



Governance

Corporate Governance

Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> • Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others. 	<ul style="list-style-type: none"> • Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Maintaining and reinforcing a governance system for achieving sustainable growth	Corporate governance	We will implement highly effective supervision over the management from an independent and objective standpoint and ensure the appropriate and efficient execution of business operations by improving the transparency of our decision-making, aiming to our sustainable growth as well as the medium- and long-term improvement of our corporate value.	<ul style="list-style-type: none"> • Appoint several outside directors, who have a high level of independence that fulfills our independence criteria and are expected to contribute to the company management with a high level of knowledge in their respective fields. • Maintain a highly transparent and objective directors' and officers' remuneration system, which can increase their motivation to contribute to our medium- and long-term improvement of our company's performance and the improvement of our corporate value. 	Continue to implement measures to strengthen the supervising function of the Board of Directors, through an annual evaluation of the Board of Directors.	<ul style="list-style-type: none"> • We have decided to always keep 1/3 or higher percentage of outside directors. • We conducted the evaluation as to the effectiveness of FYE 2019 Board of Directors, and released the result in April 2019.

Policy and Basic Concept

ITOCHU commits itself to the global good. To realize this mission, ITOCHU strives to respect each individual and to make meaningful contribution towards creating a bright future for all human beings and the environment. In addition, "I am One with Infinite Missions" was adopted as a corporate message to express the ITOCHU Mission in plain terms. Underlying the message is the exceptional ability of each employee, the core strength of ITOCHU.

It is our fundamental management policy to build a fair and good relationship with various stakeholders based on our corporate philosophy and our code of conduct and thus improve our corporate value from a long-term perspective. In accordance with this policy, with the intention to ensure proper and efficient execution by management, we will enhance the transparency of decision-making and establish a corporate governance system in which monitoring and supervision functions are appropriately incorporated.

A strong leadership and a transparent decision-making system are pillars of good corporate governance. ITOCHU adopts an organizational structure with the presence of Audit & Supervisory Board (kansayaku secchi kaisha). In recent years, ITOCHU has gradually shifted to a governance model where executive officers decide and carry out the day-to-day business under the direction and supervision of the Board of Directors, along with implementing measures to strengthen monitoring. In order for the Board of Directors to further exercise effective control and management over the corporation, independent outside Directors have already joined the Board and, as another measure to strengthen its corporate governance, ITOCHU has also established a Governance and Remuneration Committee and a Nomination Committee as advisory committees to the Board of Directors. Each committee is chaired by an independent outside Director and is composed of half or more outside members. In order to separate execution by and monitoring over management, we reduced several executive Directors and the percentage of outside Directors in our Board of Directors was increased to one-third or more from April 2017. We keep this percentage of outside Directors also in FYE 2020 and onwards. In appointing outside Directors and outside Audit & Supervisory Board Members, ITOCHU places great importance on their independence, and in this connection, ITOCHU has adopted its own independence criteria, augmenting the independence criteria established by the Tokyo Stock Exchange. This highly independent Board of Directors monitors execution by management as well as deliberates the execution of business that is of high quantitative or qualitative importance. The Company believes this arrangement facilitates not only appropriate monitoring over execution by management but also the consideration of important business execution from an external perspective.

It is also vital that ITOCHU timely and adequately discloses its financial and non-financial information to the stakeholders as part of good governance. In May 2015, in line with the ITOCHU Mission and Corporate Governance Code of the Tokyo Stock Exchange, ITOCHU adopted a "Basic IR Policy" to further promote a multi-party stakeholder dialogue. Through the communication with its stakeholders, ITOCHU aims to enhance its corporate value on a long-term basis.

We believe that our current corporate governance structure accords with good and effective corporate governance called for by the Tokyo Stock Exchange, in its Corporate Governance Code. ITOCHU will continue to evaluate and improve its corporate governance structure so that it always best suits ITOCHU in any given moment and time in its corporate history.

Steps Taken to Strengthen Corporate Governance

	Actions Taken	Purpose
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 	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) 	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
2018	<ul style="list-style-type: none"> Transition to a Management Structure with a Chairman & CEO and a President & COO Improve diversity of outside directors Maintain an outside directors' ratio of at least one-third. Discontinue consultant and advisor system 	Maintenance of the Board of Directors' system in response to Internal and external changes
2019	<ul style="list-style-type: none"> Maintain the ratio of outside Directors more than one-third at anytime Further improve the diversity of outside directors Achieve 20% of the ratio of female Directors at the Board of Directors (In addition, two female executive officers (non-directors)) 	Further Improvement of the Effectiveness of the Board of Directors

Board of Directors

Overview

- The Board of Directors, comprising 10 Directors including 4 outside Directors, is chaired by the Chief Executive Officer. The Board of Directors is held, in principle, at least once a month, and it makes decisions on important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and supervises the performance of the Directors. Two of the outside Directors a female, and the average term of overseas assignment period of our internal Directors is 5.5 years (as of 21 June, 2019).
- Each Director carries out functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and the other internal regulations.

Corporate Governance System

Type of system	Company with the Board of Directors and the Audit & Supervisory Board
Number of Directors (Of which, number of outside Directors)	10(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	Headquarters Management Committee (HMC) deliberates on companywide management policy and important issues
Advisory committees to the Board of Directors	Governance and Remuneration Committee, Nomination Committee

* Two of the outside Directors is female, and the average term of overseas assignment period of our internal Directors is 5.5 years.

Members of the Board





Name	Current position and responsibility in the Company	FYE 2019 Number of Attendance at Meetings of the Board of Directors	Governance and Remuneration Committee	Nomination Committee
Masahiro Okafuji	Chairman & Chief Executive Officer	17/17 (100%)	○	○
Yoshihisa Suzuki	President & Chief Operating Officer	17/17 (100%)	○	○
Tomofumi Yoshida	Member of the Board, Executive Vice President President, General Products & Realty Company	13/13 (100%) (since his appointment)	-	-
Yuji Fukuda	Executive Vice President CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations	-/- (-%)	-	-
Fumihiko Kobayashi	Member of the Board, Senior Managing Executive Officer Chief Administrative Officer	17/17 (100%)	-	○
Tsuyoshi Hachimura	Member of the Board, Senior Managing Executive Officer Chief Financial Officer	17/17 (100%)	-	-
Atsuko Muraki	Member of the Board	17/17 (100%)	◎	○
Harufumi Mochizuki	Member of the Board	17/17 (100%)	-	◎
Masatoshi Kawana	Member of the Board	13/13 (100%) (since his appointment)	○	-
Makiko Nakamori	-	-/- (-%)	○	-

◎ Chair ○ Member

The ratio of outside directors on the Board of Directors is 40% while the ratio of female directors on the Board of Directors is 20%.

History of the Board of Directors



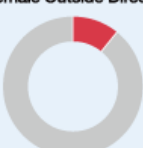

FYE 2017

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
11 	3 	7% (1 female Outside Director) 	21% 	In addition to the CEO and three officers from headquarters, the Board of Directors included seven directors who were also Division Company Presidents handling the management of individual segments.

P: Division Company President







FYE 2018

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
5 	4 	11% (1 female Outside Director) 	44% 	Transitioned to a monitoring-focused Board of Directors by drastically reducing the number of executive directors.







FYE 2019

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
5 	3 	13% (1 female Outside Director) 	38% 	Transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and to respond to rapid changes in the world.



FYE 2020

Executive Directors	Outside Directors	Ratio of female Directors	Ratio of Outside Directors	Distinctive feature
6 	4 	20% (2 female Outside Directors) 	40% 	Maintain an Outside Directors' ratio of at least one-third. Paying attention to the diversity of the Board of Directors, we increased the number of female Directors (Outside Directors) from one to two, thereby bringing the ratio of women on the Board of Directors to 20%.

Overseas: CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations

Policy and Process for Appointing Candidates for Directors

In order to effectively supervise management and decide important business matters as the Board of Directors of a general trading company with broad range of business, ITOCHU's Board of Directors consists of, in principle, the Chairman, President, officers in charge of headquarters administrative functions, one appropriate Division Company president, and such several outside Directors that the percentage of outside Directors in our Board of Directors is one-third or more to improve supervisory function of the Board of Directors. In appointing outside Directors, ITOCHU prioritizes candidates with higher independence, based on the criteria for "independent Directors" prescribed by the Tokyo Stock Exchange, and ITOCHU's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members," who with his or her experience and knowledge in the relevant category, are expected to contribute to the management of ITOCHU. Proposal on candidates for Directors is created by the Chairman & CEO taking into consideration diversity such as knowledge, experience, gender and international experience, and submitted to the Nomination Committee for further deliberation before the Board of Directors finally nominates the candidates for election at the General Meeting of Shareholders.

Name	Independent Directors	Reason for Appointment as Outside Director (For Independent Directors, Including Reason for Designation as an Independent Director)
Atsuko Muraki	○	Ms. Muraki is appointed as an outside Director in the anticipation that she will use her wealth of experience and high-level knowledge she accumulated as a government official and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Ms. Muraki qualifies as an independent Director. Accordingly, ITOCHU believes that she is unlikely to have conflicts of interest with general investors, and she has been designated as an independent Director.
Harufumi Mochizuki	○	Mr. Mochizuki is appointed as an outside Director in the anticipation that, based on his wealth of experience and high-level knowledge he accumulated as a government official at the Ministry of Economy, Trade and Industry (and the former Ministry of International Trade and Industry) and his experience as a corporate executive at other entities where he concurrently serves, he will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Mochizuki qualifies as an independent Director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Director.
Masatoshi Kawana	○	Mr. Kawana is appointed as an outside Director in the anticipation that, based on his experience as a doctor at Tokyo Women's Medical University Hospital for many years and as an important post such as the Deputy Director of the same hospital as well as his high level of medical knowledge, he will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Kawana qualifies as an independent Director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Director.
Makiko Nakamori	○	Ms. Nakamori is appointed as an outside Director in the anticipation that, based on her high level expertise regarding finance and accounting as a certified public accountant as well as her extensive experience as a corporate executive, she will monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Ms. Nakamori qualifies as an independent Director. Accordingly, ITOCHU believes that she is unlikely to have conflicts of interest with general investors, and she has been designated as an independent Director.

