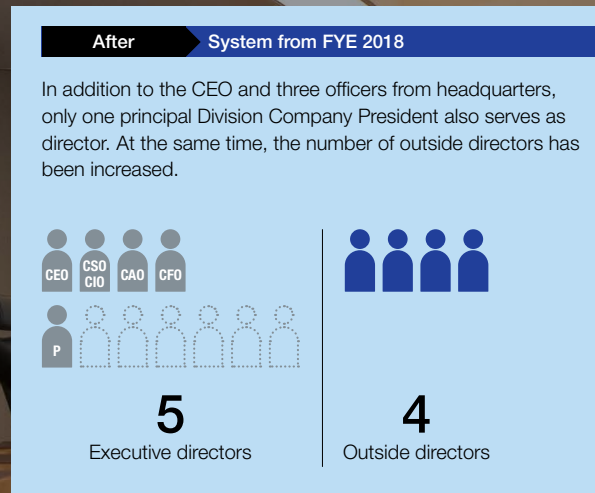
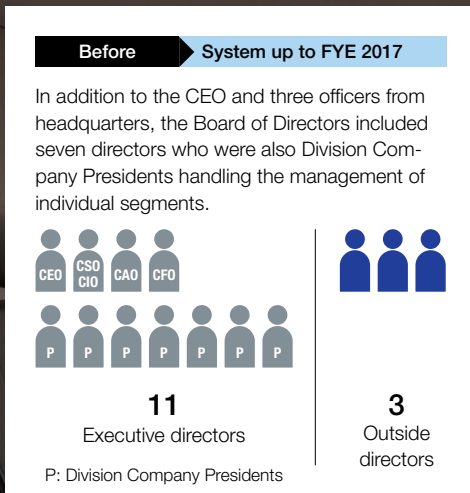


Board of Directors' Reforms: Our Structure from FYE 2018

Content of Reforms



Decision-Making Process

March–May 2016

Results of the Board of Directors' Evaluation in FYE 2016

The Board of Directors confirmed that it needs to continue discussing whether the Board should review the Board of Directors' structure and matters to be submitted to the Board and shift to a governance model where it focuses more on monitoring (supervision) of business execution in the future.

Based on these evaluation results, the Governance and Remuneration Committee decided to continue deliberating specific measures.

October–November 2016

The Governance and Remuneration Committee (chaired by Ichiro Fujisaki, outside director) deliberated several times. These deliberations were separated into discussions on a proposal to maintain the existing Board of Directors' structure and ones on a proposal to transition toward a monitoring-focused structure from FYE 2018.

Participating in Deliberations on Board of Directors' Reforms



Atsuko Muraki

Ms. Muraki was appointed as a director of ITOCHU in June 2016, following positions including the Vice Minister of Health, Labour and Welfare. She is a member of the Governance and Remuneration Committee. In addition to working style reforms, she proactively offers advices on compliance issues and sustainability issues in management plans.

To enhance governance, ITOCHU also considered increasing the percentage of outside directors on the Board of Directors and the need to strengthen the function of monitoring execution.

Considering the appropriate size of the Board of Directors in order to facilitate effective discussion, the point at issue was whether removing Division Company Presidents as directors and creating a Board of Directors centered on officers from headquarters would strengthen the monitoring function.

There were two concerns. First, removing Division Company Presidents could mean that Board of Directors' discussions would become estranged from issues on the front lines, making these discussions lopsided. Also, removing Division Company Presidents, who play the important role of execution, could cause them to lose opportunities to oversee decision-making from a higher perspective.

To address this concern, we decided to have Division Company Presidents in Board of Directors' meetings, providing them a platform to communicate information and opinions from the front lines. We also decided to increase the number of opportunities for outside directors to get in touch with front-line operations through internal opinion exchanges and site visits.

Reviewing the composition of the Board of Directors itself was not difficult. However, getting the monitoring to operate in the intended fashion could be difficult. For this reason, we consider this fiscal year as the "year for Board of Directors' reforms," and we aim to make it a year for enhancing effectiveness.

