[Translation for Reference and Convenience Purposes Only]

ITOCHU Corporation

CORPORATE GOVERNANCE

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of ITOCHU Corporation, which has been reported to the Tokyo Stock Exchange. ITOCHU Corporation provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Latest Revision:	June 24, 2016
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The following is an overview of corporate governance at ITOCHU Corporation.

I Basic Policy, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Policy Revised

ITOCHU Corporation ("ITOCHU" or the "Company") commits itself to the global good. To realize this mission, ITOCHU strives to respect each individual and to make meaningful contribution towards creating a bright future for all human beings and the environment. In addition, in 2014, "I am One with Infinite Missions" was adopted as a corporate message to express the ITOCHU Mission in plain terms. Underlying the message is the exceptional ability of each employee, the core strength of ITOCHU.

A strong leadership and a transparent decision-making system are pillars of good corporate governance. ITOCHU adopts an organizational structure with the presence of a Board of Corporate Auditors (*kansayaku secchi kaisha*). In recent years, ITOCHU has gradually shifted to a governance model where executive officers decide and carry out the day to day business under the direction and supervision of the Board of Directors, as itself monitored and audited by the Board of Corporate Auditors.

In order for the Board of Directors to further exercise effective control and management over the corporation, independent outside directors have joined the Board since June, 2011. As another measure to strengthen its corporate governance, ITOCHU has established a Governance and Remuneration Committee and a Nomination Committee as advisory committees to the Board of Directors. Each committee is chaired by an independent outside director and is comprised of half or more outside members. In appointing outside directors and corporate auditors, ITOCHU places great importance on their independence, and in this connection, ITOCHU has adopted its own independence criteria, augmenting the independence criteria established by the Tokyo Stock Exchange.

It is vital that ITOCHU timely and adequately discloses its financial and non-financial information to the stakeholders as part of good governance. In May, 2015, in line with the ITOCHU Mission and the Corporate Governance Code of the Tokyo Stock Exchange, ITOCHU adopted a "Basic IR Policy" to further promote a multi-party stakeholder dialogue. Through the communication with its stakeholders, ITOCHU aims to enhance its corporate value on a long-term basis.

We believe that our current corporate governance structure accords with good and effective corporate governance called for by the Tokyo Stock Exchange in its Corporate Governance Code. ITOCHU will continue to evaluate and improve its corporate governance structure so that it always best suits ITOCHU

in any given moment and time in its corporate history.

[**Reasons for Not Implementing Principles of Corporate Governance Code**] **Revised**

ITOCHU complies with all principles set forth in the Corporate Governance Code.

[**Disclosure Based on Principles of Corporate Governance Code**] **Revised**

(Principle 1.4)

■ Policy on Acquiring and Holding Listed Stocks

ITOCHU classifies investments other than for pure investment purposes and to consolidated companies as "Investments to Non-Affiliated Companies," and the "Cross-Shareholdings" as set forth in Corporate Governance Code is included in this classification. By our internal rule, ITOCHU limits investments to non-affiliated companies (whether in or outside Japan, or listed or unlisted) to those strictly for reasons to build, strengthen and maintain business relations. It is also our policy that new investments to non-affiliated companies are carefully selected.

Based on our internal rule, through annual review of all investments to non-affiliated companies, we examine economic (quantitative) rationale based on returns on our investment, and review strategic objectives to hold such investments taking into consideration the likelihood that our investment purpose is realized in the future. Investments which we have determined to be lacking economic rationale or strategic objective based on such annual review will be, in principle, sold in accordance with our internal criteria. Results of such annual review with respect to main listed stocks are subject to further scrutiny at our Board of Directors.

ITOCHU places great importance on communication with each investee of our non-affiliated investments with the view to building, strengthening and maintaining business relationship as well as to improving corporate value of both ITOCHU and each investee. In May, 2015, ITOCHU adopted the following internal voting guideline with respect to our non-affiliated investments to listed entities in Japan to ensure that ITOCHU's voting rights on all of such investments are exercised in a timely and adequate manner.

[Voting Guideline]

(1) In principle, not to abstain from voting or to grant full authority to exercise voting rights on our behalf.

(2) To decide for or against a proposal taking into consideration our investment purpose and holding policy.

ITOCHU's final position on voting is determined through internal decision making process based on an initial plan prepared by a department in question through which an investment is made.

(Principle 1.7)

■ Transactions between Related Parties

Based on our Rules of the Board of Directors, ITOCHU requires a resolution of the Board of Directors concerning transactions involving conflict of interests of Directors or transactions by Director which may compete with ITOCHU, and through such requirement, ITOCHU believes such transactions are adequately supervised by the Board of Directors.

(Principle 3.1(i))

■ Corporate Mission, Management Plan

ITOCHU's corporate philosophy and code of conduct are available at our homepage. Please refer to the following URL:

http://www.itochu.co.jp/en/about/mission/

In addition, our current mid-term management plan, called "Brand-new Deal 2017" was disclosed on May 1, 2015. Please refer to the following URL to find the management plan:

http://www.itochu.co.jp/en/about/plan/

(Principle 3.1(ii))

■ Basic Policy on Corporate Governance

Please see Paragraph I-1 (Basic Policy) above in this report.

(Principle 3.1(iii))

■ Policy and Process for Setting Remuneration

Compensation paid to all directors of the Company (excluding outside directors) and executive officers consists of monthly compensation, performance-linked bonuses and performance-linked stock remuneration. The monthly compensation is determined by contribution to the Company of each director and executive officer based on the base amount set by its position, while the total amount of the performance-linked bonuses and the performance-linked stock remuneration are determined based on consolidated net income attributable to the Company for then-current fiscal year. Only monthly compensation is paid to the outside directors and bonuses and stock remuneration are not paid thereto. Monthly compensation paid to corporate auditors is determined by consultation among corporate auditors and bonuses and stock remuneration are not paid thereto.

With respect to compensation paid to directors of the Company for fiscal year 2016, please refer to "Disclosed Details of Policy for Determining Amount and Calculation Method of Compensation" in II-1 below in this report.

(Principle 3.1(iv))

■ Policy and Process for Appointing Directors and Corporate Auditors

With respect to policy and process for appointing executive officers and candidates for directors and corporate auditors, please refer to "Policy and Process for Appointing Executive Officers and Candidates for Directors and Corporate Auditors" in II-2 below in this report.

(Principle 3.1(v))

■ Explanations on the Individual Appointments and Nominations

Company has disclosed reasons for appointment of each candidate for directors and corporate auditors in our notice of general meeting of shareholders. Please refer to the following URL with respect to the disclosure made in this fiscal year:

http://www.itochu.co.jp/en/ir/shareholder/general_meeting/pdf/92shoshueng.pdf
(please refer to pages 45 – 51 for candidates for directors, and page 55 for candidates for corporate auditors)

(Supplementary Principle 4.1.1)

■ Scope of the Matters Delegated to the Managements

As a corporation with the Board of Corporate Auditors (*kansayaku secchi kaisha*), ITOCHU has gradually shifted to a governance model where decisions of the day to day business are delegated to the managements to the extent permitted under applicable laws. ITOCHU's Board of Directors assumes the role to supervise the business execution by the managements, as well as to decide corporate governance related matters and certain business matters which are highly important either qualitatively or quantitively. Matters to be resolved at the Board of Directors are set forth in our Rules of Board of Directors.

(Principle 4.9)

■ Independence Criteria

ITOCHU's Board of Directors has adopted its own independence criteria (augmenting the independence criterial established by the Tokyo Stock Exchange) following discussion at our Nomination Committee, which is disclosed at our homepage. Please refer to the following URL:
URL:
http://www.itochu.co.jp/en/about/governance_compliance/governance/pdf/independence_criteria.pdf

(Supplementary Principle 4.11.1)

■ Composition of the Board of Directors

For ITOCHU's stance on the composition of the Board of Directors as well as policy and process for appointing executive officers and candidates for directors and corporate auditors, please refer to "Policy and Process for Appointing Executive Officers and Candidates for Directors and Corporate Auditors" in II-2 below in this report.

