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.

March–May 2016

Results of the Board of Directors’ Evaluation in FYE 2016

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

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

October–November 2016

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

System from FYE 2018

In addition to the CEO and three officers from headquarters, only one principal Division Company President also serves as director. At the same time, the number of outside directors has been increased.

Executive directors
Outside directors
P: Division Company Presidents
11
3
5
4

Content of Reforms

Decision-Making Process

Participating in Deliberations on Board of Directors’ Reforms

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

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

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

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

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

Ms. Muraki was appointed as a director of ITOCHU in June 2016, following positions including the Vice Minister of Health, Labour and Welfare. She is a member of the Governance and Remuneration Committee. In addition to working style reforms, she proactively offers advice on compliance issues and sustainability issues in management plans.
Continued to make operational improvements to reinforce the effectiveness of the Board of Directors’ monitoring function.

Deliberate measures for enhancing corporate value, including ESG in the next medium-term management plan.

Reinforce supervision of nomination and remuneration with a view to sustainable growth.

In addition to the CEO and three officers from headquarters, only one principal Division Company President also serves as director. At the same time, the number of outside directors has been increased.

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

Promoting Further Advances on the Board of Directors

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

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

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

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

### Formulas for Performance-Linked Bonuses and Share-Based Remuneration

**Total Amount Paid to All Directors**

\[
\text{Total amount paid to all directors} = (A + B + C) \times \frac{\text{Sum of position points for all the eligible directors}}{55}
\]

- \(A\) = (Of net profit attributable to ITOCHU for FYE 2018, the portion up to ¥200.0 billion) \times 0.35%  
- \(B\) = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) \times 0.525%  
- \(C\) = (Of net profit attributable to ITOCHU for FYE 2018, the portion exceeding ¥300.0 billion) \times 0.525% (of which, 0.175% as share-based remuneration)

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

**Amount Paid to an Individual Director**

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

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Executive Vice President</th>
<th>Senior Managing Executive Officers</th>
<th>Managing Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

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

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

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

Ichiro Fujisaki

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

Nomination Committee Supervising Succession Planning

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

Status of Activity on the Nomination Committee

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

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

Chikara Kawakita

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

Steps Taken to Strengthen Corporate Governance

1999
- Introduction of a system of executive officers
  - To strengthen decision-making and supervisory functions of the Board of Directors

2011
- Appointment of outside directors (two)
  - To increase the effectiveness of the supervision of management and improve the transparency of decision-making

2015
- Response to Japan's Corporate Governance Code
- Establishment of a Nomination Committee and a Governance and Remuneration Committee
- Revision of the Board of Directors' Regulations
  - To strengthen the Board of Directors' supervision function and increase transparency

2016
- Increase in the number of outside directors (from two to three)
- Reorganization of the Nomination Committee and the Governance and Remuneration Committee (appointing outside directors as chairmen, outside executives account for half or more of members)
- Implemented Board of Directors' effectiveness evaluation
  - To strengthen the Board of Directors' supervision function

2017
- Transition to a Board of Directors with a monitoring-focused structure
- Increasing the ratio of outside directors to at least one-third
- No directors except one Division Company President appointed to concurrent positions
  - Thorough separation of management execution and supervision

Corporate Governance System

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

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of April 1, 2017)

Corporate Governance and Internal Control/Compliance

151

* HMC: Headquarters Management Committee
* CAO: Chief Administrative Officer
* CFO: Chief Financial Officer

1. Introduction of a system of executive officers: To strengthen decision-making and supervisory functions of the Board of Directors.
2. Appointment of outside directors (two): To increase the effectiveness of the supervision of management and improve the transparency of decision-making.
3. Response to Japan's Corporate Governance Code: Establishment of a Nomination Committee and a Governance and Remuneration Committee, and revision of the Board of Directors' Regulations.
4. Increase in the number of outside directors (from two to three), reorganization of the Nomination Committee and the Governance and Remuneration Committee, and implemented Board of Directors' effectiveness evaluation.
5. Transition to a Board of Directors with a monitoring-focused structure: Thorough separation of management execution and supervision.

