on basis of this reorganized conceptual system.

Learning our lesson from the financial crisis, we will strengthen our footing and run our business so as to respond to society's expectations

The base of economic activity is serving society by delivering items from places where they are superfluous to places where

they are scarce. This is real economy. On the other hand, finance should originally be supporting the real economy in the background. However, the financial markets broke away from real economy, absorbed the money of the world and inflated in an excessive way. I think that this is the cause for the recent financial crisis.

Today, various events of all over the world are spread quickly due to the development of the internet society, and this results in everyone reacting in the same way at the same time. Since there is no time lag between information and reaction, the financial crisis was instantaneously known all over the world, and everyone suddenly braked hard. When considering these facts, it should be possible to understand the factors that are creating the present economic situation.

The recent financial crisis taught a very significant lesson to our business world. If we make sure that we thoroughly understand this lesson, we should be able to build a healthy global economy without making the same mistake twice. The real economy is the base. I believe that we all have to ensure that we stand firmly on our feet all the time. Only giving the very best for each single project to contribute to the customer will bring a return. And the accumulation of this is the operation of a company.

We will pursue fair corporate activities always considering that we have to respond to the expectations of our stakeholders.

Responding to environmental problems or rapidly changing world situations is one of a *Sogo Shosha's* strengths, and a role that we should fulfill

I think that when considering environmental problems of the future, the key idea is “finding existing things” rather than “asking for non-existent things.” For example, Japan does not have any oil, but unlimited energy sources such as the sun, geothermal heat, wind, waves and others. It may still take some time, but we intend to work for the effective use of these kinds of natural energy. In addition, Japan has yet another strength: technology. I think it is highly probable that our technology will be able to lead the world in resolving environmental problems.

Meanwhile, the energy problem cannot be resolved by using just one method. Some companies are good at wind power generation, some have bio-ethanol technology, and some work on solar power generation. Connecting this kind of multiple companies and finding general solutions. It is *Sogo Shosha* who can fulfill this role. ITOCHU is in the position to provide solutions tailored to the specific local conditions, together with various options to help people all over the world to lead an even better life in the future.

The expansion of the information society has changed not only the environment but also the way of how the changes take place. First, a change with a large impact occurs at an extremely high speed, and this spreads like a tidal wave around the world in an instant. Moreover, the changes happen not only in one industry but involve industries of various fields. When considering this, I believe that *Sogo Shosha* can contribute today more than they could ever before. We will

embrace this important role that we must fulfill for society and pursue business activities that contribute to the world.

Companies belong to society, and we incorporate CSR activities into our business as a corporate citizen

Overseas supply chains may involve issues of human rights, labor, environment, and other problems that we should pay attention to. To address these problems through its business activities, ITOCHU supports the principles of the “Global Compact” advocated by the United Nations and announced participation in April 2009. As a concrete policy regarding our supply chain, we further established “CSR Action Guidelines for Supply Chains.” We think that a *Sogo Shosha* has a significant role and obligation in contributing to resolving social problems as a good corporate citizen, balancing the supply chain as a whole, instead of procuring simply from the vendor offering the lowest price. Supply chain management is a key measure for CSR also in our mid-term management plan.

Meanwhile, when thinking about problems in Japan as supply chain issues and tasks for us as a *Sogo Shosha*, the greatest issue probably is the development of agriculture. Agriculture in Japan is facing structural problems such as an aging agriculture workers and poor profitability. I believe that we can offer a solution to the problems of agriculture by bundling the procurement of material from regions all over Japan, taking advantage of our network of group companies for a stable product supply, and building a supply chain that benefits both producers and retailers in a win-win constellation. We intend to contribute to society also through building this kind of business framework.

Just as ITOCHU has been doing during the 150 years up to now, we always incorporate CSR into our business plans. Companies belong to society. Only those companies can survive that are good corporate citizens and contribute to society. We will continue to promote business that is integrated with CSR to enjoy further growth also in the next 150 years.

* *SogoShos ha*: General Trading Company For business activities of ITOCHU as *Sogo Shosha*, please see page 23.



ITOCHU Mission and Values

In March 2009, ITOCHU reorganized the conceptual system of ITOCHU Credo to *ITOCHU Mission and Values* in order to ensure that all employees correctly understand the role that ITOCHU should play in society and to share the values that ITOCHU has inherited. Inculcating the *Mission and Values* and having each employee put it into practice will bring us even closer to becoming a *truly global enterprise*.

The roots of the *ITOCHU Mission and Values*—*sampo yoshi*

The foundation that has enabled ITOCHU to survive historic upheavals and prosper for more than 150 years is *sampo yoshi* management philosophy of benefiting the seller, the buyer, and society. It is also what our founder Chubei Itoh regarded as roots of business. Under this management philosophy, the company—the seller—should not only pursue profit but should also contribute to such stakeholders as business partners—the buyer—as well as regional economies—society. This philosophy reflects the symbolic values embraced by merchants in Ohmi where Chubei Itoh was originally from.

Aiming to define its commitment to society as an internationally integrated corporation, ITOCHU established *Committed to the global good* as the ITOCHU Credo in 1992. The ideal underpinning this credo is that, in addition to pursuing profit through its business activities, ITOCHU should enrich all individuals and societies involved in its businesses. In other words, the ITOCHU Credo is rooted in the *sampo yoshi* business philosophy. Since establishing the ITOCHU Credo, we have put its philosophy into practice in a wide variety of business activities.

<p>———— ITOCHU Mission ————</p> <h2 style="color: blue;">Committed to the Global Good</h2>  <p>The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.</p>	<p>— ITOCHU Values —</p> <ul style="list-style-type: none">  <u>Visionary</u>  <u>Integrity</u>  <u>Diversity</u>  <u>Passion</u>  <u>Challenge</u>
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Rearranged a conceptual system to enable ITOCHU Group employees worldwide to share values

ITOCHU aims to become a *global enterprise that is highly attractive*. The key to achieving this goal is developing global human resources. Indispensable to such development is ensuring that the ITOCHU Group’s approximately 60,000 employees in Japan and around the world share the values that underpin the Group’s business activities. With that in mind, in March 2009 we rearranged the conceptual system of the ITOCHU Credo so that all of our employees better understand our responsibility for society and reflect them in their everyday work.

Stemming from the *sampo yoshi* management philosophy, *Committed to the global good* remains unchanged as a core concept. However, we have changed its status from

the Credo to the *ITOCHU Mission* in order to underscore our *raison d’être*. The *ITOCHU Mission* is defined as *The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good*.

Further, we identified the values which every single employee should respect to realize the *ITOCHU Mission* as the *ITOCHU Values*. The five *ITOCHU Values* encapsulate the concepts we must put into practice to become a *global enterprise that is highly attractive* as well as the management philosophy inherited from predecessors stretching back to Chubei Itoh. (Please see “Values ITOCHU has inherited” in the table on the next page.) In other words, these *Values* are the foundation that supported our devel-

opment of 150 years and will carry us through our next 150 years.

By rearrangement of conceptual system stated above, the "ITOCHU Mission and Values" has been defined as our corporate philosophy.

Furthermore, in order to make the ITOCHU Code of Conduct more practically applicable, we developed 5 self-tests. Using these tests in light of the five ITOCHU Values, each employee can check their efforts to reflect the ITOCHU Values in everyday work.

5 self-tests

- 

Am I communicating vision and moving forward with others?
- 

Am I proud to say I am involved in this work?
- 

Am I including the ideas and skills of a variety of people to create the best result?
- 

Am I taking responsibility for and caring intensely about what I am doing?
- 

Am I actively trying new things and pursuing innovative solutions?

Inculcating the ITOCHU Mission and Values and increasing its practicality

Aiming to make the ITOCHU Mission and Values more practically applicable, we will incorporate the ITOCHU Values into our personnel evaluation and training system. Furthermore, we intend to form an integrated Ethics Management Program by associating the 5 self-tests with a range of in-house systems and standards.

We presented the ITOCHU Mission and Values to ITOCHU employees worldwide at a Company-wide Employee Meeting on May 16, 2009. We plan to heighten employees' awareness of the ITOCHU Mission and Values by distributing booklets and using communication at various opportunity of in-house dialogues.



Scene of the company-wide employee meeting

Values ITOCHU has inherited

Visionary

Possessing a clear picture or idea of a desired future; communicating that vision and leading others to its achievement.
 "He looked ahead, in other words he had a great deal of insight, and he was always preparing extensive plans."
 "He set his sights high, aiming to take businesses that had already seemingly reached a pinnacle of success one step higher still."
 (Chubei Itoh II talking about Chubei Itoh)

Integrity

Acting in alignment with personal and professional standard and values; keeping agreements; interacting consistently at all times with everyone, everywhere.
 "From beginning to end, people must be honest." (Chubei Itoh)
 "No matter what, merchants must not lie." (Chubei Itoh II)

Diversity

Leveraging our stakeholders' backgrounds and perspectives (gender, age, nationality, and experience) to enhance results.
 "We were ahead of other companies with respect to the atmosphere in the company – among different employees grades there was real harmony and a spirit of cooperation that gave a sense of solid unity." (Chubei Itoh II)
 "Respective branches should collaborate with each other, always working cooperatively and to the best of their ability to further operations."
 (excerpt from "store law")

Passion

Focusing intensely and energetically on current issues, with strong will and momentum to succeed.
 "Whatever he did, his passion towards work was of great width and quality. He gave his whole heart for his work, and worked under the belief that his business was sacred and glorious, that the existence of himself and his business organization contributed to society."
 (Chubei Itoh II, talking about Chubei Itoh)

Challenge

Undertaking "new" things with strong intention and pioneering the future with creativity and ingenuity, no matter the degree of difficulty.
 "Going overseas was taboo for me in my family and company. (omission) I came up with the idea that to reasonably change everything in the company, I needed the drive of some great energy. I had decided deep in my heart that also for this reason, I had to travel to Western countries to obtain new knowledge." (Chebei Itoh II)

CSR for ITOCHU Corporation

ITOCHU Corporation is pursuing multi-faceted corporate activities in various regions of the world and a wide range of fields, and as such, ITOCHU is well aware of how significant its impact on society is.

In April 2009, ITOCHU joined the United Nations' Global Compact. We will continue to contribute to building sustainable societies through our business activities, "Committed to the Global Good" also in the future.

Basic perspectives on CSR at ITOCHU

The unprecedented worldwide recession, triggered by the financial crisis in the US in autumn 2008, casts even more light on the various problems lingering in our present society, global warming and other environmental problems as well as social and other issues.

In this situation, the corporate sector, being the driving force of economic activities, is strongly required to contribute to solutions of these problems in cooperation with the public sector and the citizen sector.

ITOCHU Corporation believes that CSR means that a company acts while asking itself how it can fulfill its role for the development of a sustainable society through its corporate activities. Our work only becomes a long-term asset of our company when society recognizes its meaning. We believe that our mission is to fulfill our Corporate Social Responsibility as a global enterprise, always working from the viewpoint of whether we are contributing to the countries of the world and to society.

The roots of CSR, *sampo yoshi*

The founding of ITOCHU Corporation can be traced back to as far as 1858 when our founder Chubei Itoh started a wholesale business for linen. Chubei based his business on the spirit of *sampo yoshi*, a management philosophy of the merchants in Ohmi, where he was born. This philosophy is the origin of our present CSR, which stipulates that "companies should do business that is balanced among multiple stakeholders," and the spirit of this philosophy has been handed down from generation to generation in our company. The year 2008 marked the 150th anniversary of our founding. Building on our history that we moved through together with the philosophy *sampo yoshi*, we will practice our CSR that is rooted in this principle also during the next 150 years.



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

ITOCHU's participation in the United Nations Global Compact

In April 2009, ITOCHU Corporation joined the "Global Compact" advocated by the United Nations. This is because we support the ten principles of the Global Compact, a global initiative to achieve sustainable growth of the international community, in order to fulfill our CSR even more actively as a global enterprise following our corporate mission *Committed to the Global Good*.



In the compliance of the Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption, ITOCHU will continue to meet the demands from various stakeholders of the international community.

The Ten Principles of the United Nations Global Compact

Human rights	Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2:	make sure that they are not complicit in human rights abuses.
Labour	Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4:	the elimination of all forms of forced and compulsory labour;
	Principle 5:	the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.
Environment	Principle 6:	
	Principle 7:	Businesses are asked to support a precautionary approach to environmental challenges;
	Principle 8:	undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 9:	
	Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.

Approach to CSR promotion at ITOCHU Corporation

We at ITOCHU Corporation believe that fulfilling our social responsibility through our business activities is important. To make sure that CSR is systematically implemented involving the whole organization, we established basic policies for CSR promotion as a corporate-wide policy and drafted CSR action plans in each organization to promote CSR.

In addition, we communicate with our various stakeholders to grasp the expectations and demands of society towards our company and leverage these for the promotion of CSR.

CSR promotion through CSR action plans

ITOCHU Corporation is developing businesses covering a large number of fields and industries in seven Division Companies. To reliably promote CSR in our businesses, each Division Company defines the CSR issues that are important in its business and formulates the “CSR action plans,” and execute them based on a PDCA cycle system.

In actual practice, the responsible sales divisions draft and execute the CSR action plans under the lead of the general manager of the Planning and Coordination Department and the staff in charge of CSR promotion of each Division Company. Since 2008, we have also been seeking to continuously improve the level of our action plans by receiving objective opinions from a third-party perspective in our checking process in the PDCA cycle.

CSR action plans are also formulated and exercised by each organization such as the Headquarters’ administrative divisions, domestic branches and offices as well as overseas bases in line with the respective businesses and functions. A pillar of our CSR promotion is that every employee understands the plans and steadily executes them in his or her job.

CSR promotion system at ITOCHU Corporation

Established in April 2005, the CSR Promotion Department makes proposals for CSR promotion measures, which the CSR Committee examines and discusses. We have also set up a “CSR Report Editing Taskforce” consisting of members from each Division Company and related administrative divisions to discuss the preparation of the CSR Report and promotion measures for CSR.

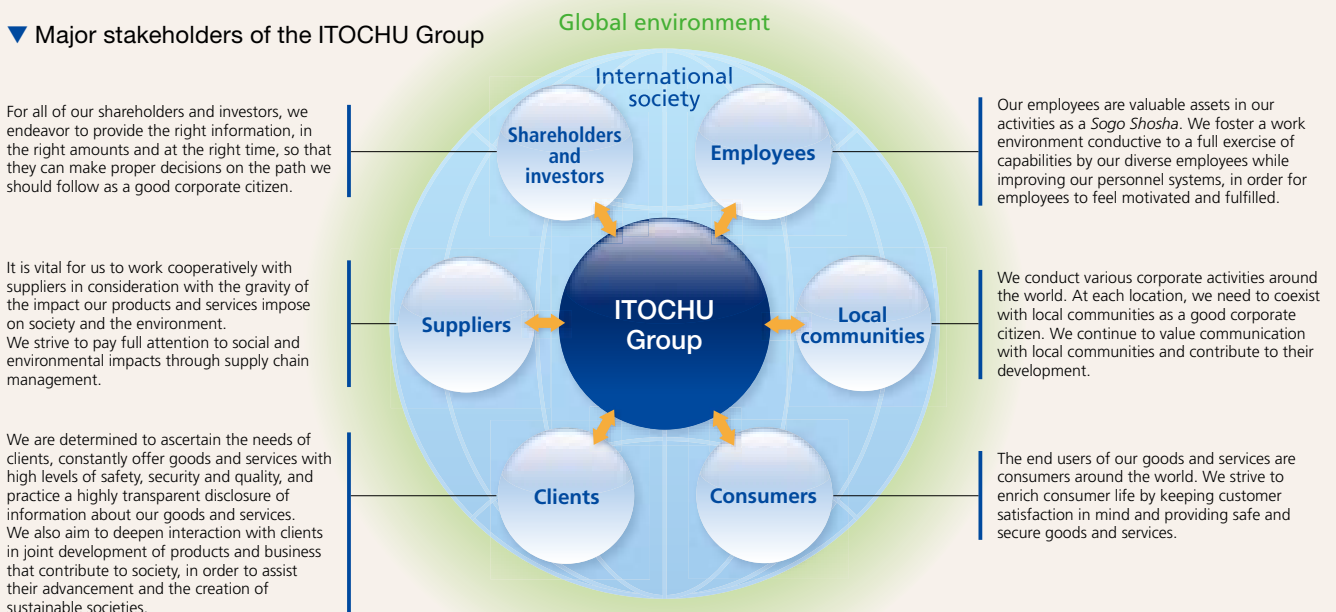
▼ CSR promotion system



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.

Basic Policies for CSR Promotion and Internal Penetration at ITOCHU

ITOCHU Corporation is a *Sogo Shosha* that adopts a Division Company system. Its seven Division Companies are engaged in diverse business activities in their respective industries.

The following reports on, as a company with those characteristics, our basic policies and measures for internal penetration to promote CSR in a practical and effective way.

Basic policies for CSR promotion during "Frontier[®] 2010"

To become a "global enterprise," we need to evolve our management system into one befitting global standards. To incorporate CSR into its management system, ITOCHU Corporation defines "basic policies for CSR promotion" when establishing management plans.

We have been striving to consistently promote and deepen our CSR in our mid-term management plan for fiscal 2007 to 2008. For the term of "Frontier[®] 2010," our mid-term management plan for fiscal 2009 to 2010, we have established basic policies for promotion as shown on the right and will promote each item on a global scale.

Basic policies for CSR promotion "Frontier[®] 2010" Promote the following 4 items on a global scale

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. Strengthening supply chain management (Respect for human rights)



Basic policies for environmental activities*

* For the environment, which is an important CSR issue, we promote activities according to separately defined basic policies for environmental activities.

During the term of fiscal 2007 to 2008, we focused particularly on expanding the scope of our CSR promotion to overseas bases, group companies and supply chains. We realized the roll-out to all regions of our overseas bases, and also made a certain progress in the roll-out to group companies.

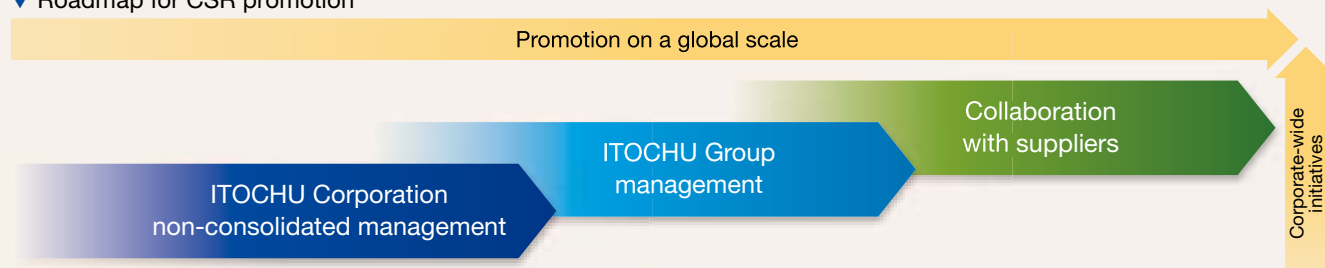
Meanwhile, as regards the expansion to our supply chains, we started working on supplier checks in fiscal 2007. Supply chain management, centered on the issues of human rights and labor problems, is a particularly important CSR issue. Therefore, we positioned supply chain management

as one of our basic policies for CSR promotion in "Frontier[®] 2010" as a corporate-wide issue to strengthen. As specific measures, we established the "ITOCHU Corporation's CSR Action Guidelines for Supply Chains" in April 2009 and are promoting dialogues with our suppliers (see page 16).

Note that for the establishment of the basic policies, we went through a process of referring to opinions of external stakeholders* and employee questionnaires (see page 10).

* In February 2009, we conducted a questionnaire survey of 13 experts that had attended stakeholder dialogues and meetings with third parties in the past.

▼ Roadmap for CSR promotion



Implementing CSR initiatives at group companies

Since fiscal 2006, we have been gradually expanding CSR promotion for major group companies, based on the model methods of ITOCHU Corporation; establishing CSR action plans and executing these in PDCA cycles. By fiscal 2008, an accumulated total of 45 companies established CSR action plans. We will continue to promote CSR development tailored to the business content and size of each group company including those overseas also using other techniques.

▼ Group companies targeted for CSR implementation at a glance

Organization	Companies targeted
Textile Company	ITOCHU FASHION SYSTEM Co., Ltd., ROY-NE CO., LTD., ITOCHU MODEPAL CO., LTD, CI SHOPPING SERVICE CO., LTD., ITOCHU Home Fashion Corporation
Machinery Company	ITOCHU Plantech Inc., ITOCHU Automobile Corporation, ITOCHU CONSTRUCTION MACHINERY CO., LTD.
ICT, Aerospace & Electronics Company	ITOCHU Techno-Solutions Corporation, ITC NETWORKS CORPORATION, ITOCHU ELECTRONICS CORP., CAPLAN Corporation, JAPAN AEROSPACE CORPORATION, NANO Media Inc., ITOCHU Sanki Corp.
Energy, Metals & Minerals Company	ITOCHU Metals Corporation, ITOCHU Petroleum Japan Ltd., ITOCHU Oil Exploration Co., Ltd.
Chemicals, Forest Products & General Merchandise Company	ITOCHU KENZAI CORPORATION, ITOCHU CHEMICAL FRONTIER Corporation, ITOCHU PLASTICS INC., ITOCHU PULP & PAPER CORP., ITOCHU CERATECH CORPORATION, The Japan Cee-Bee Chemical Co., Ltd., Chemical Logitech Co., Ltd., VCJ Corporation, ITOCHU Forestry Corp., ITOCHU Windows 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.
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, Naigai Travel Service Co., Ltd.
Headquarters	ACRONET Corp.

Measures for internal penetration of CSR at ITOCHU

1 CSR seminars

We regularly organize "Internal CSR Seminars" to incorporate the views and opinions on various CSR issues from outside experts.

In fiscal 2008, we held the fourth seminar on the topic: "Loss and Recycling in Food Distribution," focusing on the steep rise in food prices and the low self-sufficiency for food. The attendants learned about the current food loss both from the standpoint of distributors and from the standpoint of consumers, and there was a lively exchange of opinions on what to do about this.

We plan to continue CSR seminars focusing on CSR issues that require particular attention.



The fourth internal CSR seminar on February 23, 2009

3 CSR workshops

One of our measures for CSR promotion is to produce videos on an important CSR issue for internal education, distribute them to every division and site in Japan and overseas, and then organize participative training "CSR workshops" at each organization. In these workshops, the attendants watch a video and then discuss it.

In the CSR workshops of fiscal 2008, attendants watched a digest of the stakeholder dialogue held in 2008 (subject: "Considering Upstream Issues in the Cornerstone Businesses Comprising Society") and had a lively discussion on the current situation as well as issues and measures with respect to this topic. During this discussion, a variety of opinions was voiced, for example, on initiatives to reduce environmental impact, the promotion of new energies and other eco-friendly businesses, or the importance of communicating to the consumer (see the table at the right for an outline).



Video for internal education on CSR in fiscal 2008



CSR workshop at our London office

2 CSR Report 2008 questionnaire for employees

As every year, we conducted a questionnaire survey directed to all employees on the *CSR Report 2008* over the intranet. We received replies from 5,302 out of 7,046 employees (reply rate: 75.2%). With employees becoming increasingly aware of CSR, this is an important tool to accumulate our employees' frank opinions on CSR.

In the results of the survey, the top CSR issue that ITOCHU should address was "creating businesses contributing to the conservation of the global environment, etc. / consideration for the environment in our business." We will continue to give feedback on the voices of our employees to the relevant sites to promote CSR through our business activities.