Remuneration

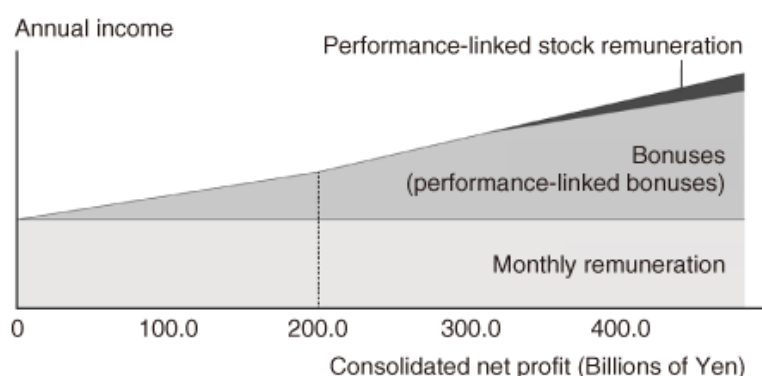
Corporate Officer Remuneration System

Our current remuneration plan for Directors is designed to be an incentive to grow business performance. Performance-linked bonus has a high proportion of overall remuneration, and his or her remuneration plan, including the calculation method, has been previously disclosed publicly, making it highly transparent. In order to increase awareness of contribution to raising business performance an enlarging corporate value over the medium to long term, we are including stock remuneration as part of the remuneration plan. Our remuneration plan for Directors is resolved at the Board of Directors with consideration of the annual financial plan of each year following the deliberation at the Governance and Remuneration Committee under the Board of Directors as voluntary advisory committees.

Remuneration Plan for Directors for FYE 2020 consists of (1) monthly remuneration, (2) performance-linked bonuses, (3) share price-linked bonuses, and (4) performance-linked stock remuneration (trust type). Of these, (3) share price-linked bonuses is a revision of the market capitalization-linked bonuses, which were introduced in FYE 2019, and the share price-linked bonuses are not designed on the single year base used when the market capitalization-linked bonuses was introduced. The bonus amount is calculated based on the evaluation of the relative growth rate of ITOCHU Corporation's share price during the period of each medium-term management plan versus the growth rate of Tokyo Stock Price Index (TOPIX). The share price-linked bonuses are, like the stock remuneration, also for further strengthening awareness of enlarging corporate value from a medium- to long-term perspective.

Net profit (consolidated) is of high interest on the stock market because it is an easy-to-understand indicator of capital for growth-oriented investment and returns to shareholders and we have an unshakeable belief in its importance as an indicator going forward. In addition, bonuses for employees are linked to net profit (consolidated) so we have net profit attributable to ITOCHU (consolidated) as the linked indicator for performance-linked bonuses ((2), above) and performance-linked stock remuneration ((4), above). Also, regarding share price-linked bonuses ((3), above), as stated above we have the growth rate of ITOCHU Corporation's share price during the period of each medium-term management plans as the linked indicator, but for the calculation of the growth rate of the share price, we use the simple average of the final price for each fiscal year.

Remuneration image of Directors (excluding Outside Directors)



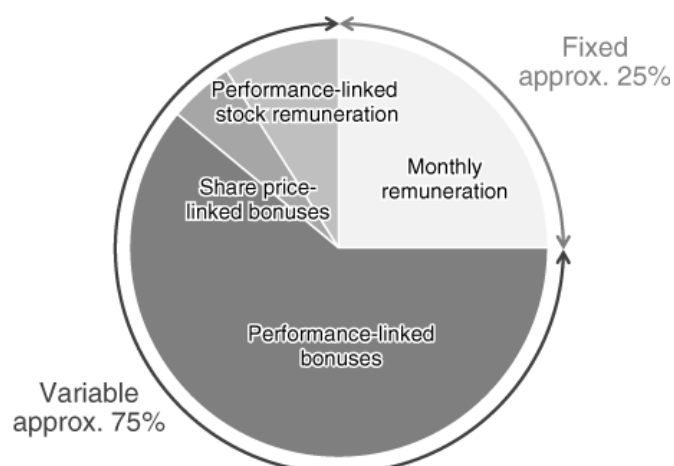
* Excluding share price-linked bonuses

Type of remuneration	Details	Fixed / Variable	Remuneration limits	Resolution at General Meeting of Shareholders
(1) Monthly remuneration	Determined according to factors that include degree of contribution to ITOCHU Corporation, based on a standard amount for each position	Fixed	¥0.8 billion per year as total amount of monthly remuneration (of that amount, ¥0.1 billion per year for Outside Directors)	June 21, 2019
(2) Performance-linked bonuses	Total amount of payment is determined based on net profit (consolidated), and the each individual payment amount is determined in relation to the position points for the Director	Variable (single year)	¥2.0 billion per year as the total amount of bonus * Not paid to Outside Directors	
(3) Share price-linked bonuses	Bonus amount is calculated based on an evaluation of the relative growth rate of ITOCHU Corporation's share price during the period of the medium-term management plan versus the growth rate of TOPIX*1			
(4) Performance-linked stock remuneration	Total payment amount is determined based on net profit (consolidated), and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonus*2	Variable (medium- to long-term)	The amounts below are limits for two fiscal years, for Directors and Executive Officers <ul style="list-style-type: none"> ● Limit on contribution to trust by ITOCHU Corporation: ¥1.5 billion ● Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share) * Not paid to Outside Directors	June 24, 2016

*1 The bonus amount for each fiscal year is calculated based on the growth rate of ITOCHU Corporation's share price and the growth rate of TOPIX in each fiscal year, and then the share price-linked bonuses are calculated at the end of the medium-term management plan by totaling the bonus amount for each fiscal year during the period of the management plan. The share price-linked bonuses are paid after each officer retires.

*2 Regarding stock remuneration, officers are granted points each year during their terms of office, and when the officers retire, stock remuneration corresponding to the accumulated number of points is paid at one time from a trust.

Remuneration composition ratios image of Directors (excluding Outside Directors)



* In the case of net loss (consolidated), Directors will receive neither performance-linked bonuses nor performance-linked remuneration

— Formulas for Performance-linked Bonuses and Stock Remuneration

Performance-linked bonuses

Director performance-linked bonuses for FYE 2020 will be paid in amounts calculated according to the methods described below, following the conclusion of the 96th Ordinary General Meeting of Shareholders.

a. Total amount paid to all Directors:

The total amount paid to all Directors shall be the lesser of the sum of the amount paid to an individual Director in
b. below or ¥2.0 billion.

b. Amount paid to an individual Director

The formula to calculate the amount paid to an individual Director is below:

Total base amount paid to all Directors=(A+B+C) x Sum of Position points for all the eligible Directors/55

Where:

A=(Consolidated net profit attributable to the Company for FYE 2020 for the portion up to ¥200.0 billion) x 0.35%

B=(Consolidated net profit attributable to the Company for FYE 2020 for the portion more than ¥200.0 billion but up to ¥300.0 billion) x 0.525%

C=(Consolidated net profit attributable to the Company for FYE 2020 for the portion exceeding ¥300.0 billion) x 0.35%(amount less than ¥1 shall be rounded down)

Share price-linked Bonuses

By resolution of Board of Directors held on 2 February 2018 and for the purpose of the incentive towards increasing the Company's corporate value, ITOCHU introduced Market Capitalization-linked Bonuses structure which is linked to the increased amount of the Company's market capitalization as compared to the last fiscal year. In order to further strengthen awareness of enhancing corporate value from a medium- to long-term perspective, the following changes were made, and the name was changed from market capitalization-linked bonus to share price-linked bonus:

- Changed a design based on the medium-term business plan (3 years) rather than on a single year
- Changed a linked indicator from market capitalization to stock price in order to better align with shareholders
- In order to secure fairness, included an index relative to the absolute amount

For Share price-linked bonuses, the bonus amount for individual director is calculated for each fiscal year based on the following specific calculation formula for individual payment amounts, and when the director retires or when, in the case of taking on the position of executive officer after retirement of the director, the executive officer retires, such amount will be paid.

a. The First Fiscal Year for the Medium-Term Management Plan

$$\left[\left(\frac{\text{Average of Daily Closing Price of the Company ("Average of Daily Closing Price") in the First Fiscal Year of the Medium-Term Management Plan}}{\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan}} \right) - 1 \right] \times 1,300,000 \times (\text{Points assigned to each Director according to the position ("Position Point")} / 108.8 \text{ points} \times \text{Relative Stock Price Growth Rate}^{*1})$$

*1 Relative Stock Price Growth Rate =
$$\frac{\text{Average of Daily Closing Price in the First Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}}{\text{Simple average of daily TOPIX}^{*2} \text{ in the First Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan}}$$

*2 TOPIX = Tokyo Stock Price Index, the principal index consisting of all Japanese common stocks listed on the First Section of Tokyo Stock Exchange.

b. The Second Fiscal Year of Medium-Term Management Plan

$[(\text{Average of Daily Closing Price in the Second Fiscal Year of the Medium-Term Management Plan}) - (\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan})] \times 1,300,000 \times (\text{Total Position Points in the First and Second Fiscal Year}) / (108.8 \text{ points} \times 2(\text{years})) \times \text{Relative Stock Price Growth Rate}^{*3} - (\text{share price-linked bonus calculated in the above a.}).$

*3 Relative Stock Price Growth Rate = $(\text{Average of Daily Closing Price in the Second Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}) / (\text{Simple average of daily TOPIX of the Second Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan})$

c. The Final Fiscal Year of Medium-Term Management Plan

$[(\text{Average of Daily Closing Price in the Final Fiscal Year of the Medium-Term Management Plan}) - (\text{Average of Daily Closing Price in the previous year of the First Fiscal Year of the Medium-Term Management plan})] \times 1,300,000 \times (\text{Total Position Points in the First, Second and Final Fiscal Year}) / (108.8 \text{ points} \times 3(\text{years})) \times \text{Relative Stock Price Growth Rate}^{*4} - (\text{share price-linked bonus calculated in the above a.} + \text{share price-linked bonus calculated in the above b}).$

*4 Relative Stock Price Growth Rate = $(\text{Average of Daily Closing Price in the Final Fiscal Year of the Medium-Term Management Plan} / \text{Average of Daily Closing Price of the previous year of the First Fiscal Year of the Medium-Term Management Plan}) / (\text{Simple average of daily TOPIX of the Final Fiscal Year of the Medium-Term Management Plan} / \text{Simple average of TOPIX in the previous year of the First Fiscal Year of the Medium-Term Management Plan})$

The Position Points assigned to each position are same as those applied for performance-linked bonuses.

The share price-linked bonuses together with performance-linked bonuses are paid to the eligible Directors within the Director bonuses limit of ¥2.0 billion.

(If the amount of performance-linked bonus and share price-linked bonus based on the above formula exceeds 2.0 billion yen, the performance-linked bonus is preferentially allocated to the limit amount)

Performance-Linked Stock Remuneration Plan

By resolution at the 92nd Ordinary General Meeting of Shareholders held on 24 June 2016, ITOCHU introduced the performance-linked stock remuneration plan (the "Stock Remuneration Plan") and, by resolution of the Board of Directors held on 2 May, 2018, we continue this plan from FYE 2019.

- Under this plan, in June of every year during the trust period, Directors who served as Directors from 1 July of the previous year to the last day of June of the said year are granted as points based on performance in the fiscal year that ended on 31 March of said year and in accordance with the number of months of service during that period.
- The method of calculating the number of points granted to Directors (excluding outside Directors) in FYE 2020 is described below. One point corresponds to one share in ITOCHU, and amounts of less than one point are discarded.

