

## Corporate Governance and Internal Control


### Steps Taken to Strengthen Corporate Governance

	Actions Taken	Purpose
1999	<ul style="list-style-type: none"> <li>Introduction of a system of executive officers</li> </ul>	To strengthen decision-making and supervisory functions of the Board of Directors
2011	<ul style="list-style-type: none"> <li>Appointment of outside directors (two)</li> </ul>	To increase the effectiveness of the supervision of management and improve the transparency of decision-making
2015	<ul style="list-style-type: none"> <li>Response to Japan's Corporate Governance Code</li> <li>Establishment of a Nomination Committee and a Governance and Remuneration Committee</li> <li>Revision of the Board of Directors' Regulations</li> </ul>	To strengthen the Board of Directors' supervision function and increase transparency
2016	<ul style="list-style-type: none"> <li>Increase in the number of outside directors (from two to three)</li> <li>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)</li> <li>Implemented Board of Directors' effectiveness evaluation</li> </ul>	To strengthen the Board of Directors' supervision function
2017	<ul style="list-style-type: none"> <li>Transition to a Board of Directors with a monitoring-focused structure</li> <li>Increasing the ratio of outside directors to at least one-third</li> <li>No directors except one Division Company President appointed to concurrent positions</li> </ul>	Thorough separation of management execution and supervision
2018	<ul style="list-style-type: none"> <li>Transition to a Management Structure with a Chairman &amp; CEO and a President &amp; COO</li> <li>Improve diversity of outside directors</li> <li>Maintain an outside directors' ratio of at least one-third.</li> <li>Discontinue consultant and advisor system</li> </ul>	Maintenance of the Board of Directors' system in response to internal and external changes


### Transition to a Structure with a Chairman & CEO and a President & COO

Before
Structure in FYE 2018

We transitioned to a monitoring-focused Board of Directors by drastically reducing the number of executive directors and maintaining an outside directors' ratio of at least one-third.



5  
Executive directors




4  
Outside directors

P: Division Company President


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After
Structure in FYE 2019

We have transitioned to a structure with a Chairman & CEO and a President & COO to ensure management continuity and enable us to respond to changes in the world.



5  
Executive directors



3  
Outside directors

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In the Future
Future Issues

Based on the results of a Board of Directors' evaluation in FYE 2018, we acknowledge the following as issues:

- Operation of the Board of Directors based on the transition to a monitoring-focused structure
- Enhance reporting of advisory committee deliberation contents to the Board of Directors

### Outside Director Changes

At the 94th Ordinary General Meeting of Shareholders, outside directors Ichiro Fujisaki and Chikara Kawakita retired and Masatoshi Kawana was newly appointed as an outside director.

This change was made because of a need to further diversify opinions in order to increase corporate value and accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. Additionally, Mr. Fujisaki and Mr. Kawakita had both assumed their positions in 2013, already five years ago, and it was time to make a change in outside directors.

In terms of outside directors, the Company has a policy of preferentially appointing people who fulfill independence

requirements established in its "Independence Criteria for Outside Directors and Outside Audit and Supervisory Board Members" and can be expected to contribute to its management with deep insight cultivated through experience in various categories. In addition to experience and insight, we also regard character as important and in FYE 2019 only one additional person was selected for appointment as an outside director. There has been no change to our policy of maintaining at least a one-third ratio of outside directors and we are discussing increasing their numbers should appropriate candidates be available.

## Messages from Outside Directors



Outside Director

**Atsuko Muraki**

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 chairman of the Governance and Remuneration Committee. In addition to work-style reforms, she proactively offers advice on compliance issues and sustainability issues in management plans.

