

Corporate Social Responsibility

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CSR for ITOCHU Corporation

ITOCHU Corporation is pursuing multifaceted corporate activities in various regions of the world and a wide range of fields. As such, ITOCHU is well aware of the impact of those activities on the global environment and society.

For ITOCHU, CSR entails making a contribution to building sustainable societies through business activities. As a global company, it is our mission to be “Committed to the Global Good.”

ITOCHU Mission and Values

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

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

ITOCHU's CSR Promotion: Basic Policies and Promotion System

We at ITOCHU Corporation, in accordance with the ITOCHU Mission “Committed to the Global Good,” believe that fulfilling our social responsibility through our business activities is important. To make sure that CSR is systematically implemented involving the whole organization, we established Basic Policies for CSR Promotion as a corporate-wide policy and drafted CSR Action Plans in each organization to promote CSR.

CSR Management System



Basic Policies for CSR Promotion

Alongside the drafting of its management plan, ITOCHU formulated its Basic Policies for CSR Promotion, with the aim of globally promoting CSR with direct linkages to the management plan.

During the period of the “Brand-new Deal 2014” management plan, which covers fiscal 2014 to fiscal 2015, the Basic Policies for CSR Promotion are as follows.

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

ITOCHU Mission

Committed to the Global Good



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

ITOCHU Values & 5 self-tests

- | | | |
|--|------------------|---|
| | Visionary | Am I communicating vision and moving forward with others? |
| | Integrity | Am I proud to say I am involved in the work? |
| | Diversity | Am I including the ideas and skills of a variety of people to create the best result? |
| | Passion | Am I taking responsibility for and caring intensely about what I am doing? |
| | Challenge | Am I actively trying new things and pursuing innovative solutions? |

CSR Promotion System at ITOCHU Corporation

At ITOCHU Corporation, the Corporate Communications Division's CSR Promotion & Global Environment Department has the central role in the planning and proposal of corporate-wide CSR and other measures, which are deliberated on and discussed by the CSR Committee. ITOCHU also forms a CSR Taskforce, which is made up of members from each Division Company and Headquarters' administrative divisions. This taskforce discusses production of the reports and CSR promotion measures, such as CSR Action Plans. In this way, we are aiming to further strengthen communications with stakeholders.

CSR Promotion through CSR Action Plans

ITOCHU Corporation conducts a wide variety of businesses through six Division Companies. To reliably promote CSR in our businesses, in accordance with the Basic Policies for CSR Promotion shown on the left, each Division Company defines the CSR issues that are important in its business areas, formulates CSR Action Plans, and executes them based on a plan-do-check-act (PDCA) cycle system. CSR Action Plans are also formulated and exercised by each organization, such as the Headquarters' administrative divisions, domestic branches and offices, and overseas bases, in line with their respective businesses and functions. A pillar of our CSR promotion is that every employee understands the plans and steadily executes them in his or her job.

CSR Material Issues

By analyzing CSR Action Plans, ITOCHU identified four CSR material issues which are an integral part of our sustainable business activities. We will strive to ensure that our business activities contribute to resolution of these issues, in accordance with the Basic Policies for CSR Promotion.

- 1 Climate change
- 2 Sustainable use of resources
- 3 Respect and consideration for human rights
- 4 Contribution to local communities

In accordance with our operating strategy and with international guidelines, such as the Global Reporting Initiative 4.0 and the IIRC Framework, we will continue working to verify and enhance our initiatives to resolve these material issues, and, from a long-term perspective, we will strive to advance CSR through our business activities.

* For further information about specific initiatives, please see the Activity Highlight section on page 80 and the Documentary Report Project on Supply Chains section on page 82.

Social and Environmental Impact Evaluations in Business Investment and in the Supply Chain

For new business investments and suppliers, we implement social and environmental impact evaluations.

In making new business investments, we employ a "CSR and environmental checklist for investments" to conduct

advance evaluations of the current situation and issues. This information is then used in making the investment decisions. We revised this checklist at the end of fiscal 2013 to reflect the seven core subjects of ISO 26000, and we began to utilize the new checklist in fiscal 2014.

In accordance with ITOCHU Corporation's CSR Action Guidelines for Supply Chains, we are also working to track the actual state of suppliers in regard to social and environmental issues. We are implementing surveys of about 400 suppliers each year, with a special focus on human rights and labor issues. (Please see the Human Rights section on page 86).

We will continue to use these initiatives to further strengthen our CSR management.

Participation in the United Nations Global Compact

In April 2009, ITOCHU Corporation joined the United Nations Global Compact (UNGC), a global initiative to achieve sustainable growth of the international community. In compliance with the UNGC's 10 principles in the areas of human rights, labour standards, the environment, and anti-corruption, ITOCHU is striving to fulfill its corporate mission of "Committed to the Global Good."



Third-party Evaluations

ITOCHU's CSR promotion policies incorporate businesses that contribute to the resolution of social challenges. In August 2012, the Textile Company's Pre Organic Cotton Program was approved as an initiative of Business Call to Action (BCtA). BCtA is a global initiative hosted at the United Nations Development Programme (UNDP), which promotes businesses aimed at achieving both commercial success and sustainable development.

In addition, in the area of socially responsible investment (SRI), in July 2012 Tokyo Stock Exchange Group, Inc. (Currently known as Tokyo Stock Exchange, Inc.), selected ITOCHU as one of the corporations that excels in environmental, social, and governance (ESG). ITOCHU earned high marks for its initiatives in the advancement of the field of natural energy through its trading activities. Also, in February 2013 ITOCHU received the "Key Firm of Integrity Award 2013 for Excellence" from Integrex Inc., a company that provides survey and investment advisory services for SRI. ITOCHU was selected in recognition of its efforts to construct an environment in which each of its employees around the world can reassess the significance of his or her work in society and obtain a perspective on how they can contribute to solutions to the many social issues that exist using technologies and funds based on the Company's spirit of *sampo yoshi*.

Activity Highlight Resolving Social Issues through Business

Striving to Resolve the Problems of Cotton Farmers in India through the Supply Chain

Pre Organic Cotton Program

Since the Green Revolution in the 1960s, genetically modified (GM) seeds and agrochemicals, such as pesticides, have been used in large quantities in India. As a result, the purchase and use of agrochemicals are imposing a heavy burden on the finances and health of cotton farmers, many of whom are impoverished. Aiming to improve this situation through business, in 2008 ITOCHU launched the Pre Organic Cotton Program. This section provides information about the amount of cotton handled through this program, which is growing each year, as well as the conditions of the farmers participating in the program.



What is the Pre Organic Cotton Program?

The Pre Organic Cotton (POC) Program, which has been jointly operated by ITOCHU and KURKKU Co., Ltd., since 2008, helps cotton farmers in India to make the transition to organic cultivation methods. The program aims to stop the vicious circle of environmental damage, health hazards, and economic burdens on farmers caused by agrochemicals and chemical fertilizers. To that end, the program includes giving guidance on organic farming methods and supporting the acquisition of organic farming certificates during a three-year transition period.

Expanding the Scale of POC Operations

Since the program was launched in 2008, farmers from 2,346 households have participated, and 1,184 of those households have acquired organic farming certificates. In addition, more than 40 companies, including apparel and natural cosmetics companies, have introduced products using cotton procured through the program, and in 2012 the program handled 1,000 tons of POC. The initiatives of major customers are expected to drive further growth in sales of POC and in the scale of the market, and in 2013 the volume handled is expected to reach 1,500 tons. The program aims to expand to overseas markets, such as Europe and the United States, with targets for 2017 of 10,000 tons in

volume handled and about ¥5.0 billion in sales. Through continued growth in the volume of POC handled, the program aims to enhance the living environment for more cotton farmers by increasing the number of farmers practicing organic cultivation methods in India.

	Volume Handled and Sales of Related Products	
2012	1,000 tons	¥300 million
2015	5,000 tons	¥2.3 billion
2017	10,000 tons	¥5.0 billion

Commitment to the Business Call to Action

Because it contributes to the Millennium Development Goals (MDGs)*, in 2012 the POC Program was approved as an initiative responding to the Business Call to Action



(BcTA). BcTA, which is a global initiative hosted at the United Nations Development Programme (UNDP), promotes businesses aimed at achieving both commercial success and sustainable development. As a result of this approval, the POC Program has enjoyed increased international recognition. The program is seen as an example of a successful inclusive business originating in Japan that fairly incorporates people in developing countries into the supply chain.

* Millennium Development Goals (MDGs): Eight development goals, such as eradicating extreme poverty and hunger, that international society will strive to achieve by the target year of 2015.

