



ITOCHU Corporation

CSR Report  
2011

# Contents

- 1 Contents/Editing Policy
- 2 CSR for ITOCHU Corporation
- 3 President's Commitment
- 5 Steps Taken After the Great East Japan Earthquake
- 7 ITOCHU Global CSR Map
- HIGHLIGHT**
- 9 Taking on the Challenge of Renewable Energy
- 11 Documentary Report Project on Supply Chains Vol. 3 How Chocolate Reaches Your Doorstep
- REPORTS ON ACTIVITIES**
- 13 CSR and Our Business
- 14 Corporate Governance and Internal Control/Compliance
- 15 Employee Relations
- 16 Relationship with Society
- 17 Our Initiatives for the Environment
- 18 Corporate Profile/Financial Overview/Introduction of ITOCHU Corporate Website CSR Pages

# 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.

### HIGHLIGHT

The following two initiatives, which ITOCHU is placing special focus on, are presented in this report as highlighted features.

- (1) Taking on the Challenge of Renewable Energy  
(Solar energy, wind power, bioenergy)
- (2) Documentary Report Project on Supply Chains:  
Tracing our products from downstream to upstream

### Core Subjects of ISO 26000 and Our Initiatives

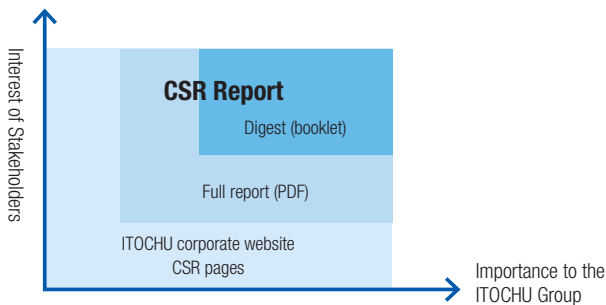
ISO 26000, an internationally recognized set of guidelines to social responsibility for all types of organizations, was published in 2010. ITOCHU aims through its global activities to achieve a sustainable society. To take these activities a step further, we have classified our initiatives based on the seven core subjects embedded in ISO 26000.



### The Role of This Report

This report (including its web-based components) is designed to publicly report on our CSR activities and promote understanding of those programs. For the convenience of our growing stakeholders across the globe, the report is published in three languages—Japanese, English and Chinese.

## Positioning of This Report (digest version)



This booklet is a digest version of the larger report, and conveys the vital importance of the guidelines used as reference and other information considered especially important to share with stakeholders. The full version of the CSR Report 2011 is available on the ITOCHU corporate website.

### Referenced guidelines

*Sustainability Reporting Guidelines* 2006 issued by Global Reporting Initiative (GRI)  
*Environmental Reporting Guidelines* (2007 version) issued by the Ministry of the Environment  
ISO 26000 (Guidance on social responsibility)

A side-by-side comparison of GRI guidelines and the UN Global Compact can be found at:  
<http://www.itochu.co.jp/en/csr/report/>

### Reporting period

This report principally covers actual data for the fiscal year beginning on April 1, 2010, and ended on March 31, 2011 (FY2011). However, some of the most recent information on our activities and initiatives are also included.

### Reporting scope

This report covers ITOCHU Corporation (9 domestic offices and 117 overseas offices) and its major group companies.

### Inquiries

ITOCHU Corporation  
Corporate Communications Division,  
CSR Promotion &  
Global Environment Department  
Tel: +81-3-3497-4064  
Fax: +81-3-5474-7296  
E-mail: [csr@itochu.co.jp](mailto:csr@itochu.co.jp)

### Publication information

Publication: September 2011  
Next publication (scheduled): September 2012  
Previous publication: September 2010

## Stakeholders of the ITOCHU Group

### Approaching CSR through dialogue with our stakeholders

In our diverse range of corporate activities conducted worldwide, we place strong emphasis on dialogue with the many stakeholders that surround ITOCHU. Through these efforts, we promote CSR activities to help solve social issues by comprehending the expectations and concerns that industry and regional society may have regarding ITOCHU and reflecting this understanding in our business activities.

\* 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.



# CSR for ITOCHU Corporation

ITOCHU Corporation is pursuing multi-faceted corporate activities in various regions of the world and a wide range of fields. As such, ITOCHU is well aware of its impact on the global environment and international society. Being “Committed to the Global Good,” we will continue to contribute to building a sustainable society going forward.

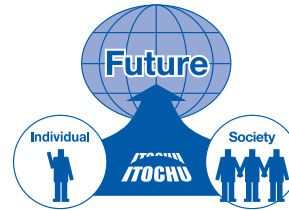
## ITOCHU Mission and Values

ITOCHU founder Chubei Itoh first launched a wholesale linen business in 1858. For more than 150 years since, ITOCHU has passed down the spirit of *sampo yoshi* (good for the buyer, seller and society), a management philosophy embraced by Ohmi merchants that is the source of its CSR thinking today.

After considering ways to demonstrate its commitment to society as an international corporation and to put this commitment into practice, in 1992 ITOCHU formulated “Committed to the Global Good” as a corporate philosophy. The conceptual framework for this philosophy was reorganized in 2009. In order for all employees to properly understand the responsibility that the ITOCHU Group is charged with fulfilling for society and to make this philosophy an integral part of actions everyday, its core element, “Committed to the Global Good,” was set as the ITOCHU Mission for the entire ITOCHU Group. Accompanying this is a new set of five values, called the ITOCHU Values, considered vital for enabling each employee to fulfill their role in realizing the ITOCHU Mission. To embed the ITOCHU Values, ITOCHU has formulated “5 self-tests” that employees can refer to in order to determine that the five values are present in their actions.


## ITOCHU Mission

### Committed to the Global Good




The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.


## ITOCHU Values & 5 self-tests

-  **Visionary** Am I communicating vision and moving forward with others?


---

-  **Integrity** Am I proud to say I am involved in the work?


---

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

---

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

---

-  **Challenge** Am I actively trying new things and pursuing innovative solutions?

## ITOCHU's Participation in the United Nations Global Compact



In April 2009, ITOCHU Corporation joined the United Nations Global Compact, a global initiative to achieve the sustainable growth of the international community. In compliance with the Global Compact's ten principles in the areas of human rights, labour standards, the environment and anti-corruption, ITOCHU is striving to fulfill its corporate mission of “Committed to the Global Good.”

## 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
- Principle 6:** the elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

- Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

We will strive to solve social issues and create new corporate value through CSR rooted in the front-lines of business.



### Fully Committed to Recovery in the Disaster Region and of the Japanese Economy

I would first like to extend my deepest sympathies to everyone affected by the Great East Japan Earthquake that occurred on March 11, and express my sincere gratitude for the words of encouragement for Japan received from so many countries around the world. The entire ITOCHU Group is committed to offering its full support to the region. The role of private-sector corporations like us in a crisis of unprecedented proportions is to provide the kind of highly targeted, long-term support that cannot be provided by the government. In talking with local people in the disaster area, I came away with a strong sense of the necessity to meet a truly diverse set of needs going forward. Recovery efforts are currently transitioning from emergency post-disaster relief to regional revitalization and economic recovery. We intend to accurately identify changing local needs and continue providing sustained support through our main businesses as a general trading company with many functions. Furthermore, amid concerns that Japan's international presence is waning, we will reaffirm the importance of the roles general trading companies play, and tackle business with the resolve of a company set on driving Japan's economy forward. (See pages 5 and 6)

### Shifting to Proactive Management and Rigorously Practicing a Front-line Approach to CSR

Our new medium-term management plan, "Brand-new Deal 2012," was set in motion in April 2011. The name evokes something completely new, while also suggesting a new set of measures. Under the banner of the new ITOCHU, we will shift to a distinctly proactive management approach and promote the basic policies of strengthening front-line capabilities, proactively seeking new opportunities, and expanding our scale of operations. Effective April 2011, we implemented a major organizational restructuring of the largest scale in 11 years, going from seven Division Companies to five and reducing administrative divisions at the head office from 16 divisions to 11, in an effort to expedite and increase the efficiency of operations. (See page 13)

We also revised our basic policies for CSR promotion, adding "through a front-line approach" to "communication with stakeholders" as well as new policies on promoting businesses that help solve social issues and involvement in and contributions to the development of local and global communities. First of all, communication through a

Masahiro Okafuji  
President and  
Chief Executive Officer

### Medium-Term Management Plan Brand-new Deal 2012

FY2012–FY2013

Guided by the basic policies of "Strengthen Our Front-line Capabilities," "Proactively Seek New Opportunities," and "Expand Our Scale of Operations," every officer and employee is moving with assertive and forward-looking action to "Earn, Cut, Prevent!" in the drive to create a new ITOCHU.

### Basic Policies

- Strengthen Our Front-line Capabilities
- Proactively Seek New Opportunities
- Expand Our Scale of Operations

### Measures by Key Sector

- China: Aggressively Expand Business
- Machinery-related: Increase and Accumulate Assets
- Natural Resources: Expand and Upgrade Business

front-line approach fundamentally means interacting humbly with other people as equals. In my own experience, visiting customers directly and communicating with them from their perspective while constantly thinking about the issues affecting their industry translates into a sustained business relationship. There is an enormous difference in the quality of information you acquire by going to the site, getting a feel for the atmosphere and listening, compared to just handling something over the phone. There were many times I learned the customer's expectations for ITOCHU and their concerns just based on offhand remarks.

The business of a general trading company spans a range of countries and industries. We recognize that we must understand the expectations placed on us and concerns about us through communication on these various front-lines of countries and industries and incorporate them into our businesses. Furthermore, to exist in harmony with society we must identify what stakeholders expect of us and what concerns they have about us, which means communication on the front-lines is highly important. Based on this understanding we will further strengthen communication with diverse stakeholders on our many front-lines.

