

# Headquarters, Administrative Organizations



## A Message from the CFO (Chief Financial Officer)

After more than 10 years of initiatives to strengthen our financial position, we succeeded in improving our net debt-to-equity ratio (NET DER) to 1.41 times at the end of March 2011. Accordingly, under Brand-new Deal 2012, we have made a major shift in our focus going forward. We are now proactively seeking new opportunities, but there will be no change in our policy of paying rigorous attention to financial soundness. Specifically, we will maintain NET DER of less than 2 times and aim to achieve a credit rating of “A” from overseas credit rating agencies. To that end, we must take steps to build a solid balance sheet. For example, we will need to increase the probability of generating earnings from our sales and investment activities, which will be re-energized through our focus on proactively seeking new opportunities. We will also need to further bolster stockholders’ equity.

In fiscal 2011, prior to the start of Brand-new Deal 2012, we revised our method of calculating risk assets, and our investment criteria. Risk assets are the maximum losses that could occur in the future for all assets on the balance sheet as well as for off-balance-sheet transactions. Our basic policy is that risk assets are balanced with the risk buffer. Also, in deciding whether or not to move ahead with investment projects, we calculate the present value, reflecting the risk of fluctuations in future cash flows. Now, we have revised these calculation and decision-making methods, resulting in an approach that better reflects actual conditions. (For more details, please see the following page.) Through these policies, we will strive to maximize earnings by building an asset portfolio that follows clear financial discipline and maintaining financial soundness.

Furthermore, with a higher level of stockholders’ equity, we will need to increase the emphasis on ROE in portfolio management. Accordingly, we will manage our portfolio with consideration for ensuring that newly acquired assets offer a level of profitability that is sufficient from the perspective of ROE. Also, even though we are planning a record high level of new investment, we will pay continual attention to the soundness of free cash flow.

As suggested by the key word “Prevent,” we will work to reinforce and optimize internal control and risk management on a Group-wide basis. Specifically, in the development of internal control systems for financial reporting, we will strive to build a system in which the front-lines—Division Companies and affiliates—play a more central role in evaluation and improvement initiatives. In addition, as our overseas earnings increase, we will strengthen our internal control systems for overseas subsidiaries and affiliates.

Under Brand-new Deal 2012, we are emphasizing proactively seeking new opportunities, but this does not mean that we are stepping back from the key word “Prevent.” In the past, we have tended to control business departments by mechanically applying uniform rules. However, as we implement initiatives to strengthen our front-line capabilities, we will transition to an approach that entails developing a deep knowledge of each project, grasping its essential qualities, and sharing that understanding with business departments, thereby deriving the best solutions. This type of approach will require the judgment of professionals with expertise, and overall optimization viewpoint. As the “engine” becomes stronger, it will be necessary to increase the performance of the “brakes” for coping with enlarged potential risks. By effectively combining these two functions, we will strive to support the sustainable growth of ITOCHU.



**Tadayuki Seki**

CFO

### Organizational Structure



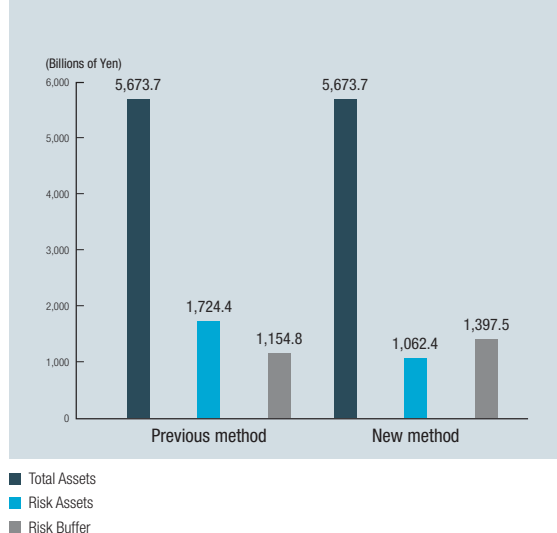
## Revision of Risk Asset Calculation Method

With the objective of securing management stability and soundness, since fiscal 2001 we have used risk assets (Note 1) as an indicator for the implementation of risk capital management. When the risk asset indicator was first introduced, our top priority was to improve our balance sheet by reducing inefficient assets, and accordingly the risk weight was set conservatively. As a result, we took steps that substantially strengthened our balance sheet, such as increasing stockholders' equity and improving our NET DER. In this way, we laid the foundation for a transition to a new stage of growth. Consequently, we recently made substantial revisions to our risk asset calculation method for the first time in 10 years. We have shifted to a method that is better reflecting actual conditions in the measurement of risk assets. Specifically, we (1) revised the risk weight, which was overly conservative, (2) considered the effects of diversification, and (3) revised the definition of the risk buffer. (Note 2)

Calculated with the new formula, our risk assets at the end of fiscal 2011 were within the limits of the risk buffer, and we had the leeway to invest in new projects. We believe that it is desirable to balance risk assets and the risk buffer. Moving forward, we will implement appropriate risk control while maintaining a focus on the balance between risk assets and the risk buffer, even when risk assets increase due to investment in profitable projects.

(Note 1) Risk assets = maximum amount of the possible future loss from assets  
= risk capital (asset book value, etc.) multiplied by the risk weight for each asset  
(Note 2) The new method was officially introduced from fiscal 2012.

