

Corporate Governance

ITOCHU proactively works to reinforce corporate governance, recognizing it as one of the most important issues for management. Our basic policy is to establish a highly transparent management system that benefits stakeholders, primarily stockholders, through the following approaches:

- (1) Enhancing transparency in decision-making processes;
- (2) Strengthening corporate information disclosure and management accountability;
- (3) Thoroughly managing risk, which includes compliance with laws and regulations;
- (4) Maintaining business ethics through the strict application of rewards and punishments.

Enhancing Management Transparency

To establish a more efficient and transparent management system, ITOCHU has moved forward with the streamlining of the Board of Directors. Specifically, we reduced the number of board members from 45 as of fiscal year 1999 to 12 as of fiscal year 2003 and plan a further reduction to 11 in fiscal year 2004. Also, we introduced the executive officer position from fiscal year 2000 and the managing executive officer position from fiscal year 2002. As of April 2003, we have 32 executive and managing executive officers. Not only has the streamlining of the Board of Directors speeded up decision making, it also helps directors fulfill their essential roles of making corporate decisions and supervising operations, which allows executive officers to devote themselves to the execution of their own duties.

We have introduced a new compensation system for directors and executive officers, following the revisions of the system in fiscal years 2002 and 2003. By evaluating how well directors and executive officers have fulfilled their required functions, it is more closely tied to business performance.

In fiscal year 2001 we established an Advisory Board composed of outside experts from various fields. Its independence allows us to obtain useful opinions on management from an objective point of view.

From April 2003, following a revision to the Commercial Code, companies have the option of adopting Company with Committees system. However, for the time being, we have decided to continue to reinforce our existing corporate governance system, which is predicated on management supervision by the Board of Corporate Auditors, an organization that is independent of the Board of Directors, because we believe it is well suited to ensuring adequate independent monitoring.

While studying examples of best practice in other developed countries, we will continue to pursue a system of corporate governance that best suits the Company.

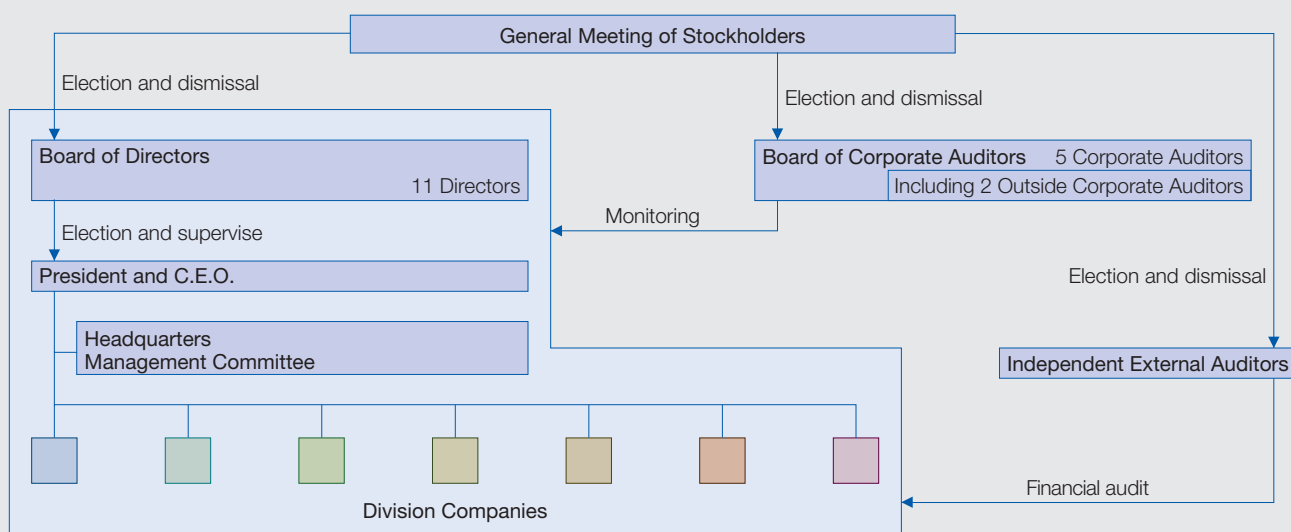
The Headquarters Management Committee and Other Internal Committees

Established as a support body to the President, the Headquarters Management Committee (HMC) discusses general management policy and important issues relating to management. We have also created other internal committees that assist the decision making of the President and Board of Directors through the careful examination and discussion of management issues in their particular areas (please see the table on the next page).

