Textile Company CSR Action Plans and Report on Activities

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

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

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

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

Perspectives from a third-party participant in our CSR meeting

Kikuko Tatsumi Executive Director, Nippon Association of Consumer Specialists

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

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



Helping people lead affluent lives full of excitement

Masahiro Okafuji President, Textile Company

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

Major CSR initiatives 1

Pre-Organic Project

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

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

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



All organic cotton is handpicked.



Mr. Children tour merchandise made from organic cotton

Major CSR initiatives 2

Supply chain investigation



Takuro Sakatoku Apparel Department 2, Apparel Division

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

investigations in fiscal 2008.



ewing plant in Vietnam

Major CSR initiatives 3

Lecture on responding to customers and consumers



Katsuhiko Yonemushi Brand Marketing Division 1

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

that were extremely interesting and instructive for attendees.



A lecture on communication with consumers

Machinery Company CSR Action Plans and Report on Activities

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

Division	CSR tasks	FY2007 action plans	Status	FY2007 results	FY2008 action plans	Basic Policies
	Supply clean energy	Continue activities to get orders for LNG carriers and terminal projects	★ ★	Currently continuing activities to get orders for LNG carriers	Promote new LNG carriers and terminal projects	
	Resolve transportation problems (traffic congestion, exhaust emissions, etc.)	Continue to promte High-Speed Surface Transport (HSST, magnetic levitation transportation system) / transportation/infrastructure projects	★ ★	Advancement in progress	Continue promoting specific projects	
Plant & Project Division	Promote projects to increase energy usage efficiency/reduce substances with adverse environ- mental impact	 Promote Energy from Waste (EfW) projects, biomass power generation in Europe Develop and promote geothermal power generation businesses, alternative energy businesses in Southeast Asia Continue power station renovation and activities to get orders for desulfurization equipment in Eastern Europe Increase sales and new development of energy- conserving / environment-friendly equipment, including Doormiser 	★★★	Actively promoted respective projects. Generally progressing favorably	Continue to promote Energy from Waste (EW) projects and renewable energy businesses in Europe Promote geothermal power generation business projects in Southeast Asia Pursue sales and new development of energy-conserving/environment-friendly equipment	
	Secure and utilize water resources		-		Promote seawater desalination plant/ rehabilitation projects, etc. P.22.Major CSR initiatives 2> Increase sales of filtration systems for underground water	
Automobile Division	Sell and commercialize equipment that reduces substances with adverse environ- mental impact	 Continue selling diesel engines for Chinese market and surveying Chinese market Develop and commercialize high-performance Diesel Particulate Filters (DPFs) 	* *	Business negotiations with manufacturers in progress (also completed construction of DPF prototype vehicle, surveying of Chinese market and other markets in progress)	 Market diesel engines for China Undertake technological evaluation of DPF prototype vehicle Consider possibility of commercializing new exhaust emissions cleaning system as equipment to reduce substances with adverse environmental impact 	
Industrial Machinery & Solution Division	Undertake solar cell businesses to reduce substances with adverse environmental impact	 Continue selling manufacturing equipment and considering business development possibilities Promote sales of solar cell modules and power generation systems mainly in North America 	★★★	Achieved solid results for equipment sales. Also promoted sales in North America, Europe, and other markets P.22, Major CSR initiatives 1	Continue to expand sales of manufacturing equipment Continue to promote sales of solar power generation systems and expand initiatives for solar energy related businesses	
All divisions	Develop CSR activities	Promote implementation of CSR activities by group companies	★★	Selected three new companies, total of four companies prepared action plans. Also conducted CSR supply chain investigation	Implement steadily and continue CSR activities in Group Conduct CSR supply chain investigations and spread CSR checklists	4
	Strengthen communication	Hold compliance seminars, including special industrial laws and promote CSR education	***	Held meetings of compliance officers and Division Company seminars every six months	Hold compliance seminars, including special industrial laws, and promote CSR education	1 3

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Perspectives from a third-party participant in our CSR meeting

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

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



Developing environment-friendly businesses overseas

Takanobu Furuta

President, Machinery Company

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

Major CSR initiatives 1

Promoting solar projects

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



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

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



SOLAR DEPOT, INC.