## Risk Assets at the Fiscal 2011 Year-End



### Changes under the new method

- (1) Revision of overly conservative risk weight
- (2) Consideration for effects of diversification
- (3) Revision of risk buffer definition

### Definition of risk buffer (RB)

Previous formula: RB = consolidated stockholders' equity  
New formula: RB = consolidated stockholders' equity + noncontrolling interest

## Revision of Investment Criteria

In fiscal 2011, prior to the start of our new medium-term management plan, Brand-new Deal 2012, we revised our investment criteria. Previously, with the objective of strictly weeding out low return investments and improving asset efficiency on a company-wide basis, we made investment decisions by using risk assets and the uniform hurdle rate for all business areas. This policy had the desired effect. We were able to substantially improve our balance sheet and lay the foundation for proactively seeking new opportunities. Accordingly, to enable us to build an appropriate investment portfolio in a new stage of growth, we revised the investment criteria. Specifically, in making investment decisions, cash flow

based on carefully considered business plans is discounted to the present value using a hurdle rate that reflects individual countries and business areas, and this amount is compared to the amount of the investment. As a result of this revision, we can now make investment decisions that take into account the specific characteristics of each project.

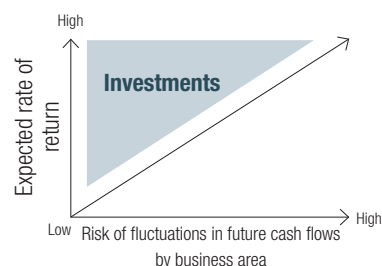
### Previous approach

Use of the uniform hurdle rate for all projects



### New approach

Use of different hurdle rate for each business area





## A Message from the CSO (Chief Strategy Officer)

How best to allocate funds, personnel, and other management resources among business segments is one of the most important management tasks in a general trading company.

April 2011 saw ITOCHU implement a major reorganization of its Division Companies for the first time in 11 years. We reduced the number of Division Companies from seven to five. Also, we extensively reformed the administrative organizations in order to strengthen their functions—decreasing the number of headquarters administrative divisions from 16 to 11. Moreover, aiming to position business accounting and control operations and credit control operations nearer to front-line operations, we incorporated them into Division Companies. The aim of those organizational changes was to optimize the use of management resources.

Economic conditions and industrial structures are changing dynamically. In light of our strengths and the distinctive features of our business portfolio, we will constantly check whether our organizations and personnel deployment are optimal. How we deploy management resources will affect competitiveness. Bearing this in mind, we will continue seeking optimal solutions going forward.

Another key task is to “Expand Our Scale of Operations,” one of the basic policies of our new medium-term management plan Brand-new Deal 2012. While maintaining financial soundness, we aim to increase the scale of earnings and assets steadily through disciplined expansion of operations.

To this end, stepping up initiatives overseas is critical. We will develop and cultivate profitable businesses and thereby accumulate superior assets overseas, not only in China where we put an emphasis on under Brand-new Deal 2012 but in the Machinery-Related or Natural Resource-Related Sectors.

In order to implement such strategies, Division Companies will take the lead in overseas business development more than ever before. In principle, vertically integrated Division Companies organized by product category will advance strategies worldwide. At the same time, we will effectively integrate the lateral functions of overseas blocs with these strategies.

On the other hand, I believe that establishing and using lateral functions is crucial if we are to realize comprehensive capabilities as a general trading company.

Newly established under the direct control of the President & CEO, the Research & Business Development Division will identify potential highly profitable projects and, if necessary, coordinate among Division Companies for lateral business initiatives that span multiple Division Companies or for projects in new business areas not yet assigned to a Division Company. Further, I want to add impetus to particularly important projects through top-down management and direction as the CSO.



**Koji Takayanagi**

CSO

### Organizational Structure



## Comments from Overseas Regional Headquarters

### North America

**Eiichi Yonekura**  
President & CEO,  
ITOCHU International Inc.



In fiscal 2011, we exited from underperforming businesses and also participated in new ventures such as a wind power generation project. In fiscal 2012, while the pace of economic recovery is expected to remain moderate, we will continue to reform our management structure and remain firmly committed to restructuring our earnings base by expanding our scale in a disciplined manner. We are aggressively pursuing investment opportunities uniquely available in North America, in the new fields in which we have experience and expertise. United in our resolve to grow and prosper, we are poised to move boldly into a new era.

### Latin America

**Masaki Hayashi**  
C.E.O. for  
Latin America



The Latin America region is steadily gaining importance as a supplier of various natural resources and food. From a global perspective, we are aggressively focusing on such areas as minerals, forestry, bio-ethanol, and agricultural products. At the same time, buoyed by rapidly growing domestic demand in the region, we are aiming to create new earning sources through trading and investments in such business areas as social infrastructure, automobiles, industrial plants, chemicals, medical equipment, and telecommunications.

### Europe

**Takeishi Kumekawa**  
Chief Executive for  
European Operation



In Europe, rapid growth is not expected due to the handling of the fiscal crisis in southern Europe and the austerity measures to enhance fiscal soundness. Nonetheless, external demand, such as demand associated with economic growth in emerging countries, will have a positive effect, and ongoing growth is anticipated, albeit on a small scale.

In this setting, we will implement investment in such business areas as the development of environment-friendly renewable energy, IPP (independent power producer) projects, and consumer-related business areas.