$\text{Points} = \text{Individual stock remuneration amount}^{*1} / \text{Average acquisition stock price of ITOCHU shares in the trust}^{*2} \times \{(\text{Number of months of service from July, the beginning month of the applicable period of payment, to June of the following year (rounding up fractions of less than one month)}) / 12\}$ (rounding down fractions)

*1 The individual stock remuneration amount is calculated on the basis of the total stock remuneration amount, which is calculated as indicated below.

a. Total stock remuneration amount

(the amount of consolidated net profit attributable to ITOCHU for FYE 2020 - ¥300.0 billion \times 0.175% \times Sum total of Position Points of eligible Directors / 55 (rounding up fractions of less than ¥1)

b. Individual stock remuneration amount

= Total stock remuneration amount \times Position Points of Director / Sum total of Position Points of Directors (rounding down fractions less than ¥1,000)

Position Points for each Director are the same as the number used for calculating Director bonuses.

*2 In the event that the trust period has been extended, this is the average acquisition stock price of ITOCHU shares that were acquired by the Trust in accordance with the extension of the trust period. (However, if no ITOCHU shares are acquired by the trust in accordance with the extension of the trust period, then this is the closing stock price of ITOCHU shares on the market of Tokyo Stock Exchange on the first day of the extended trust period).

- Points to be granted to executive officers (excluding those serving concurrently as Directors) in June of each year will be calculated using the similar method as points for Directors.
- As the Stock Remuneration Plan, ITOCHU has adopted a framework called "Board Incentive Plan Trust (BIP)" ("BIP Trust"). The BIP Trust is a stock incentive plan for executives based on the performance share and restricted stock plans in the United States. ITOCHU will conduct delivery and payment of ITOCHU shares acquired by the BIP Trust and an amount of money equivalent of the conversion value of said shares ("ITOCHU Shares, etc."), together with dividends derived from ITOCHU shares, to Directors, etc. following retirement from office (or after death in the event of the death of a Director, etc.; the same applies hereinafter), based on performance, etc.

Outline of the Stock Remuneration Plan is as follows:

- (1) Persons entitled to receive Stock Remunerations: Directors and executive officers of ITOCHU (excluding outside Directors and those who are non-residents of Japan, as of June, 2019, the numbers of the Directors applicable is 5 and of the executive officers not being Director is 17)
- (2) Maximum amount of money contributed by the Company to the Trust: a total of ¥1.5 billion for 2 fiscal years
- (3) Method for the acquisition of shares by the Trust: Scheduled to be acquired on the stock market (thus no dilution of shares in anticipated)
- (4) Upper limit on the number of shares to be acquired by Directors, etc.: For the trust period, with an applicable period of 2 fiscal years, the upper limit will be 1,300,000 points (an average of 650,000 points per year)
- (5) Performance Index under the Stock Remuneration Plan: Consolidated net profit attributable to the Company (upon which the amount of total stock remuneration will be calculated).
- (6) Timing of delivery of shares: After retirement from office
- (7) Voting rights concerning share in the Trust: Will not be exercised in order to ensure neutrality toward management

— Compensation Paid to Directors

Details of the compensation paid to Directors of the Company in FYE 2019 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Directors (Outside Directors)	10 (5)	1,779 (48)	(1) Monthly remuneration: ¥493 million (2) Bonuses for FYE 2019: ¥1,000 million (3) Special Bonuses for FYE 2019: ¥113 million (4) Stock Remuneration for FYE 2019: ¥173 million

Name, position and amount of compensation paid to Directors receiving compensation of ¥100 million or more during FYE 2019, are follows.

Name	Category	Monthly Remuneration	Bonus	Special Bonus	Stock Remuneration	Total
Masahiro Okafuji**	Director	¥153 million	¥334 million	¥38 million	¥63 million	¥589 million
Yoshihisa Suzuki	Director	¥95 million	¥251 million	¥29 million	¥42 million	¥417 million
Tomofumi Yoshida	Director	¥55 million	¥147 million	¥16 million	¥19 million	¥238 million
Fumihiko Kobayashi	Director	¥76 million	¥134 million	¥15 million	¥25 million	¥250 million
Tsuyoshi Hachimura	Director	¥65 million	¥134 million	¥15 million	¥24 million	¥238 million

(Rounded to nearest million yen)

* The remuneration paid to Directors (excluding outside Directors) in FYE 2019 comprised monthly remuneration, performance-linked bonuses, special bonuses, and performance-linked stock remuneration for Directors (Board Incentive Plan Trust). Monthly remuneration is determined by the contribution to ITOHU of each Director according to a base amount set by position, and the total amount of performance-linked bonuses is determined on the basis of consolidated net profit attributable to ITOCHU. (**) Monthly remuneration includes housing allowance.

Evaluation as of the Effectiveness of the Board of Directors

ITOHU conducted the evaluation as to the effectiveness of the Board of Directors targeting Directors and Audit & Supervisory Board Members in FYE 2019.

As a result of this evaluation, in terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision and training, the Board of Directors of ITOCHU confirmed that the effectiveness of the Board of Directors was secured.

According to the external consultant, it is evaluated that (1) the score has improved in the majority of the questionnaires, (2) the Chairman of the Board of Directors as well as the secretariat cooperate with outside Directors to improve the governance and realize more efficient and high-density operation of the Board of Directors and (3) the objectivity, independence and transparency of the advisory committees to the Board of Directors have been improved due to the efforts of both inside Directors and outside Directors.

As to the operation of the Board of Directors based on the transition to "Monitoring-Focused Structure" which we recognized as an issue as a result of the previous evaluation of the Board of Directors, it was opined that the more agenda such as the mid-term management plan review after announcement, internal control and compliance were certainly discussed, but we should more timely discuss the vision and strategy of the specific business area. We will discuss what should be discussed at the Board of Directors based on the opinion from the outside Directors. As to the enhancement of reporting to the Board of Directors the deliberations of the advisory committees which we also recognized as an issue as a result of the previous evaluation, we resolved at the Board of Directors what the Nomination Committee should discuss about the succession plan and how the discussion thereof should be reported to the Board of Directors, and we will follow the resolution.

Based on the results of this evaluation of the Board of Directors, we will continue to maintain and improve the effectiveness of the Board of Directors.

For your reference, please see the result in our website at:

https://www.itochu.co.jp/en/files/board_evaluation_2018e.pdf

Advisory Committees

Advisory Committees to the Board of Directors

Name	Function/Activities
Governance and Remuneration Committee	Deliberates and advises on proposals related to remuneration system for Directors and executive officers and other matters on corporate governance.
	This committee was held for four (4) times with the participant of all members, and the remuneration plan for Directors, evaluation as to the effectiveness of the Board of Directors and the measures required to Japan's Revised Corporate Governance Code were deliberated therein.
Nomination Committee	Deliberates and advises on proposals related to nomination and dismissal of executive officers, nomination of candidates for Directors and Audit & Supervisory Board Members, dismissal of Directors and Audit & Supervisory Board Members, and appointment and dismissal of responsible Directors and officers.
	This committee was held for four (4) times with the participant of all members (except one absence of Mr. Uryu), and the measures required to Japan's Revised Corporate Governance Code, and the executive management appointment, and the plan for the successor were deliberated therein.

Composition of the Governance and Remuneration Committee and the Nomination Committee (As of July 1, 2019)

Name	Title	Governance and Remuneration Committee	Nomination Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director		○
Atsuko Muraki	Outside Director	◎ (Chair)	○
Harufumi Mochizuki	Outside Director		◎ (Chair)
Masatoshi Kawana	Outside Director	○	
Makiko Nakamori	Outside Director	○	
Kiyoshi Yamaguchi	Audit & Supervisory Board Member		○
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member	○	
Shingo Majima	Outside Audit & Supervisory Board Member		○
Kentaro Uryu	Outside Audit & Supervisory Board Member		○
Kotaro Ohno	Outside Audit & Supervisory Board Member	○	
		(7 members)	(8 members)

Corporate Auditors and the Audit & Supervisory Board

Overview

Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings to hear from Directors etc. about the status of the execution of their duties in accordance with the "Audit and Supervisory Board Regulations," "Auditors' Auditing Standards" the policy on auditing and the division of responsibilities as specified by the Audit & Supervisory Board.

In addition, each auditor views important documents approved by management, etc., investigates the operations and assets at Headquarters and other key offices, requests subsidiaries to report on their businesses as required, and strictly audits the execution of duties of Directors and executive officers.

Furthermore, a council comprising internal Audit & Supervisory Board Members of key group companies has been established as part of the activities conducted to focus on cooperating with the Audit and Supervisory Board Members of consolidated group companies. Mr. Shingo Majima, Auditor, is qualified as a certified public accountant in Japan and United States of America, and has adequate knowledge and experience in the fields of finance and accounting. In addition, Mr. Kentaro Uryu and Mr. Kotaro Ohno, both Audit & Supervisory Board Members, are qualified as a lawyer in Japan and have adequate knowledge and experience in the field of law.

Members of the Audit & Supervisory Board

The Audit & Supervisory Board is comprised of 2 internal Audit & Supervisory Board Members and 3 non-executive Audit & Supervisory Board Members (outside auditors). The Audit & Supervisory Board Members are to oversee the performance of the Directors based on the "The Audit & Supervisory Board Regulations" and "Auditors' Auditing Standards."

Name	Position in the Company	FYE 2019 Number of Attendance at Meetings of the Board of Directors	FYE 2019 Number of Attendance at Meetings of the Audit & Supervisory Board	Governance and Remuneration Committee	Nomination Committee
Kiyoshi Yamaguchi	Full-time Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	-	○
Shuzaburo Tsuchihashi	Full-time Audit & Supervisory Board Member	13/13 (100%) (since his appointment)	9/9 (100%) (since his appointment)	○	-
Shingo Majima	Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	-	○
Kentaro Uryu	Audit & Supervisory Board Member	16/17 (94%)	13/13 (100%)	-	○
Kotaro Ohno	Audit & Supervisory Board Member	17/17 (100%)	13/13 (100%)	○	-

Policy and Process for Appointing Candidates for Audit & Supervisory Board Members

As Audit & Supervisory Board of a sogo-shosha with broad range of business, for effective monitoring and audit, candidates for Audit & Supervisory Board Members are selected from those with understanding about ITOCHU's management and with high expertise and extensive experience in the relevant area such as accounting, finance, legal and risk management. Among Audit & Supervisory Board Members, half or more of the members always consist of outside Audit & Supervisory Board Members. In appointing outside Audit & Supervisory Board Members, ITOCHU prioritizes candidates with higher independence, based on the criteria for "independent Directors" prescribed by the Tokyo Stock Exchange, and ITOCHU's own independence criteria who are expected to effectively monitor and audit ITOCHU's activities. In addition, ITOCHU selects at least one member with adequate expertise in finance and accounting. Candidates for Audit & Supervisory Board Members are selected by the Chairman & CEO after the discussion with the executive Audit & Supervisory Board Member and submitted to the Nomination Committee for further deliberation before the Board of Directors (with consent of the Audit & Supervisory Board) finally nominates the candidates for election at the General Meeting of Shareholders.