Replies to the *CSR Report 2008* questionnaire for employees

	Questionnaire for employees of ITOCHU Corporation	Questionnaire for employees of overseas blocs	Total
Number of employees	5,188	1,865	7,053
Number of replies	4,171	1,131	5,302
Reply rate	80.4%	60.6%	75.2%

Topics discussed during the CSR workshops (excerpt)

Organization	Topics
Textile Company	Promotion of resource-recycling business / communicating to the consumer / promotion of the PRE-ORGANIC COTTON PROGRAM / securing of traceability / reduction of environmental impact in the apparel production process
Machinery Company	Promotion of business contributing to a reduction of environmental impact / reinforcement of investments and examinations from a CSR perspective / recognition of issues related to the automobile industry / reinforcement of communication and spread and expansion of eco-friendly products / consideration for social and environmental aspects in business activities
ICT, Aerospace & Electronics Company	Promotion of green IT / promotion of recycling business / promotion of communication to raise awareness (including MOTTAINAI) / indexing of environmental impact using IT and construction of traceability system
Energy, Metals & Minerals Company	Reinforcement of communicating and disclosing information related to initiatives for the reduction of environmental impact / development of new energies, promotion of environment business / selection of partners in consideration of CSR (environmental) aspects / reimbursement and re-investment (for the local community or the environment)
Chemicals, Forest Products & General Merchandise Company	Reinforcement of communication and spread and expansion of eco-friendly products / promotion of supply chain management (continue checks and control/guidance) / acceleration of the discovery of and investments into eco-friendly products and businesses
Food Company	Continual efforts to grasp accurate information / promotion of consumer education through communication / reduction and effective use of waste and overhead / promotion of development and spread of eco-friendly products
Finance, Realty, Insurance & Logistics Services Company	Reduced consumption and saving of paper, electric power and other resources / requests for the promotion of environmental initiatives to contractors and subcontractors for construction work / promotion of rationalization, modal shifts, etc. from the aspect of reducing CO ₂ emissions / consulting, education and support for response on the basis of expert knowledge of construction, distribution and insurance, internally or for group companies or business partners
Headquarters	Promotion of initiatives to reduce environmental impact at offices / reinforcement of communication and corporate PR / development of a mechanism for returns (of profits) inside the own company
Domestic branch offices	Promotion of consumer education through communication
Overseas offices	Promotion of products and businesses contributing to a reduction of environmental impact / promotion of efforts to reduce environmental impact at the office / promotion of consumer education through communication

Highlight 1

Developing a Value Chain in the Solar Energy Field

In April 2009, we established the Solar Business Department to pursue solar business on a coordinated corporate-wide basis. With the intention of integrating our business activity across the entire solar power value chain, we will fully dedicate ourselves to the successful deployment of solar energy on a global basis.



①

Our stance on the solar energy business

Renewable energies are our most critical resource to meet growing worldwide energy demand in a sustainable way while controlling global warming.

Renewable energies include wind power, solar energy, geothermal, biomass and others. Among these, solar power generation has become increasingly economically viable thanks to recent dramatic technical innovation in energy conversion efficiency, increased production efficiencies and policy support measures implemented in various countries around the world.

Leveraging the functions of a *Sogo Shosha*, ITOCHU Corporation is working to expand its businesses related to solar power generation by participating in all facets of solar power generation and developing a value chain from upstream to downstream, thus making a significant contribution to society through the spread and promotion of eco-friendly solar power generation.

Pursuing the solar energy business on a corporate-wide basis

The solar energy business is complex, involving a large number of elements such as the production and supply of raw materials, solar cell and module production, project development, financing and installation, and myriad interrelated policy issues.

Therefore, we determined that further intensification and promotion of this business requires efforts on a corporate-wide, cross-sectional scale, and established the “Solar Business Department,” — a new organization under direct control of the Headquarters — in April 2009. This organization will bundle our solar energy-related businesses, which had been handled in a distributed manner at each Division Company, to build a comprehensive value chain.

Pursuing the solar energy business with a value chain

To date, ITOCHU Corporation has made investments in NorSun AS, a company in the mid-stream position manufacturing ingots and wafers for solar cells, and in a number of system integrators (below called “SI”)* which are positioned downstream and design, install and sell solar systems for residential (small-size), commercial and government (mid-size) and solar park (large size) applications.

In each of these business areas, we dispatched our staff or managers to get deeply involved in the management and work to expand business while leveraging ITOCHU’s worldwide network to provide the necessary functions such as the procurement of major materials and equipment, logistics, product sales support, financing or support for a global roll-out of sites.

In addition to these efforts, we are considering involvement in the production of polysilicon, which is a raw material for solar cells, establishing new sales offices for SI we are already involved with, tying up with new SIs, and establishing a company which owns solar power generation assets.

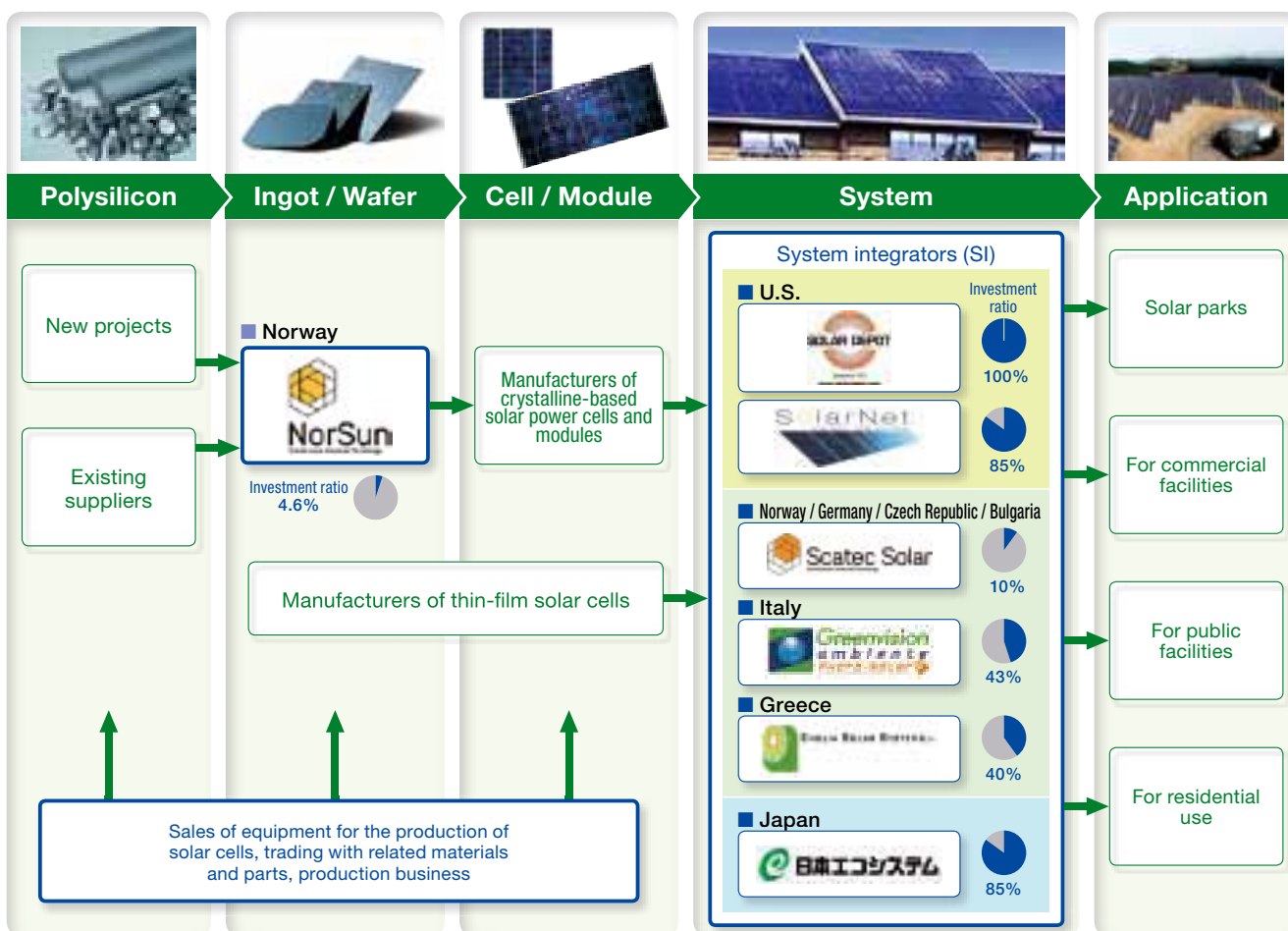
Striving to complete the value chain at an early point of time to build a stable business environment, we will continue to work for the expansion of the solar energy business by exerting the comprehensive capabilities of the ITOCHU Group.

* System integrators: collective term referring to companies who design, sell and install solar power generation systems combining solar modules and accessory (balance of system) components.



- ① Example of the installation of solar modules in a parking lot, Italy
- ② Example of the installation of solar modules at a winery, California
- ③ Example of the installation of a solar park, Germany
- ④ Example of the installation of solar modules at a waterworks bureau, San Francisco
- ⑤ Example of the installation of solar modules at a mining company, Nevada
- ⑥ Example of the installation of a solar park, Germany
- ⑦ Silicon Ingots made by NorSun AS, Norway

▼ Value chain of the solar energy business that ITOCHU Corporation is involved in



Spreading and promoting eco-friendly solar energy

Deployment of renewable energies is a critical path to reduce global warming and leave a beautiful earth for the next generation. Solar power generation is a particularly promising energy thanks to its use of virtually unlimited photovoltaic energy radiated from the sun to the earth, and the fact that it can be installed anywhere from ordinary homes up to large-scale facilities. The "Solar Business Department," which was

established on April 1, 2009, promotes businesses in various areas of the value chain, upstream to downstream, to contribute to the expansion of solar energy, thus contributing to society.

Toshihiko Fujioka
General Manager, Solar Business Department



Highlight 2

Social Contribution Programs to Commemorate the 150th Anniversary of ITOCHU's Foundation

In 2008, ITOCHU Corporation celebrated the 150th anniversary of its foundation. To commemorate this, we decided to promote two programs for social contribution activities considering staff members' request:

- support for the activities restoring the tropical rainforests and conserving Borneo's ecosystem
- establishment of the ITOCHU Scholarship Fund.

We received a large number of proposals from ITOCHU's divisions all over the world, and selected the two programs from two categories: "Reforestation and conservation" and "educational support."

The details of each program were enhanced through discussions with external experts.

We will proceed with these programs as an opportunity to continue the promotion of further social contribution.



1 Activities to restore the tropical rainforests and conserve Borneo's ecosystem

This program is aimed at rejuvenating tropical rainforests in Borneo, which have been degraded due to rapid development.

Basic position on biodiversity at ITOCHU Corporation

ITOCHU Corporation is involved in a broad variety of product transactions and development projects, and these include businesses that have an impact on natural ecosystems. To reduce environmental impacts and to prevent accidents, our *Environmental Policy* (see page 49) stipulates the "Prevention of environmental pollution" and clearly states "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." Strictly speaking, we identify the environmental impacts including impact on natural ecosystems during the lifecycle of the products we handle from the phase of procuring the raw material up to disposal in yearly "environmental impact evaluations by product," and reinforce our control depending on the results.

With this program, we hope to make a positive contribution to the conservation of ecosystems in addition to the initiatives to reduce environmental impact in our core operations.

Current situation of the world's forests, particularly tropical rainforests

Forests all over world, especially tropical rainforests, are continuing to shrink and deteriorate at a rapid pace. The United Nations Conference on Environment and Development (UN

Earth Summit) held in Brazil in 1992 also emphasized the necessity for more sustainable forest management. However, even today, 13 million hectares of forest are estimated to be destroyed every year all over the world. In addition, about 20% of the global CO₂ emissions, which cause global warming, is said to be due to the shrinking of the forests.

Tropical rainforests cover only 3% of the earth's surface, but are said to be home to as much as 70% of the world biological species of animals, plants and insects. Conserving tropical rainforests is extremely important in order to pass on biodiversity to future generations and also to prevent global warming.

Outline of this program

Reforestation area	North Ulu Segama, Sabah, Malaysia
Purpose	Reforest tropical rainforests diminished by rapid development with no prospective for natural restoration, and to maintain habitats for orang-utans and other biological species unique to that region
Total area	967 hectares
Activities	Reforestation of target area, management of young trees, and monitoring of orang-utan population

In cooperation with its group companies, ITOCHU Corporation will contribute ¥250 million to WWF Japan over five years starting in fiscal 2009 to support this program.



- ① Borneo Pygmy Elephants (Kinabatangan River area)
- ② Friendly river otters (Kinabatangan River area)
- ③ Orang-utan parent and child (Rehabilitation Center)
- ④ Planned reforestation site (North Ulu Segama)
- ⑤ Signboard of the WWF, etc. at the planned reforestation site
- ⑥ Baby sprouts of Dipterocarpaceae trees!
- ⑦ Seed bed at the reforestation area

The target area of 967 hectares may be the largest scale project for the support of a reforestation program by a private company in Asia. And activities such as undergrowth cutting (weed cutting) and watering will be carried out under the control of WWF six times during the first 18 months after seedlings are planted. We call the area "ITOCHU Group: Forest for Orang-utan" and are supported by ITOCHU and its group companies. Twelve species of trees will be planted, including mainly Dipterocarpaceae such as Shorea Kapur and other local species as appropriate for the conditions at the respective sites. Further, undergrowth cutting and other work is necessary to protect the young trees that are to restore a forest of the original species. Without this work, the planted trees would not have a good chance of survival.

In North Ulu Segama, where this reforestation is planned, there are hardly any high-growing Dipterocarpaceae left, and other trees and shrubs have started to sprawl (see photograph ④). Under the current circumstances, the original tropical forest will be unable to regenerate in a natural way. WWF is promoting forest restoration on a total of about 2,400 hectares. Out of this area, ITOCHU Group will support reforestation of 967 hectares.

Employee participation

ITOCHU will organize volunteer reforestation tours for staff members including those from overseas bloc and the group companies to let them experience tree-planting, undergrowth-cutting and other work. The purpose of this tour is to make all participants understand the significance of the nature conservation through presentations by WWF experts on the meaning of this program and through encounters with precious wild animals that can hardly be seen. We are planning to organize the tours about 1 to 2 times a year.

Group company participation

ITOCHU Corporation is supporting this program in cooperation with ITOCHU group companies. The following 18 group companies participate in the program in 2009:

[Group companies participating in the program]

- ITC NETWORKS CORPORATION ● i-LOGISTICS CORP.
- ITOCHU ENEX CO., LTD. ● ITOCHU PULP & PAPER CORP.
- ITOCHU KENZAI CORPORATION ● ITOCHU-SHOKUJIN Co., Ltd.
- ITOCHU SUGAR CO., LTD. ● ITOCHU Techno-Solutions Corporation
- ITOCHU PROPERTY DEVELOPMENT, LTD.
- ITOCHU PLASTICS INC. ● ITOCHU Metals Corporation
- C.I. KASEI CO., LTD. ● SPACE SHOWER NETWORKS INC.
- Century Medical, Inc. ● DAIKEN CORPORATION
- NIPPON ACCESS, INC. ● FamilyMart Co., Ltd.
- FUJI OIL CO., LTD.

(order of the Japanese syllabary)

Comments from WWF



Bountiful forests for wild animals

Mikako Awano

Director, Head of Business Partnership Marketing Group, Fundraising & Marketing Communications
WWF Japan

Borneo is one of the priority places for WWF. The forests of North Ulu Segama, where this project is located, are degraded. However, a good number of orang-utans are living here even now. Restoring this forest is not only critical for conserving orang-utans and other various threatened animals in this area, but also contributes to the deforestation issue.

2 Establishment of the ITOCHU Scholarship Fund

The ITOCHU Scholarship Fund – Assisting Non-Japanese Students to Lead the Next Generation –

At the milestone of the 150th anniversary of its founding, ITOCHU Corporation established the “ITOCHU Scholarship Fund.” The purpose of this fund is to assist non-Japanese students at universities in Japan by reducing the financial burden they have to bear for their studies in Japan, enabling them to concentrate on learning and to contribute to the development and a stronger relationship of Japan and their respective countries.

We support 20 to 30 third and fourth year university students who came from countries and regions that are ITOCHU’s priority business areas to enroll in Japanese universities with ¥1.5 million per year for each student (each student is sup-

ported for two years with a total amount of ¥3 million). The fund started in 2009, and 20 to 30 students will newly join every year.

We will not only provide these students with financial aid through scholarships, but also plan to have active exchanges with them to let them know about ITOCHU in more depth. For example, the students would participate in CSR programs including volunteer activities carried out by ITOCHU or attend presentations on our business contents and overseas operations.

By providing this kind of assistance to non-Japanese students who are going to lead the next generation, we are helping these students to contribute to the development and a stronger relationship of Japan and their respective countries after they graduate from university. The scholarship fund is an international social contribution from a true *global enterprise*.

Social Contribution Programs to Commemorate the 150th Anniversary

Purpose and outline

In 2008, ITOCHU Corporation celebrated the 150th anniversary of its foundation. At this opportunity, we decided to continually carry out selected social contribution programs suitable for a global enterprise.

The programs were to enable contributions to the environment and to society from a global viewpoint. Specifically, we considered the following two fields, also in light of our Basic Activity Guidelines on Social Contribution (see page 47).

- ① Action on global humanitarian issues
- ② Environmental conservation

To have the entire company work as a team, all organizations inside and outside of Japan discussed and studied social contribution activities and proposed concrete programs to ITOCHU Corporation for the selection of the program.

Program selection

We received proposals on a total of 274 programs from almost every division inside and outside of Japan (see the table on the right). First, we picked the two themes with the largest number of proposals: educational support (development of the next generation) and the conservation of forests and ecosystems. Next, we consulted external experts to study into how international the proposals were, whether they could be continued, how easy it was for employees to participate, whether the size was suitable as a program to commemorate the 150th anniversary and so

forth, and then concretized and enhanced the programs and also selected the specific groups to cooperate with. After having gone through this work, we ultimately decided to promote two programs as social contribution projects commemorating the 150th anniversary: “support for the activities restoring the tropical rainforests and conserving Borneo’s ecosystem” and “establishment of the ITOCHU Scholarship Fund.”

Contents of the proposed social contribution programs

The analysis and counting of the programs proposed from each division in ITOCHU all over the world showed that the following themes had received a large number of proposals (some programs fall under more than one theme).

① Humanitarian issues in the world		173
Rank 1	Educational support	57
Rank 2	Medical support	21
Rank 3	Food / agriculture support	20
② Environment		136
Rank 1	Reforestation /conservation of ecosystems	39
Rank 2	Conservation of water resources	12
Rank 3	Clean-up and enlightenment activities	6

Highlight 3

Supplier Relations

Consideration for the human rights, labor affairs and the environment in the supply chain is an important CSR issue for companies that trade on a global scale. ITOCHU Corporation strives to improve these social problems by intensifying the communication with its suppliers.

Basic stance on supply chain management

Developing business all over the world, ITOCHU Corporation has positioned supply chain management as an important issue to be addressed. Preventing human rights, labor and environmental problems, and working for improvement together with the supplier. We are striving to practice these actions steadily and incorporated them into our basic policies for CSR promotion activities as “4. Strengthening supply chain management (Respect of human rights)” (see page 9).

Checking suppliers in relation to CSR

Since fiscal 2007, we have been promoting checks of the actual situation for the basic items such as human rights, labor and the environment and additional check items suitable for the product properties – for example, forest conservation or food safety – for each Division Company. Suppliers to be checked have been selected according to certain conditions in reference of the FTSE4Good criteria. Our policy for the future is to revise the target suppliers every year and to give feedbacks to the respective suppliers for continual improvement.

Problems found in checking suppliers

Out of 283 companies that fell under the target suppliers in fiscal 2007, 22 were not applicable since dealings with them had been terminated. The checking of the remaining 261 companies were completed in September 2008. Severe problems that require immediate attention were not found, but there were some deficiencies, for example, in respecting the right of collective bargaining, environmental measures or CSR checking of secondary suppliers. Meanwhile, there were suppliers like state-owned companies where the check itself was difficult to carry out. We will continue these checks to improve the level of our entire supply chain.

Number of suppliers each Division Company targeted and surveyed

Division Company	Number of suppliers targeted	Number of suppliers surveyed
Textile Company	21	17
Machinery Company	12	12
Energy, Metals & Minerals Company	8	8
Chemicals, Forest Products & General Merchandise Company	160	149
Food Company	64	57
Finance, Realty, Insurance & Logistics Services Company	18	18

ITOCHU Corporation's CSR Action Guidelines for Supply Chains

As part of our efforts to promote supply chain management, we established action guidelines in April 2009 in order to have this philosophy penetrate the entire company and to clearly communicate ITOCHU's stance to suppliers. It is our intention to present these action guidelines to our suppliers, to deepen the dialogue on human rights, labor and environmental conservation, and to ask our suppliers to understand and practice ITOCHU's stance.

ITOCHU Corporation's CSR Action Guidelines for Supply Chains

To fulfill the ITOCHU Mission, “Committed to the global good,” ITOCHU promotes CSR through its business activities, with the aim of achieving a sustainable society.

Due to the characteristics of its business activities, ITOCHU has to keep working to manage its supply chains in consideration to the social or environmental impact of a variety of products and services handled.

ITOCHU has established the CSR Action Guidelines for Supply Chains to explain its position to suppliers, and expects and encourages their understanding and implementation of every item mentioned below.

1. Suppliers shall respect the human rights of employees, and never treat employees in an inhumane manner.
2. Suppliers shall prevent forced labor or child labor.
3. Suppliers shall not practice discrimination in hiring and employment.
4. Suppliers shall prevent unfair low-wage labor.
5. Suppliers shall respect the rights of employees to organize, for smooth negotiation between labor and management.
6. Suppliers shall strive to provide employees with a safe and healthy work environment.
7. In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
8. Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
9. Suppliers shall disclose information regarding the above items in a timely and appropriate manner.

Documentary Report Project on Supply Chains

Vol. 1 From raw cotton to T-shirts

Why we started this project

In our stakeholder dialogue of 2008, the experts talked to us about how important it is to tell the consumer where things come from. This is why we decided to trace back the supply chain for each product handled by ITOCHU Corporation from the downstream level to the upstream level, and then report on its overall picture through this CSR Report as well as our website.

Apart from the price and quality of a product, questions such as whether the people involved in the process of making

the product all have appropriate earnings or whether the environment is taken into consideration are all issues of great importance. Consumers need to gain accurate information to select good products and good companies from a general point of view in order to build a well-balanced society. In this project, we are going to present documentary reports on the situations in supply chains for various products handled by ITOCHU.

Vol. 1 From raw cotton to T-shirts

Cotton is one of the materials that support our daily lives. To conduct a research on what issues exist in the supply chain from raw cotton to T-shirts, we visited and gathered information on the PRE-ORGANIC COTTON PROGRAM promoted by ITOCHU Corporation in March and April 2009.

Cultivation

1 Farmer



Farming land of Mr. Nanka

Umaldat village **Mr. Nanka**

"The best thing is that my skin does not itch any more since I have stopped using agrochemicals. Apart from cotton, I am growing wheat and corn, and I switched everything to organic cultivation."



Village houses with cows

Boparupura village **Mr. Patel and others**

"I was introduced to RAJ ECO FARMS by another farmer at the market. This is a village of 300 people, and 70% of them are now using organic farming methods."

Together with the people of Boparupura village



2 RAJ ECO FARMS

– Guidance in organic farming and primary processing of raw cotton



Managing Director
Mr. Rajesh Tanwar

"My goal is to generally improve the health and living of the farmers and the environment of the farming land, and to spread this throughout India."



Spinning

3 Patspin India Ltd.



Managing Director
Mr. Umang Patodia

"I agreed with the policy of Rajesh. In addition, this business is supported by ITOCHU Corporation earnestly trying to promote organic farming."



