

Corporate Governance and Internal Control

ITOCHU operates its business to establish the long-term preservation and enhancement of its corporate value by building fair and positive relationships with its stakeholders in accordance with the ITOCHU Group corporate philosophy and Code of Conduct. To ensure its appropriate and efficient business operations, ITOCHU is increasing the transparency of its decision-making process and constructing a corporate governance system that incorporates proper monitoring and supervisory functions. ITOCHU values the spirit of the Tokyo Stock Exchange (TSE)'s Corporate Governance Code, and the Company is in the process of actively complying with the code.

ITOCHU is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors).

Comprising 13 directors (including 2 outside directors) as of June 19, 2015, the Board of Directors makes decisions on important management matters and supervises business management.

ITOCHU enhances the monitoring and supervisory functions and secures transparency in decision-making through the monitoring of management by five corporate auditors, including three outside corporate auditors. In addition to the corporate governance system based on management supervision by corporate auditors, ITOCHU has appointed two highly independent outside directors since June 2011, with the objective of strengthening and enhancing the effectiveness of management supervision and the transparency of decision-making by the Board of Directors. Moreover, in May 2015 the Company established the Nomination Committee and the Governance and Remuneration Committee, which are advisory committees to the Board of Directors. The membership of these committees includes outside directors and outside corporate auditors. In addition to the Board of Directors, which includes outside directors, and the advisory

committees, which include outside officers, the corporate governance system is also based on the Board of Corporate Auditors, of which a majority of members are outside corporate auditors. The Company believes that this system is consistent with a "corporate governance system that increases the transparency of decision-making and appropriately incorporates the monitoring and supervision functions."

To strengthen the decision-making and supervisory functions and to increase the efficiency of business execution of the Board of Directors, ITOCHU has adopted an Executive Officer System, and in addition, with the objective of contributing to decision-making related to appropriate, flexible business execution by the CEO and the Board of Directors, the Company has established the Headquarters Management Committee (HMC) and various internal committees. To assist the CEO, the HMC discusses companywide management policies and important issues, and the various internal committees investigate and discuss management issues in their respective fields. Certain internal committees include outside experts as members, and the Company has prepared and utilizes a framework for receiving outside opinions.

Steps Taken to Strengthen Corporate Governance

1997	Introduced the Division Company System	To accelerate decision making, increase efficiency of business management, and clarify responsibilities
1999	Introduced Executive Officer System	To strengthen decision-making and supervisory functions of the Board of Directors
2007	Shortened the terms of office of directors and executive officers to one year	To clarify management responsibility during terms of office
2011	Introduced an Outside Directors System	To increase the effectiveness of the supervision of management and improve the transparency of decision making
2015	Responded to the TSE's Corporate Governance Code	Established the Nomination Committee and the Governance and Remuneration Committee, etc.

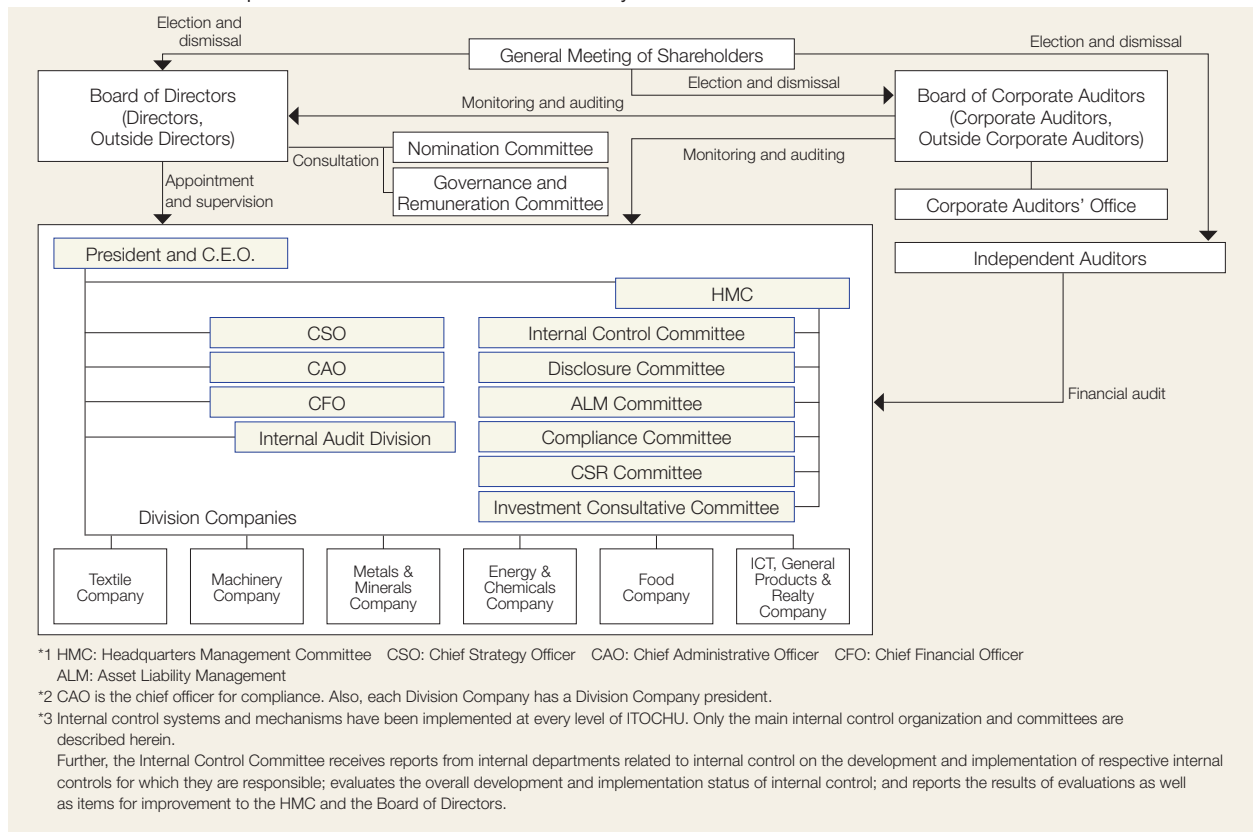
Compliance with the Corporate Governance Code