Name	Reason for Appointment as Outside Audit and Supervisory Board Member (For Independent Auditors, Including Reason for Designation as an Independent Auditor)
Shingo Majima	Mr. Majima is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise on finance and accounting as a certified public accountant. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Majima qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.
Kentaro Uryu	Mr. Uryu is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his high level of expertise in law and extensive experience as an attorney-at-law for many years. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Uryu qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.
Kotaro Ohno	Mr. Ohno is appointed as an outside Audit & Supervisory Board Member in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his advanced specialized knowledge in law and the extensive experience he accumulated while serving in important positions at the Ministry of Justice, including Vice-Minister of Justice, Superintending Prosecutor of Tokyo High Public Prosecutors Office and Prosecutor-General. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Ohno qualifies as an independent Audit & Supervisory Board Member. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent Audit & Supervisory Board Member.

Compensation Paid to Audit & Supervisory Board Members

Details of the compensation paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2019 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Corporate auditors (Outside Audit & Supervisory Board Members)	6 (3)	115 (43)	Only monthly remuneration

(Rounded to nearest million yen)

Maximum compensation paid to all Audit & Supervisory Board Members:

¥13 million per month (resolved at General meeting of Shareholders on 29 June, 2005, as of the date hereof, the numbers of the Audit & Supervisory Board Members applicable is 5)

Principal Internal Committees

Name	Committee Chairman	Objectives
Internal Control Committee	CAO	Deliberates on issues related to the development of internal control systems
Disclosure Committee	CFO	Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee	CFO	Deliberates on issues related to risk management systems and balance sheet management
Compliance Committee	CAO	Deliberates on issues related to compliance
Sustainability Committee	CAO	Deliberates on issues related to sustainability and ESG, including environmental problems and social contribution initiatives, excluding governance related issues
Investment Consultative Committee	CFO	Deliberates on issues related to investment and financing
New Headquarters Project Committee	CAO	Deliberates on issues related to New Headquarters Project

Checking and Balancing System by the Independent Executives

Performance of the Independent Executives

In July 2018, the Japan Fair Trade Commissions issued a cease and desist order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to ITOCHU regarding its sales of uniforms to ALL NIPPON AIRWAYS CO., LTD. up until FYE 2017. Also, in October 2018, the Japan Fair Trade Commissions issued a cease and desist order and surcharge payment order (amount of surcharge to be paid: ¥4.29 million) to ITOCHU for illegal acts under the Antimonopoly Act regarding the supply of uniforms to NTT DOCOMO, INC. up until that same year. Each of these matters is, like its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION regarding which the cease and desist orders were issued by the Japan Fair Trade Commissions in January and February 2018 to ITOCHU, a matter regarding our uniforms sales operations up until FYE 2017, and in the process of formulating and carrying out measures to prevent recurrence we stopped illegal activities ourselves before the start of the Japan Fair Trade Commission's investigation. Each of outside Directors Ms. Atsuko Muraki, Mr. Harufumi Mochizuki and Mr. Masatoshi Kawana and each of outside Audit and Supervisory Board Members Mr. Shingo Majima, Mr. Kentaro Uryu, and Mr. Kotaro Ohno has continually made statements in Board of Directors meetings concerning the importance of legal compliance, and, after the incident became known, conducted proactive advocacy concerning the further enforcement of legal compliance in ITOCHU and the Group, as well as measures to prevent recurrence of incidents, including the development of internal rules for compliance with the Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. They perform continuous checking of these initiatives to strengthen our compliance systems.

Internal Control System

On April 19, 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System, which was most recently partially revised as of May 6, 2016. ITOCHU intends to revise and improve the internal control system tirelessly in order to build a system that is even more appropriate and efficient.

Basic Policy Regarding the Internal Control System

- 1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

Corporate Governance

- (1) As the decision-making body, the Board of Directors, consisting of Directors and Outside Directors, is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.
- (2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.
- (3) ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.
- (4) The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

Compliance

- (1) Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct.
- (2) ITOCHU is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

Internal Control to Ensure Reliability of Financial Reporting

- (1) ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of CFO to ensure the reliability of financial reporting.
- (2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the development and implementation status of the internal control systems to ensure the reliability of financial reporting.

Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President and Chief Executive Officer. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

— 2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Shareholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, the Company will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

— 3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

— 4. System to Ensure Efficient Performance of Directors

The HMC and Other Internal Committees

The HMC as a supporting body to the President and Chief Executive Officer, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President and Chief Executive Officer and the Board of Directors.

Division Company System

Under the Division Company System, the position of Division Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

Clearly Define the Scope of Authority and Responsibilities

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

— 5. System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)

Subsidiary Management and Reporting System

- (1) ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU is to send directors and corporate auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.
- (2) With respect to subsidiaries that ITOCHU owns indirectly through its directly-owned subsidiaries, ITOCHU is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.
- (3) With respect to important matters on the management of subsidiaries, ITOCHU is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

Rules and Other Systems to Manage the Risk of Loss at Subsidiaries

ITOCHU is to identify the subsidiaries which shall be subject to ITOCHU's Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU is to periodically review the effectiveness of such Group-wide management system.

System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries

ITOCHU is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU.

System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation

- (1) In principle, ITOCHU is to send directors and corporate auditors to each subsidiary and strive to ensure that the performance of duties of directors, etc. and employees of a subsidiary complies with laws and regulations and the Articles of Incorporation of such subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU.
- (2) ITOCHU is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.
- (3) All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

6. Matters Concerning Supporting Personnel to Corporate Auditors, Independence of Such Personnel from the Directors and Ensuring the Effectiveness of Instructions to Such Personnel

ITOCHU is to establish the Corporate Auditors' Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the corporate auditors. The supervisory authority over such employees is to belong exclusively to the corporate auditors, and evaluation of such employees is to be carried out by the corporate auditor designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such corporate auditor.

7. System for Reporting by Directors and Employees to Corporate Auditors

Attendance at Important Meetings

The corporate auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the corporate auditors are to have the right to inspect all relevant materials.

Reporting System

- (1) The directors and corporate officers are to regularly report to the corporate auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors and corporate officers are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the corporate auditors immediately after such decisions are made.
- (2) Employees are to have the right to report directly to the corporate auditors any matters that could cause serious damage to ITOCHU.
- (3) In the "ITOCHU Group Compliance Program," ITOCHU is to explicitly prohibit disadvantageous treatment of directors and employees who have reported to the corporate auditors and to ensure thorough familiarization with this prohibition.

— 8. System for Reporting by Directors, Corporate Auditors and Employees of Subsidiaries or by a Person who Received a Report from Them to Corporate Auditors

Reporting System

- (1) The directors and corporate auditors of subsidiaries may report directly to the corporate auditors of ITOCHU any matters that could cause serious damage to the said subsidiary.
- (2) A department that oversees compliance is to periodically report to the corporate auditors of ITOCHU a summary of matters that could cause serious damage to a subsidiary that were reported by the officers and employees of the said subsidiary.
- (3) In the "ITOCHU Group Compliance Program," ITOCHU is to explicitly prohibit disadvantageous treatment of persons who have reported to the corporate auditors under the provisions listed above and to ensure full familiarization with this prohibition.

— 9. Matters Concerning Policy on Procedures for Prepayment or Refund of Expenses Arising in Relation to Performance of Duties of Corporate Auditors and Processing of Expenses or Obligations Arising in Relation to the Performance of Other Duties

When a corporate auditor claims prepayment, etc. from ITOCHU in relation to the performance of duties under Article 388 of the Companies Act, ITOCHU is to process the relevant expense or claim promptly upon confirmation by the responsible department.

— 10. Other Relevant Systems to Ensure the Proper Functioning of Audits

Coordination with the Corporate Auditors by the Audit Division

The Audit Division is to maintain close communication and coordination with the corporate auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

Retaining External Experts

When deemed necessary, the corporate auditors are to independently retain outside experts for the implementation of an audit.

Overview of the Operational Status of Internal Control System

For the proper operation of internal control systems, ITOCHU has adopted a system by which it further segments items stipulated by the Basic Policy into more detailed confirmatory items in respect of each fiscal year, and, after setting the department in charge of each of these confirmatory items, conducts checks of the construction and the operational status of internal control systems by each department (and by other related internal committees) at the Internal Control Committee meetings held each half year. As of FY2020, the Internal Control Committee is chaired by Chief Administrative Officer with the Corporate Planning & Administration Division as secretariat, and consists of Chief Financial Officer, General Manager of Internal Audit Division, and an external expert (attorney) as members. Corporate Auditors also attend and voice opinions every time.

At its meetings, the Internal Control Committee verifies the content of checklists summarizing achievement status, issues, etc. for each of the above confirmatory items, as submitted by the departments in charge of each. It also confirms the construction and operational status of internal control systems by verifying the content of individual reports from the departments in charge, with respect to important matters such as systems to ensure the reliability of financial reporting, compliance systems, systems to manage the risk of losses, and the construction and operational status of internal control systems in the ITOCHU Group. The results of deliberations by the Internal Control Committee are reported twice per year to the HMC and the Board of Directors, the latter of which conducts a full-year evaluation of the construction and operational status of internal control systems.

Regarding the meetings of main internal committees related to internal control in FY2019, the Internal Control Committee met 2 times, the Compliance Committee 2 times, and the ALM Committee 8 times.

ITOCHU's internal control systems are constructed on the base of the ITOCHU Group, consisting of ITOCHU Corporation and its subsidiaries, and the operational status of the Group base internal control systems, and the construction and operational status of internal control systems in subsidiaries, are reported regularly to the Internal Control Committee.

ITOCHU intends to revise and improve these internal control systems tirelessly in order to build systems that are even more appropriate and efficient. Further, a meeting of the Board of Directors convened on April 18, 2019 evaluated the development and implementation status of each item enumerated in the Basic Policy regarding the Internal Control System for FY2019 and confirmed that there were no significant deficiencies or defects.

