

Corporate Governance and Corporate Social Responsibility

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Corporate Governance

ITOCHU operates its business in accordance with the "ITOCHU's Credo and Way" and the "ITOCHU Corporation Code of Conduct." Our fundamental policy is to work towards the long-term improvement and preservation of our corporate value through building positive and effective relationships with our stakeholders. In order to execute our business activities in a fair and efficient manner in accordance with our fundamental policy, we will increase the transparency of our decision-making process and construct a management system that incorporates appropriate monitoring and supervisory functions.

Furthermore, we will operate our business on a basis of trust with our shareholders by ensuring adequate and timely disclosure of information and developing and maintaining accountability to the stockholders.

Management System

ITOCHU has adopted "the Board of Corporate Auditors" management system. The Board of Directors determines the important matters regarding ITOCHU and supervises the performance of the directors. Furthermore, in order to streamline our operations, we have adopted the Executive Officer System under which executive officers carry out their respective duties under the command and supervision of the Representative Directors. The Board of Corporate Auditors contributes to the sound growth of ITOCHU by monitoring the Company's management and performance of the Board of Directors. For example, the Corporate Auditors regularly attend Board meetings and other important internal meetings, meet on a regular basis with top managers, and periodically receive updated information. ITOCHU has also established the Advisory Board, which is made up of outside experts from various fields and which provides expert and objective opinions on the state of our management. In order to enhance the managerial responsibility and accountability of the directors, in the fiscal year ended March 2006 we discontinued the directors' retirement and severance allowance and integrated such allowance into each director's annual compensation package, which is determined taking into account the director's performance. Finally, beginning in the fiscal year ending March 2007 the term of office of directors and executive officers will be reduced to one year.

The Headquarters Management Committee and Other Internal Committees

The Headquarters Management Committee (HMC) is established as the supporting body to the President, and is the forum where in-depth discussions on general management policy and important issues relating to management take place on a regular basis. In addition to the HMC, We have also created other internal committees to examine and discuss management issues in specific areas, and to assist the decision-making of the President and the Board of Directors. (Please see the table on page 49.)

Division Company System

Under the Division Company System that we have had in place since fiscal year 1998, each of the seven Companies – Textile; Machinery; Aerospace, Electronics & Multimedia; Energy, Metals & Minerals; Chemicals, Forest Products & General Merchandise; Food; and Finance, Realty, Insurance & Logistics

Services – assumes responsibility for the operation of its business. Decision-making in each of these Division Companies rests with its president, who, with the support from the Division Company Management Committee (DMC), promptly and effectively addresses and reacts to the changes in the market and the needs of the clients. While the Division Companies have independent decision-making capacity, the Headquarters performs centralized planning and strategizing function over ITOCHU as a whole. The Headquarter maintains control over the Division Companies by exercising supervisory authority over important matters, and by setting financial, investment and other covenants (such as the maintenance of total assets, the incurrence of interest-bearing debt, and risk assets, etc.). With discrete management at the Division Companies level on the one hand, and centralized business strategy planning and administration for ITOCHU as a whole by the Headquarters on the other hand, we have built a well-balanced and efficient management system.

Internal Control

On April 19, 2006, the Board of Directors passed a resolution approving the "Basic Policy Regarding the Internal Control System." (Please see the table on page 50 for an outline of the policy.). In order to ensure the proper working of our Internal Control System, we will continue to revisit and improve this Basic Policy on a periodic basis.

The general objectives of internal control are three-fold: (1) to achieve full compliance with laws and regulations, (2) to ensure the accuracy, truthfulness and reliability of financial reporting, and (3) to improve the effectiveness and efficiency of management. With regard to the first objective, compliance with laws and regulations has always been and will continue to be an integral part of our continued endeavor to enhance the compliance system, as is described in detail on page 50. With respect to the second objective, we are developing internal regulations that incorporate appropriate control functions into the actual business process and are undertaking various internal control projects in order to ensure the accuracy, truthfulness and reliability of our financial reporting. Finally, with respect to the third objective, we have launched the "ITOCHU DNA Project ~Designing New Age~" as of the fiscal year ending March 2007, a business process re-engineering project aimed at improving the effectiveness and efficiency of our management.