### Africa

**Tomoyuki Akamatsu**  
Chief Executive for  
Africa



Africa as a continent, has been increasingly gaining importance as a supply base of natural resources. Africa is also drawing attention as a giant consumer market with a population of 800 million, which is expected to continue its growth trend. Our policy is to "build a portfolio that will strongly support ITOCHU's long-term sustainable growth," and to achieve this objective, we will implement initiatives with a focus on the acquisition of natural resource interests, such as participation in platinum mine development in South Africa.

### Middle East

**Hiroyuki Tsubai**  
CEO for the  
Middle East



The Middle East, which is being shaken by waves of democratization and political considerations, is at a turning point of historical significance. After the rioting and reforms, we expect to see the emergence of a Middle East that is simultaneously a source of supply for energy resources, a production site for high-value-added chemical products, and a major market for consumer goods. We are doing our utmost to enhance the social/economic foundation in the Middle East region, which is on the verge of realizing a major transformation.

### Oceania

**Tatsuo Fujino**  
CEO for Oceania



With commodity prices on the rise, economic conditions in Oceania are favorable. While the recent appreciation of the Australian dollar will require close observation, Oceania will continue to play an important role as a natural resource supply base. Our priority will be to focus on our iron ore and coal business, and at the same time we will strive for further development of our food and forestry resources-related business, as well as infrastructure development projects such as water and railway.

### East Asia

**Shuichi Koseki**  
CEO for ITOCHU  
East Asia Bloc



East Asia is an important market that drives growth in the global economy. In particular, China Strategy is one of the most important parts in ITOCHU's medium-term management plan. In addition to expanding Chinese domestic demand-related trading business, we will also further strengthen the cooperation with local conglomerates and further promote promising projects on a companywide level. At the same time, we will continue to reinforce our human resources.

### ASEAN & South West Asia

**Junichi Sasaki**  
CEO for ASEAN &  
South West Asia Bloc



With support from the steady economic growth in the ASEAN and South West Asia region, and from the stable political situation in each of the region's countries, our results have been favorable in recent years. I believe that this trend will continue. Moving forward, we will focus on advancing infrastructure projects in partnership with solid local companies, consumer-related businesses targeting expansion in internal demand, and natural resource development businesses.