Major CSR initiatives 2

Developing businesses related to water resources



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

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



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

CSR initiatives by a major group company

The CSR activities of ITOCHU Automobile Corporation

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



A CSR seminar at Dalian office

Manager, Human Resources/ General Affairs Section. TOCHU Automobile Corporation



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

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

Division	CSR tasks	FY2007 action plans	Status	FY2007 results	FY2008 action plans	Basic Policies
Aerospace & Electronic Systems Division	Improve convenience/ safety in air transportation business area	Promote communication with clients, understand needs accurately, provide products that contribute to safety and peace of mind (security equipment, medical helicopters/ rescue helicopters, etc.) Continue close communication with suppliers and follow new technologies and products Promote marketing activities for aircraft insulation materials with greater fire-resistance Strengthen Group compliance management	*	 Won major orders in security business area and delivered medical helicopters / rescue helicopters to local governments Discovered past case at a group company that may infringe upon the Self-Defense Forces Personnel Ethics Act. Conducted training for personnel at headquarters and group companies to prevent recurrence 	Continue to propose and offer solutions based on products such as medical helicopters and security equipment that contribute to the building of safe, secure social infrastructure Continue to strengthen compliance systems by conducting training about national civil service ethics law (Self- Defense Forces Personnel Ethics Act)	1 2
IT & Business Divisi	Take on new business areas			 Constructed foundations for medical representatives dispatching business in the life science business area targeting pharmaceutical companies Began building environment-friendly data center 	Start up new businesses in the life science business area Consider the possibility of investing in North American and European companies/funds in such business areas as "green tech" Implement Internet technology contest for university students	1 2
Business Solutions Division	Strengthen information security management	Continue upgrading hardware and software related to information security and conducting information security education for employees Encourage group companies to acquire ISMS/P Mark certification	***	Continued ISMS (information security management system) training and verification tests for division personnel Supported acquisition of privacy marks by group companies	Continue upgrading hardware and software related to information security and conducting information security education for employees Continue supporting acquisition of ISMS/P Mark certification by group companies	2 3
Medi	Realize businesses based on 3R philosophy	Encourage shift to MOTTAINAI lifestyle and take steps to increase licensees Consider and implement measures to popularize mobile handset insurance service	***	Concentrated efforts on spreading philosophy through development/sale of MOTTAINAI products IP.224. Major CSR initiatives increased customers for mobile phone insurance and warranty services thanks to introduction of new mobile handset sales models	Increase sales of MOTTAINAI products and continue to popularize philosophy through brand development Continue measures to promote spread of mobile handset insurance services	1 3
Media Business Division	Provide new high- value-added services and applications and spread appealing content	 Consider and implement measures to ascertain needs of customers (general consumers) Research venture firms inside and outside Japan with unique technologies and products Maintain and construct networks to acquire and spread content 	★★★	 Began operation of mobile social networking service (SNS) through SPACE SHOWER NETWORKS INC., built system that reflects user preferences in programs 	Consider the possibility of value-added services that contribute to increased user convenience by using mobile-based infrastructure, next-generation networks (NGNs), etc. Begin specific measures for the overseas roll-out of content originating in Japan	1 2
	Strengthen information security management	Reform information security systems of group companies and conduct information security education for employees	★ ★	 Built operational systems in accordance with information security guidelines at major group companies 	 Build information security management systems at group companies concentrating on sub-subsidiaries 	2 3
All divisions	Implement CSR management of major group companies	Conduct fact-finding investigations of target companies and based on results identify CSR tasks and prepare action plans	★ ★	•Selected target companies and supported preparation of action plans for fiscal 2008	Begin CSR management operations through PDCA cycles	4

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Perspectives from a third-party participant in our CSR meeting

Mika Takaoka, Ph.D. Associate Professor, College of Business, RIKKYO UNIVERSITY

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



Tackling new businesses and strengthening compliance

Hiroo Inoue

President, Aerospace, Electronics & Multimedia Company

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



Major CSR initiatives

Stepping up MOTTAINAI brand roll-out

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



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

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





Some MOTTAINAI-brand products

CSR initiatives by a major group company-1

ITCN Assist acquires special subsidiary accreditation

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



Working at ITCN Assist

CSR initiatives by a major group company–2 CTC breaks ground for environment-friendly data center

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



An image of CTC's new data center

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

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

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

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

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Perspectives from a third-party participant in our CSR meeting