PRE-ORGANIC COTTON PROGRAM

Introducing organic farming to resolve issues

To resolve the various problems arising from the overuse of chemical fertilizer and agrochemicals, there are movements to revive organic cotton farming using, for example, fertilizers made from cow dung and herbal pesticides. ITOCHU Corporation started a "PRE-ORGANIC COTTON PROGRAM" to promote the shift to organic cotton farming.

1 Project outline

This program was announced by ITOCHU Corporation and kurkku, represented by the music producer Mr. Takeshi Kobayashi, in approval of the initiatives of Mr. Rajesh Tanwar (photograph ②) of RAJ ECO FARMS, a support cooperative for farmer education. Mr. Tanwar is teaching organic farming methods and the advantages of organic farming to cotton farmers to persuade them to shift. With organic farming, only cow dung and herbs and trees which the farmers of India can supply by themselves are used instead of chemical fertilizer and agrochemicals.

After the shift to organic farming, it takes three years until a farmer is granted the "organic" certification. Further, production quantities drop by approximately 20% in the short term. The raw cotton in this intermediate phase before being authorized as organic is called "pre-organic cotton" and the drop in the production quantities compensated by a premium price. Supported by this framework, more than 600 farmers are currently participating in this program.

2 Role of ITOCHU Corporation

ITOCHU Corporation makes estimations on the sales quantities and a commitment regarding the purchase (support) quantity before the planting. Then, ITOCHU procures this full quantity of pre-organic cotton from Patspin India Ltd. (photograph ③). The risks regarding the sales quantity and market prices, etc. is borne by ITOCHU, which sells the raw cotton, cotton yarns and products that are made in many directions. The cooperation with kurkku in this initiative improves the visibility of pre-organic cotton among consumers.

Issues in the supply chain

1 Issues in cotton farming

The harvests in Indian cotton farming dramatically improved around the 1960s, when chemical fertilizers and agrochemicals were widely introduced. However, while the production quantities increase, problems are spreading, including a deterioration of the natural environment in the soil and skin or lung diseases caused by directly inhaling agrochemicals sprayed in excessive quantities.

From the economic aspect, the standpoint of farmers in the market is weak, and the reality for many farmers in India is that they do not have sufficient income, and that they cannot escape poverty even if their harvest improves because of a structure where the costs for chemical fertilizer and agrochemicals are too high compared to the income.

2 Issues in the factories

For this report, we visited spinning factories in India, as well as knitting factories, dyeing factories and sewing factories in Shanghai.

The textile industry is struggling with issues such as the reduction of the energy usage and the purification of waste water in the dyeing process, and the labor environment during the sewing process.

In China, the regulative management of companies by the national government and local governments is making progress every day. There is still a large gap in the level of the regulations depending on the region, but when looking at the large picture, improvements from both the environmental and the social aspect are made from year to year.

Knitting fabric

Knitting factory



Dyeing

Dyeing factory



Sewing

4 Shanghai Zephyr International Trading Co., Ltd.



Mr. Yoshifumi Iwabuchi
President (photograph on the right)

"Checks and inspection visits from the CSR viewpoint by apparel brand companies from the US and other countries that place orders with us are frequent today. For companies of the apparel industry, social and environmental considerations have become familiar issues."

5 Shanghai Chunchao Garment Co., Ltd.

Mr. Hokan So
President



The president standing next to a package of pre-organic cotton from Patspin.

"The regional government in Shanghai is hurrying to promote environmental and labor-related regulations, also because of the upcoming Expo, and I think that all companies will work hard to respond to this."



Marketing / Sales

6 Itokin Co., Ltd.



Mr. Tomohiro Suga, Director

"There has been a shift from an era where companies selected consumers to an era where we propose the sense of trust and comfort required by the customers. Itokin also supports the basic philosophy of pre-organic cotton, and we are continuing our efforts to get support from as many consumers as possible."



Impressions from the inspection visits and interviews

Mr. Tomohiko Yamaguchi from The CSR Institute, Inc. conducted inspection visits and interviews for us at each site from the farmers up to the sewing factories.

(1) The supply chain in general

Many cotton farmers in India are illiterate and not skilled in economic bargaining. Also, many of them run their farm just with their family without belonging to any organization. These are some of the reasons for their disadvantaged position and the underlying cause for various problems.

Even if it takes time, I feel that it is most important to develop social systems and the like for basic education to let farmers learn agricultural methods that are highly productive and good for their health and the environment, enabling them to realize a proper way of living in the economic society.

Meanwhile, the processes after the spinning have regulations and so forth in place, so I think that the issues from the CSR viewpoint are small in comparison with the difficulties faced by the farmers.

Mr. Tomohiko Yamaguchi
CSR Consultant, The CSR Institute, Inc.



(2) PRE-ORGANIC COTTON PROGRAM

The base of this program is the education of farmers to promote the spread of practical organic farming methods. Listening to the persons involved, I gained a good understanding of the framework for realizing the recovery of the farmers' health, an improvement of their lives, as well as a recovery of the soil environment without contradictions.

Meanwhile, organic cotton production is labor intensive. To make sure that farmers do not discontinue their efforts, it is necessary that products from this cotton are sold at a certain quantity and at fair prices. I think that the key for the success of this program lies in whether the costs for the overall operation, including the tracing down to the commercialization, are accurately communicated to the consumers so that they understand costs and purchase these products on a wide scale.

I hope that this business is brought to success through the agreement of both the seller and the buyer side, and that the shift to organic farming is expanded in the future. In addition, I would also like ITOCHU Corporation to promote social and environmental consideration that reaches all the way back to the origin in all regions of its cotton business.

What kind of CSR should be promoted even during the economic crisis?

We invited four experts for a dialogue on the topic “What kind of CSR should be promoted even during the economic crisis?” President & CEO Eizo Kobayashi and members of ITOCHU Corporation’s senior management team attended this frank exchange of opinions.

(Held on May 11, 2009)



The worldwide financial crisis was caused by the monetary economy inflating to a size exceeding the real economy

Kobayashi: The present economic slump triggered by concerns for the worldwide financial situation is posing us important challenges regarding the industrial infrastructure itself, within the framework of large-scale changes in our society. I look forward to an exchange of opinions from this aspect today.

Kawaguchi: I also feel that we are in a phase of change, in a time of a paradigm shift. The cause that triggered the runaway and crash of the present financial crisis lies in the discrepancy between the real economy and the monetary economy. During the economic growth in the past ten to fifteen years, the financial markets grew at a pace that was many times higher than that of the real economy, and financial markets inflated to an excessive size. The background for this was the development of IT and financial engineering.

Kobayashi: Just as Ms. Kawaguchi said, I heard that while the ratio of the real economy to the monetary economy was 1:1 in the 1980s, it became 1:2 in the 1990s and is now 1:4. The growth of the monetary economy to four times the size of the real economy caused excessive consumption and excessive supply.

Kawaguchi: And the result was that people who originally did not have rights of claim for real goods started to have rights of claim, and material demands that normally should not be fulfilled were fulfilled, giving us a means to deplete real resources, global resources at an accelerating speed.

This means that desire inflated at an accelerating speed,

demand for real products also inflated, and this triggered an excessive use of resources. The fact that all these have deflated is probably a positive thing for our global resources, I believe.

Takayanagi: When considering this from our standpoint of conducting business, one of the causes for the present economic crisis is our emphasis on the “end-results,” instead of the processes to reach such end-results.

I think we need to take the stance of asking how companies can contribute to society while making profit, but the emphasis was too much on profit. In the end, this is a question of the values of a company and the values of the people who work there.

The economic crisis was caused by short-term orientation and unethical desire. We need an index to measure processes

Hara: I have been watching this financial crisis and am very surprised at the bail-outs by the Obama government. Capitalist market economy was changed into something that may lead to a socialist planned economy, or, in the worst case, even capitalism with a state monopoly. I think that these policies of financial stimulus may cause an irreparable moral hazard for many citizens, and I feel that this will threaten the American society in various forms as society loses loyalty. In other words, I think that the financial crisis is a structural crisis of the capitalist market economy, and that the weakness of economic theories since Adam Smith which lost its self-cleansing capabilities finally emerged in this form.

Davis: Short-termism is the primary cause of the current financial

crisis. Short-termism in the sense that a good profit yield will balance out any social problems caused by the business – an attitude that “problems can be addresses at some later time.” What has been missing is a consideration of the wider meaning and impact of business outcomes at the planning stage. Mr. Takayanagi’s comment that ITOCHU needs to concentrate on processes not simply results in planning its business is laudable. However, in order to realize this, you will require a new set of indices which link processes and results in terms of their efficacy in generating real value.

What is the role of companies in the society of tommorrow?

Sueyoshi: Speaking from a CSR point of view, now is the time when companies are tried for how serious they are about CSR. How do companies bring out that seriousness in their activities in this economic slump? And what will be demanded of companies in the world after the recovery of this slump? I feel that this is where a serious CSR discussion is needed for the first time in history.

Who will support our economy next? In the sense of who is going to be the main actor, I think that the selection is still not done. At the same time, I feel that the philosophy as to how to run an economy will change.

Even when making the same products – what products are made for whom, how are they made, and who will pay for the process of the production? Who will bear what cost, and what kind of sacrifices are tolerated? Even with the same economy and the same GDP, the main actors obviously have to change, and I think that only those who change will be able to become the next main actors.

In terms of the GDP, I do think that it should grow in size, and that we should think about how we can increase the GDP. However, we should not just produce the same things at the same costs, but explore how we can maximize the benefits. I think that this is where our efforts must start.

Takayanagi: Up to now, our thinking centered on the economy, but we cannot continue with only that. I think that this is the present consensus. We private companies must pursue economic activities, but where do we add value?



When considering contributions to society and contributions to the environment, it is important that companies change their attitude. The present population already exceeds the earth’s capacity, and we have reached the point where everyone has to recognize that we must not act just for the sake of the economy. I believe that the issue is how we share this change in attitude.

Kawaguchi: We only have one earth, and it is physically impossible for us to go on without changing anything. However, we want to prosper. And when considering how affluence is achieved, material things have to increase first to fulfill



the needs for clothing, food and shelter. The GDP only looks at these points, but I believe that from now on, there will be three elements creating affluence: the material element, and also a mental element and involvement with the community. People are slowly changing in the sense of where they look for happiness.

Sueyoshi: I think that the quality of economic activity is changing. And I think that economic activities with this new quality should become more activated. Providing things that enable a more affluent life with less CO₂ and less resources through more activated economic activities is the direction that is needed for our future economy.

Panelists



Mariko Kawaguchi
General Manager, Management Strategy
Research Department, CMA,
Daiwa Institute of Research Ltd.



Takejiro Sueyoshi
Special Advisor to UNEP FI and the PRI
in the Asia Pacific Region



Scott T. Davis
Professor of Strategic Corporate Social
Responsibility,
College of Business, Rikkyo University, Japan



Tsuyoshi Hara
University Professor, Waseda University;
Leader of Waseda Environment Round Table
Guest Editorial Writer of the Mainichi Newspapers

ITOCHU Corporation



Eizo Kobayashi
President & CEO



Koji Takayanagi
Managing Director,
Chief Corporate Planning Officer



Takanobu Furuta
Managing Director, Chief Officer for
New Business Development



Kazutoshi Maeda
Managing Executive Officer,
Chairman, CSR Committee

The economic crisis is a perfect chance. The key for companies to survive is whether they can adopt a long-term orientation

Davis: Statements of the need for “corporate survival” are often heard within the context of our currently severe economic downturn. Unfortunately a goal of self-survival often becomes a mandate to discount the goals and rights of those around you. Instead of simply struggling for a space on the “lifeboat of corporate survival” you should take this as a good opportunity to reflect on why the market is questioning your current value as a corporation and rethink the overall social value of ITOCHU.

Kawaguchi: About eight years have passed since the word of CSR started to be passed around, and there is a difference of about three rounds in the level. For those who are pioneering, this crisis is an extremely precious chance, strategically. Not just thinking with a short-term orientation about what is directly in front of us, but firmly keeping track of where the trends are heading to in the long term. Companies that have this mindset will remain, and companies that do not will disappear following the market principle. I suppose that the key for survival is the ability to focus on how to consider the next business model.



Hara: I think that companies who have been pioneers of innovation since before have already recognized this crisis as a springboard. When speaking of innovation, we imagine technical innovation, the hardware aspect, but innovation is when technical innovation changes social systems and creates new phases.

In my view, companies are driven not by the development or invention of individual technologies but by changes in tax systems, subsidy systems and other social systems. Take the example of hybrid cars. While companies competed for the lowest fuel costs, reductions or exemptions for automobile-related taxes were created, and users started to receive subsidies. This kind of situation is clearly happening.

Here is a newspaper advertisement published in March. It says “The age of agriculture is coming back one more time.” Common sense suggests that this is an advertisement from the Ministry of Agriculture, Forestry and Fisheries or an agricultural cooperative, but actually, the advertiser is the Team Minus 6%. Not a government agency or an agricultural cooperative, but also the economy world is trying to drastically change the very shape of agriculture itself from the aspect of the environment. This is not just thinking about agriculture in a superficial way talking about employment and so forth. The very structure of Japanese society is greatly

changing through this kind of movement.

Kobayashi: As regards the problem of agriculture, I agree with Professor Hara. In terms of calories, Japan’s self-sufficiency rate is as low as 40%, and we definitely need a solution with respect to this fact. This is not just our economic problem, but a matter of our national security. Because food is fundamental to people’s livelihood.

Furuta: I think that the path which ITOCHU should follow is to take advantage of this chance and create fertile fields for the future, for the next generation.

We named the family of businesses that ITOCHU Corporation is committed to on a corporate-wide basis “L-I-N-E-s.”^{*1}

We are focusing on solar energy, the environmental field, medical care and other fields which the society of the future needs. Our CSR is to act while considering what is good for society, the people and the earth three years, five years, and ten years later.

I think that the financial crisis offers three opportunities. One is the opportunity to make drastic changes to our business models. The second one is an opportunity for human resource development. We are allowed to experience something that only happens once in a hundred years - I think that hardly any business person is as lucky as this. The third one is that we have the opportunity to make investments at a low price (laughs).

*1 L-I-N-E-s: see page 52

The economic crisis clearly exposed the significance of our environmental problems

Sueyoshi: I believe that we are currently in an era where the accounts of the 20th century are cleared while the 21st century is created at the same time. Global warming and other issues faced by the global society have grown serious. It is not that we should revise our thinking because a wave of extremely large economic fluctuation has arrived. Instead, we have no choice other than to respond to this problem as an even larger issue.

That we started to feel the seriousness of the problem is now greatly moving the problem forward. Or, to say it the other way round, companies and organizations that are unable to share the seriousness of the issues and problems we are facing and the awareness of crisis will drop out of the flow of the world. As long as we do not resolve global issues, there is no future for ITOCHU. I think that sharing this view is your starting point.

The current financial and economic crisis is not due to a linear cycle of economic booming and economic stagnation. A very large number of people is aware of the fact that we cannot resolve the problems unless we do something that is different from what we did in the process of recovery from stagnation we experienced in the past. The term “green recovery” is frequently being used lately. We are striving for a green recovery. Sustainability will not be created unless we strive for a “green economy.”

Hara: I think that underlying this sub-prime loan issue was the fixed notion, or a notion of threat, of unlimited growth of the economy, including the real economy. I suppose that all of you are putting your bets on innovation and the potential of breakthroughs, but can an economy enjoy unlimited

growth based on mass production, consumption and disposal when it is subject to resource limitations and environmental limitations as severe as this?

We were all walking while dragging with us the so-called “modern economy” like worn-down shoes that did not fit any more, stumbled over a stone called financial derivatives, and the shoes came off. What we need after this is rebuilding society to fit reality in size and quality while keeping in mind that the earth is limited. I think some kind of curse fell off with the collapse of the fast-growing economy.

What is the role of ITOCHU?

Sueyoshi: What does the world demand from companies like ITOCHU that have general trading company functions operating on a global basis? What is demanded rather than expected is, how they resolve structural problems of the world through their businesses, and with what awareness of the problems they try to resolve them. When the answers are published in the CSR Report and the like, people will understand the stance of ITOCHU Corporation, and when people associate their awareness of problems with this, they will start to feel sympathy for ITOCHU Corporation.

Maeda: It is our policy to realize our role in society through our main line of business.

Rather than identifying one issue for every employee to work on, ITOCHU’s CSR lies in every employee approaching and pursuing his or her work with an ethical mindset. We would like to communicate this stance in our CSR Report.

Furuta: The happiness that employees can gain through their work is satisfaction in their work and a sense of worthwhileness of what they do and what they live for. This is a perfect match with CSR. I am convinced that it is important for us at ITOCHU Corporation to practice CSR with confidence, no matter whether there is an economic crisis or not.

Takayanagi: Our corporate mission is “Committed to the Global Good,” and both management and employees are thinking hard about what “Global Good” is. When we think about what “good work” is, that will probably be CSR. Nothing changes just because regulations were changed. The roots are in changing the attitude, and this is what we must try to achieve. In this sense, I think that this means that we should continue to consider by ourselves what “good work” is.

Davis: Organizations which articulate an objective and valid social mission – and which make clear the role necessary of each individual employee in order to realize this mission – have no need of ever stricter and restrictive regulations. I think the appropriate analogy is that of team sports. No one is motivated to play sports for the enjoyment of following the rules. Rules exist to ensure fairness, not to enforce good performance. ITOCHU needs to think of what it stands for, why working here means good work, and thereby creating a good company.



Sueyoshi: The mid-term targets of the framework on climate change^{*2} will be decided very soon, and I think that this will change the shape of our economy significantly. This is not simply about how much we reduce CO₂. This will change the shape of nations, of economic policies and will also change the lifestyle of individuals.



Until 2020, various value standards will fundamentally change, and this means that the value standards for good work, in other words, the principle of market mechanism will also change. And this is why we should pay close attention to the mid-term targets.

Hara: I recently had the opportunity for a discussion with students on societal marketing^{*3}, and I thought that today’s discussion crossed this topic a lot. Shift from a way of marketing that centers on the economic activities of a company to a way of marketing inside the social system as a whole.

“Realizing social benefit and welfare,” “conserving the environment” and “improving the quality of life.” Use these three points as the basic philosophy to ultimately introduce “socio-biological values” into marketing.

I feel that when looking at problems facing us through the eyes of ITOCHU, these three points say it all.

Kobayashi: Thank you very much for this valuable discussion today. The confusion will doubtlessly be followed by a new order. How will we exist in this order? In what form will we be accepted as a good corporate citizen? We will continue to ask ourselves these questions.

^{*2} Mid-term targets of the framework on climate change: on June 10, 2009, the Japanese government announced that its mid-term target for the reduction of greenhouse gas until 2020 was a cut by 15% compared to 2005.

^{*3} Societal marketing: marketing with a focus on the relation between the various elements constituting a society.

Reflections from the dialogue

This year’s difficult theme “What kind of CSR should be promoted even during the economic crisis?” led to a broad array of valuable opinions from experts about the proposed role of companies in this economic crisis, and the role ITOCHU Corporation should fulfill.

The present severe economic environment is precisely the very time when our seriousness towards CSR is tested. Only those companies that can adeptly act on changes in societal value during this economic crisis and perceive these as opportunities will survive. These perceptive views were very meaningful to us.

With the opinions we received today in mind, we will fulfill our own role through our main line of business, thereby contributing to the development of a sustainable society and creating a corporate culture where every employee matters and wants to contribute much more.

Kazutoshi Maeda

Managing Executive Officer
Chairman, CSR Committee

Business Outline of the ITOCHU Group

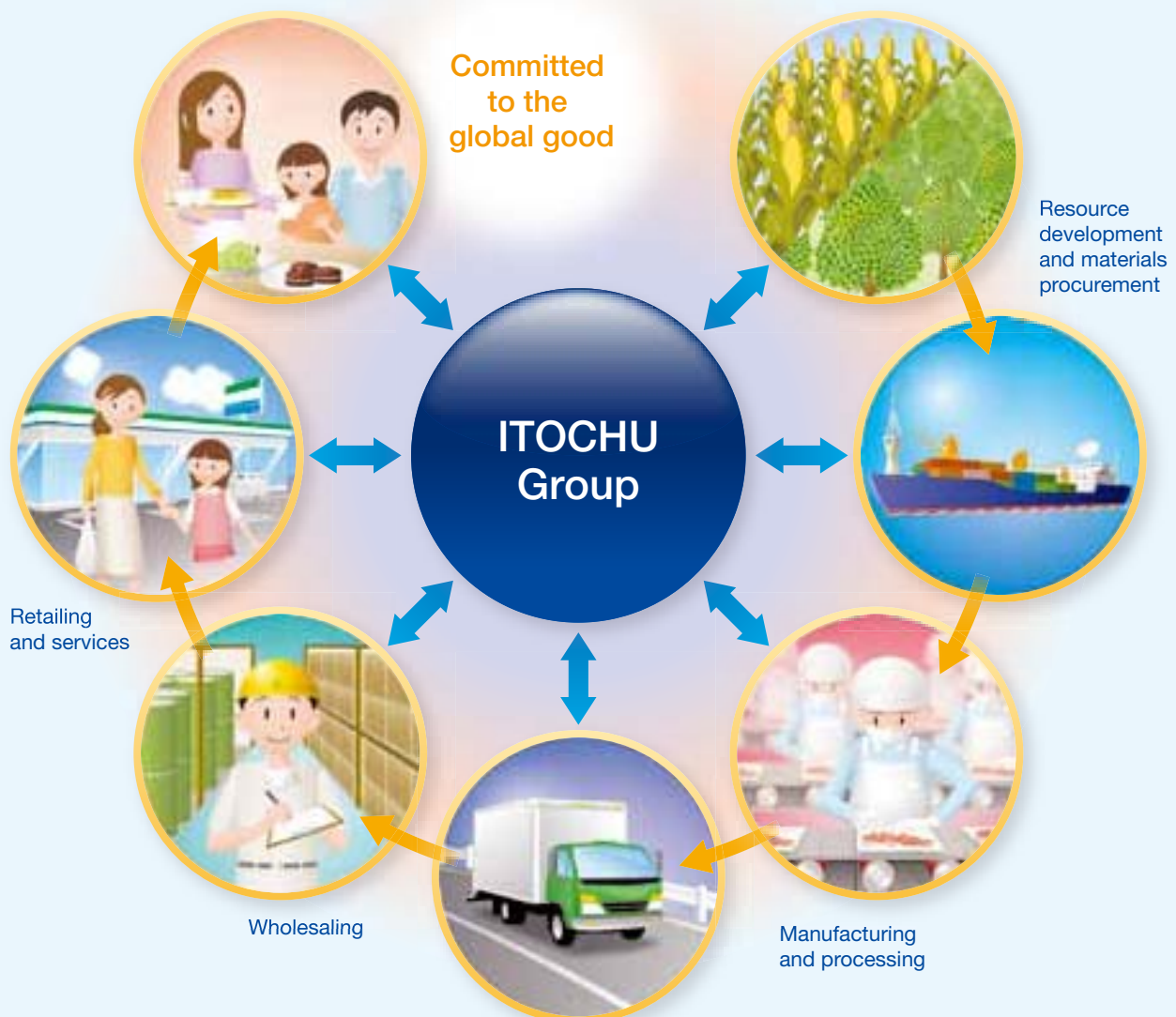
The businesses of the ITOCHU Group comprehensively encompass upstream raw materials business areas through to downstream retail business areas, enabling it to provide a wide variety of goods and services that support people's everyday lives. In order to advance businesses worldwide, we make the fullest use of our capabilities as a *Sogo Shosha*. 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

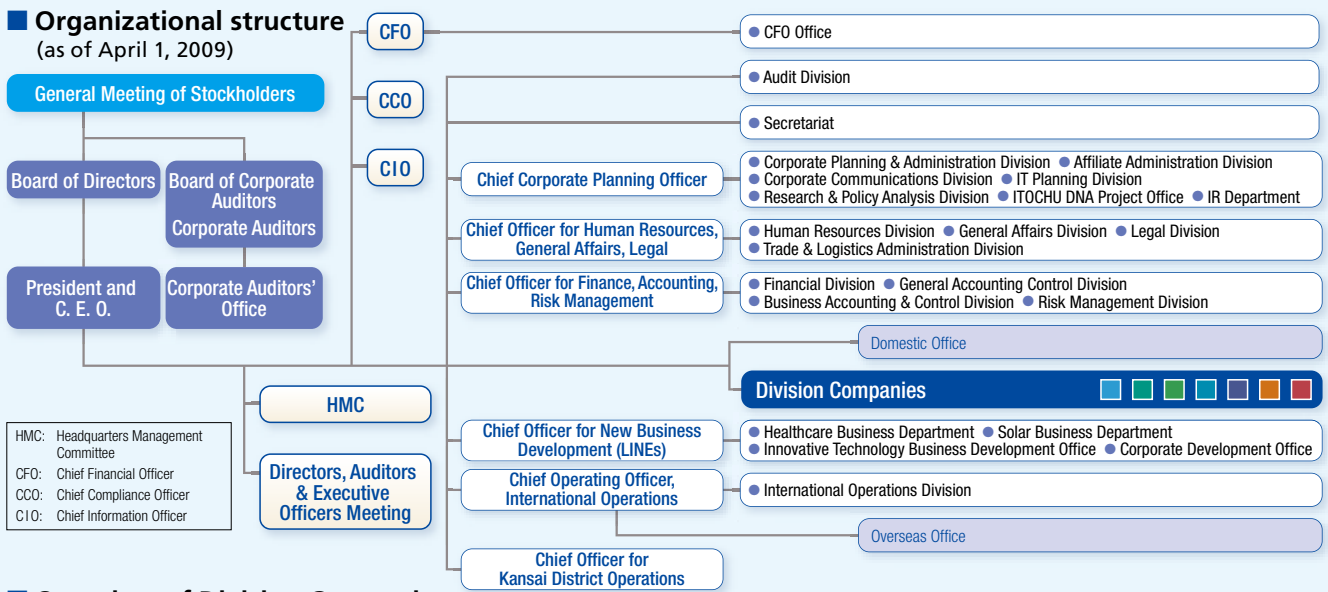
Trading is our core capability. It is to find in-demand, quality goods and services worldwide, purchase them, add value to them, and deliver them to places where they are in demand. Delivering quality goods and services to those who need them helps enrich everyone's life physically and spiritually and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

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.