Highlights of the Reforms

- The total number of directors has been reduced and the ratio of outside directors has been set to at least one-third, creating a structure in which the Board of Directors more effectively serves a monitoring function.
- In principle, Division Company Presidents serve as executive officers, focused on Division Company management. However, one principal Division Company President also serves concurrently as director in the interest of facilitating judgments on Division Company management on the Board of Directors.
- To prevent the Board of Directors from becoming estranged from the front line, we have strengthened the system of reporting on business execution from Division Companies to the Board of Directors.

In the Future Future Issues

- Continue to make operational improvements to reinforce the effectiveness of the Board of Directors' monitoring function.
- Deliberate measures for enhancing corporate value, including ESG in the next medium-term management plan.
- Reinforce supervision of nomination and remuneration with a view to sustainable growth.

(Principal Opinions)

- Some views favor separating execution and supervision, but the perspective of clarifying the decision-making process is also important.
- Although I believe we should transition toward a monitoring-focused structure, we also need to consider reporting on business execution by Division Company Presidents who are not directors.
- A sudden change would cause outside directors to become disconnected from investment projects and other operations. The lack of information could turn the Board of Directors into a mere façade.

As a result of these deliberations, the Governance and Remuneration Committee submitted a report suggesting the transition of the Board of Directors toward a monitoring-focused structure beginning in FYE 2018. Following further deliberations with the Nomination Committee (chaired by Chikara Kawakita, director), the Board of Directors reached the decision to simultaneously undergo changes to its membership and revise the Board of Directors' regulations (January 2017).

Promoting Further Advances on the Board of Directors



Harufumi Mochizuki

Following positions including the Vice-Minister of Economy, Trade and Industry, Mr. Mochizuki was appointed as an Audit & Supervisory Board Member of ITOCHU in June 2014 and director of the Company in June 2017. He is a member of the Nomination Committee. Based on this background and his concurrent management experience, Mr. Mochizuki proactively voices opinions on such topics as the Company's corporate governance, compliance, and internal control.

During my three years as Audit & Supervisory Board Member of ITOCHU, I have taken part in governance reforms on a variety of fronts. During this period, calls for Board of Directors' reforms have become more pronounced throughout Japan. As ITOCHU is a key company in Japan, I have worked to ensure appropriate reforms were carried out here.

In my current position as an outside director, I aim to contribute to management from a new perspective. I was involved in industrial policy during my career as a government official, and thereafter gained experience and expertise through direct involvement in corporate management. I aim to make use of this experience at ITOCHU, particularly by effectively exercising the monitoring function of the Board of Directors. In this manner, I hope to contribute to sustainable increases in ITOCHU's corporate value.

Along with strengthening governance, the Company needs to have in place a framework that enables it to remain vigilant and preempt any internal control or compliance infractions, as the manifestation of such risks can threaten a company's very survival. At the same time, it is important to cultivate a free-spirited corporate culture that contributes to increases in corporate value.

By fulfilling my own mission as an outside director, I intend to promote further advances on ITOCHU's Board of Directors.

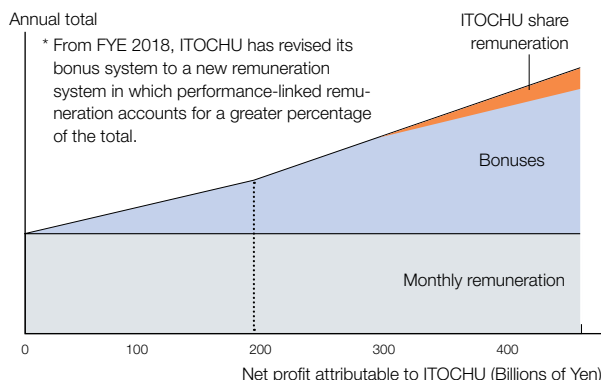
Characteristics of Corporate Governance at ITOCHU

Executive Remuneration

A Highly Transparent Remuneration System Linked to Increases in Corporate Value

Remuneration for directors (excluding outside directors) comprises (1) monthly remuneration, (2) performance-linked bonuses, and (3) performance-linked and share-based remuneration (trust type). The total amount of (1) monthly remuneration is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (2) performance-based bonuses and (3) performance-linked and share-based remuneration is determined based on net profit attributable to ITOCHU. The performance-linked and share-based remuneration was introduced in FYE 2017 with the aim of heightening awareness toward making contributions to improving our performance over the medium and long term and to increasing corporate value.