Masatsugu Taniguchi

Director, United Nations University Zero Emissions Forum

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



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

Yoichi Kobayashi President, Energy, Metals & Minerals Company

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

Major CSR initiatives

Building value chains linking upstream through to downstream businesses

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

CSR initiatives by a major group company-1

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





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



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



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

CSR initiatives by a major group company-2

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



Realizing environmental management of gas and oil fields

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

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

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

Division	CSR tasks	FY2007 action plans	Status *1	FY2007 results	FY2008 action plans	Basic policies
	Ensure raw material traceability and protect natural forests	Revise traceability questionnaire surveys and conduct investigative visits and questionnaire surveys	***	Made investigative visits to suppliers and conducted questionnaire surveys with additional questions about labor conditions and employment-related areas (sent 132 questionnaires,	Upgrade questionnaire surveys, implement questionnaire surveys and investigative visits	1 / 2 4
orest Products (Comply with labor laws and statutory regulations	Add questions about labor conditions and employment environment to above questionnaire surveys	***	collected 120 responses, made 111 visits), sought to understand actual situation and implement education. Held three meetings with NGOs/NPOs P. 28, Major CSR initiatives 1>	Upgrade questionnaire surveys, implement questionnaire surveys and investigative visits	1/3 4
Forest Products & General Merchandise Division	Handle internationally certified forest products	Request increase in handling of certified pulp and request suppliers to acquire CoC certification if they have not yet done so	★★★	Reached target of 1.3 million tons annually for certified pulp handling. Requested suppliers to acquire CoC certification if they had not yet done so	Continue requesting suppliers to acquire CoC certification if they have not yet done so, target 1.4 million tons annually for certified pulp handling	3 4
	Respond to the Green Purchasing Law	Revise work manuals	★ ★	Revised work manuals appropriately	Continue initiatives in everyday operations	2 4
	Ensure product safety	Maintain system to supply products low in formaldehyde	★★	Increased handling of medium-density fiberboard (MDF) products low in formaldehyde 41% year on year	Supply products low in formaldehyde. Maintain system and develop new suppliers	2
Chemicals Division		Continue compliance education including holding seminars	**	Held three seminars for division personnel on chemicals laws and statutory regulations. Examined all products in relation to chemicals laws and statutory regulations	Continue compliance education including holding seminars	1/2 3/4
	Manage hazardous chemical substances	Respond to European RoHS directives and REACH regulations	***	Held two seminars on REACH. Collected information with view to provisional registration, prepared list of affected products	Begin registering related products because provisional registration for REACH regulations begins from June 2008	1 / 2 3 / 4
	Procure safe, reliable products	Request suppliers to acquire ISO certification	★★★	Ascertained status of suppliers' acquisition of ISO certification through distribution of CSR survey sheets	Continue requesting suppliers to acquire ISO certification if they have not yet done so	2

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Perspectives from a third-party participant in our CSR meeting

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

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



Further advancing supply chain management

Koji Takayanagi

President, Chemicals, Forest Products & General Merchandise Company

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



Major CSR initiatives 1

Traceability and consideration for the environment

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



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

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



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

Major CSR initiatives 2

Prompting television recycling



General Manager, Inorganic Chemicals Department, Chemicals Division

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

conserve considerable amounts of energy. This project capitalizes on Japan's outstanding environmental technology to make a valuable contribution environmental conservation efforts.



Cullet recycling

CSR initiatives by a major group company ITOCHU CHEMICAL FRONTIER CORPORATION undertakes desert greening project in China

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



Desert greening project in Hsinchiang Uighur Autonomous Region

Food Company CSR Action Plans and Report on Activities

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

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

*1: \star \star : Achieved \star : Nearly achieved \star : Unachieved

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

Perspectives from a third-party participant in our CSR meeting

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

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



Promoting food safety initiatives

Shigeharu Tanaka President, Food Company

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

Major CSR initiatives 1

Promoting local food culture through the "Gourmet Search"