### CIS

**Takahiko Motani**  
C.O.O. for CIS

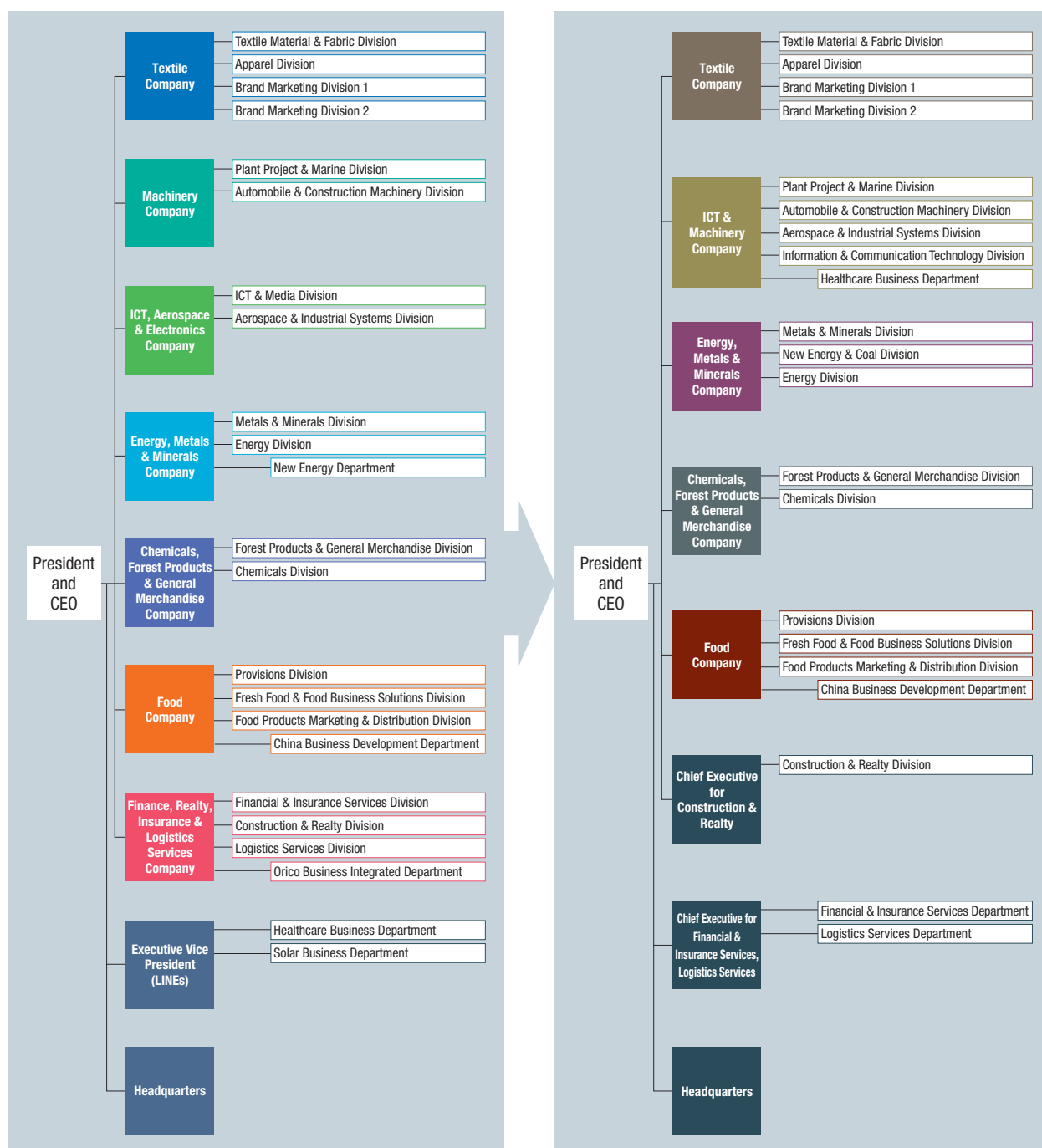


The CIS countries, which are rich in resources such as oil, coal, uranium, and grain, have again followed a course of accelerating economic growth, with support from rising commodity prices. In this setting, consumption is also growing rapidly. We will step up our focus on natural resources business. In addition, we will work to expand our consumer-related businesses as well as businesses related to the supply of machinery and raw materials, which are indispensable for industrial regeneration and infrastructure development.

## Organizational Changes of Division Companies

As of April 1, 2011, the Division Companies were reorganized.

- The Machinery Company and the ICT, Aerospace & Electronics Company were merged into the ICT & Machinery Company.
- The Finance, Realty, Insurance & Logistics Services Company was abolished.
- The Financial & Insurance Services Division was reorganized into a Headquarters business organization and renamed the Financial & Insurance Services Department.
- The Logistics Services Division was reorganized into a Headquarters business organization and renamed the Logistics Services Department.
- The Construction & Realty Division was reorganized as a division not belonging to a Division Company.
- The Healthcare Business Department was transferred to the ICT & Machinery Company.
- The Solar Business Department was transferred to the Energy, Metals & Minerals Company.



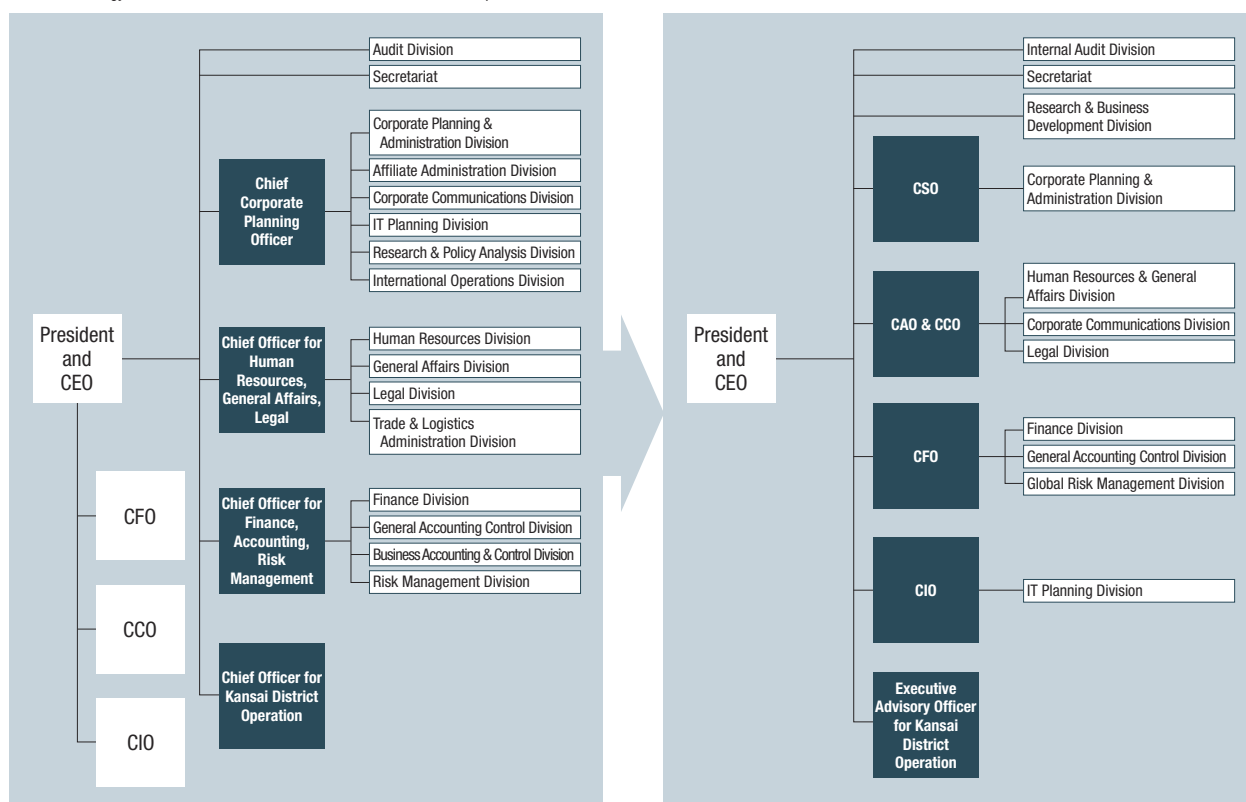
## Changes of Administrative Organizations (Headquarters)

As Companywide administrative divisions, the headquarters administrative organizations support the operations of the entire Group.