Comments from Companies Using POC

Linking to Business that Contributes to the Environment and Society

Awareness of environmental and social contribution is growing and in this setting I believe that in 2013 the market will be very receptive to cotton products that were spun using power generated by the wind. In April 2012, I visited India with the program manager from ITOCHU, and was able to confirm the conditions of the POC farmers and the wind power generation. We began sales of women's, men's, and children's apparel at the end of March 2013, and started sales of underwear in April. In 2013, we plan to sell one million units, and next year we plan to increase sales even further.



Koza Kitade
General Manager,
Product Development
Department,
Apparel Division,
Ito-Yokado Co., Ltd.

On-site, Third-party Report

This is the report of an on-site investigation by Hidemi Yoshida, an associate professor at the Graduate School of Social Governance, Hosei University. In December 2012, Ms. Yoshida investigated the conditions of farmers participating in the POC Program in India.



Hidemi Yoshida (third from left)

Associate Professor, Graduate School of Social Governance, Hosei University

Recent research theme: Reducing poverty through CSR activities and social business

From the viewpoint of international cooperation, the POC Program has been highly evaluated as an example of a unique initiative targeting improved livelihoods and lifestyles for farmers in India. A general trading company has a number of strengths in terms of contributing to the support of farming villages in emerging countries. First, it is

not restricted by a budget that is available only for a specific implementation period, such as with official development assistance (ODA) projects. Accordingly, to the extent that a project is successful in terms of both business and development, there is a high probability that the project activities will be continued. Second, a general trading company can use its transactional relationships with large customers to expand the scale of sales. Consequently, there is a strong potential that support can be provided to more farmers in the future. On the other hand, what do the farmers think about this situation? In December 2012, I conducted an on-site investigation with the cooperation of Indian researchers.

In Madhya Pradesh, which has been a site for program activities since they were first commenced, Raj Eco Farms, which promotes organic farming, is responsible for promoting the adoption of technology for the POC Program and for sales of cotton. The field staff visit villages and recruit participants. Native varieties of seeds are distributed at no cost, and guidance is given on techniques of making fertilizer and insecticide using cow manure and herbs. Moreover, support is provided for receiving organic farming certification from the certification organization. In my investigation, I collected data on such factors as income / expenditures and lifestyle changes. This information was collected from 120 households that were participating in the POC Program and 60 households that were not participating. This made clear, on a quantitative basis, that (1) farmers participating in the POC Program substantially reduced their expenditures for cotton production goods (agrochemicals, fertilizers, seeds), (2) excess funds were allocated to improving housing, children's education, and paying back debt, and (3) more than half of the participants reported improvements in their health (especially pruritus, etc.).

Also, feedback from participants included comments that organic cultivation resulted in higher yields of all crops. There were hardly any participants who mentioned any of the drawbacks that are commonly heard in regard to these types of programs, such as lower crop yields or an increase in work. (Probably, these responses were obtained because appropriate organic farming techniques were introduced into areas where there was insufficient knowledge and techniques regarding traditional agricultural methods, and yields were low to begin with.)

The effectiveness of the POC Program, as described above, will likely be highly evaluated as an example of changing the status quo regarding the resolution of social problems in India. There is also the issue of suicide among cotton farmers who are struggling to repay their debts. This could be considered a symbol of India's poverty crisis. There are many cases where farmers have borrowed money at high rates of interest to purchase GM seeds, fertilizer, and agrochemicals, but with a poor harvest due to unseasonable weather or other reasons, they become unable to repay their loans and end up committing suicide. In the POC Program, the seeds distributed free of charge are native varieties, and seeds that are subsequently produced by the farmer will germinate in the following year, so the farmers do not face the expenses of purchasing seeds or agrochemicals. The fertilizer used in the program, which uses cow manure and other locally available materials, is less expensive than chemical fertilizer. The POC Program is taking the opposite direction from the Green Revolution, which involved the introduction of modern agricultural techniques, but I would like to emphasize that the program is steadily promoting stable livelihoods for the farmers.

Reasons for Participating in POC Program: Top Five

(116 respondents selected the top 3 reasons from among possible answers.)

Major reasons for participation	Number of responses	%
No need to purchase agrochemicals / fertilizer	85	79.3%
Seeds distributed free of charge	57	49.1%
Training in organic cultivation	47	40.5%
Reduction in production costs	42	36.2%
Increased yields for all crops	32	27.6%

Improvement of Health (Number of Respondents: 116)

	Overall physical condition	Cough	Headache	Dizziness	Condition of eyes	Condition of skin
Improved	41	21	25	21	9	63
%	35.3%	18.1%	21.6%	18.1%	7.8%	54.3%

Comments from the POC Program Manager

Connecting Farmers in India with Consumers

Five years have passed since ITOCHU started the POC Program. The number of farmers participating in the POC Program has steadily increased, but still we have not yet been able to help many farming families escape from a debt spiral due to their poverty. The POC Program is an activity that connects farmers in India, who are the producers, with consumers. In major consumer markets, such as Japan, Europe, and North America, these products will lead to increased awareness of the issue of poverty around the world and will promote change in society. We are advancing this program because we believe it is part of our responsibility to society as a company with strengths in the textile raw material trade, such as a long track record and key platforms.



Ryoma Omuro

Manager, Textile Material Section, Apparel Department 3, Apparel Division 2

Documentary Report Project on Supply Chains

Producing Lithium-Ion Batteries

The Documentary Report Project on Supply Chains presents an overall view of supply chains for specific products. This year's report, the fifth in the series, covers lithium-ion batteries (LiBs), which will play a major role in the realization of a clean, renewable energy society. ITOCHU has worked together with Group companies to concentrate marketing, technical development, raw material procurement, and logistics capabilities. In this way, ITOCHU and Group companies are cooperating to establish a supply chain that will increase the presence of LiBs.

Front-Line Report: Hideaki Miyata

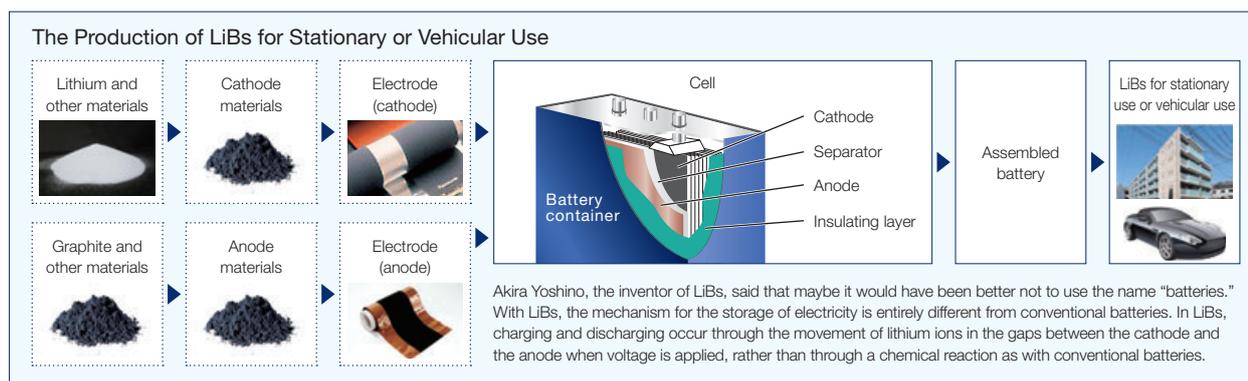
President and Representative Director, Social System Design Co., Ltd.

- Professor Emeritus, The University of Tokyo
- The SB Research Group, Incorporated Association, Representative Director
- Forum for East Japan Smart City Project, Representative Director



From 2010 to 2012, demonstration tests were conducted for FamilyMart's "Tsukuba Kenkyu Gakuen-ten." These tests demonstrated the successful storing of energy from photovoltaic (PV) power generation and the rapid charging of electric vehicles (EVs).

Small LiBs for electronic equipment, which were first commercialized in 1991 by Japanese manufacturers, have become commodities. Now, change on a larger scale is being driven by an unfolding paradigm shift—that electricity can be stored. Large LiBs for stationary or vehicular use are about to change business, and the world. I went to the front lines to investigate how the ITOCHU Group is tackling this challenge.



Raw Materials

Lithium Resource Development

Currently, three companies that produce lithium at brine lakes in South America have a combined share of about 70% of the global lithium market. Symbol Materials (SIM), based in California, has independently developed innovative, breakthrough technology to recover and commercialize lithium from spent geothermal brine used in geothermal power generation facilities. SIM's exclusive production method, which is not influenced by the weather, makes it easy to

expand facilities in comparison with the method used in South America, which requires solar evaporation. Accordingly, SIM's method facilitates further gains in cost competitiveness through increased production capacity.