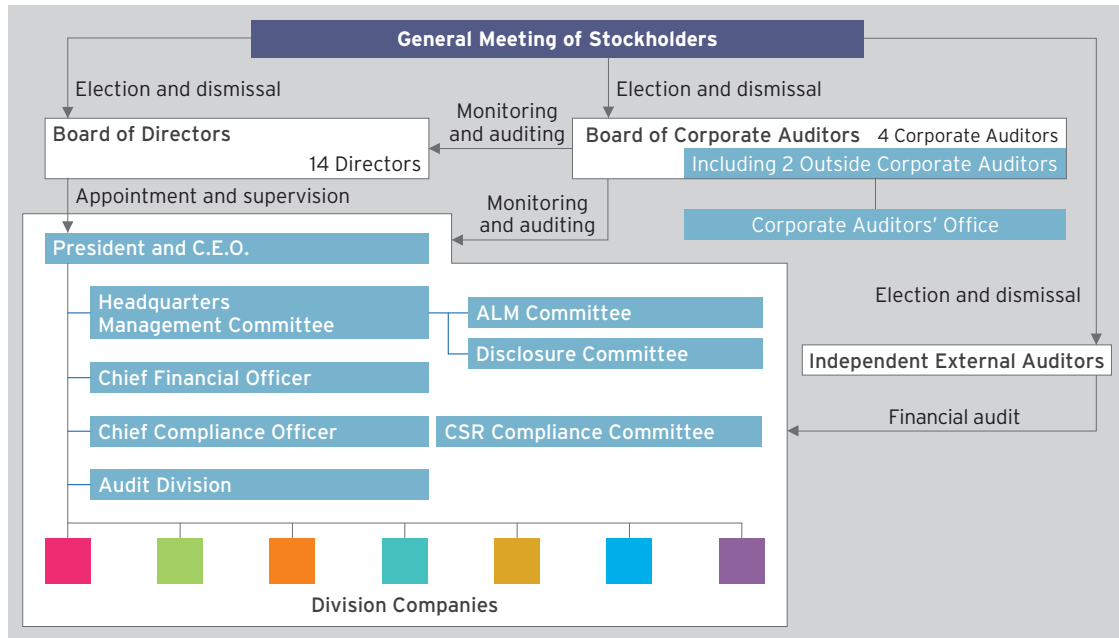
Risk Management

To adequately address the various risks associated with our business operations, such as market risk, credit risk, and investment risk, we have developed the requisite risk management system and risk management techniques, for example, establishing a full range of management regulations, investment criteria, and risk limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, we regularly review the effectiveness of the risk management system and are working to develop ever more sophisticated risk management techniques.

Reinforcing Disclosure and Accountability

The ITOCHU Corporate Code of Conduct states that "ITOCHU values communication with its shareholders, other stakeholders, and the public at large, and will fulfill its duty to make full, fair, and timely disclosure of corporate information". In keeping with this commitment, we have taken steps to ensure that our practice of disclosure is timely and appropriate. We have established internal policy on disclosure and implemented a communication system to ensure close contacts among concerned organizations. We have also continued to enhance our disclosure system by, for instance, establishing a Disclosure Committee in the fiscal year ended March 2006 and establishing an Investor Relations Department during the fiscal year ending March 2007.

Current ITOCHU's Corporate Governance System



Notes 1: Each Division Company has a Division Company President and a Division Company Chief Financial Officer.
 2: Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the important internal control systems and mechanisms are described herein.

Principal Internal Committees

Name	Objectives
ALM* Committee	Performs comprehensive balance sheets and risk management analysis, and makes recommendations on monitoring systems and improvement measures for management
Strategic Investment Committee	Deliberates and makes recommendations on strategic investment as planned in the mid-term management plan
Company-Wide Business Committee	Maximizes the collective and comprehensive strengths in company-wide business; and supports and promotes the realization of synergies between the Division Companies
Corporate Officer Compensation Consultative Committee	Deliberates and makes recommendations on the implementation and operation of the corporate officers compensation system
CIO* Committee	Deliberates, promotes, and makes recommendations on policies for the introduction and implementation of Information Technology to the ITOCHU Group
Disclosure Committee	Deliberates and makes recommendations on internal control policies and measures concerning information disclosure (including disclosure of financial statements)
CSR Compliance Committee	<ul style="list-style-type: none"> • Deliberates, promotes, and makes recommendations on policies and measures concerning CSR • Implements policies and programs for the full understanding of, and compliance with, the Company's management principles and corporate code of conduct
DNA* Project Committee	Deliberates and makes recommendations on policies and measures for promoting business process re-engineering throughout the entire ITOCHU Group

*ALM=Asset Liability Management *CIO=Chief Information Officer *DNA=Designing New Age

Outline of the Basic Policy Regarding the Internal Control System

Notes

1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

(1) Corporate Governance

- 1) As the decision-making body, the Board of Directors is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.
- 2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.
- 3) ITOCHU is to adopt The Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. The executive officers are to be appointed pursuant to a resolution by the Board of Directors, and are to carry out their designated functions and duties under the command and supervision of the Representative Directors.
- 4) The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

(2) Compliance

- 1) Directors and employees are to conduct themselves in accordance with the "ITOCHU's Credo and Way" and the "ITOCHU Corporation Code of Conduct."
- 2) ITOCHU is to establish a department that oversees all compliance matters, including all matters relating to the Chief Compliance Officer and the CSR Compliance Committee. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

(3) Internal Control to Ensure Reliability of Financial Reporting

- 1) ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of Chief Financial Officer to ensure the reliability of financial reporting.
- 2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the internal control systems to ensure the reliability of financial reporting.

(4) Internal audits

ITOCHU is to establish the Audit Division under the direct control of the President. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Stockholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time.

3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

4. System to Ensure Efficient Performance of Directors

(1) The HMC and other Internal Committees

The HMC (Headquarters Management Committee) as a supporting body to the President, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President and the Board of Directors.