Remuneration of Directors (Excluding Outside Directors)



	Type of remuneration	Content	Remuneration limit	Resolution of General Meeting of Shareholders
Directors	(1) Monthly remuneration	Monthly remuneration determined by the contribution to ITOCHU of each director according to a base amount set by position	¥1.2 billion per year as total monthly remuneration (including ¥50 million per year as a portion to the outside directors)	June 24, 2011
	(2) Bonuses	Determination of total payment amount on the basis of net profit attributable to ITOCHU. Refer to the formula below.	¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors)	
	(3) Share-based remuneration (trust type) FYE 2017 introduction		The following is the limit for a two-year period for directors and executive officers (excluding outside directors) Upper limit for contribution to trust from ITOCHU: ¥1.5 billion Total points awarded to persons eligible for the plan: 1.3 million points (conversion at 1 point = 1 share)	June 24, 2016
Audit & Supervisory Board Members	Only monthly remuneration		¥13 million per month	June 29, 2005

Formulas for Performance-Linked Bonuses and Share-Based Remuneration

Total Amount Paid to All Directors

Total amount paid to all directors = (A + B + C) x Sum of position points for all the eligible directors ÷ 55

A = (Of net profit attributable to ITOCHU for FYE 2018, the portion up to ¥200.0 billion) x 0.35%

B = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as share-based remuneration)

The total amount paid shall be the sum of A, B, and C, which shall be adjusted with due regard to the increase/decrease in the number of eligible directors and the change in position and other factors. (Remuneration limits exist on bonuses and share-based remuneration.)

Amount Paid to an Individual Director

Amount paid to an individual director = $\frac{\text{Total amount paid to all directors} \times \text{Assigned position points}}{\text{Sum of position points for all the eligible directors}}$

Chairman President & Chief Executive Officer	Executive Vice President	Senior Managing Executive Officers	Managing Executive Officers
10	5	4	3

Of the amount paid to an individual director, the portion corresponding to A and B in the total amount paid to all directors is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as share-based remuneration and the balance is paid in cash. In regard to share-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement share-based remuneration is paid from the trust in correspondence with accumulated points. Plans call for all of the shares paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

Evaluation of the Compensation System



Ichiro Fujisaki

Mr. Fujisaki was appointed as a director of ITOCHU in June 2013, following such positions as ambassador to the United States. Since June 2016, he has served as chairman of the Company's Governance and Remuneration Committee. Based on his many years of experience as a diplomatic official, he proactively offers advices on such matters as the Company's overseas policies and large-scale projects. In addition, since his appointment as chairman of the Governance and Remuneration Committee, Mr. Fujisaki has worked to enhance that committee's deliberations.

ITOCHU has revised its remuneration system and is moving to performance-linked bonuses for directors beginning in FYE 2018. Along with the stock remuneration plan, this revision increases the performance-linked percentage. The Governance and Remuneration Committee considers this approach to be appropriate, as the system targets further increases in corporate value and the concept is based on the payment of compensation to the management team commensurate with their achievement of high management targets.

The current medium-term management plan, which concludes in FYE 2018, targets two consecutive years of record high earnings and the achievement of consolidated net profit of ¥400.0 billion. The new, monitoring-focused Board of Directors will exercise an even greater supervisory function going forward.

Nomination

Nomination Committee Supervising Succession Planning

ITOCHU's Nomination Committee was established in FYE 2016 as an advisory committee to the Board of Directors. In FYE 2017, an outside director was appointed as the committee's chairman, and the committee transitioned to a structure in which outside executives comprise half or more of the total members. Under this system, the president is granted the right to propose candidates for appointments as executive officers, directors, and Audit & Supervisory Board Members. However, prior to such proposals, the Nomination Committee deliberates candidates and reports the results of such deliberations to the Board of Directors. Under this arrangement, the Nomination Committee's primary function is to appropriately supervise the proposal-making process. By posing questions to the president, the Nomination Committee also takes part in the president's succession planning and supervises its state of progress.