## General Trading Companies Should Actively Work to Solve Social Issues

Guided by "*Committed to the Global Good*," the mission of ITOCHU, we are working to solve social issues at the global level. People pursue prosperous, affluent lives in both a material and spiritual sense. We want to help people enjoy prosperous and better lives. Linking this intention to the creation of sustainable societies may be considered the ultimate form of CSR. This also leads to the practice of *sampo yoshi* (good for the buyer, seller and society), which was trumpeted by the Ohmi merchant Chubei Itoh, the founder of ITOCHU.

For this reason as well we must do what we can for society through our businesses to help solve social issues, specifically climate change and human rights concerns. Corporations must also operate based on the idea of helping solve social issues by anticipating market growth over the long term and establishing a foothold in those markets. We believe that businesses in the early stage of development are precisely what general trading companies should be involved in, and in our new medium-term management plan, renewable energy (see pages 9 and 10) and rechargeable batteries are positioned as priority sectors. Active involvement by general trading companies, which build value chains from upstream to downstream, helps markets emerge, promotes technology advances, raises efficiency and fosters businesses. Through this cycle we hope to help solve issues facing society. However, getting involved in businesses in booming but unstable markets requires

considerable size and strength. This is one of the reasons companies strive for growth. ITOCHU, for its part, intends to give equal weight to increasing revenues and helping solve social issues.

At the same time, we believe that in conducting business around the world it is important to actively participate in society as a member of the local community and the global community and to contribute to development at the local level, even outside of our businesses. ITOCHU will continue to energetically engage in social contribution activities all over the world.

## Developing Human Resources for Front-line CSR

Conducting business in a multitude of countries with differing cultures and laws necessarily takes partners that are locally rooted, have a strong sense of ethics and are trusted by society. When selecting partners we place a great deal of emphasis on the company's values and ethical outlook. Moreover, in order to effectively carry out a joint project with a partner, human resources must be developed who are capable of communicating in a timely and straightforward manner. It is said that people are the real assets of a general trading company, and for ITOCHU human resources are our lifeblood—we are among the top companies in Japan in terms of money spent on training per person. We spare no expense when it comes to human resources development. Last year we launched a new program targeted at younger employees for short-term study of Chinese and other specialty languages, and began sending them to China and other countries positioned as priority markets where the languages are spoken. Through the program we hope to train more locally rooted specialists in the respective markets. These personnel will promote locally rooted CSR with high proficiency as professionals in their industries.

## Creating New Corporate Value with Society

The relationship between companies and society is currently undergoing considerable change. In the midst of this change, we must be fully aware of the impact of our business activities on society and must not inadvertently become indirectly complicit in any human rights violations or incidents of environmental pollution. ITOCHU has taken part in the United Nations Global Compact since 2009, a set of universal principles on human rights, labor, the environment and anti-corruption, and we continue to work to raise awareness within the company and among suppliers.

Serious engagement in creating value that can be shared with society through our businesses will raise our competitiveness and lead to further growth. We will take on the challenge of creating new corporate value by further strengthening the front-line capabilities that enable successful performance as industry professionals by each and every employee.

## Basic Policies for CSR Promotion

FY2012–FY2013

Alongside the drafting of its management plan, ITOCHU formulated basic policies for CSR promotion, with the aim of globally promoting CSR with direct linkages to the management plan. Through integrated CSR and management promotion, ITOCHU seeks to promote CSR via its core business activities.

- 1 Strengthening communication with stakeholders through a front-line approach
- 2 Promoting businesses that help solve social issues
- 3 Strengthening supply chain management (Respect for human rights and consideration for the environment)
- 4 Promoting education on CSR and environmental conservation
- 5 Involving in and contributing to development of local and global communities

# Steps Taken After the Great East Japan Earthquake

The Great East Japan Earthquake that occurred on Friday, March 11, 2011, caused widespread damage throughout eastern Japan. Immediately after the disaster, ITOCHU set up a BCP (Business Continuity Plan) Response Headquarters and began taking steps to restore operations and provide the affected areas with assistance in the form of monetary donations and supplies. Over the longer term, we will continue to spare no effort in the execution of our business activities in order to provide the necessary support to recovery efforts in the region.

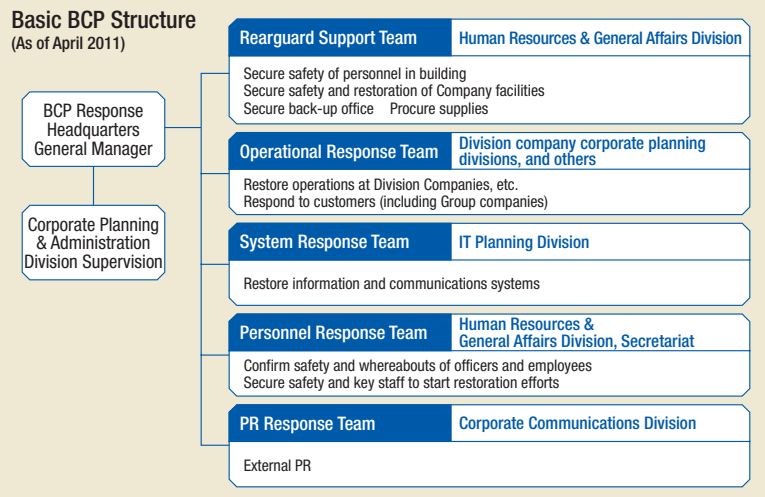
## Major Steps Taken in the Immediate Aftermath

After the scale of damage from the earthquake and tsunami became clear, the BCP Response Headquarters was set up over the weekend (March 12, 13) and began operating on March 14 with the initial aim of ascertaining the safety of our employees and sustaining business operations.

Our primary focus was on establishing a structure to provide support for the damaged Tohoku Branch. We then assessed the situation at Group companies to determine what support they needed, and provided assistance accordingly. The disaster wreaked havoc on the transportation networks in Tokyo and surrounding areas, preventing many people from traveling to work on the following Monday. In response, we used internal emergency contact networks, our email system for verifying safety and whereabouts (sending of group email), and our intranet and extranet to communicate with our employees in the early hours of the 14th about coming in to work that day.

Although the earthquake overturned office fixtures and caused other damage to the Tohoku Branch, normal operation was resumed barely ten days later on March 22. While the state of emergency that prompted enactment of the BCP was rescinded on March 29, the BCP Response Headquarters will remain in place to mount a response to anticipated power shortages.

Also, another point of having a BCP is to have specific preventive steps of some kind already in place, not just enact them when catastrophe strikes. Going forward, ITOCHU will do all it can to prevent further tragedy and help those in the region who have already suffered.



## Donations and Supplies

Of the monetary donations of ¥400 million made by ITOCHU, one part we used to support a wide range of activities in those areas hardest hit by the earthquake and tsunami through the local governments of Miyagi Prefecture, Iwate Prefecture, Fukushima Prefecture, Ibaraki Prefecture and Aomori Prefecture. Another part of the donations was made through an NPO, JAPAN PLATFORM, a consortium of NPOs, the business community, and representatives from government agencies. This part was used to fund the activities of NPOs working on the ground. Emergency relief supplies were prepared, packed, and delivered in accordance with the requests of the disaster relief headquarters for the affected areas. Our deliveries of SPAM®, a canned, precooked meat product, were particularly well received as it requires neither refrigeration nor a can opener.

### Actions by the BCP Response Headquarters

- Confirmed safety and whereabouts (ITOCHU Corporation employees, Group company employees)
- Confirmed damage status (branches, Group companies)
- Secured and reestablished ways to contact employees
- Responded to employees  
Flexibility in coming to/returning from work, limited business trips
- Business continuity-related matters
- Preparing for large-scale aftershocks and sporadic, large-scale blackouts  
Emergency power generation, emergency food supplies, cafeteria food supplies, emergency supplies, etc.
- Preparing to sustain normal operations during planned blackouts and expected power shortages during summer  
Set up an Osaka BCP organization, examined issues in each organization, promoted a BCP network
- Social contribution (including support to affected areas)  
Provisioned ¥400 million in donations, and provided clothing and food  
Conducted fundraising activities  
Transported food to the Tohoku Branch and Group companies  
Met requests to conserve energy (adjusted room temperatures, lighting intensity, elevator use, toilet facilities)
- Provided information to employees and outside stakeholders

### Donations & Supplies of Food, Clothing, etc.

Clothing	10,000 items of underwear, children's clothing, and towels
Food	3,000 boxes containing a total of 72,000 cans of SPAM*

\* Of which, 1,500 boxes (36,000 cans) were donated by Hormel Foods Corporation, the American maker of SPAM®.

## Continuing Power Conservation Efforts

The invocation in Japan of Article 27 of the Electricity Business Act has mandated a 15% year-on-year reduction in peak electric power usage. To ensure that it clears this hurdle, ITOCHU set a conservation target at the Tokyo Headquarters Building that represents a 25% reduction from the previous fiscal year. We are effectively combining the use of an energy management system with several energy-saving measures, including a switch to LED ceiling lights, the use of LED desk lights, optimal air-conditioning settings, and the use of energy-saving software on PCs. Power consumption at the Tokyo Headquarters Building is also posted to the Company intranet approximately every 30 minutes as a way to promote active participation in the

effort to save energy. As concern that the problems surrounding the electric power supply in Japan will grow protracted, ITOCHU will offer energy management and energy-saving solution businesses to meet customer needs.

## The Great East Japan Earthquake Recovery Assistance Site

In May 2011, ITOCHU launched a new website, the Great East Japan Earthquake Recovery Assistance Site, on its intranet to share information on the support activities of ITOCHU employees and the ITOCHU Group itself.