(Supplementary Principle 4.11.2)

■ Directors' and Corporate Auditors' Concurrent Positions Held at Other Companies

With the view to monitoring concurrent positions held by our directors and corporate auditors at other companies, ITOCHU's Board requires, by the Rules of Board of Directors, each director and corporate auditor to seek approval of or report to the Board prior to holding a position at other entities. In addition, important concurrent positions of our directors and corporate auditors have been disclosed in our notice of general meeting of shareholders. Please refer to the following URL with respect to disclosure made in this fiscal year:
http://www.itochu.co.jp/en/ir/shareholder/general_meeting/pdf/92shoshueng.pdf
(please refer to pages 17 and 20)

(Supplementary Principle 4.11.3)

■ Board Evaluation

ITOCHU conducted an evaluation as to the effectiveness of the Board of Directors targeting incumbent directors and corporate auditors as of March 31, 2016. As a method of such board evaluation, ITOCHU implemented a third-party evaluation by external professionals based on the answers from and individual interview with each respondent. In reference to the third-party evaluation, ITOCHU implemented an analysis and evaluation at the Board of Directors, following an examination at the Governance and Remuneration Committee. As a result of the evaluation above, in terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision and training and other items thereof, the Board of Directors of ITOCHU confirmed that it was functioning appropriately as a whole, and the effectiveness of the Board of Directors was secured. Meanwhile, the Board confirmed that it needs to continue discussing, following an additional review of the structure of the Board of Directors and matters to be submitted to the Board of Directors, whether the Board of Directors should shift to a governance model where it focuses more on "monitoring (supervision)" of business execution in the future.

Please refer to the following URL for overview of the results of the board evaluation:
http://www.itochu.co.jp/en/about/governance_compliance/governance/pdf/board_evaluation.pdf

(Supplementary Principle 4.14.2)

■ Training Policy

To ensure that management supervision by directors and audit by corporate auditors are adequately performed, we have provided to outside directors and corporate auditors prior explanations on matters presented to each meeting of the Board of Directors through respective offices of the Board of Directors and the Board of Corporate Auditors. In addition, through various occasions such as introductory session concerning ITOCHU's business upon election, visits to business premises in or outside Japan, periodical lunch sessions with the managements and explanatory sessions on matters requested by outside directors and corporate auditors, ITOCHU strives to ensure that our business environment and challenges surrounding us are correctly understood. Furthermore, since fiscal year 2016, ITOCHU has commenced a session on corporate governance as a part of the training program targeting new inside and outside candidates for directors and corporate auditors. ITOCHU also provides its directors and corporate auditors with various opportunities to attend third-party training sessions at its expense.

(Principle 5.1)

■ Policy of Dialogue with Shareholders

In our "Basic IR Policy," we have established our policy of dialogue with shareholders and other stakeholders as follows:

(Dialogue with Shareholders and Investors, etc.)

- The CFO has the primary responsibility for dialogue with shareholders and investors, etc. The senior management and directors will strive to engage in dialogue with shareholders and investors, etc., within reasonable limits.
- The CFO supervises the Investor Relations Department as the section in charge of dialogue with shareholders and investors. The Investor Relations Department assists the senior management and directors in engaging in dialogue with shareholders and investors, etc., by maintaining close cooperation with relevant internal departments and sections, including through regular meetings with them.

- The CFO regularly reports to the board the views and concerns of shareholders and investors, etc., learned through dialogue. In addition, the CFO shares the views and concerns of shareholders and investors, etc., with the senior management as needed.
- With the Investor Relations Department in charge of related activities, the CFO promotes dialogue with shareholders and investors, etc.

ITOCHU strives to achieve our group's continuous growth and to enhance corporate value on mid-to-long term basis. It is vital for ITOCHU to actively conduct IR activities in order to promote constructive dialogue with shareholders. For detailed information on such activities, please refer to "Investor Relations Activities" in III-2 below in this report.

2. Capital Structure

Ratio of Shares Held by Foreigners	More than 30%

[Major Shareholders] Revised

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	89,461,300	5.38
The Master Trust Bank of Japan, Ltd. (trust account)	75,894,900	4.56
CP Worldwide Investment Company Limited	63,500,000	3.82
Mizuho Bank, Ltd.	39,200,000	2.36
Nippon Life Insurance Company	34,056,223	2.05
Mitsui Sumitomo Insurance Company, Limited	30,400,000	1.83
Sompo Japan Nipponkoa Insurance Inc.	26,336,714	1.58
Barclays Securities Japan Limited	25,000,000	1.50
Asahi Mutual Life Insurance Company	23,400,500	1.41
Japan Trustee Services Bank, Ltd. (trust account 9)	22,369,100	1.35

Controlling Shareholders (excluding parent company)	—
Parent Company	—

Supplementary Information

ITOCHU Corporation owns 81,239 thousand shares of treasury stock but has been omitted from the major shareholders listed above.

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	March
Industry	Wholesale Trade
Number of Employees as of Previous Fiscal Year-End (Consolidated)	1,000 or more
Total Trading Transactions in Previous Fiscal Year (Consolidated)	¥1 trillion or more
Number of Consolidated Subsidiaries	300 or more

4. Policy for Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholder

N.A.

5. Other Exceptional Circumstances that May Have a Material Impact on Corporate Governance

The Company's listed subsidiaries include ITOCHU Techno-Solutions Corporation, Excite Japan Co., Ltd., ITOCHU ENEX CO., LTD., ITOCHU-SHOKUHIN Co., Ltd and CONEXIO Corporation. While the Company respects the autonomy of these listed subsidiaries, as their parent company it provides the advice and support necessary for the creation of an internal control system and other managerial issues if required.

II Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

1. Items Related to Organizational Structure and Operations, etc.

Form of Organization	Company with Corporate Auditors

[Directors]

Number of Directors Stipulated in Articles of Incorporation	The maximum number is not stipulated.
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President and Chief Executive Officer
Number of Directors **Revised**	14
Election of Outside Directors	Elected
Number of Outside Directors **Revised**	3
Number of Outside Directors Designated as Independent Director **Revised**	3

Relationship with the Company (1) **Revised**

Name	Attributes	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j	k
Ichiro Fujisaki	Academics											
Chikara Kawakita	Other											
Atsuko Muraki	Other											

* Relationship with the Company

○: shows the item is/was applicable to the outside director either currently or until recently

△: shows the item was applicable to the outside director in the past

●: shows the item is/was applicable to a close relative of the outside director either currently or until recently

▲: shows the item was applicable to a close relative of the outside director in the past

a. A person performing an executive role at the Company or its subsidiary
b. A person performing an executive role at or who is a non-executive director of the Company's parent
c. A person performing an executive role at an affiliate who is another subsidiary of the Company's parent
d. A person (or its person performing an executive role) whose major customers include the Company
e. A person (or its person performing an executive role) who is a major customer of the Company
f. A consultant, accountant or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as the outside director) from the Company
g. A major shareholder (or its person performing an executive role) of the Company
h. A person performing an executive role at a customer of the Company (other than those to which item d, e or f applies) (this item applies only to the outside director himself/herself)
i. A person performing an executive role at an entity who has an outside director or corporate auditor from the Company
j. A person performing an executive role at an entity to which the Company makes donations (this item applies only to the outside director himself/ herself)
k. Others

Relationship with the Company (2) **Revised**

Name	Independent Directors	Supplementary Information Related to the Criteria	Reason for Appointment as Outside Director (For Independent Directors, Including Reason for Designation as an Independent Director)
Ichiro Fujisaki	✓		Mr. Fujisaki is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on the international situation, economy and cultures, and other matters, nurtured through his many years of experience as a diplomat and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Mr. Fujisaki qualifies as an independent director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent director.
Chikara Kawakita	✓		Mr. Kawakita is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on public finance, financial transaction and tax affairs, and other matters, nurtured through his many years of experience at the Ministry of Finance and National Tax Agency and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Mr. Kawakita qualifies as an independent director. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent director.
Atsuko Muraki	✓		Ms. Muraki is appointed as an outside director in the anticipation that she will use her extensive experience as a government official, including a succession of key posts in the

			Ministry of Health Labour and Welfare including Deputy Director-General; Director-General of Equal Employment, Children and Families Bureau; and Vice Minister of Health Labour and Welfare and also monitor and supervise the corporate management of ITOCHU from an independent perspective. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Ms. Muraki qualifies as an independent director. Accordingly, ITOCHU believes that she is unlikely to have conflicts of interest with general investors, and she has been designated as an independent director.