As of June 2015, the status of ITOCHU's compliance with the TSE's Corporate Governance Code was as follows.

- The Company established the Nomination Committee and the Governance and Remuneration Committee as advisory committees to the Board of Directors (See page 77, "Overview of ITOCHU's Corporate Governance and Internal Control System").
- We have commenced consideration of such matters as policy on holding listed shares for purposes other than pure investment and standards for the exercise of voting rights thereon (see page 78).
- In regard to judgments regarding the independence of outside directors and outside corporate auditors, the Company has commenced consideration of its own original criteria, in response to the Corporate Governance Code (see page 78).
- ITOCHU has formulated Basic IR Policy (see page 80).

Corporate Governance System	
Type of system	Company with the Board of Directors and corporate auditors (the Board of Corporate Auditors)
Number of directors	13
Of which, number of outside directors	2
Number of corporate auditors	5
Of which, number of outside corporate auditors	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
Corporate Officer Compensation System (See page 81)	(1) Monthly compensation Monthly compensation determined by the contribution to ITOCHU of each director according to a base amount set by position (2) Performance-linked bonuses Total payment amount determined on the basis of consolidated net income attributable to ITOCHU Note: Outside directors paid monthly compensation only
Independent external auditor	Deloitte Touche Tohmatsu LLC

Overview of ITOCHU's Corporate Governance and Internal Control System



Advisory Committees to the Board of Directors

Name	Function
Nomination Committee	Deliberates on proposed appointments of executive officers, directors, and corporate auditors
Governance and Remuneration Committee	Deliberates on proposals related to the compensation system for executive officers and directors and to other governance-related matters

Principal Internal Committees

Name	Objectives	Name	Objectives
Internal Control Committee	Deliberates on issues related to the development of internal control systems	Compliance Committee	Deliberates on issues related to compliance
Disclosure Committee	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	CSR Committee	Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives
ALM Committee	Deliberates on issues related to risk management systems and balance sheet management	Investment Consultative Committee	Deliberates on issues related to investment and financing

Composition of the Nomination Committee and the Governance and Remuneration Committee

Name	Title	Nomination Committee	Governance and Remuneration Committee
Eizo Kobayashi	Chairman	○	○ (Chair)
Masahiro Okafuji	President & Chief Executive Officer	○ (Chair)	○
Hitoshi Okamoto	Director		○
Fumihiko Kobayashi	Director	○	
Ichiro Fujisaki	Outside Director		○
Chikara Kawakita	Outside Director	○	
Yoshio Akamatsu	Corporate Auditor		○
Harutoshi Okita	Corporate Auditor	○	
Shingo Majima	Outside Corporate Auditor		○
Harufumi Mochizuki	Outside Corporate Auditor	○	○
Kentaro Uryu	Outside Corporate Auditor	○	

(7 members) (7 members)

Policies on Holding Listed Shares for Purposes Other than Pure Investment and Standards for the Exercise of Voting Rights

ITOCHU has implemented a stricter policy in regard to the selection of listed shares held for purposes other than pure investment (such as “cross-shareholding”). We apply rigorous investment standards with consideration for such factors as trade benefits, and also conduct periodic reviews from the perspectives of both investment efficiency and strategic holding significance. Moreover, in accordance with a policy approved by the Board of Directors, in consideration of our investment objectives and holding policies we will ensure that we exercise the voting rights on such listed shares and will not delegate the exercise of our voting rights to others. The holding policies and standards for the exercise of voting rights for such listed shares are currently under further consideration, and the Company plans to disclose detailed information in the Corporate Governance Report to be issued by the end of this year.

