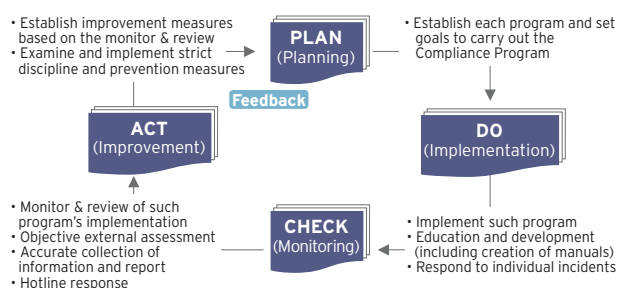


## Compliance

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

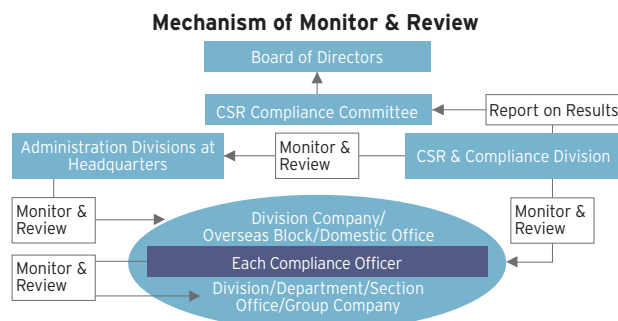
### Continuous improvement through the PDCA cycle

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



### Check of activities through monitor and review

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



### Results of questionnaires on monitor and review (excerpt)

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

### Compliance education and training

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

### Provision of Internal Information System (Hotline)

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

### Internal Audit

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

### Security Trade Control

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

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

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