**Toward a More Energetic Board of Directors**

I assumed my role of outside director two years ago and have participated closely in the Company's governance system as a member of the Governance and Remuneration Committee. In FYE 2018, we dramatically reconfigured the Board of Directors to separate the execution and supervision of management. We are transitioning to a structure with a Chairman & CEO and a President & COO in FYE 2019 to achieve management continuity and to respond to rapid changes in the world. This structure is the result of careful consideration of what our Company's ideal form should be based on the business environments we found ourselves in during each of these two fiscal years. I believe this consideration provides the foundation for us to accomplish the goals laid out in the new medium-term management plan, "Brand-new Deal 2020," which started in FYE 2019. The subtitle of "Brand-new Deal 2020" is "ITOCHU : Infinite Missions : Innovation." This subtitle communicates the strong will of "merchants," the symbol of our Company's strength, to free themselves from the status quo and achieve major transformation in order to respond to new eras. It was decided that I would begin serving as chairman of the Governance and Remuneration Committee after the end of the general meeting of shareholders in FYE 2019; I plan to help the Company evolve and transform itself in my new roles.

**Aiming to Become the No. 1 Health Management Company**

Our human resources are a precious management resource and to further strengthen "individual capabilities, which are one of the Company's strengths under the new medium-term management plan, "Brand-new Deal 2020," we are advancing our goal of becoming the "No. 1 Health Management Company" as a basic policy. In addition to progressive measures the Company is already taking, such as its "Support Measures for Balancing Cancer Care and Work," it is important to develop environments in which employees can actively work to their heart's content while simultaneously feeling secure about their health and a sense of job satisfaction. We will adopt a variety of measures to this end in order to become a Company that not employees but also their families can call the "best company in Japan." I would like to greatly contribute to our progressive health management initiatives, which utilize the experience I have accumulated while participating in the medical field for many years and also adopt a medical point of view. Additionally, at my current post as associate director at Tokyo Women's Medical University Hospital, I have participated in all aspects of hospital management and, from a manager's point of view, have actively worked to adapt a variety of measures and improve profit structure. Based on this experience, I want to help out with the medical care business, which the Company is planning to expand in the future, and, while maintaining full awareness that my primary duty as an outside director is to function as the "public eye," work to further increase sustainable corporate value.



Outside Director

**Masatoshi Kawana**

Mr. Kawana has worked as a physician for Tokyo Women's Medical University Hospital for many years and has also holds the position of associate director. He assumed a position as a member of the Board of Directors at ITOCHU Corporation in June 2018. He is also a member of the Company's Governance and Remuneration Committee.

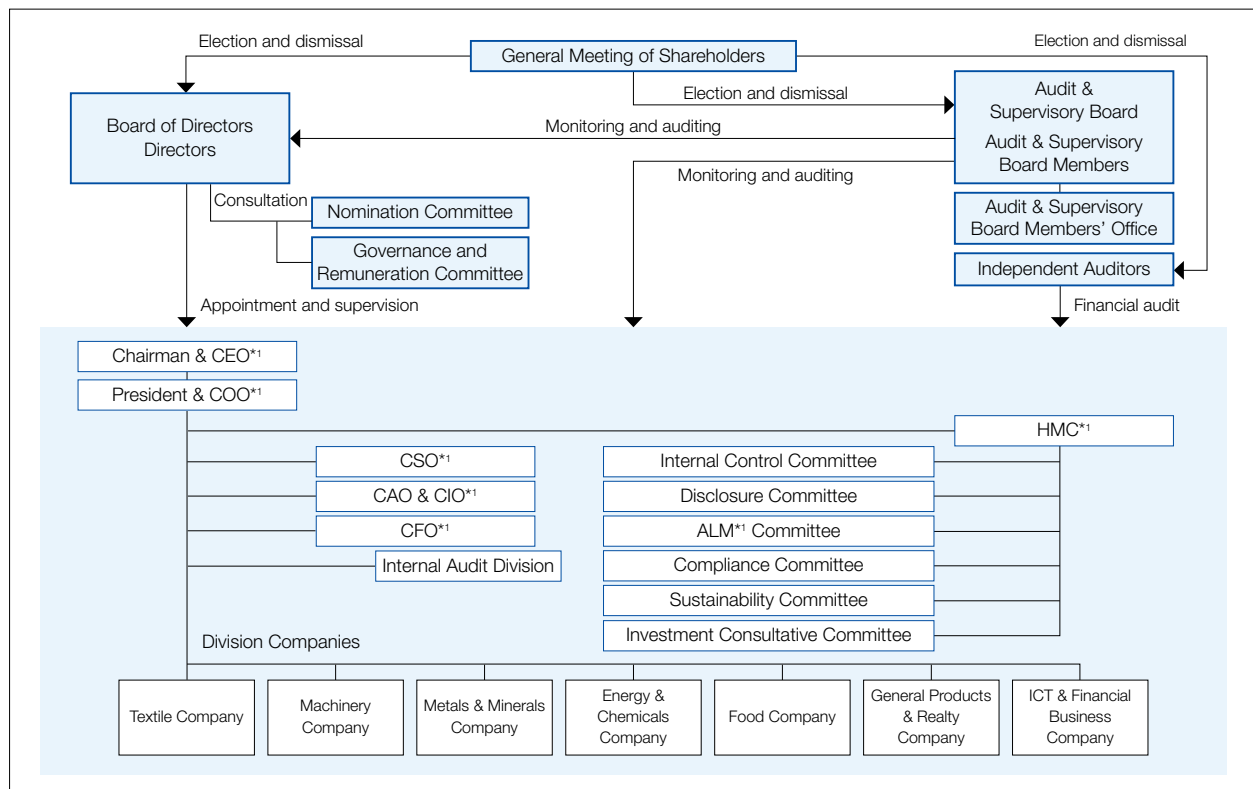
Overview of the Corporate Governance System