ITOCHU, which invested in SIM in June 2010, is now working to provide lithium compounds for various applications. These applications include cathode materials and the electrolytes in electrolytic solution, which are core components of LiBs, as well as other commercial applications.

Materials

Cathode Material Production

Location: Toda Kogyo Corp.*

In addition to lithium, cathode materials also contain manganese, cobalt, nickel, and other components. The performance and lifespan of LiBs are determined by which of these components are combined to make the cathode materials. Accordingly, the design and production of cathode materials plays a central role in the production of LiBs. The production processes for cathode materials are

dissolution, reaction, drying, mixing, firing, and pulverization. Any contamination by foreign substances will have a critical influence on the product's lifespan and safety. Consequently, this contamination must be avoided. That is why production sites are kept as clean as food factories, including high-precision checks that use electromagnets to prevent contamination by iron.

In Japan, lithium and other raw materials for cathode materials are almost all imported. Accordingly, ITOCHU's

COLUMN: A Bright Future With Clean Energy

To optimize the energy supply, a range of separate initiatives is necessary because the relevant factors vary, not only by application but also by region. These factors include the state of infrastructure, the geographic area of a country, and access to sources of fossil fuels and clean energy. For example, the United States covers a large geographic area and its infrastructure is aging, so frequency adjustment and other techniques will contribute to the optimization of supply. In Russia, which covers a large area and in which infrastructure has not caught up to economic growth, distributed sources of electrical power will make a contribution in the short term.

Moreover, to foster the use of clean energy it will be necessary to achieve cost competitiveness that is comparable to that of fossil fuels. In the United States, electricity bills vary by state, but they are extremely

inexpensive. U.S. startup companies and large corporations are competing fiercely in the area of dramatic cost-cutting technologies.

The ability of clean energy and electricity storage technologies to withstand actual usage conditions have been demonstrated for 10 years. Adoption has been delayed, but Pike Research forecasts that in 2018 the industry will have a scale of about ¥1 trillion. Over the next 10 years, clean energy is expected to become the primary source of energy and to make a contribution to a sustainable world.

Naoki Ota

CTO of 24M Technologies, Inc.
(a venture company spun off from MIT)
Former CTO of Ener1/EnerDel, Inc.



procurement supply chain, which handles lithium from SIM, has a key role to play in supporting Toda Kogyo's world-class production technologies.



Raw materials are mixed and placed in the container, which is then transferred to the firing machine, which functions like an oven.

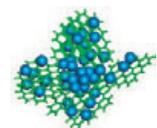
* Capital / business partnership agreement concluded in December 2012. Equity-method affiliate of ITOCHU. Toda Kogyo and ITOCHU are operating a joint venture that is engaged in the manufacture and sale of cathode materials in North America and China.

Anode Material Production

Location: Kureha Battery Materials Japan Co., Ltd. (KBMJ)*

When voltage is applied to charge LiBs, lithium ions move from the cathode to the anode. Performance characteristics, such as the charge capacity, power, and durability of the battery, depend on how the lithium ions are stored in the molecular structure of their destination, the anode.

Anode materials look like black carbon powder, and the processes for anode production—granulation, heat treatment, pulverization, and firing—are completely automated. These processes incorporate



Cluster structure

KBMJ's valuable know-how, and by designing and producing a distinctive space known as the cluster structure, KBMJ is manufacturing products that meet the increasingly advanced needs of LiBs. In the future, KBMJ will strive to use its abundant experience and technical capabilities to develop anode materials made from coconut shells and other plant-derived materials. In this way, KBMJ plans to address growing demand and the need to reduce costs.

* Established as a joint venture between ITOCHU and KUREHA Corporation in April 2011. Equity-method affiliate of ITOCHU. In 2012, KURARAY Co., Ltd., and The Innovation Network Corporation of Japan became shareholders. In addition to the production of anode materials, KBMJ also has one of the world's top shares in the production of the binder that is used in the production of electrodes.

Products

Electrode Production

Cathode parts are created by coating cathode materials, in a thickness of several tens of microns, onto thin aluminum plates that have been formed into a roll. In the same way, anode parts are created by coating anode materials on thin copper plates. At this stage, the coating technology depends on precision coating machinery.



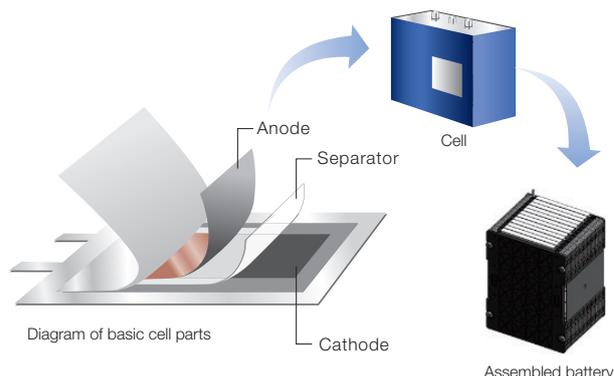
Anode parts (left), and coating equipment for LiB electrodes (right) made by HIRANO TECSEED Co., Ltd., in which ITOCHU has invested. ITOCHU sells coating equipment and all types of other LiBs production equipment in Japan and overseas.

Fabrication

An insulator, called the separator, is sandwiched between the cathode and the anode, which have been cut to the size of the product. The electrolyte solution is added, and

the unit is folded like an aluminum pouch. This completes the basic parts of the laminated LiB.

With batteries for stationary or vehicular use, cells are made by aligning several basic parts and putting them in an aluminum box or a similar container. One cell has a voltage of 4 volts. Cells are connected in series to provide the needed capacity and the assembled battery is finished. Computerized control is essential to ensure that charging and discharging are conducted in a safe and efficient manner.



Applications

Stationary LiBs

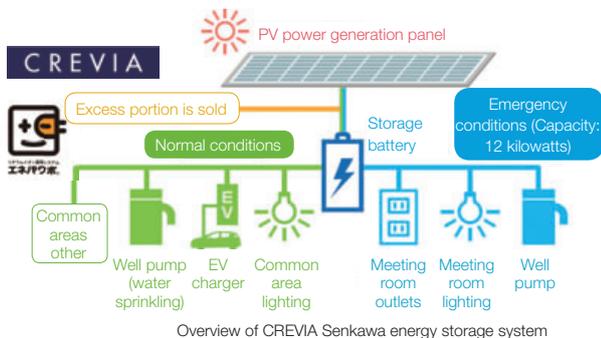
Locations: ITOCHU Property Development, Ltd., and ITOCHU ENEX CO., LTD.

In recent years, a growing number of companies have decided to install LiBs as standard equipment in new residential buildings. For example, ITOCHU Property Development's CREVIA Futakotamagawa condominium building, which was completed in March 2011, incorporates LiB technology. A PV power generation panel providing about 10 kilowatts has been installed on the roof of this five-story building, which has 51 condominium units. On the side of the ground-level parking lot, there is an energy management system that uses a 24-kilowatt LiB. This provides the electricity for the common areas of the condominium building, and the excess portion of the electricity is sold. There is also a popular car sharing program using EVs.



CREVIA Futakotamagawa

In addition, an energy storage system from ITOCHU ENEX has been installed at CREVIA Senkawa, which was completed in January 2013. If there is a power failure, it can be used as an emergency power source to provide power for lighting and outlets in the meeting room and to operate a pump that supplies well water.



ITOCHU ENEX's energy storage system is for general household use. By combining LiBs with solar power generation systems and fuel cells (Ene-Farm), ITOCHU ENEX is



Installation of energy storage system

proposing lifestyles that offer energy self-sufficiency, from energy generation to energy storage. Installations of these systems are beginning to increase.

These LiBs were procured by ITOCHU.

LiBs for Vehicles

Japan is a leader in the competition to develop EVs, but the adoption of EVs is still in the early stage, and sales in Japan are about 20,000 vehicles a year.

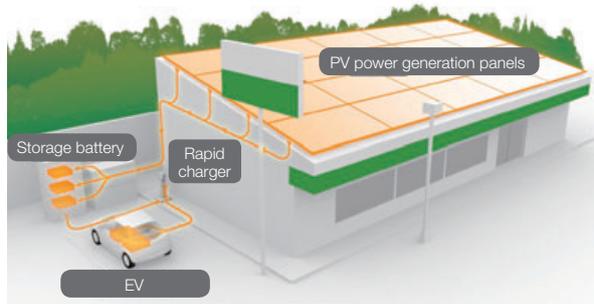
However, adoption could increase rapidly in the near future in China and other countries, where the rapid progress of motorization has led to simultaneous worsening of air pollution and provided support for the adoption of EVs. Assuming that 10% of passenger cars produced worldwide are eco-friendly, the market for vehicular LiBs would be more than 10 times larger than the established market for the small batteries used in electronic devices.