Details of Criteria and Policies Related to Independence from ITOCHU for the Appointment of Outside Directors and Outside Corporate Auditors

In the appointment of outside directors and outside corporate auditors, ITOCHU emphasizes ensuring their independence, with reference to the conditions for “independent directors / independent corporate auditors” as determined by the TSE. Following the formulation of TSE’s Corporate Governance Code, ITOCHU has commenced discussions to establish specific criteria regarding the independence of the Company’s outside directors and outside corporate auditors, and the Company plans to disclose this information in the Corporate Governance Report to be issued by the end of this year.

The Company’s current two outside directors and three outside corporate auditors all meet the conditions for “independent directors / independent corporate auditors” as determined by the TSE, and all are registered at the TSE as independent directors or independent corporate auditors.

Reason for Appointment as Outside Directors

Name	Reason for appointment
Ichiro Fujisaki appointed in June 2013	Mr. Fujisaki is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on the international situation, economy and cultures, and other matters, nurtured through his many years of experience as a diplomat and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors, Mr. Fujisaki qualifies as an independent director. Also, there are no material interests between him and ITOCHU. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent director.
Chikara Kawakita appointed in June 2013	Mr. Kawakita is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on public finance, financial transaction and tax affairs, and other matters, nurtured through his many years of experience at the Ministry of Finance and National Tax Agency and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors, Mr. Kawakita qualifies as an independent director. Also, there are no material interests between him and ITOCHU. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent director.

Reason for Appointment as Outside Corporate Auditors

Name	Reason for appointment
Shingo Majima appointed in June 2013	Mr. Majima is appointed as an outside corporate auditor 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 and university professor. According to the criteria for the independence of directors/auditors, Mr. Majima qualifies as an independent corporate auditor. Also, there are no material interests between him and ITOCHU. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent corporate auditor.
Harufumi Mochizuki appointed in June 2014	Mr. Mochizuki is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise in economics and industrial policy nurtured through his service at the Ministry of Economy, Trade and Industry (formerly, the Ministry of International Trade and Industry) and other governmental agencies of Japan. According to the criteria for the independence of directors/auditors, Mr. Mochizuki qualifies as an independent corporate auditor. Also, there are no material interests between him and ITOCHU. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent corporate auditor.
Kentaro Uryu appointed in June 2015	Mr. Uryu is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise as a lawyer in the field of corporate legal practice and international business law. According to the criteria for the independence of directors/auditors, Mr. Uryu qualifies as an independent corporate auditor. Also, there are no material interests between him and ITOCHU. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent corporate auditor.

Messages from Outside Directors

Evaluation of the Decision-Making Process

ITOCHU's outside directors receive materials and briefings about investments and other projects prior to meetings of the Board of Directors. On those occasions, we ask any questions that we have, request additional materials if necessary, and carefully examine the issues. At Board meetings, explanations are provided about the deliberations that have previously been held at the HMC, such as what points were discussed and if any conditions were added. This provides useful information, and I believe it to be a good practice. It is clear that discussions at the HMC are held from a wide variety of viewpoints and deliberations are conducted carefully. After listening to these explanations, we consider whether or not the conclusion and the project are reasonable and if the Company can obtain the approval of outside parties when the decision is explained. I request further explanations if necessary, and I offer my opinion.

ITOCHU has recently decided to establish advisory committees to the Board in response to the Corporate Governance Code. This new system involving the Board committees is expected to foster deeper relationships between the Company and the directors and corporate auditors, including outside officers. In this way, the new system should further enhance the fairness and impartiality of important matters on corporate governance such as nomination and remuneration. As an outside officer, I have a strong sense of my responsibility to do my utmost.



