[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:	5 April, 2019
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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

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, "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.

It is our fundamental management policy to build a fair and good relationship with various stakeholders based on our corporate philosophy and our code of conduct and thus improve our corporate value from a long-term perspective. In accordance with this policy, with the intention to ensure proper and efficient execution by management, we will enhance the transparency of decision-making and establish a corporate governance system in which monitoring and supervision functions are appropriately incorporated.

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 already joined the Board and, as another measure to strengthen its corporate governance, ITOCHU has also 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 composed of half or more outside members. In order to separate execution by and monitoring over management, we reduced several executive directors and the percentage of outside directors in our Board of Directors was increased to one-third or more from April 2017. We keep this percentage of outside directors also in FY2019 and onwards. Also, based on the idea that it is necessary to have a new management structure in order to evolve and create our business models in response to the rapidly changing world and also keeping management continuity in our mind, the new management structure that Chairman of the Company is

Chief Executive Officer and President of the Company is Chief Operating Officer has started as from FY 2019. In light of the fact that election of senior executives is a quite important strategic decision, we convened the Nomination Committee several times and the new management structure was well discussed in the committee and thereafter it was resolved at the Board of Directors. 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.

This highly independent Board of Directors monitors execution by management as well as deliberates the execution of business that is of high quantitative or qualitative importance. The Company believes this arrangement facilitates not only appropriate monitoring over execution by management but also the consideration of important business execution from an external perspective.

It is also 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**]

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. ITOCHU engages in investments to non-affiliated companies in order to create business relationships. In principle, it is the Company’s policy to limit investments to non-affiliated companies to those that have a high likelihood of generating investment returns or those with a high strategic significance including affiliation in future. This policy remains the same, regardless of whether investments are in or outside Japan, or listed or unlisted. When making new investments, we employ investment criteria that consider the cost of shareholders’ capital.

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 that do not generate economic added value over a specified period of time or investments that lack 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 listed stocks are subject to further scrutiny at our Board of Directors from the perspective of economic rationale and strategic objective. Most recently, our Board of Directors made such scrutiny on 19 July, 2018 and reached its conclusion that the result of such annual review was reasonable.

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 2.6)
■ Functional Performance as a Corporate Pension Asset Owner
In ITOCHU, our finance division dispatches several persons with high expertise in asset management to our corporate pension fund, and such persons, one of who is positioned as the executive director of the pension fund, are in charge of asset management thereof. Appropriate placement of such persons is arranged by sufficient training as well as planned and regular rotation. In addition, ITOCHU respects the intention of the pension fund regarding its investment portfolio and the stewardship activities of the investment management institutions. Furthermore, operating the pension fund in the interest of the third parties is strictly prohibited pursuant to the internal regulation of the pension funds, and the potential conflict of interest is regularly announced and well-known to the directors of the pension fund. Thus, we appropriately manage conflicts of interest that may arise between the beneficiaries of the corporate pension and ITCOHU.

(Principle 3.1(i))
■ Corporate Mission
ITOCHU's corporate philosophy and code of conduct are available at our homepage. Please refer to the following URL:
https://www.itochu.co.jp/en/about/mission/
■ Management Plan
Our current mid-term management plan, called "Brand-new Deal 2020" was disclosed on 2 May, 2018. Please refer to the following URL to find the management plan:
https://www.itochu.co.jp/en/about/plan/
In addition, Medium to Long Term Shareholders Return Policy / FY2019 Annual Forecast and Dividend was disclosed on 1 October, 2018. Please refer to the following URL to find such policy.
https://www.itochu.co.jp/en/ir/news/2018/__icsFiles/afieldfile/2018/10/01/ITC181001-3_e.pdf