Since 2010, ITOCHU has been supplying LiBs to demonstration projects involving the switch to EVs by public transportation institutions associated with the Ministry of the Environment and local municipalities.



LiB-powered electric bus in operation in Akita Prefecture

From 2010 to 2012, with the cooperation of a convenience store in Tsukuba City, ITOCHU successfully conducted a demonstration test of a charging station for EVs using solar power generation as the source of electricity.



Test conducted at Tsukuba City convenience store

Toward a Society Based on Local Consumption of Locally Generated Power

The future of nuclear power generation is unclear, and as a result the introduction of renewable energy on a large scale will be indispensable for the resolution of Japan's energy and environmental problems. Accordingly, I believe that the effective use of land and the introduction of large-scale energy storage facilities are the most important issues. For example, multiple public institutions in Tohoku have begun to introduce PV power generation facilities and LiBs. Even in Japan, with its limited geographical area, there is about 400,000 hectares of fallow or abandoned land. About 30% of energy demand could be met simply by installing PV power generation panels on this land. The power generated by solar cells fluctuates with the weather, and as a result it will gradually become necessary to install nearby energy storage facilities.

During my research for this report, I was able to see outstanding technology and meet amazing researchers and engineers at every stage of the Japanese LiBs supply chain. In strategically nurturing this new industry, an extremely important issue will be how to ensure competitiveness throughout the long supply chain—which extends from the procurement of raw materials for LiBs to the construction of energy management systems. A general trading company has a significant role to play in this regard, and moving forward I would like to see ITOCHU tackle these issues on a companywide basis.

Website for Documentary Report Project on Supply Chains

http://www.itochu.co.jp/en/csr/supply_chain/reportage/

ISO 26000 Core Subjects and ITOCHU's Initiatives

As a member of international society, ITOCHU aims to contribute to the realization of a sustainable society by reflecting the expectations and concerns of society in its business activities and by developing businesses that help solve social issues. This report provides information about ITOCHU's fundamental approach and implementation system, arranged by the seven core subjects of ISO 26000, the international standard for social responsibility, as well as major topics for fiscal 2013.

Fundamental Approach	Major Topics
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Organizational Governance P78



In accordance with its corporate philosophy of "Committed to the Global Good," ITOCHU believes it is important to understand how its business activities influence society and the environment. We have established a system that contributes to the realization of a sustainable society, in accordance with a PDCA cycle, through the identification of material CSR issues and the formulation of CSR Action Plans for each business field.

- Revision of Basic Policies for CSR Promotion
- Identification of four material issues in accordance with CSR Action Plans
- Revision of CSR and environmental checklist for investments

Human Rights P86



As a company that conducts business transactions around the world, ITOCHU believes that the relationship between business and human rights is vitally important, and that belief is reflected in the supply chain and in businesses in which ITOCHU invests. We give serious consideration to human rights and individuality so that employees can make the most of their individual capabilities.

- Implementation of CSR survey at 430 overseas suppliers
- Implementation of human rights seminar at ITOCHU Malaysia Sdn. Bhd.
- Participation of 401 people in in-house human rights training
- The initiative supporting Indian cotton farmers highly recognized by the international community

Labor Practices P87



ITOCHU is working to develop and strengthen human resources who can play active roles in global business as true industry professionals. We are also establishing a system that enables diverse human resources to make the most of their capabilities. In addition, we have built a system to support safe and healthy lifestyles for the employees who support our business activities around the world, as well as for their families.

- Appointment of first female executive officer among general trading companies (April 2013)
- Cross-Industrial Women's Forum
- Enhancement of childcare leave system so that first five days are paid leave
- Extension of the available period of shorter working hours for nursing care

The Environment P89



ITOCHU pays close attention to the influence of its business activities on the environment and takes both proactive initiatives (advancing environment-conserving businesses) and precautionary initiatives (preventing problems associated with environmental risks). In particular, in proactive initiatives, we are developing multifaceted business initiatives in line with such themes as the use of sustainable resources, responding to climate change, and conservation of biodiversity.

- Renewal of ISO 14001 certification
- Implementation of environmental fact-finding investigations at nine Group companies
- Participation in ITOCHU Group environment-related seminars by 6,265 people
- Third-party report on LiB supply chain (page 82)

Fair Operating Practices P91



In addition to ensuring that our business activities are in accordance with laws and international rules, we do not limit ourselves to simply following industry practice, and accordingly we have also established and continually improve our compliance system so that individual employees can sincerely conduct their daily activities from a highly ethical viewpoint.

- On-site compliance training for Headquarters and Group companies
- Revision of regulations that specifically ban bribes and payoffs, implementation of monitoring and review
- Revision of Anti-monopoly Law Manual, implementation of monitoring and review

Consumer Issues P92



ITOCHU, which handles a wide variety of goods and services that support people's everyday lives, is implementing activities that contribute improvements in the quality of consumer lifestyles, such as working to ensure product safety and quality, developing products that contribute to environmental conservation, and promoting awareness of sustainable consumption.

- Periodic on-site audits of overseas food suppliers (175 audits at 115 companies)
- Promotion of environmental conservation platform based on the participation of consumers
- Raising children's awareness of environmental conservation through MOTTAINAI Campaign (approximately 30,000 people)

Community Involvement and Development P93



In the regions where ITOCHU conducts business, we consider ourselves to be members of local communities. Accordingly, we strive to participate in local communities in ways that transcend the scope of our business activities and to contribute to the sustainable development of those communities through both business activities and social contribution activities.

- Formed Africa Food Development Association together with 14 food manufacturers
- Donated ¥500 million for construction fee of international medical exchange facility
- Development of children's literature collections and promotion of the use of e-books by the ITOCHU Foundation
- Great East Japan Earthquake reconstruction support (cumulative total of 216 employee volunteers)



Human Rights

Fundamental Approach

The ITOCHU Mission “Committed to the Global Good” incorporates a commitment to the global good of society and individuals alike, and ITOCHU’s respect for human rights and individuality is based on this philosophy. We work to foster awareness of this approach within the Company and, as a company that conducts business transactions around the world, also implement initiatives with a focus on human rights in the supply chain.

Policy on Respect for Human Rights

Of the ITOCHU Mission “Committed to the Global Good,” the “global good” refers not only to improved living standards but also a general sense of well-being. ITOCHU works to support the global good of society as well as the global good of individuals, and we respect human rights and individuality. Based on this policy, ITOCHU supports the Universal Declaration of Human Rights adopted by the United Nations in 1948 as a common standard of achievement for all people and all nations. Furthermore, ITOCHU participated in the United Nations Global Compact in 2009, which is derived from this Declaration and other international standards.

In-house Training Regarding Respect for Human Rights

As a general trading company that operates around the world and plays an important role in supply chains, we are implementing educational activities about “business and human rights” in each region. The objective of these activities is to keep up with the latest developments relating to business and human rights, and to incorporate this knowledge into our business.

In January 2013, ITOCHU Malaysia Sdn. Bhd. invited experts on CSR and quality / environmental management from LNY Management, and held a human rights seminar with the participation of all employees in the office.

The seminar included a quiz to increase understanding of human rights and the viewing of Internet videos about the child labor situation. There was also a lecture on the true nature of human rights and discussions using case studies of human rights violations by companies. The seminar proved to be a valuable opportunity to learn about the relationship between human rights issues and business.

Raising Awareness through Internal Training Programs

We work to extensively embed understanding of the relationship between business activities and human rights through in-house training programs. In the training program for new recruits, they are instructed to acquire the proper mindset for respecting human rights that they should have as members of the ITOCHU family. In in-house training for organizational managers, sexual harassment and power harassment issues are discussed, and a thorough understanding of human rights is fostered. Also, training conducted prior to overseas assignments includes the topic of consideration for human rights in the supply chain. In this way, we are working to raise awareness in each region. In fiscal 2013, 401 people participated in human rights training.

Human Rights in the Supply Chain

To promote CSR supply chain management with consideration for such issues as human rights, labor, and environmental problems, we have formulated ITOCHU Corporation’s CSR Action Guidelines for Supply Chains, and are working to foster understanding of these guidelines and to promote their implementation in supply chains. To that end, we check the current situation of our suppliers by conducting surveys with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the 10 items in our CSR Action Guidelines for Supply Chains.