Organizational structure (as of April 1, 2009)



Overview of Division Companies

ITOCHU Corporation adopts 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.

Summary of business	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 and its activities cover a broad spectrum of consumer-related businesses. 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 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. Sankei Co., Ltd. 	P25
<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, environment and energy conservation, 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, industrial machinery, equipment related to water resources, environment, and energy conservation	<ul style="list-style-type: none"> ITOCHU Plantech Inc. ITOCHU Automobile Corporation ITOCHU CONSTRUCTION MACHINERY CO., LTD. MCL Group Limited ITOCHU Automobile America Inc. Century Tokyo Leasing Corporation 	P27
<p>ICT, Aerospace & Electronics Company (former Aerospace, Electronics & Multimedia Company)</p> <p>The Division Company contributes to the safety and convenience of society as well as to an improved efficiency through efforts in businesses of a broad scope ranging from IT services, media contents and the mobile business in the ICT & Media Division up to the sales or lease of aircraft, aerospace-related equipment, equipment related to security and electronic systems, as well as the field of industrial machinery in the Aerospace & Industrial Systems Division.</p>	Entertainment and content business, mobile telephone business, IT services and related equipment, computer/information processing equipment and system, e-business, aircraft & aerospace equipment, security and electronic system equipment, industrial machinery	<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. ITOCHU Sanki Corporation 	P29
<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 related products	<ul style="list-style-type: none"> ITOCHU Metals Corporation ITOCHU Minerals & Energy of Australia Pty Ltd ITOCHU Oil Exploration (Azerbaijan) Inc. Marubeni-Itchu Steel Inc. ITOCHU ENEX CO., LTD. 	P31
<p>Chemicals, Forest Products & General Merchandise Company</p> <p>The Division Company consists of the Forest Products & General Merchandise Division which handles housing materials, pulp and paper, crude rubber, tires and other materials in consumer-related businesses related to "living and consumption," and the Chemicals Division which handles a wide family of products ranging from resource-based raw materials up to medical products and electronic materials. Striving to develop businesses closely tailored to customer needs on a broad basis, from upstream industries through to downstream consumers, this Division Company is also aggressively pushing an expansion into new fields such as medical care, the environment and new energies.</p>	Housing materials, logs and lumber, chips, pulp, paper, crude rubber, tires, ceramic products, shoes, basic chemicals, fine chemicals, medical products, inorganic chemicals, plastics, various consumer products	<ul style="list-style-type: none"> ITOCHU KENZAI CORPORATION ITOCHU PULP & PAPER CORP. ITOCHU CHEMICAL FRONTIER Corporation ITOCHU PLASTICS INC. C.I. KASEI CO., LTD. DAIKEN CORPORATION TAKIRON Co., LTD. 	P33
<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. 	P35
<p>Finance, Realty, Insurance & Logistics Services Company</p> <p>The Financial & Insurance Services Division advances business in the areas of corporate financial solutions, insurance and reinsurance agent businesses, etc. The Construction & Realty Division is engaged in businesses including the development of housing, logistics facilities, commercial facilities, and office facilities that uses real estate securitization methods (real estate funds). 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 	P37

Textile Company CSR Action Plans and Report on Activities

CSR at this Division Company **Realize a healthy, prosperous, and active society**

We place the priority 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 environment-conserving businesses and continuing CSR activities at group companies.

Division	CSR tasks	FY2008 action plans	Status ^{*1}
All divisions	Respond to risks associated with procurement	Continue investigative visits while analyzing investigation results	💡💡
Textile Material & Fabric Division	Promote environment-conserving businesses	Expand business in North American and European markets and in materials area at INKMAX CO., LTD.	💡💡
Apparel Division	Strengthen response to customers and consumers	Continue participation in CSR practice review meetings and implement CSR education at meetings within division Strengthen communication with customers	💡💡
Brand Marketing Division 1	Strengthen response to customers and consumers	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	💡💡
Brand Marketing Division 2	Strengthen response to customers and consumers	Continue participation in CSR practice review meetings and implement CSR education at meetings within division Strengthen communication with customers	💡💡
Planning & Coordinating Department, Affiliate Administration Department	Implement at group companies	Continue compliance education targeting group companies Increase number of companies that participate in CSR initiatives	💡💡

*1: 💡💡 Achieved 💡: Nearly achieved 🚫: Unachieved

Major CSR initiatives ①

Factory audits

Kazutoshi Fukushima
Apparel Department 2, Apparel Division



While compliance is growing more and more important, compliance management at manufacturing sites is becoming increasingly imperative mainly for European and American brands. Our department created a special team for factory audits in fiscal 2008. The team conducts independent factory audits from the aspects of compliance with laws and regulations, the protection of human rights and consideration for the environment for European and American brands of sports and casual wear as well as for brands from Japan.

In the future, we will further intensify the collaboration with our overseas branches and develop factory audits on an international level.



A sewing factory in Vietnam

Major CSR initiatives ②

PRE-ORGANIC COTTON PROGRAM

Tetsuro Kano
ITOCHU Textile Materials (Asia) Ltd. (Hong Kong S.A.R, China) (temporary relocated)



This program started in fiscal 2007. Thanks to cross-divisional collaboration in the Textile Company and the cooperation of kurkku represented by music producer Takeshi Kobayashi, the program succeeded in winning support from apparel manufacturers and others. The pre-organic cotton harvested in 2008 was turned into products through comprehensive production in our Division Company and hit the stores in spring 2009. We will continue to connect cotton producers with end users to contribute to the health of the farmers and the conservation of the global environment (see pages 17-18).



First harvest of pre-organic cotton

[3-year review] To grasp the environmental management system including compliance with human rights of overseas production factories in our supply chain, we conducted a continuous supplier interview investigation and promoted a more advanced and broader management system for quality and the environment.

[Key points of our FY2009 CSR Action Plan] We will monitor the suppliers that were checked, show them ITOCHU Corporation's CSR philosophy and encourage them to understand and practice this philosophy. We will further continue to promote environment-conserving businesses.



Masahiro Okafuji
President, Textile Company

FY2008 results	FY2009 action plans	Basic Policies *2
Completed on-site checks by sales staff for all 20 companies targeted for checks in fiscal 2008 P25, Major CSR initiatives ①	Continue implementation	1 / 2 / 4
Opened demo centers in Italy, Spain and Germany to become our sales promotion bases for Europe. Started sales of garment printers in America	Promote the development of initiatives to improve the recognition of eco-friendly dyeing technology on the Japanese market and the European and American market, as well as the development of concrete business P26	1 / 2
Section managers, coordinators and logistics section managers participated in practice review meetings organized by the Division Company and ensured compliance with reminders for attention in department-internal meetings	Continue participation in practice review meetings and education on CSR in division-internal meetings	1 / 2 / 3
Started CSR-related initiatives at Hunting World Japan. Continued meetings to pass on brand business	Participate in meetings to reinforce compliance in group companies, plan and hold CSR-related meetings for consumer response, etc.	1 / 2 / 3
Section managers, coordinators and logistics section managers participated in practice review meetings organized by the Division Company and ensured compliance with reminders for attention in department-internal meetings	Continue participation in practice review meetings and education on CSR in division-internal meetings	1 / 2 / 3
Two group companies established new CSR Action Plans. Compliance education in group company manager meetings and individual training	Work to strengthen compliance system at group companies	1 / 2 / 3

2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier 2010" on page 9

CSR initiatives by a major group company

■ "KOBOKAI by INKMAX" project

Ryoma Omuro
INKMAX CO., LTD.



INKMAX is an eco-friendly dyeing technology enabling significant reductions of water usage and CO₂ using ink with superfine pigments. At the Eco-Products 2008 exhibition, this technology won the Eco-Products Awards' Special Jury Award.

The Textile Company started the "KOBOKAI by INKMAX" project in fiscal 2008 using technology of INKMAX. In this initiative, "KOBOKAI," a social welfare institution for mentally-challenged artists, and INKMAX collaborate to produce and sell original goods to arouse interest in social welfare and environmental problems with a large number of people.



Original KOBOKAI goods

Perspectives from a third-party participant in our CSR meeting

Toshihisa Nagasaka
Professor,
Faculty of International Studies,
Takushoku University



The creation of ITOCHU Corporation's unique CSR report, which is centered on CSR action plans for each Division Company, is now in its fourth year. In light of the aspect that the CSR initiatives have grown in depth during these four years, you will understand the process of this deepening mainly with respect to the environment as well as human rights and labor in the Textile Company. For example, as regards supply chain management (SCM), you can see that the scope for form-based questionnaires broadened, that specialized staff was assigned, and that analyses were conducted. To achieve efforts of even more depth in the future, SCM monitoring initiatives, etc. are expected. For example, I would suggest that the Textile Company should consider trying to acquire social certification (Fairtrade certification, etc.) in addition to environmental certification for organic cotton.

Machinery Company CSR Action Plans and Report on Activities

Contribute to the prosperity of local communities and international society through environment-friendly businesses

CSR at this Division Company

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 which will 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	FY2008 action plans	Status
Plant Project & Marine Division	Supply clean energy	Promote new LNG carriers and terminal projects	💡
	Resolve transportation problems (traffic congestion, exhaust emissions, etc.)	Continue promoting specific projects	💡
	Promote projects to increase energy usage efficiency/reduce substances with adverse environmental impact	<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. Increase sales of filtration systems for underground water 	💡💡
Isuzu & Construction Machinery Division	Sell and commercialize equipment that reduces substances with adverse environmental impact	<ul style="list-style-type: none"> Market diesel engines for China Undertake technological evaluation of DPF (Diesel Particulate Filter) prototype vehicle Consider possibility of commercializing new exhaust emissions cleaning system as equipment to reduce substances with adverse environmental impact 	💡💡
Automobile Division	Strengthen communication with stakeholders		
Industrial Machinery & Solution Division	Undertake solar cell businesses to reduce substances with adverse environmental impact	<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	<ul style="list-style-type: none"> Implement steadily and continue CSR activities in Group Conduct CSR supply chain investigations and spread CSR checklists 	💡💡
	Strengthen communication	Hold compliance seminars, including industry-specific laws, and promote CSR education	💡💡

*1: 💡 Achieved 🟡 Nearly achieved ⚪ Unachieved

Major CSR initiatives

Water Forum

Eiji Akito

General Manager, Machinery International Trade Coordinating Department



In April 2009, a corporate-wide Water Forum was set up with the Machinery Company at the core. Up to now, each Division Company and group company separately pursued water-related businesses (desalination business, membrane business, sewage treatment business, chemical sales business). By sharing information related to these businesses in a cross-sectional way, concentrating the network and knowledge of each organization and pursuing mutual synergies, we will concretely promote measures to fight global warming as well as the securing and utilization of water resources, for example, the demand for more water due to population increases.



Desalination facilities under construction (Saudi Arabia)

CSR initiatives by a major group company ①

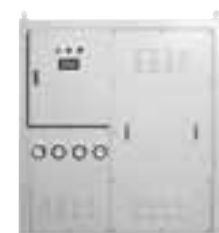
Realizing a reduction of soot and NOx and an improvement of fuel costs at the same time

Tsuneo Akasaki

Energy Solution Unit, ITOCHU Plantech Inc.



In June 2008, ITOCHU Plantech Inc. signed a license agreement with MALUFUKUSUISAN Co., Ltd. on emulsion fuel production equipment. Our company launched sales of the emulsion fuel production equipment under the name of "Oil Mizer," and delivered three units of Oil Mizer equipment for boilers at a major food factory in Hokkaido in March 2009. Oil Mizer realizes a reduction of soot and NOx as well as an improvement of fuel cost (which is directly linked to a reduction in CO₂), and has won a good reputation from our client as a product that is kind to the global environment.



Oil Mizer (emulsion fuel production equipment)

[3-year review] We actively promoted business related to renewable energies, including an EfW (Energy from Waste) project in Europe, the promotion of a geothermal power plant in Southeast Asia as well as the development of biomass and solar energy-related business mainly in Europe and America. We further promoted initiatives in the equipment business for water, environment and energy conservation and additionally expanded CSR efforts to our group companies.

[Key points of our FY2009 CSR Action Plan] We will aggressively work on businesses related to renewable energies including biomass, geothermal and solar energy, as well as businesses related to water, mainly desalination plants in this fiscal year. In addition, we will promote CSR initiatives with respect to our supply chain to make sure that we implement a way of management that considers the environment and CSR throughout the group companies.



Toru Nomura
President, Machinery Company

FY2008 results	FY2009 action plans	Basic Policies *3
Implemented activities to win orders and research in Southeast Asia to build up LNG production business	Intensify activities to win orders of land-based and off-shore LNG-related facilities	1 / 2
Invested into InfraFund. Promoted city transportation projects mainly in the Middle East	Continue research and new discovery of city transport projects such as the supply of new transport systems including HSST (High Speed Surface Transport)	1 / 2
<ul style="list-style-type: none"> Promoted biomass projects in Eastern Europe and North America, etc.; built a system for business initiatives for renewable energies by implementing investment Doormiser achieved the yearly sales targets 	<ul style="list-style-type: none"> Promote EfW projects in the European region, consider participation in bio-ethanol projects mainly in Southeast Asia and Latin America Promote sales of equipment related to the environment and energy conservation 	1 / 2
Completed construction of Rabigh IWSP ² . Also reliably promoted desalination project. Working on our participation in projects in new markets	Promote new construction of desalination plants in the Middle East, etc., rehabilitation projects as well as water-related business; promote the Water Forum P27, Major CSR initiatives	1 / 2
<ul style="list-style-type: none"> Signed letter of agreement on supply of truck engine sample, etc. Implemented technical evaluation of DPF prototype vehicle 	<ul style="list-style-type: none"> Sales of equipment to reduce substances with adverse environmental impact 	1 / 2
NEW		
Exported thin-film solar cell production equipment to North America and also newly launched system integrator business and executed M&A in Italy, Greece, Japan and North America	Strengthen communication with business partners, particularly manufacturers	1 / 3 / 4
Reliably implemented action plans of applicable group companies. Also firmly established CSR supply chain investigations and CSR checklists	⇒ Transfer of commercial rights to the Solar Business Department and the ICT, Aerospace & Electronics Company	1 / 2
Held seminars on compliance including industry-specific laws. Also promoted education efforts in Division Company meetings and group company compliance manager meetings	Prepare and implement action plans for applicable group companies; also strengthen communication with business partners and sales network	1 / 3 / 4
	Continually promote CSR education activities in seminars, liaison meetings, etc. and consider organizing CSR seminars	1 / 3 / 4

*2 IWSP: Independent Water Steam Power Producer

*3: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier[®] 2010" on page 9

CSR initiatives by a major group company ②

CSR activities of ITOCHU CONSTRUCTION MACHINERY CO., LTD.

Teruyasu Nakazawa

Branch General Manager, Sendai Branch
ITOCHU CONSTRUCTION MACHINERY CO., LTD



ITOCHU CONSTRUCTION MACHINERY CO., LTD. signed an agreement with Tohoku Electric Power Co., Inc. on the procurement of emergency equipment during large-scale natural disasters, which is one of the targets in the "CSR Action Plan 2008." If an earthquake of a level of six or higher (on the Japanese scale of seven) occurs in one of the six prefectures in the Tohoku region or in Niigata prefecture, material for recovery such as power generators, light towers, lavatories and tents will automatically and immediately be sent to each office of Tohoku Electric Power. We have set up a contact network linking Tohoku Electric Power, cooperating equipment rental companies and our company, and have already validated the effectiveness in preparations for shipping the necessary equipment to be completed within 24 hours after the quake occurred.



Disaster drill at Tohoku Electric Power

Perspectives from a third-party participant in our CSR meeting

Jiro Adachi

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



The gathering gave me a very real impression on the proactive efforts for environmental conservation. The promotion of the development and spread of fuel-saving vehicles, clean energies, railroads, energy-saving equipment and others by ITOCHU will become increasingly important in view of the exploding demand for cars and electric appliances, etc. that we anticipate in China, India and other countries. The securing and utilization of water resources using systems to filter underground water may also become a social contribution recognized worldwide. ITOCHU also pursues a large number of meaningful initiatives such as supply chain management or CSR education. I would like ITOCHU to work even harder also on "re-evaluating the overall business and preparing strategies and plans from the aspect of biodiversity" and "reinforcing thorough environmental and social considerations as well as explanations in the bio-ethanol business and the infrastructure, electric power and chemical plant business, where we can hear many voices of environmental and social concern."

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

Creating an affluent lifestyle through initiatives in new businesses

CSR at this Division Company

We develop CSR activities in line with our Division Company mission "Making people's lifestyle safer and more affluent through the development of new businesses in a wide scope of fields including IT, aerospace and industrial machinery."

Division	CSR tasks	FY2008 action plans	Status ^{*1}
Aerospace & Industrial Systems Division	Improve convenience/safety in air transportation business area	<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) 	
	Promote environment-conserving businesses		
ICT & Media Division	Take on new business areas	<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 	
	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 Continue supporting acquisition of ISMS/P Mark certification by group companies Build information security management systems at group companies concentrating on sub-subsidiaries 	
	Realize businesses based on 3R philosophy	<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 	
	Provide new highvalue-added services and applications and spread appealing content	<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 	
All divisions	Implement CSR management of major group companies	<ul style="list-style-type: none"> Begin CSR management operations through PDCA cycles 	

*1: Achieved Nearly achieved Unachieved

Major CSR initiatives ①

Intensifying our efforts for lithium batteries

Hiroaki Murase
Battery Systems Section, Industrial Machinery & Electronic Systems Department



Lithium-ion batteries are light and allow storing large quantities of energy in a compact space. Therefore, they are assumed to be very close to being commercialized as power sources to drive next-generation cars, and as power-storage systems for solar and other renewable energies which are expected to be introduced on a large scale in the future. In addition to selling production equipment and battery systems as well as developing new applications, the Industrial Machinery & Electronic Systems Department is also working on a broad range of other projects, including an investment in EnerDel Inc., presently the only manufacturer of battery systems to be mounted in cars in the US. Together with ITOCHU Chemical Frontier Corporation, we sell equipment to recover organic solvents used in the production process and offer solutions for re-refinement and reuse, to provide eco-friendly products and solutions also for the production process.

Major CSR initiatives ②

Eco-friendly passenger aircraft

Sen Shimizu
Manager, Aircraft Section, Aircraft Department



Amidst the attention that is paid to the impact of aircraft on the global environment, we have become the representative for ATR Turboprop Aircraft in Japan. ATR is the world's largest manufacturer of turboprop aircraft. Their aircraft is capable of taking off and landing on short runways of regional airports, and this greatly contributes to revitalizing communities. Another characteristic of ATR aircraft is the high fuel efficiency. Compared to ordinary regional aircraft, CO₂ emissions are reduced by half. By selling ATR aircraft, ITOCHU will contribute to regional revitalization and the control of CO₂ emissions in aviation while also reducing the fuel expenses of aviation companies, which make up more than half of their operational costs.



ATR72-600

[3-year review] We contributed to the development of a safe and affluent society through aggressive initiatives in the field of green IT including data centers, the field of security including explosive detectors, and in eco-friendly businesses such as MOTTAINAI and an insurance service for cell phones.

[Key points of our FY2009 CSR Action Plan] We will further step up our efforts in the environment-conserving business by intensifying sales of highly fuel-efficient aircraft and solar battery or lithium-ion battery production equipment, expanding our power-saving data center business and the business of repairing and recycling cell phones, and others. In addition, we will continually strengthen also our system for compliance, including information security.