Initiatives to Further Enhance the Reliability of Financial Reporting

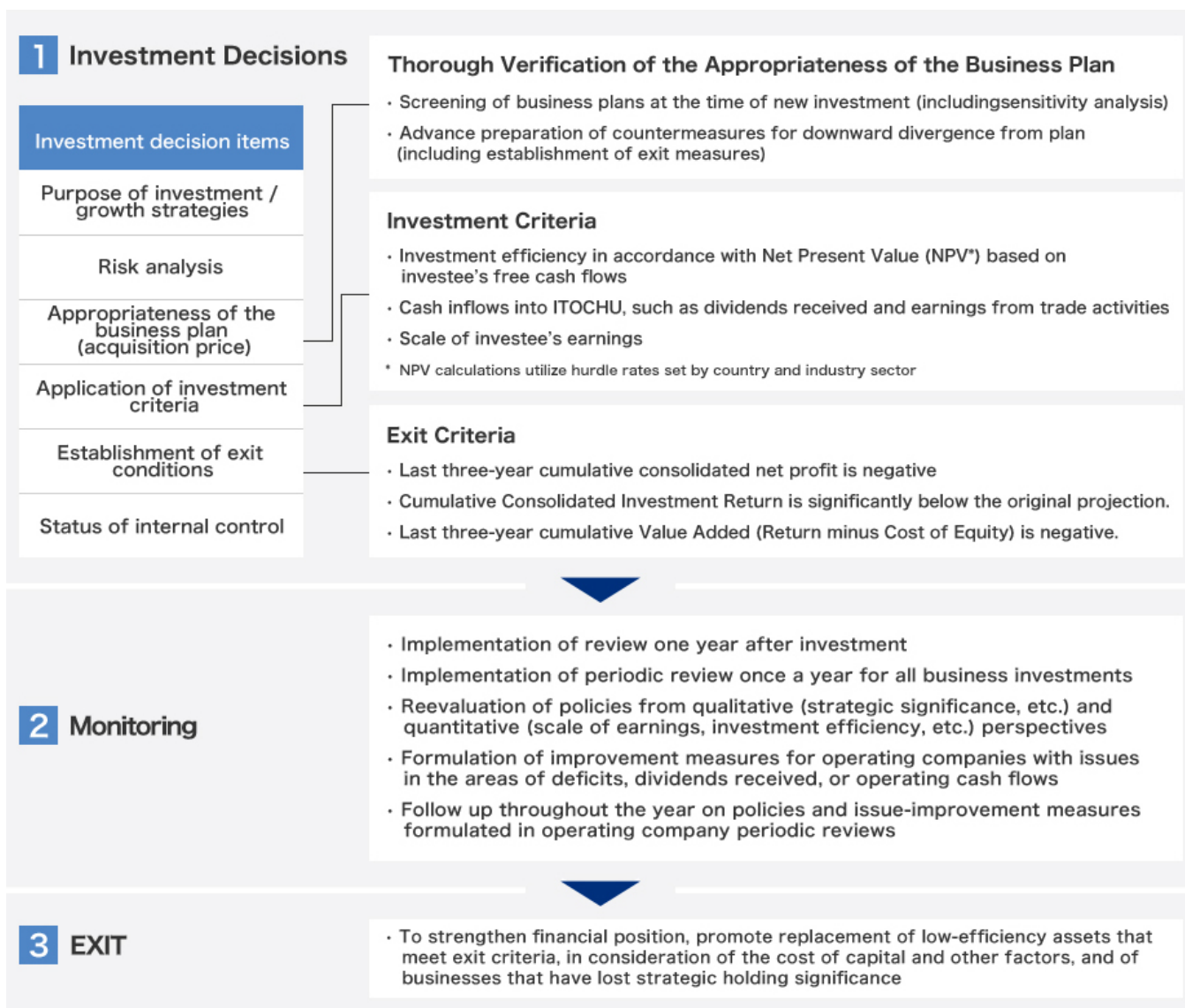
We have established an internal system in order to further enhance the reliability of our consolidated financial reporting. The designing and implementing of internal control are periodically assessed to keep making appropriate improvements. Specifically, a Chief Responsible for Internal Control has been appointed in each organization to design and implement internal control. The Internal Audit Division evaluates the effectiveness of internal control and provides feedback to each organization to ensure the continuous improvement. Overall management of these initiatives is conducted by the Internal Audit Division, and important matters are determined through deliberations in the Disclosure Committee chaired by the CFO. In this way, we are working to reinforce the companywide internal control system.

Strengthening Risk Management on a Group Basis, Including Subsidiaries

ITOCHU has established internal committees and responsible departments in order to address the various risks associated with the Group's business operations, such as market risk, credit risk, country risk, and investment risk. At the same time, on a Group basis ITOCHU has developed the risk management systems and methods to manage various risks individually and on a companywide basis.

Those include a range of management regulations, investment criteria, risk exposure limits, and transaction limits, as well as reporting and monitoring systems. Moreover, ITOCHU regularly reviews the effectiveness of its risk management systems. As part of such efforts, the ALM Committee protects the ITOCHU Group's assets through deliberations on Group balance sheet management as well as analysis and management of risk.

Process for Investments



■ Managing Concentrated Risks

We also manage overall country risk exposure to non-industrialized countries and manage individual country risk based on internal country rating standards. Country limits are deliberated by the Asset Liability Management (ALM) Committee and approved by the HMC.

■ Business Continuity Plan


ITOCHU Corporation has formulated, and is regularly reviewing, a Business Continuity Plan (BCP) to ensure that important business will not be interrupted, or when interrupted, the interruption shall last for only a short period, when unforeseen circumstances such as natural disasters, large earthquakes, epidemics of infectious diseases, terrorist attacks, etc. occur. We have formulated a plan for the event of a large-scale disaster. We have divided our response into four stages from BCP invocation to complete recovery – (1) initial recovery, (2) BCP invocation, (3) business restoration and (4) complete recovery. We have stipulated those who will give orders and the matters that will be dealt with for each of these stages. The formulation of a BCP is targeted to the ITOCHU Group as a whole, and is formulated separately for each business segment and function section.

When the Great East Japan Earthquake occurred in March 2011, we set up headquarters based on BCP, and quickly confirmed the safety of our employees and established a support system for the Tohoku branch. Although the Tohoku branch suffered great damage, we were able to take the necessary measures. Additionally, we also examined supporting measures for group companies, business partners, municipalities, etc., and carried them out accordingly.

Risk Management

Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> ● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others. 	<ul style="list-style-type: none"> ● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Maintaining and reinforcing a governance system for achieving sustainable growth	Risk management	We will build a system for group risk management and maintain it to manage the risk of loss and ensure the appropriateness of our corporate group's operations.	Conduct regular reviews of risk management systems that have been established, including internal committees and risk management departments, various rules and regulations, reporting and monitoring systems, as well as the effectiveness of such systems.	Maintain a firm governance system in the medium- and long-term by establishing a PDCA cycle, including development and implementation of action plans by the departments responsible for risk management, and monitoring and reviews by internal committees.	<ul style="list-style-type: none"> ● Each functional department responsible for risk management has reviewed the state of progress of the action plans for the first half of FYE 2019. The Global Risk Management Division has compiled information on the risk management system—including handling of events that occurred within the relevant period—to the effect that it is functional. The Division reported this to the October 2018 Internal Control Committee, which has acknowledged the report. ● Moreover, the Division plans to report to the same committee, when it is held in the first half of FYE 2020, concerning the review of the latter half of FYE 2019 and the FYE 2020 action plan.

Policy and Basic Concept

The ITOCHU Group is exposed to various risks due to its wide range of business natures, such as market, credit, and investment risks. These risks include unpredictable uncertainties and may have significant effects on the Group's future financial position and business performance.

We acknowledge risk management as a key management issue. Therefore, we have established our basic risk management policy and develop necessary risk management systems and techniques based on the concept of the COSO-ERM framework. Specifically, we have defined the following 18 risks as major risks* and are responding to them by building information management and monitoring systems at each department responsible for managing these risks on a consolidated basis. In addition, we periodically review the effectiveness of management systems through our internal committees. Moreover in accordance with the medium-term management plan, we conduct risk assessments across the company to reevaluate the risks we are currently aware of and identify risks comprehensively.

*Major Risks

1. Compliance Risks
2. Legal Risks (Excluding Compliance Risks)
3. Risks Associated with Trade Security Policy Management
4. Risks Associated with Customs
5. Country Risks
6. Commodity Price Risks (Specific, Important Product)
7. Credit Risks
8. Investment Risks
9. Stock Price Risks
10. Foreign Exchange Rate Risks
11. Interest Rate Risks
12. Financing Risks
13. Information System Risks
14. Information Security Risks
15. Labor Management Risks
16. Human Resources Risks
17. Risks Associated with the Appropriateness of Financial Reporting
18. Risks Associated with Internal Control

Structures and Systems

We established the Principal Internal Committee (Internal Control Committee, Disclosure Committee, ALM Committee, Compliance Committee, Sustainability Committee, Investment Consultative Committee) as the subordinate organization of HMC and has established and maintained a system to report and discuss individual projects and internal systems related to risks in various fields.

Overview of ITOCHU's Corporate Governance and Internal Control System (P166)

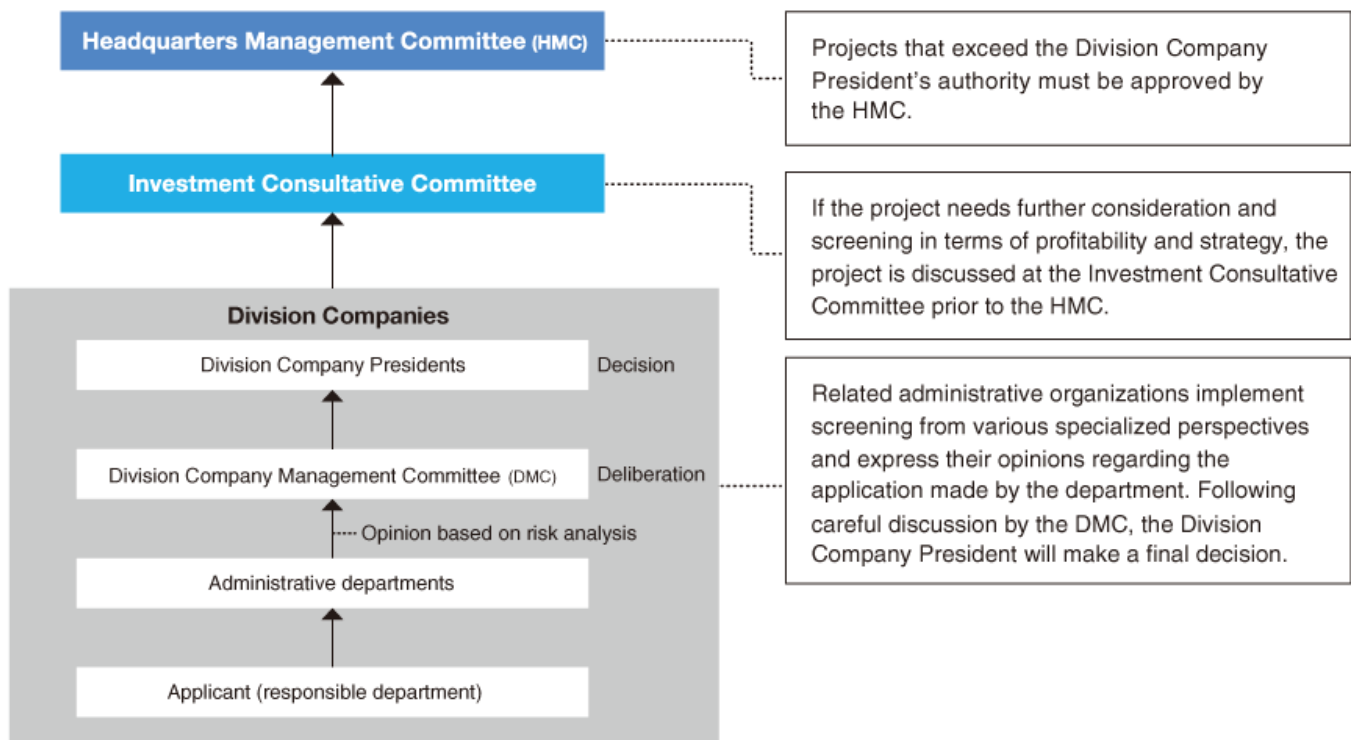
Business Investment

Fundamental Approach

Along with strategic business alliances, business investment is an important means of creating new businesses. Based on our strategic goals, we choose the optimal format from a range of methods, such as establishing a wholly owned subsidiary, implementing joint investment with partners, and participating in management through M&As. In principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize our corporate value and to expand trade and dividends received through the full utilization of our Groupwide capabilities. With larger-scale investments and increases in acquisition prices in recent years, we are rigorously screening the appropriateness of the business plan and acquisition price when we invest. For existing investments, to increase investment earnings and to exit quickly from low-efficiency assets, we are further strengthening monitoring procedures, centered on instituting more rigorous exit criteria and thoroughly implementing periodic investment review.