Ichiro Fujisaki

Apr. 1969 Joined Ministry of Foreign Affairs
Worked in the Embassy of Japan in Indonesia, Permanent Delegation of Japan to the OECD, Budget Bureau, Ministry of Finance

Aug. 1987 Counselor, Embassy of Japan in the UK

Feb. 1991 Director, Overseas Establishments Division, Minister's Secretariat, Ministry of Foreign Affairs

Mar. 1992 Director, Financial Affairs Division, Minister's Secretariat, Ministry of Foreign Affairs

Feb. 1994 Deputy Director-General, Asian Affairs Bureau, Ministry of Foreign Affairs

Jul. 1995 Minister, Embassy of Japan in the United States of America (Political Affairs)

Aug. 1999 Director-General, North American Affairs Bureau, Ministry of Foreign Affairs

Sep. 2002 Deputy Minister for Foreign Affairs (Economic Affairs), Ministry of Foreign Affairs

Jan. 2005 Ambassador Extraordinary and Plenipotentiary, Permanent representative of Japan to the International Organizations in Geneva

Apr. 2008 Ambassador Extraordinary and Plenipotentiary to the United States of America

Nov. 2012 Retired from Ministry of Foreign Affairs

Jan. 2013 Distinguished Professor, Chairman of International Strategies, Sophia University (current position)

Jun. 2013 Outside Director, ITOCHU Corporation

Jun. 2014 Outside Director, NIPPON STEEL & SUMITOMO METAL CORPORATION (current position)



Chikara Kawakita

Apr. 1977 Joined Ministry of Finance

Jul. 2001 Director, Income Tax and Property Tax Policy Division, Tax Bureau, Ministry of Finance

Jul. 2002 Director, Policy Planning and Research Division, Minister's Secretariat, Ministry of Finance

Jul. 2004 Director, Management and Co-ordination Division, Minister's Secretariat, Ministry of Finance

Jul. 2005 Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency

Jul. 2007 Deputy Director-General, Tax Bureau, Ministry of Finance

Jul. 2008 Deputy Vice Minister for Policy Planning and Co-ordination, Minister's Secretariat, Ministry of Finance

Jul. 2009 Director-General, Financial Bureau, Ministry of Finance

Jul. 2010 Commissioner, National Tax Agency

Aug. 2012 Retired from Ministry of Finance

Oct. 2012 Professor, Graduate School of Law, Hitotsubashi University

Jun. 2013 Outside Director, ITOCHU Corporation

Oct. 2014 Vice President, General Insurance Rating Organization of Japan (current position)

Evaluation of Corporate Governance and Risk Management

ITOCHU conducts a wide range of business with many partners in regions around the world. Accordingly, to complete its missions ITOCHU must maintain superior corporate governance and share the Company's management policies, philosophy, and high ethical standards with all employees.

The Company has recently established the Nomination Committee and the Governance and Remuneration Committee, which are advisory committees to the Board of Directors. The establishment of these committees will be one means of fostering better management, and I would like to see them utilized to further increase the effectiveness of corporate governance.

Moreover, dialogue with shareholders is the foundation of better corporate governance. The Company is devoting resources to investor relations, as shown by the high evaluations it receives each year for its annual report. I believe the Company has done an excellent job in this area.

In risk management, considering the uncertain and fluid economic environment, the Company is working to establish a multi-step system of checks.


Under the new medium-term management plan, the basic policies are to strengthen our financial position and build a solid earnings base. In investments, the Company will strive to generate synergies through strategic collaboration and take steps to build a framework for management, including the use of the scrap-and-build method. I believe that these investment policies will contribute to risk management through the reevaluation of existing investments and the rigorous screening of new investments.

The next three years will be a period for the challenges that we announced in the plan. I look forward to seeing the Company achieve results that meet the expectations of shareholders.

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 1, 2015.

ITOCHU intends to revise and improve the internal control system tirelessly in order to build a system that is even more appropriate and efficient. The following highlights two noteworthy initiatives under this policy.

For ITOCHU's Basic Policy regarding the Internal Control System, please see:
 http://www.itochu.co.jp/en/about/governance_compliance/control/policy/

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.

Compliance

Integrity is one of the ITOCHU Values that are a part of ITOCHU's corporate philosophy. We have established systems and environments that enable each individual employee to study and strictly observe the rules that are related to corporate activities, such as laws and international rules, and to conduct their activities from a highly ethical viewpoint, including the prevention of corruption.