(2) Division Company System

Under the Division Company System, the position of Company President is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

(3) Clearly Define the Scope of Authority and Responsibilities

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

5. System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU Corporation and its Subsidiaries)

(1) Subsidiary Management System

ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU Corporation is to send directors and auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.

(2) Compliance

ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system at each subsidiary in accordance with the "ITOCHU Group Compliance Program," and is to implement full compliance in the entire ITOCHU Group through education and training.

(3) Internal Audits

All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

6. Matters Concerning Supporting Personnel to Auditors and Independence of such Personnel from the Directors

ITOCHU is to establish the Corporate Auditors Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the Corporate Auditors. The supervisory authority over such employees is to belong exclusively to the Board of Corporate Auditors, and evaluation of such employees is to be carried out by the Corporate Auditors designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by the Board of Corporate Auditors.

7. System for Reporting by Directors and Employees to Corporate Auditors

(1) Attendance at Important Meetings

The Corporate Auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the Corporate Auditors are to have the right to inspect all relevant materials.

(2) Reporting System

- 1) The directors and corporate officers are to regularly report to the Corporate Auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the Corporate Auditors immediately after such decisions are made.
- 2) Employees are to have the right to report directly to the Corporate Auditors any matters that could cause serious damage to ITOCHU.

8. Other Relevant Systems to Ensure the Proper Functioning of Audits

(1) Coordination with the Auditors in the Audit Division

The Audit Division is to maintain close communication and coordination with the Corporate Auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

(2) Retaining External Experts

When deemed necessary, the Corporate Auditors are to independently retain external experts for the implementation of an audit.

Corporate Officers

As of July 1, 2006



Makoto Kato Vice Chairman	Sumitaka Fujita Vice Chairman	Akira Yokota Executive Vice President	Kouhei Watanabe Executive Vice President
Toshihito Tamba Senior Managing Director	Eizo Kobayashi President and Chief Executive Officer	Uichiro Niwa Chairman	

Board of Directors

President and Chief Executive Officer

Eizo Kobayashi

1972 Joined ITOCHU Corporation
2004 President and
Chief Executive Officer

Chairman

Uichiro Niwa

1962 Joined ITOCHU Corporation
2004 Chairman

Vice Chairmen

Makoto Kato

Chief Officer for
Kansai District Operation
1964 Joined ITOCHU Corporation
2006 Vice Chairman

Sumitaka Fujita

1965 Joined ITOCHU Corporation
2006 Vice Chairman

Executive Vice Presidents

Akira Yokota

Chief Operating Officer, Division
Companies Operation;
Executive Advisory Officer for
Machinery Company and Energy,
Metals & Minerals Company
1967 Joined ITOCHU Corporation
2003 Executive Vice President

Kouhei Watanabe

Chief Corporate Planning Officer;
Chief Information Officer;
Executive Advisory Officer for Food
Company
1971 Joined ITOCHU Corporation
2006 Executive Vice President

Senior Managing Directors

Toshihito Tamba

Chief Administration Officer;
Chief Financial Officer;
Chief Compliance Officer
1972 Joined ITOCHU Corporation
2005 Senior Managing Director

Shigeki Nishiyama

President, Aerospace, Electronics &
Multimedia Company
1974 Joined ITOCHU Corporation
2006 Senior Managing Director

Masahiro Okafuji

President, Textile Company
1974 Joined ITOCHU Corporation
2006 Senior Managing Director

Managing Directors

Yosuke Minamitani

President, Chemicals, Forest Products &
General Merchandise Company
1974 Joined ITOCHU Corporation
2006 Managing Director

Shigeharu Tanaka

President, Food Company
1974 Joined ITOCHU Corporation
2006 Managing Director

Takanobu Furuta

President, Machinery Company
1973 Joined ITOCHU Corporation
2006 Managing Director

Yoichi Kobayashi

President, Energy, Metals &
Minerals Company
1973 Joined ITOCHU Corporation
2006 Managing Director

Takao Shiomi

President, Finance, Realty, Insurance &
Logistics Services Company
1975 Joined ITOCHU Corporation
2006 Managing Director



Haruo Sakaguchi Corporate Auditor
Nobuyoshi Umeno Standing Corporate Auditor
Tsutomu Miyakushi Standing Corporate Auditor
Tadashi Kudo Corporate Auditor

Board of Corporate Auditors

Corporate Auditors

Tsutomu Miyakushi

1968 Joined ITOCHU Corporation
 2003 Standing Corporate Auditor

Nobuyoshi Umeno

1968 Joined ITOCHU Corporation
 2004 Standing Corporate Auditor

Haruo Sakaguchi

1989 Vice Chairman, Japan Federation of Bar Association
 1990 Chairman, Osaka Bar Association
 2001 Chairman, Osaka Public Bid Monitoring Committee
 2003 Corporate Auditor, ITOCHU Corporation

Tadashi Kudo

2002 President & Chief Executive Officer, Mizuho Bank, Ltd.
 2004 Advisor, Mizuho Bank, Ltd.
 2005 Corporate Auditor, ITOCHU Corporation