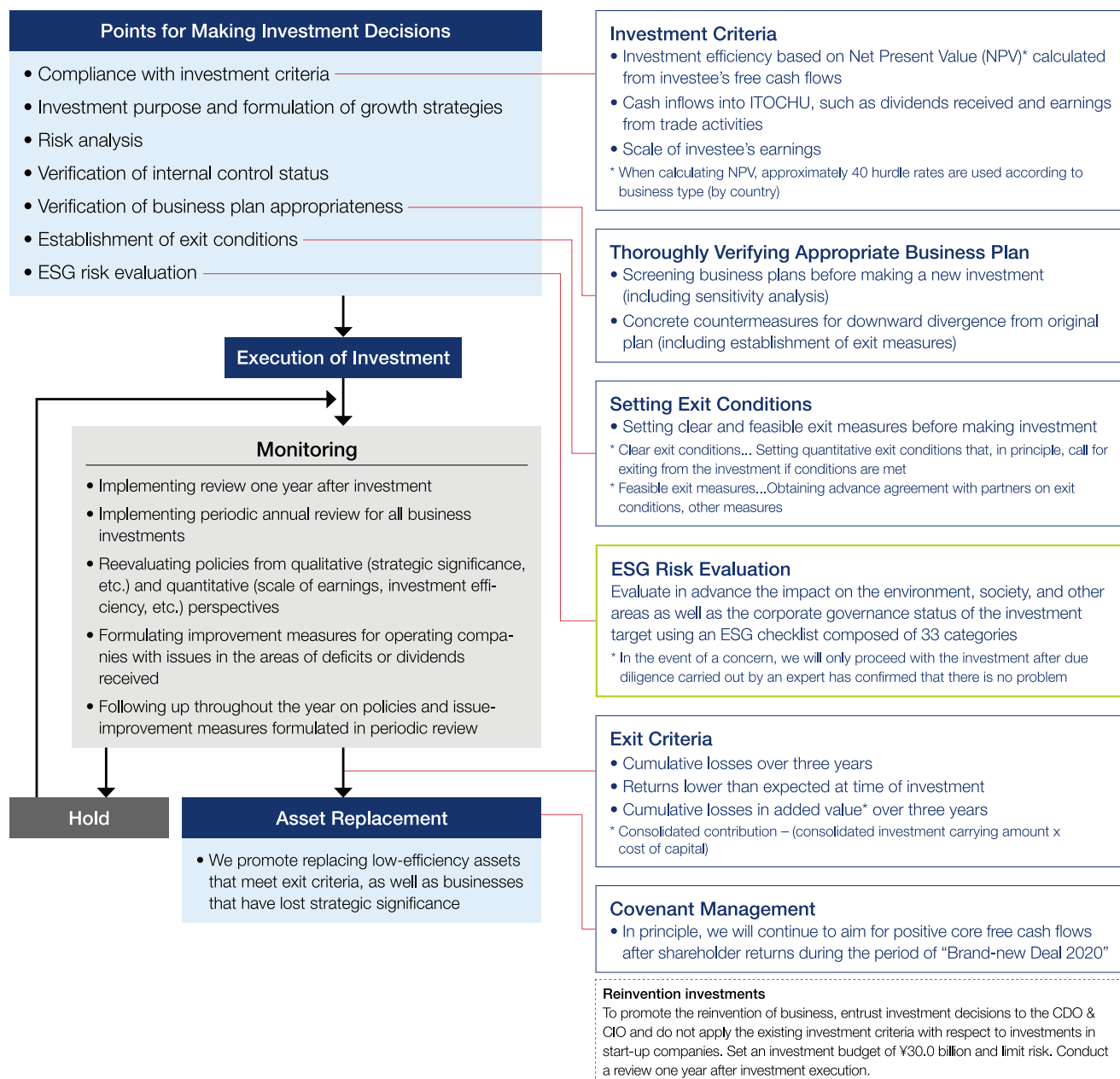
Decision-Making Process for New Investments

A multilayered decision-making process that achieves quick decision-making by giving a certain level of discretion to the Division Companies while striving to pursue investment return and curb investment risk.

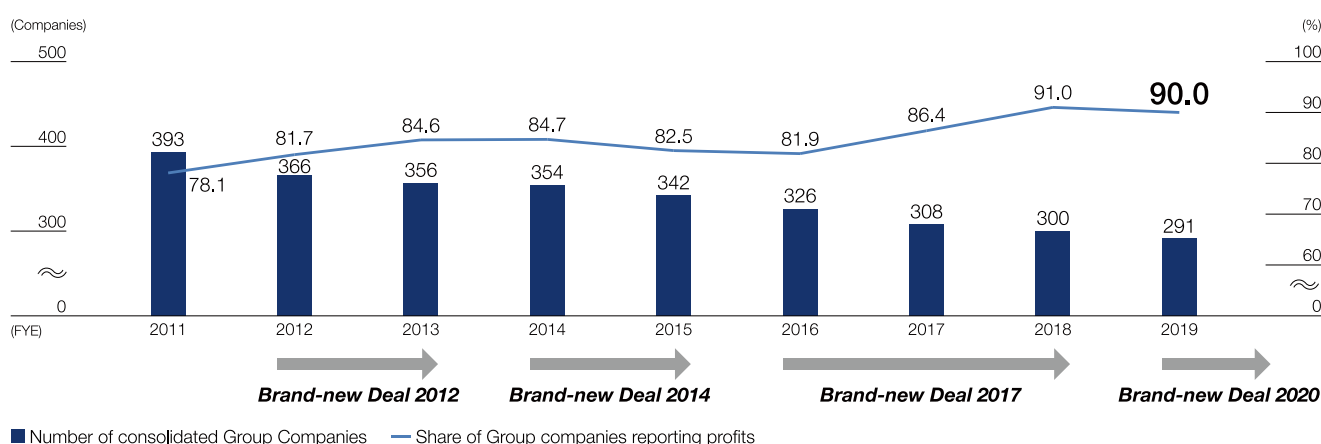


Business Investment Process

Under "Brand-new Deal 2017," we achieved a 90% and higher share of Group companies reporting profits for the first time through a revision of exit criteria and by upgrading business investment management. Through "Brand-new Deal 2020," we plan to build a strong earnings base with high risk tolerance and further improve the share of Group companies reporting profits by moving forward with our existing investment process, thoroughly verifying the appropriateness of business plans, and conducting prioritized monitoring of sub-subsidiaries.



Number of Consolidated Group Companies and Share of Group Companies Reporting Profits



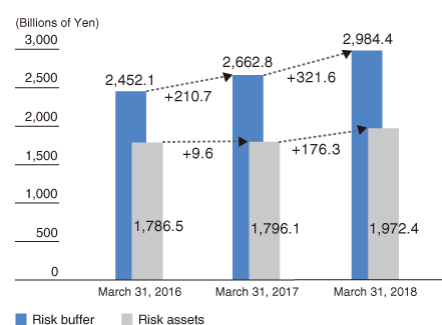
Efforts

Risk Management

Risk Capital Management

We introduced Risk Capital Management in FYE 2000, when we were carrying large amounts of interest-bearing debt and inefficient assets, making far-reaching management reforms a matter of urgency. Since then, we have pressed forward with that spirit and understand risk quantitatively, and conduct control continuously and rigorously even now that our financial position has improved. Specifically, our basic operational policy involves first calculating risk assets based on the maximum amount of possible future losses from all assets on the balance sheet including investments and all off-balance-sheet transactions. Second, we manage the quantity of risk assets within the limits of our risk buffer (consolidated shareholders' equity + non-controlling interests). As we promote investment in new and next-generation technologies moving forward, we will work to maintain risk assets within the limits of our risk buffer, conduct strict risk management, and further strengthen our financial position.

Risk Assets and Risk Buffer



Country Risk Management

The ITOCHU Group is actively expanding its business in countries and regions overseas and is therefore exposed to various country risks that arise as a result of political, economic, or societal circumstances in those countries and regions. Managing country risk is extremely important because negative factors, such as delay or inhibition of debt collection or operational implementation, can occur all at once and cause large losses.

To respond to these risks, we formulate appropriate risk countermeasures for each individual project and evaluate and analyze risk tolerance. We also establish Groupwide country risk management regulations from the standpoint of preventing excessive concentration of risk in specific countries or regions. Additionally, we work toward risk management by setting limits for each country that are based on internal country rating standards and maintain overall exposure at a level that is appropriate for the Group's financial strength.

Furthermore, we assign exposure limits to countries independent of deliberation processes concerning individual projects and conduct strict country risk management through measures such as not allowing related projects to proceed when country limits have not been assigned.

Additionally, we proactively work to reduce risk by formulating credit policies appropriate for each country according to need and stationing country risk management officials at each Division Company who collaborate with headquarters and manage risk for those Companies.

Security Risk Management

In the past, our computers were infected with malware (malicious software), resulting in an external leak of client information. We have since focused on countermeasures aimed at preventing this from reoccurring. We have strengthened these preventative countermeasures by expanding security infrastructure for monitoring and defense, drastically revising the structure of our cybersecurity countermeasures team (ITCCERT: ITOCHU Computer Emergency Readiness, Response & Recovery Team), and hiring expert advanced cybersecurity analysts.