In fiscal 2013, we surveyed 430 companies, including 32 suppliers of overseas offices and 193 suppliers of 17 Group companies. No serious problems requiring immediate response were found in the survey results.

We confirm that appropriate measures are taken for communications between management and workers, even for suppliers in countries where the right to collective bargaining is not recognized. In regard to companies that are in the process of establishing environmental policies and systems, in the future we will closely observe the implementation of those policies and systems. Comments from local employees in charge of the surveys included, “Through these annual surveys, supply chain management is steadily advancing.” By continuing these surveys in the years ahead, we will work to raise employee awareness and enhance supplier understanding and implementation.

CSR Survey: Survey Results by Organization (Fiscal 2013)

Division Company	Fiscal 2013
Textile	25
Machinery	16
Metals & Minerals	11
Energy & Chemicals	69
Food	146
ICT, General Products & Realty	163
Total	430

ITOCHU Corporation’s CSR Action Guidelines for Supply Chains (provisions only)

- Suppliers shall respect the human rights of its employees, and shall not treat employees in an inhumane manner.
- Suppliers shall not engage in forced labor or child labor.
- Suppliers shall not practice discrimination in hiring and employment.
- Suppliers shall prevent unfair low-wage labor.
- Suppliers shall respect the rights of employees to organize and bargain collectively to promote smooth negotiation between labor and management.
- Suppliers shall ensure that employees’ working hours, holidays, and use of leave of absence are properly managed so as to comply with statutory standards.
- Suppliers shall strive to provide employees with a safe and healthy work environment.
- In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
- Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
- Suppliers shall disclose information regarding the above items in a timely and appropriate manner.



Labor Practices

Fundamental Approach

As a general trading company that has a diverse range of businesses around the world, ITOCHU believes that its human resources are its greatest management asset. Accordingly, ITOCHU will proactively advance efforts to develop and strengthen human resources as the management foundation supporting the growth of its business activities. We will also continue to pursue human resources initiatives, such as cultivating industry professionals and creating systems in which diverse human resources can flourish globally.

Human Resources Development Supporting the “Seeking of New Opportunities”

Human resources are what support the stable, ongoing growth of ITOCHU Corporation. Our human resources 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.

A Variety of Training Schemes

ITOCHU conducts a variety of training schemes that include essential training by position and job class, as well as select and elective training. We have a wide range of programs for the development of global management human resources, including global development programs (GEP*1, GLP*2, and GNP*3), global leader development programs, and workshops for managers. In 1999, we instituted a system for sending new employees overseas as a means of fostering English proficiency and an international perspective in young employees. In fiscal 2011, we launched a new program designed to dispatch junior staff to China and other emerging markets for overseas training in Chinese and other languages. Our plan is to develop candidates who will become specialists in each target market in the future. In fiscal 2014, we plan to further bolster the overseas trainee system to foster the acquisition of second languages other than English. We also offer a wide range of training for specific objectives, such as “Career vision support training” and distinctive Division Company training based on human resources strategies, with the aim of developing industry professionals with diverse values.

*1 Global Executive Program (GEP): This core part of the global talent development program provides training to cultivate global executives.

*2 Global Leadership Program (GLP): The purpose of this training is to cultivate organization managers who can be active in global business.

*3 Global Network Program (GNP): Through training held at Headquarters, this program enables locally hired overseas staff to learn firsthand about the ITOCHU Group’s global operations and build up a network with other participants.

Human Resources Development Policy and Training Details (excerpt)

Overview of human resources development system	Major training programs (Number of employees who participated in fiscal 2013)
Development of global management talent	Global development program (88), Organization manager workshops (372), Sending of employees to short-term business school programs (43)
Business leader development	Sending of new employees overseas, Dispatch of junior staff overseas to learn Chinese and other languages (total of 79)
Development of industry professionals and diverse human resources	Career vision support training (2,037), Distinctive training for each Division Company, Headquarters’ administrative divisions

Global Human Resources Strategy

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, we had taken steps to create a platform for promoting the development and utilization of human resources, including the development of a global human resources database and the establishment of leadership standards for managers. Currently, we are strengthening our human resources strategy in markets such as China and Asia. In addition, cooperating with each Division Company, we are implementing a Talent Management Process by preparing individual development plans for talented personnel who will play key roles in the expansion of revenues and profits overseas. Through these initiatives, we are bolstering the recruitment, development, and utilization of personnel who will contribute to global business development.

Promoting Human Resources Diversification

Since December 2003, ITOCHU has promoted human resources diversification aimed at enhancing individual and organizational abilities further by putting an environment in place that leverages and utilizes the characteristics of each employee without regard to gender, nationality, or age. In fiscal 2010, ITOCHU launched the “Promotion Plan on Human Resources Diversification 2013 (Japan).” Under this new plan, we are working to create a more attractive company and corporate culture by supporting the push to secure, embed, and utilize more diverse human resources.

First Female Executive Officer in Japanese General Trading Company

In April 2013, ITOCHU appointed its first female executive officer. As a leading company in the promotion of diversity, ITOCHU Corporation will continue to support the development and utilization of a diverse range of human resources, including female employees.

VOICE



Mitsuru Claire Chino

Executive Officer,
General Manager, Legal Division

ITOCHU Corporation is “everywhere,” both in terms of its diverse industry and jurisdictional coverage. Our people are the backbone of the Company’s success.

We believe that diversity is a matter of business strategy. With this in mind, we will continue our aggressive investment in diverse human resources.

Supporting the Career Development of Female Employees

To date, ITOCHU Corporation has actively promoted measures to support the career development of female employees to reflect the advancement of women in Japanese society, and established various schemes to this effect. Moving forward, we will push even harder to ensure the fair application of these schemes and strengthen support for the career development of female employees who contribute to corporate growth, through efforts including the promotion of individual support measures based on the life stages and careers of individual employees.

Cross-Industrial Women's Forum

In February 2013, ITOCHU Corporation and Nomura Holdings, Inc., jointly held the Cross-Industrial Women's Forum, an event where female employees from five leading Japanese global firms gathered to engage in inter-industry exchanges and to learn from one another about their future careers (other participating companies were Shiseido Co., Ltd., All Nippon Airways Co., Ltd., and Nissan Motor Co., Ltd.). Roughly 100 junior female employees from each company were able to broaden their views through exchanges with other participants and through presentations on personal experiences given by a diverse range of role models selected from each company, including female employees posted overseas (living with their children) and those working in management positions. The event was a highly productive opportunity for female employees to find the motivation to open up their own careers and gain awareness.

Creating Environments that Bring Out the Best in Employees

ITOCHU considers the development of environments that allow employees to enjoy peace of mind and concentrate on their work with a sense of job satisfaction to be of crucial importance. To this end, ITOCHU is promoting the development of environments that bring out the best in employees.

Providing Support for Work as well as Employees' Childcare and Nursing Care

During the course of their working lives, employees inevitably pass through life stages that require them to provide childcare and / or nursing care. To enable them to continue working with peace of mind and demonstrate their fullest potential, ITOCHU has expanded and upgraded systems to help that are far and above those required by law. These systems are available to both male and female employees, and provide support to them in their work as well as childcare and / or nursing care duties. In 2010, we opened I-Kids, a childcare center for our employees, at a location close to our Tokyo Headquarters. This move was made in light of a widespread social issue where many children are currently waiting for entry to nurseries in the Tokyo metropolitan area, and female workers face difficulties in planning their return from childcare leave.

Starting October 2012, we also made revisions to treat the five-day period following the start of childcare leave as paid leave instead of unpaid to encourage male employees to take part in childcare.

In 2011, in cooperation with the SECOM Group, we launched the "Furusato Care Service" to help employees posted abroad care for their elderly relatives (all expenses are paid by the Company). In addition, since October 2012 we

have been expanding and upgrading our nursing care systems in anticipation of the coming era of increased demand for nursing care. Changes included extending the available period of shorter working hours for nursing care (from three years to five years) and launching a Web-based consultation service for nursing care matters.

Overseas Security Management

ITOCHU Corporation maintains global business operations with roughly 800 rotational staff stationed overseas, and sends a total of approximately 10,000 employees on overseas business travel each year.