Posted on the website are up-to-date information on the Group's assistance programs and employee volunteers, updates from the Tohoku Branch on local conditions, reports submitted by volunteers and more. We intend to use this site to keep employees informed about support activities for fostering recovery over the long term.



## Charity Concert Held in Sendai

Every year for the past 20 years, ITOCHU has been holding a concert in the lobby of its Tokyo Headquarters. This year however, the event was moved to Sendai in an effort to help cheer up communities affected by the recent disaster. Held on July 19, the concert saw an audience of 1,000 treated to a performance of classical music by the New York Symphonic Ensemble. A talk show featuring actress Keiko Takeshita, the audience's guide to the evening's entertainment, Masahiko Ichiriki, president of regional news company Kahoku Shimpo, and ITOCHU chairman Eizo Kobayashi was also held during the event. Donations collected from those attending were presented to the Kiwanis Club of Sendai Children's Fund.



New York Symphonic Ensemble



Chairman Kobayashi in conversation with President Ichiriki

## Produce from Affected Areas Served Up at the Employee Cafeteria

Many farmers in the affected areas have had difficulty selling their produce. This is a direct result of many consumers avoiding all goods grown or reared in the prefectures close to the troubled Fukushima Daiichi Nuclear Power Plant. As a show of support, the Tokyo Headquarters has made a point of sourcing as much of the vegetables for the salads and side dishes offered at its cafeteria, from such producers as of April. The same is true for the liquor served by the cafeteria in the evenings. With roughly 1,600 employees patronizing the Tokyo headquarters establishment alone, we hope that this initiative will play a part, no matter how small, in helping local agriculture through this difficult time.



Steps taken at the employee cafeteria

## New Program Initiated to Encourage Employees to Volunteer in Relief Efforts

In May, ITOCHU set up a system for supporting employees wanting to volunteer for relief efforts. A Workers' Volunteer Program organized by the Joint Committee for Coordinating and Supporting Voluntary Disaster Relief Activities, with recruitment handled by the 1% (One Percent) Club\*. Employees were also directed to the "Kankeiren Volunteer Bus," with recruitment efforts handled by the Kansai Economic Federation (Kankeiren). In addition, ITOCHU is encouraging employees to take volunteer leave to participate in the program, and is paying the actual costs for participation (transportation, board, and other costs). As a Group we intend to encourage more and more employees to give their time to help those in need, and in doing so contribute to the recovery of the affected regions.

\* Established by Keidanren in November 1990. Members are enterprises and individuals who pledge to contribute 1% or more of their operating profits or disposable incomes to social contribution activities.

## Volunteer Report

### Don't Think, Do

Satoshi Takagi, Legal Division

Before going up to Tohoku I had seen pictures of the destruction on the TV and read about it in the news, so I thought I knew what I was getting into. I was wrong. Seeing something in print and witnessing it in person, right in front of your eyes, are two very different things. I still wonder whether or not what I did in Tohoku will be able to actually accomplish anything of value. Be that as it may, I believe we should take action without hesitation. I really think that the Workers' Volunteer Program was a very good chance to participate in volunteering, especially because it was supported and encouraged by my employers at ITOCHU. It has become easier now to participate in volunteering compared with how the situation was in the past. Please make that first step. The experience really changes people. I hope that many more people have such an opportunity to help those affected by this catastrophe.



Far left: Satoshi Takagi

### Growing Post-Disaster Volunteerism from Western Japan

Rieko Ueda, Textile Company, Planning & Administration Department

After the earthquake struck, I was eager to volunteer to help. But the distance of the the Tohoku area from western Japan, among other things, ended up becoming barriers to me doing so for a while. However, I finally managed to volunteer thanks to the Kansai Economic Federation, a volunteer leave of absence from ITOCHU, and my colleagues, who shared my workload during my absence. I was greatly encouraged by all of this support. I am grateful for the incredibly valuable experience that volunteering gave me. Before leaving, I was unsure whether I was physically strong enough to help, and worried that I might end up getting in the way. But once I arrived, those concerns were quickly brushed aside as I took on the mud and grime all around me with a shovel tightly in hand. This is just one indication of the virtual mountain of work that needs to be done there. Now that I and everyone else who took part are highly aware of the situation, I hope that we can help encourage more people from western Japan to volunteer in rebuilding the stricken northeastern region of the country.



Left: Rieko Ueda

# ITOCHU GLOBAL CSR M

## Conducting ITOCHU CSR through Business Activities

ITOCHU Corporation is a general trading company with business operations worldwide. Through business domains spanning upstream areas like raw materials to downstream areas such as retailing, ITOCHU is working through trading and business investment to support the lives of people everywhere.



**SPAIN**  
**P09 HIGHLIGHT**  
**Solar Thermal Power Generation Business with Abengoa Solar**



**SAUDI ARABIA**  
**Rehabilitation of Seawater Desalination Plant**



**CHINA**  
**Integrated Recycling Business at Dalian Changxing Island**



**Food Safety Management Support for Chinese Business Partner**



**Logistics Network Enhancement in China**

**INDIA**  
**Pre-Organic Cotton Project**



**VIETNAM**  
**P10 HIGHLIGHT**  
**Bioethanol Production Project with Petrovietnam Oil Corporation**



**MALAYSIA**  
**Conserving Forests with Hunting World**



**INDONESIA**  
**Karawang Industrial Park Aims for Harmony with Society**



**Textile Company**



**ICT & Machinery Company**



**Energy, Metals & Minerals Company**



**Chemicals, Forest Products & General Merchandise Company**



**Food Company**



**Construction & Realty Division**



**Headquarters Business Organization**

More details of each project are available on the ITOCHU corporate website CSR pages

**HIGHLIGHT** Items with this mark are part of Taking on the Challenge of Renewable Energy  
[http://www.itochu.co.jp/en/csr/activities/renewable\\_energy/](http://www.itochu.co.jp/en/csr/activities/renewable_energy/)

**HIGHLIGHT** Item with this mark is part of Documentary Report Project on Supply Chains  
[http://www.itochu.co.jp/en/csr/supply\\_chain/reportage/?step=03](http://www.itochu.co.jp/en/csr/supply_chain/reportage/?step=03)

Information on other projects can be found in "ITOCHU Global CSR Map" on the CSR top page of the ITOCHU corporate website.  
<http://www.itochu.co.jp/en/csr/>



## U.S.A.



Initiatives in Lithium-ion Battery-related Business



Grain Export Terminal Project on the US West Coast



P10 HIGHLIGHT  
Biomass Power Project



P10 HIGHLIGHT  
Wind Power Project with GE



P09 HIGHLIGHT  
Establishment of Largest Solar Distribution Company in US



## JAPAN



Water Resource Recycling Business



Development of Energy-saving Homes Utilizing Solar Power and Other Technologies



Introducing E-Statements for ORICO Credit Cards



Fashion Earth PROJECT



## ECUADOR



P11-12 HIGHLIGHT  
Documentary Report Project on Supply Chains (Cacao)



## BRAZIL



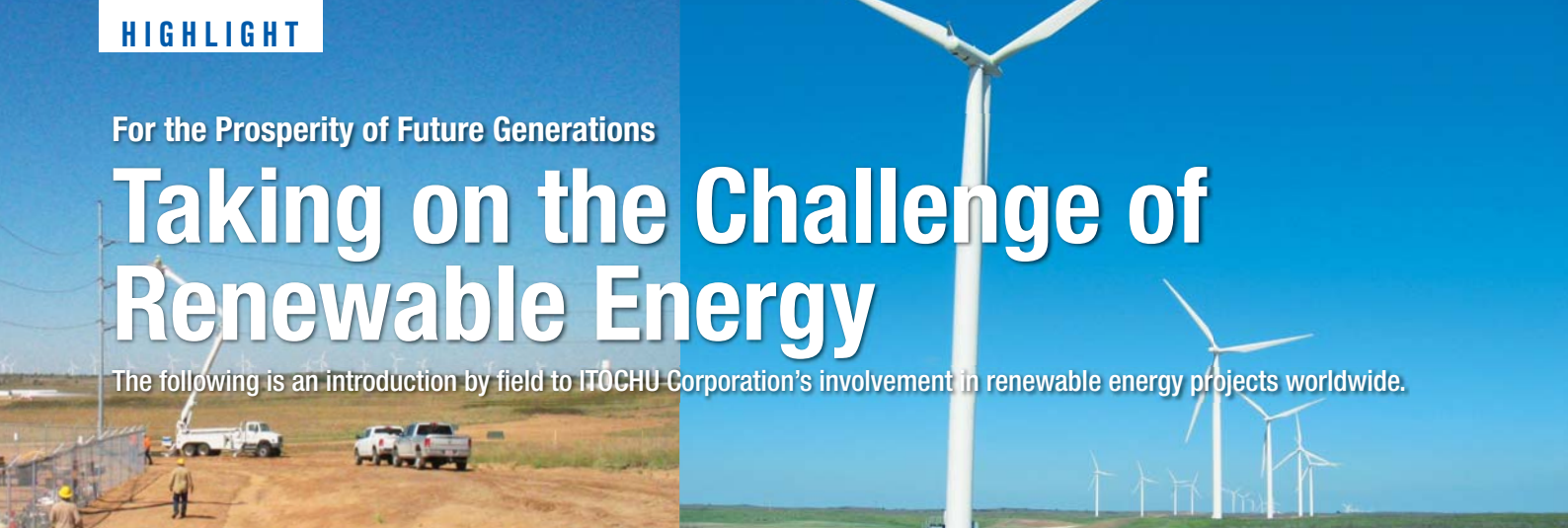
P10 HIGHLIGHT  
Production of Bioethanol with Bunge



For the Prosperity of Future Generations

# Taking on the Challenge of Renewable Energy

The following is an introduction by field to ITOCHU Corporation's involvement in renewable energy projects worldwide.