Status of Activity on the Nomination Committee

In keeping with the Corporate Message "I am One with Infinite Missions," I would like to see all ITOCHU's employees fulfill their individual missions and for ITOCHU to contribute even more to society as one of Japan's leading companies. To these ends, it is important to create a management structure that enables each employee to take full advantage of his or her ambitions and capabilities.

ITOCHU's Nomination Committee has been in place for two years. Taking advantage of the insight and experience of outside executives has led to a more proactive expression of opinions, and deliberations are vigorous on a variety of fronts, including succession planning. We aim to go about our work so that shareholders can feel peace of mind and a sense of major anticipation when approving proposals each year at the General Meeting of Shareholders.



Chikara Kawakita

Following such positions as commissioner of the National Tax Agency, Mr. Kawakita was appointed as director of ITOCHU in June 2013. Since June 2016, he has served as chairman of the Nomination Committee. He proactively offers advices on ITOCHU's capital policies and investment projects. Furthermore, since being appointed as chairman of the Nomination Committee, he has encouraged consideration of an ideal supervisory process for the Company.

Overview of the Corporate Governance System

Steps Taken to Strengthen Corporate Governance

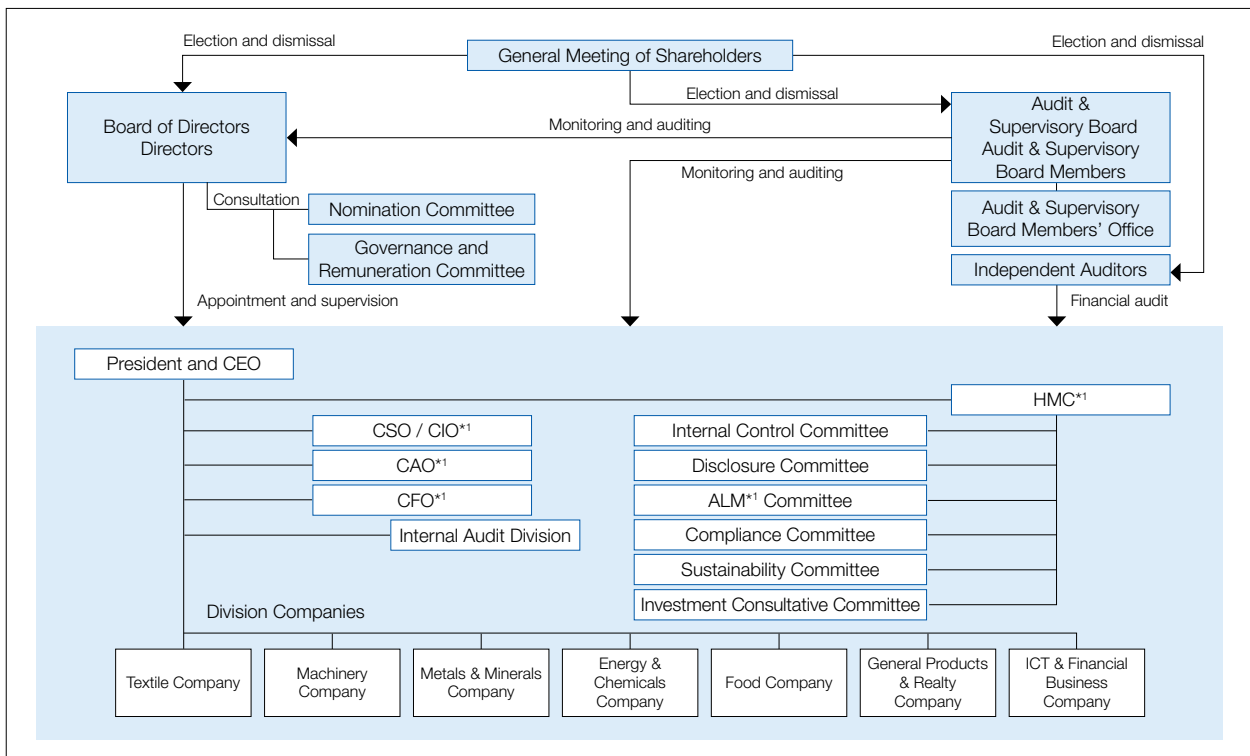
1999	<ul style="list-style-type: none"> Introduction of a system of executive officers 	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> Appointment of outside directors (two) 	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> Response to Japan's Corporate Governance Code Establishment of a Nomination Committee and a Governance and Remuneration Committee Revision of the Board of Directors' Regulations 	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> Increase in the number of outside directors (from two to three) Reorganization of the Nomination Committee and the Governance and Remuneration Committee (appointing outside directors as chairmen, outside executives account for half or more of members) Implemented Board of Directors' effectiveness evaluation 	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> Transition to a Board of Directors with a monitoring-focused structure Increasing the ratio of outside directors to at least one-third No directors except one Division Company President appointed to concurrent positions 	Thorough separation of management execution and supervision