Corporate Governance System

Type of system	Company with the Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board)
Number of directors (Of which, number of outside directors)	8 (3)
Number of Audit & Supervisory Board Members (Of which, number of outside Audit & Supervisory Board Members)	5 (3)
Term of office for directors	1 year (the same for outside directors)
Adoption of an Executive Officer System	Yes
Organization to support COO decision-making	HMC** deliberates on Companywide management policy and important issues
Advisory committees to the Board of Directors	Nomination Committee, Governance and Remuneration Committee

Overview of ITOCHU's Corporate Governance and Internal Control System

(As of June 22, 2018)



\*1 CEO: Chief Executive Officer, COO: Chief Operating Officer, CSO: Chief Strategy Officer, CAO & CIO: Chief Administrative & Information Officer, CFO: Chief Financial Officer, HMC: Headquarters Management Committee, ALM: Asset Liability Management

\*2 CAO & CIO 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.

Composition of the Nomination Committee and the Governance and Remuneration Committee

(As of June 22, 2018)

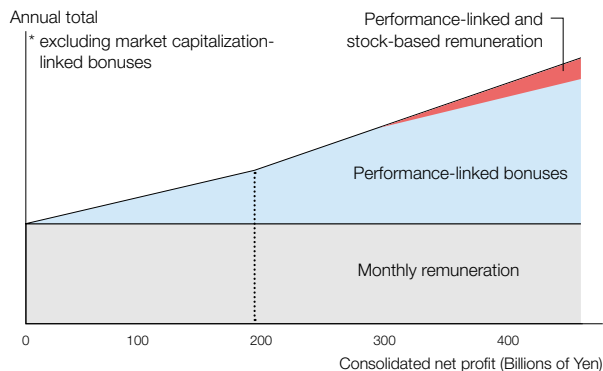
Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director	○	
Atsuko Muraki	Outside Director	○	◎ (Chair)
Harufumi Mochizuki	Outside Director	◎ (Chair)	
Masatoshi Kawana	Outside Director		○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

(8 members)

(7 members)

A Highly Transparent Remuneration System Linked to Increases in Corporate Value

Remuneration of Directors (Excluding Outside Directors)



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-linked bonuses and (4) performance-linked and stock-based remuneration is determined based on consolidated net profit. (3) Market capitalization-linked bonuses were introduced in FYE 2019 as an incentive aimed at increasing corporate value. Furthermore, (4) performance-linked and stock-based remuneration was introduced in FYE 2017 with the aim of heightening awareness toward making contributions to increasing corporate value over the medium and long term.