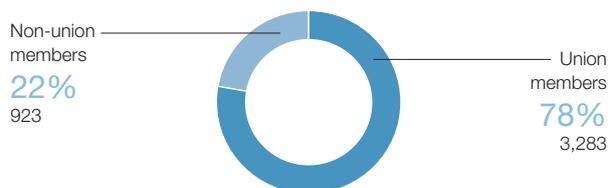
In terms of overseas security management, based on the belief that a shared awareness between the overseas location and Japan is important, the Human Resources and General Affairs Division has assigned security information officers to nine blocs worldwide. These officers periodically collect information concerning politics, economics, public security, and other factors and disseminate it internally. We have also established a system to cover regions where information is more difficult to obtain through contracts with international security consulting firms. Before being stationed overseas, rotational staff are given extensive instruction on dealing with matters such as local security, health care, and different cultures. Awareness-raising activities are also conducted after arrival, such as security seminars for rotational staff as well as their families.

Communications with Employees

ITOCHU is actively providing opportunities for direct, two-way dialogue between the president and employees. In fiscal 2013, the president visited domestic branches and offices, overseas offices, and operating companies, which usually have limited opportunities for dialogue with the president, and held 15 dialogue meetings.

In addition, a wide range of issues is discussed with the labor union. In fiscal 2013, we held five meetings, including management meetings with the president. Labor and management enter repeated and active discussions to further build upon the existing healthy relationship that enables both sides to recognize and share challenges currently facing them and to study and implement improvement measures.

Ratio of Labor Union Members (As of April 1, 2013)



Initiatives with the Labor Union in Fiscal 2013

June 2012	Results meeting
September 2012	Machinery Company management meeting
November 2012	Energy & Chemicals Company management meeting
March 2013	Management meeting with the CFO
March 2013	Management meeting with the president



The Environment

Fundamental Approach

At ITOCHU, environmental management initiatives include both proactively seeking out new opportunities to advance environment-conserving businesses and taking a precautionary approach to the prevention of problems associated with environmental risks. We believe that it is important to contribute to sustainable development by implementing both proactive and precautionary approaches.

Environmental Policy

The ITOCHU Group Environmental Policy states that, as a global enterprise, the ITOCHU Group is positioning environmental problems as one of its most important management policies, and the Group will strive to contribute to the realization of a sustainable society by actively working for a better global environment. Accordingly, the ITOCHU Group has defined five activity guidelines for environmental conservation—prevention of environmental pollution, observance of laws and regulations, promotion of environmental conservation activities, harmonious coexistence with society, and promotion of educational activities. We are taking steps to ensure that all employees in units subject to ISO 14001 are fully aware of our Environmental Policy, such as distributing Environmental Policy cards that employees carry at all times.

For the text of the Environmental Policy, please refer to our CSR website.

http://www.itochu.co.jp/en/csr/environment/office_activities/

Environmental Management

To comply with environment-related laws and regulations and to take a rigorous precautionary approach to environmental risks, in 1997 ITOCHU became the first trading company to establish an environmental management system (EMS) based on ISO 14001.

Environmental Management System

The chairman of the CSR Committee (CAO) has complete authority for the EMS. Environmental managers are assigned to each division, branch, and Group company, and operate with authority delegated from the leader of their organizational unit (total of 60 in fiscal 2013), and are assisted by eco-leaders (total of 260 in fiscal 2013). With the participation of all employees, the system is continually improved through a PDCA cycle.

Internal Environmental Audits

Audit teams are comprised of members of the CSR Promotion & Global Environment Department and employees qualified to serve as in-house environmental auditors (399 registered individuals). Internal audits are conducted to confirm that initial plans are being appropriately implemented, with an emphasis on confirming compliance with environment-related laws and regulations. Our in-house environmental audits for fiscal 2013 covered a total of 59 departments.

Results of External Inspections

Each year, ITOCHU is inspected by the Japan Audit and Certification Organization for Environment and Quality (JACO) in connection to ISO 14001 certification. The outcome of the fiscal 2013 inspection was an overall “improvement” grade and renewed certification.

Precautionary Initiatives: Preventing Problems Associated with Environmental Risks

We work to identify the impact on the global environment from our business activities and to implement initiatives supporting a precautionary approach on environmental risks. We have initiated the following initiatives, and in fiscal 2013 there were no major incidents involving violations of environment-related laws.

Evaluating Environmental Risks Posed by Products Handled

We handle a wide range of products on a global scale, and carry out our own environmental impact evaluations regarding the influence of these products on the global environment. In these initiatives, we use an LCA*-based analysis method at each stage of a product's life cycle, from procurement of raw materials, production, and use, through disposal.

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



Environmental Fact-finding Investigations of Group Companies

We began fact-finding investigations of our Group companies after several of them received complaints about environmental pollution in 2001. To prevent a recurrence, over the 12 years to the end of March 2013, we did on-site investigations at 173 companies (239 worksites). The evaluation is made using Q&As between auditors and management; inspections of plants, warehouses, and other facilities; surveys of wastewater released into rivers; and assessments of compliance with environmental laws and regulations. Problem areas are pointed out and preventive measures are provided, and progress with rectification is confirmed.

Evaluating the Environmental Risks of New Products

We employ a CSR and environmental checklist for investments to evaluate in advance the market, social, and environmental impact of business investment projects. When necessary, ITOCHU calls on specialized external bodies to render an advance inspection of the project. Action on the project then moves forward once inspection results and the absence of any major problems is confirmed.

Promoting Environmental Education and Awareness

In fiscal 2013, we held environment-related seminars and training in a variety of areas. A total of 6,265 people participated in these seminars. We are working to ensure strict compliance with environment-related laws and regulations and to increase environmental awareness among all Group employees.

Proactive Initiatives: Advancing Environment-conserving Businesses

ITOCHU is working to contribute to the solving of environmental problems through various businesses. Our system for the promotion of these businesses calls for each division to formulate a CSR Action Plan and execute it based on a PDCA cycle system. We also consider climate change and the sustainable use of resources as material issues, and accordingly we will work to contribute to the solving of these issues through our business activities.

Stable Supply of Sustainable Resources

ITOCHU is working to establish supply chain management and stable procurement that support the eco-friendly use of sustainable resources. In pulp production, together with major Japanese pulp manufacturers and other companies, in 1973 we invested in CENIBRA, of Brazil, a manufacturer of hardwood pulp. In fiscal 2013, we invested in METSA FIBRE Oy, one of the world's leading softwood pulp makers, in Finland. These companies are working aggressively to reduce wastewater, electricity consumption, and waste in the production process. Moving forward, ITOCHU will continue striving to make further progress in the stable supply of sustainable resources.



CENIBRA nursery

Targeting the Realization of a Low-carbon Society

For the "Smart Streetlight Service," a smart business with streetlights that use advanced technologies, ITOCHU won the Grand Prize for Energy Saving Service at the 9th Eco Products Awards in 2012. For this service, devices compatible with power line communications will be attached to each streetlight. These devices will enable remote control of each streetlight, including fine adjustment of the brightness level in accordance with the environment. We are currently conducting demonstration testing of this service in Tsukuba City in a project commissioned under a Ministry of the Environment program "for model businesses providing focused support for the development of low-carbon regions." Moving forward, we will continue to strengthen our energy and smart IT infrastructure business and to promote energy management. In this way, we strive to contribute to the realization of a low-carbon society.



Smart streetlights in Tsukuba City

Renewable Energy Related

ITOCHU is advancing a variety of renewable energies, such as wind power, photovoltaic power, and geothermal power. The Shepherds Flat Wind Project that we are advancing in the U.S. state of Oregon went into full-scale operation in 2012 and is expected to contribute to reducing carbon dioxide emissions by 1.48 million tons a year. In April 2013, we concluded the Energy Sales Contract of a 330MW geothermal power generation independent power producer (IPP) in Indonesia's Sarulla region in North Sumatra. In recent years, Energy-from-Waste projects have received growing attention as a means of clean power generation that substantially reduces the amount of waste sent to landfill and does not use fossil fuels. With our investment in SITA Cornwall Holdings Limited in March 2013, we now have four Energy-from-Waste projects in the U.K., including projects for which we have been selected as preferred bidder. We will handle about 20% of the annual waste incineration volume in the U.K.



The Shepherds Flat Wind Project

Environmental Data: Fiscal 2013

	Domestic	Overseas	Total
(1) Electric power (MWh)	1,982,538	983	1,983,521
(2) City gas (thousand m ³)	16,486	0	16,486
(3) Hot water (GJ)	2,680	0	2,680
(4) Cold water (GJ)	20,546	4,147	24,693
(5) Steam (GJ)	17,505	0	17,505
(6) CO ₂ (CO ₂ -t): (1) - (5) conversion	1,126,745	701	1,127,446
(7) Volume of waste (t)	206,756	5	206,761
(8) Tap water (m ³)	6,236,892	10,980	6,247,872
(9) Grey water (m ³)	37,212	0	37,212

<<Subject Organizational Units>>

(1) "Domestic" refers to ITOCHU Corporation and 64 domestic Group companies.

