



My mission is to create an open and active corporate culture, building on the philosophy of *sampo yoshi*, which we have cultivated over the past 150 years.

Masahiro Okafuji

President and Chief Executive Officer

We are creating a liberated environment in which our employees can work dynamically. Every employee is an ambassador for ITOCHU.

I believe that what makes ITOCHU great is that it gives its employees opportunities to work to their full potential, in an open and active atmosphere. It was this capacity that gave me the opportunity to take up the position of president, despite having spent my entire career in textiles and never having been assigned to a post outside Japan.

A liberal and open-minded environment is a place where our employees feel encouraged to work proactively and dynamically using their full potential. If you are able to produce results by doing your job with freedom and vigor, you will be happy at home, too. If things are not going well at work, we are likely to go home in a bad mood. Our negative feelings are then communicated to members of our families and, potentially, to the society around us.

The times when you are happiest working in a company are probably when you could perform well in your job, or successfully completed your tasks. This creates a sense of satisfaction and accomplishment. When employees do their jobs with energy and purpose, this dynamic is strongly communicated to their families, and to customers and shareholders. I see this as CSR in the broad sense, and I believe that my role as president is to create an environment that enables this attitude to flourish.

ITOCHU has many employees, each with his or her unique traits and personalities; however, customers see only the frontline employees who directly provide services to

them. In other words, they are the face of ITOCHU, and hence our customers' perceptions of ITOCHU will be determined according to their personalities. If a representative is energetic and cheerful, the customer will think the same of ITOCHU. Then, this impression will be applied to the corporate image of ITOCHU. Particularly in the case of trading companies, the lifestyles and attitudes of the company's employees have a huge impact on the company's relations with its customers. This is why I want each employee to be aware that he or she is our ambassador, representing the corporate image of ITOCHU.

It is essential to adjust our approach to CSR responding to the needs of the times, by carefully identifying what should be maintained and what should be changed.

ITOCHU Corporation has inherited the *sampo yoshi* philosophy of the Ohmi merchants. This philosophy is the origin of our CSR. But, the fact that we have maintained this philosophy over the last 150 years does not mean that we have been doing the same thing throughout that time. Rather, we have been constantly reviewing our approach to the philosophy at each major turning point, adjusting it to what we think is right for us in responding to the needs of the times. This is precisely why we have been able to continue in business for so long.

There is no doubt that internal controls, legal compliance, and other rules are important. But, as with all other companies, ITOCHU has recently strengthened its internal rules, and I feel that this tighter regulatory environment

could be robbing our employees of their energy. I think that we have now come to a crossroads, a point at which we should consider easing some of our “regulations” in order to develop an open and active atmosphere.

Some people may mistakenly believe that “freedom” means being able to do anything you want. Not so. It is critical that an enterprise complies with rules and creates profitability within those rules. While progress requires breaking away from established notions, this is completely different from breaking rules.

That said, when people feel that they are too tightly bound by rules, they naturally start looking for ways to get around them. A car without brakes is dangerous, but a car that has only brakes and no accelerator cannot move forward. The same applies to a company; it is vital to find a balance between the accelerator and the brakes.

Our front-line approach creates new business opportunities. It is vital to have a culture that encourages employees to exchange their frank views and opinions.

My motto is “take a front-line approach.” It means going into the market and trying to see things as consumers perceive them using your own five senses, and listening to your customers directly rather than making decisions based on hearsay.

Our customers only get a one-sided view of events but, as a trading company, we come into contact with many people. This enables us to gather large amounts of raw data and to make decisions based on a more complete picture of any situation. Then, we can develop hypotheses, check them, and validate them. Doing this will lead to the creation of new business opportunities.

When you are in contact with customers, it is essential that you talk with them in a straightforward manner, and get straight to the heart of them. Do not worry about appearances. The same approach applies within the company. You must feel free to speak your mind to your colleagues, your subordinates and even your superiors, which includes me. I believe that an open internal culture is an important element of CSR.

General trading companies have a huge role to play in environmental and other next-generation businesses.

New environment-related businesses are sprouting up around the world at a furious pace. But, large projects cannot be completed by single companies; they require the backing of national governments. In Japan, however, the political situation is currently at a standstill; government is not ideally placed to advance new, future-oriented projects in collaboration with enterprises. We have also witnessed the emergence in Japan of the “Galapagos Syndrome.” If the national government and enterprises do not find ways to work in partnership, there is a danger that Japan will be left behind. Given Japan’s acknowledged skills and technologies, this would be an unconscionable waste of valuable resources.

In this situation, general trading companies have a huge role to play. In light of our operational functions, I feel that trading companies are expected to coordinate and lead many companies from various industries.

Companies need to constantly make investments with a view somewhat toward the future. We have committed to a

wide range of environmental businesses targeting the next generation. A couple of concrete examples are our collaboration and cooperation agreement with General Electric in the field of renewable energy, and our pilot project in Tsukuba City (see pages 9-10). Although trading companies are not as good as manufacturers at thinking over the long term, we must think along two axes: short-term businesses, and businesses with a perspective of investing in the future. I also plan to study and practice this way of thinking.

Every business has professionals of the field. My role as president is to create the mechanisms and the environment that make things easier for such people. What will enable them to work more proactively? I believe that it is the role of management to ease regulations where appropriate and thereby foster an open and active corporate culture, while guiding employees along the right path.

It is vital to develop a personal ability to distinguish between right and wrong.

A year has passed since ITOCHU Corporation signed on to the UN Global Compact. We do our jobs with the intention of contributing to society and the environment through our principal business activities. Seen from that perspective, everything in the Global Compact is a matter of course, and that is why we participated in the initiative. Of the 10 principles of the Global Compact, I think that there is one area in which we can play a particularly strong role, namely the principle of abolition of child labor. We can fulfill that role by refusing to place orders with suppliers that utilize child labor. A company cannot survive in business if its practices violate good sense. That is truly unsustainable. No matter how much cheaper it makes a product, in the long run it does not benefit our customers or society.

The only way to find out about such issues is to visit the worksite and judge for yourself. I want every employee to develop the sensitivity to imagine one’s own child being exploited in this way.

When you regulate something, people’s first inclination is to wonder if they are abiding by or breaking the rules. They cease to make decisions based on common sense and good judgment. We should shift our CSR approach away from being hidebound by rules and regulations to the next phase of liberal, open-minded actions and decisions based on our own good judgment. I believe that this is true CSR, and I think that this era has arrived.