ITOCHU has established a system under which the Compliance Department plans and formulates overall policies and measures, and people in charge of compliance have been assigned to each ITOCHU organizational unit, to

overseas trading subsidiaries, and to principal Group companies in Japan and overseas. When cases related to compliance are discovered, reports are made to the director in charge of compliance (CAO), and when ultimately critical cases are discovered, they are reported to the Board of Directors. With regard to the status of system installment and operation, we carry out Monitor & Review surveys once a year. In addition, for important companies, such as overseas trading subsidiaries and companies subject to compliance management, we implement on-site guidance with the objective of ascertaining actual front-line compliance conditions and identifying risks. Furthermore, based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each organization, and these measures are steadily being implemented. In addition, we are implementing employee training with the objective of raising compliance awareness and preventing the occurrence of any cases. Each year, on-site compliance training is provided for all ITOCHU officers and employees, and for employees of Group companies that requested training. This training uses actual incidences of compliance violations as teaching materials. In fiscal 2015, compliance training was provided to a total of 4,800 people at 70 companies and all 38 bases in overseas blocs. Furthermore, in order to protect whistleblowers ITOCHU has formulated regulations on the Internal Information Reporting System (Hotlines) and instructed the installment of hotlines at Group companies as well. In addition, this system is supporting the prompt discovery and rectification of any incidents of corruption, including mechanisms for the proper disposal of cases. When a compliance violation case has been confirmed, we take steps to determine the cause and take rectification measures, such as training of the people involved and related parties. In addition, any officers and employees that participated are treated in a strict and fair manner.

Basic IR Policy

Viewing explanations of corporate and business management information to such stakeholders as shareholders and other investors as an important corporate governance task, we strive for timely and appropriate disclosure.

In addition, in May 2015 ITOCHU formulated its Basic IR Policy in accordance with the ITOCHU Group corporate philosophy and Code of Conduct and TSE's Corporate Governance Code. The purposes of the policy are to conduct fair disclosure based on applicable laws and regulations, to promote the enhancement of corporate value from a long-term point of view through dialogue with shareholders and investors, and to establish fair and good relations with diverse stakeholders. The key points of the policy are as follows.

- Operation of the Disclosure Committee, chaired by the CFO
- Clarification of authority to determine timely disclosure, role of the Investor Relations Department, disclosure processes
- Formulation of basic policy for disclosure and dialogue with shareholders and investors (1. Complying with related laws and regulations, 2. Transparency, 3. Timeliness, 4. Fairness, 5. Continuity, and 6. Confidentiality)
- Stipulation in the policy that the CFO has the primary responsibility for dialogue, and senior management and directors will strive to engage in dialogue
- Stipulation in the policy that the CFO will regularly report to the Board of Directors the views of shareholders and investors
- Stipulation in the policy that we will seek a well-balanced shareholder ownership structure that would be thought of as ideal for continuously increasing shareholder value

For further information about Basic IR Policy, please see:

<http://www.itochu.co.jp/en/ir/policy/>

Meetings of the Board of Directors and Corporate Officer Compensation

Results in fiscal 2015 under the corporate governance system explained on the previous pages include the following.

Meetings of Management Bodies in Fiscal 2015

	FY2013	FY2014	FY2015
Board of Directors	18 times	16 times	20 times
Outside director attendance at Board of Directors' meetings	97%	96%	95%
Outside corporate auditor attendance at Board of Directors' meetings	94%	96%	93%
Board of Corporate Auditors	15 times	14 times	14 times
Outside corporate auditor attendance at Board of Corporate Auditors' meetings	96%	100%	94%

Major Decisions at the Board of Directors' Meetings Held in Fiscal 2015

- (1) **January 20, 2015** Three-company strategic business alliance and capital participation agreement with CITIC Limited, China's largest conglomerate, and Charoen Pokphand Group Company Limited, one of the major leading conglomerates in Asia
- (2) **July 24, 2014** Conclusion of a strategic business alliance with the Charoen Pokphand Group, issuance of new shares in a third-party allotment, and acquisition of C.P. Pokphand Co. Ltd. shares
- (3) **July 24, 2014** Decision on matters related to share buyback program
- (4) **March 3, 2015** Basic policies of new medium-term management plan

Actual Corporate Officer Compensation for Fiscal 2015

Type	Number of people	Amount paid (Millions of Yen)	Details	Maximum compensation paid
Directors (Outside directors)	13 (2)	1,507 (24)	(1) Monthly compensation ¥837 million (2) Bonuses ¥670 million Please refer to "Method of Calculating Planned Corporate Officer Compensation for Fiscal 2016" below	(1) ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) (2) ¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors) (Both (1) and (2) were resolved at the General Meeting of Shareholders on June 24, 2011)
Corporate auditors (Outside corporate auditors)	5 (3)	122 (33)	(1) Only monthly compensation	(1) ¥13 million per month (Resolved at the General Meeting of Shareholders on June 29, 2005)
Total (Outside directors and corporate auditors)	18 (5)	1,629 (57)		

* The retirement benefits system for directors and corporate auditors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that directors and corporate auditors retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

The compensation paid to all directors of ITOCHU (excluding outside directors) consists of (i) monthly compensation and (ii) performance-linked bonuses. The total amount of (i) monthly compensation is determined by the contribution to ITOCHU of each director based on the base amount set by its position, whereas the total amount of (ii) performance-linked bonuses is determined based on consolidated net income attributable to ITOCHU. Only monthly compensation is paid to the outside directors and bonuses are not paid thereto.