We routinely collect the latest information regarding threats through analysis of system logs and malware and conduct preventative measures. Additionally, when accidents (incidents) do occur, we respond instantly by investigating their causes, discussing possible countermeasures, and restoring services. In FYE 2018, we established an exclusive space for ITCCERT within our IT Planning Division and are working to strengthen security countermeasures across the entire Group and develop security countermeasure personnel. We also dispatch analysts to Chiba University under cross-appointment contracts (mixed-wage systems) in an effort to train and develop the cybersecurity countermeasure technicians that society needs. There are few examples of user companies in Japan that are working as actively as we are to develop systems and respond to information security risk. We plan to proceed with initiatives supporting sustained growth moving forward.

We periodically tackle the efforts below to maintain and improve the information management structure for information security education.

- We give training to all employees on measures against targeted e-mail attacks, a type of cyber-attack, twice a year.
- We simultaneously hold information security courses through e-learning with all employees and group companies in Japan and overseas every three years.
- We hold information security workshops and lectures for our group companies with ITCCERT serving as the lecturer several times a year.

Action Plan

Risks	Opportunities
<ul style="list-style-type: none"> ● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others. 	<ul style="list-style-type: none"> ● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.

Materiality	SDGs Targets	Issues to address	Business area	Commitment	Specific approach	Performance indicators	Degree of Progress
Maintain rigorous governance structures		Ensuring compliance	Compliance	We will make employees more aware that ensuring compliance at any time is our contribution to the company and society.	Recognizing attitude of employees identifying issues and ensuring action plans to tackle the issues through periodic survey and direct communications.	Continuous direct communication with employees through face-to-face training programs whose contents shall be updated along with monitoring the measures according to risks, expectations from society and issues on site which will change with the time.	<ul style="list-style-type: none"> ● Based on the results of the Compliance Attitude Survey conducted in FYE 2018, we exchanged opinions with all Company Presidents regarding issues and conditions relating to individual and group companies. ● In May 2018 we carried out e-learning for all employees of ITOCHU Corporation concerning the Antitrust Act. ITOCHU also conducted monitoring from October to December 2018 concerning application of the Basic Regulations on the Compliance with the Antimonopoly Act, etc. that we have established, one year after their introduction. We are currently requesting that principle group companies introduce similar regulations (implementation expected to be completed during FYE 2019). ● The state of the cyclic training conducted in FYE 2019 is as follows (as of February 28, 2019). ● For ITOCHU Corporation: Held 42 times with 1,265 attendees. For group companies (conducted for 91 companies): Held 177 times with 10,246 attendees.

Policy and Basic Concept

Compliance

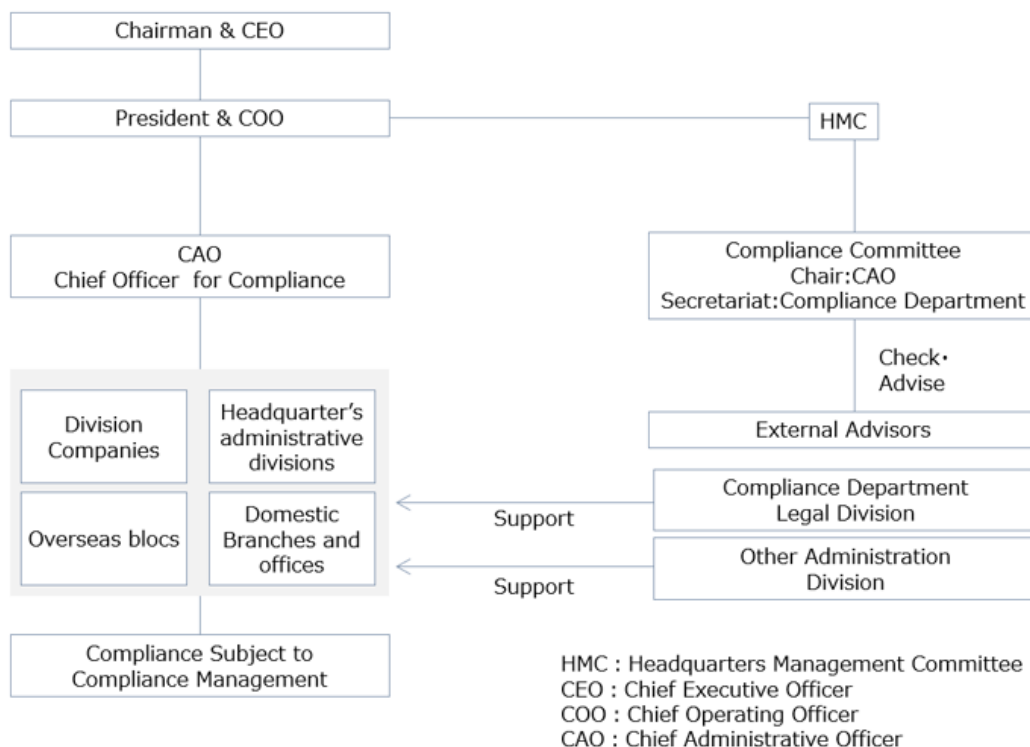
- Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct
- ITOCHU is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

Organization and Systems

The ITOCHU Group is building a structure to promote compliance. The Compliance Department in the Legal Division plans and drafts polices and measures to promote compliance over the whole group. We then place compliance officers in each organization in IOTCHU, our overseas offices and major group companies worldwide (including consolidated subsidiaries and some associated companies applicable to the equity method; hereinafter "companies subject to compliance management"). Compliance related matters discovered in organizations in IOTCHU, our overseas offices and companies subject to compliance management are reported to the Chief Officer for Compliance (Chief Administrative & Information Officer) and the Corporate Auditors; serious compliance related matters are reported to the Board of Directors as appropriate. The Compliance Committee, chaired by the Chief Administrative & Information Officer, consists of three external members and internal members constituting heads of relevant administrative divisions and the Chief Operating Officer of the Sales Division. The committee discusses matters pertaining to compliance as a permanent organization in business operations. The Compliance Committee was most recently held on February 19, 2019. (It is held twice a year in principles.)

The ITOCHU Group Compliance Program details the establishment of our compliance structure. This enables each organization in ITOCHU, our overseas offices and companies subject to compliance management to ensure compliance while taking into account business characteristics, business conditions and local legal systems. We conduct monitor and review surveys once a year on the compliance structure development and operation situation as a company-wide activity. In addition to this, we visit and give on-site guidance to important sites (e.g., overseas offices and companies subject to compliance management) to understand the actual conditions of compliance and to discover risks. We are working on these efforts with a focus on structural operation. We also formulating unique compliance strengthening measures in each organization in light of the trends in the incidents that have occurred and the monitor and review survey results. We are steadily implementing these measures. We ask all our employees to confirm in writing that they have observed compliance in their individual performance evaluations at the end of each fiscal year. This is to ensure that they are thoroughly observing compliance.

Overview



Subsidiary Management Structure

System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)

Subsidiary Management and Reporting System

- (1) ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU is to send directors and corporate auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.
- (2) With respect to subsidiaries that ITOCHU owns indirectly through its directly-owned subsidiaries, ITOCHU is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.
- (3) With respect to important matters on the management of subsidiaries, ITOCHU is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

Rules and Other Systems to Manage the Risk of Loss at Subsidiaries

ITOCHU is to identify the subsidiaries which shall be subject to ITOCHU's Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU is to periodically review the effectiveness of such Group-wide management system.

System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries

ITOCHU is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU.

— System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation

- (1) In principle, ITOCHU is to send directors and corporate auditors to each subsidiary and strive to ensure that the performance of duties of directors and employees of a subsidiary complies with laws and regulations and the Articles of Incorporation of such a subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU.
- (2) ITOCHU is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.
- (3) All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

| Internal Information Reporting System (Hotlines)

ITOCHU has formulated the Internal Information Reporting System (Hotlines) Regulations. We have also installed hotlines in companies subject to compliance management. These efforts protect internal information reporters. At the same time, we have established a mechanism to appropriately process reports. This is leading to a strengthening of our compliance management by supporting the prompt discovery and rectification of unfair practices including bribery.

We have established multiple desks to receive reports both in Japan and overseas in the ITOCHU Hotlines System. (These include external desks to receive reports utilizing specialized operators and external lawyers). This system prohibits unfavorable treatment (e.g., retaliation) against internal information reporters. It also enables information reporters to make reports anonymously.

We have also built a mechanism so that inquiries from the general public are dealt with by the appropriate division according to their content posted on the ITOCHU website.

| Response to Violations

In the event it has been confirmed that a case has occurred in violation of the aforementioned policies and regulations (including those to prevent corruption), we take a variety of corrective measures. These measures include an investigation of the causes and education and training for the parties concerned and other relevant parties. ITOCHU considers disciplinary action against officers and employees involved in violations of laws and ordinances (including bribery). We will not hesitate to impose harsh penalties according to the results of internal investigations.

Efforts

| Employee Education

— On-site Training

We hold on-site compliance training every year for all officers and employees of ITOCHU while taking into account the points below. We use compliance incidents that have actually occurred as the teaching materials. The aim of this is to raise awareness of compliance and to prevent incidents from occurring.

- To raise awareness of complying with the laws necessary in business
- To raise awareness of preventing wide-ranging corruption – including bribery, insider trading and money laundering
- To raise awareness of preventing human rights violations due to harassment (e.g., harassment from a position of power and sexual harassment)

Group companies also give their officers and employees their own compliance training according to their business conditions. To go alongside this, the Headquarters holds on-site training for officers and employees of main group companies. In FYE 2019, we gave training to 98 companies in Japan (approximately 10,600 attendees) and 91 main overseas group companies (approximately 1,100 attendees). We also distribute the Compliance Handbook to all employees. This handbook gives advice for each situation (in a Q&A format) where there is a possibility of facing a compliance incident in work and provides instructions on what actions to take to prevent the risk of corruption. In addition, we also provide detailed education and training based on actual cases for each level in the employee hierarchy (e.g., new employee training, management training, group company officer training and pre-overseas assignment training).

— Awareness Surveys

The ITOCHU Group conducts a Compliance Awareness Survey every two years on all employees in our group. This helps in understanding the actual state to which compliance has penetrated (including the level of understanding of our corporate philosophy) and in taking specific measures. We surveyed approximately 44,000 of our group employees in FYE 2018. We received responses from 41,215 of them (response rate: 93.4%). The analysis results are fed back to each organization and utilized in improving the compliance structure.

| Corruption Prevention

We have set integrity as one of our values in the ITOCHU Mission and Values – the ITOCHU Group corporate philosophy and code of conduct. We have made the following declaration. "We will never obstruct competition through illicit means nor develop inappropriate relationships, such as those with public officials, for our own interests." The Anti-Bribery Policy of the ITOCHU Group stipulates that we shall not provide money, goods, entertainment, favors or any other benefits for the purpose of obtaining unfair profit to public officials and officers or employees in private companies either in Japan or overseas.