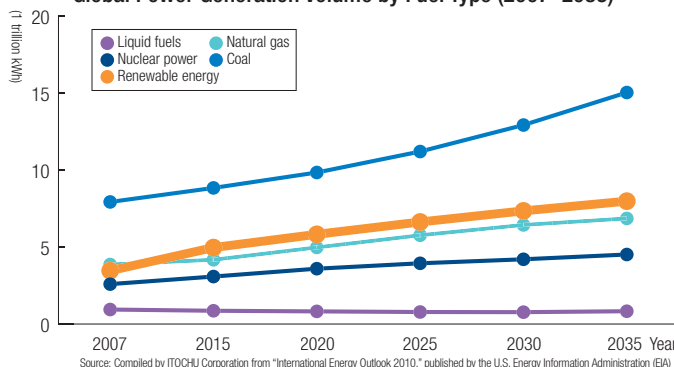
Core Subjects of ISO 26000



## Background to Renewable Energy and ITOCHU's Role

Bolstering activities in the renewable energy sector is cited as a priority area in our medium-term management plan, "Brand-new Deal 2012." Wind, solar, geothermal and other renewable energies are expected to see growth going forward as major sources of energy due to better government policy and greater knowledge in countries around the world, lower technology costs, and other factors. ITOCHU intends to invest in power generation assets and other facilities that utilize these renewable energy sources and take part in manufacturing and distribution projects for products like bioethanol. Through these initiatives we will take on challenges that affect the entire planet: reducing greenhouse gas emissions and addressing resource depletion.

Global Power Generation Volume by Fuel Type (2007–2035)



## Solar Energy

ITOCHU is working to form competitive value chains by organically linking upstream raw materials, midstream intermediate products, and downstream system integration and power projects being developed in Japan, North America and Europe.

### Partnership with Abengoa Solar of Spain in Solar Thermal Power Generation Business

In December 2010, a partnership was formed with a major Spanish solar thermal power generator, Abengoa Solar, to develop solar power projects in Asian and European countries. An agreement was also reached to jointly construct two 50 megawatt concentrating solar thermal power plants in Extremadura in western Spain and carry out power generation business. ITOCHU will take a 30% stake. Commercial operation is scheduled to start in 2012, with power generated at these plants sold to the grid based on the Spanish feed-in tariff system\*. Taking advantage of abundant sunlight in Extremadura, the two plants will produce enough energy to meet the electricity needs of about 52,000 households and achieve emissions reductions totaling approximately 63,000 tons of CO<sub>2</sub> per year.

\* Feed-in tariff system: A system for purchasing electricity at preferential rates designed to promote the use of renewable energy sources



Similar solar thermal power plant also operated by Abengoa (image courtesy of Abengoa)

### Establishment of SolarNet Holdings, Largest Solar Distribution Company in US

The solar power distribution business has been expanding significantly in recent years due to heightened environmental awareness and government support measures. ITOCHU has been developing its solar business in the US, one of the three major solar markets in the world along with Europe and Japan, acquiring system integrators\* Solar Depot in June 2007 and SolarNet in April 2009. These two companies were integrated in February 2011 to further bolster the business, creating SolarNet Holdings, the world's largest solar distribution company for mainly household and industrial use. Going forward, synergistic effects from integration will be targeted through unification of sales networks and reducing costs.

\* System integrator: Operator that handles design, sales, and construction of solar power generation systems that combine solar cell modules and peripheral equipment



Example of past SolarNet projects: Beringer Vineyards, California

## Wind Power

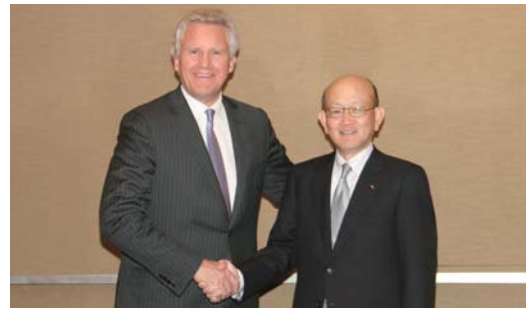
In May 2010 ITOCHU and General Electric agreed to comprehensively partner in uncovering joint investment projects around the world in the renewable energy sector and signed a memorandum of agreement to this effect. The agreement strengthens the two companies' partnership in anticipation of increased investment opportunities in renewable energies at the global level. GE and ITOCHU have cooperated on two joint wind power projects to date.

### Keenan II Wind Power Project in Oklahoma

The total power capacity of the Keenan II wind farm in the U.S. state of Oklahoma, which ITOCHU invested in with GE in October 2010, is 152 megawatts (66 2.3-megawatt wind turbines). A 20-year power purchase agreement has been signed with Oklahoma Gas & Electric Company, and power will be supplied to approximately 45,000 households in Oklahoma. The project is expected to reduce greenhouse gas emissions by roughly 413,000 tons annually. Commercial operation commenced in December 2010. The wind farm's operations and maintenance is handled by NAES Corporation, a wholly owned subsidiary of ITOCHU and one of the world's major power plant operation and maintenance service companies.



Keenan II wind farm



GE Chairman and CEO Jeff Immelt and ITOCHU President & CEO Masahiro Okafuji

### World's Largest Wind Power Project Shepherds Flat, Oregon

The second joint project with GE after Keenan II is the Shepherds Flat wind farm in Oregon, which is slated for completion in 2012. Total capacity will be 845 megawatts (338 2.5-megawatt turbines), and when completed it will be the world's largest wind power project. Power will be supplied to approximately 235,000 regular households in California under a 20-year power purchase agreement with Southern California Edison, a California power utility. The project will reduce greenhouse gas emissions by approximately 1.5 million tons annually, and uses 2.5 megawatt wind turbines from GE Energy. The turbines are larger than other models and generate power using permanent magnets. The technology used in the generators is highly reliable and highly efficient. It will improve connectivity with the grid and help reduce wind power costs. The project also includes laying approximately 150 kilometers of road and stringing roughly 270 kilometers of power lines.

## Bioenergy

ITOCHU is promoting projects that utilize bioenergy, a renewable energy that has garnered attention because it addresses the global problems of resource depletion and reduction of greenhouse gases.

### Participating in Largest Biomass Power Project in the U.S.

ITOCHU will develop, invest in and operate a biomass power project in northern Florida through Tyr Energy, a U.S. independent power producer. The power plant will be the largest biomass power project in the U.S., with a generating capacity of 100 megawatts, and will be fueled by wood chips and tree thinnings. After going into commercial operation in 2013 the project will supply power to approximately 70,000 households based on a 30-year power supply agreement with the power utility in Gainesville, Florida. Operations and maintenance will be performed by NAES, a wholly owned subsidiary of ITOCHU and one of the world's largest operation and maintenance service companies. We intend to actively develop and promote renewable energies through project initiatives.



Biomass Power Generation Plant

### Initiatives with Bunge in Brazil

ITOCHU has been developing production and sales projects for bioethanol and sugar made from sugarcane with Bunge, a major U.S. agribusiness firm, in the Brazilian states of Minas Gerais and Tocantins since 2008. Plans call for expanding the total ethanol production capacity of both projects to approximately 500,000 kiloliters. The ethanol will be sold domestically in Brazil but also exported to North America, Europe and Japan. In addition, bagasse, fibrous matter that remains after the sugarcane is crushed, is effectively utilized as fuel for onsite power generators, with any surplus power sold in the country. Brazil is a major bioethanol producer, accounting for approximately 30% of the global market, and is working to provide stable supplies of highly cost competitive bioethanol.



Sugarcane being harvested

### Bioethanol Production Project in Vietnam

ITOCHU is taking part in a fuel bioethanol production project in Binh Phuoc Province, Vietnam in partnership with Petrovietnam Oil Corporation of the Petrovietnam Group, Vietnam's national oil and gas company. Commercial production of bioethanol from cassava, which is cultivated extensively in Vietnam, is slated to commence in the spring of 2012 with targeted output of approximately 100,000 kiloliters annually. Bioethanol produced by the project is expected to be distributed to the market through gas stations affiliated with Petrovietnam Oil. Vietnam is expected to promote the production and supply of ethanol-gasoline blends going forward as a domestically produced alternative to gasoline.



Gas station selling ethanol-gasoline blends

# How Chocolate Reaches Your Doorstep

ITOCHU believes that informing the public about where products originate is vital to its role as a trading company. Accordingly, since 2009 ITOCHU has conducted the “Documentary Report Project on Supply Chains,” offering a glimpse across the entire supply chain of individual products that it handles.



## Issues Surrounding Chocolate and ITOCHU's Role

Core Subjects of ISO 26000



Consumer issues



Community involvement and development

Cacao is produced in equatorial regions far from Japan, so cacao production faces challenges common to agriculture in tropical regions: inconsistent harvests and quality due to irregular weather patterns, and crop damage due to pests and disease. As a result, cacao farmers often struggle to maintain a decent standard of living.

As a major supplier of cacao beans to the Japanese market, ITOCHU

continuously visits cacao-producing countries to work with local suppliers in ensuring that consumers receive a stable source of high-quality cacao beans.

As a part of efforts to maintain the sustainability of cacao cultivation, we contribute to the KAOKA Fund in Ecuador to support the activities of local farmers involved in cultivating regional cacao varieties and help raise their standard of living.

### Ecuador

#### Cultivation Harvest

#### Fermentation Drying

#### Quality inspection and Control



#### Shipment

### Chocolate Starts as Tropical Fruit

Cacao is a tropical plant that grows mainly within 20 degrees latitude of the equator.