Executive Officers

Managing Executive Officers

Etsuro Nakanishi

Executive Vice President, Textile Company;
 Chief Operating Officer, Textile Division
 1971 Joined ITOCHU Corporation
 2005 Managing Executive Officer

Toru Ota

General Manager for Nagoya Area
 1970 Joined ITOCHU Corporation
 2005 Managing Executive Officer

Yoshio Akamatsu

President & C.E.O., ITOCHU International Inc.
 1974 Joined ITOCHU Corporation
 2005 Managing Executive Officer

Masahiro Nakagawa

Deputy Chief Corporate Planning Officer;
 Chief Officer for International Operations;
 General Manager, International Operations Division
 1974 Joined ITOCHU Corporation
 2005 Managing Executive Officer

Nobuo Kuwayama

General Manager for China;
 Chairman, ITOCHU (China) Holding Co., Ltd.;
 Chairman & General Manager, ITOCHU Shanghai Ltd.
 1971 Joined ITOCHU Corporation
 2006 Managing Executive Officer

Minoru Akimitsu

General Manager, IT Planning Division;
 Manager, ITOCHU DNA Project Office
 1973 Joined ITOCHU Corporation
 2006 Managing Executive Officer

Yoshihisa Aoki

Executive Vice President, Food Company;
 Chief Operating Officer, Food Products Marketing & Distribution Division
 1974 Joined ITOCHU Corporation
 2006 Managing Executive Officer

Hiroo Inoue

Executive Vice President, Aerospace, Electronics & Multimedia Company
 1975 Joined ITOCHU Corporation
 2006 Managing Executive Officer

Yoshihisa Suzuki

Executive Vice President & CAO, ITOCHU International Inc.;
 President, ITOCHU Canada Ltd.
 1979 Joined ITOCHU Corporation
 2006 Managing Executive Officer

Executive Officers

Yoshio Matsumi

General Manager, Innovative
Technology Business Development
Office
1969 Joined ITOCHU Corporation
2004 Executive Officer

Tadayuki Seki

General Manager, Finance Division
1973 Joined ITOCHU Corporation
2004 Executive Officer

Akitomo Noto

Chief Operating Officer, Fresh Food &
Food Business Solutions Division
1973 Joined ITOCHU Corporation
2004 Executive Officer

Toyoshige Yamada

General Manager, Strategic Business
Development Department
1973 Joined ITOCHU Corporation
2004 Executive Officer

Kazutoshi Maeda

Deputy Chief Administration Officer
1974 Joined ITOCHU Corporation
2004 Executive Officer

Kenichi Kamiyoshi

Senior Vice President, Textile
Company;
Chief Operating Officer, Textile
Material & Industrial Textile Division
1974 Joined ITOCHU Corporation
2004 Executive Officer

Shuichi Morozumi

Chief Operating Officer, Forest
Products & General Merchandise
Division
1975 Joined ITOCHU Corporation
2004 Executive Officer

Takeyoshi Ide

General Manager for European
Operation;
C.E.O., ITOCHU Europe PLC;
C.E.O., ITOCHU Deutschland GmbH
1975 Joined ITOCHU Corporation
2004 Executive Officer

Masahito Tominaga

General Manager, Affiliate
Administration & Risk Management
Division
1971 Joined ITOCHU Corporation
2005 Executive Officer

Kazuhide Sasa

Chief Operating Officer, Brand
Marketing Division 1
1974 Joined ITOCHU Corporation
2005 Executive Officer

Shozo Yoneya

General Manager, General Accounting
Control Division
1974 Joined ITOCHU Corporation
2005 Executive Officer

Kenji Okada

Chief Operating Officer, Construction
& Realty Division
1974 Joined ITOCHU Corporation
2005 Executive Officer

Tetsushi Ishizuka

General Manager, Human Resources
Division
1975 Joined ITOCHU Corporation
2005 Executive Officer

Koji Takayanagi

Chief Operating Officer, Energy Trade
Division
1975 Joined ITOCHU Corporation
2005 Executive Officer

Toru Nomura

Chief Operating Officer, Plant &
Project Division
1976 Joined ITOCHU Corporation
2005 Executive Officer

Yoshio Matsukawa

Chief Operating Officer, Energy
Development Division
1974 Joined ITOCHU Corporation
2006 Executive Officer

Takeshi Kumekawa

Chief Operating Officer, Brand
Marketing Division 2
1974 Joined ITOCHU Corporation
2006 Executive Officer

Kunihiko Tamano

Chief Financial Officer, Energy, Metals
& Minerals Company;
General Manager, Energy, Metals &
Minerals Control Department
1974 Joined ITOCHU Corporation
2006 Executive Officer

Yoshiharu Matsumoto

General Manager, Corporate
Communications Division
1975 Joined ITOCHU Corporation
2006 Executive Officer

Satoshi Kikuchi

General Manager, Corporate Planning
& Administration Division
1976 Joined ITOCHU Corporation
2006 Executive Officer

Shintaro Ishimaru

Assistant, Chief Corporate Planning
Officer
2006 Joined ITOCHU Corporation
2006 Executive Officer

Toru Matsushima

Chief Operating Officer, Automobile
Division
1979 Joined ITOCHU Corporation
2006 Executive Officer