(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 Compensation
Compensation paid to all directors of the Company (excluding outside directors) and executive officers consists of monthly remuneration, performance-linked bonuses, market capitalization-linked bonuses and performance-linked stock remuneration. The monthly remuneration 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 profit attributable to the Company for then-current fiscal year. Furthermore, the total amount of the market capitalization-linked bonus is determined based upon the increased amount of the Company's market capitalization as compared to the last fiscal year. Only monthly remuneration is paid to the outside directors and bonuses and stock remuneration are not paid

thereto. Monthly remuneration 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 FY2019, 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 FY2019:

https://www.itochu.co.jp/en/files/94shoshu_eng.pdf
(please refer to pages 8–13 for candidates for directors, and pages 14 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 quantitatively. 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:
https://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 FY2019:
https://www.itochu.co.jp/en/files/94shoshu_eng.pdf
(please refer to pages 40 and 43)

(Supplementary Principle 4.11.3)

■ Evaluation as to the Effectiveness of the Board of Directors

The Company conducted the evaluation as to the effectiveness of the Board of Directors targeting the directors and corporate auditors in FY2018. 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, the Board of Directors of ITOCHU confirmed that the effectiveness of the Board of Directors was secured.

Based on the results of the previous evaluation as to the effectiveness of the Board of Directors (FY2016), following the deliberation at the Governance and Remuneration Committee, the total number of the Board of Directors was reduced and the percentage of the Outside Directors were set to at least one-third, creating a structure in which the Board of Directors was transited "Monitoring-Focused Structure". According to the external consultant, it is evaluated that the effectiveness of the Board of Directors was essentially strengthened with strengthening pre-briefing for the Outside Directors and Outside Corporate Auditors, the enhancement of reporting business execution status at the Board of Directors as well as positive expression of opinions by the Outside Directors and Outside Corporate Auditors.

Meanwhile, there was an opinion that it is necessary to continue discussing the operation of the Board of Directors based on the transition to "Monitoring-Focused Structure" and the enhancement of reporting to the Board of Directors the deliberations of the advisory committees.

Based on the results of this Evaluation of the Board of Directors, we will continue to maintain and improve the effectiveness of the Board of Directors.

For your reference, please see the result in our homepage at:
https://www.itochu.co.jp/en/files/board_evaluation_2017e.pdf

(Supplementary Principle 4.14.2)

■ Training Policy

The Company conducts training related to corporate governance and other matters as part of its training for newly appointed internal and outside directors and corporate auditors. The Company also provides directors and corporate auditors with opportunities for training at third-party institutions, with the Company bearing the costs of such training. Also, to ensure that management supervision by directors and audit by corporate auditors are adequately performed, before each meeting we provide 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, ITOCHU strives to ensure that outside directors and corporate auditors appropriately understand its business environment and challenges 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

(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 Chief Financial Officer (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]

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	97,578,700	6.29
Japan Trustee Services Bank, Ltd. (trust account)	93,386,300	6.02
CP WORLDWIDE INVESTMENT COMPANY LIMITED	63,500,000	4.09
Nippon Life Insurance Company.	34,056,023	2.19
Japan Trustee Services Bank, Ltd.(trust account9)	33,316,800	2.15
Mizuho Bank, Ltd.	31,200,000	2.01
SSBTC CLIENT OMNIBUS ACCOUNT	29,292,784	1.89
Japan Trustee Services Bank, Ltd. (trust account 5)	28,175,500	1.81
STATE STREET BANK WEST CLIENTTREATY 505234	23,456,878	1.51
Asahi Mutual Life Insurance Company	23,400,500	1.51
Controlling Shareholders (excluding parent company)	—	
Parent Company	—	

Supplementary Information

(1) The major shareholders as abovementioned are as of 30 September, 2018.
(2) As of 30 September, 2018, the Company holds 110,395 thousand shares of treasury stock (6.64% of the total number of issued shares), but is excluded from the above list of the major shareholders. The Company cancelled 78,000,000 shares of treasury stock as of 19 October, 2018.
(2) As of 4 October, 2018, a large shareholding report was submitted to Kanto Local Finance Bureau by JPMorgan Asset Management (Japan) Limited which reported that JPMorgan Securities Plc, together with other three joint holders, hold 84,470 thousand shares (shareholding ratio is 5.08%). However, this is not included in the above list of major shareholder as we could not confirm the substantial ownership as of 30 September, 2018.