Cacao trees are generally planted and cultivated between tall shade trees. The shade provided by the branches allows just the right amount of tropical sunlight to get through. Saplings are grown from seeds, and healthy saplings are then planted in the ground. Saplings are often grafted as a way to maintain high-quality, stable cacao cultivation. For example, in Ecuador, agricultural cooperatives use regional cacao varieties that are highly disease resistant as their crop foundation, which are then grafted to cacao branches that produce highly aromatic fruit: this enables production of a stable supply of high-quality cacao.

Cacao trees bloom with countless small flowers, but less than three percent of the flowers end up bearing fruit. Small insects serve as pollen go-betweens and once pollinated it takes about six months for the flowers to grow into fruit that can finally be harvested. The period from the start of cultivation to when the trees bear fruit is around three to six years. High-yield hybrid cacao varieties may bear fruit in less than two years. Cacao is a tropical fruit, so it can be eaten as a fruit. Regional Ecuadorian cacao varieties include fruit with a sweet, flower-like aroma. There are also hybrid varieties that produce fruit with a refreshing lemon-lime aroma.

Cacao seedpods (=fruit) contain seeds that are used to make chocolate. Once the pods are harvested they are split open and the fleshy pulp and seeds are removed as soon as possible. Farmers harvest the cacao pod and remove the pulp from the pods all by hand. The next step is fermentation.



Cacao flowers. Many, many extremely small flowers bloom on each tree, but only some bear fruit



Cacao pod. The seeds, which are used to make chocolate, are contained in the fruit's white pulp

### From Seed to Cacao Bean

Pulp and seeds taken from cacao pods are fermented for several days. Yeast, acetic bacteria and other microorganisms activate various chemical reactions during the process of fermentation, which creates the basis of the chocolate aroma and foundation of its flavor. White pulp containing the seeds is gradually reduced during fermentation, eventually leaving only the seeds, which turn brown.

For agricultural cooperatives and export companies with well-established quality control systems in place, the entire harvest to fermentation process is managed by co-op farmers, contracted farmers, or directly owned farms from various regions; furthermore, the entire process until the start of fermentation is completed in the same day. It is also common for farmers not affiliated with any cooperative or organization to sell to brokers after individually conducting fermentation and drying. Even within the same country, there are various routes for the harvest to fermentation process.

After being fermented cacao seeds (cacao beans) contain water, so they are dried until the remaining water content is only 7% to 8%. There are several drying methods, including drying the beans under the sun or drying them with a mechanical dryer that uses gas heat. Since the climate is tropical, with high humidity and a rainy season, organizations like agricultural cooperatives and export companies that consolidate and process cacao in large quantities tend to use both sunlight and mechanical drying methods.

### Careful Inspection of Cacao Beans



Cacao beans are not shipped for export until they pass quality inspections for aroma, flavor, water content and other characteristics. If the water content is high, it is adjusted again before shipping. Cacao beans are also split open to inspect for mold and insect damage.

Cacao beans produced in various regions are consolidated and exported to Japan, but prior to export the traceability of the beans is verified.



Left: Cacao pulp and seeds at the start of fermentation.

Surface covered with banana leaves

Right: Fermentation in progress. Color gradually turns brown

Pulp and seeds harvested by farmers are transported to fermentation facilities. They are carried by donkey on mountain paths



## KAOKA Fund and UNOCACE Initiatives

Chocolate is made from cacao beans, and the cultivation of these beans is highly dependent on small farmers in tropical regions. Likewise, Ecuador also depended on many small farmers for the cultivation of its highly aromatic cacao; however, after World War I, the country lost its means to export. As a result, the production balance greatly deteriorated and crop disease spread: these combined factors devastated the industry. Moreover, the international cacao market lacked stability and the situation gradually grew worse. Given this background, the Union of the Ecuador National Cacao Producers (UNOCACE) was established in 1999 to support farmers and help raise crop quality. KAOKA, a French manufacturer of organic

chocolate, runs a project that involves returning a portion of sales proceeds to cacao production activities. Starting in 2002, KOAKA began supporting the UNOCACE through proceeds from its project fund. The fund primarily works to re-train farmers on the cultivation of regional domestic cacao, while also supporting the production techniques and livelihoods of small farmers by returning the added value gained from high-quality cacao to the farmers. The project has also received support from the chef Toshi Yoroizuka, who creates sweets with KAOKA products. The ITOCHU Group supports the project as well by donating to the fund and selling related products.

Farmer undergoing training on grafting cacao trees



Confection created by Chef Toshi Yoroizuka



### Chocolate processing



#### From Cacao Beans to Chocolate

Chocolate imported into Japan goes to chocolate manufacturing facilities after passing through quarantine for residual agricultural chemicals and other quality and health inspections.

Pebbles, cacao branches and other foreign substances are removed in the cleaning process and the beans are then roasted. Roasting is a major factor determining chocolate quality, as is the blend of cacao beans that is used. The roasted beans are crushed and the shell removed and then pulverized in a grinder to make a paste called cacao mass.

Chocolate dough is made by adding sugar and cocoa butter to the cacao mass. For milk chocolate, milk powder is also added. Fine particles of cacao, sugar and other ingredients are ground with a precision-crafted metal roll refiner to create smoothly textured chocolate flakes. Next the flakes are processed for an extended period of time in a machine called a conche to complete the process.

Chocolate made through this process is then tempered, put into containers, cooled and hardened or is transported to confectionary manufacturers in melted form via tanker trucks.

Confectionary manufacturers process the chocolate into various sweets and candies and deliver them to consumers through retail outlets.

### Confectionary manufacturers



#### Everyday Chocolate Candies

Chocolate mass is processed into chocolate candies by confectionary manufacturers. Some companies create chocolate by roasting the cacao beans themselves.

### Specialty shops



#### Professional Chocolate

Some cacao beans with distinctive aroma and flavor, like regional Ecuadorian cacao, are processed into chocolate for specialty shops. The chocolatiers at such shops create chocolate sweets that bring out the characteristics of this type of chocolate.

Cacao farmers. Farmers from various production regions gather for joint technical training run by the cooperative



### Consumers

#### Reflections After the Inspection Visit

Everyone is familiar with sweet, delicious chocolate, but what people are less familiar with is what chocolate is made from, the cacao bean, and where and how it is grown. Most cacao beans are cultivated in agricultural areas far from urban centers in countries near the equator. Cacao beans are produced on the other side of the world, in places like Ecuador, where this inspection was conducted. Cacao beans are able to reach the Japanese market safely and securely, only through the efforts, trust and cooperation of producers and exporters.

What is important in the cacao supply chain is that ITOCHU serves as a bridge between cacao producers and chocolate consumers, who are far removed from one another, and link all the steps on the path from cacao tree to chocolate.



café-CACAO Representative Cacao Hunter®  
Mayumi Ogata

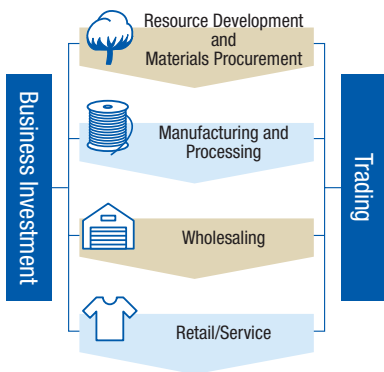
Technical advisor on cacao and chocolate. Also participates in producer technology development in various countries, including a chocolate development project in Indonesia undertaken by the Asian Development Bank.

# CSR AND OUR BUSINESS

ITOCHU Corporation combines trading, business investment and other functions to develop a variety of businesses around the world, and is promoting CSR through its business activities to realize a sustainable society.

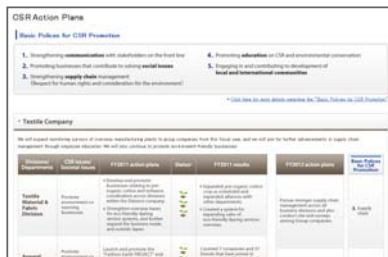
## Business Outline of ITOCHU

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* (general trading company). In other words, we trade, invest in businesses, and add value to these businesses through their overall coordination. Precisely because ITOCHU develops business across such a broad range of industries and business areas, our emphasis is on promoting CSR that is deeply rooted in the respective front-lines of these businesses.

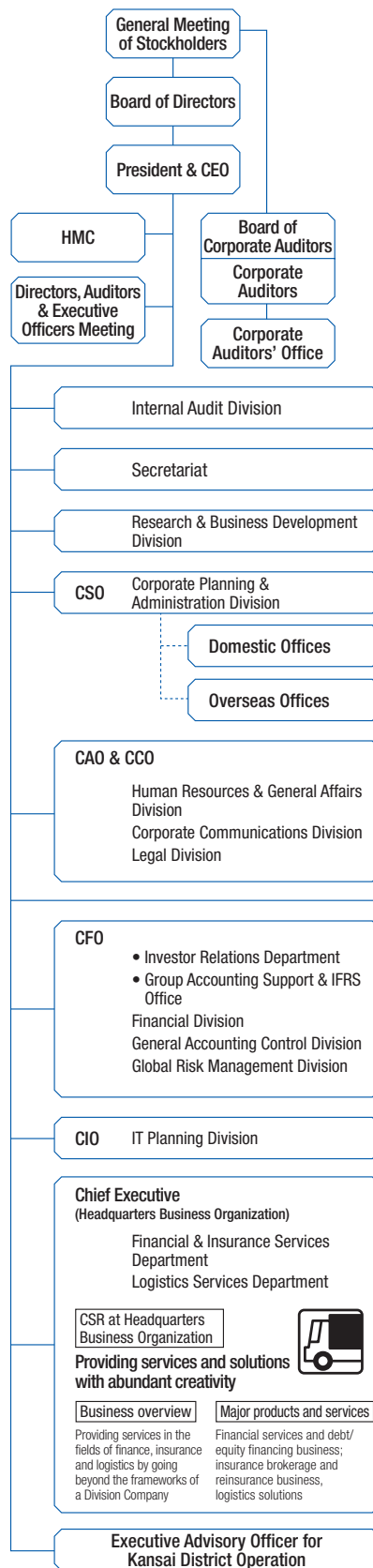


## CSR Promotion Through CSR Action Plans

ITOCHU Corporation has five Division Companies involved in substantially different lines of business; therefore, sustainability issues that arise vary markedly. To steadily promote CSR through their business activities, each Division Company, and the administrative divisions that support them, takes the lead in identifying important social issues to confront and creating frontline-driven CSR action plans. CSR is then advanced in line with PDCA cycles. Refer to the following website to view reports on the CSR activities and action plans at each Division Company.