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

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





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

Major CSR initiatives 2

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

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

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



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

CSR initiatives by a major group company

Donation of "Yayoi School" to Cambodia

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





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

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

Division	CSR tasks	FY2007 action plans	Status	FY2007 results	FY2008 action plans	Basic policies
Financia Servic (F	Create opportunities for socially responsible investment	Select partners for establishment of funds and check pertinent laws and regulations	★ ★	Held discussions with environmental NGOs, CSR-related companies, experts, and industry insiders	Unearth/implement investment projects (fund establishment, emissions rights related projects)	1 4
Financial & Insurance Services Division (Finance)	Strengthen security measures to achieve stringent control of personal information, improve and expand control systems	Promote and review control systems and security measures Heighten awareness among managers and rigorously educate employees. Continue regular reviews	*★★	Ensured managers attended study sessions inside and outside company, heightened awareness and rigorously educated employees. Continued regular reviews	Ensure managers heighten their own awareness, rigorously educate employees, and continue regular reviews	2 3
Financial & Insurance Services Division (Insurance)	Comply with the Insurance Business Law and other laws and statutory regulations	Revise compliance programs and manuals for special industrial laws Continue rigorously informing employees about compliance through training, departmental meetings Continue sharing information with suppliers	*★★	Completed implementation of compliance program and revision of manuals for special industrial laws Worked to achieve rigorous compliance through participation in study sessions	Continue revising compliance programs and manuals for special industrial laws Continue rigorously informing employees about compliance through training, departmental meetings	2 3
nsurance Se (Insurance)	regulations	Explain important items and acquire written confirmations required from April 2007	*★★	Explained important items to customers thoroughly	Continue explaining important items and acquiring written confirmations	1 2
Services ce)	Provide appropriate insurance products accompanied by accurate and easy-to-understand explanations	Continue heightening product knowledge through training/on the job training (OJT)	*★★	Continued heightening product knowledge through training/on the job training (OJT)	Continue heightening product knowledge through training/on the job training (OJT)	2 3
Division		Conduct investigative interviews to understand customer needs and offer products that meet customer needs	★★★	Strove to always provide customers with readily understandable explanations and understand customer needs	Conduct investigative interviews to understand customer needs and offer new products	1 2
Construction & Realty Division	Supply quality housing with emphasis on safety and security	Place orders to appropriate construction and design companies, reorganize data on past development projects, such as building summaries, and ascertain compliance status for various ordinances and other pertinent laws and statutory regulations	***	Held quarterly inspections of projects at respective sales departments (members of headquarters administration divisions also attended), checked compliance status for various ordinances and other pertinent laws and statutory regulations	Comply rigorously with pertinent laws and statutory regulations by steadily implementing measures to strengthen control of construction/real estate group, provide quality housing	1 2
ealty Division	Give rigorous consideration to the environment	Promote environment-friendly businesses (rooftop greening, energy-conserving equipment for boilers) at group companies	★★★	Planned businesses for sale of environ- ment-friendly condominiums at group companies, also adopted water-supply- pipe-cleaning construction method	Promote environment-friendly businesses at group companies and implement reviews and training sessions	2 4
Logistics Services Division	Contribute to improvement of social overhead capital in newly industrializing countries through building of logistics infrastructure and increase level of customer satisfaction	Check problems concerning logistics sites in Chinese businesses and inspect labor conditions Expand logistics facilities mainly in Asia and pursue partner strategy	★★	Provided education and guidance through training at respective group companies to ensure they reflected Chinese labor laws appropriately	Encourage development of logistics infrastructure in Asia, contribute to increasing and strengthening social overhead capital and heighten customer satisfaction	4
	Provide logistics services with an emphasis on safety, efficiency, and concern for the environment	Confirm compliance with safety standards at logistics facilities periodically Consider possibility of efficient environment- friendly transport modes Develop standards for divisional initiatives	***	Checked on-site compliance with safety standards at monthly meetings. Implemented a questionnaire survey targeting business partners P.32. Major CSR initiatives 2	Provide logistics expertise in relation to amended Energy Conservation Law to companies the division uses, strengthen environment measures	2

*1: $\star \star \star$: Achieved $\star \star$: Nearly achieved \star : Unachieved

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

Perspectives from a third-party participant in our CSR meeting

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

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



Planning to provide highly creative service functions

Kenji Okada

President, Finance, Realty, Insurance & Logistics Services Company

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

Major CSR initiatives 1

Contributing to local communities through PFI business

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

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

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

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



The new Sendai observatory

Major CSR initiatives 2

Improving conditions of logistics sites and contributing to newly industrializing nations



Planning & Coordinating Section, Logistics Services Division

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

Major CSR initiatives 3

Participating in "MOTTAINAI Click Donation"



Minoru Abe temporarily transferred to FX PRIME Corporation

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





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