Existence of advisory committee(s) comparable to nomination committee or remuneration committee	Yes

■ Advisory Committee(s) to the Board, Composition and Attribution of Chairperson **Revised**

Name of Committee	Total Number of Members	Internal Directors	Outside Directors	Internal Corporate Auditors	Outside Corporate Auditors	Chairman
Nomination Committee	6	2	1	1	2	Outside Director
Governance and Remuneration Committee	6	2	2	1	1	Outside Director

[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Yes
Number of Corporate Auditors Stipulated in Articles of Incorporation	The maximum number is not stipulated.
Number of Corporate Auditors	5

■ Cooperation Between Corporate Auditors, Independent External Auditor, and Internal Audit Division

- Corporate auditors and the Board of Corporate Auditors endeavor to enhance cooperation with the independent external auditors, for example through active exchange of information and opinions on the status and results of each other' audit plans and audits along with other important auditing matters with the aim of improving the quality and efficiency of auditing and of enhancing corporate governance.
- Corporate auditors and the Audit Division (internal audit division) endeavor to closely cooperate and exchange information by discussing internal audit plans and holding regular meetings to consider and exchange opinions on the results of each internal inspection, issues and recommendations, etc.
- The Audit Division and independent external auditors endeavor to cooperate by holding regular meetings to exchange information, etc.

Election of Outside Corporate Auditors	Elected
Number of Outside Corporate Auditors	3
Number of Outside Corporate Auditors Designated as Independent Auditor	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shingo Majima	Academics													
Harufumi Mochizuki	Other													
Kentaro Uryu	Lawyer													

* Relationship with the Company
○: shows the item is/was applicable to the outside corporate auditor either currently or until recently
△: shows the item was applicable to the outside corporate auditor in the past
●: shows the item is/was applicable to a close relative of the outside corporate auditor either currently or until recently
▲: shows the item was applicable to a close relative of the outside corporate auditor in the past

a. A person performing an executive role at the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiary
c. A person performing an executive role at or who is a non-executive director of the Company's parent
d. A corporate auditor of the Company's parent
e. A person performing an executive role at an affiliate who is another subsidiary of the Company's parent
f. A person (or its person performing an executive role) whose major customers include the Company
g. A person (or its person performing an executive role) who is a major customer of the Company
h. A consultant, accountant or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as the outside corporate auditor) from the Company
i. A major shareholder (or its person performing an executive role) of the Company
j. A person performing an executive role at a customer of the Company (other than those to which item f, g or h applies) (this item applies only to the outside corporate auditor himself/herself)
k. A person performing an executive role at an entity who has an outside director or corporate auditor from the Company
l. A person performing an executive role at an entity to which the Company makes donations (this item applies only to the outside corporate auditor himself/ herself)
m. Others

Relationship with the Company (2) **Revised**

Name	Independent Auditors	Supplementary Information Related to the Criteria	Reason for Appointment as Outside Corporate Auditor (For Independent Auditors, Including Reason for Designation as an Independent Auditor)
Shingo Majima	✓		Mr. Majima is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise on finance and accounting as a certified public accountant and university professor. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Mr. Majima qualifies as an independent corporate auditor. Accordingly, ITOCHU

			believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent auditor.
Harufumi Mochizuki	✓		Mr. Mochizuki is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise in economics and industrial policy nurtured through his service at the Ministry of Economy, Trade and Industry (formerly, the Ministry of International Trade and Industry) and other governmental agencies of Japan. According to the criteria for the independence of directors/auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Mr. Mochizuki qualifies as an independent corporate auditor. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent auditor.
Kentaro Uryu	✓		Mr. Uryu is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise as a lawyer in the field of corporate legal practice and international business law. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange as well as our own independence criteria, Mr. Uryu qualifies as an independent corporate auditor. Accordingly, ITOCHU believes that he is unlikely to have conflicts of interest with general investors, and he has been designated as an independent auditor.

[Independent Directors/ Corporate Auditors]

Number of Independent Directors/ Corporate Auditors	6

Other Items Related to Independent Directors/ Corporate Auditors

- ITOCHU has adopted its own independence criteria (augmenting the independence criterial established by the Tokyo Stock Exchange), which is disclosed at our homepage. Please refer to the following URL:
  URL:
  http://www.itochu.co.jp/en/about/governance_compliance/governance/pdf/independence_criteria.pdf

- All of the Company's outside directors and outside corporate auditors who qualify as an independent director/ corporate auditor are designated as independent directors/ corporate auditors.

- ITOCHU has established a *de minimis* standard of ¥10 million per fiscal year relating to a donation made by the Company. ITOCHU views that a donation within the *de minimis* standard above is unlikely to affect our investor's judgment on its voting, thus description on such donation is omitted from our filings of independent directors/ auditors.

[Incentives]

Status of Implementation of Measures to Grant Incentives to Directors	Adoption of a performance-linked compensation system

Supplementary Information

- The Company has introduced a compensation system according to which the total amount of bonuses and stock remuneration paid and provided to the Directors of the Company (excluding outside directors) is determined based on the Company's earnings.

Grantees of Stock Options	Not Applicable

Supplementary Information

N.A.

[Directors' Compensation]

Disclosure Status (of Compensation for Individual Directors)	Partial individual disclosure

Supplementary Information **Revised**

Name, position, and amount of compensation paid to directors receiving compensation of ¥100 million or more during the fiscal year ended March 31, 2016, are as follows.

Name	Position	Monthly Compensation	Bonus	Total
Eizo Kobayashi	Director	¥104 million	¥89 million	¥193 million
Masahiro Okafuji(*)	Director	¥129 million	¥89 million	¥219 million
Koji Takayanagi	Director	¥72 million	¥45 million	¥116 million

(Rounded to nearest million yen)

(*) Monthly compensation includes housing allowance.

Policy for Determining Amount and Calculation Method of Compensation	Adopted **Revised**

Disclosed Details of Policy for Determining Amount and Calculation Method of Compensation **Revised**

(a) Compensation Paid to Directors, etc. in Fiscal 2015

- Details of the compensation paid to directors and corporate auditors of the Company in the fiscal year ended March 31, 2016 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Director	13	1,198	(1) Monthly compensation: ¥751 million (2) Directors' bonuses accrued and payable for the fiscal year ended March 31, 2016: ¥447 million
(Outside director)	(2)	(24)	
Corporate auditor	7	117	Only monthly compensation
(Outside corporate auditor)	(4)	(36)	
Total	20	1,315	
(Outside directors/ corporate auditors)	(6)	(60)	

(Rounded to nearest million yen)

Notes:
1. Maximum compensation paid to all directors:
   ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) and ¥1.0 billion per year as total bonuses paid to all directors (excluding the outside directors) under a framework different from the preceding maximum compensation amount (both resolved at the General Meeting of Shareholders on June 24, 2011).
2. Maximum compensation paid to all corporate auditors:
   ¥13 million per month (resolved in General Meeting of Shareholders on June 29, 2005)
3. The retirement benefits system for directors and corporate auditors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that directors and corporate auditors retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

(b) Directors' Bonuses for Fiscal 2016

- Directors' bonuses for fiscal 2016, the year ended March 31, 2017, will be determined and paid according to the calculation method below after the completion of the 93rd Ordinary General Meeting of Shareholders.