<http://www.itochu.co.jp/en/csr/activities/actionplan/>



HMC: Headquarters Management Committee  
 CSO: Chief Strategy Officer  
 CAO: Chief Administrative Officer  
 CCO: Chief Compliance Officer  
 CFO: Chief Financial Officer  
 CIO: Chief Information Officer

### Textile Company

**CSR at this Division Company**  
**Contributing to the realization of a healthy, prosperous, and active society**

**Business overview**  
 Providing new values and impressions in fields ranging from brand fashion-related merchandise to hi-tech industrial fibers and materials.

**Major products and services**  
 Fiber raw materials; industrial materials; textile, apparel and fashion goods; brand marketing, including food and daily living-related products.

### ICT & Machinery Company

**CSR at this Division Company**  
**Developing an international society and creating an affluent lifestyle through environment-friendly businesses**

**Business overview**  
 Partnering with a host of Group companies to develop wide-ranging businesses and services to lead the next generation in the fields of ICT and machinery

**Major products and services**  
 Industrial plants; ships; automobiles; construction; machinery; aircraft; electronic devices; IT, media and mobile businesses; medical equipment and materials

### Energy, Metals & Minerals Company

**CSR at this Division Company**  
**Promoting CSR through the development and stable supply of resources and energy**

**Business overview**  
 Contributing to global economic progress and the protection of the global environment through the development and stable supply of resources and energy

**Major products and services**  
 Crude oil; petroleum products; LPG; LNG; nuclear fuel; Dimethyl ether (DME); bio fuel; iron ore; coal; aluminum; steel scrap; steel products

### Chemicals, Forest Products & General Merchandise Company

**CSR at this Division Company**  
**Caring for the natural environment and ensuring the safety of chemical substances**

**Business overview**  
 Expanding in the two fields of general merchandise and chemicals in search of a higher order of contact between affluence and the environment

**Major products and services**  
 Housing materials; logs and lumber; woodchips, pulp and paper; crude rubber and tires; shoes; organic chemicals; inorganic chemicals; plastics; consumer-related products

### Food Company

**CSR at this Division Company**  
**Responding to the needs of consumers and society with environmental consideration**

**Business overview**  
 Engaged in food businesses in the value chain that extends from food resource development in Japan and overseas, production and processing, through to intermediate distribution and retailing

**Major products and services**  
 Grain; ingredients for animal feed; fats and oils; sugar; beverages; dairy; agricultural, livestock, and marine products; frozen and processed foods; other food products

### Chief Executive (Construction & Realty Division)

**CSR at Construction & Realty Division**  
**Providing "secure," "safe" and "highly functional" facilities**

**Business overview**  
 Developing facilities and providing creative services in the real-estate and construction business fields as a global and general trading company

**Major products and services**  
 Real estate-related businesses; real estate solutions; private finance initiative (PFI) projects; trade in construction facilities, machinery and materials

\* In April 2011, ITOCHU reorganized its former seven Division Companies into five Division Companies; headquarters administrative divisions were also reorganized by function from 16 divisions into 11.

# CORPORATE GOVERNANCE AND INTERNAL CONTROL/ COMPLIANCE

ITOCHU Corporation has established a corporate governance system that appropriately incorporates monitoring and supervision functions. At the same time, ITOCHU seeks to enhance internal controls and compliance through continuous improvement efforts.

## Corporate Governance

ITOCHU is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors). The corporate auditors, including three outside corporate auditors, monitor and audit business management independently and objectively. Furthermore, ITOCHU elected two outside directors at the General Meeting of Shareholders held in June 2011, with the purpose of further increasing the effectiveness of the supervision of management by the Board of Directors and improving the transparency of decision-making.

ITOCHU has adopted an Executive Officer System in order to separate the decision-making and supervisory functions of the Board of Directors from its implementation of business management.

Further, we have established the HMC (Headquarters Management Committee) as a supporting body of the CEO, where company-wide management policy and important issues are discussed and decided. In addition, management issues in individual areas of responsibility are discussed and screened by various internal committees in order to support the decision-making of the CEO and the Board of Directors. Moreover, ITOCHU is developing and implementing a system for incorporating third-party opinions in which outside experts become members of some internal committees.

<http://www.itochu.co.jp/en/about/governance/>

- Features of ITOCHU's Corporate Governance
- Increasing the Effectiveness of the Supervision of Management by the Board of Directors (Introduced an Outside Directors System)
- Systems to ensure effectiveness of Supervisory Functions

## Internal Control System

In April 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System and made a commitment to continuously improve internal control systems.

In order to further enhance the reliability of our consolidated financial reporting, Chief Operating Officers, etc., are appointed as Chief Responsible for Internal Control to establish a Group-wide line of responsibility. And the Disclosure Committee is designated as a steering committee to maintain and improve the internal control system to comply with the internal control reporting system.

Furthermore, since fiscal 2012 a new organization called the Internal Control Promotion Department promoting a risk-base approach has been created in parallel with the existing Internal Control Testing Department within the Internal Audit Division, in order to increase the effectiveness and the efficiency of the internal control system.

Results of the independent assessment conducted by the Internal Control Testing Department are submitted to each related unit and are used to establish and maintain the adequate internal control system.

<http://www.itochu.co.jp/en/about/governance/control/>

- Basic Policy regarding the Internal Control System
- Initiatives to further enhance the Reliability of Financial Reporting
- Strengthening Risk Management
- Organizations to Secure the Appropriateness of Financial Reporting (PDCA Cycle)

## Major Compliance Measures in Fiscal 2011 and Tasks for the Future

During fiscal 2011, we compiled and distributed to all employees a Compliance Handbook summarizing rules that each employee is expected to strictly observe. In conjunction, we conducted a test to confirm understanding of handbook contents via an e-learning module. Additionally, overseas and Group companies received visits and subsequent guidance designed to assess actual frontline conditions and identify risk, as we pursue activities that emphasize compliance system operations. Furthermore, we formulated and moved to steadily implement distinctive measures to enhance compliance at each Division Company, based on existing incident trends, Monitor & Review results, and other data. Along with further promotion of these measures, we will continue striving to strengthen compliance with an emphasis on overseas and Group companies.

## Bolstering Measures to Fight Corruption

Over the years, ITOCHU has sought to fight corruption by drafting regulations that specifically ban bribes and payoffs, along with related guidelines, with the aim of supporting the broad prohibition of payoffs to public officials and others in comparable positions worldwide.

Anticipating more stringent regulations against bribery and corruption worldwide, including enforcement of a major anti-corruption law in the UK on July 1, 2011, ITOCHU in June revised its own aforementioned regulations and guidelines as a measure to enhance its own responsiveness in this area.

Going forward, we will work to circulate information regarding the aforementioned revisions within ITOCHU and to overseas blocs. At the same time, steps will be taken to conduct risk assessment and monitoring with respect to payoffs, bribery and similar impropriety.

## Global Security Risk Management

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.

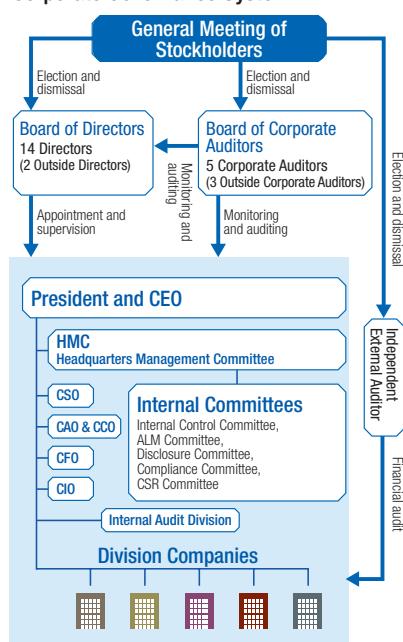
As a responsible member of society and the global business community, ITOCHU recognizes the need to carefully manage the potential risks associated with business operations in certain locations.

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.

<http://www.itochu.co.jp/en/csr/compliance/>

- Compliance structure

## Corporate Governance System



## Compliance

### Group Promotion Structure

The ITOCHU Group has compliance officers in each organization within Headquarters and at all Group companies worldwide. 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 their respective Division Companies, as well as consideration of local laws, business characteristics, and operational formats.

In addition, we conduct simultaneous company-wide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all ITOCHU Group companies through these surveys and other opportunities, the ITOCHU Group is making a concerted effort to find improvements that will enhance its well-developed systems for advancing compliance.

# EMPLOYEE RELATIONS

ITOCHU is aggressively developing and enhancing its human resources, while continuing its longstanding promotion of a global human resources strategy. These actions are the management base supporting the drive to “Proactively Seek New Opportunities,” one of the basic policies of the medium-term management plan.

## Human Resource Development Supporting the “Seeking of New Opportunities”

Human resources are what support the stable, ongoing growth of ITOCHU Corporation. Our human resource development activities are available to employees throughout the Group, both domestically and in overseas blocs. Based on each employee’s work experience and abilities, we strive to help them develop into professionals who play an active role in their business field and to provide them with the skills necessary to manage business on a global level.