Hiroo Inoue
President,
ICT, Aerospace & Electronics Company

FY2008 results	FY2009 action plans	Basic Policies *2
<ul style="list-style-type: none"> Won contracts for medical helicopters and press helicopters and delivered firefighting helicopters as a result of aggressive proposals and sales activities to related business partners Regularly and thoroughly informed on the observation of compliance through department and section meetings, etc. 	<ul style="list-style-type: none"> Continue to conduct training on the National Public Service Ethics Act and the Self-Defense Forces Personnel Ethics Act and thoroughly inform on the observation of compliance in department and section meetings, etc. 	2 / 3
NEW	<ul style="list-style-type: none"> Propose operation using eco-friendly turboprop aircraft made by ATR which are characterized by low fuel consumption, low CO₂ emissions and low noise ➡ P29, Major CSR initiatives 2 Initiatives for the spread of secondary batteries with a low impact on the environment ➡ P29, Major CSR initiatives 1 	1 / 2
<ul style="list-style-type: none"> Executed investment into Medical Collective Intelligence Co., Ltd. Entered medical marketing business Executed investments in IT venture company in North America that develops and sells eco-friendly servers Conducted project-deliberation meetings at Waseda University and Keio University 	<ul style="list-style-type: none"> Provide IT solutions utilizing "green tech" and "green tech" data centers ➡ P30 	2
<ul style="list-style-type: none"> Carried out ISMS training and confirmation tests for all division members Signed consulting agreement to acquire the Privacy Mark certification and continued related work Implemented operations according to information security guidelines in our consolidated subsidiaries 	<ul style="list-style-type: none"> Conduct expanded examinations of ISMS in divisions and group companies, and continue education for employees 	2 / 3
<ul style="list-style-type: none"> Improved the recognition of MOTTAINAI products by cooperating with other companies and increased the number of licensees Significantly increased the number of subscribers for our insurance service for cell phones 	<ul style="list-style-type: none"> Continue activities for philosophy penetration through sales and brand development of MOTTAINAI products Continue promotional measures to spread the insurance service for cell phones, and consider the launch of a repair and recycling business for used cell phones 	1 / 2 / 3
<ul style="list-style-type: none"> Concentrated the on-demand TV business to NTT Plala Inc. and increased our investment ratio Promoted the roll-out of Ishimori content in North America and conducted market research in North America 		
<ul style="list-style-type: none"> Started CSR management in three new group companies. Conducted diagnostics on the current status and held meetings for exchanging opinions on the action plan 	<ul style="list-style-type: none"> Realize thorough understanding related to CSR among employees including the group companies, and practical CSR initiatives 	3

2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier 2010" on page 9

CSR initiatives by a major group company

Stepping up efforts for "green IT" at CTC

ITOCHU Techno-Solutions Corporation (CTC) is stepping up its efforts in green IT solutions which reduce power consumption in the IT field by optimizing the overall IT infrastructure of customers, which is also eco-friendly and helps to reduce costs. In April 2008, we were the first in Japan to start dealing with server products from the US vendor Rackable Systems, Inc., which use less power than ordinary products and realize cuts in power consumption of up to 30%. In October of the same year, we constructed an eco-friendly large-size data center equipped with exhaust heat systems and highly efficient air conditioners leveraging the characteristics of the building in Bunkyo-ku, Tokyo. In January 2009, we set up a "Green IT Marketing Team" as a cross-sectional internal organization consisting of members from the sales and engineering divisions. We will continue to provide various solutions exerting the comprehensive strength of the CTC group also in the future.

Perspectives from a third-party participant in our CSR meeting

Kazumi Oguro
Chief Editor of Monthly SOTOKOTO magazine



General trading companies as perceived by ordinary people, including myself, will get involved in any business as long as it is profitable. They are mysterious beings; you cannot say whether it is better for society if they exist or if they do not exist. Among these general trading companies, the basic core of ITOCHU is lifestyle, and it is easy for consumers to get a sense of affinity with ITOCHU's existence. ITOCHU is fulfilling its CSR through its key operations. To put it simply, ITOCHU is trying to make money with CSR. Very well, I thought, this is LOHAS and nothing else, and I enjoyed talking at this opportunity.

And I think that if you understand once more and in-depth why the keyword of the MOTTAINAI project came from Africa, you will obtain a core for this brand. To anyone who really wants to sublime CSR to business, I recommend first studying Africa. There are loads of golden hints.

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

Promoting CSR through the development and stable supply of resources and energy

CSR at this Division Company

1) Development and stable supply of resources and energy, 2) development of new energies that are kind to the earth, and 3) initiatives for recycling-related businesses. We will promote CSR with the entire ITOCHU Group while pursuing these missions.

Division	CSR tasks	FY2008 action plans	Status ^{*1}
Metals & Minerals Division	Recycle and recover resources from recyclable waste appropriately	Revise system for checking appropriateness of industrial waste processing	💡💡
	Contribute to social advancement in resource-developing countries	Promote educational and cultural contributions in local communities where projects underway	💡💡
Energy Division	Prevent tanker accidents and realize thorough responses to emergencies	Conduct environmental investigations of terminals based on even stricter standards	💡💡
	Take measures to counter global warming and conserve global environment	Develop applications for Dimethyl ether (DME), advance creation of businesses and promote energy projects that minimize environmental burden	💡💡
New Energy Department	Contribute to projects for reduction of greenhouse gas emissions	Promote and expand CDM (Clean Development Mechanism) projects to further reduce emissions	💡💡
All divisions	Promote CSR education at overseas group companies	Implement CSR education at more overseas group companies	💡💡

*1: 💡💡 Achieved 💡: Nearly achieved 🚫: Unachieved

Major CSR initiatives ①

Education in tanker operation and chartering

Masanao Minato
Manager, Planning Administration Section, Energy Division



Marine accidents have an immeasurable impact on the ecosystem. Since we use tankers as a means to transport petroleum, we have defined detailed operational rules and management rules in our division as regards their operation and chartering. For example, the applicable ships must be P&I-insured, ships that are older than 20 years must, in principle, not be chartered, and ocean-going ships chartered must have double-hull and double-bottom specifications. Further, since the operation and management of ships require special knowledge, we invite experts every year for lectures to improve the division members' knowledge on the operation of ships.

Major CSR initiatives ②

Promotion of environment-conserving businesses

Junichi Tobisawa
Manager, Environmental Business Office, New Energy Department



ITOCHU Corporation and DOWA ECO-SYSTEM CO., LTD. are jointly promoting a CDM (Clean Development Mechanism) project that creates emission credits by reducing greenhouse gases through the collection and burning of methane produced from fermentation in the waste treatment process of hog farms in the Philippines. We will roll out more of these projects in the Philippines and other countries to contribute to Japan's measures to reduce greenhouse gases. Moreover, we are working on introducing biomass fuel of Southeast Asia to Japan.



Image of the finished hog farm methane project

[3-year review] Through aggressive initiatives for the development of metal and energy resources as well as a stable supply, we contributed to the growth of the global economy. We also focused on the development of new energies, for example, the bio-ethanol business or uranium development, worked at the recycling businesses and ensured thorough implementation of measures for environmental conservation.

[Key points of our FY2009 CSR Action Plan] We will continue to promote environmental management and also step up our efforts in social contribution by developing and stably supplying resources, as well as our efforts in the development of new energies. As a global enterprise, we will further strive to improve the level of the entire group by conducting CSR education and training even more not only in Japan but also in overseas group companies.



Yoichi Kobayashi
President,
Energy, Metals & Minerals Company

FY2008 results	FY2009 action plans	Basic Policies *2
Revised independent management standards including the standards for the selection of waste processing companies, and performed checks on waste processing companies. Also revised the checklist for appropriate processing and performed a status confirmation. Further conducted physical investigations of intermediate processing companies and final processing companies	Start research on a management system based on electronic manifests in combination with the existing waste flow management check system, and partially try generic software for electronic operation. Also revise independent management standards	2
Continued dialogue with local communities through operators, etc. Continued lobbying for environmental measures, etc. through administrative meetings and operational meetings	Thoroughly ensure and improve safety and security in the exploration business by thoroughly securing safety for the exploration work of people involved and raising their environmental awareness. Regularly review the guidelines and make amendments as necessary	2
Set up emergency power generators for shutting electric emergency valves as anti-leakage measures during earthquakes, and ensured thorough controls of service piping to prevent leakages. Additionally performed a review on safety measures at the bases	Continue to thoroughly implement the management standards for ship chartering as well as security measures through education of newly hired employees and members of the division P31, Major CSR initiatives 1	2
Construction works for the first production plant of the new earth-friendly fuel DME in Japan was completed at Fuel DME Production Co., Ltd. in Niigata at the end of July 2008. Started delivery in January 2009	Pursue sales promotion activities for the spread of DME in Japan and also continue considerations for commercialization in Indonesia and other Asian countries	2
Set up an overseas company in the Philippines to promote project for the collection of methane on hog farms. Invested in CDM company in Shanxi province, China. Further started business alliance with carbon-offset provider in a move to expand trading for small customers P31, Major CSR initiatives 2	Promote existing projects for curbing greenhouse gas emissions. Discover new business projects. Expand dealings in emission credits. Promote biomass fuel production projects in Southeast Asia, etc. Promote commercialization of bio-ethanol in Brazil	1/2
Deepened understanding on CSR at overseas group companies through distribution of CSR Report and video	Intensify checks of overseas supply chains and education of business partners in addition to continued education on CSR at overseas group companies	3

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier# 2010" on page 9

CSR initiatives by a major group company

Recycling and fluorocarbon-recovery

Yuji Masabe

Corporate Planning & Administration Division,
ITOCHU Metals Corporation



We pursue various education initiatives with the organization in charge of CSR at the center, and thoroughly inform employees at the headquarters and the branches on CSR. To contribute to the improvement of energy efficiency and lighter cars, we work on expanding sales of aluminum alloy and virgin metal for cars. From the aspect of secure and safe raw material as well as a stable supply of products, we are also intensifying the cooperation with our suppliers to enable us to respond to green procurement of our customers. In addition, we strive for the effective use of resources through iron scrap and various recycling businesses. Particularly with regards to our initiatives for the recycling of applicable waste, the compliance with the process management system of the revised Law Concerning the Recovery and Destruction of Fluorocarbons by appropriate recovery, and the application of stricter standards in the selection of waste processing companies, we are promoting CSR by visiting processing companies to provide them with explanations or by asking government and the industry to attend briefings.

Perspectives from a third-party participant in our CSR meeting

Hiroyuki Ishi

Professor, Faculty of Bio-Industry,
Tokyo University of Agriculture



When I talk to staff in charge of CSR at companies, I frequently become annoyed. The same probably applies also for the staff side. The cause of this is in the very broad purpose "corporate social responsibility." I frequently get the impression of an opportunistic attitude such as "others started it, so we do it, too" or "to improve the image of our company." The items "prevention of tanker accidents," "appropriate waste processing" and "thorough security measures" in the CSR action plan are probably "social obligations" rather than "social responsibility."

A lot of companies put up "turning biofuel into business," but we probably all know that this is one of the causes that have triggered food riots in more than 30 countries since last year. Certain calculations say that food for 250 million people was used for biofuel all over the world. Does "social responsibility" only apply to Japan, or is it "responsibility towards humankind"?

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

Promoting and contributing to the protection of the natural environment and safety management of chemical substances

CSR at this Division Company

In a broad scope of business areas, we strive to ensure the quality and safety of our products, provide products and services accurately responding to the needs of our customers both rapidly and stably and with maximum consideration for the environment, thus contributing to an affluent lifestyle of the people.

Division	CSR tasks	FY2008 action plans	Status ^{*1}
Forest Products & General Merchandise Division	Ensure raw material traceability and protect natural forests	Upgrade questionnaire surveys to suppliers, implement questionnaire surveys and investigative visits	🟡🟡
	Comply with labor laws and statutory regulations	Upgrade questionnaire surveys to suppliers, implement questionnaire surveys and investigative visits	🟡🟡
	Handle internationally certified forest products	Continue requesting suppliers to acquire CoC certification if they have not yet done so, target 1.4 million tons annually for certified pulp handling	🟡🟡
	Respond to the Green Purchasing Law	Continue initiatives in everyday operations	🟡🟡
	Ensure product safety	Supply products low in formaldehyde. Maintain system and develop new suppliers	🟡🟡
Chemicals Division	Manage hazardous chemical substances	Continue compliance education including holding seminars	🟡🟡
		Begin registering related products because provisional registration for REACH regulations began from June 2008	🟡🟡
	Procure safe, reliable products	Continue requesting suppliers to acquire ISO certification if they have not yet done so	🟡🟡

*1: 🟡 Achieved 🟡 Nearly achieved 🟡 Unachieved

Major CSR initiatives

Securing the safety of our products

Tomoaki Kato

General Manager, Wood Products & Materials Department, Forest Products & General Merchandise Division



In the Forest Products & General Merchandise Division, we deal with MDF (medium-density fiberboards) that make effective use of wood resources such as waste wood and wood from planted forests in order to contribute to the development of a recycling-based society. Among these, we focused on low formaldehyde products that are kind to people's health, and strived to maintain and expand the supply organization from the aspect of securing the safety of our products. In 2008, we acquired an MDF factory that is CoC-certified by the FSC and uses trees from forest plantations in New Zealand as raw material. This enabled us to supply eco-compliant products easier than before.



MDF factory in New Zealand

CSR initiatives by a major group company ①

Environment × Materials = CHIKYUGI



ITOCHU KENZAI CORPORATION is involving the entire company in the "CHIKYUGI" business. We develop and promote sales of eco-friendly construction materials to substitute construction materials used for building homes or office buildings, etc. with material with a lower impact on the environment. "CHIKYUGI Products" include, for example,

- "composite plywood using material from forest plantations and from natural forests," "hybrid Hinoki cypress plywood,"
- "rubber-wood flooring" using rubber trees that are no more of use in the production of latex in rubber plantations,
- "bourbon oak flooring" that reuses the barrels used when making bourbon whisky, and
- "cork flooring" that makes effective use of the bark of cork oaks which can be regenerated in a short time.

We will continue to promote the development and spread of other products in the future.

[3-year review] The Forest Products & General Merchandise Division stepped up efforts for raw material traceability and also intensified cooperation with excellent suppliers. The Chemicals Division focused on compliance with laws and regulations, and safety management of the supply chain as a whole. The division further thoroughly confirmed and conducted education on laws and regulations.

[Key points of our FY2009 CSR Action Plan] The Forest Products & General Merchandise Division will expand the handling of certified pulp and low formaldehyde products, and also continue to work to secure raw material traceability through questionnaire surveys to suppliers. The Chemicals Division will steadily improve the attitude towards compliance with laws and regulations as well as safety management through education and training throughout the group.



Satoshi Kikuchi
President, Chemicals, Forest Products
& General Merchandise Company

FY2008 results
Closely examined and partly revised the content of our questionnaires on the basis of information collected from questionnaires of external examination bodies such as Dow Jones, and then conducted a questionnaire survey (sent out 96 questionnaires, received replies from 86 companies, conducted 77 visits) to grasp the situation and continue education.
Handling of certified pulp reached 1.37 million tons a year
Reconfirmed legal and regulative requirements applicable to our division and checked whether there were revisions
The quantities handled fell short of the previous year due to market changes, but we acquired a low formaldehyde MDF (medium-density fiberboard) manufacturer and made it our group company P33, Major CSR initiatives
Organized briefings and seminars on chemical-related laws and regulations in cooperation with the CSR & Compliance Division to respond to the REACH regulations. Conducted a search related to laws and regulations on chemical products on a standalone basis, in our overseas offices and group companies
Confirmed that the plastic product manufacturers and resin raw material manufacturers that are our major suppliers are already ISO-certified

FY2009 action plans	Basic Policies ^{*2}
Further revise content, then select suppliers to be investigated and continue to conduct questionnaire surveys and investigative visits	1 / 2 / 4
Further revise content, then select suppliers to be investigated and continue to conduct questionnaire surveys and investigative visits	3 / 4
Increase the ratio of certified materials handled. Ask non-certified suppliers to acquire certification	2 / 3
Continue implementation	2 / 4
Expand supply system and expand handling of group company	2
Conduct seminars on chemical-related laws and regulations to improve the attitude towards compliance with laws and regulations in the entire division in the same way as in fiscal 2008	1 / 2 3 / 4
Provisional registration is completed. While consulting related divisions, discuss whether to perform full registration or whether to do the work to switch to substitute products	1 / 2 3 / 4
Confirm status of ISO certification for new manufacturers and manage data on properties of newly handled products	2

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier[®] 2010" on page 9

CSR initiatives by a major group company ²

■ ITOCHU CHEMICAL FRONTIER Corporation's desert greening project

Since 2004, ITOCHU CHEMICAL FRONTIER Corporation has been conducting forestation field tests using high-performance water-absorbing resin in collaboration with the Hsingchiang Forestry Agency and the Hsingchiang College of Forestry in the Hsingchiang Uighur Autonomous Region of China. The project was highly evaluated as it produced a significant effect in greening the desert and preventing the dispersion of yellow sand. Currently, we are promoting the large-scale use in the entire Hsingchiang region and the arid regions in Northwest China in collaboration with various relevant authorities of the Chinese government. Through these activities, we would like to contribute to a solution to the problems of the global desertification, the dispersion of yellow sand and also global warming.



Willow trees and other green took root in the desert

Perspectives from a third-party participant in our CSR meeting

Kanna Mitsuta
Deputy Director,
Planning and Survey,
Global Environmental Forum



Your Division Company handles a broad array of materials from wood and paper pulp up to chemical products, and I was impressed seeing that you implement concrete action plans and perform regular investigations according to your CSR philosophy. Meanwhile, for wood, paper, pulp and other materials that are closely related to critical natural resources of the world, you could pursue even more in-depth efforts if you established and operated a procurement policy. Particularly the avoidance of a conversion of "High Conservation Value Forests (HCVF)" which includes forests with a high value as a natural ecosystem and also forests that are important for the local society will probably become an important issue in the future. When establishing action plans or policies, or when conducting an investigation on the implementation status, I think that it will be effective if you do so upon an exchange of opinions with NGOs and other stakeholders.

Food Company CSR Action Plans and Report on Activities

CSR at this Division Company

CSR activities responding to the needs of consumers and society

The Food Company is engaged in a broad range of businesses all over the world. We believe that we need to contribute to society and respond to society's needs through the stable supply of safe food, consideration for the environment and other CSR activities.

Division	CSR tasks	FY2008 action plans	Status ^{*1}
Provisions Division	Build systems for stable supply of safe and secure raw materials	Continue to provide information to production regions (residual agricultural chemicals, etc.) Maintain production bases for nongenetically-modified crops	🟡🟡
	Develop and introduce production processes, products, and packaging that burden the environment less	Promote agricultural project in Shandong, China, increase sales channels	🟡🟡
Fresh Food & Food Business Solutions Division	Improve and strengthen control systems for production regions	<ol style="list-style-type: none"> 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 	🟡🟡
	Promote appropriate food labeling	<ol style="list-style-type: none"> 1 Conduct education internally and externally 2 Continue to check labeling in relation to safety 	🟡🟡
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	🟡🟡
	Establish environment-friendly delivery system	Promote changeover to hybrid vehicles. Introduce diesel vehicles with outstanding fuel efficiency and consider and implement timely introduction of other new environmental vehicles	🟡🟡

*1: 🟡 Achieved 🟡 Nearly achieved 🟡 Unachieved

Major CSR initiatives ①

Initiatives to ensure food safety

Taku Kudo

Food Safety & Compliance Administration Office, Planning & Coordinating Department



The Food Company is working on initiatives for food safety with the purpose of preventing incidents and accidents in advance. At the core of these initiatives is the Food Safety & Compliance Administration Office. By preparing a food safety management manual, we created a mechanism allowing each sales division to carry out independent risk management, and we regularly conduct confirmations on the basis of "Food Safety Audits" of our internal divisions. We also systematically conduct education activities for all employees of the Division Company as well as our group companies, etc., including training sessions and e-learning. In response to the frequent occurrence of incidents that pose problems in the safety of food and other social circumstances, we conduct inspections of overseas plants by ITOCHU employees (investigated all plants we have dealings with in China two times in fiscal 2008).

Major CSR initiatives ②

Initiatives for the supply of products that reduce environmental impact

Natsuki Okamoto

Coffee Section, Coffee & Beverage Marketing Department



The Coffee Section of the Coffee & Beverage Marketing Department has been continuing to aggressively promote sales of coffee beans from the Rainforest Alliance since 2003. These coffee beans were grown in farms certified on the basis of standards for sustainable agriculture, including environmental and employment aspects. The Rainforest Alliance is an environmental NGO with headquarters in New York in the US. It was founded in 1987 with the purpose to pursue the conservation of biodiversity and sustainability through corporate activities, thus protecting ecosystems where humans and animals coexist in harmony. Our group company FamilyMart Co., Ltd. is selling coffee using these raw beans through various products including private-brand chilled cup coffee and private-brand canned coffee.

[3-year review] Regarding, for example, the topic of building a production system with a low impact on the environment in these three years, we started promoting an eco-friendly agriculture and a business of secure and safe agricultural products and high-quality milk, etc. in Shandong province, China. We also promoted environment-conserving businesses.

[Key points of our FY2009 CSR Action Plan] As projects already in progress, we will conduct education and development of knowledge, etc. for stakeholders and expand our environment-conserving business. In addition, we will intensify our supply chain management both from human rights and labor environment aspects as well as from the safety and hygiene aspects, control waste and promote recycling.



Yoshihisa Aoki
President, Food Company

FY2008 results	FY2009 action plans	Basic Policies *2
Continued investigations related to residual agricultural chemicals in products of the new fiscal year Established a company to perform storage and sorting of soy beans in Heilongjiang province, China	Continually grasp situation at production site and share information with customers Promote food-resource procurement business	1 / 2 / 4
Set up production and sales business of safe and secure milk in Shandong province, China. Making smooth progress since then	Stabilize production, increase yield and expand sales channels	4
<ol style="list-style-type: none"> Traceability was managed in compliance with our independent standards Considerations on efforts regarding certification by local government to which the production area belongs are in progress Focusing on the expansion and development of I-SQUARE Corporation Conducted factory audits and improved auditing accuracy at all overseas plants Established and observed inspection rules for frozen food Prepared food safety system inside division on the basis of a food safety Task Force 	<ol style="list-style-type: none"> Expand business of company for domestically-grown fruit and vegetables Continue audits at all overseas plants and raise level of audits (isolate issues and implement measures) Initiatives for compliance with inspection rules of frozen food and the establishment of an inspection organization at the Food Company 	1 / 2 3 / 4
<ol style="list-style-type: none"> Continued to check labeling and raised the level of the work by accumulation of related information Checks on the basis of food safety audits 	<ol style="list-style-type: none"> Continue internal education activities (conduct training) Conduct food safety audits 	1 / 2 3 / 4
Number of participating manufacturers is increasing as planned	Utilize data to reduce loss and inventories Expand the number of companies working on data that connect consumers → retailers → wholesalers → manufacturers	3
Switched 50 additional vehicles to hybrid or CNG (compressed natural gas) vehicles Also gradually promoted the switch of diesel vehicles to new diesel models that have a high fuel efficiency	Continue implementation	2

2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier 2010" on page 9

CSR initiatives by a major group company

■ Providing the soft food "SOFLI"

The name "SOFLI" of the soft food line of the frozen food manufacturer YAYOI FOODS CO., LTD. is a combination of the initial letters of the words "Soft Food Life." "SOFLI" is a line of products that was created out of the wish to offer the joy and fun of eating also to persons with weak chewing or swallowing abilities and also to their families to make their life pleasant. Through soft food, YAYOI FOODS will continue to actively promote CSR activities through its business as a food manufacturer with products that are tasty, easy to eat, safe and secure, and offer a kind diet style.



Mousse in the style of chicken stewed in tomatoes of "SOFLI"

Perspectives from a third-party participant in our CSR meeting

Yukiko Furuya
Board Member, NIPPON ASSOCIATION OF CONSUMER SPECIALISTS



The CSR efforts involving the group are broad, and with regards to environmental and social issues, particularly the safety and security of food, the company actively works on preventing accidents, supplying raw material, controlling quality and ensuring traceability. However, at the present state, this seems to be limited to matters that are relevant for the sustainability of the own company. I believe that it is necessary also to address issues that are critical for the sustainability of society, for example, to resolve the issues that are underlying the feeling of insecurity and the suspicions of consumers towards food, or to educate consumers for appropriate safety and security. Further, for these approaches, it will be necessary to resolve the issues together with consumers, business partners and other stakeholders while communicating with them. I expect initiatives that leverage the strengths unique to a Sogo Shosha and are difficult only with manufacturers and distributors.

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

CSR at this Division Company

Offering service functions full of creativity

As a Division Company providing services and solutions, we offer highly transparent and reliable products and services pursuing the convenience of our customers in the fields of finance, realty, insurance and logistics.