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, ITOCHU ENEX CO., LTD., ITOCHU-SHOKUHIN Co., Ltd., CONEXIO Corporation, C.I. TAKIRON Corporation, and FamilyMart UNY Holdings Co., Ltd. ITOCHU respects the autonomy of these listed subsidiaries and prohibits any acts that contradict the principle of shareholder equality. At the same time, to enhance the corporate value of the overall ITOCHU Group, we, as their parent company and major shareholder, ITOCHU regularly pays adequate attention to the legal compliance systems and status of these listed companies. We provide appropriate advice and support as needed on specific compliance-related matters, creation of internal control systems, and other managerial issues.

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	Chairman and Chief Executive Officer
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Director	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j	k
Atsuko Muraki	Other											
Harufumi Mochizuki	Other											
Masatoshi Kawana	Scholar								○			

* 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)

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)
Atsuko Muraki	✓		Ms. Muraki is appointed as an outside director in the anticipation that she will use her high level of insight into such matters as improving working environments, developing human resource, and social security and more, cultivated through many years of experience at the Ministry of Health, Labour and Welfare (and the former Ministry of Labour) 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.
Harufumi Mochizuki	✓		Mr. Mochizuki is appointed as an outside director in the anticipation that, based on a wealth of experience and high-level knowledge he accumulated as a government official at the Ministry of Economy, Trade and Industry (and the former Ministry of International Trade and Industry), his experience as a corporate executive at other entities where he concurrently serves, he will 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. Mochizuki 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.
Masatoshi Kawana	✓	Since August 2013, as a medical consultant, we are irregularly provided from Mr.	Mr. Kawana is appointed as an outside director in the anticipation that, based on his experience as a

		Kawana medical advice to the former President (currently Chairman) in case of his illness or injury and other advice on health management (except medical treatment). This is internally regulated for our Chairman and President in consideration of the importance of our executives' health management. Consideration paid to Mr. Kawana is as small as 100,000 yen per month, and in light of the size and nature of this service, it is our judgment that there is no risk of affecting his independence.	doctor at Tokyo Women's Medical University Hospital for many years and as an important post such as the Deputy Director of the same hospital as well as his high level of medical knowledge, he will 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. Kawana 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.

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

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

Name of Committee	Total Number of Members	Internal Directors	Outside Directors	Internal Corporate Auditors	Outside Corporate Auditors	Chairman
Nomination Committee	8	3	2	1	2	Outside Director
Governance and Remuneration Committee	7	2	2	1	2	Outside Director

With respect to the details of Nomination Committee and Governance and Remuneration Committee, please refer to "Current System" in II-2 below in this report.

[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	Certified public accountant													
Kentaro Uryu	Lawyer													
Kotaro Ohno	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)

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 audit as a certified public accountant for many years. 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.
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.
Kotaro Ohno	✓		Mr. Ohno 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 advanced specialized knowledge in law and the extensive experience he accumulated while serving in important positions at the Ministry of Justice, including Vice-Minister of Justice, Superintending Prosecutor of Tokyo High Public Prosecutors Office and Prosecutor-General. According to the criteria for the independence of directors/ auditors prescribed by the Tokyo Stock Exchange, as well as our own independence criteria, Mr. Ohno 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 criteria established by the Tokyo Stock Exchange), which is disclosed at our homepage. Please refer to the following URL:
https://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.