Reinforcing Disclosure and Accountability

Amid a growing awareness of the importance of disclosure, we are not only maintaining our accountability to stakeholders, but are also proactively promoting disclosure. In fiscal year 2001 we became the first Japanese general trading company to announce quarterly financial statements and since fiscal year 2002 we have been reinforcing investor rela-

ITOCHU's Corporate Governance System





Haruo Sakaguchi
Corporate Auditor

Tsutomu Miyakushi
Standing Corporate Auditor

Toshio Konishi
Standing Corporate Auditor

Masahiro Asano
Standing Corporate Auditor

Katsuhiko Kondo
Corporate Auditor

Role of the Board of Corporate Auditors

ITOCHU's Board of Corporate Auditors is comprised of five auditors (two of whom are outside corporate auditors) who are appointed by the general stockholders' meeting and are independent of the Board of Directors. The Board of Corporate Auditors contributes to ITOCHU's healthy growth by monitoring the Company's management and Board of Directors on behalf of the stockholders. Its principal roles are as follows:

- (1) Reviews performance of independent external auditors and auditing details;
- (2) Supervises consolidated group companies' internal controls, risk management, governance;
- (3) Monitors executive decisions of the President and other officers.

To carry out these roles, the auditors regularly attend board meetings to express their views, although they do not have the right to vote. In addition, standing corporate auditors supervise management by attending important internal meetings and regularly meeting with top managers. They also work to ensure close ties between the independent external auditors and the internal audit division, and cooperate with auditors at consolidated group companies by regularly meeting with group companies, including the Group Audit Committee (GAC), which is made up of auditors from the principal group companies. Substantial attention is paid in selecting the outside corporate auditors to ensure their independence.

tions specific for segment strategy and performance. Striving to disclose information as early as possible, we announced results for fiscal year 2003 on May 9, compared with May 17 for fiscal year 2001. Senior management members regularly participate in meetings with investors to discuss financial results and the performance of core segments.

Corporate Ethics and Compliance

We have reinforced a system that ensures thorough compliance with laws and regulations. In order to build, maintain, and enhance a stronger compliance system for the ITOCHU

Group, we appointed a Chief Compliance Officer (CCO) in fiscal year 2003. We also set up a Corporate Ethics and Compliance Committee headed by the CCO, and the Committee receives supervision and advice from outside experts on a regular basis. In addition to holding seminars and setting up hotlines and consultation windows for the entire Group, we have had employees and group company presidents sign confirmations of legal compliance. Moreover, compliance officers in group companies and overseas offices are building compliance systems that are suited to the organizational characteristics of their businesses.

Principal Internal Committees (Chairman)

Super A&P Strategic Investment Committee (Executive Vice President, Yokota)	Examines prospective strategic investments in the new mid-term management plan.
ALM** Committee (Executive Vice President, Fujita)	Administers comprehensive balance sheets and risk management, and makes proposals regarding the monitoring systems and improvement measures for management.
Consumer and Retail Related Committee (Executive Vice President, Kato)	Determines overall company policy in the consumer and retail related sector.
CIO*** Committee (Managing Director, Kobayashi)	Examines and promotes policy for the Group's information strategy.
Group Profits Improvement Committee (Managing Director, Kobayashi)	Analyzes subsidiaries' cost and revenue structure to build a consolidated cost structure appropriate for the level of profits. Studies ways to improve profit structures and conducts follow ups to track improvements.
Business Ethics and Compliance Committee (Executive Vice President, Fujita)	Sets program policies for a thorough understanding of the Company's management principles and corporate code of conduct and comprehensively manages their enforcement. Discusses concrete measures for implementing these programs.

ALM=Asset Liability Management *CIO=Chief Information Officer