Yuji Fukuda

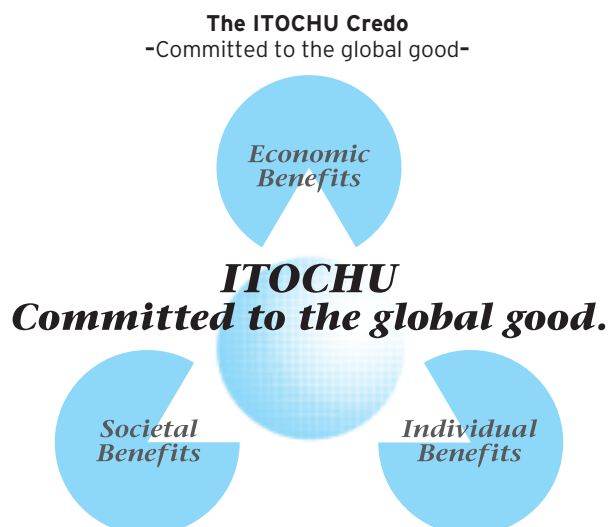
Chief Operating Officer, Chemicals
Division
1979 Joined ITOCHU Corporation
2006 Executive Officer

Corporate Social Responsibility (CSR)

Promotion of Corporate Social Responsibility

Compliance with corporate credo and code of conduct

In order to contribute as a good corporate citizen to the creation of a sustainable society, ITOCHU has set forth a corporate ideal of being "Committed to the Global Good" in "The ITOCHU Credo". Also, ITOCHU has established the "ITOCHU Corporation Code of Conduct" as a concrete formulation of "The ITOCHU Credo" and as a standard of judgment and conduct for its employees. We are making every effort to ensure that our employees understand them thoroughly and comply with them. In the fiscal year ended March 2006, we created new e-learning programs on "The ITOCHU Credo" and "ITOCHU Corporation Code of Conduct," and had all employees, including overseas local staff, take the programs.



Strengthening CSR efforts

ITOCHU has ever implemented corporate social responsibility (CSR) through its business activities. ITOCHU has positioned the issue of CSR as one of the prioritized measures in the Company's mid-term management plan, "Frontier-2006", and it is decided that the CSR promotion office set up in April 2005 is mainly in charge of enhancing our CSR efforts in a more organized and systematic manner. The basic policy and concrete measures pertaining to CSR will be discussed and formulated by the CSR Compliance Committee. ITOCHU has thus laid out the framework for promoting CSR more actively.

ITOCHU Corporation Code of Conduct

1) Observance of Laws and Regulations

ITOCHU respects the laws and regulations of the countries where it does business and international rules, and will pursue the highest standards of ethical behavior in its dealings with customers, suppliers, employees, shareholders, and other stakeholders.

2) Supply of Quality Products and Services

ITOCHU is concerned with product safety and the conservation of the environment, energy, and natural resources, and maintains a keen interest in the supply of safe and quality products. ITOCHU will carefully consider the social utility of products and services it supplies.

3) Management with a Long-Term Vision

ITOCHU will not pursue short-term interests at the expense of its reputation for integrity, and will conduct its business with a long-term vision.

4) Fair Dealing

ITOCHU recognizes that free and fair competition is a fundamental principle of the market economy and will engage in free and fair competition. In addition, ITOCHU will maintain a fair, sound, and open relationship with government agencies and political bodies.

5) Disclosure

ITOCHU values communication with its shareholders, other stakeholders, and the public at large, and will fulfill its duty to make full, fair, and timely disclosure of corporate information.

6) The Environment

ITOCHU will remain vigilant in addressing today's critical environmental issues.

7) Good Corporate Citizen

ITOCHU will seek harmony between the pursuit of profit and contribution to society, and will actively fulfill its role as a good corporate citizen.

8) Working Conditions

ITOCHU will promote good working conditions for its employees, respect the dignity and personality of employees, and foster an open culture where ideas can be freely expressed and creativity can be fully developed.

9) Policy Against Antisocial Organizations

ITOCHU will stand firmly against forces or organizations that threaten the order and security of the public.

10) Globalization

ITOCHU will respect the cultures and customs of all countries in which it operates, and conduct its overseas activities in a way that contributes to development in all such locales.

11) Compliance

ITOCHU intends that all directors, officers, and employees of ITOCHU understand and comply with this Code and will develop a system to enhance the understanding, implementation and effectiveness of this Code.

12) Commitment by Executives

The executives of ITOCHU will take the lead in implementing and enforcing this Code, and will vigorously address violations through investigations. Fair and appropriate disclosure shall be made of any such incidents, and appropriate discrepancy measures, based on principles of accountability, including action directed toward themselves, shall be taken by ITOCHU's executives.

ITOCHU's Concept of Corporate Social Responsibility

ITOCHU, as a global company, believes that we must be a good corporate citizen not only in Japan but also worldwide and strongly recognizes the need to co-exist with society as a corporate citizen.