	Type of Remuneration	Content	Remuneration Limit	Resolution of General Meeting of Shareholders
Directors	(1) Monthly remuneration	Monthly remuneration determined by the contribution to ITOCHU of each director according to a base amount set by position	¥1.2 billion per year as total monthly remuneration (including ¥50 million per year as a portion to the outside directors)	June 24, 2011
	(2) Performance-linked bonuses	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.	¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors)	
	(3) Market capitalization-linked bonuses	Total amount paid is decided based on the amount the Company's market capitalization increased in comparison to the previous fiscal year Refer to the formula (*2) below.		
	(4) Performance-linked and stock-based remuneration	Total amount paid is decided based on the basis of consolidated net profit Refer to the formula (*1) below.	The following is the limit for a two-year period for directors and executive officers (excluding outside directors) Upper limit for contribution to trust from ITOCHU: ¥1.5 billion Total points awarded to persons eligible for the plan: 1.3 million points (conversion at 1 point = 1 share)	
Audit & Supervisory Board Members	Only monthly remuneration		¥13 million per month	June 29, 2005

\*1 Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked and Stock-Based Remuneration

Total Amount Paid to All Directors

**Total amount paid to all directors = (A + B + C) x Sum of position points for all the eligible directors ÷ 55**

A = (Of consolidated net profit for FYE 2019, the portion up to ¥200.0 billion) x 0.35%

B = (Of consolidated net profit for FYE 2019, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of consolidated net profit for FYE 2019, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock-based remuneration)

\* Remuneration limits exist on bonuses and stock-based remuneration.

Amount Paid to an Individual Director

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

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 stock-based remuneration and the balance is paid in cash. Furthermore, the value of 70% of the portion paid in cash will increase or decrease depending on the rate by which the responsible organization meets its projected targets.

In regard to stock-based remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock-based remuneration is paid from the trust in correspondence with accumulated points.

\* Points assigned by position

Chairman	President	Executive Vice President	Senior Managing Executive Officers	Managing Executive Officers
10	7.5	5	4	3

\*2 Calculation Formula for (3) Market Capitalization-Linked Bonuses

Amount Paid to an Individual Director

Amount paid to an individual director = (Average amount of daily stock market capitalization in FYE 2019 – Average amount of daily stock market capitalization in FYE 2018) x 0.1% x number of position points ÷ 108.8

Position points for Board of Directors' members are the same points that are used to calculate performance-linked bonuses.