Method of Calculating Planned Corporate Officer Compensation for Fiscal 2016

In accordance with confirmed results for fiscal 2016, directors' bonuses for fiscal 2016 will be determined according to the calculation method below and paid after the completion of the 92nd Ordinary General Meeting of Shareholders.

Total Amount Paid to all Directors

Total amount paid to all directors = (Consolidated net income attributable to the Company for the fiscal year ending March 31, 2016 (maximum of ¥1.0 billion) - ¥100.0 billion) x 0.35% x Sum of position points for all the eligible directors ÷ 55.

The total amount paid to all directors shall be the lesser of the following.

(i) 0.35% of the amount after deducting ¥100.0 billion from consolidated net income attributable to the Company for the fiscal year ending March 31, 2016 [such amount as provided in the 92nd Annual Securities Report (*yuka shoken hokokusho*); if the amount is less than ¥100.0 billion, it shall be treated as zero for the above calculation purposes], which shall be adjusted with due regard to the increase / decrease in the number of eligible directors and the change in position and other factors, or (ii) ¥1.0 billion.

Amount Paid to an Individual Director

Amount paid to an individual director = Total amount paid to all directors x Assigned position points / Sum of position points for all the eligible directors

The individual amount paid to each director is the proportion of the total amount paid, calculated in accordance with the above formula, corresponding to the following points assigned to each rank. (Amounts less than ¥1,000 are rounded down to the nearest ¥1,000.) However, the limits on the individual amounts paid are as shown below.

	Chairman President & Chief Executive Officer	Executive Vice President	Senior Managing Executive Officer	Managing Executive Officer
Points	10	5	4	3
Limits on individual amounts paid	¥181.8 million	¥90.9 million	¥72.7 million	¥54.5 million

Compliance

ITOCHU Group's Compliance System

The ITOCHU Group is developing a system for compliance by having the Compliance Department of the Legal Division plan and suggest policies and measures to encourage compliance throughout the entire Group and appointing compliance officers in each organization within ITOCHU Corporation, overseas subsidiaries and major Group companies worldwide (including consolidated subsidiaries and some equity method associated companies; hereafter, the “companies subject to compliance management”). Incidences of compliance violations revealed in each organization within the Headquarters, overseas subsidiaries or companies subject to compliance management are reported to the Chief Officer for Compliance (CAO) and the Corporate Auditors, while incidences of serious compliance violations are reported to the Board of Directors as appropriate.

The ITOCHU Group Compliance Program details the compliance system of the ITOCHU Group so that each organization within ITOCHU Corporation, its overseas subsidiaries, and companies subject to compliance management can ensure compliance by taking into account business characteristics, operational formats and local laws.

Across the Group, we conduct Monitor & Review surveys once a year to check the status of compliance systems and operations of each organization. In addition, as for key organizations such as overseas subsidiaries and companies subject to compliance management, we are implementing activities with a focus on system operation, including on-site guidance with the objective of ascertaining actual front-line compliance conditions and identifying risks. Furthermore, based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each Division Company, and these measures are steadily being implemented.

Internal Information Reporting System(Hotlines)

ITOCHU Corporation has formulated regulations on the Internal Information Reporting System (Hotlines) and instructed the installment of hotlines at companies subject to compliance management as well. In addition to protecting whistleblowers through these arrangements, we have defined mechanisms for proper disposal of cases. This initiative is reinforcing compliance management by supporting the prompt discovery and rectification of any incidents of corruption, including bribery.

