

# CORPORATE GOVERNANCE AND INTERNAL CONTROL/ COMPLIANCE

ITOCHU Corporation has established a corporate governance system that appropriately incorporates monitoring and supervision functions. At the same time, ITOCHU seeks to enhance internal controls and compliance through continuous improvement efforts.

## Corporate Governance

ITOCHU is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors). The corporate auditors, including three outside corporate auditors, monitor and audit business management independently and objectively. Furthermore, ITOCHU elected two outside directors at the General Meeting of Shareholders held in June 2011, with the purpose of further increasing the effectiveness of the supervision of management by the Board of Directors and improving the transparency of decision-making.

ITOCHU has adopted an Executive Officer System in order to separate the decision-making and supervisory functions of the Board of Directors from its implementation of business management.

Further, we have established the HMC (Headquarters Management Committee) as a supporting body of the CEO, where company-wide management policy and important issues are discussed and decided. In addition, management issues in individual areas of responsibility are discussed and screened by various internal committees in order to support the decision-making of the CEO and the Board of Directors. Moreover, ITOCHU is developing and implementing a system for incorporating third-party opinions in which outside experts become members of some internal committees.

<http://www.itochu.co.jp/en/about/governance/>

- Features of ITOCHU's Corporate Governance
- Increasing the Effectiveness of the Supervision of Management by the Board of Directors (Introduced an Outside Directors System)
- Systems to ensure effectiveness of Supervisory Functions

## Internal Control System

In April 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System and made a commitment to continuously improve internal control systems.

In order to further enhance the reliability of our consolidated financial reporting, Chief Operating Officers, etc., are appointed as Chief Responsible for Internal Control to establish a Group-wide line of responsibility. And the Disclosure Committee is designated as a steering committee to maintain and improve the internal control system to comply with the internal control reporting system.

Furthermore, since fiscal 2012 a new organization called the Internal Control Promotion Department promoting a risk-base approach has been created in parallel with the existing Internal Control Testing Department within the Internal Audit Division, in order to increase the effectiveness and the efficiency of the internal control system.

Results of the independent assessment conducted by the Internal Control Testing Department are submitted to each related unit and are used to establish and maintain the adequate internal control system.

<http://www.itochu.co.jp/en/about/governance/control/>

- Basic Policy regarding the Internal Control System
- Initiatives to further enhance the Reliability of Financial Reporting
- Strengthening Risk Management
- Organizations to Secure the Appropriateness of Financial Reporting (PDCA Cycle)

## Major Compliance Measures in Fiscal 2011 and Tasks for the Future

During fiscal 2011, we compiled and distributed to all employees a Compliance Handbook summarizing rules that each employee is expected to strictly observe. In conjunction, we conducted a test to confirm understanding of handbook contents via an e-learning module. Additionally, overseas and Group companies received visits and subsequent guidance designed to assess actual frontline conditions and identify risk, as we pursue activities that emphasize compliance system operations. Furthermore, we formulated and moved to steadily implement distinctive measures to enhance compliance at each Division Company, based on existing incident trends, Monitor & Review results, and other data. Along with further promotion of these measures, we will continue striving to strengthen compliance with an emphasis on overseas and Group companies.

## Bolstering Measures to Fight Corruption

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

Anticipating more stringent regulations against bribery and corruption worldwide, including enforcement of a major anti-corruption law in the UK on July 1, 2011, ITOCHU in June revised its own aforementioned regulations and guidelines as a measure to enhance its own responsiveness in this area.

Going forward, we will work to circulate information regarding the aforementioned revisions within ITOCHU and to overseas blocs. At the same time, steps will be taken to conduct risk assessment and monitoring with respect to payoffs, bribery and similar impropriety.

## Global Security Risk Management

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

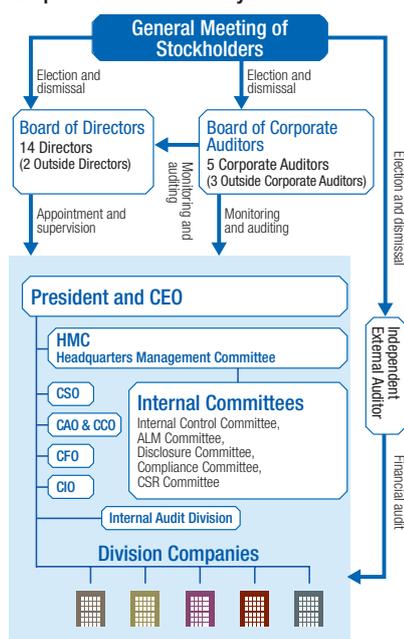
As a responsible member of society and the global business community, ITOCHU recognizes the need to carefully manage the potential risks associated with business operations in certain locations.

Accordingly, ITOCHU has implemented a comprehensive global security risk management program that involves the performance of rigorous, security-minded due diligence with respect to projects and transactions in which international security concerns could be present.

<http://www.itochu.co.jp/en/csr/compliance/>

- Compliance structure

## Corporate Governance System



## Compliance

### Group Promotion Structure

The ITOCHU Group has compliance officers in each organization within Headquarters and at all Group companies worldwide. These compliance officers are strengthening compliance by creating systems, conducting education and training, responding to individual cases, and any other necessary measures based on directives and support from their respective Division Companies, as well as consideration of local laws, business characteristics, and operational formats.

In addition, we conduct simultaneous company-wide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all ITOCHU Group companies through these surveys and other opportunities, the ITOCHU Group is making a concerted effort to find improvements that will enhance its well-developed systems for advancing compliance.