# Compliance

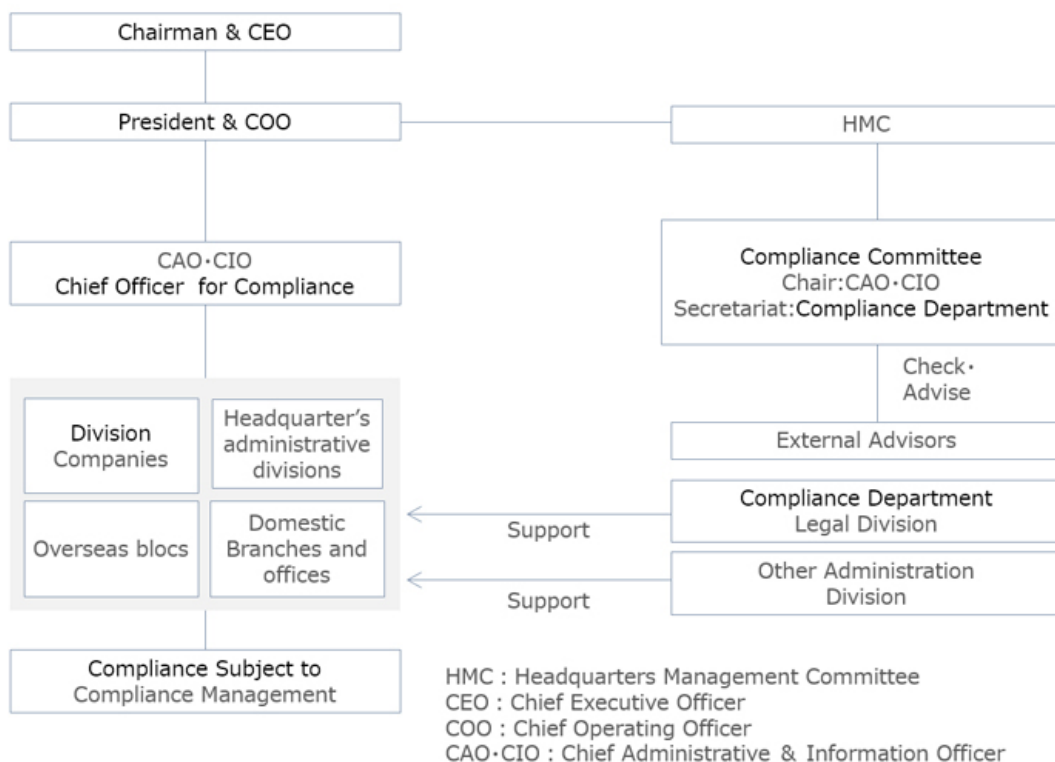
## ITOCHU Group's Compliance System

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 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 · CIO) 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 · CIO 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 most recent Compliance Committee meeting was held on February 15, 2018. (The meeting is held two times a year, in principle.)

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.

In addition, on its website, ITOCHU Corporation has established a system under which the appropriate divisions respond to public inquiries based on the content of each inquiry, as described below.

## | 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 while also focusing on the following points.

- Raising awareness of compliance with laws that need to be observed in the course of business
- Raising awareness of prevention of any incidents of corruption, including bribery, insider trading, and money laundering
- Raising awareness of prevention of human rights violations such as power harassment and sexual harassment

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, including the level of understanding of the ITOCHU Mission, and assists the implementation of specific initiatives. In FY2018, we conducted the survey of about 44,000 Group employees, and received response from 41,215 of them (retrieval rate of 93.4%). The results of the analysis of the findings are presented as feedback to each organization and reflected in efforts to improve the compliance system.

## | 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 *sampō 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.

#### **[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.

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

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). Concerning overseas business partners, we use the Corruption Perceptions Index (CPI) published by Transparency International as one of our risk identification criteria.

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 ITOCHU Group Anti-Corruption Policy, 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.

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, ITOCHU Corporation established the Basic Regulations on the Compliance with the Antimonopoly Act, etc. and the Standard on Prevention of Cartels and Collusive Bidding on November 1, 2017. In addition, we regularly revise our Anti-Monopoly Law Manual and the document "A Must-Read! 51 Q&A about the Antimonopoly Act," which facilitates referral. (The last revision was made in August 2017.) Through various Monitor & Review surveys and education and training programs as well, we are making sure all employees are aware of requirements. Further, in July 2017, we set up the Antimonopoly Act Desk in the Legal Division as the consultation desk and created "The 29 Frequent Misunderstandings about the Antimonopoly Act" as a new educational material.

## ITOCHU Group Tax Policy

7th December, 2017  
ITOCHU Corporation

ITOCHU Corporation and the ITOCHU group companies (collectively, "the ITOCHU Group") have established a Basic Policy: To comply with all applicable tax laws, rules, regulations, and tax treaties (collectively, "Tax Rules") of each country and region where the ITOCHU Group conducts business.

The ITOCHU Group is committed to respecting the interests of all stakeholders, including all of the countries and regions where the ITOCHU Group conducts business, as well as the ITOCHU Group's shareholders, creditors, business partners, and employees.



### **1. Basic Policy - Compliance with Tax Rules**

The ITOCHU Group is committed to managing its business operations in full compliance with all applicable Tax Rules and not engaging in transactions that are intended to evade or avoid taxes.

### **2. Tax Cost Management**

In accordance with the Basic Policy, the ITOCHU Group strives to achieve effective tax cost management by eliminating double taxation and utilizing the favorable Tax Rules of each country or region.

### **3. Maintaining Relationships of Mutual Trust with Tax Authorities**

The ITOCHU Group strives to maintain a relationship of mutual trust with all tax authorities by engaging in constructive discussions and preparing documents in an accurate, timely and appropriate manner to ensure overall transparency of the ITOCHU Group's tax matters.

## **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 nine survey, which was conducted in FY2018, the personal information management systems of ITOCHU Corporation and 80 companies subject to compliance management were checked from September to November 2017. 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.