Division	CSR tasks	FY2008 action plans	Status ^{*1}
Financial & Insurance Services Division (Finance)	Promotion of investment which contributes to regional society	Unearth/implement investment projects	💡
	Strengthen security measures to achieve stringent control of personal information, improve and expand control systems	Ensure the management heighten their own awareness, rigorously educate employees, and continue regular reviews	💡💡
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 explaining important items and acquiring written confirmations	💡💡
	Provide appropriate insurance products accompanied by accurate and easy-to-understand explanations	Continue heightening product knowledge through training/on-the-job training (OJT)	💡💡
		Conduct investigative interviews to understand customer needs and offer new products	💡💡
Construction & Realty Division	Supply quality housing with emphasis on safety and security	Comply rigorously with pertinent laws and statutory regulations by steadily implementing measures to strengthen control of construction and realty group, provide quality housing	💡💡
	Give rigorous consideration to the environment	Promote environment-friendly businesses at group companies and implement reviews and training sessions	💡💡
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	Encourage development of logistics infrastructure in Asia, contribute to increasing and strengthening social overhead capital and heighten customer satisfaction	💡💡
	Provide logistics services with an emphasis on safety, efficiency, and concern for the environment	Provide logistics expertise in relation to amended Energy Conservation Law to companies the division uses, strengthen environment measures	💡💡

*1: 💡 Achieved 💡 Nearly achieved ⚪ Unachieved

Major CSR initiatives

CSR initiatives in the logistics field

Takeo Shibatomi

Planning Administration Section,
Logistics Services Division



In the domestic logistics business, we provide CO₂ emission data to the clients who commission their cargo to us, and work to reduce CO₂ emissions through three-party collaboration involving the clients, the transport companies we outsource to and ourselves. Through a modal shift from transporting cargo by truck to transporting by ship or railroads with little CO₂ emissions, or through the bundling of truck trips due to the introduction of newly developed logistics equipment, we promoted logistics with a small impact on the environment. In developing countries that are continuing to grow, we are contributing to the development of local regions by promoting an enhancement of social capital through developing logistics infrastructure such as cutting-edge harbors and warehouse facilities, or the construction of highly efficient delivery networks.

CSR initiatives by a major group company

■ Sales of houses with support for electric vehicles

Osamu Nagoya

Manager, Urban-type Housing Section, Urban Housing Division, ITOCHU PROPERTY DEVELOPMENT, LTD.



As part of its efforts to prevent global warming, ITOCHU PROPERTY DEVELOPMENT, LTD. is selling houses supporting electric vehicles (EV) which are gaining much attention lately in Kohoku New Town, Yokohama. These houses are characterized by two features: 1) the parking



House with support for electric cars

space of all 16 houses being equipped with a 200V power outlet, and 2) the inside of the houses being equipped with switches having timers to use night-time power. We focus on the future potential and the social significance of the spread of electric vehicles, which contribute to a reduction

[3-year review] While observing the various laws and regulations of the industry, we provided good-quality products and services focusing on safety and security. We also promoted social contributions through our key operations by, for example, investing for regional revitalization, providing houses with support for electric vehicles, or eco-friendly logistics services.

[Key points of our FY2009 Action Plan] We will strive to raise the level of our employees and organizations through education and training, and roll out safe and secure services and products with a high customer satisfaction on a global basis. We will also work to promote contributions to local communities and governments through regional revitalization investments and PFI projects, and environment-conserving business through eco-friendly housing and logistics services.



Kenji Okada
President, Finance, Realty, Insurance
& Logistics Services Company

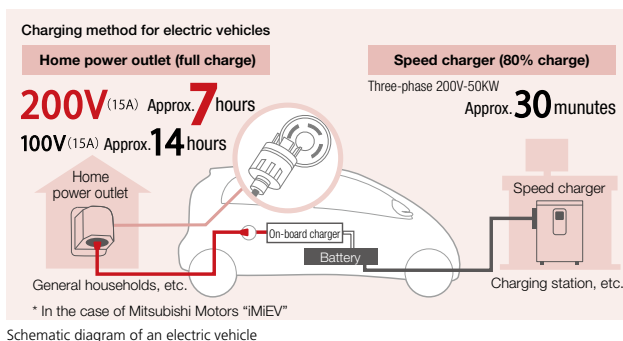
FY2008 results
<ul style="list-style-type: none"> Incorporated six projects in fiscal 2008 in the CJI (Challenge Japan Investment) Fund Reconsidered policy in response to deterioration of the market situation for SRI Fund
Raised awareness of group employees through active participation in various study sessions, seminars, etc. (11 supervisors for the handling of personal information (two supervisors qualified in fiscal 2008))
<ul style="list-style-type: none"> Confirmed compliance status of each group company in meetings to inspect books Had staff in charge participate in training conducted by life insurance and non-life insurance companies and report the details
Aimed for continued thorough implementation of explanations on important items and the acquisition of written confirmations
Succeeded in conducting education to improve product knowledge through on-the-job training (OJT) and training classes, etc.
Proposed products strictly in line with the needs, thus improving customer satisfaction
Held quarterly inspections of projects and performed checks of compliance with ordinances and other related laws and regulations. Started unification of instructions in construction work orders also with regards to the use of external experts
Actively promoted eco-friendly business centered on group companies. Also held training sessions related to the suppression of noise also involving our major group companies
Cooperated with group companies in China to accelerate the roll-out of an efficient and rational logistics scheme. Promoting container terminal projects in the Asian and Russian regions
Conducted coordination with Global Environment Office Conducted environment seminar for company-internal participants in cooperation with the Global Environment Office

FY2009 action plans	Basic Policies *2
<ul style="list-style-type: none"> Discover a target number of three new projects to be incorporated into the CJI fund after strict selection Suspend the establishment of an SRI fund for the time being, watch the timing and reconsider efforts 	1
Heighten awareness of management itself and conduct thorough education of staff. Continue regular reviews	2 / 3
<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 	2 / 3
Continue explaining important items and acquiring written confirmations	1 / 2
Continue heightening product knowledge through training/on-the-job training (OJT)	2 / 3
Ask customers for their needs and propose new products tailored to customer needs	1 / 2
Strive to provide good-quality homes through thorough observation of related laws and regulations by reliable execution of measures to strengthen control of the group, and through checks of the observation status	1 / 2
Aggressively promote environment-friendly businesses at group companies, conduct reviews of the progress and hold training sessions	2 / 3
Consider and establish proposal on restructuring and integration of the logistics business within China by integrated management with I-LOGIS-TICS CORP., to build an efficient and rational logistics scheme within China	1 / 2
Support the Global Environment Office and hold internal seminars and presentations on concrete cases, etc.	3 / 4

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier® 2010" on page 9

of CO₂ emissions, in our efforts to create new value in our CREVIA*-brand houses. We are further continuing to pioneer initiatives that contribute to a cut in CO₂, including sales of condominiums and houses equipped with compact fluorescent lamps shaped like light bulb or condominiums that are certified for green electric power.

* CREVIA: An artificial word made by combining the word "create" with "via," the Italian term for "path"



Perspectives from a third-party participant in our CSR meeting

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



I learned a lot on this gathering and could feel the earnest of the staff in charge. Below I will mention the potential for the future. For finance and insurance, I expect the development of a trusted finance and insurance business with both feet firmly on the ground in the current economic crisis, and also an advance of initiatives for socially-responsible investments. As for construction and realty, we have entered an era where we need a reinforcement of measures to fight climate change, including energy conservation and natural energy, and also stronger measures for biodiversity in materials procurement, construction methods and construction sites, etc. Regarding logistics, I expect further contributions to the development of efficient systems in Asia, etc. to realize a society with greenhouse gas emissions cut down to half. Companies are starting to address environmental conservation in many different ways, but I assume that only the "real ones" will survive, and I would like to suggest rebuilding the mid- and long-term strategy for the finance, realty, insurance and logistics business from the aspect of developing a sustainable society.

Overseas Bases CSR Action Plans and Report on Activities

ITOCHU Corporation has 139 offices overseas and pursues corporate activities on a global scale. In recent years, the demands for CSR are increasing also overseas, so we formulate and implement CSR action plans also at our overseas blocs/offices.

Bloc/office	CSR tasks	FY2008 action plans	Status ^{*1}	FY2008 results	FY2009 action plans	Basic policies ^{*2}
North America	Supply chain management	Continue discussions and investigation for supplier survey. Promote quality and raw materials production areas monitoring by strengthening traceability	🟡	Improved communication with suppliers and promoted quality control. Established food safety policy	Strengthen supply chain management in the textile and food business	1 / 2 3 / 4
	Promote environment-conserving businesses	Expand solar power generation related business and promote wind power/biomass-related projects	🟡🟡	Carried out negotiations for the acquisition of a solar power generation system integrator (Solar Net LLC.) 🟡 P11-12 Supported business aspects of bio-ethanol production in Brazil; opened up market in North America	Continue to expand to solar power generation-related business and wind power/biomass-related projects	1 / 2
Latin America	Regional contribution	Contribute to sustainable development of local communities in coffee producing regions through Group coffee export company's social works	🟡🟡	Conducted various local social contribution activities at Unex (Guatemala), S.A. 🟡 P40, Major CSR initiatives 1	Contribute to the continual development of local communities in coffee producing regions	1 / 2 3 / 4
Europe	Promote environment-conserving businesses	Work towards realization of solar power generation projects	🟡🟡	Invested into system integrators in Norway, Italy and Greece Built a solar park in Germany 🟡 P11-12	Promote further solar power generation projects	1 / 2
Africa	Promote environment-conserving businesses	Check the forest-management certification acquisition status of forest resources suppliers	🟡🟡	Confirmed FSC certification of wood chip suppliers (obtained written oath and letter of confirmation as evidence)	NEW Promote environment-conserving businesses Promote solar power generation projects and the development of electric cars using lithium batteries	2
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	🟡🟡	Promoted solar power generation projects in Oman, Libya and other countries 🟡 P11-12 Promoted energy-conserving business in Abu Dhabi 🟡 P40, Major CSR initiatives 2	Promote businesses that help conserve the environment, including solar and other clean energies, garbage incinerators, and energy-saving systems	1 / 2
Oceania	Secure the safety and reliability of food	Check agricultural chemicals residue before shipping	🟡🟡	Conducted pre-shipment checks as planned	Continue pre-shipment checks for agricultural chemicals residue	2
	Promote environment-conserving businesses	Continue encouraging suppliers' acquisition of forest-management certification	🟡🟡	Except for a few, almost all suppliers obtained forest-management certification	Continue communication with remaining suppliers	1 / 4
China	Promote environment-conserving businesses	Promote/expand existing projects of businesses related to energy conservation and renewable energy and continue developing new projects	🟡🟡	Actively promoted CDM including new projects initiated by the newly established Shanxi Liaison Office and the China Business Development Dept.	Promote/expand existing projects of businesses related to energy conservation and renewable energy and continue developing new projects	1 / 2
	Regional contribution	Establish CSR taskforce. Support regions within China. Establish "hope" elementary schools in impoverished areas	🟡	Set up CSR taskforce and implemented various local contribution measures 🟡 P40, Major CSR initiatives 3 Revised plans for the construction of "hope" elementary schools due to a changed situation	Contribute to the communities in fields related to human resource development, medical care, social welfare and education	1
Singapore	Regional contribution	Continue supporting environmental NGOs	🟡🟡	Supported "Spelling Bee" program of a selected environmental NGO	Select NGOs and projects to be supported	1
Philippines	Promote environment-conserving businesses	Promote CDM business for methane gas collection from hog farms (establish J/V company, file CER registration with United Nations)	🟡🟡	Established J/V company, carried out due diligence/FS for local farmers. CER registration with UN scheduled for fiscal 2009 🟡 P31	Promote CDM business for methane gas collection from hog farms (initial facility construction, file CER registration with United Nations)	1 / 2
Malaysia	Supply chain management	Prepare question sheet, conduct survey of local suppliers	🟡🟡	Implemented as planned (sent questionnaire to 60 companies)	Conducted CSR questionnaire survey of customers	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	🟡🟡	Carried out tree-planting by employees in the vicinity of Taipei 🟡 P48	Carry out activities that contribute to the Taiwanese region and promote environment-conserving businesses (solar energy, non-water dyeing projects)	1 / 2
Indonesia	Regional contribution	Expand facilities of Group-operated industrial estate, continue recruiting companies to occupy estate	🟡🟡	Increasing number of companies moved in	NEW Promote environment-conserving businesses Promote Sarulla geothermal power generation project	1 / 2
Indochina (Thailand)	Regional contribution	Establish CSR committee and select support recipients other than scholarship foundations	🟡🟡	Established CSR Committee. Continued to support scholarship foundation for university students	Regional contribution activities by CSR committee	1
Vietnam	Supply chain management	Further penetration of CSR policy among employees and suppliers, encourage rigorous compliance	🟡🟡	Thoroughly informed business partners about CSR policy and compliance	NEW Secure safety and security of food Implement controls and auditing according to Japan's strict laws and regulations	2 / 4
Southwest Asia (India)	Promote environment-conserving businesses	Participate actively in LNG-related businesses, solar power generation, and emissions rights business	🟡	Supported export of solar panels to Europe. Initiatives regarding LNG and emission rights continuing 🟡 P11-12	Participate actively in LNG-related businesses, solar power generation, and emissions rights business	1 / 2
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	🟡	Procured solar panels Achieved annual target for handling forest-management certified pulp 🟡 P11-12	Promote sales of solar cells and consider/discover projects for participation in power generation businesses. Continue handling forest-management certified pulp	1 / 2
Mongolia	Promote environment-conserving businesses	Promote introduction of new energy in accordance with measures	🟡	Dialogue with related government authorities and considerations on involvement in solar power generation system program implemented by international organizations	NEW Thoroughly implement internal management Thoroughly implement compliance and intensify internal control	2
CIS	Promote environment-conserving businesses	Reduce greenhouse gases, actively promote environmental businesses such as renewable energy projects	🟡🟡	Implemented as planned	NEW Contribute to local society Create employment through promotion of projects in developing regions, carry out education in environmental conservation, etc.	1 / 2 4

*1: 🟡 Achieved 🟡 Nearly achieved 🟡 Unachieved

*2: Numbers correspond to the policies enumerated under "Basic policies for CSR promotion Frontier© 2010" on page 9

Major CSR initiatives 1

Program to improve the standard of living in coffee producing regions

Unex (Guatemala), S.A., an ITOCHU Corporation group company, gives about 2% of its annual net profit to the Unex social work foundation and has implemented a program to improve the standard of living in coffee producing regions.

Following the construction of a bridge, the construction of a health center and operational help, the donation of medical equipment, a water supply system for an elementary school, roof repairs and other activities in the villages of the coffee producers, we will start a scholarship fund system enabling children of workers in our factory to advance to agricultural schools from this year.



A small bridge connecting Guatemala's communities



A health center was built with the help of many people

Comments from the staff

Contributing to coffee producing regions

Toshiyuki Hayashi
President, Unex (Guatemala), S. A.



Guatemala is a paradise that makes people envious, always green with a climate of permanent spring. However, when you look at the reality - city streets filled with exhaust gases, rivers polluted from the water-washing of coffee, youths begging in the cities and children working in the farming villages - you will probably be gripped by a feeling of helplessness. However, as long as we can encounter wonderful smiling faces like this - why don't we start by doing what we can do to change this country? This



To see this smiling face!

is how the CSR activities of Unex (Guatemala) S. A. started. What made me very glad was seeing how hard the Guatemalan employees worked for this. For details on our activities, please see <http://www.unexguatemala.com>.

Major CSR initiatives 2

Contributing to energy conservation in Middle-East countries through thermal storage systems

Due to city development backed by affluent money from oil, Saudi Arabia, the United Arab Emirates and other Middle-East countries have a rapidly increasing demand for electric power. To meet this demand, these countries are very aggressively working on energy conservation and electric power solutions from the aspect of the securing natural resources which are both precious and limited.

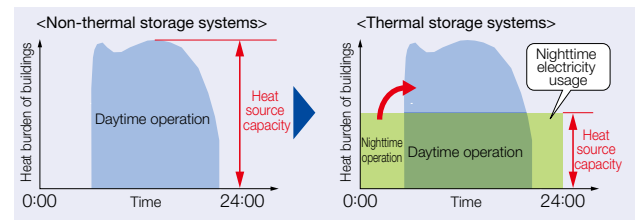
ITOCHU MIDDLE EAST FZE cooperates with our group company Aoyama Energy Service Co., Ltd. in providing program establishment consulting services for the introduction and spread of local thermal storage systems in city planning, in order to meet these needs of the countries in the gulf region. We will contribute to city development projects in Middle-East countries by showing our clients the benefits, for example, lower

Shoji Inada
Energy Department
ITOCHU MIDDLE EAST FZE



construction costs for power stations thanks to a uniform electricity burden, or contribution to the fight against global warming thanks to a reduction in CO₂ emissions.

Achieving uniform power generation burdens by introducing thermal storage systems



Major CSR initiatives 3

Establishment of CSR taskforce in the China bloc

In recent years, there has been a demand for CSR initiatives particularly by foreign companies also in China, and In April 2008, we established a CSR Taskforce (below referred to as "TF"), consisting of a total of 15 members from the entire China bloc.

This TF formulates CSR action plans and performs various regional contribution activities. In fiscal 2008, our initiatives included the participation in a greening campaign at the Olympic Park in Beijing as well as in clean-up activities in a park in the suburbs of Guangzhou, and a donation to the "China Foundation for Disabled Persons." We also donated relief funds for the series of natural disasters that happened in China, and received an award from the Red Cross Society of China for our donation of relief funds for the catastrophic earthquake in Sichuan.

Xinren Zhu
CSR Taskforce Team Leader



The TF will continue to pursue activities that contribute to the development of human resources, medical care as well as to welfare and education in local communities.



Members of the CSR Taskforce in Beijing



Reception of the award from the Red Cross Society of China



Corporate Governance and Internal Control/Compliance

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. 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. To make sure that our corporate auditors conduct adequate audits, we developed an organization that enables corporate auditors to collect information inside the company, for example, by attending important internal meetings or through the collaboration with the Audit Division and the Independent External Auditor. In addition, a Corporate Auditors Office consisting of specialized staff is supporting the auditing work.

Our executive organization has adapted a Division Company system where seven Division Companies divide their business areas for autonomous management catering to the needs of the market and customers under the overall management of the Headquarters.

Further, we have established the Headquarters Management Committee as a body that assists the president by deliberating corporate-wide manage-

ment 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.

Response to the system for internal control reports

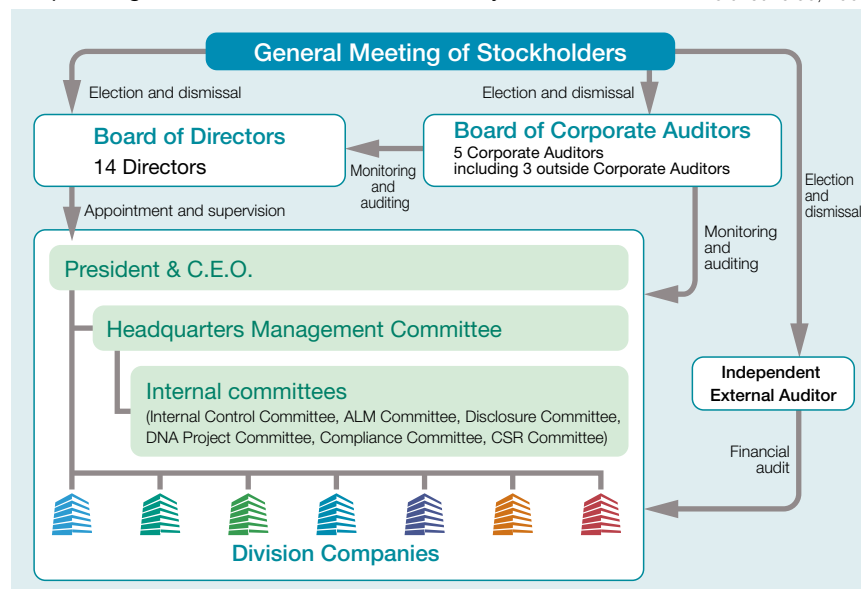
To improve the reliability of its consolidated financial reports even more, ITOCHU Corporation built an internal control environment for the major ITOCHU group companies inside and outside of Japan with a "Disclosure Committee" as the steering committee.

We further established an Internal Control Audit Section as an independent organization to assess internal control, building a system for evaluating whether the internal control system is appropriately developed and operated.

Subject to the evaluation are 1) corporate-wide internal control (thorough information of the management philosophy, appropriate development and operation, etc. of internal rules), 2) internal control in business processes, and 3) IT-related control (management of the development, maintenance and operation of information systems ensuring the effective functioning of business processes, securing of safety, management of contracts with external parties, etc.). The evaluations check whether these controls are effectively functioning, and the results of the internal control evaluation are reported to the management.

Corporate governance and internal control systems

As of June 30, 2009

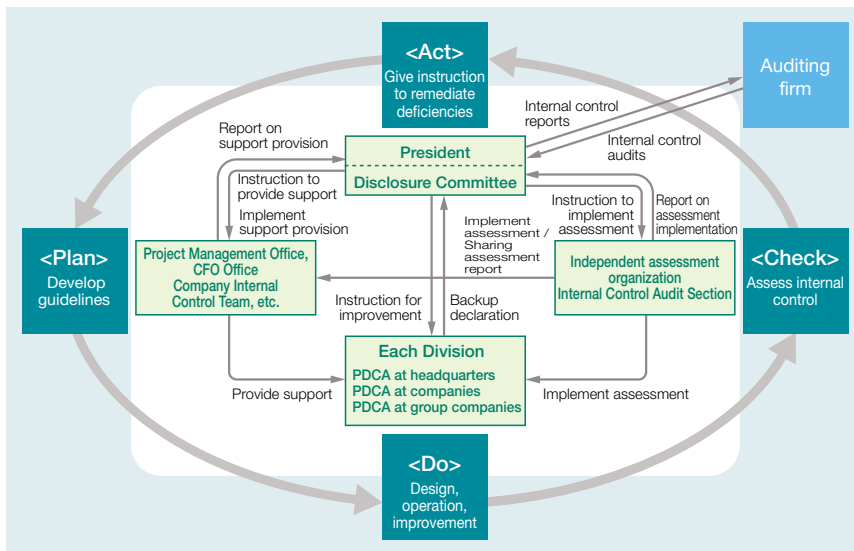


Submission of internal control report

With the development of an internal control environment, the management assessed that the internal control system at the ITOCHU Group was effective, created an internal control report for fiscal 2008, which is the first fiscal year of our report system concerning internal control, and submitted the report to the Kanto Local Finance Bureau after obtaining a clean opinion from a corporate auditor.

We believe that in the future, it will be necessary to take the internal control system from the development and construction phase into the actual work of each single employee of our group, as a basic operation and with a natural stance. We will continue to work on strengthening our internal control system even more.

PDCA cycle of internal control



Business process reengineering project involving all employees

ITOCHU Corporation is promoting a corporate-wide business process reengineering project called "ITOCHU DNA Project – Designing New Age." The project focuses on strengthening the capabilities of each organization and employee, in other words, the "on-site capabilities," and on the viewpoint of optimization on a corporate-wide basis.

Also considering the response to the internal control system, we visualized all current business processes and established corporate-wide standard operations that will lead to more efficient operations and better quality. In the future, we will gradually make the transition towards a phase of building an organization that fits the standardized business processes and building systems that support these processes.

The corporate-wide business process reengineering project will help to win credit and trust from all stakeholders in our business operations, and contribute to a good working environment where all employees – who are the main actors – feel affluence through their work.

Compliance

Measures to reinforce management in response to an incident occurred in fiscal 2008

In fiscal 2008, delays in a part of the collection of receivables related to

off-shore trading of heavy machinery and material for Mongolia occurred. Investigations of the content of the trading at this occasion revealed that financial support dealings that do not bring about physical distribution were included in dealings that were processed as sales. As measures to prevent reoccurrence, our Board of Directors decided, among others, to 1) reinforce control of dealings, 2) thoroughly implement the rotation of personnel, and 3) conduct thorough education on compliance, and executed these measures.