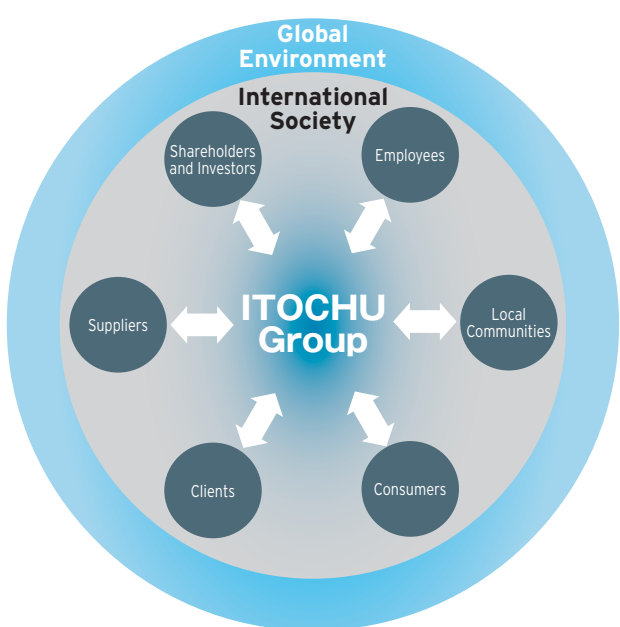
With its business operations expanding into diversified fields and various regions in the world, ITOCHU Group maintains relations with various stakeholders. In order to successfully co-exist with society, we think it most important to grasp the expectations and concerns of these stakeholders through better communication and to reflect them in our daily business operations. We believe that continuing efforts to listen seriously to the voices of our stakeholders and to reflect them in the management will make us a company that is supported, trusted, and needed by society over 10 or even 100 years into the future.

Based on these recognitions, ITOCHU has summed up its concept of corporate social responsibility as follows:

Basic perspective on CSR

As a constituent of society, a corporate enterprise has obligations to fulfill in order to be a good corporate citizen. Therefore, ITOCHU Group must take account of the needs and requests of various stakeholders, and through active communication with them, develop and implement management visions and specific initiatives that benefit society. This shall enable the ITOCHU Group to gain their support and trust as well as to ensure its sustainability.

Major stakeholders of ITOCHU Group



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

Toward effective CSR activity

The core of our CSR activity is a firm desire to contribute to the creation of a sustainable society through our businesses. Promotion of effective CSR activities in our work demands sure execution of specific approaches. To this end, it is indispensable to clearly define targets and draft concrete plans. So we had a series of discussions and have consequently defined the basic policies in the CSR promotion for the duration of ITOCHU's mid-term management plan, "Frontier-2006," as follows.

Basic policies in the CSR promotion activities during "Frontier-2006"

1. Strengthening communication with stakeholders
2. Enhancing safety and reliability in the product, service, and human aspects
3. Promoting CSR-related education and enlightenment

Formulation of CSR action plans

Our seven Division Companies are involved in respectively different industries and fields. We therefore adopted the policy of having each Division Company formulate its own CSR action plan, in the belief that targets had to be set separately for each domain.

*Please see CSR Report (page 9-22) for the action plans of our Division Companies.

Furthermore, concerning company-wide CSR issues that need to be reinforced and addressed, we consider it important to regularly review the progress of CSR promotion from company-wide perspective, identify the issues and tackle them under the headquarters leadership.

*Please see CSR Report (page 29-30) for the action plans of which will be promoted under the headquarters leadership.

The results are to be reviewed biannually for ongoing improvement of the action plans.

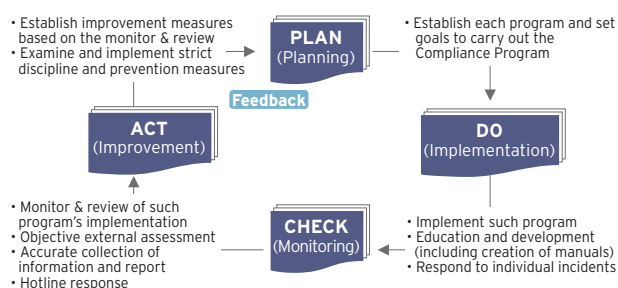
In the belief that it is vital to take a group-wide approach to CSR, we are taking steps for the spread of CSR activities from ITOCHU Corporation to our group companies in Japan and, in turn, to those in other countries, by sharing the ITOCHU's CSR perspective and conducting seminars on CSR.

Compliance

To do “Kyo sei” (living and working together for the common good) as a good corporate citizen, ITOCHU Corporation must strictly comply with the laws and regulations in the society as a minimum prerequisite. ITOCHU Corporation regards compliance as a very foundation and bottom line of CSR, and is taking related approaches.

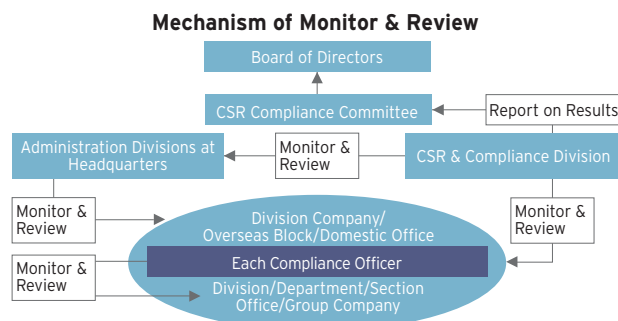
Continuous improvement through the PDCA cycle

To implement compliance, each organization within the ITOCHU Group has formulated “compliance program” as its action plan. Based on these programs, we are pursuing a continuous improvement of compliance by engaging our business activities in accordance with the PDCA cycle.