* However, Group companies are not included in 3, 4, 5, and 9.

(2) "Overseas" refers to 10 offices of overseas trading subsidiaries that have obtained ISO 14001 certification.

(3) Conversion to carbon dioxide (CO₂-t) is handled in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation and the Law Concerning the Rational Use of Energy for ITOCHU Corporation and in accordance with IEA (International Energy Agency) standards for others.

For further information, please refer to our CSR website.

http://www.itochu.co.jp/en/csr/environment/office_activities/

Fair Operating Practices

Fundamental Approach

Integrity is one of the ITOCHU Values that are a part of ITOCHU’s corporate philosophy. Employees need to study and strictly observe the various rules that are related to corporate activities, such as laws and international rules. In addition, it is important that each individual employee avoid excessive trust in previously established precedents or complacency with industry practices, always consider “What is correct?” and conduct their activities from a highly ethical viewpoint. We have established systems and environments that enable employees to work in this manner.

Compliance

ITOCHU Group’s Compliance System

The ITOCHU Group has compliance officers in each organization within Headquarters and at all major Group companies worldwide. With consideration for local laws, business characteristics, and operational formats, these compliance officers are creating systems for the promotion of compliance. In addition, we conduct simultaneous corporate-wide Monitor & Review surveys every year and compliance attitude surveys every two years. While checking the progress in implementing compliance measures at all ITOCHU Group companies through these surveys and other opportunities, the ITOCHU Group is making a concerted effort to find improvements that will enhance its well-developed systems for advancing compliance.

We have also formulated regulations for hotlines. These regulations protect whistleblowers who provide internal information and provide a framework for the appropriate handling of that information. This initiative is reinforcing compliance management by supporting the prompt discovery and rectification of any incidents of corruption.

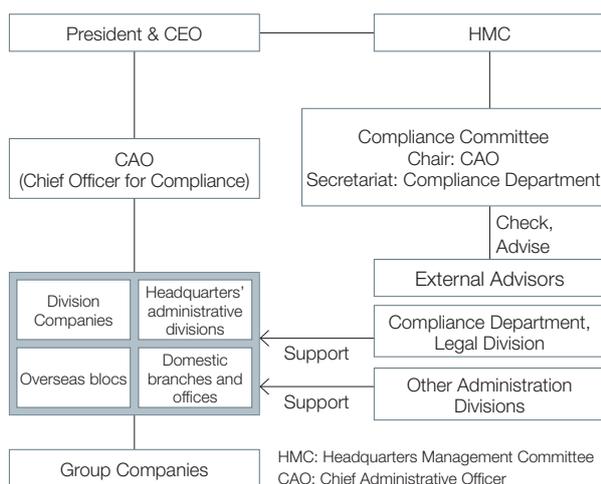
implementing activities with a focus on system operation such as on-site guidance with the objective of ascertaining actual front-line compliance conditions and identifying risks. Based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating 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 offices and Group companies.

Bolstering Measures to Fight Corruption

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

Anticipating more stringent regulations against bribery and corruption worldwide, including the U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the enforcement of the U.K. Bribery Act 2010, in June 2011 ITOCHU revised its own aforementioned regulations and guidelines as a measure to enhance its own responsiveness in this area. In fiscal 2013, through various training programs we worked to circulate information regarding the aforementioned revisions within ITOCHU and to overseas blocs. At the same time, through monitor and review initiatives, steps were taken to conduct risk assessment with respect to payoffs, bribery, and similar impropriety.

Compliance System



Major Compliance Measures in Fiscal 2013 and Tasks for the Future

In fiscal 2013, On-Site Compliance Training was held for all Headquarters employees and for employees of Group companies that requested training. This training, which was intended to raise compliance awareness and prevent the occurrence of any cases, used actual compliance cases as teaching materials. In addition, for key organizations, such as overseas offices and Group companies, we are

Measures to Fight Collusive Bidding and Cartels

In recent years, there have been many reports of suspected cartel activities in markets around the world. Accordingly, in April 2010 ITOCHU revised its Anti-Monopoly Law Manual as a means of strengthening its response. To track the level of awareness of this manual and the status of the system for preventing cartel activities for the Group as a whole, in fiscal 2013 we implemented monitoring of Anti-Monopoly Law violation prevention. In consideration of the results of this initiative, we will work to raise understanding of collusive bidding and cartel activities throughout the entire Group. To that end, we will implement education and training and implement a system for ongoing risk assessment and monitoring.



Consumer Issues

Fundamental Approach

As a general trading company with businesses that encompass upstream raw materials business areas through to downstream retail business areas, ITOCHU is working with consumer issues through the provision of a wide variety of goods and services that support people's everyday lives. To that end, we are implementing a broad range of activities, such as ensuring product safety and quality, establishing supply chains that foster sustainable consumption, and using the distinctive strengths of products to raise awareness about environmental conservation. These activities aim to contribute to the improvement of people's lives.

Ensuring Food Safety through Periodic On-site Audits

Key trends in food markets include the diversification of dietary habits, the globalization of food distribution, and the growing awareness of health-related is-



ssues. In this setting, consumers are increasingly concerned with food safety and security. Meanwhile, there have been incidents that have caused concern about food safety and security, such as the BSE problem, violations of residual agricultural chemicals standards, and the distribution of foods using additives that have not been screened for safety.

In 2002, ITOCHU established the Food Safety Management Office in the Food Company, and is now implementing a wide range of initiatives to ensure food safety. One such initiative is the implementation of periodic on-site audits at the processing plants of overseas suppliers. This began in fiscal 2012. The subjects of the audits—and audit frequency—are determined with reference to individual information, such as the management system of the country and the degree of cleanliness-related risk for the characteristics and processing procedures of the product. The audits check 125 separate items, and are conducted when employees from Headquarters and local staff are on the premises. In fiscal 2013, approximately 175 on-site audits were conducted at 115 suppliers.

We will continue taking steps to increase the quality of these audits.

Fashion Earth PROJECT: Platform for Implementing Environmental Conservation Activities Together with Consumers

As global warming intensifies, action to protect the environment is a major challenge for the apparel industry. In this setting, ITOCHU, in collaboration with Hakuholdo DY Media Partners, Inc., launched the Fashion Earth PROJECT (FEP) in 2010. The FEP supports cross-sectional environmental conservation activities in the apparel industry.

Using CO₂ emission quotas from a wind power generation project in India and other projects recognized by the United Nations, the FEP Office began to sell carbon offset product tags (blue FEP tags) to apparel manufacturers. In addition, in 2011—in cooperation with *more trees*, a general incorporated association operating forest conservation activities (representative: Ryuichi Sakamoto)—the FEP Office began to provide green FEP tags, thereby contributing to forest conservation

activities in Japan. Through the messages printed on the tags, the FEP facilitates the implementation of environmental conservation activities together with consumers. As a result, as of January 2013 the project had the participation of 17 companies and the FEP tags had been introduced to 53 brands. The project has helped reduce CO₂ emissions by 4,220 tons.

In the future, the FEP will introduce this kind of know-how to many different initiatives in a bid to further expand the platform of environmental conservation activities in which manufacturers, consumers, non-profit organizations (NPOs), and many different stakeholders are united.

 [Fashion Earth PROJECT] <http://www.fe-p.jp/>

Raising Children's Awareness of Environmental Conservation through MOTTAINAI Campaign

ITOCHU has been involved in the MOTTAINAI Campaign

since its start in 2005. The word MOTTAINAI includes the ideas of reduce (reducing waste), reuse, and recycle, as well as a feeling of respect toward the irreplaceable resources of the earth. To help build a sustainable and recycling-oriented society, ITOCHU aims to make MOTTAINAI an international keyword for protecting the environment.



From April 2012 we have been the official sponsor of an "Eco-Shop" pavilion in KidZania Tokyo, which is a facility for children to experience diverse occupational and social activities. The pavilion functions as a place where children can learn about environmental conservation from a global perspective. For each child who participates, the amount equivalent to the cost of one tree sapling will be donated to the Green Belt Movement, a tree planting campaign established in Kenya. As of the end of March 2013, the amount donated was equivalent to the cost of about 30,000 tree saplings.

Introducing Supply Chains for Individual Projects

Realizing that it is important to inform consumers where things come from, since 2008 we have been implementing the Documentary Report Project on Supply Chains (Please see pages 82 to 84), in which we introduce the entire supply chain for each product we handle. Apart from product price and quality, we introduce how products affect society through the production process. By sharing information with consumers, we promote education on the social and environmental aspects of this issue.