On April 1, 2011 (and partly on May 1, 2011), the previous 16 headquarters administrative divisions were reorganized into 11 divisions. Under the new organization, the previous positions of Chief Corporate Planning Officer; Chief Officer for Human Resources, General Affairs, Legal; and Chief Officer for Finance, Accounting, Risk Management were discontinued. In their place, the administrative divisions now operate under the CSO, the CAO & CCO, the CFO, or the CIO. The objective of the reorganization of administrative divisions by function was to strengthen operations and further develop expertise as well as to enhance the optimum placement of human resources. In addition, the objective of the consolidation of similar functions operated by different divisions was to eliminate duplication of functions and increase efficiency.

At the same time, to enhance a sense of unity between the administrative organizations and business departments and strengthen business support functions, business accounting control operations and credit control operations used to be conducted by Headquarters administrative divisions were transferred to the Division companies.

CSO: Chief Strategy Officer    CAO: Chief Administrative Officer    CCO: Chief Compliance Officer    CFO: Chief Financial Officer    CIO: Chief Information Officer



### Organizations reporting directly to the President & CEO

There are three organizational units that report directly to the President & CEO. The Internal Audit Division conducts internal audit and evaluation of internal control related to financial reporting. The Secretariat conducts secretarial affairs for directors. The Research & Business Development Division conducts companywide development of new businesses and innovative technology business as well as research regarding domestic and overseas trends in politics, economy, industry and trade, and reporting the information for management.

#### CSO

The CSO is responsible for corporate strategy, including overseas strategy, administrative reforms, and the establishment and operation of crisis management systems. In addition, the CSO also oversees the Corporate Planning & Administration Division, overseas branches, and domestic offices and branches.

#### CAO & CCO

The CAO & CCO is responsible for human resources policy, public relations strategy, and the establishment and operation of compliance systems. In addition, the CAO & CCO also oversees the Human Resources & General Affairs Division, the Corporate Communications Division, and the Legal Division.

#### CFO

The CFO is responsible for financial strategies, balance sheet control and risk management, and the establishment and operation of internal control systems related to financial reporting. In addition, the CFO also oversees the Finance Division, the General Accounting Control Division, and the Global Risk Management Division.

#### CIO

The CIO is responsible for overall IT strategy and for evaluation of IT investment and expenses. In addition, the CIO also oversees the IT Planning Division.

## CAO & CCO

### A Message from the CAO & CCO (Chief Administrative Officer and Chief Compliance Officer)

To earn the trust of stakeholders, ITOCHU must not only continue to achieve profit growth over the medium to long term but also implement sound business activities and contribute to society.

In particular, the strict compliance with laws and regulations is the most basic element in business. Accordingly, ITOCHU has formulated a variety of measures to increase compliance awareness throughout the Group. All organizational units have introduced Monitor & Review surveys as a tool for periodically checking the current status of compliance, and utilize a PDCA (plan-do-check-act) cycle. In addition, we have formulated a list of laws and regulations by industry and prepared a manual with detailed explanations of and methods for dealing with major laws and regulations. Moreover, we conduct a variety of compliance training throughout the year, and are working to enhance the awareness of all employees.

Under Brand-new Deal 2012, as one facet of initiatives to strengthen our front-line capabilities, we aim to establish a highly effective compliance system through a focus on the front-lines and a risk-based approach. Also, overseas, we have identified key regions and affiliates, and are taking steps to understand the issues and to provide guidance and support that reflects the characteristics of each region and company.

On the other hand, ITOCHU conducts business activities in a wide range of areas all over the world. We believe that for such a global company to realize sustained growth, it is necessary to contribute to international community through initiatives targeting social issues, such as environmental problems. Based on this understanding, ITOCHU implements CSR on a Groupwide basis from the perspectives of both the risks and the opportunities related to business activities. We are working to advance environment-friendly businesses that generate growth opportunities. At the same time, using an ISO 14001 environmental management system, we evaluate the environmental impact of the products that we handle. We are working to minimize the environmental risks that are associated with our business activities.

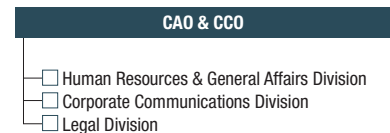
In implementing measures for sustained corporate growth, human resources constitute the most important managerial resource. The development of human resources is one of key issues for sustained expansion. We will continue to implement measures to strengthen our human resources capabilities, with a focus on careers and diversity, as well as our global human resources strategy. We will advance the development and utilization of human resources who can contribute to both higher profits and the realization of a sustainable society on the basis of global standpoint.

ITOCHU will continue working to fulfill its corporate philosophy of “committed to the global good,” to maintain the trust of society, and to remain a company that fulfills an essential role in the society.



**Yoshio Akamatsu**  
CAO & CCO

#### Organizational Structure



#### Participation in UN Global Compact

In April 2009, we joined the United Nations Global Compact. In the compliance of the Compact's 10 principles, in the areas of human rights, labour, environment, and anti-corruption, we will continue to meet the requirements from various stakeholders of the international community.



#### CSR Report 2011

On pages 63 to 66 of this annual report, we identify and outline issues that are especially important in achieving sustained increases in corporate value in consideration of our business characteristics as a general trading company.

ITOCHU's wide range of CSR-related initiatives is introduced in the ITOCHU Corporation CSR Report 2011 and on the CSR page of ITOCHU's web site.