Corporate Governance System

Type of system	Company with the Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board)
Number of directors (Of which, number of outside directors)	9 (4)
Number of Audit & Supervisory Board Members (Of which, number of outside Audit & Supervisory Board Members)	5 (3)
Term of office for directors	1 year (the same for outside directors)
Adoption of an Executive Officer System	Yes
Organization to support CEO decision-making	HMC*1 deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of April 1, 2017)



*1 HMC: Headquarters Management Committee CSO / CIO: Chief Strategy & Information Officer CAO: Chief Administrative Officer CFO: Chief Financial Officer
ALM: Asset Liability Management

*2 CAO is the chief officer for compliance. Also, each Division Company has a Division Company President.

*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

As of July 1, 2017

Members of the Board



President & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2010 President & Chief Executive Officer

Number of shares held: 171,095



Member of the Board

Hitoshi Okamoto

Chief Strategy & Information Officer;
General Manager,
CP & CITIC Business Development Department

1980 Joined ITOCHU Corporation
2014 Senior Managing Executive Officer
Number of shares held: 63,265



Member of the Board

Yoshihisa Suzuki

President, ICT & Financial Business Company

1979 Joined ITOCHU Corporation
2016 Senior Managing Executive Officer
Number of shares held: 45,184



Member of the Board

Fumihiko Kobayashi

Chief Administrative Officer

1980 Joined ITOCHU Corporation
2017 Senior Managing Executive Officer

Number of shares held: 72,780



Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer

1991 Joined ITOCHU Corporation
2015 Managing Executive Officer

Number of shares held: 56,700



Member of the Board*¹

Ichiro Fujisaki

2013 Outside Director, ITOCHU Corporation

Number of shares held: 3,100



Member of the Board*¹

Chikara Kawakita

2013 Outside Director, ITOCHU Corporation

Number of shares held: 0



Member of the Board*¹

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation

Number of shares held: 400



Member of the Board*¹

Harufumi Mochizuki

2014 Audit & Supervisory Board Member,
ITOCHU Corporation

2017 Outside Director, ITOCHU Corporation

Number of shares held: 1,000

*1 indicates an outside director as provided in Paragraph 2, Clause 15 of the Corporate Law

*2 indicates an outside Audit & Supervisory Board Member as provided in Paragraph 2, Clause 16 of the Corporate Law

*3 Ms. Mitsuru Chino's registered name is Mitsuru Ike.

"Number of shares held" indicates the number of ITOCHU shares.