(1) Total amount paid to all directors:

The total amount paid to all directors shall be the lesser of (i)(A) 0.35% of the amount of consolidated net income attributable to the Company, for the fiscal ended March 31, 2017 [such amount as provided in the 93rd Annual Securities Report (*yuka shoken hokokusho*)] up to ¥300.0 billion after deducting ¥100.0 billion (if the amount of consolidated net income attributable to the Company is less than ¥100.0 billion, it shall be treated as zero for the above calculation purposes), plus (B) 0.35% of the amount of consolidated net income attributable to the Company, for the fiscal ended March 31, 2017 [such amount as provided in the 93rd Annual Securities Report (*yuka shoken hokokusho*)] exceeding ¥300.0 billion, which shall be adjusted with due regard to the increase/decrease in the number of eligible directors and the change in position and other factors, or (ii) ¥1.0 billion. The formula to calculate the total amount paid to all directors is below.

Total amount paid to all directors = (A + B) x Sum of Position points for all the eligible directors/55
(but not exceeding ¥1.0billion)

Where:

A = (Consolidated net income attributable to the Company for the fiscal year ended March 31, 2017 up to ¥300.0 billion − ¥100.0 billion) × 0.35%

B = Consolidated net income attributable to the Company for the fiscal year ended March 31, 2017 exceeding ¥300.0 billion × 0.35% × 50% (amount of less than ¥1 shall be rounded down)

(2) Amount paid to an individual director:

The amount paid to an individual director shall be the amount determined by dividing such total amount paid to all directors as calculated in (1) above in accordance with the points assigned to each position as per below (provided, however, that amounts of less than ¥1,000 shall be rounded down):

Position points	
Chairman, President and Chief Executive Officer	10
Executive Vice President	5
Senior Managing Executive Officer	4
Managing Executive Officer	3

The formula to calculate the amount paid to an individual director is as follows:

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

Notwithstanding the calculation stated above, the amount paid to an individual director shall not exceed the maximum amount for each position as set forth below:

Maximum amount paid to an individual director	(Millions of yen)
Chairman, President and Chief Executive Officer	181.8
Executive Vice President	90.9
Senior Managing Executive Officer	72.7
Managing Executive Officer	54.5

(c) Performance-linked Stock Remuneration Plan

- By resolution at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016, ITOCHU introduced, in addition to the existing monthly compensation and performance-linked bonus, the performance-linked stock remuneration plan (the "Stock Remuneration Plan") for directors (excluding outside directors) and executive officers (excluding those that are non-residents of Japan; "Directors, etc."), as a remuneration plan closely linked to the corporate performance and having high transparency and objectivity, with the objective of heightening their awareness toward making contributions to improving ITOCHU's performance and to increasing its corporate value over the medium and long term. By introduction of the Plan, with respect only to the consolidated net income attributable to the Company exceeding ¥300 billion, 50% of the amount of bonuses that would be calculated under the formula for the current performance-linked bonuses will be paid by means of share-based remuneration in lieu of bonuses in cash.

- As the Stock Remuneration Plan, ITOCHU has adopted a framework called "Board Incentive Plan Trust (BIP)" ("BIP Trust"). The BIP Trust is a stock incentive plan for executives, based on the performance share and restricted stock plans in the United States. ITOCHU will conduct delivery and payment of ITOCHU shares acquired by the BIP Trust and an amount of money equivalent of the conversion value of said shares ("ITOCHU Shares, etc."), together with dividends derived from ITOCHU shares, to Directors, etc. following retirement from office (or after death in the event of the death of a Director, etc.; the same applies hereinafter), based on performance, etc. Please see Chart 1 below for overview of the BIP Trust.

- Outline of the Stock Remuneration Plan is as follows:

(1) Persons Entitled to Receive Stock Remuneration: Directors and executive officers of ITOCHU (excluding outside directors and those that are non-residents of Japan)

(2) Maximum Amount of Money Contributed by the Company to the Trust: a total of ¥1.5 billion for 2 fiscal years
(3) Method for the Acquisition of Shares by the Trust: Scheduled to be acquired on the stock market (thus no dilution of shares is anticipated)
(4) Upper Limit on the Number of Shares to be Acquired by Directors, etc.: For the trust period, with an applicable period of 2 fiscal years, the upper limit will be 1,300,000 points (an average of 650,000 points per year)
(5) Performance Index under the Stock Remuneration Plan: Consolidated net income attributable to the Company (upon which the amount of total share-based remuneration will be calculated. See below for more details)
(6) Timing of Delivery of Shares: After retirement from Office
(7) Voting Rights Concerning Shares in the Trust: Will not be exercised in order to ensure neutrality toward management

- In June of every year during the trust period, directors will be granted points based on performance in the fiscal year that ended on March 31 of said year in accordance with the number of months of service in the period from July 1 of the preceding year through June 30 of that year. Please see below for the method of calculation of the points. 1 point is equivalent of 1 share and any fractional point below 1 will be rounded down.

  Points granted to directors in June of each year
  = Individual share-based remuneration amount (*1) / Average acquisition stock price of ITOCHU shares in the Trust (*2) x {(Number of months of service from July, the beginning month of the applicable period, to June of the following year (rounding up fractions of less than 1 month)) / 12} (rounding down fractions)

  *1: Individual share-based remuneration amount is calculated on the basis of total share-based remuneration amount, which is calculated as indicated below on the basis of consolidated net income attributable to the Company for the fiscal year that ended on March 31 during the applicable period.

  ■ Total share-based remuneration amount
  = (Consolidated net income attributable to the Company for the fiscal year that ended on March 31 during the applicable period – ¥300 billion) x 50% x 0.35% x Sum total of position points of eligible Directors / 55 (rounding up fractions of less than 1 yen)

  ■ Individual share-based remuneration amount
  = Total share-based remuneration amount x Position points of each Director / Sum total of position points of Directors (rounding down fractions of less than 1,000 yen)

  Position points of directors are same as those used for the bonuses for the directors.

  *2: In the event that the trust period is extended, the average price shall be the average acquisition stock price of ITOCHU shares that are acquired by the Trust in accordance with the extension of the trust period. However, if no ITOCHU shares are acquired by the Trust in accordance with the extension of the trust period, then the average price shall be the closing stock price of ITOCHU shares on the market of Tokyo Stock Exchange, Inc. on the first day of the extended trust period).

  Points granted to executive officers (excluding those serving concurrently as directors) in June of each year will be calculated using the similar method as points for directors.

[Support System for Outside Directors (Outside Corporate Auditors)]
The Board of Directors Secretariat provides the outside directors with materials and prior briefings on items on the agenda of the meetings of the Board of Directors, as required, and the secretary in charge provides other necessary support activities to assist them in fulfilling their duties.
The Corporate Auditor's Office, which is under the direct control of the standing corporate auditors and the Board of Corporate Auditors, provides the outside corporate auditors with materials and prior briefings

on items on the agenda of the meetings of the Board of Directors, as required, as well as other necessary support activities to assist them in fulfilling their duties with measures such as the appropriate provision of corporate information through the Corporate Auditor's Office.