Corporate Governance and Internal Control System

General Meeting of Shareholders

Election and dismissal

Monitoring and auditing

HMC*2

Audit & Supervisory Board Members

Financial audit

Audit & Supervisory Board Members' Office

Internal Control Committee

Sustainability Committee

ALM*1 Committee

Compliance Committee

Investment Consultative Committee

President and CEO

Board of Directors

Directors

Consulation

Nomination Committee

Goverance and Remuneration Committee

Appointment and supervision

Audit & Supervisory Board

CSO / CIO*1

CAO*1

CFO*1

Internal Audit Division

Division Companies

Textile Company

Machinery Company

Metals & Minerals Company

Energy & Chemicals Company

Food Company

General Products & Realty Company

ICT & Financial Business Company

Executive Officers

CSO / CIO: Chief Strategy & Information Officer
CAO: Chief Administrative Officer
CFO: Chief Financial Officer
ALM: Asset Liability Management

1. HMC: Headquarters Management Committee
2. CAO is the chief officer for compliance. Also, each Division Company has a Division Company President.
3. Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.
Advisory Committees to the Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Nomination Committee</th>
<th>Governance and Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masahiro Okafuji</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitoshi Okamoto</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fumihiko Kobayashi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ichiro Fujisaki</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chikara Kawakita</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atsuko Muraki</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harufumi Mochizuki</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yoshio Akamatsu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kiyoshi Yamaguchi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shingo Majima</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentaro Uryu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kotaro Ohno</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(6 members) (7 members)

Composition of the Nomination Committee and the Governance and Remuneration Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Nomination Committee</th>
<th>Governance and Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masahiro Okafuji</td>
<td>President &amp; Chief Executive Officer</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Hitoshi Okamoto</td>
<td>Director</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Fumihiko Kobayashi</td>
<td>Director</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Ichiro Fujisaki</td>
<td>Outside Director</td>
<td>☐ (Chair)</td>
<td></td>
</tr>
<tr>
<td>Chikara Kawakita</td>
<td>Outside Director</td>
<td>☐</td>
<td>(Chair)</td>
</tr>
<tr>
<td>Atsuko Muraki</td>
<td>Outside Director</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Harufumi Mochizuki</td>
<td>Outside Director</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Yoshio Akamatsu</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Kiyoshi Yamaguchi</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Shingo Majima</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Kentaro Uryu</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Kotaro Ohno</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>☐</td>
<td></td>
</tr>
</tbody>
</table>

(6 members) (7 members)

Principal Internal Committees

<table>
<thead>
<tr>
<th>Name</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control Committee</td>
<td>Deliberates on issues related to the development of internal control systems</td>
</tr>
<tr>
<td>Disclosure Committee</td>
<td>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</td>
</tr>
<tr>
<td>ALM Committee</td>
<td>Deliberates on issues related to risk management systems and balance sheet management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Committee</td>
<td>Deliberates on issues related to compliance</td>
</tr>
<tr>
<td>Sustainability Committee</td>
<td>Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives</td>
</tr>
<tr>
<td>Investment Consultative Committee</td>
<td>Deliberates on issues related to investment and financing</td>
</tr>
</tbody>
</table>

FYE 2017 in Review

Results of key initiatives based on our corporate governance system in FYE 2017 were as follows.

Meetings of Major Organizations

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors’ meetings</td>
<td>16 times</td>
</tr>
<tr>
<td>‘Outside directors’ attendance at Board of Directors’ meetings</td>
<td>98%</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Members’ attendance at Board of Directors’ meetings</td>
<td>94%</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board’s meetings</td>
<td>12 times</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Members’ attendance at Audit &amp; Supervisory Board’s meetings</td>
<td>94%</td>
</tr>
</tbody>
</table>

Key Decisions Made by the Board of Directors in FYE 2017

1. Evaluation of the Board of Directors in FYE 2016
2. Introduction of a performance-linked and share-based remuneration plan
3. Purchase of treasury stock
5. Reforms of criteria for the selection of director candidates and the bonus system
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 offices and major Group companies worldwide (including consolidated subsidiaries and some equity method associated companies; hereafter, the “companies subject to compliance management”). Incidents of compliance violations revealed in each organization within the Headquarters, overseas offices 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 Compliance Committee is chaired by the CAO and consists of three external members and heads of relevant divisions as internal members. It deliberates on matters related to compliance as a permanent organization on business operations.

The ITOCHU Group Compliance Program details the compliance system of the ITOCHU Group so that each organization within ITOCHU Corporation, its overseas offices, 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 offices 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.

In addition, to ensure compliance throughout the Group, at personal performance evaluations at the end of each fiscal year we ask all employees to confirm in writing that they have complied with laws, regulations, and other rules.

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 conduct On-Site Compliance Training for all officers and employees of ITOCHU Corporation every year. This training, which is intended to raise compliance awareness and prevent the occurrence of any cases, uses actual incidents 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. In FY2017, on-site training was also provided by the Headquarters for officers and employees of major Group companies for a total of 7,000 people from 102 companies in Japan. Training was also provided to 34 group companies at major overseas blocs in FY2017. 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 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 FY2016, we conducted the survey of about 40,000 Group employees, and received response from 37,610 of them (retrieval rate of 94.7%). 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 FY2018.