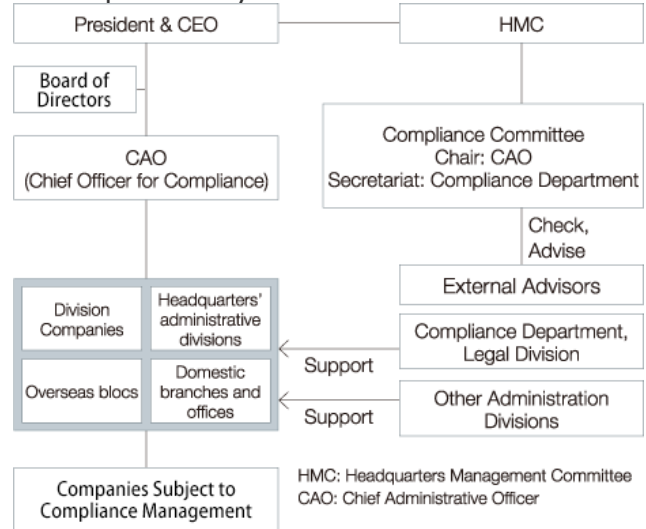
ITOCHU Corporation has established multiple whistleblowing contacts (including external whistleblowing contacts that utilize specialized company and external lawyers). It prohibits the unfavorable treatment of whistleblowers, such as retaliation, and allows whistleblowers to provide information anonymously.

Implementation of Compliance Training

On-Site Compliance Training

We periodically conducted On-Site Compliance Training for all officers and employees of ITOCHU Corporation. This training, which was intended to raise compliance awareness and prevent the occurrence of any cases, used actual incidences of compliance violations as teaching materials. In addition, Group companies implemented their own compliance training programs for officers and employees as appropriate for their operational formats. On-site training was also provided by the Headquarters for officers and employees of Group companies that requested it for a total of 4,800 people from 70 companies in FY2015. Training was also provided to all 38 overseas blocs in FY2015. We also distribute the Compliance Handbook to all employees. This handbook provides advice on compliance for each potential work setting (in Q&A format) and advises what actions to take in order to prevent corruption. We also conduct separate programs of finely-tuned education and training for each employee layer that are based on actual cases, including training for new recruits, manager training, training for Group company officers and training prior to overseas assignments.

Compliance System



■ Compliance Awareness Survey

The ITOCHU Group implements a Compliance Awareness Survey every two years with all Group employees. The survey ascertains the status in regards to penetration of compliance among the employees, and assists the implementation of specific initiatives. In fiscal 2014, we conducted the survey of about 30,000 Group employees, and received response from 27,598 of them (retrieval rate of 90.7%). The results of the analysis of the findings are presented as feedback to each organization and reflected in efforts to improve the compliance system. We are planning to implement Compliance Awareness Survey in FY2016.

| Bolstering Measures to Fight Corruption

In the ITOCHU Mission and Values, as the corporate philosophy of the ITOCHU Group, we have specified Integrity as one of the Values, under which we declare that each one of us in the ITOCHU Group "will never obstruct competition through illicit means nor develop inappropriate relationships, such as those with public officials, for our own interests."

The U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the U.K. Bribery Act 2010 evidence the global trend toward the tightening of legislation against bribery. In keeping with this trend, ITOCHU Corporation has thus far determined and strictly operates the Regulation Concerning the Prohibition of Giving Illicit Profit and three related guidelines (regarding public officers, agents and consultants, and foreign public officers) to prohibit all employees from giving any improper advantage to Japanese or foreign civil servants or people in an equivalent position. The Regulation Concerning the Prohibition of Giving Illicit Profit includes facility payments, or payments of small amounts of money that are aimed solely at facilitating ordinary administrative services, among the improper advantages it prohibits. It also prohibits commercial bribery, which falls under an improper advantage given to business partners in the private sector. In addition to banning bribery, our internal rules prohibit officers and employees from receiving improper advantages from business partners in the private sector, deeming such acts to be a mix of business with personal affairs (conflicts of interest, etc.).

The guidelines regarding public officers and foreign public officers include guides for decisions and judgments on business entertainment and gift-giving to public officers and foreign public officers, under which we review cases on an individual basis. The guidelines regarding agents and consultants include guides for decisions and judgments on new appointments and renewals of contracts with agents and consultants who are to be involved in our international trades (overseas public work projects or procurement projects of public organizations), which are likely to serve as mediators in bribery. We review individual cases based on these guidelines. In contracts where there is a risk of bribery, including ones with agents and consultants, we include an article prohibiting bribery, thereby prohibiting improper payments (bribery or the provision of improper advantages) and clearly state that the contracts may be cancelled immediately if the provisions of the article are violated.

In the training provided to officers, employees and others, we strive to raise awareness and instill the Regulation Concerning the Prohibition of Giving Illicit Profit and three related guidelines. We make certain that the regulation and guidelines are reflected in their daily management work to prevent corruption, including the provision of improper advantages. We also provide training specializing in bribery for organizations where the risk of bribery is particularly high. We also manage our political contributions, charities, and sponsorship activities by referring to internal rules to ensure that they do not constitute corruption, and by following our internally specified routes of application for the approval of donations and sponsorship to ensure that such activities are socially just and meet ethical standards.