ITOCHU Group Anti-Bribery Policy

1. ITOCHU Group Anti-Bribery Policy

The ITOCHU Group has set being committed to the global good as our corporate philosophy. This conforms to the spirit of sampo yoshi, or the "three goods" (good for the buyer, good for the seller and good for society) – the management philosophy of the Ohmi merchants who included our founder Chubei Ito. Integrity, which we have inherited as one of the core values to achieve this, means the following: "to keep to promises made, to act without hypocrisy and to always engage with everyone with a strong ethical viewpoint no matter where." Accordingly, compliance is essential.

We recognize that we must be an organization permitted to exist in society by observing laws and ordinances as a matter of course and by paying strict attention to compliance so that the ITOCHU Group continues to widely provide societal good. There is no need for even for the smallest amount of profit obtained through bribery or other unfair means.

The ITOCHU Group has established, and strictly operates, rules on application and approval procedures and recording methods for types of acts that are liable to be used in bribery with the aim of eliminating the risk of bribery. These rules are based on the Regulations Concerning the Prohibition of Giving Illicit Profit and four relevant guidelines (public officials, foreign public officials, business partners and investments).

ITOCHU Group Anti-Bribery Policy

- We shall not provide money, goods, entertainment, favors or other benefits for the purpose of obtaining unfair profit to public officials or those in an equivalent position either in Japan or overseas
- We shall not provide money, goods, entertainment, favors or other benefits for the purpose of obtaining unfair profit to officials and employees of business partners in private companies

2. Requests for All Partners

The ITOCHU Group needs the cooperation of all business partners and investors engaged in business with us to achieve the aforementioned Anti-Bribery Policy. The ITOCHU Group asks our business partners, investment targets and investment partners to implement due diligence and sign contracts that include anti-bribery stipulations.

We thank you for your understanding and cooperation with this matter.

April 1, 2018
Masahiro Okafuji
Chairman & Chief Executive Officer
ITOCHU Corporation

There is a trend toward global bribery regulations being strengthened. This includes the U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the U.K. Bribery Act 2010. In light of this trend, ITOCHU established and strictly operated the Regulations Concerning the Prohibition of Giving Illicit Profit and three relevant guidelines (public officials, foreign public officials and agents) to widely prohibit the provision of unfair benefits to public officials or those in an equivalent position in or outside Japan. Nevertheless, we revised the agent guidelines to the business partner guidelines in December 2015 while expanding their scope of application. We also established new investment guidelines to thoroughly check for bribery risks in investment projects. With this, we have further strengthened our efforts to prevent corruption. The Regulations Concerning the Prohibition on Giving Illicit Profit include facility payments equivalent to low value payments solely for the aim of facilitating procedures relating to ordinary administrative services as being prohibited unfair provision of benefits. These regulations also prohibit commercial bribes equivalent to providing unfair benefits to private traders. In addition to bribery, our internal rules prohibits cases in which our officials and employees receive unfair benefits from our private business partners as being equivalent to a mix of official business and personal affairs (e.g., conflicts of interest).

The public official guidelines and foreign public official guidelines provide a guide to making judgments about entertainment and gift-giving to public officials and foreign public officials. It is under these guidelines that we conduct individual investigations. The business partner guidelines clarify the process for performing checks without omission when newly appointing or renewing the contracts of business partners (including agents and consultants) who provide services to ITOCHU. They also stipulate the contract process. The Corruption Perception Index (CPI) published by Transparency International is one of the criteria of risk certification for our overseas business partners. We incorporate articles prohibiting bribery and ban unfair payments (e.g., bribery or unfair provision of benefits) in various contracts which may be related to the risk of bribery – including contracts with our business partners. It is also clearly stated in these contracts that they may be canceled immediately if this ban is violated. The investment guidelines stipulate in concrete terms the implementation of due diligence and confirmation letter acquisition procedures from a perspective of preventing corruption when considering investment projects.

We raise awareness and instill the ITOCHU Group Anti-Corruption Policy, the Regulations Concerning the Prohibition of Giving Illicit Profit and the four guidelines in our officer and employee education. We are striving to prevent corruption, including unfair provision of benefits, by ensuring these policies and regulations are applied in daily management operations. We provide training specialized in bribery for organizations susceptible to an especially high risk of bribery. We also manage our political contributions, charity projects and sponsorship activities with reference to our internal regulations to ensure that our donations and sponsorships do not constitute acts of corruption. At the same time, we do this based on donation and sponsorship application rules established internally so that they satisfy social and fair ethical standards.

We check entertainment and gift-giving to public officials and foreign public officials and the appointment and renewal of agents and consultants by each organization in ITOCHU, our overseas offices and companies subject to compliance management in our monitor & review surveys held once a fiscal year explained above as the ITOCHU Group compliance promotion structure and management. We engage in dialogue on the implementation status of this with the compliance officers in each organization as necessary.

Prevention of Collusive Bidding and Cartels

ITOCHU enacted the Basic Regulations on the Compliance with the Antimonopoly Act, etc. and the Standard on Prevention of Cartels and Collusive Bidding on November 1, 2017 to prevent involvement in unfair transactions. In addition, we regularly revise our Anti-Monopoly Law Manual and the easy reference A Must Read! 51 Q&A about the Antimonopoly Act. (The last revision was made in August 2017.) Meanwhile, we thoroughly inform our employees about this issue through various monitor & review surveys and education and training programs. We also set up the Antimonopoly Act Desk in the Legal Division to serve as a consultation desk and prepared The 29 Frequent Misunderstandings about the Antimonopoly Act as a new educational material in July 2017.

We passed instructions at a meeting of the Board of Directors according to two exclusion measure orders we received from the Fair Trade Commission in FYE 2019. We have notified and thoroughly informed all our employees of the content of this resolution.

Tax Strategy

The basic philosophy of ITOCHU and the ITOCHU Group (collectively, "the ITOCHU Group") is to appropriately pay tax in compliance with the tax laws, treaties and related regulations of each country (collectively, the "Tax System"). We pursue the interests of all our stakeholders; these include the countries and regions where we deploy our business, shareholders, creditors, business partners and employees of the ITOCHU Group.

1. Basic Philosophy: Appropriate Payment of Tax in Compliance with the Tax System

The ITOCHU Group does not engage in transactions with the intent to avoid tax. We work on our taxation business with a sincere attitude according to the provisions in the Tax System.

2. Tax Cost Optimization

The ITOCHU Group strives to optimize our tax costs. We do this by eliminating double taxation and appropriately utilizing preferential tax systems based on the Tax System upon adhering to our basic philosophy.

3. Maintenance of Fair Relationships with the Tax Authorities in Each Country and Region

The ITOCHU Group works to ensure tax transparency throughout our group by preparing materials in a timely and appropriate manner. We strive to maintain fair relationships with the tax authorities in each country and region by engaging in constructive dialogue with them.

Intellectual Property

ITOCHU is working to completely prevent infringements on intellectual property rights held by other parties in our intellectual property rights related business and ordinary business. To that end, we call attention to this issue by holding workshops for employees. We have also developed internal regulations and manuals that conform to related laws and ordinances. We have clarified and are appropriately operating internal regulations on employee inventions and copyright and rules on the application and renewal of various rights. The aim of this is to appropriately manage and handle intellectual property rights as company assets.

Product Safety

ITOCHU complies with our obligations as stipulated in safety related laws and ordinances for the products we handle. We are striving to ensure safety by formulating product safety manuals for each division company based on our policy of providing even safer products with greater peace of mind to our customers. We will continue to work on providing safe products with peace of mind in the future while promoting internal education, setting up divisions responsible for product safety, establishing information transmission routes and reviewing our response in the event a product accident does occur.

Import/Export Control

ITOCHU continuously strengthens and further improves our import/export control for appropriate and efficient trading – a pillar of our activities as a general trading company. We have formulated and are strictly managing a systematic and comprehensive trade control program in our security export control. The aim of this is to prevent the spread of weapons of mass destruction and ordinary weapons and to comply with the Foreign Exchange and Foreign Trade Act. In addition to compliance with the Foreign Exchange and Foreign Trade Act, our trade control program comprehensively covers international political risks (e.g., U.S. sanctions). This is so that we do not see our reputation damaged as a result of inadvertently becoming involved in transactions that threaten international peace and security. Corporate governance on security export control is becoming increasingly important. Consequently, we strictly review potential risks associated with various projects and trades as a responsible member of the international community. We ensure thorough tariff compliance by taking various measures based on our internal control regulations. These include internal import/export investigations (monitoring) and training on import/export customs clearance and tariff management to appropriately perform import/export customs clearance procedures – including import (tax payment) declarations. We have also begun providing the information necessary to build new business such as with giving specialized training on various economic partnership agreements which are being increasingly utilized in sales sections in the future. As a result of these efforts, we have acquired approval as an Authorized Economic Operator (AEO) (Authorized Importer and Authorized Exporter). This approval is given to operators with outstanding legal compliance structures and security control by the Director-general of the Yokohama Customs.

Antisocial Forces

ITOCHU has a clearly stated policy of resolutely confronting antisocial forces and groups that threaten the order and safety of civil society. We have stipulated three basic principles plus one – don't be afraid, don't pay, don't use and don't associate – in our stance against antisocial forces and a specific 10-point guideline as a manual according to this policy. We thoroughly inform all our employees about this matter. We have also established a department with overall responsibility to deal with antisocial forces in the Human Resources & General Affairs Division. We are developing structures, providing education and raising awareness to prevent our employees from unintentionally entering into business relationships with antisocial forces and groups.

Insider Trading Regulations

ITOCHU has established regulations on the restriction of insider trading. In April 2014, we revised these regulations and formulated the Guideline Regarding Reporting and Management of Insider Information. The guideline specifies the response we will take if we learn specific information on our investments and business partners. We are working to thoroughly inform our employees about this matter.

Information Management

ITOCHU has enacted an Information Security Policy concerning the handling of information. All our officers and employees are striving to appropriately handle, store, protect and maintain information. We have also established the IT Security Management Policy for all our officers and employees to realize appropriate management of the information necessary in management activities. This is done by demonstrating a code of conduct and ensuring a high information security level. Specifically, we have stipulated regulations and standards relating to personal information management, document management and IT security. Through these, we are striving to prevent the leakage of personal information and confidential information. We have also developed a management structure for the My Number Act that came into force in 2015.

— Personal Information Monitor & Review Surveys

The ITOCHU Group conducts personal information monitor & review surveys on ITOCHU itself and companies subject to compliance management every two years. This is led by the Corporate Planning & Administration Division, Legal Division and IT Planning Division. In FYE 2018, the ninth year of this program, we checked the personal information management structure of ITOCHU and 80 companies subject to compliance management from September to November 2017. In light of these results, we will continue to conduct awareness activities for improvement in ITOCHU and our group companies. At the same time, we are strengthening the structure for this and providing operational support through the advice of external lawyers.