Through individual evaluations and feedback, and by providing valuable job experience via on-the-job training (OJT), we help to cultivate the motivation and willingness of employees to increase their career opportunities within the Group. To further the support of employees’ self-development, we not only provide skills and knowledge through training but also actively support individual career development. We will continue to invest substantially in our human resources, while at the same time promoting human resource development which is proactively led by the front-lines.

In addition, in order to promote aggressive expansion of business in China—one of the measures in the medium-term management plan—it is essential to reinforce Chinese human resources. Last year, we launched a new “Junior staff overseas training for multi-language” program, which is designed to dispatch all Headquarters junior staff overseas, mainly to China, to study Chinese or other languages used in developing countries. We will further enhance our current competitive advantage by promoting human resource reinforcement measures focused on the Chinese market.

### Basic Structure of Human Resource Development



<http://www.itochu.co.jp/en/csr/employee/development/>

- Human resources development policy and training details (excerpt)
- Number of employees participating in major training programs
- Comments by training participants

## Global Human Resources Strategy Enters a New Stage

Since fiscal 2008, ITOCHU has been promoting a global human resources strategy in order to maximize the value of human resources and optimize the talent development of the Group on a global basis.

By fiscal 2011, the Company had created a common global platform, including standardized evaluation items and a global human resources database. From fiscal 2012, focusing on individual employees, we will strengthen human resources strategy implementation in core overseas markets such as China and Asia in order to secure, develop, and optimize personnel that will contribute to business development worldwide.

### Talent Management Process



\* Program in which overseas bloc employees are trained through work at the Tokyo Headquarters

### Specific Initiatives

- 1 We are inviting employees from our overseas blocs worldwide to come to our headquarters for approximately two years as a form of HR development through actual operations. At the same time, this initiative encourages our headquarters to become more global in its outlook. (From April 1, 2008 to March 31, 2011, a cumulative total of 54 employees have been accepted.)
- 2 We are assigning, promoting, and developing human resources on a global basis regardless of nationality, using the ITOCHU Global Classification (IGC) as a common measure of job level/level of responsibility for all jobs and positions worldwide.
- 3 We promoted a globally shared human resources strategy through the ITOCHU Global Recruitment website, a channel that human resources desiring local recruitment overseas can also utilize, and conducted an internship in English for foreign university students in August 2010.
- 4 We have incorporated the five ITOCHU Values, formulated as the new ITOCHU Mission, into the human-resource requirements for ITOCHU leaders. These requirements are reflected in our hiring standards and our evaluation and HR development programs, enabling us to hire and develop human resources suited to ITOCHU’s values globally.

<http://www.itochu.co.jp/en/csr/employee/global/>

- Number of overseas bloc employees by region (As of March 31, 2011)

## Providing Comfortable Working Environment for Employees

ITOCHU Corporation has been expanding and improving its system for both male and female employees that supports efforts to maintain a good balance between work and child care or nursing care. As of July 2011, we received “Kurumin” mark certification, which the Tokyo Labor Bureau awards to companies in recognition of their active support for raising the children who will be Japan’s next generation.

ITOCHU will continue to create an environment that enables employees to remain motivated and fulfilled by their work.



[http://www.itochu.co.jp/en/csr/employee/working\\_environment/](http://www.itochu.co.jp/en/csr/employee/working_environment/)

- Efforts to support employees’ childcare and nursing care
- Acquisition of leave according to childcare- or nursing care-related systems
- Comments from an I-Kids user
- Comments from a user of childcare leave
- Career counseling
- Employee health management
- Employee safety measures

## Promoting Human Resources Diversification in Japan

ITOCHU has formulated and enacted Promotion Plans on Human Resources Diversification since fiscal 2004. The aim of these plans is to maximize the strength and abilities of employees, regardless of gender, nationality or age. In fiscal 2010, we drafted the “Promotion Plan on Human Resources Diversification 2013 (Japan),” a new five-year plan to promote the creation of an “Attractive business environment and corporate culture” through support for the retention, embedding and activities of even more diverse human resources. Specific efforts here include recruitment of university students from local universities overseas to work at ITOCHU Headquarters.

<http://www.itochu.co.jp/en/csr/employee/diversity/>

- Number of male and female employees (non-consolidated)
- Total hires of new graduates
- Experienced hires (general staff career track)
- Supporting the participation in society by people with disabilities

## Communications with Employees

<http://www.itochu.co.jp/en/csr/employee/communication/>

- Employee consciousness survey (engagement survey) implementation
- Dialogue meetings with CEO
- Dialogue with the labor union
- Comments from the labor union president



# RELATIONSHIP WITH SOCIETY

ITOCHU is keenly aware of the role that it must fulfill as a good corporate citizen with a global perspective. To this end, we strive for harmonious relations with local and international communities and deeper communication with suppliers, and contribute to realizing a more prosperous society.

## Respect for Human Rights

The ITOCHU Mission “Committed to the Global Good” stands at the heart of the ITOCHU Group’s corporate philosophy. “Global good” refers not only to improved living standards, but also a general sense of well-being. ITOCHU, as a company with diverse operations worldwide, respects human rights and individuality, and is committed to the global good of society and individuals alike. ITOCHU Corporation supports the principles of the United Nations Global Compact, guaranteeing the fundamental labor rights of its employees.

Consideration for human rights and labor in the supply chain is also an important CSR issue for companies with transactions that take place on a global scale.

At ITOCHU, each Division Company surveys the actual situation in this regard among its suppliers, checking to ensure that suppliers are not engaged in forced labor, child labor or any other immoral labor practices.

[http://www.itochu.co.jp/en/csr/itochu/human\\_rights/](http://www.itochu.co.jp/en/csr/itochu/human_rights/)

Raising Awareness Internally of Respect for Human Rights

## CSR in Our Supply Chain

For ITOCHU developing business all over the world, consideration for human rights, labor, and environmental problems in the supply chain are important CSR issues for the sustainability of the entire planet.

We take action to prevent human rights, labor, environmental, and other problems in the supply chains in which we are involved, and when a problem is found, we strive to improve it through dialogue with the suppliers. We established the “ITOCHU Corporation CSR Action Guidelines for Supply Chains” in order to ensure that these actions are carried out, and we remain committed to the implementation of these guidelines.

## CSR Survey of Supply Chains

In order to check the status of our various suppliers utilized worldwide, we conduct surveys with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the nine items in our CSR Action Guidelines for Supply Chains.

In fiscal 2011, we conducted a survey, targeting not only suppliers of ITOCHU Corporation but also suppliers of overseas offices and Group companies. As a result, we surveyed 374 companies, including 21 suppliers of overseas offices and 24 suppliers of Group companies. No serious problems requiring immediate response were found in the survey results. We

also found that the survey results were more focused this time on the key points, thanks to increased understanding by the employees conducting the surveys, and we received feedback that participants had seen improvement due to the continuation of the surveys.

We are committed to continually increasing our employees’ awareness in our daily business and to improving the CSR of our suppliers by continuing these surveys and dialogue with suppliers.

## Number of suppliers that have taken the CSR survey

FY	2009	2010	2011
Total (companies)	261	300	374*

\* Includes 21 suppliers of overseas offices and 24 suppliers of Group companies

[http://www.itochu.co.jp/en/csr/supply\\_chain/](http://www.itochu.co.jp/en/csr/supply_chain/)

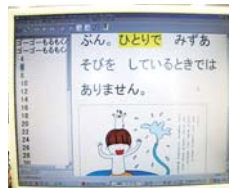
- ITOCHU Corporation’s CSR Action Guidelines for Supply Chains
- CSR survey of supply chains
- Sample checklist (Food Company)
- Survey results by organization (FY2009 to FY2011)

## Social Contribution Activities

### Support for ITOCHU Foundation

ITOCHU has promoted social contribution activities aiming for the sound development of young people since setting up the ITOCHU Foundation in 1974.

In addition to its present projects, the foundation searches for new opportunities to help that match the needs of the times. Current projects include subsidizing the development of children’s literature collections (including subsidies for library development at schools and supplementary schools for Japanese nationals overseas), and promoting the development of an e-book library.



Onscreen e-book

### Activities to Restore the Tropical Rainforests and Conserve Borneo’s Ecosystem

As part of social contribution programs celebrating its 150th anniversary, the ITOCHU Group since fiscal 2010 has pledged to donate ¥250 million over five years to WWF Japan, which is promoting tropical forest conservation on Borneo under close collaboration with WWF Malaysia. The ITOCHU Group is supporting this work on a total 967 hectares of degraded forest, the largest area among any regular companies supporting this project. As of June 2011, saplings had been planted on approximately 381 hectares of land.

In November 2010, a party of ITOCHU Group employees planted some 200 saplings during their second tree planting tour of the site. We plan to continue these tour activities to make employees more aware of biodiversity conservation.



Photo from second tree planting tour

[http://www.itochu.co.jp/en/csr/150\\_anniversary/borneo/](http://www.itochu.co.jp/en/csr/150_anniversary/borneo/)

News from Borneo

### Support for “House for Youth” of NGO “Kokkyo naki Kodomotachi (KnK)” in Philippines

We support the activities of “Kokkyo naki Kodomotachi” (KnK: meaning Children without Borders), an NGO that supports street children, children who are victims of major disasters, and other children in developing countries. On December 11, 2009, renovations were completed for House for Youth, made possible through support from ITOCHU. Located in the outskirts of Manila (Philippines), House for Youth is a home that helps young people become independent. Moving forward, the home provides a wide range of support to approximately 1,000 young people per year.