Check of activities through monitor and review

As one of the mechanisms for the check portion of the PCDA cycle, we have established a system to monitor the status of the creation and improvement of various programs, and compliance manuals and the implementation of education and training programs by each organization within the ITOCHU Group, and then, to review the results for improvement. More specifically, we semi-annually mail questionnaires to our division companies, administration divisions at headquarters, domestic and overseas branches and offices, and group companies to obtain their responses on this subject. Moreover, the questionnaires are sent by each of those organizations to front-line people within the unit, and we report on the findings to the top management.



Results of questionnaires on monitor and review (excerpt)

Questionnaire items	Results				
	March 2004	September 2004	March 2005	September 2005	March 2006
1. Percentage of our group companies that have formulated compliance programs	82%	83%	94%	97%	99%
2. Percentage of our overseas offices that have formulated compliance programs	69%	71%	87%	99%	99%

Compliance education and training

We have classified laws and regulations into two categories: “company-wide laws” (laws and regulations that commonly apply to all types of business) and “industry-specific laws” (laws and regulations that apply to specific types of goods and services handled). A list of applicable laws as well as compliance manuals are prepared by each administration division at headquarters for the former, and the respective units of the division companies for the latter.

Provision of Internal Information System (Hotline)

In 2002, we set up “provision of internal information system (Hotline)” as a system for reporting compliance accidents/incidents. We partially revised this system when the Public Interest Provider Protection Law (in Japan) went into effect in April 2006.

Internal Audit

Audit Division conducts an audit on a yearly basis in order to check if the compliance framework, including the examination of the aforementioned Monitor & Review, is functioning sufficiently. In addition to this, regular audit is also conducted to check if the relevant institution is adequately meeting compliance requirements.

Security Trade Control

To prevent the proliferation of weapons of mass destruction and conventional weapons, Japan maintains strict security trade control based on Foreign Exchange and Foreign Trade Law. To observe such laws and regulations we have implemented our own internal security trade control program. Further, to make sure we do not take part in business transactions that threaten international peace and security, not only does ITOCHU meticulously comply with existing government laws and regulations, but we are voluntarily taking extra measures to ensure that our stakeholders and corporate reputation are adequately safeguarded through our implementation of a global security risk management program.

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

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

Environmental Issues

Environmental Assessment

ITOCHU deals with a wide variety of products and makes investments in various kinds of businesses both in Japan and overseas. Consequently, our business activities may have a great impact on the global environment. With this recognition, ITOCHU formulated ITOCHU's Environmental Policy in 1997 and, based on this policy, ITOCHU started trying to contribute to the realization of a sustainable, recycling-based society. ITOCHU considers the most important thing is the system for environmental assessment through which we conduct thorough checks beforehand on transactions of new products or investments in new projects, from an environmental point of view.

All proposals for dealing with a new product must receive an assessment by Global Environment Office which examines the proposal from an environmental point of view when it has been filed. Proposals for a new investment or new development will be inspected thoroughly in terms of environmental impact, and when they are judged to have an environmental impact in any respect, advice will be sought from Global Environment Office and if necessary, an environmental assessment by a specialized institution will be conducted (environmental impact preliminary surveys concerning the natural environment of the concerned area, laws and regulations of the concerned country, international treaties, etc.)

Environmental Management Systems

ITOCHU has built a company-wide Environmental Management System with Head of the Global Environment Committee appointed by the President being the chief officer in charge. The Global Environment Committee functions as a consultative body. The Executive Environmental Manager appointed by Head of the Global Environment Committee will oversee the actual implementation. Each Division has an environmental manager (75 in total) and "eco leaders" are also appointed to work under the environmental manager. ITOCHU received ISO14001 certification in 1997 and implements environmental management and annual internal environmental audits that conforms to the ISO14001 standard.

With respect to the Group Companies, ITOCHU also established an environmental manager position in March 2005

mainly in domestic consolidated subsidiaries, based on the recognition that they need further promotion of environmental efforts. Also, ITOCHU has conducted every year since the fiscal year ended March 2002 an environmental assessment (actual condition survey) for some twenty companies selected from among the Group Companies for which special environmental attention is required. ITOCHU intends to maintain the environmental management efforts for its Group Companies in a more articulate way by identifying the areas and industries that need focused efforts while further promoting environmental risk prevention as well as environmental conservation.



Hon. Prof. Wangari Maathai speaking to the employees of Tokyo Headquarters



Support for MOTTAINAI* Campaign

When we consider how we can contribute to environmental conservation through our business, ITOCHU recognizes that it is most important for us to implement each of our business operations in environmentally-sound ways. One of the business operations which ITOCHU has recently implemented in order to contribute to the creation of a recycling-oriented society is the MOTTAINAI Campaign which is getting a lot of attention lately.