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.". In addition, the anti-bribery policy of the ITOCHU Group stipulates that money, goods, entertainment, and any other favors must not be granted to public officials or employees or officers of private organizations, either in Japan or overseas, for the purpose of obtaining illicit profit.

ITOCHU Group Anti-Corruption Policy

- 1. ITOCHU Group Anti-Corruption Policy

ITOCHU Corporation traces its management philosophy back to that of its founder, Chubei Ito, who, as an Ohmi merchant, operated under the philosophy of sampu yoshi (good in three ways: good for the seller, good for the buyer, good for society). Reflecting this tradition, ITOCHU Group’s corporate philosophy is “Committed to the Global Good,” and in order to fulfill this philosophy, ITOCHU Group has adopted as one of its core values “integrity,” which includes keeping promises, acting without hypocrisy, and always maintaining strong ethics in all places and with respect to everyone, a concept analogous to adhering to compliance.

ITOCHU Group recognizes that continuing to provide societal good requires obedience to laws and strict attention to compliance. ITOCHU Group does not need any profit, regardless of amount, if such profit is obtained through illicit means such as bribery.

To address the risk of bribery and corruption, ITOCHU Group strictly observes its internal rules, including its “Regulations Concerning the Prohibition of Giving Illicit Benefit,” as well as four related guidelines relating to public officers, foreign public officers, business partners, and investment generally. Regarding high-risk activities such as entertainment, gifts, investment, and appointment of business partners, ITOCHU Group has established and requires strict adherence to rules governing approval, decision-making, and record-keeping procedures.
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. In December 2015, we revised the guideline regarding agents and consultants to guideline regarding business partners, thereby expanding the scope of application of the guideline, and bolstered measures to fight corruption by establishing investment guideline, which is designed to carefully check investment projects for the risk of bribery. 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 guideline regarding business partners clarifies the process for comprehensive checks and stipulates the process of concluding contracts on new appointments and renewals of contracts with business partners who will provide services to ITOCHU Corporation (including agents and consultants). In contracts where there is a possibility to contain a risk of bribery, including ones with business partners, 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. The investment guideline includes specific provisions on the implementation of due diligence and procedures for obtaining the confirmation letter from the viewpoint of preventing corruption, which are to be used for deliberations on investment projects.

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 four 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.

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[ITOCHU Group Anti-Corruption Policy]

- No money, entertainment, gifts, or anything of value in order to obtain illicit gains shall be given to any public or quasi-public official inside or outside of Japan.
- No money, entertainment, gifts, or anything of value in order to obtain illicit gains shall be given to any director, officer or employee of any private entity.

2. Requests for All Partners

In order for ITOCHU Group to implement the above anti-corruption policies, ITOCHU Group requires the cooperation of all of its business partners and investment partners. In connection with the business partners and the investment targets and investment partners (collectively "Partners"), ITOCHU Group will request itself conducting due diligence on Partners and entering into contracts containing anti-bribery provisions with Partners.

ITOCHU Group thanks you for your understanding and cooperation.

December 1, 2015
Masahiro Okafuji
ITOCHU Corporation
President & Chief Executive Officer
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 offices, 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 |

Japanese government maintains strict trade-security under the Foreign Exchange and Foreign Trade Act in order to prevent the proliferation of weapons of mass destruction and conventional weapons. We have implemented a strict internal comprehensive trade-security control program so as to observe laws and regulations. Our internal program covers not only Japanese laws and regulations but also global security risks such as U.S. sanctions to ensure that we do not take part in business transactions that threaten international peace and security.

Accordingly ITOCHU recognizes that, as a responsible member of the global business community, we need to manage carefully potential risks associated with business operations in certain locations. In response to the growing importance of the corporate governance associated with global security risk, we have implemented corporate policies, procedures, and internal reporting structures to ensure that we perform rigorous, security-minded due diligence for global projects and transactions. 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. We have also begun to provide information needed for developing new businesses, by providing training on Economic Partnership Agreements (EPAs), which will be used more widely by sales sections in the future. 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 “Information Security Policy” for all members of the board and employees to handle information with high security level. Also, in order to manage information required for business management activities properly, we also formulated “IT Security Management Policy” for all executives and employees, which is a code of conduct on information handling. 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. We have also established a management system for complying with the My Number Act.

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, the IT Planning Division and the Legal Division. In the eighth survey, which was conducted in FY2015, the personal information management systems of ITOCHU Corporation and 80 companies subject to compliance management were checked from February to March 2015. Based on the results of the checks, we have continued activities to encourage continued improvements at ITOCHU Corporation and Group companies. At the same time, we have established a system and provide support for the operation with advice from external lawyers.

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.