2. Items Related to Functions of Business Execution, Audits and Supervision, Nomination, and Decisions on Compensation, etc. (Overview of Current Corporate Governance System)

[The Current System]

- The Company is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors).
- The Board of Directors, comprising 14 directors including 3 outside directors, makes decisions on important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and supervises the performance of the directors.
- Each director carries out functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and the other internal regulations.
- With the view to further enhancing the Board's monitoring functions and increasing transparency on the decision making process, both Governance and Remuneration Committee and Nomination Committee have been established as advisory committees to the Board. Role and composition of each committee (as of June 24, 2016) are as described below.

	Role	Composition
Governance and Remuneration Committee	To deliberate and advise to the Board on proposals relating to remuneration system for directors and executive officers and other matters on corporate governance.	Ichiro Fujisaki (Outside Director; Chairman of the Committee), Masahiro Okafuji (Director), Hitoshi Okamoto (Director), Atsuko Muraki (Outside Director), Kiyoshi Yamaguchi (Corporate Auditor), Shingo Majima (Outside Corporate Auditor)
Nomination Committee	To deliberate and advise to the Board on proposals relating to nomination of executive officers and candidates for directors and corporate auditors.	Chikara Kawakita (Outside Director; Chairman of the Committee), Masahiro Okafuji (Director), Fumihiko Kobayashi (Director), Yoshio Akamatsu (Corporate Auditor), Harufumi Mochizuki (Outside Corporate Auditor), Kentaro Uryu (Outside Corporate Auditor)

- The Executive Officer System has been adopted to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the decisions made by the Board of Directors, executive officers implement their designated duties delegated by the Board of Directors and representative directors. As of June 19, 2015, the Company has 36 executive officers (some of whom concurrently serve as directors), comprising 35 male executive officers and 1 female executive officer.
- The HMC (Headquarters Management Committee) and various internal committees have been established for the purpose of contributing to appropriate and flexible decision making on management issues by the President and Chief Executive Officer and the Board of Directors. The HMC is a supporting committee to the President and Chief Executive Officer where companywide management policy and important issues are discussed.
- Various internal committees carefully screen and discuss management issues in their respective fields. Several of the internal committees including the Internal Control Committee work to support the decision making by the President and Chief Executive Officer and the Board of Directors by incorporating external opinions with measures such as designating outside key figures.
  The roles of the main internal committees are as follows.

Internal Control Committee:	Deliberates on issues related to the development of internal control systems
Disclosure Committee:	Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee:	Deliberates on issues related to risk management systems and balance sheet management
Compliance Committee:	Deliberates on issues related to compliance
CSR Committee	Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives
Investment Consultative Committee	Deliberates on issues related to investment and financing

- The Audit Division is established responsible for internal audits under the direct control of the President and Chief Executive Officer (about 50 staffs as of June 24, 2016). The Audit Division implements audits of the Company and its domestic and overseas consolidated companies from various perspectives, such as 1) whether the financial information, other reports, records and related procedures can be trusted; 2) whether laws and statutory regulations are being complied with and whether related internal mechanisms and systems are effective and appropriate; 3) whether operational procedures and activities are effective and efficient for carrying out organizations' policies and plans; and 4) whether other management activities are being conducted rationally and efficiently. The audit results are directly reported to the President and Chief Executive Officer. Thorough follow-ups are also made on the status of improvements made based on suggestions and recommendations after audits. Close collaboration with the internal auditing departments of group companies is also carried out. The internal control audit section established within the Audit Division independently evaluates the development and operation of internal control systems concerning financial reporting.
- Each corporate auditor attends meetings of the Board of Directors and other important meetings to hear from directors etc. about the status of the execution of their duties in accordance with the "Board of Corporate Auditors Regulations," "Auditors' Auditing Standards" and the policy on auditing and the division of responsibilities as specified by the Board of Corporate Auditors. In addition, each auditor views important documents approved by management, etc., investigates the operations and assets at Headquarters and other key offices, requests subsidiaries to report on their businesses as required, and strictly audits the execution of duties of directors and executive officers. The Corporate Auditors' Office with dedicated staff has also been established to support corporate auditors. Furthermore, the Group Auditors Council comprising internal corporate auditors of key group companies has been established as part of the activities conducted to focus on cooperating with the corporate auditors of consolidated group companies.
- The Company has concluded an auditing agreement with Deloitte Touche Tohmatsu LLC to serve as the independent external auditor, and is subject to an audit of the English financial statements, an audit in accordance with the Corporate Law and an audit in accordance with the Financial Instruments and Exchange Law. The independent external auditor conducts audits of financial statements from the independent perspective of a third party and the Company exchanges opinions on issues to be considered concerning internal controls, etc., based on the reporting of the audit results, and receives advice on improvements to be made. Moreover, the Company has facilitated an environment to ensure quick and accurate auditing by providing information and data.

[Policy and Process for Appointing Executive Officers and Candidates for Directors and Corporate Auditors]

1. Policy and Process for Appointing Executive Officers
   Executive Officers are appointed annually by the Board of Directors among, in principle, employees regarded as candidates for executives based on our HR system with high integrity and exceptional ability (or those who have already been appointed as Executive Officers) who are judged to be capable of assuming the role as the Executive Officers. Candidates for Executive Officers are first selected by the President & CEO based on, among others, recommendations from other officers (or in

terms of incumbent Executive Officers, based on their respective performance) and submitted to the Nomination Committee for further deliberation. Based on the deliberation and advice of the Nomination Committee, the Board of Directors appoints Executive Officers by its resolution.

2. Policy and Process for Appointing Candidates for Directors
In order to effectively supervise management and decide important business matters as the Board of Directors of a general trading company with broad range of business, ITOCHU Corporation's Board of Directors consists of, in principle, the Chairman, President & Chief Executive Officer, Chief Financial Officer, Chief Strategy & Information Officer, Chief Administrative Officer, each Division Company president, and more than one outside directors to improve supervisory function of the Board of Directors. In nominating outside directors, ITOCHU Corporation prioritizes candidates with higher independence, based on the criteria for "independent directors" prescribed by the Tokyo Stock Exchange, Inc. and ITOCHU Corporation's "Independence Criteria for Outside Directors and Outside Corporate Auditors", who with his or her experience and knowledge in the relevant category, are expected to contribute to the management of ITOCHU Corporation. Proposal on candidates for directors is created by President & Chief Executive Officer, and submitted to the Nomination Committee for further deliberation before the Board of Directors finally nominates the candidates for election at the General Meeting of Shareholders.

3. Policy and Process for Appointing Candidates for Corporate Auditors
As Board of Corporate Auditors of a *sogo-shosha* with broad range of business, for effective monitoring and audit, candidates for corporate auditors are selected from those with understanding about ITOCHU's management and with high expertise and extensive experience in the relevant area such as accounting, finance, legal and risk management. Among the members of ITOCHU's board of Corporate Auditors, half or more of the members always consist of outside corporate auditors. In appointing outside corporate auditors, ITOCHU prioritizes candidates with higher independence based on the independence criteria prescribed by the Tokyo Stock Exchange and ITOCHU's own independence criteria who are expected to effectively monitor and audit ITOCHU's activities. In addition, ITOCHU selects at least one corporate auditor with expertise in finance and accounting. Candidates for corporate auditors are submitted to the Nomination Committee for further deliberation before the Board of Directors (with consent of the Board of Corporate Auditors) finally nominates the candidates for election at the General Meeting of Shareholders.

3. Reason for Adopting the Current System

The Company, as a company with corporate auditors, endeavors to strengthen the monitoring/supervising function and ensure the transparency of decision making by having the corporate auditors (including outside corporate auditors) fully monitor corporate management. In addition to its corporate governance system primarily based on the monitoring of corporate management by corporate auditors, the Company appoints highly independent outside directors and establishes the Governance and Remuneration Committee and the Nomination Committee, as advisory committees to the Board which are chaired by outside directors and which comprise of half or more outside members, for the purpose of further increasing the effectiveness of the supervision of management by the Board of Directors and strengthening and improving the transparency of decision making. The Company believes that its current corporate governance system—which is based on the Board of Directors including outside directors, advisory committees to the Board which include outside directors and outside corporate auditors as members and the Board of Corporate Auditors, more than half of whom are outside corporate auditors— accords with ITOCHU's "Basic Policy" stated in I-1 above in this report.