For executives' career histories, please see the website:

<https://www.itochu.co.jp/en/about/officer/>

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Yoshio Akamatsu

1974 Joined ITOCHU Corporation
2010 Director, Senior Managing Executive Officer
2012 Audit & Supervisory Board Member
Number of shares held: 44,040



Audit & Supervisory Board Member

Kiyoshi Yamaguchi

1980 Joined ITOCHU Corporation
2011 Executive Officer
2016 Audit & Supervisory Board Member
Number of shares held: 10,800



Audit & Supervisory Board Member*2

Shingo Majima

2013 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 0



Audit & Supervisory Board Member*2

Kentaro Uryu

2015 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 2,700



Audit & Supervisory Board Member*2

Kotaro Ohno

2017 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 0

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Senior Managing Executive Officers

Tomofumi Yoshida

President & CEO,
ITOCHU International Inc.
Number of shares held: 63,250

Hitoshi Okamoto

Chief Strategy & Information Officer;
General Manager, CP & CITIC Business Development Department

Yuji Fukuda

CEO for Asia & Oceania Bloc;
President & CEO,
ITOCHU Singapore Pte Ltd.;
Executive Advisory Officer
for CP & CITIC Operations
Number of shares held: 44,200

Yoshihisa Suzuki

President, ICT & Financial
Business Company

Shuichi Koseki

President, Textile Company
Number of shares held: 55,000

Eiichi Yonekura

President, Metals & Minerals Company
Number of shares held: 66,605

Masahiro Imai

President, Energy & Chemicals Company
Number of shares held: 41,600

Fumihiko Kobayashi

Chief Administrative Officer

Managing Executive Officers

Kazutaka Yoshida

President, Machinery Company
Number of shares held: 49,900

Yoza Kubo

President, Food Company
Number of shares held: 37,495

Tsuyoshi Hachimura

Chief Financial Officer

Akihiro Ueda

CEO for East Asia Bloc; Chairman,
ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, BIC
Number of shares held: 39,100

Yasuyuki Harada

President,
General Products & Realty Company
Number of shares held: 73,100

Hiroyuki Tsubai

Chief Executive for European Operation;
CEO, ITOCHU Europe PLC
Number of shares held: 18,955

Hiroyuki Fukano

Executive Advisory Officer for
Kansai District Operation;
Executive Advisory Officer for
Osaka Headquarters
Number of shares held: 11,200

Akihiko Okada

Chief Operating Officer,
Steel, Non-Ferrous & Solar Division
Number of shares held: 25,400

Keita Ishii

Executive Vice President,
Energy & Chemicals Company;
Chief Operating Officer, Chemicals Division
Number of shares held: 25,403

Masahiro Morofuji

Executive Vice President,
Textile Company;
Chief Operating Officer,
Brand Marketing Division 1;
Number of shares held: 32,282

Executive Officers

Mitsuru Chino*3

EVP, ITOCHU International Inc.;
CAO, ITOCHU International Inc.;
President & CEO, ITOCHU Canada Ltd.
Number of shares held: 26,204

Yoichi Ikezoe

Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)
Number of shares held: 4,700

Shiro Hayashi

Chief Operating Officer, Apparel Division 1
Number of shares held: 27,306

Hiroshi Sato

Chief Operating Officer, Plant Project,
Marine & Aerospace Division
Number of shares held: 12,400

Mamoru Seki

General Manager,
General Accounting Control Division
Number of shares held: 31,506

Tomoyuki Takada

General Manager,
Corporate Communications Division
Number of shares held: 31,900

Hiroyuki Kaizuka

Chief Operating Officer,
Provisions Division
Number of shares held: 31,597

Hiroshi Oka

General Manager, Secretariat
Number of shares held: 26,016

Shigetoshi Imai

CEO for Latin America;
President & CEO, ITOCHU Brasil S.A.
Number of shares held: 20,132

Motonari Shimizu

Chief Operating Officer, Apparel Division 2
Number of shares held: 25,296

Masato Osugi

Chief Operating Officer,
Automobile Division
Number of shares held: 13,656

Akira Tsuchihashi

General Manager, Internal Audit Division
Number of shares held: 20,355

Yoshihiro Fukushima

Chief Operating Officer,
Brand Marketing Division 2
Number of shares held: 23,323

Kensuke Hosomi

Chief Operating Officer, Food Products
Marketing & Distribution Division
Number of shares held: 25,873

Hisato Okubo

Chief Operating Officer, Energy Division
Number of shares held: 10,150

Shunsuke Noda

General Manager, Corporate Planning &
Administration Division
Number of shares held: 22,788

Tatsushi Shingu

Chief Operating Officer, ICT Division
Number of shares held: 11,100