

Corporate Governance

Steps Taken to Strengthen Corporate Governance

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

Transition to a Structure with a Chairman & CEO and a President & COO (⇔ Page 56)

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

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4 Outside directors

P: Division Company President

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

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3 Outside directors

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.



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.

Corporate Governance

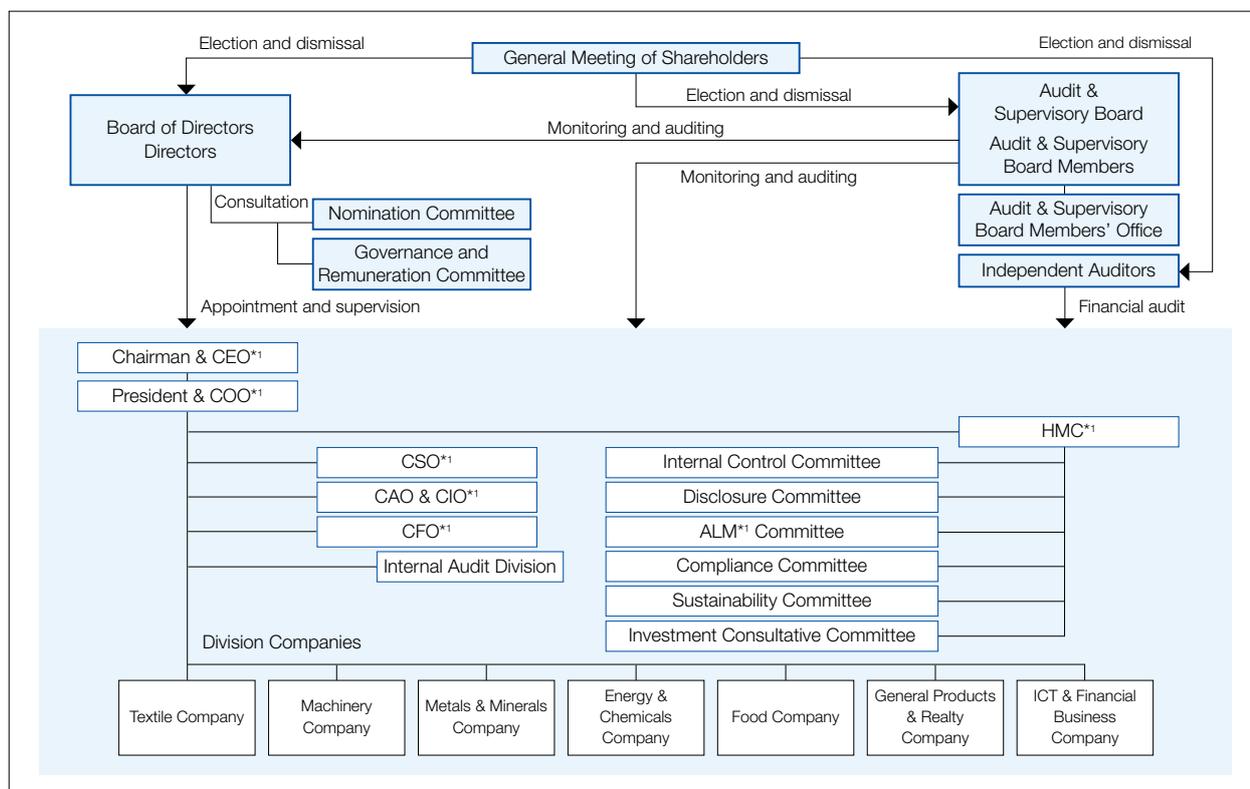
Overview of the Corporate Governance System

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*1 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)