## Compliance

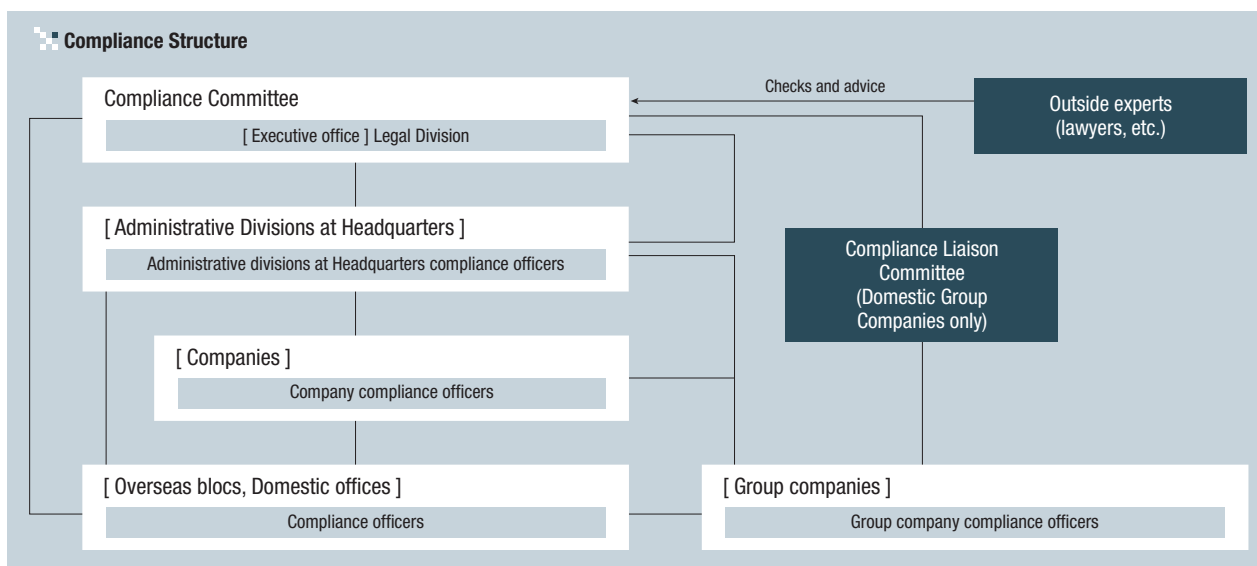
### The ITOCHU Group's Compliance System

The ITOCHU Group has compliance officers in each organization within Headquarters and at all Group companies in Japan and overseas. These compliance officers are building frameworks to enhance compliance, conducting education and training, responding to individual cases, and implementing any other necessary measures based on directives and support from Headquarters and respective Division Companies as well as consideration of business characteristics, operational formats, and local laws.

In addition, we conduct simultaneous companywide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all organizations in ITOCHU Group through these surveys and various other methods, the ITOCHU Group is making a concerted effort to enhance and upgrade its compliance advancement systems.

In fiscal 2011, we prepared the Compliance Handbook, which covers the rules that must be obeyed by each employee, distributed it to all employees,

and checked their understanding of it through e-learning. In addition, for key organizations, such as overseas operations and Group companies, we are implementing activities with a focus on system operation such as on-site guidance with the objective of ascertaining actual front-line conditions and identifying risks. Based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each Division Company, and these measures are steadily being implemented. Moreover, drawing on actual incidents, we implemented meticulous education and training programs geared to employees in different tiers. Moving forward, we will further advance these policies and measures, and continue to focus on compliance reinforcement with an emphasis on overseas operations and Group companies.



### Initiatives for Comprehensive Import, Export, and Logistics Control

ITOCHU is continuously bolstering its import, export, and logistics control to ensure the appropriate and efficient execution of trade and logistics—the cornerstone of a general trading company's operations.

In comprehensive security and trade control, in addition to compliance with laws and statutory regulations pertaining to the Foreign Exchange and Foreign Trade Act, we have formulated and are enforcing systematic, comprehensive internal regulations with the objective of facilitating harmony with international society and management of global security risks.

In addition, in order to implement correct import and export procedures, including customs declarations, we are supporting rigorous customs compliance by implementing a range of initiatives based on in-house management regulations, such as in-house customs monitoring and training regarding customs evaluations.

Under these import and export control initiatives, through effective utilization of information technology tools, we are working to accumulate import- and export-related data and at the same time to facilitate control that is more advanced and more efficient.



## Key Issues for Ongoing Growth

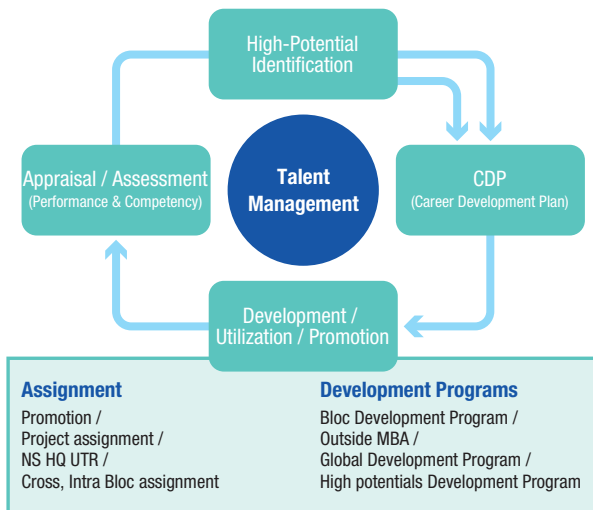
### Employee Relations

#### Human Resource Development Supporting the Seek of New Opportunities

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

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

#### Talent Management Process



#### Establishment of Systems to Advance Overseas Development

Given that the importance of overseas markets is greater than ever before, we will take measures to further increase the number of expatriate employees, who support the success in overseas development.