III Status of Implementation of Measures Related to Shareholders and Other Stakeholders

1. Measures to Revitalize the General Meeting of Shareholders and Facilitate of Exercise of Voting Rights

	Supplementary Information
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	Sent approximately three weeks before the General Meeting of Shareholders.
Setting Date of General Meeting of Shareholders to Avoid Being Held on the Same Day as Many Other Companies	Held on a day other than the day on which the largest number of companies held their meetings.
Exercise of Voting Rights by Electromagnetic Means	In order to promote the exercise of voting rights by individual shareholders, the exercise of voting rights by electronic means (excluding mobile phones) has been available since the Ordinary General Meeting of Shareholders held in June 2005.
Participation in Platform for Exercise of Voting Rights by Electromagnetic Means and Other Measures to Enhance Environment for Exercise of Voting Rights by Institutional Investors	The “Voting Rights Electronic Exercise Platform” operated by ICJ Co., Ltd., has been used since the Ordinary General Meeting of Shareholders held in June 2008.
Providing Convocation Notice (Summary) in English	An English version of the entire convocation notice, including Business Report, has been prepared and posted on the Company’s Web site since the Ordinary General Meeting of Shareholders held in June 2010.
Other	In order to improve convenience for shareholders and ensure sufficient time for considering proposals, the convocation notices have been made available via electronic means since the Ordinary General Meeting of Shareholders held in June 2005.

2. Investor Relations Activities

	Explanation by Representative	Supplementary Information
Adoption of Disclosure Policy	-	ITOCHU’s disclosure policy is included in our Basic IR Policy. Please refer to the following URL: http://www.itochu.co.jp/en/ir/policy/
Holding Regular Meetings for Individual Investors	No	Meetings were held for several times at securities companies etc.
Holding Regular Meetings for Analysts and Institutional Investors	Yes	Meetings are held every quarter. The President and Chief Executive Officer conducts investors meetings on the second quarter results and annual results, and the CFO conducts investors meetings via online conference on the first quarter results and third quarter results.
Holding Regular Meetings for Foreign	Yes	Meetings are held in Europe, North America, Hong Kong and Singapore etc.

Investors		
Posting Investor Relations Materials on the Company Web Site	—	Financial statements, presentation materials of investors meetings(including Q&A summary), materials used in briefings on each segment, materials for timely disclosure, annual securities reports (*yuka shoken hokokusho*), quarterly securities reports (*shihanki hokokusho*), the status of corporate governance, convocation notices for General Meetings of Shareholders, repors(*hokokusyo*) and annual report are posted on the Company web site.
Establishment of Investor Relations Department	—	Investor Relations Department was established under the CFO as a department specializing in investor relations.

3. Measures that Consider the Interests of Stakeholders Revised

	Supplementary Information
Provisions Made in Consideration of Stakeholders' Interests (Internal Regulations, etc.)	The ITOCHU Group Corporate Philosophy and Code of Conduct, The ITOCHU Group Environmental Policy, Basic Activity Guidelines on Social Contribution, Basic Policies for CSR Promotion and ITOCHU Corporation CSR Action Guidelines for Supply Chains, ITOCHU Health Charter.
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	ITOCHU has been supporting activities to restore the tropical rainforests and conserve the ecosystem on the island of Borneo in collaboration with WWF Japan and providing a program to conserve Amazonian ecosystem in collaboration with Kyoto University. Further, in line with the Basic Policies for CSR Promotion, action plans are formulated in each organization and regional bloc, and executed based on the PDCA (plan-do-check-act) cycle to ensure the steady promotion of CSR activities. These activities are described in reports such as the Annual Report and the Sustainability Report, in addition to the ITOCHU web site. Moreover, ITOCHU participates in the United Nations Global Compact, a global initiative to achieve sustainable growth of the international community. Additionally, the company set up the CSR Advisory Board consisting of external experts including a financial institution, and regularly holds a dialogue on ITOCHU's CSR promotion.
Establishment of Policy Concerning Disclosure of Information to Stakeholders	The Basic Policy regarding the Internal Control System states that ITOCHU will provide timely and appropriate disclosure.
Other	Since 2003, ITOCHU Corporation has promoted efforts to diversify its workforce in Japan. In 2014, it officially introduced the "morning-focused working system" after 6 months of trial, with the aim of "changing the tendency of overtime working", "promoting effective operations", and "focusing on customer-oriented businesses". With the reforms of working styles, it has been promoting the good health of employees and improving the working environment. This year, ITOCHU received two commendations: the New Diversity Management Selection 100 and the Nadeshiko Brand 2016, having been praised for its initiatives to promote women over the years and proactively support the good health of employees, in addition to its reforms in working styles. Including the Health and Productivity Stock for 2015, ITOCHU received 3 major enterprise awards carried out by the Ministry of Economy, Trade and Industry.

IV Items Related to the Internal Control System

1. A Basic Policy and Development and Operation Status Related to Internal Control System Revised

The Company has established the following internal control systems, which are necessary to ensure that executive officers' implementation of duties are in compliance with laws and statutory regulations and the Articles of Incorporation and ensure the appropriateness of other operations. Below is a summary of the Basic Policy regarding the Internal Control System, which the Board of Directors approved on April 19, 2006 (and partially revised as of May 1, 2015).

Notes

1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

1) Corporate Governance

(1)As the decision-making body, the Board of Directors, consisting of Directors and Outside Directors, is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.

(2)Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.

(3)ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.

(4)The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

2) Compliance

(1)Directors, executive officers and employees are to conduct themselves in accordance with the ITOCHU Group Corporate Philosophy and the ITOCHU Group Code of Conduct.

(2)ITOCHU is to designate a representative director as the chief officer responsible for supervising compliance and also establish the Compliance Committee and a department that oversees all compliance matters. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

3) Internal Control to Ensure Reliability of Financial Reporting

(1)ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of CFO (Chief Financial Officer) to ensure the reliability of financial reporting.

(2)ITOCHU is to establish the Disclosure Committee and regularly review and improve the development and implementation status of the internal control systems to ensure the reliability of financial reporting.

4) Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President and Chief Executive Officer. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Shareholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, the Company will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks . Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

4.System to Ensure Efficient Performance of Directors

1) The HMC and Other Internal Committees

The HMC (Headquarters Management Committee) as a supporting body to the President and Chief Executive Officer, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President and Chief Executive Officer and the Board of Directors.

2) Division Company System

Under the Division Company System, the position of Division Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

3) Clearly Define the Scope of Authority and Responsibilities
4)
In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

5.System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU and Its Subsidiaries)

1) Subsidiary Management and Reporting System

(1)ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU is to send directors and corporate auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.

(2)With respect to subsidiaries that ITOCHU owns indirectly through its directly-owned subsidiaries, ITOCHU is to strive to ensure the adequacy of operations by such indirectly-owned subsidiaries in

accordance with this Basic Policy by way of, in principle, causing directly-owned subsidiaries to provide managerial guidance to indirectly-owned subsidiaries.

(3)With respect to important matters on the management of subsidiaries, ITOCHU is to, in principle, agree and specify with each subsidiary what matters will require the prior approval of or reporting to ITOCHU, as appropriate, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted.

2) Rules and Other Systems to Manage the Risk of Loss at Subsidiaries

ITOCHU is to identify the subsidiaries which shall be subject to ITOCHU's Group-wide risk management in respect of each risk category, taking into account, among others, each subsidiary's nature and size of business and whether it is listed or unlisted. In addition, ITOCHU is to periodically review the effectiveness of such Group-wide management system.