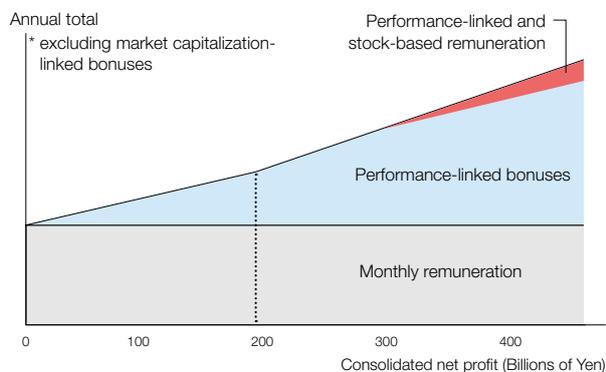
Name	Title	Nomination Committee	Governance and Remuneration Committee
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director	○	
Atsuko Muraki	Outside Director	○	◎ (Chair)
Harufumi Mochizuki	Outside Director	◎ (Chair)	
Masatoshi Kawana	Outside Director		○
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) × 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) × 0.35%

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

C = (Of consolidated net profit for FYE 2019, the portion exceeding ¥300.0 billion) × 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) × 0.1% × 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.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

As of July 1, 2018

Members of the Board



Chairman & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2018 Chairman & Chief Executive Officer

Number of shares held: 171,295



President & Chief Operating Officer

Yoshihisa Suzuki

1979 Joined ITOCHU Corporation
2018 President & Chief Operating Officer

Number of shares held: 50,584



Member of the Board

Tomofumi Yoshida

President, General Products & Realty Company
1979 Joined ITOCHU Corporation
2018 Senior Managing Executive Officer

Number of shares held: 63,250



Member of the Board

Fumihiko Kobayashi

Chief Administrative & Information Officer
1980 Joined ITOCHU Corporation
2017 Senior Managing Executive Officer

Number of shares held: 76,180



Member of the Board

Tsuyoshi Hachimura

Chief Financial Officer
1991 Joined ITOCHU Corporation
2018 Senior Managing Executive Officer

Number of shares held: 63,300



Member of the Board*1

Atsuko Muraki

2016 Outside Director, ITOCHU Corporation

Number of shares held: 1,100



Member of the Board*1

Harufumi Mochizuki

2014 Audit & Supervisory Board Member,
ITOCHU Corporation
2017 Outside Director, ITOCHU Corporation

Number of shares held: 1,000



Member of the Board*1

Masatoshi Kawana

2018 Outside Director, ITOCHU Corporation

Number of shares held: 0

*1 indicates an Outside Director as provided in Paragraph 2, Clause 15 of the Corporate Law

*2 indicates an Outside Audit & Supervisory Board Member as provided in Paragraph 2, Clause 16 of the Corporate Law
*3 Ms. Mitsuru Chino's registered name is Mitsuru Ike.

"Number of shares held" indicates the number of ITOCHU shares.

For executives' career histories, please see the website:

<https://www.itochu.co.jp/en/about/officer/>

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Kiyoshi Yamaguchi

1980 Joined ITOCHU Corporation
2011 Executive Officer
2016 Audit & Supervisory Board Member
Number of shares held: 11,500



Audit & Supervisory Board Member

Shuzaburo Tsuchihashi

1985 Joined ITOCHU Corporation
2018 Audit & Supervisory Board Member
Number of shares held: 12,200



Audit & Supervisory Board Member*2

Shingo Majima

2013 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 0



Audit & Supervisory Board Member*2

Kentaro Uryu

2015 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 4,000



Audit & Supervisory Board Member*2

Kotaro Ohno

2017 Audit & Supervisory Board Member,
ITOCHU Corporation
Number of shares held: 0

Executive Officers

Chairman & Chief Executive Officer

Masahiro Okafuji

President & Chief Operating Officer

Yoshihisa Suzuki

Senior Managing Executive Officers

Tomofumi Yoshida

President,
General Products & Realty Company

Yuji Fukuda

CEO for Asia & Oceania Bloc;
President & CEO,
ITOCHU Singapore Pte Ltd.;
Executive Advisory Officer for
CP & CITIC Operations
Number of shares held: 44,200