We will construct a system that fully supports employees that work around the world and their families so that they can live positively, healthily, and safely overseas. We have already established a system that gives full support to all expatriate employees in the event of accidents, disasters, or other emergencies. However, we plan to step up the development of workplace environments and support systems that facilitate the work of expatriate employees.

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

#### Global Human Resources Strategy Enters a New Stage

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

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

#### Acquired "Kurumin" Mark Certification

ITOCHU Corporation has been expanding and improving its system for both male and female employees that supports efforts to maintain a good balance between work and child care or nursing care. As of July 2011, we received "Kurumin" mark certification, which the Tokyo Labour Bureau awards to companies in recognition of their active support for raising the children of the next generation. ITOCHU will continue to create an environment that enables employees to remain motivated and fulfilled by their work.

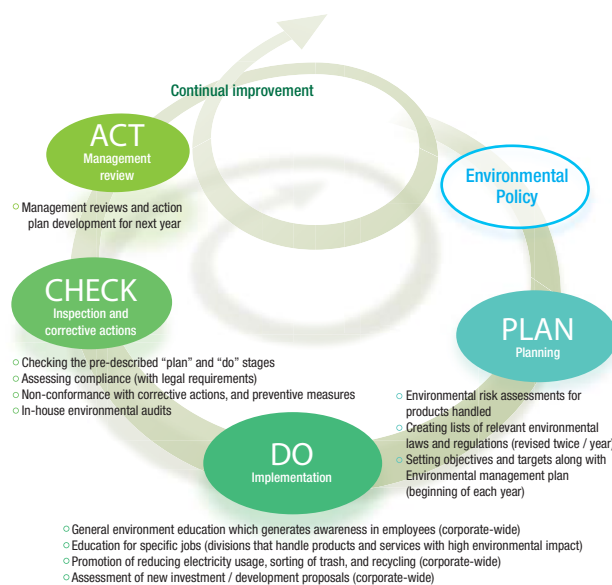


## Environmental Activities

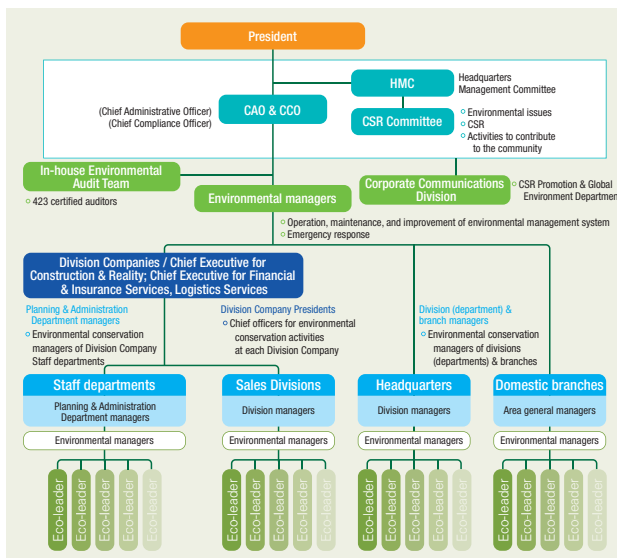
### Environmental Management System

In 1997, ITOCHU became the first trading company to introduce an EMS (environmental management system) based on ISO 14001, and we continue to work to improve our EMS. The system's objectives are to comply with environmental laws and regulations and to take precautionary approaches to any environmental pollution. Specifically, the system controls and manages targets for preventing environmental risk through a yearly PDCA (plan-do-check-act) cycle of setting the targets; evaluating and analyzing progress; and acting to achieve the targets, under the ITOCHU Environmental Policy.

### Environmental Management System



### Environmental Management Organization



### Precautionary Approach to Environmental Risks

In addition to evaluating environmental risks of the products we handle, we also work to identify the impact on the global environment by the business activities of the Group as a whole. To that end, we are making efforts to take precautionary approach to environmental risks by the business activities of the whole Group, including Group companies.

### Evaluation of the Environmental Risks of Products Handled

We handle a wide and diverse range of products on a global scale. We thus carry out our original environmental impact evaluations, because we believe that it is vital to evaluate the relationship of these products with the global environment. We use a so-called LCA\*-based analysis method at all stages of product life cycle from procurement of raw materials, production, and use through disposal of products. If the evaluation shows that the impact on the global environment by particular products exceeds predetermined benchmarks, then we create manuals and the concrete procedures to manage transactions of these products.

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

### Fact-Finding Investigations of Group Companies

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



Inspecting the management of parts containing regulated substances, at our Auto Parts Distribution Center in the United States



Inspecting the segregation of post-manufacturing materials at a brewery in China into valuable materials and waste

## Supply Chain Management

### Basic Stance on Supply Chain Management

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

This is also a top priority issue from the perspectives of avoiding reputation risk, which can affect our own corporate value. We take action to prevent human rights, labor, environmental, and other problems in the supply chains in which we are involved, and when a problem is found, we strive to improve it through dialogue with the suppliers. We established the "ITOCHU Corporation CSR Action Guidelines for Supply Chains" in order to ensure that these actions are carried out, and we remain committed to the implementation of these guidelines.