3) System to Ensure the Efficient Performance of Duties by Directors, etc. of Subsidiaries

ITOCHU is to formulate a management plan on a consolidated basis and undertake managerial guidance of subsidiaries in order to attain the said management plan as well as to provide support to subsidiaries such as provision of group financing from ITOCHU.

4) System to Ensure Compliance by Directors, etc. and Employees of Subsidiaries to Laws, Regulations and the Articles of Incorporation

(1)In principle, ITOCHU is to send directors and corporate auditors to each subsidiary and strive to ensure that the performance of duties of directors, etc. and employees of a subsidiary complies with laws and regulations and the Articles of Incorporation of such subsidiary through supervision and audit of the performance of duties at the subsidiary by the said directors and auditors sent from ITOCHU.

(2) ITOCHU is to provide guidance to its subsidiaries for the purpose of implementing a compliance system under the "ITOCHU Group Compliance Program" and to perform periodic monitoring and review of the implementation status of the relevant matters as well as providing education and training at subsidiaries whenever necessary for the purpose of securing compliance by the entire ITOCHU Group.

(3)All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

6. Matters Concerning Supporting Personnel to Corporate Auditors, Independence of Such Personnel from the Directors and Ensuring the Effectiveness of Instructions to Such Personnel

ITOCHU is to establish the Corporate Auditors' Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the corporate auditors. The supervisory authority over such employees is to belong exclusively to the corporate auditors, and evaluation of such employees is to be carried out by the corporate auditor designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such corporate auditor.

7.System for Reporting by Directors and Employees to Corporate Auditors

1) Attendance at Important Meetings

The corporate auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the corporate auditors are to have the right to inspect all relevant materials.

2) Reporting System

(1)The directors and corporate officers are to regularly report to the corporate auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors and corporate officers are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the corporate auditors immediately after such decisions are made.

(2)Employees are to have the right to report directly to the corporate auditors any matters that could cause serious damage to ITOCHU.

(3)In the “ITOCHU Group Compliance Program,” ITOCHU is to explicitly prohibit disadvantageous treatment of directors and employees who have reported to the corporate auditors and to ensure thorough familiarization with this prohibition.

8.System for Reporting by Directors, Corporate Auditors and Employees of Subsidiaries or by a Person who Received a Report from Them to Corporate Auditors

1) Reporting System

(1) The directors and corporate auditors of subsidiaries may report directly to the corporate auditors of ITOCHU any matters that could cause serious damage to the said subsidiary.

(2) A department that oversees compliance is to periodically report to the corporate auditors of ITOCHU a summary of matters that could cause serious damage to a subsidiary that were reported by the officers and employees of the said subsidiary.

(3) In the “ITOCHU Group Compliance Program,” ITOCHU is to explicitly prohibit disadvantageous treatment of persons who have reported to the corporate auditors under the provisions listed above and to ensure full familiarization with this prohibition.

9.Matters Concerning Policy on Procedures for Prepayment or Refund of Expenses Arising in Relation to Performance of Duties of Corporate Auditors and Processing of Expenses or Obligations Arising in Relation to the Performance of Other Duties

When a corporate auditor claims prepayment, etc. from ITOCHU in relation to the performance of duties under Article 388 of the Companies Act, ITOCHU is to process the relevant expense or claim promptly upon confirmation by the responsible department.

10. Other Relevant Systems to Ensure the Proper Functioning of Audits

1) Coordination with the Corporate Auditors by the Audit Division

The Audit Division is to maintain close communication and coordination with the corporate auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

2) Retaining Outside Experts

When deemed necessary, the corporate auditors are to independently retain outside experts for the implementation of an audit.

For the proper operation of internal control systems, ITOCHU has adopted a system by which it further segments items stipulated by the Basic Policy into more detailed confirmatory items in respect of each fiscal year, and, after setting the department in charge of each of these confirmatory items, conducts checks of the construction and the operational status of internal control systems by each department (and by other related internal committees) at the Internal Control Committee meetings held each half year. The Internal Control Committee, chaired by Chief Strategy & Information Officer, consists of Chief Administrative Officer, Chief

Financial Officer, General Manager of Internal Audit Division, and an external expert (attorney) as members. Corporate Auditors also attend and voice opinions every time.

At its meetings, the Internal Control Committee verifies the content of checklists summarizing achievement status, issues, etc. for each of the above confirmatory items, as submitted by the departments in charge of each. It also confirms the construction and operational status of internal control systems by verifying the content of individual reports from the departments in charge, with respect to important matters such as systems to ensure the reliability of financial reporting, compliance systems, systems to manage the risk of losses, and the construction and operational status of internal control systems in the ITOCHU Group. The results of deliberations by the Internal Control Committee are reported once per year to the HMC and the Board of Directors, the latter of which conducts a full-year evaluation of the construction and operational status of internal control systems.

Regarding the meetings of main internal committees related to internal control in FY2016, the Internal Control Committee met 2 times, the Compliance Committee 2 times, and the Asset Liability Management (ALM) Committee 11 times.

ITOCHU's internal control systems are constructed on the base of the ITOCHU Group, consisting of ITOCHU Corporation and its subsidiaries, and the operational status of the Group base internal control systems, and the construction and operational status of internal control systems in subsidiaries, are reported regularly to the Internal Control Committee.

ITOCHU intends to revise and improve these internal control systems tirelessly in order to build systems that are even more appropriate and efficient. Further, a meeting of the Board of Directors convened on May 6, 2016, evaluated the development and implementation status of each item enumerated in the Basic Policy regarding the Internal Control System for the fiscal year ended March 31, 2016 and confirmed that there were no significant deficiencies or defects.

2. Basic Policy and Efforts to Against Antisocial Forces

The Company has set out basic policy to tackle antisocial forces and groups that threaten the order and safety of civic society, stipulating three basic principles in its stance against antisocial forces—Don't fear, don't pay, don't use—a 10-point guideline as a manual to disseminate this information among all employees. The Company has also established a special department with overall responsibility for countermeasures in relation to antisocial forces within the Human Resources & General Affairs Division.

V Others

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	—

Supplementary Information

N.A.

2. Other Items Related to Corporate Governance System, etc.

[Overview of System for Timely Disclosure]

The company has accordingly established internal rules for the handing of disclosure and assigned primary responsibility for operations related to the timely disclosure to the Investor Relations department, in consultation with the Corporate Planning & Administration Division and the Corporate Communications Division.