Shuichi Koseki

President, Textile Company;
Executive Advisory Officer for
Osaka Headquarters
Number of shares held: 57,000

Masahiro Imai

President, Machinery Company
Number of shares held: 42,600

Fumihiko Kobayashi

Chief Administrative & Information Officer

Tsuyoshi Hachimura

Chief Financial Officer

Managing Executive Officers

Yozo Kubo

President, Food Company
Number of shares held: 38,095

Akihiro Ueda

CEO for East Asia Bloc;
Chairman,
ITOCHU (CHINA) HOLDING CO., LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, BIC
Number of shares held: 44,400

Hiroyuki Tsubai

Chief Executive for European Operation;
CEO, ITOCHU Europe PLC;
Executive Advisory Officer for Africa
Number of shares held: 24,955

Keita Ishii

President, Energy & Chemicals Company
Number of shares held: 25,703

Masahiro Morofuji

Executive Vice President, Textile Company;
Chief Operating Officer,
Brand Marketing Division 1
Number of shares held: 32,982

Mitsuru Chino*3

President & CEO, ITOCHU International Inc.
Number of shares held: 26,204

Hiroshi Sato

Chief Operating Officer,
Plant Project, Marine & Aerospace Division
Number of shares held: 14,100

Shigetoshi Imai

President, Metals & Minerals Company
Number of shares held: 35,832

Executive Officers

Yoichi Ikezoe

Chairman, ITOCHU HONG KONG LTD.;
Senior Officer for Asia & Oceania Bloc;
CP & CITIC (Overseas Operation)
Number of shares held: 6,700

Mamoru Seki

General Manager,
General Accounting Control Division
Number of shares held: 40,206

Tomoyuki Takada

General Manager,
Corporate Communications Division
Number of shares held: 35,500

Hiroyuki Kaizuka

Chief Operating Officer, Provisions Division
Number of shares held: 32,197

Hiroshi Oka

General Manager, Secretariat
Number of shares held: 26,216

Motonari Shimizu

Chief Operating Officer, Apparel Division
Number of shares held: 30,596

Masato Osugi

Chief Operating Officer, Automobile,
Construction Machinery & Industrial
Machinery Division
Number of shares held: 16,366

Akira Tsuchihashi

General Manager, Internal Audit Division
Number of shares held: 23,055

Yoshihiro Fukushima

Chief Operating Officer,
Brand Marketing Division 2
Number of shares held: 24,923

Kensuke Hosomi

Chief Operating Officer, Food Products
Marketing & Distribution Division
Number of shares held: 27,473

Hisato Okubo

Chief Operating Officer, Energy Division
Number of shares held: 16,250

Shunsuke Noda

Chief Strategy Officer;
General Manager, CP & CITIC Business
Development Department
Number of shares held: 23,288

Tatsushi Shingu

President, ICT & Financial Business Company
Number of shares held: 20,600

Hidefumi Mizutani

Vice President,
ITOCHU East Asia Bloc (East China);
Managing Director, ITOCHU SHANGHAI LTD.;
General Manager, Nanjing Branch,
ITOCHU SHANGHAI LTD.
Number of shares held: 23,720

Shinjiro Tanaka

SVP & General Manager, General Products &
Realty Division, ITOCHU International Inc.
Number of shares held: 7,249

Shoji Miura

General Manager, Planning & Administration
Department, Textile Company
Number of shares held: 10,102

Takanori Morita

Deputy Chief Operating Officer,
Automobile, Construction Machinery &
Industrial Machinery Division
Number of shares held: 26,455

Toshikazu Otani

Chief Executive for Africa;
General Manager, ITOCHU Corporation;
Johannesburg Branch;
Managing Director, ITOCHU Nigeria Ltd.
Number of shares held: 29,449

Masaya Tanaka

Chief Operating Officer, Chemicals Division
Number of shares held: 15,600

Kenji Seto

Chief Operating Officer, Metal & Mineral
Resources Division
Number of shares held: 12,350