Community Involvement and Development

Fundamental Approach

ITOCHU conducts business activities in diverse regions throughout the world. We consider ourselves to be members of local communities in ways that extend beyond the scope of our business activities, and are aiming to participate in these communities as well as contribute to their sustainable development. We respect the history and culture of all of the world's regions, and are contributing to the development of communities, with a focus on the direction of international society, such as the United Nations Millennium Development Goals (MDGs).

Contributing to the Development of Local Communities through Our Business

Promoting CSR in Each Region through CSR Action Plans

To steadily implement CSR activities, we formulate CSR Action Plans (Please see page 79) at every office in Japan and at overseas blocs. As a member of local communities, we strive to contribute to their further development.

Supporting Agriculture in Africa

With the global population expanding, securing food resources is an increasingly important issue. In this setting, ITOCHU and 14 food manufacturers established the Africa Food Development Association in July, 2012. In conjunction with the Triangular Cooperation Programme for Agricultural Development of the African Tropical Savannah among Japan, Brazil and Mozambique (ProSAVANA-JBM)—an agricultural development project based on triangular cooperation that is being promoted by the Japanese Government—the association is working to promote the stable procurement of food resources.

This project is focused on the Mozambique tropical savannah. The Japan International Cooperation Agency (JICA) is working in cooperation with a public agricultural institution in Brazil that is a leader in tropical agriculture. The project's aim is to contribute to the resolution of poverty issues in the host country and to the stable procurement of food resources for Japan and the rest of the world by developing a sub-Saharan savannah grasslands zone into competitive agricultural land.

With ITOCHU taking the lead, the Association is supporting this project. A key focus will be soybeans and sesame, which have high nutritional value. Working together with food manufacturers that have world-class R&D technologies, the Association will select products for the Japanese market. These will include non-GM soybeans and sesame that meet the tastes of Japanese consumers. Moving forward, plans call for the selection of seeds that can be used in Mozambique in fall 2013 and for the development of new varieties.

Approximately 80% of the population of Mozambique works in agriculture, and about 90% of those are small-scale farmers. Through the introduction of agricultural technologies and systems, this project is expected to contribute to improvement in the standard of living of farmers and to the establishment of a sustainable agricultural model.

Contributing to the Development of Kobe Medical Industrial City

ITOCHU donated ¥500 million for the construction of ITOCHU Medical Plaza, a facility aimed at fostering international medical exchange. Plans call for the facility to open in summer 2014 in Kobe Medical Industrial City, Japan's largest medical complex. The donation was made to the Foundation for Kobe International Medical Alliance. Through a range of activities, such as developing overseas medical personnel, admitting trainees, and conducting a variety of research, the facility is expected to become a base for improving medical technology in emerging countries and helping to provide solutions for the issues posed by Japan's aging society.

In addition, ITOCHU is also donating to Child Chemo House, Japan's first specialized medical institution for pediatric cancer patients. This institution is located in Kobe Medical Industrial City. Through these donations, ITOCHU will strive to contribute to the establishment of an environment in which children with cancer and their families can live together even when the children are receiving treatment. To that end, 6–10% of the cost of drinks purchased from vending machines at ITOCHU's Headquarters will be donated to Child Chemo House.

Social Contribution Activities

In line with our Basic Activity Guidelines on Social Contribution, we are working to contribute to the resolution of issues faced by local communities and to the further development of those communities. To that end, we are implementing a range of activities in Japan and overseas in cooperation with NPOs and NGOs.

Basic Activity Guidelines on Social Contribution

1. Action on global humanitarian issues

As a globally active enterprise, ITOCHU Corporation shall take proactive approaches to humanitarian issues around the world and help to build a better, more humane world.

We support the United Nations World Food Programme (WFP)—the only food support institution in the U.N.—and have become a council member of the Japan Association for the WFP. In addition, employees have participated in the Walk the World charity walk and our corporate cafeterias participate in the TABLE FOR TWO program, under which a donation of ¥20 (a total of ¥40 when combined with a matching donation from the Company) is made for each meal. In these ways, we are supporting school meal programs in emerging countries.

2. Environmental conservation

ITOCHU Corporation shall vigorously pursue activities of environmental conservation and contribute to sustainable social advancement.

In the state of Sabah, Malaysia, the ITOCHU Group has been supporting activities to restore the tropical rainforests and conserve Borneo's ecosystem since 2009. We are supporting the reforestation of 967 hectares, making this one of the largest reforestation support initiatives undertaken by a private-sector company. This program facilitates reforestation management and monitoring of orangutans.



3. Community contribution

As a good corporate citizen, ITOCHU Corporation shall construct favorable relationships, and harmonize its business, with local communities.

As part of our CSR activities, in October 2012 we opened ITOCHU AOYAMA ART SQUARE in a facility next to our Tokyo Headquarters. In cooperation with a local business association and other parties, ITOCHU is working to invigorate the local community through the sponsorship of periodic art exhibitions.

4. Growth of next generations

ITOCHU Corporation shall conduct activities to support the sound development of youth as tomorrow's leaders and work for the emergence of fulfilling and vibrant communities.

ITOCHU is sponsoring an "Eco Shop" pavilion in KidZania Tokyo—a facility for children to experience diverse occupational and social activities. The pavilion offers programs that enable children to enjoy learning about global environmental problems while making original eco-products. Through these activities, ITOCHU is striving to foster the development of children who will support our sustainable society in the years ahead.

5. Support for volunteer work by our employees

ITOCHU Corporation shall provide positive support for the activities of social contribution by each and every one of its employees.

Beginning in May 2011, to make it easier for employees to participate in volunteer activities that support Great East Japan Earthquake reconstruction initiatives, we instituted a system under which the Company pays for travel, board, and other expenses. By the end of March 2013, a total of 216 people had used this system.



Great East Japan Earthquake Reconstruction Support

The Great East Japan Earthquake caused substantial damage throughout east Japan. Moving forward, ITOCHU will do its utmost to support reconstruction from a medium- to long-term perspective.

The ITOCHU Children's Dream Fund Initiative

ITOCHU provided support for "The Tohoku Supporting Children's Dreams Project," which is being run by the Nippon International Cooperation for Community Development (NICCO), as its first project. Through this program, we have provided support for school club activities and youth baseball teams in Rikuzentakata City.



Collaborating in Ishinomaki Line Manga-themed Train Service

To support restoration through tourism in Ishinomaki City, ITOCHU has provided assistance in the operation of a manga-themed train service. We donated an amount that corresponds to the total cost of the wrapping used to decorate the train carriages with images of popular characters.



Working Together with Shareholders to Provide Support for Affected Areas

From fiscal 2012, ITOCHU has provided shareholder information, by e-mail rather than postal delivery of printed materials, to shareholders who have agreed to receive such information in digital form. The resulting savings, which include savings from paper and postage, together with a matching donation, have been donated to an ITOCHU Foundation program that subsidizes the development of children's literature collections.

With approval having been received by 6,216 shareholders in fiscal 2013, we donated children's books to volunteer organizations conducting activities in the areas affected by the disaster.

The Activities of ITOCHU Foundation

ITOCHU conducts ongoing support for the "growth of next generations" through the ITOCHU Foundation, which was established in 1974. In 2012, the Foundation became a Public Interest Incorporated Foundation, and is currently implementing activities that contribute to the sound growth of children, principally subsidizing the development of children's literature collections and promoting the development of an e-book library.

Providing Subsidies for Children's Literature Collections



Students at an Istanbul continuation school read books sent from the ITOCHU Foundation

In fiscal 2013, children's literature collection subsidy activities included not only subsidies for the purchase of children's books and the 100 Children's Books Subsidy but also support for areas affected by the disaster.

Subsidizing the Development of Children's Literature Collections

	Number of subsidies
Subsidies for purchase of children's books	39 (of which, 1 overseas)
Subsidies for purchase of children's books for hospitals	7
100 Children's Books Subsidy	32 (of which, 10 overseas)
Subsidies for libraries at Japanese schools / supplementary schools	51 (of which, 51 overseas)
Award for distinguished service to children's literature collections and related initiatives	2
Support for areas affected by the Great East Japan Earthquake	15
Total	146 (of which, 62 overseas)

Promoting the Use of E-Books

In fiscal 2011, the Foundation began to promote the development of an e-book library for children with disabilities who are unable to read conventional books. The Foundation has revised the scope of this project, which is now focused on making it easier to read for more children. The Foundation has provided, at no cost, 58 works to 538 locations throughout the country, such as schools for children with special needs.