Organization for promotion in the group

The ITOCHU Group has compliance officers in each organization within Headquarters and at all group companies in Japan and overseas. These compliance officers are strengthening compliance by creating systems, conducting education and training, responding to individual cases, and any other necessary measures based on directives and support from Headquarters and respective Division Companies as well as consideration of local laws and businesses' characteristics and operational formats. In addition, we conduct simultaneous companywide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all organizations in ITOCHU Group through these surveys and various other methods, the ITOCHU Group is making a concerted effort to enhance and upgrade its compliance advancement systems.

Education and training

We are focusing to foster an awareness of the need for rigorous compliance in each employee and to conduct employee education and training about pertinent laws and statutory regulations as one of the critical and essential matters for compliance advancement.

In fiscal 2009, ITOCHU conducted education and training covering a wide range of topics and purposes. We held in-house seminars about laws, statutory regulations, and internal systems that employees must know about when conducting business. Also, we provided training about employees' roles in compliance advancement tailored to different positions and kinds of work, such as department managers, section managers, and clerical employees. We also urged employees in frontline operations to recheck that they were strictly following basic operational steps.

Global security risk management

To help prevent the proliferation of weapons of mass destruction and conventional weapons, Japan maintains strict trade-security measures under the Foreign Exchange and Foreign Trade Act. In this connection, we have implemented an internal trade-security control program. Moreover, to ensure that we comply meticulously with existing government laws and regulations, ITOCHU has established internal procedures to safeguard our stakeholders' and corporate reputation with respect to business transactions with countries of concern.

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.

As a responsible member of society and the global business community, ITOCHU recognizes the need to carefully manage the potential risks associated with business operations in certain locations. Accordingly, ITOCHU has implemented a comprehensive global security risk management program that involves the performance of rigorous, security-minded due diligence with respect to projects and transactions in which international security concerns could be present.



Employee Relations

ITOCHU Corporation has put up the “Full development of a global human resources strategy” as one of its priority measures in “Frontier^e 2010” and is aggressively working on strengthening its human resources from a global perspective. We are striving to become an attractive enterprise and to create an attractive corporate climate, respecting individual careers and allowing every single person of our diversity of human resources to fully exert his or her skills regardless of nationality, race, gender and age by realizing a good working environment and a dynamic work style.

Policy of ITOCHU Corporation’s human resources strategy

Based on our basic policy of “recruiting, developing and leveraging human resources worldwide,” ITOCHU Corporation aims to maximize and fully optimize the value of its human resources in the entire group all over the world and pursues a human resource strategy with a global perspective. With this strategy, ITOCHU works to develop an environment giving employees more motivation and satisfaction, allowing them to realize their capabilities to the maximum with peace of mind to take the challenge of facing new things. We further respect the values and personality of our employees and systematically acquire and develop human resources with a global perspective regardless of nationality, race, gender and age, striving to develop a good working environment for a diversity of human resources through support for a diversity of work styles and the realization of dynamic work styles.

Number of male and female employees (non-consolidated)

	Male	Female	Total
FY2006	3,122	915	4,037
FY2007	3,134	973	4,107
FY2008	3,161	1,014	4,175

Number of overseas bloc employees by region (as of March 31, 2009)

	Total
North America	177
Latin America	159
Europe	241
Africa	44
Middle East	180
Oceania	32
China	580
Asia	718
Under direct control of Headquarters	133
Grand total	2,264

* The above mentioned employee numbers include employees of our local subsidiaries, overseas branches and representative offices

Global human resources strategy and specific initiatives

ITOCHU Corporation is pursuing a variety of measures following two policies: 1) continually produce and optimally leverage global management human resources from all nationalities, races, genders and ages, and 2) encouraging an awareness change of all employees in the group to become a truly global enterprise. The Global Talent Enhancement Centers (GTEC) set up in four cities in the world and the Headquarters set up in Tokyo are at the center of these efforts. Particularly in “Frontier^e 2010,” we perceive our global human resources strategy as the core of our human resources strategy and focus our efforts on “securing human resources” and “developing and creating group management human resources.”

Specific measures

- 1 We seek to develop the leaders of the future and globalize our Headquarters by providing a system to accept overseas bloc employees from countries all over the world for two years at our Tokyo headquarters to give them an opportunity to learn our work processes, understand ITOCHU’s corporate mission, corporate climate and culture and to form personal connections. (as of the end of fiscal 2008, we accepted 31 persons, including those we are still expecting)
- 2 We measured the size of jobs and job responsibilities and developed the ITOCHU Global Classification (IGC) using a common scale for jobs all over the world and from all ranks to be utilized as a base for all policy measures. For the future, we plan to promote the effective and efficient management and utilization of human resources, and to assign, utilize and develop human resources irrespective of the nationality on the basis of IGC.

We will further incorporate the new corporate mission of ITOCHU Corporation into the human resource requirements that the leaders of the ITOCHU Group should provide and gradually develop this to the employment standards and evaluation and education systems of each region in order to recruit and develop human resources fitting

Structure to promote global human resources strategy



the values of ITOCHU Corporation on a global scale. In addition, we will promote a human resources strategy from a global perspective by developing more concrete measures such as increasing the mobility of human resources, and by spreading our global human resources strategy to all employees of the group.

Promotion Plan on Human Resource Diversification: review and plans for the future

To encourage the diversification of human resources in Japan in our promotion of the global human resources strategy, we established and executed a “Promotion Plan on Human Resource Diversification” (term: January 2004 through March 2009) with the purpose of providing maximum support for the activities of a diversity of human resources irrespective of nationality, gender and age.

As a nationality-related initiative, we put up numerical targets as to how

Promotion Plan on Human Resource Diversification: targets and results

	Initial plan (FY 2008)	Result for FY2008	New target (FY2013)
Percentage of female employees among newly graduated employees in career-track position	20% or higher	31%	30% or higher
Percentage of female employees among all employees in career-track positions	5.0%	5.9%	10%

Promotion Plan on Human Resource Diversification 2013 (Japan)

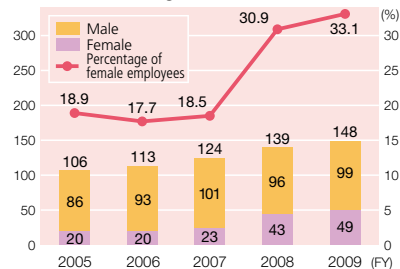
Purpose of this plan

- Create an “attractive company and an attractive corporate climate” through support for the settling and activities of even more diverse human resources

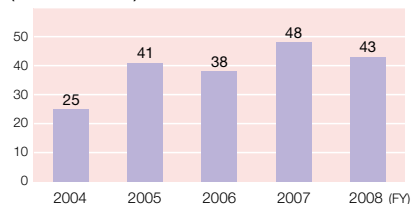
many employees from overseas blocs all over the world we accept for two years in our Headquarters, and as a gender-related initiative, we established numerical targets regarding the ratio of female employees in career-track positions and the ratio of female employees among newly graduated employees in career-track positions. Both of these numerical targets were achieved. To support even more activities of senior employees, we revised the employment extension system in October 2008, enhancing the system to allow diversified human resources to continue working with motivation and satisfaction irrespective of their age.

As the next phase, we established the “Promotion Plan on Human Resource

Number of new graduates recruited



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



Diversification 2013 (Japan)” (term: April 2009 through March 2014) for continued support of the activities of diverse human resources. This plan focuses on settling and providing support to even more diverse human resources by way of an increase in number and the development of systems and mechanisms.

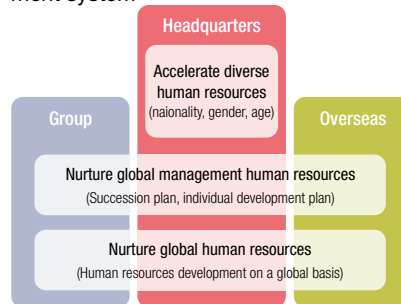
Supporting the participation in society of people with disability

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. As of April 2009, 1.93% of our employees were with disability, higher than the legally stipulated level of 1.8%. We will continue to actively support the participation in society of individuals with disability.

Policy for human resource development

We will promote human resources development not only for employees at our Headquarters but on a global basis including employees of our overseas blocs and group companies. We also provide well-balanced on-the-job training and other

Overview of human resources development system



training as suitable for the aptitude of the employees. The costs for this training reach as much as about ¥1 billion per year (at the Headquarters).

A variety of training schemes

In our “development of global management human resources,” we merge our “management school” for the Headquarters with “GLP training,” etc. for overseas bloc employees. Regarding the “development of global human resources,” we are continuing the dispatch of newly appointed section managers to overseas short-term business schools, the system for posting new employees overseas (overseas dispatch within four years after joining ITOCHU) and also English language classes for all employees at the Headquarters.

Human resources development policy and training details (excerpt)

Overview of human resources development system	Training program name (excerpt)
Development of global management human resources	Global executive program, organization managers training, sending employees to MBA programs
Development of global human resources	Overseas short-term business school program for new section managers, sending new employees overseas
Diverse human resources development	Career vision support training, training for employees recruited mid-career/administrative employees

Number of employees participated in major training programs

Training program name	FY2008 results
Management school (basic, advanced, executive)	70 (total)
Organization managers training	Approx. 400
Overseas short-term business school program for new section managers	54
System for sending new employees overseas	61
Training for overseas bloc employees at the Headquarters (GLP, GSP, NS trainings)	181 (total)
Career vision support training	Approx. 2,400 (cumulative)

Trainee comments

Participant in overseas short-term business school program for new section managers FY2008

Yoshiko Matoba

Manager, Osaka Secretary's Office, Secretariat

I participated in a seven-month training at Harvard Business School. In addition to learning about leadership, I was able to develop personal connections with elite players in various industries in the world. I will treasure this experience for my whole life.



Participant in GSP* training

Milos Vesnic

Belgrade Representative Office
ITOCHU Corporation

During the GSP training, I was able to learn about ITOCHU's history, its values and experiences of employees in a concentrated form. This was also a valuable opportunity for discussions among participants from all over the world with a diversity of backgrounds and values. I was able to develop strong bonds and will never forget this experience.

* Global Scholarship Program: one of the trainings for overseas bloc employees at the Headquarters



Providing comfortable working conditions for employees

Employee health management

For ITOCHU Corporation, where people are assets, the health management of every single employee is important to ensure that a diversity of employees can freely exert their capabilities with motivation and a sense of satisfaction. In addition to regular health checkups, we have developed a system allowing employees to receive counseling on their health and stress at any time inside the company and pay utmost attention to the health management



e-learning "For adequate time management (FY2009 Edition)"

and mental health of our employees. Particularly for mental health, we have established an organization that offers employees counseling from in-house psychiatrists and clinical psychologists at any time under strict confidentiality. Further, from the aspect of preventing long working hours, we established days where all employees leave early, conduct e-learning to make employees understand working hours correctly and take other measures to promote the development of an environment where employees can enjoy even more dynamic work styles.

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.

Health management of employees assigned to overseas posts

To ensure that globally involved ITOCHU Corporation employees and their families spend a meaningful assignment term in safety and health, we have built a full system not only for incidents, accidents, disasters and other emergencies, but also for health management. In fiscal 2008, we established a task force in an effort to take measures for protecting health from new influenza and other infectious diseases, and also for education. To prepare for emergencies such as diseases or injuries, also including preventive measures for infectious diseases in the local region, we collaborate with multiple medical emergency service companies for a complete support system.

Child care and nursing care support

Since the establishment of the Promotion Plan on Human Resource Diversification in December 2003, we have been enhancing our measures to support child care and nursing care to give employees the "opportunity to continue working with peace of mind." In particular, the revision of our system in November 2007 introduced measures to supplement the expenses for baby sitters or caretakers, meal delivery services and other child care or nursing care with up to ¥50,000 per month in order to support the motivation of our employees to continue working. In addition, we introduced "paternity leave" to encourage the involvement of male employees in child care, and also "family leave" to support families for school entrance ceremonies or parents' days at school, etc. A large number of employees are taking advantage of this system already, and we will continue to aggressively work to create an attractive environment where a diversity of employees can exert their skills to the maximum.

Acquisition of leave according to child care or nursing care-related systems

(Unit: persons)

	FY2006	FY2007	FY2008	
Child-care	Parental leave	32	29	30 (30 females)
	Leave to nurse sick children	45	59	71 (22 males : 49 females)
	Shorter working hours for child care	29	34	40 (40 females)
	Special parental leave	17	15	21 (10 males : 11 females)
	Paternity leave	-	19	48 (48 males)
Nursing care	Nursing care leave	1	0	0
	Special nursing care leave	10	8	9 (2 males : 7 females)
	Shorter working hours for nursing care	2	2	1 (1 female)
	Family support leave	-	72	247 (146 males : 101 females)

Comments from an employee who took paternity leave



Shigeaki Okoshi

Aerospace & Defence Department
ICT, Aerospace & Electronics Company

Haruma was born on January 13, 2009, when there was snow in Nagasaki. Luckily, my wife's contractions started directly after I arrived at the hospital, and I was able to accompany my wife through all of her roughly nine-hour long fight. Actually, the

things that a father can do are really limited, but in witnessing the biggest fight in my wife's life, and the moment of ultimate bliss, I was able to pay respect to my wife, to rejoice in the birth of our child, and to get a real feeling of the responsibility I have for my family. These were very precious hours. Thanks to paternity leave, I was able to spend the most important time of my life with my family, and for this, I am grateful from my heart.

Communications with employees

Diversity Forum

As part of the "Promotion Plan on Human Resource Diversification," ITOCHU Corporation has been organizing "Diversity Forums" since fiscal 2006. The forums offer an opportunity for employees to think about further promotional measures for human resource diversity and propose these to the senior management. In fiscal 2008, we organized a forum under the theme "Multinational Human Resources" on the basis of the fact that we are promoting a global human resources strategy. Including overseas bloc employees, 20 participants of different nationalities, genders, ages and professional experience went through repeated discussions for four months and then made a proposal to the senior management on measures to promote the recruitment, development and support for activities of human resources with various nationalities. A part of this proposal is reflected in the global human resources strategy for fiscal 2009.



Diversity forum under the theme "Multinational Human Resources"

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 2009 was held on May 16. We connected Tokyo, Osaka, Guangzhou and Bangkok over video conference systems and held the meeting simultaneously at four sites with

about 1,300 attendants. At domestic branches and offices and at other overseas offices, we broadcasted the meeting live over the internet. The meeting saw a lively exchange of opinions on our management policy and the personnel system, and also helped to cultivate a sense of solidarity among employees. As suitable for a company that aspires to be a global enterprise, questions and answers in this CWEM from overseas bloc employees regarding overseas management were performed in English language.



President and CEO Eizo Kobayashi talking to employees



The award ceremony for the internal essay contest was also held

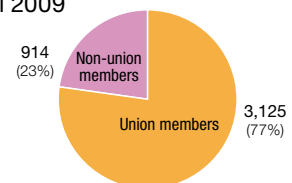
Dialogue with the Labor Union

At ITOCHU Corporation, all issues are discussed with the labor union in order to realize our corporate mission "Committed to the global good." In fiscal 2008, we organized conferences on overtime, the personnel system, overseas compensation and benefits and other topics in addition to the regular annual conference. Through this kind of opportunity, labor and management are repeating discussions on current issues to build up a healthy relationship.

Initiatives with the Labor Union in fiscal 2008



Ratio of labor union members in April 2009



Comments from the Labor Union President

Masaaki Yamashita
President, ITOCHU Labor Union

ITOCHU Corporation's corporate mission "Committed to the global good." is its very stance on CSR. In a company, employees are both key actors to practice CSR and key clients to benefit from CSR. I believe that the labor union organizing these employees should actively participate and contribute as an organization directly reflecting the local voices in order to make CSR initiatives effective ones.



Policies and tasks for fiscal 2009

"Human resources" are becoming increasingly important as they support the stable and sustainable growth of ITOCHU Corporation in its endeavor to become a "global enterprise" in "Frontier 2010." In the past, we focused on acquiring a diversity of human resources, and in recent years, a corporate climate was cultivated to accept diverse human resources, giving increasing momentum to more support for their activities. In fiscal 2009, our efforts will revolve around our global human resource strategy. We will continue to strengthen our human resources from a global perspective and aggressively promote activity support to enable each individual in our diversity of human resources to fully utilize his or her unique characteristics to exert his or her capabilities to a maximum.

Further support for the activities of diverse human resources



Toshio Obayashi
General Manager,
Human Resources Division,
Executive Officer



Social Contribution Activities

Following our corporate mission “Committed to the global good,” ITOCHU Corporation is pursuing various social contribution activities inside and outside of Japan. As a social contribution project to commemorate the 150th anniversary of our foundation, we decided to provide support for conservation of tropical rainforests and ecosystem in Borneo and to establish ITOCHU Scholarship Fund (see pages 13-15). In this section, we will present a report on ITOCHU’s position on social contribution as well as some activities.

Our stance on social contribution

The social contribution activities of ITOCHU Corporation focus on five fields: “action on global humanitarian issues,” “environmental conservation,” “community contribution,” “growth of future generations” and “support for volunteer work by our employees.”

Program activity report



Support activities for the United Nations World Food Programme

We are supporting the activities of the United Nations World Food Programme (WFP), the United Nations frontline agency in the fight against global hunger. We participated in the worldwide charity event “Walk the World” (held on May 25, 2008 in Japan). To make the activities of the WFP known to the public, we also organized a “WFP Photograph Exhibition” in the lobby of our Tokyo headquarters and carried out fundraising activities.



ITOCHU Group employees and their families gathered at Walk the World



Visiting care facilities for elderly people

Under the theme “Elderly people to the extraordinary,” we had all newly hired employees submit plans with events for interaction. At the day of the visit, we carried out eleven of these events in four nursing homes and took time to communicate with the elderly as well. The purpose of this program was to let the new employees



Action on global humanitarian issues



Environmental conservation



Community contribution



Growth of future generations



Support for volunteer work by our employees

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.



Elderly people enjoying communication with our new employees at a nursing home Nukumori no Sato

become aware of how elderly people think and live, in view of the fact that with the increasing number of core families, they usually have only few contact with them. The new employees learned thinking not only from their own but from multiple perspectives, including those of the residents, elderly people commuting to the facilities, staff and friends.



“Social Contribution Week” across the board

Since fiscal 2006, we have been making the week around December 1, the date of our establishment, a social contribution week. In fiscal 2008, we carried out 1) an assistance dog demonstration by Guide Dog & Service Dogs Association of Japan,



Demonstration of Guide Dogs & Service Dog Association of Japan

2) “Campaign to Deliver Picture Books” for children in Asia, by Shanti Volunteer Association (SVA), and 3) a “Book Magic” program donating used books and CDs to NGO JEN.



Activities of the ITOCHU Foundation

To promote the sound development of young people, ITOCHU Corporation established the ITOCHU Foundation in 1974. The key activities of this foundation comprise “assistance for children’s book-reading (BUNKO),” the “operation of a children’s house” and “outdoor camps.” The “assistance for children’s book-reading (BUNKO)” in fiscal 2008 subsidized a total of 88 initiatives, including reading assistance for children fighting against diseases for long time periods and others, and applications from overseas (accumulated number of initiatives subsidized: 1,324). In March 2009, we conducted a “presentation ceremony” at our Tokyo headquarters and gave participants from each BUNKO an opportunity for exchange in a gathering after that.



Participants from BUNKO all over Japan

Relief funds for disasters

Cyclone Nargis, Myanmar	Relief funds / fund-raising	Approx. ¥13 million
Great earthquake in Sichuan, China	Relief funds / fund-raising	Approx. ¥36 million
Iwate-Miyagi Nairiku Earthquake, Japan	Relief funds	¥10 million
Bushfire in Australia	Relief funds / fund-raising	Approx. ¥6.3 million

* The amount includes relief funds from overseas offices and group companies inside and outside Japan, as well as fund-raising from employees.
* Note: the "¥" indicate Japanese currency, known as the Yen.

Examples for other initiatives

Action on global humanitarian issues	<ul style="list-style-type: none"> Supported the United Nations World Food Programme (WFP), the frontline agency in the fight against global hunger Conducted a "TABLE FOR TWO" campaign in our in-house cafeteria as food support for developing nations
Environmental conservation	<ul style="list-style-type: none"> Tree-planting campaign for environmental conservation at lake Biwa Organized rural-village volunteer activities to reclaim fallow land in Yamanashi prefecture
Community contribution	<ul style="list-style-type: none"> Participatory baseball class for physically challenged children, coached by a former professional baseball player (Tokyo Yakult Swallows Baseball Club)
Growth of future generations	<ul style="list-style-type: none"> Supported the establishment of a self-support facility for underprivileged youths in Manila, (Philippines) in cooperation with NGO "Kokkyo naki Kodomotachi (KnK)"
Support for volunteer work by our employees	<ul style="list-style-type: none"> Organized nature observations, collections of used stamps, reading aloud at a nursing home, local clean-up campaigns etc., internal classes by Japanese Red Cross Society, presentations of CSR movies and others.

Independent activities by branches and offices in Japan and overseas

The following presents a part of our social contribution activities in communities inside and outside of Japan.



Invited orphans to Doraemon Dreamland <ITOCHU Corporation (Indonesia)>

ITOCHU Corporation (Indonesia) invited 940 orphans from 14 facilities to Doraemon Dreamland, an event held in Jakarta as part of the celebrations of the 50th anniversary of the Japanese-Indonesian friendship. The orphans were given a special time they cannot enjoy during their everyday life, including a stage show, games, play equipment, picture-painting and Japanese food.



Invited children enjoying the Doraemon Dreamland stage show



Concert by students of the Nguyen Dinh Chieu School for the Blind <Hanoi office>

Our Hanoi office invited nine students of the school for the blind to Japan in September 2008 to perform at a concert on the "Vietnam Festival 2008" held in Yoyogi Park in Tokyo. We also held a mini-concert in the lobby of the ITOCHU headquarters in response to



Scene of the performance in the lobby of ITOCHU's Tokyo headquarters

the wish of the head teacher QUY and the students of the school for the blind to play for many people.

Message from head teacher QUY

At the concert of ITOCHU's headquarters, we were able to deliver a very good performance together with the people who gave us a warm applause amidst the tense atmosphere of the venue. This will surely become a great experience for these nine students in the future. I would like to thank everyone at ITOCHU who helped us from my heart.



Donated books and participated in tree-planting campaign <ITOCHU Taiwan Corporation>

In December 2008, a total of 42 employees, including their families, participated in a tree-planting campaign in the suburbs of Taipei. In this campaign, participants donated books (used books) to the Taiwan Leisure Farming Development Association, received plants of cherry trees or azaleas in return, and then planted these baby trees. The roughly 300 books with pictures for small children and literature donated were given to orphanages and the Association for Cultural Exchange of Indigenous People in Taiwan via this association.



After the tree-planting campaign



Mangrove tree-planting campaign <ITOCHU Thailand Corporation>

Mangrove colonies fulfill an important role in protecting the natural environment of coastlines. However, in recent years, they have been threatened by haphazard cutting. In April 2008, roughly 120 employees participated in a mangrove tree-planting project promoted by the government of Thailand in Samut Songkhram Province about 67 km South of Bangkok. Riding on small boards, they took out to the tidal wetland when the tide was out, and all participants planted about 400 trees while getting covered in mud.



Participation in mangrove tree-planting campaign



Participated in clean-up activities of the Asuwagawa river banks <Fukui branch>

In March 2009, 13 persons including Fukui branch employees and their families, as well as group company employees, participated in the clean-up activities of the Asuwagawa river banks in Fukui City, following the previous year. This campaign is carried out every year before the cherry-blossom viewing season. Participants walk the area under the responsibility of the Fukui branch (roughly 1.5 km) carrying fire tongs and trash bags to collect garbage. The feeling of having contributed to the beautification of the river banks, which are famous for their cherry trees, was very satisfying.