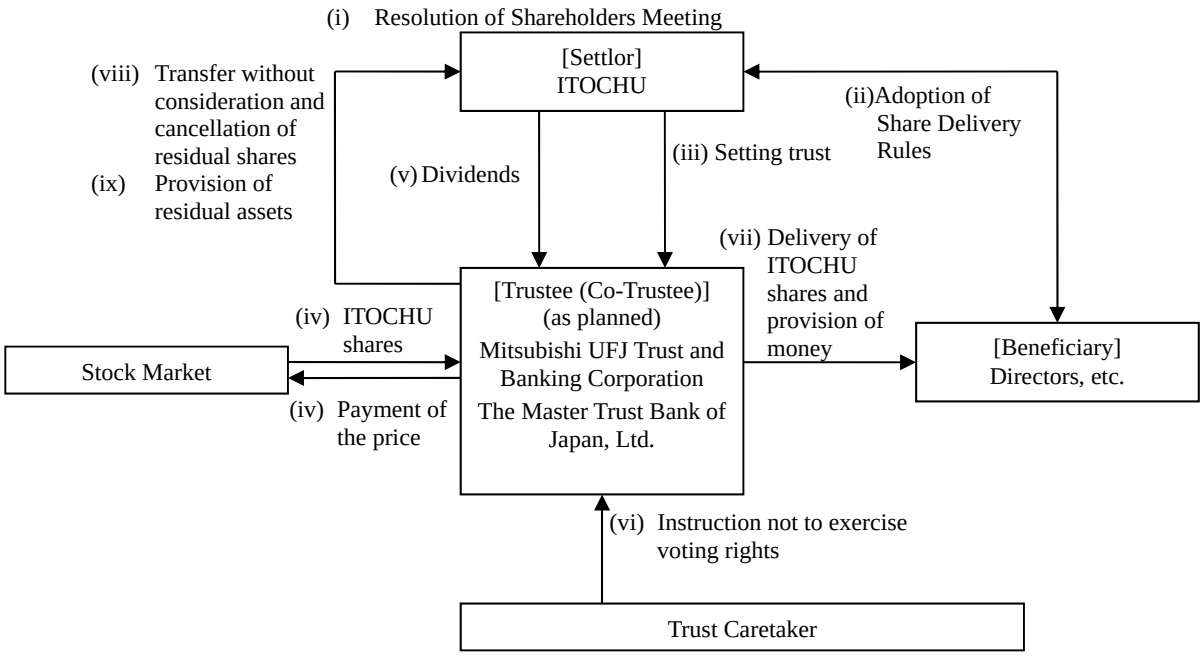
The person in charge of the each division company, of each overseas subsidiary and of each administrative division at headquarters, report without delay to the general manager of the Investor Relations Department any decisions, events, or financial information related to the divisions and domestic or overseas subsidiaries for which they are responsible as requested or as may be requested based on the regulations of

the Tokyo Stock Exchange.

When the general manager of the Investor Relations Department receives a report as per preceding, he/she considers and determines (i)whether the information requires disclosure, and (ii) if disclosure is required, the details and method thereof, and upon the examination and receipt of opinions from the Corporate Planning & Administrative Division and the Corporate communications Division, and he/she requests the approval of the CFO about the disclosure.

After receiving approval as per the preceding, the general manager of the Investor Relations Department without delay files the disclosure with the Tokyo Stock Exchange.

[Chart 1] Overview of the BIP Trust



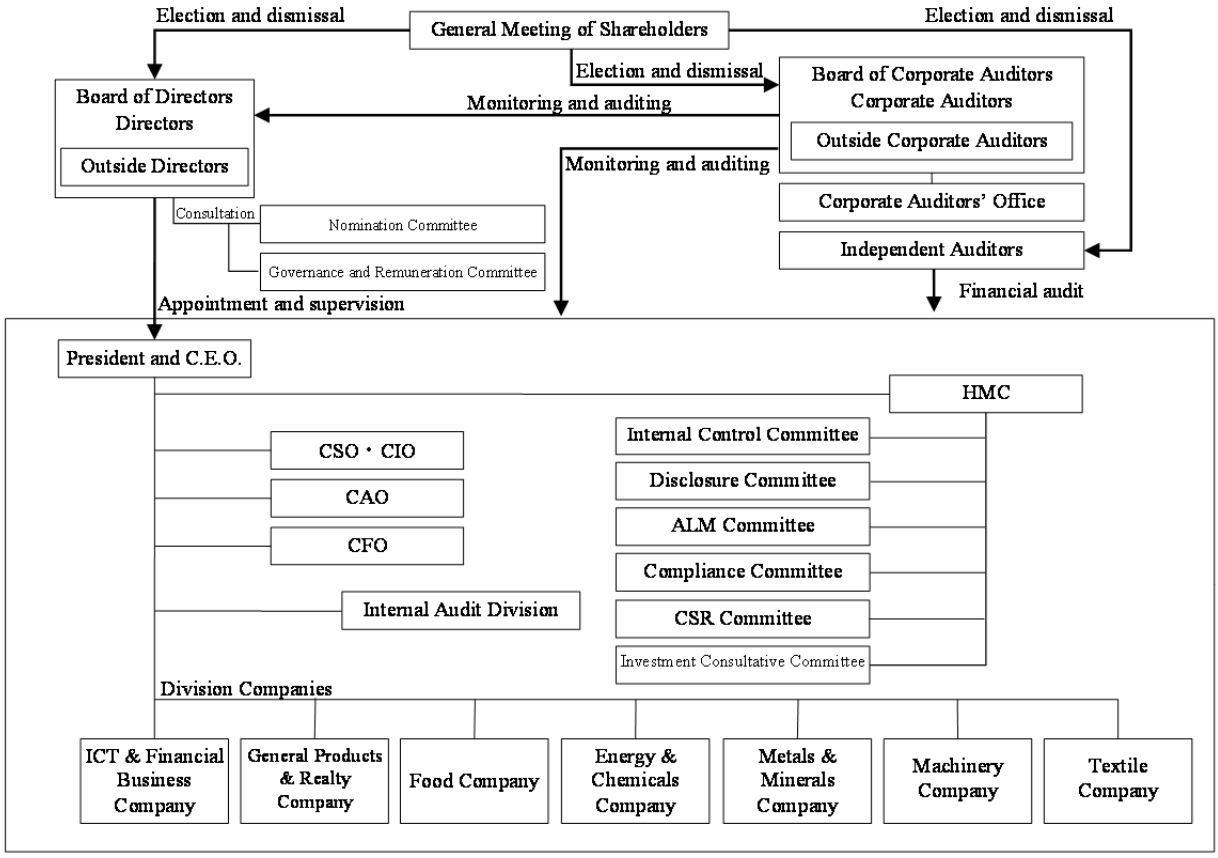
(i)	In regard to the introduction of the Stock Remuneration Plan, ITOCHU obtains approval on remuneration by resolution of Shareholders Meeting (such approval was granted on the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016).
(ii)	In regard to the introduction of the Stock Remuneration Plan, ITOCHU's Board of Directors will adopt Share Delivery Rules regarding the remuneration of Directors and Executive Officers.
(iii)	ITOCHU will set a trust to which it entrusts money within the range approved by resolution of Shareholders Meeting as in (i) and of which Directors, etc. that satisfy the requirements for eligible beneficiaries are beneficiaries ("Trust").
(iv)	The Trustee (of the Trust) will purchase ITOCHU shares from the stock market using the money entrusted in (iii) in accordance with the instructions of the trust caretaker. The number of shares to be acquired by the Trust will be within the range approved by resolution of Shareholders Meeting as in (i).
(v)	Payment of dividends for ITOCHU shares in the Trust will be made in the same manner as done for other ITOCHU shares.
(vi)	Voting rights for ITOCHU shares in the Trust will not be exercised throughout the trust period.
(vii)	During the trust period, a certain number of points will be granted to Directors, etc. based on performance and other factors during each fiscal year. A Director, etc. who fulfills certain requirements for beneficiaries will, after retirement from office, receive the delivery of ITOCHU shares corresponding to a certain ratio of the number of points accumulated; money equivalent to a number of ITOCHU shares corresponding to the residual number of points, converted into cash

within the Trust in accordance with the provisions of the trust contract; and money for dividends paid on ITOCHU shares in the Trust, corresponding to the number of points as of the record date.

(viii) In the event that there are residual shares at the time of expiry of the Trust due to the non-attainment of performance targets during each fiscal year during the trust period or other reasons, ITOCHU will either continue use of the Trust as a new share-based remuneration plan by amendment to the trust contract and placement of additional trust, or transfer the residual shares without consideration from the Trust to ITOCHU and cancel the shares by resolution of the Board of Directors.

(ix) Residual assets after distribution are made to beneficiaries at the time of termination of the Trust will belong to ITOCHU within the range of the reserve for trust expenses derived by deducting the funds for purchasing shares from the funds of the Trust. With regard to any portion in excess of the reserve for trust expenses, ITOCHU plans to donate this to groups having no interest in ITOCHU or its Directors, etc.

[Chart 2]
ITOCHU's Corporate Governance and Overview of Internal Control System



[Chart 3]
Overview of System for Timely Disclosure