### CSR Survey of Supply Chains

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

In addition to the nine items covering human rights, labor, and environmental issues, we added further items specific to each Division Company. For example, we added check items for forest conservation for lumber, pulp & paper business of the Forest Products & General Merchandise Division; product safety items for the Food Company; and items on protection of intellectual property for the Textile Company. Each Division Company selects target suppliers and creates a survey plan based on such parameters as high-risk countries, products handled, and transaction amounts by referring to the criteria of the FTSE4Good Index. Sales representatives or locally assigned ITOCHU employees of each Division Company visit the suppliers, and survey them by means of interviews or questionnaires.

We will continue to conduct surveys while reviewing and modifying our survey methods. From fiscal 2011, we have extended similar initiatives to the suppliers of our overseas offices and Group companies.

#### Number of Suppliers Each Division Company Surveyed (FY2009-FY2011)

FY	2009	2010	2011
<b>Total</b>	261	300	*374
Textile	17	28	24
Machinery	12	17	15
Energy, Metals & Minerals	8	11	14
Chemicals, Forest Products & General Merchandise	149	133	193
Food	57	93	105
Finance, Realty, Insurance & Logistics Services	18	18	23

\* includes 21 suppliers of overseas offices and 24 suppliers of group companies

### Overview of CSR Surveys in Fiscal 2011

In fiscal 2011, we conducted a survey, targeting not only suppliers of ITOCHU Corporation but also suppliers of overseas offices and Group companies. As a result, we surveyed 374 companies, including 21 suppliers of overseas offices and 24 suppliers of Group companies. No serious problems requiring immediate response were found in the survey results. We also found that the survey results were more focused this time on the key points, thanks to increased understanding by the employees conducting the surveys, and we received feedback that participants had seen improvement due to the continuation of the surveys.

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

#### Sample Checklist for a Supply Chain Survey [Food Company]

Supplier Checklist / Guide

Supplier: \_\_\_\_\_  
 ITC Unit in charge: \_\_\_\_\_  
 Prepared by: \_\_\_\_\_

	Check Item (reference) / Guide	Check	Comments
1	The company has a policy or system for <b>compliance with laws and regulations</b> , and implements them. (ITC CSR checklists)		
2	The company guarantees <b>the rights of freedom of association and collective bargaining</b> . (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
3	The company does not practice <b>forced labor or inhumane treatment</b> (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
4	The company does not practice <b>child labor</b> . (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
5	The company does not practice <b>discrimination in hiring and employment</b> . (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
6	The company has taken measures to protect <b>occupational health and safety</b> . (ILO International Labor Standards)		
7	The company observes the national (host country) laws and regulations regarding <b>working hours</b> . (ILO International Labor Standards)		
8	The company observes the national laws and regulations regarding <b>minimum wage</b> . (ILO International Labor Standards)		
9	The company has a policy or system for <b>dealing with complaints</b> from its business partners, and implements them. (ITC CSR checklists)		
10	The company has a <b>policy or system for environmental conservation / complies with national laws and regulations concerning environmental conservation</b> . (ITC CSR checklists)		
11	The company ensures that <b>its products are safe and secure</b> .		
12	The company ascertains the <b>country of origin of the procured items</b> and <b>checks the environmental and social aspects of its suppliers</b> .		

Check symbols: ○: Implemented; △: Partially implemented; X: Not implemented

## A Message from the CIO (Chief Information Officer)

Our Information Technology (IT) management is based on the policy of Division Companies and each organization plans and implements their own IT initiatives. Division Companies handle their Business systems, headquarters Administrative divisions handle their own systems, and the IT Planning Division has overall control of Companywide systems, IT infrastructure and IT security issues.

The Brand-new Deal 2012 medium-term management plan calls for proactively seeking new opportunities. Contributing to this plan's overriding tasks—summarized as “Earn, Cut, Prevent”—the medium-term IT plan covering 2011 and 2012 will implement selected IT investments, replace IT assets, and manage IT related expenses appropriately.

“Earn” measures will contribute to acquiring business by using IT (e. g. joint delivery for the retail industry or non-store retailing for consumers). New devices such as smart phones or tablet terminals will enhance mobility of sales activities, “Visualization” of existing information will help our operations to be efficient and effective.

Meanwhile, “Cut” measures will curb IT costs with Groupwide perspective by such measures as Group shared IT infrastructure and joint purchasing that uses scale advantage.

As for “Prevent” measures, we plan to mitigate business risks by analyzing and evaluating the IT risk in new businesses. We will also manage large-scale projects such as adjustment to International Financial Reporting Standards (IFRS). Furthermore, to ensure safety operation of information systems, we will continue measures for information security, including preventing unauthorized access and infection from computer viruses.

As for the IT facet of our business continuity plan (BCP), we have deployed major systems at computer centers in Kobe and Yokohama in readiness for contingencies. Furthermore, the preparation for situations in which employees cannot reach their workplaces, we have made the remote access environment from their homes. In response to the limited electricity supply in Japan at present, we will advance IT-related measures to save power, including automatic power-saving programs in PCs.

While promoting mutual coordination among Division Companies and Headquarters under the overall management of the President & CEO, and the CIO, ITOCHU will provide optimal and effective IT solutions for the ITOCHU Group as a whole.



**Shintaro Ishimaru**

CIO

### Organizational Structure