Environmental Activities Policies

ITOCHU Corporation has positioned global warming and other global environmental problems as one of the top priority issues in its management policy. To fulfill our corporate credo *"Committed to the Global Good."*, we established an Environmental Policy and are rolling out our corporate management and activities on a global scale while always being aware of global environmental problems, not only to contribute to the prospering of the present generation but from the viewpoint of what we can create to pass on to the next generation.

ITOCHU Corporation's stance on the environment

The social and economic system of the 20th century – mass production, mass consumption and mass disposal – brought about a remarkable economic growth. However, on the other hand, this growth caused the serious deterioration of the global environment. ITOCHU Corporation provides various products and services, develops resources and invests in businesses inside and outside of Japan, and these activities are closely related to global environmental problems.

Following our belief that sustainable corporate growth cannot be achieved without consideration for the global environment, we created a Global Environment Office in 1990 and clearly documented our direction by establishing the "ITOCHU's GUIDELINES ON THE ENVIRONMENT," a predecessor of the present "Environmental Policy," in April 1993.

In 1997, we were also the first *Sogo Shosha* to promote environmental conservation activities introducing ISO14001, an international standard for environmental management system. In the revision of

our "Environmental Policy" in 2007, we used the expression "contributes to the realization of a sustainable society" in a clear statement to the inside and outside of our company that our policy is to pass on an even better environment to the next generation.

Making efforts to reduce the impact from business activities on the environment is natural for any company. We will go further through our core operations, developing and providing products and services, etc. that contribute to environmental conservation.

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



Initiatives for the Environment

ITOCHU Corporation is aware of the impact that its business activities may have on the global environment and has built a framework to assess the impact of handled products or of new investments in order to take precautionary approach. Meanwhile, we proactively work in environment-conserving businesses utilizing our broad functions and networks as a *Sogo Shosha*, and not only ITOCHU Corporation but the entire group is promoting initiatives to fight global warming and other global environmental problems that are becoming increasingly serious.

Environmental Management System

ITOCHU Corporation is running an environmental management system which is based on ISO14001. The CSR Committee, which has a member of our senior management as its chairman, discusses the Environmental Policy and initiatives for each year. Under the instructions of the executive environmental manager, the Global Environment Office works as the secretariat to propose environment-conserving initiatives on a corporate-wide basis. Further, an environmental manager is assigned by official announcement in each division (a total of 76 environmental managers in fiscal 2008), and these environmental managers assign eco-leaders to assist their activities (a total of about 250 as of March 31, 2009) to promote environment-conserving activities in their respective divisions.

Specific activities of environmental managers

The environmental managers are responsible for the environment-conserving activities in their respective divisions, and promote these activities together with the eco-leaders. They cooperate with the Global Environment Office to respond to the applicable environmental laws and regulations for the business activities of their division, to perform environmental risk assessment of the products handled, and to assess the environmental impact



Scene of an eco-leader conference

related to new investments.

In addition, they call upon their colleagues at their division to promote energy conservation and recycling of waste also in their daily office work.



Inspection of a storage point for waste in the basement of our Tokyo headquarters

applicable environment-related laws and regulations for the business activities of the respective divisions, environmental education, energy conservation and waste-recycling initiatives at the office, and others.



Training of in-house environmental auditors at the Tokyo headquarters. The attendants are performing a role play simulating an audit

In-house environmental audits

Every year, an in-house environmental audit is carried out of all divisions within the scope of ISO14001 certification (Tokyo headquarters, Osaka headquarters, five domestic branches, ITOCHU Taiwan and others). In fiscal 2008, some of the employees having qualification as an in-house environmental auditor (233 in total as of March 31, 2009) participated in the auditing team, and all 76 divisions were audited with respect to their compliance with the

Number of employees qualified as an in-house environmental auditor

	Number of employees
FY2006 and before	49
FY2007	92
FY2008	92
Total	233

In-house audit results of fiscal 2008

	Fiscal 2008	Fiscal 2007
Improvement opportunities (non-conformity)	0	(0)
Observations (conformity)	66	(52)
Main observations	<ul style="list-style-type: none"> ● Waste is disposed of appropriately according to the Waste Management and Public Cleansing Law, but this law is revised yearly, so management should always be up to date ● Step up the involvement of the eco-leaders even more to improve the systems and initiatives 	

External audits

Every year, JACO, a body for ISO certification, audits us with respect to the ISO14001 requirements, in other words, conformity with the system, compliance status with laws and regulations, as well as the achievement status of independently established targets and the status of operation and management. In fiscal 2008, we were examined for the 11th time. We received the overall evaluation result "improved," and certification was maintained.

Environmental impact evaluation

1 Environmental impact evaluation by product

We are trading a huge variety of products on a worldwide scale, and therefore regard evaluating the involvement of each single product with the global environment as vital. As the evaluation method, we have introduced ITOCHU's own techniques. We are using a so-called LCA*-based analysis method covering the procurement of raw material, the manufacturing process as well as the use and even the disposal of the product. If the results reveal a score of impact on the global environment of a certain level, the product becomes subject to control and we will establish various rules and control procedures.

* 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.

2 Environmental impact evaluation of new investment projects

For new investment projects, we have developed a system to evaluate the impact that the respective projects have on the environment including natural environment and social environment in advance. For projects that require expert opinions regarding the impact on the environment, we ask external specialist bodies to carry out investigations in advance, and start working on the projects once we confirmed that the investigations found no problems.

Initiatives for eco-system conservation

Since ITOCHU Corporation trades forest resources and marine resources, etc. as products, it is pursuing various efforts to keep the impact of these businesses on eco-systems as small as possible. Divisions that handle forest resources have been conducting yearly questionnaire surveys on legality, sustainability, etc. with roughly 100 overseas suppliers since 1997. They also conduct individual on-site visits and make efforts to increase the handling of certified forest products. Further, regarding dealings with marine resources, we respect international conventions, etc. and ask

our suppliers in the Mediterranean region in direct meetings to catch tuna in consideration of eco-systems.

Environmental education activities

ITOCHU Corporation attaches importance to education activities in having our employees engage in environmental conservation activities and develops various education programs as shown below. We also organize seminars on environment-related laws and regulations or seminars to educate on global environmental problems not only for ITOCHU Corporation alone but for group employees on a wide basis in an effort to improve environmental awareness on the group level.

Internal education (fiscal 2008 results)

Training	Content
General education	Implemented e-learning to improve the environmental awareness of all employees (September – November)
Education of staff in specific operations	Taught the determined rules and procedures, etc. to employees performing operations that are subject to control (August – October)
In-house environmental auditor training	A two-day training program to develop in-house environmental auditors and improve the level of environment-conserving activities at each division (5 times a year)

Seminars (fiscal 2008 results)

Timing	Content
July 2008	"Seminar on Soil Contamination Countermeasures Law" (Osaka)
September	"Seminar on Waste Management and Public Cleansing Law" (Osaka) "Global Environment Business Strategy Seminar" (Tokyo) <Theme: Technology and Spirit to Challenge Global Environmental Problems> "REACH Seminar" (Tokyo)
January 2009	"ITOCHU Symposium" (Tokyo) <Theme: Global Warming and Its Effect on Society>
February	"ITOCHU Symposium" (Osaka) <Theme: Global Warming and Its Effect on Society>
February - March	"Seminar on Waste Management and Public Cleansing Law" (Tokyo) * At each Division Company, 12 times in total
March	"Seminar on Problems of Soil Contamination" (Tokyo) "Seminar on Act on the Rational Use of Energy" (Tokyo)



Scene at a seminar

Co-existence with society

1 Summer school programs on the environment

Since 1992, we have been organizing "Summer School Programs on the Environment" mainly targeting elementary school students of Minato ward, Tokyo. Following fiscal 2007, about 90 elementary school students participated in our two-day global environment program in fiscal 2008, where they, together with volunteers including our employees, learned in hands-on lessons by weather forecasters about global warming and in explorations of the nature around the Headquarters guided by nature observation instructors in a very lively class.



Scene at an experiment on the rising sea levels due to global warming

2 Supporting Center for Climate System Research, The University of Tokyo

Since 1991, we have been supporting the basic research of Center for Climate System Research of the University of Tokyo. As an opportunity for the announcement of the results of that research, we organize "ITOCHU Symposiums" every year which are also open to the public. In fiscal 2008, we invited Professor Teruyuki Nakajima, the director of this center, and Visiting Associate Professor Seita Emori of this center as speakers for a lecture under the title "Global Warming and Its Effect on Society" for a total of about 460 attendees at our Tokyo and Osaka headquarters.

3 Integrated Exhibition of the Environment in celebration of the Hokkaido Toyako Summit

In June 2008, the Integrated Exhibition of the Environment 2008 was held as an advance event to commemorate the Hokkaido Toyako Summit that was to be held in July. ITOCHU Corporation exhibited eco-friendly products, etc. of the ITOCHU Group and, on the basis of a cooperation agreement with the govern-

ment of Hokkaido, organized a public lecture under the title "Global Warming and Japan" in collaboration with the government of Hokkaido, the University of Tokyo and Hokkaido University.



Scene of the public lecture titled "Global Warming and Japan"

Environment-conserving businesses

As proclaimed in "endeavor to develop and supply products and services that help to conserve the environment" in its Environmental Policy, ITOCHU Corporation puts great emphasis on conserving the environment through its core businesses. The seven Division Companies leverage their wide network and know-how in their respective fields to pursue various environment-conserving businesses.

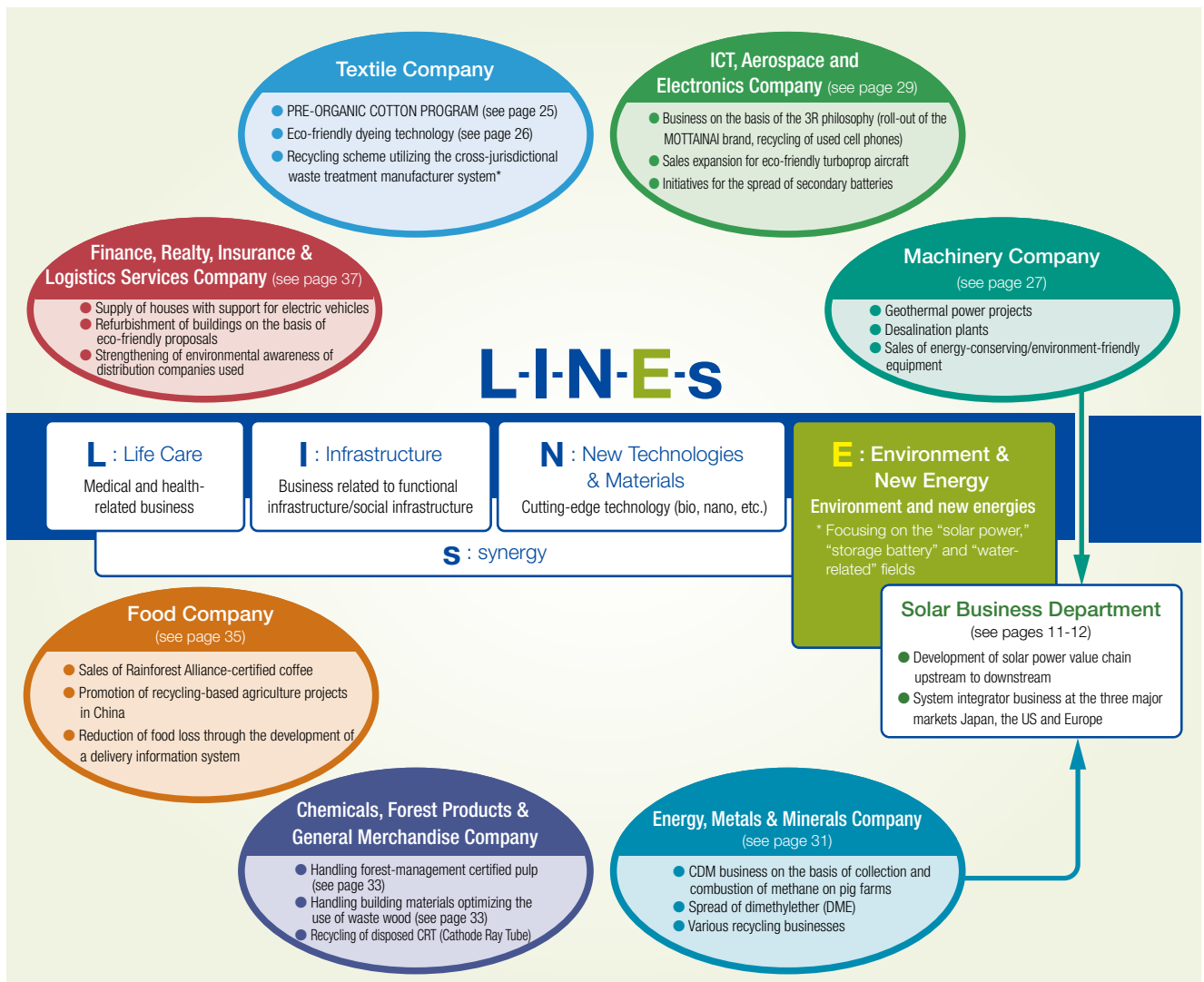
In our mid-term management plan "Frontier+ 2008," we further took the initials of the English terms for those new business areas that will support profits in a future society and are required for long-term growth and created

the term "L-I-N-E-s" (L: Life Care, I: Infrastructure, N: New Technologies & Materials, E: Environment & New Energy, s: synergy; see the figure below) to continue and intensify our efforts. The successor, "Frontier+ 2010," is a policy giving emphasis to the fields of "life care" and "environment & new energy," with a focus on "solar energy," "storage batteries" and "water-related business" in the "environment & new energy" field.

To further strengthen and promote our solar business, we established a "Solar Business Department" on April 1, 2009 (see pages 11-12).

Including initiatives of some group companies, ITOCHU accounted for a total of 174 initiatives for environment-conserving businesses in fiscal 2008.

Initiatives for environment-conserving businesses



* Cross-jurisdictional waste treatment manufacturer system: an exemption system allowing manufacturers that are certified by the Minister of the Environment to collect and recycle used products over multiple prefectures without a license for waste-treatment from each local government. Through Unico Corporation, a 100% subsidiary of ITOCHU Corporation manufacturing uniforms, we collect used uniforms and perform material recycling.

Group-wide environmental management

ITOCHU Corporation has almost 700 group companies inside and outside of Japan, which develop business in a variety of fields on a global scale. Recognizing the impact of these business activities on the global environment, not only ITOCHU Corporation but the whole group is working to conserve the global environment, for example, through fact-finding investigations of group companies and response to environment-related laws and regulations. However, as global warming and other global environmental problems are growing increasingly serious, we realize that we need to further enhance cuts in CO₂ emissions and other environmental management involving the entire group, and we will seek to intensify communication even more.

1 Fact-finding investigations of group companies

We believe that the activities of one group company can impact the entire group, and thus, we conduct fact-finding investigations at about 20 group companies a year, since 2001 also including overseas group companies, in order to prevent environmental risks of the entire group in advance. Global Environment Office visits the group companies, conducts interviews of the senior management and staff at each company, inspects the factory, warehouses and other facilities and then asks questions to find out the status in the compliance with applicable environment-related laws, the management of waste, the use of energy, environmental education and others in order to strengthen the environmental management organization.



Scene at a fact-finding investigation of a group company

2 Response to environment-related laws and regulations

Environment-related laws and regulations have increasingly been reinforced and revised in recent years. To respond to this circumstance, we communicate the contents of the revisions by sending out the "News on Environment-related Laws and Regulations Trends," etc. not only

to ITOCHU Corporation but to the entire group, and hold seminars also targeting the group companies in order to make everyone specifically understand the requirements of the law (see page 51).

Major applicable laws and regulations

"Act on the Rational Use of Energy"
 "Act on Promotion of Global Warming Countermeasures"
 "Tokyo CO₂ Emission Reduction Program on the Tokyo Metropolitan Environmental Security Ordinance"

"Waste Management and Public Cleansing Law"

"Soil Contamination Countermeasures Law"

3 Establishing a plan for grasping the CO₂ emissions of the ITOCHU Group

Out of the awareness that we need to grasp our CO₂ emissions on a consolidated basis, we are working on a <3-year Plan for Grasping CO₂ Emissions> starting in fiscal 2009 as part of the environmental management promotion at the ITOCHU Group.

Grasping our CO₂ emissions on a consolidated basis will enable us to adequately respond to international trends and domestic laws and regulations for the reduction of CO₂ emissions.

Outline of the <3-year Plan for Grasping CO₂ Emissions>

FY2008 (present)	Tokyo headquarters, Osaka headquarters, 5 domestic branches, etc.
FY2009	Domestic group companies, overseas local subsidiaries / branches, etc.
FY2010	Overseas group companies under control of Japan
FY2011	Overseas group companies under control of overseas offices

- The scope of grasping the CO₂ emissions will be expanded gradually.
- Regarding the expansion of the scope to overseas group companies from fiscal 2010, we plan to evaluate and analyze information collected from overseas local subsidiaries and branches, etc. in fiscal 2009, also pay attention to laws and regulations, etc. of the respective countries as well as trends in the conversion factor for various energies into CO₂. On the basis of this, we will develop plans both aggressively and carefully at the same time.

We are a *Sogo Shosha* without any manufacturing equipment, but since we are dealing with products on a global scale and make investments all over the world, we believe that it is mandatory that we grasp our CO₂ emissions as the ITOCHU Group.

Therefore, we believe that an important mission for us is to gradually grasp our CO₂ emissions on a consolidated

basis as the ITOCHU Group following the abovementioned 3-year Plan for Grasping CO₂ Emissions and to consider "how we can work to reduce our CO₂ emissions through business, which is our key operation."

4 Developing and strengthening the communication system at the ITOCHU Group

It is important that the entire ITOCHU Group shares information not only on global warming problem, which is said to be caused by emissions of CO₂, etc., but also on environmental problems in general.

While Global Environment Office of ITOCHU Corporation stays at the core of our information transfer system as before, we will gradually expand the scope of our information transfer and work on development and reinforcement to establish a bidirectional system for even more rapid and reliable communication.

FY2009 Plan

- Establish <Environmental Management Promoters (preliminary name)> at the domestic group companies
- Hold regular Liaison Meetings on Global Environmental Problems (preliminary name) mainly targeting <Environmental Management Promoters (preliminary name)>

From fiscal 2010 onwards, we plan to evaluate and analyze the progress status, tasks, etc. of the abovementioned plan and, on the basis of this, continue to steadily promote it starting from items we can implement while also eyeing on an expansion to overseas.

Office activities

ITOCHU Corporation participates in "Team Minus 6%," a national campaign for the prevention of global warming. We make efforts to adjust the temperature setting of the air conditioners during the summer and winter season, to switch off unnecessary lights, to set energy-saving modes for PCs when they are not used for a longer time, and so forth. We also pursue environment-conserving activities starting from what all employees can do in their immediate surroundings, for example, the thorough separation of waste and the promotion of recycling in the offices. 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

Takeshi Mizuguchi
 Professor, Faculty of Economics,
 Takasaki City University of Economics



Same as in the past year, ITOCHU listened to the voices of a large number of external experts and also continued the fact-finding investigations in the supply chain. Moreover, ITOCHU revised its corporate credo, signed the Global Compact, started the projects to commemorate the 150th anniversary and pursued other activities in this year - I think that this report excellently communicates ITOCHU's high aspiration. CSR is important for any company, but I believe that particularly for a general trading company (*Sogo Shosha*) like ITOCHU, CSR has a special significance. The reason for this is that while the activities of a general trading company are in many cases observed by society with the suspicion that the negative impact may be large, there are also strong expectations that the functions of a general trading company could potentially resolve various problems.

The difficulty in the CSR of general trading companies lies in the great diversity of the business fields they are engaged in. As general trading companies handle any kind of product or service in any place of the world, they are also possibly related to any problem involving sustainability. One could even say that there is no problem to which general trading companies are not related, for example, the water problem, the food problem, resource development, eco-system conservation, climate risk measures, chemical substances, economic development in developing and least-developed countries or the human rights of the local people. Since the problems faced are completely different in each business field, it is necessary to consider what issues are most important in each business. In this sense, I believe that it is an adequate method to pursue specific efforts by establishing individual action plans for CSR activities in each Division Company under the corporate-wide ITOCHU mission and basic policies for CSR promotion.

Another issue is that the overall picture is difficult to grasp. One reason for this is the wide range of products handled, but since the power of influence has a different scope for each trade, it is also difficult to establish boundaries regarding the question of how far certain results can be attributed to the activities of the own company, or how far they are the own responsibility. There

are probably many different situations, ranging from cases where the rights of decision are substantially with the seller or buyer, up to cases like business investments where ITOCHU itself has great power. However, even so, I think that it is important that we grasp the overall picture for each problem area.

For example, I think that the program to restore tropical rainforest in Borneo, which is one of the projects to commemorate the 150th anniversary, makes much sense, and the participation from employees is also wonderful. The report also describes the management based on environmental risk assessment by product. For this very reason, it is probably necessary to show the overall picture of ITOCHU's business related to timber and forests to respond to the doubts of the readers who think that while ITOCHU is planting forests, it may also be cutting them down. I believe that especially for fields that are easily suspected of having a negative impact, not just single topics but the overall picture should reliably be grasped and explained to achieve trust. Such fields include, for example, the impact on developing countries and eco-system conservation in the development of resources, or topics related to biofuel and the food problem.

Meanwhile, the power of creating businesses connecting many technologies, know-how and companies to resolve problems is one of ITOCHU Corporation's strengths. Such businesses include, for example, the solar energy business or the PRE-ORGANIC COTTON PROGRAM presented in the Highlights, or the Water Forum revolving around the Machinery Company. I admire the Rainforest Alliance-certified coffee beans, the "CHIKYUGI" business, the CDM business and every single other business presented in the Major CSR Initiatives. If talented staff of ITOCHU with imagination and executive ability started to practice ITOCHU's CSR philosophy of "contributing to society through business activities" all over the world, there would be so much we could realize. In this sense, I have high expectations in ITOCHU.

CSR Report 2009 Editing Taskforce

- Textile Company
- Machinery Company
- ICT, Aerospace & Electronics Company
- Energy, Metals & Minerals Company
- Chemicals, Forest Products & General Merchandise Company
- Food Company
- Finance, Realty, Insurance & Logistics Services Company
- Corporate Planning & Administration Division
- Affiliate Administration Division

- Shoju Shinjo
- Hiroaki Imanishi
- Kyoko Hosotsuji
- Hirofumi Chimura
- Akio Mishima
- Mitsuhiro Yoshimoto
- Taku Kudo
- Hideaki Fukuda
- Shintaro Akagi
- Takashi Suzuki
- Makoto Hayakawa

- Corporate Communications Division
- Investor Relations Department
- International Operations Division
- Risk Management Division
- Human Resources Division
- Legal Division
- General Affairs Division
- CSR Promotion Department, General Affairs Division

- Naoki Yamanaka
- Satoshi Watanabe
- Shino Yamamoto
- Hiroshi Tojo
- Yasuhiro Okubo
- Yoriko Ota
- Terumi Nishiyama
- Michiaki Takai
- Akemi Sakuramoto
- Kaori Amemiya
- Hisa Sato
- Hiroko Nakayama



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).

We chose hemp cloth, the root of ITOCHU's business, as a motif for this Report's cover page, and also expressed the forest of Borneo, where the ITOCHU Group decided to support tropical rainforests conservation activities to commemorate the 150th anniversary of its foundation.

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