The annual Monitor & Review surveys, which are mentioned in the ITOCHU Group's Compliance System above, include a check on business entertainment and gift-giving to public officers and foreign public officers and on the appointments and renewals of contracts with agents and consultants by organizations within ITOCHU Corporation, overseas subsidiaries, and companies subject to compliance management. Where necessary, we hold a dialogue on the status with the compliance officer of each organization.

| Measures to Fight Collusive Bidding and Cartels

In recent years, there have been many reports of suspected cartel activities in markets around the world. In response, to prevent involvement in any illicit transactions, we regularly revise our Anti-Monopoly Law Manual and the document "A Must-Read! 51 Q&A about the Anti-Monopoly Law", which facilitates referral. Through various Monitor & Review surveys and education and training programs as well, we are making sure all employees are aware of requirements.

Measures for Intellectual Property

To completely prevent infringements on intellectual property rights held by other parties in businesses related to such rights, as well as in the ordinary course of business, ITOCHU implements measures to call attention to the issue by holding seminars for employees and by establishing internal rules, regulations and manuals that conform to related laws and regulations. We also define and properly apply internal rules for employees' inventions and work and rules for application, renewal, etc. of rights to properly manage and handle intellectual property rights that constitute property of the companies.

Basic Policy on Product Safety

ITOCHU Corporation has prepared a product safety manual for each internal company to assure safety. The manuals are based on its policy of observing obligations stipulated by laws related to the safety of the products it handles, and providing safe and secure products to its customers. We are going to continue with efforts to assure provision of safe and secure products through in-house education, institution of ad-hoc units assigned to product safety, establishment of information relay routes, and response in the event of product accidents, while revising arrangements in these aspects as necessary.

Measures for Comprehensive Import and Export Control

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

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

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

In addition, to properly conduct customs procedures for import and export, including import (payment of customs duty) declaration, we conduct internal customs examination (monitoring), provide training for clearing and customs valuation control, and take a host of other measures under the internal control/management provisions and regulations, thereby ensuring full compliance with customs procedures, etc. These measures have led to the director-general of Yokohama Customs certifying ITOCHU as an Authorized Economic Operator (AEO) (both Authorized Exporter and Authorized Importer), a title given to operators with outstanding compliance systems and security control.

Basic Policy and Efforts against Antisocial Forces

ITOCHU has set out basic policy to tackle antisocial forces and groups that threaten the order and safety of civic society, stipulating three basic principles plus one - Don't fear, Don't pay, Don't use, and Don't associate - in its stance against antisocial forces and 10-point guideline as a manual to disseminate this information among all employees. We have also established a special department with overall responsibility for countermeasures in relation to antisocial forces within the Human Resources & General Affairs Division. In addition, we are improving systems and promoting enlightenment education in hopes of preventing unintentional entry into transactional relationships with anti-social forces and groups.

| Insider Trading Regulations

ITOCHU Corporation has an internal rule regarding the restriction of insider trading, and formulated the "guideline regarding reporting and management of insider information" in April 2014 in conjunction with the revision of the rule. The above guideline stipulates, for example, recommended handling in case of acknowledging the insider information of entity which ITOCHU has capital or contractual relationship, and we are taking action to assure that all employees know about them.

| Perspectives on Information Management

ITOCHU Corporation has formulated IT Security Management Policy for all executives and employees. The objective of these rules is to provide proper management of information required for business activities by setting forth a code of conduct on information handling and assuring a high level of information security. More specifically, we have determined rules and standards on personal information management, document management, and IT security, and are striving to prevent the leakage of personal information and other confidential information.

- Monitor & Review Surveys on Personal Information Management

The ITOCHU Group regularly conducts Monitor & Review surveys of ITOCHU Corporation and companies subject to compliance management under the auspices of the Corporate Planning & Administration Division and the Legal Division. In the eighth survey, which was conducted in FY2015, a briefing was held on site in each division or department, and explanations were provided on the Act on the Protection of Personal Information, recent cases of personal information leaks, and our response to the amendment to the guidelines on personal information by the Ministry of Economy, Trade and Industry (as of December 12, 2014).

| Response to Violations

If an act in violation of the above policies or rules, including policies and rules designed to prevent corruption, should be confirmed, we take corrective action, including an investigation into the cause and education and training of those involved in the act, as well as related individuals. At ITOCHU Corporation, we consider disciplinary action against officers and employees who have been involved in any violation of laws, including bribery, with the aim of imposing harsh penalties when deemed appropriate as a result of internal investigations.