Children using the facility

<http://www.itochu.co.jp/en/csr/social/>

- Basic Activity Guidelines on Social Contribution
- Providing aid and relief funds to areas affected by major natural disasters
- Support activities for the UN World Food Programme (WFP)
- ITOCHU baseball class

# OUR INITIATIVES FOR THE ENVIRONMENT

As a company involved in wide-ranging businesses worldwide, ITOCHU Corporation positions global environmental problems as one of the top priority issues in its management policy. To this end, we promote environmental preservation activities to help make a sustainable society possible.

## Environmental Policy

ITOCHU's environment preservation activities are based on its Environmental Policy. The policy was last revised in May 2010.\*

\* Revisions clarified initiatives to be taken by the ITOCHU Group and the Group's concern for preserving biodiversity.



<http://www.itochu.co.jp/en/csr/environment/policy/>

□ ITOCHU Group Environmental Policy

## Environmental Management

In 1997, ITOCHU Corporation became the first trading company to establish an environmental management system (EMS) based on ISO 14001, and we continue to work to improve our EMS. Specifically, the system controls and manages targets through a yearly PDCA (plan-do-check-act) cycle of setting targets for preventing environmental risk; evaluating and analyzing progress; and acting to achieve our targets.

## Conducting In-House Environmental Audits

Our in-house environmental audits for fiscal 2011 based on ISO 14001 cover currently a total of 73 departments. Findings from the audits, conducted over roughly six months, are instrumental in preventing environmental risks from materializing. Audit teams are comprised of members of the CSR & Global Environment Department and employees qualified to serve as in-house environmental auditors (423 registered individuals). These teams carried out their work this fiscal year as well with an emphasis on auditing legal compliance. This fiscal year marked the introduction of a new auditing approach—a combined format in which two or three departments were audited at once. This approach not only boosted audit efficiency but heightened audit effectiveness by encouraging mutual understanding of other departments.

## Results of External Inspections

Each year, ITOCHU is inspected by the Japan Audit and Certification Organization for Environment and Quality (JACO) in connection to ISO 14001 certification. The fiscal 2011 inspection was to retain certification. The outcome of the inspection was an overall "improvement" grade and continued certification, based on an acknowledgement of ongoing system improvement efforts by ITOCHU.



<http://www.itochu.co.jp/en/csr/environment/management/>

□ Environmental Management System  
□ ITOCHU Corporation's Environmental Management Organization

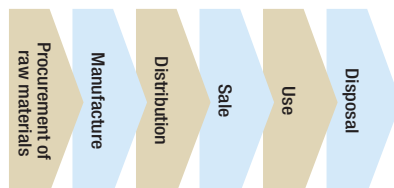
## Precautionary Approach to Environmental Risks

In addition to evaluating environmental risks of the products we handle, we are committed to taking a precautionary approach to environmental risks. This commitment also extends to ITOCHU Group companies, reflecting the need to identify the impact on the global environment of the business activities of the Group as a whole.

## Evaluating Environmental Risks Posed by Products Handled

We handle a wide and diverse range of products on a global scale. We thus carry out our own unique environmental impact evaluations based on our belief that it is vital to evaluate the relationship of these products to the global environment. We use an LCA\*-based analysis method to extensively analyze our products from the procurement of raw materials to manufacturing processes, usage, and disposal. If the evaluation shows that the impact on the global environment exceeds predetermined benchmarks, then we create procedures and manuals for the management of that product.

\* LCA (life-cycle assessment) is a method that evaluates the environmental impact of products at all stages of their life cycle, from manufacturing, transport and use through to disposal and recycling or reuse.



## Fact-finding investigations of Group companies

We began fact-finding investigations of our Group companies after several of them received complaints about environmental pollution from their surrounding neighborhoods in 2001. We analyze about 200 of our roughly 400 Group companies (as of March 31, 2011) with relatively higher levels of impact on the global environment, and conduct investigations of about 20 of them per year. The evaluation is made using Q&As between auditors and management, inspections of plants, warehouses, and other facilities, surveys of wastewater released into rivers, and assessments of compliance with environmental laws and regulations.

## Evaluating the Environmental Impact of New Investment Projects

ITOCHU Corporation and its subsidiaries in Japan employ a CSR and environmental checklist for investments to evaluate in advance the market, social and environmental impact of business investment projects entered via M&A in Japan and overseas. When specialist insight is needed, ITOCHU calls on specialized external bodies to render an advance inspection of the

project. Action on the project then moves forward once inspection results and the presence of no major problems are confirmed.



<http://www.itochu.co.jp/en/csr/environment/risk/>

□ Environmental consultations

## Promoting Environmental Education and Awareness

We hold seminars on Japan's Waste Management and Public Cleaning Law, the Soil Contamination Countermeasures Act, and on global environmental management to ensure that ITOCHU Group employees are aware of and comply with the requirements of environmental laws and regulations, and in order to raise environmental awareness. In this way, ITOCHU is actively developing a strong defensive stance with respect to strict compliance, while assertively pursuing the development of environment-conserving businesses.



<http://www.itochu.co.jp/en/csr/environment/education/>

□ Global environmental management seminar

## Coexistence with Society

### 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. The goal of these programs is to support environmental education for the children who will lead our future, as well as to foster coexistence with communities. Forty-five children participated in the program in August 2010. Meteorologists and weathercasters hosted workshops and a variety of experiments on the theme of global warming, turning the summer school programs on the environment into a dynamic hands-on learning experience.



Summer school programs on the environment

## Office Environmental Performance



[http://www.itochu.co.jp/en/csr/environment/office\\_activities/](http://www.itochu.co.jp/en/csr/environment/office_activities/)

□ Electricity consumption  
□ Volume of waste and recycled waste  
□ Effective use of water resources

# Corporate Profile



Tokyo Headquarters



Osaka Headquarters (North Gate Building)

**Corporate name** ITOCHU Corporation  
**Founded** 1858  
**Incorporated** December 1, 1949  
**Headquarters\*1** Tokyo: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan  
 Osaka: 1-3 Umeda 3-chome, Kita-ku, Osaka 530-8448  
**President & CEO** Masahiro Okafuji  
**Capital** ¥202,241 million  
**Number of offices\*2** Domestic offices 9  
 Overseas offices 117  
 North America 9 Latin America 10 Europe 18  
 Africa 5 Middle East 17 Oceania 5  
 ASEAN, Southwest Asia 21 East Asia 24 CIS 8  
**Number of employees\*3** Consolidated 62,635 Non-consolidated 4,301

(As of March 31, 2011)

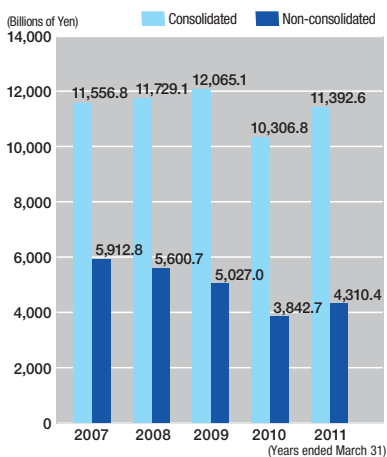
\*1 Osaka Headquarters relocated in August 2011

\*2 Number of offices as of April 1, 2011

\*3 The number of consolidated employees is based on actual working employees excluding temporary staff.

# Financial Overview

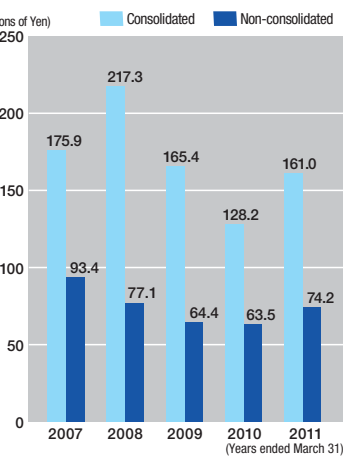
## Total Trading Transactions



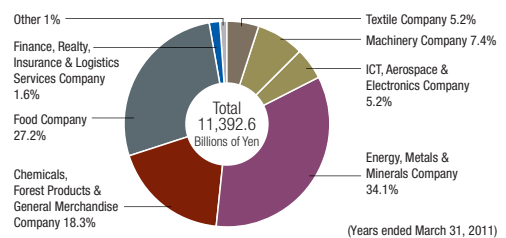
Notes:

- 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.

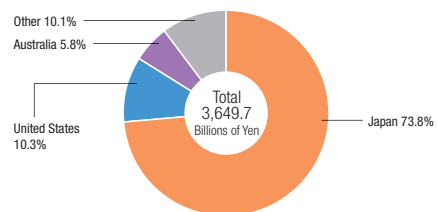
## Net Income



## Total Trading Transactions by Division Company (Consolidated)



## Revenue by Region (Consolidated)



## Introduction of ITOCHU Corporate Website CSR Pages

Please visit our corporate website for more detailed information on our CSR initiatives.

<http://www.itochu.co.jp/en/csr/>



### Data Available Exclusively on the Website

- CSR for ITOCHU Corporation
- CSR and Our Business
  - CSR Action Plans and Report on Activities
- Stakeholders Engagement
- CSR in Our Supply Chains
- Environmental Activities
- Social Contribution
- Social Contribution Programs to Commemorate the 150th Anniversary
- Employee Relations
- Third Party Opinion
- GRI Guidelines, Others

### Third Party Opinion

This CSR Report (digest version), the full report available in PDF on the website and our CSR pages on the corporate website have received a third-party opinion from Mr. Hideto Kawakita, Representative of the International Institute for Human, Organization and the Earth (IIHOE). His opinion can be accessed on the CSR page of the ITOCHU corporate website.



# ITOCHU Corporation

---

5-1, Kita-Aoyama 2-chome,  
Minato-ku, Tokyo 107-8077, Japan  
Tel:+81-3-3497-4064 Fax:+81-3-5474-7296

E-mail:csr@itochu.co.jp

<http://www.itochu.co.jp>