The MOTTAINAI Campaign was proposed by honorary professor Wangari Maathai, the first environmental activist who won the Nobel Peace Prize for her achievements in promoting afforestation and in other activities. ITOCHU joined the MOTTAINAI Campaign in July 2005 and created the MOTTAINAI brand, the first brand in the world featuring environmentally-friendly, recycling-oriented products. ITOCHU will use its vast expertise in commercializing various brands and the licensing business and work together with the MOTTAINAI base office (The Mainichi Newspapers) in order to support expansion of the MOTTAINAI Campaign

on a global scale. ITOCHU intends to commercialize products incorporating the "3R's" precepts (Reduce, Reuse, Recycle) such as those that would generate less waste, those that are reusable, and those that are recyclable. We will also be promoting the campaign through the business we excel in, that is, our contents business (music distribution, film and event) from a unique viewpoint.

Please see CSR Report (page 39 - 41) for more details.

*"Mottainai" whose origin is a Buddhist term has a meaning of respects for ties with everything.

Social Contributions

One of the three pillars of our Credo is the "Societal Benefits," that is, the building of societies that are enriched and more fulfilling. To achieve these benefits, we are committed to retaining an international perspective, remaining aware of the role we must play as a good corporate citizen, and practicing activities of social contribution both inside and outside Japan.

Social Contributions through Business

ITOCHU aims to contribute to society through our businesses and considers it important that we implement activities toward this goal. A unique example of such efforts is our alliances with local governments in Gifu, Fukui, Shimane, Miyagi, Mie, and other prefectures in Japan to assist local firms that are distinguished by outstanding feature or new technologies. ITOCHU provides diverse support from investment in good regional enterprises to support in expansion of business opportunities and human resources development.

Other Forms of Social Contribution

In addition to social contribution efforts through our own businesses, ITOCHU provides support for issues of global concern such as food aid and emergency assistance after large-scale disasters. Furthermore, we have held the ITOCHU LOBBY CONCERT every year since 1992 and invited local residents and those from facilities for disabled persons to come and enjoy the performance. ITOCHU and its Group Companies have also been supporting Center for Climate System Research, The University of Tokyo (CCSR) in their research on global warming since 1991. Furthermore, the ITOCHU Foundation provides support to the activities of individuals and private-sector groups promoting children's reading and related guidance, aiming to contribute to the sound upbringing of children to lead the way into the next generation. ITOCHU also proactively supports the employees' volunteer activities through a volunteer leave and offers subsidies for employee seminar fee.

Providing Comfortable Working Conditions for Our Employees

For the sustainable development of a company like ITOCHU, whose business extends internationally and to various sectors, it is indispensable to secure and develop a diverse set of employees regardless of gender, nationality, or age. ITOCHU also considers it necessary to provide comfortable working environments and to ensure the safety and wellbeing of its employees. At the same time, we seek to create a corporate atmosphere conducive to freedom and creativity while respecting the personality and distinctive traits of individuals as far as possible.

Securing and Developing Diverse Human Resources

To sharpen our response to economic globalization and promote consolidated management, it is vital to utilize employees in accordance with the specific situations of our respective business fields. Thus, we formulated our Promotion Plan on Human Resource Diversification in December 2003. This plan aims to maximize the diversity of employees, regardless of gender, nationality, or age, and to this end, we have implemented concrete programs for equal opportunity career development, for developing overseas local staff, utilizing senior employees, and developing strong career pathing.

Meanwhile, in order to provide opportunities to work together with people who have physical and other handicaps, we established ITOCHU Uneedus Co., Ltd., in 1987 as a special company under the Law for Employment Promotion, etc., of the Disabled. Since then, we have maintained a high level of employment, and as of April 1, 2006, disabled people accounted for 2.2% of our total workforce, compared with 1.8% as mandated by law.

In our efforts to employ diverse personnel, ITOCHU was selected as a Business of Excellence for the Employment of Disabled Persons by the Minister of Health, Labor, and Welfare in the fiscal year ended March 2002, and received the Corporation Award for the Promotion of Gender Equality from

the Director-General of the Tokyo Labor Bureau for the fiscal year ended March 2006.

Providing Comfortable Working Conditions for Our Employees

To provide attractive working conditions which enable employees to balance work and family obligations comfortably, ITOCHU has implemented various measures to support child care and nursing care for its employees. We are making efforts to publicize the content of such measures and promote understanding of co-workers including supervisors so that a greater number of employees will be able to fully utilize these measures.

To maintain the mental health of employees and address their job-related concerns, we implement measures that place focus on prevention rather than treatment. We have started Stress Management Program (checkup on the mental health of employees) in 2005 and also set up a system to provide in-house counseling from psychiatrists and clinical psychologists. Moreover, we provide career counseling and career support for employees with different aptitudes and diverse work experiences.

Creation of Attractive Company/Corporate Atmosphere

Creation of attractive company/corporate atmosphere through promoting diversity regardless of gender, nationality, or age.

Fostering and appointing female executives