- In January and February 2018, the Japan Fair Trade Commission issued cease and desist orders under Article 7, Paragraph 2 of Japan's Antimonopoly Act to the Company regarding its sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION up until the FY2017. In addition, in July and October 2018, the Japan Fair Trade Commission issued cease and desist orders and a surcharge payment order under Article 7, Paragraph 2 of Japan's Antimonopoly Act to the Company regarding its sales and supply of uniforms to All Nippon Airways Co., Ltd. and NTT DOCOMO, Inc (the said surcharge payment order is with respect to NTT DOCOMO, Inc. The amount of surcharge is 4.29 million Japanese Yen). These sales and supply of uniforms form a part of ITOCHU's past uniform business activities and practices that took place up until FY2017. Each outside director and corporate auditor has continually made statements in Board of Directors meetings concerning the importance of legal compliance, and, after the incident became known, conducted proactive advocacy concerning the further enforcement of legal compliance in the Company and its group, as well as measures to prevent recurrence of incidents, including the development of internal rules for compliance with the Antimonopoly Act, the promotion of voluntary reporting of violations, and the strengthening and enhancement of education on compliance with the Antimonopoly Act. They perform continuous checking of these initiatives to strengthen our compliance systems.

[Incentives]

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

Supplementary Information

- Compensation paid to all directors of the Company (excluding outside directors) consists of monthly remuneration, performance-linked bonuses, market capitalization-linked bonuses and performance-linked stock remuneration. The monthly remuneration is determined by contribution to the Company of each director 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 profit attributable to the Company for then-current fiscal year. Furthermore, the total amount of the market capitalization-linked bonus is determined based upon the increased amount of the Company's market capitalization as compared to the last fiscal year.

Grantees of Stock Options	Not Applicable

Supplementary Information

N.A.

[Directors' Compensation]

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

Supplementary Information

Name, position, and amount of compensation paid to directors receiving compensation of ¥100 million or more during FY2018, are as follows.

(Rounded to nearest million yen)

Name	Category	Monthly Remuneration	Bonus	Special Bonus	Stock Remuneration	Total

Masahiro Okafuji*	Director	¥162 million	¥287 million	¥66 million	¥32 million	¥547 million
Hitoshi Okamoto	Director	¥74 million	¥86 million	¥27 million	¥10 million	¥196 million
Yoshihisa Suzuki	Director	¥71 million	¥115 million	¥27 million	¥13 million	¥225 million
Fumihiko Kobayashi	Director	¥79 million	¥115 million	¥27 million	¥13 million	¥233 million
Tsuyoshi Hachimura	Director	¥70 million	¥86 million	¥20 million	¥10 million	¥186 million

Note 1: The remuneration paid to directors (excluding outside directors) in FY2018 comprised monthly remuneration, performance-linked bonuses, special bonuses, and performance-linked stock remuneration for directors (Board Incentive Plan Trust). Monthly remuneration is determined by the contribution to ITOCHU of each director according to a base amount set by position, and the total amount of performance-linked bonuses is determined on the basis of consolidated net profit attributable to ITOCHU. An overview of special bonuses and the system of performance-linked and stock remuneration for Directors is described below in “Disclosed Details of Policy for Determining Amount and Calculation Method of Compensation” below.
(*) Monthly remuneration includes housing allowance.

Policy for Determining Amount and Calculation Method of Compensation	Adopted

■ Disclosed Details of Policy for Determining Amount and Calculation Method of Compensation

(a) Compensation Paid to Directors, etc. in FY2018

- Details of the compensation paid to directors and corporate auditors of the Company in FY2018 are as follows.

Type	Number of People	Amount Paid (Millions of yen)	Details
Directors	9	1,431	(1) Monthly remuneration: ¥501 million (2) Bonuses for FY2018: ¥687 million (3) Special Bonuses for FY2018: ¥166 million (4) Stock Remuneration for FY2018: ¥76 million
(Outside directors)	(4)	(45)	
Corporate auditors	6	115	Only monthly remuneration
(Outside corporate auditors)	(4)	(36)	
Total	15	1,546	
(Outside directors/ corporate auditors)	(8)	(81)	

(Rounded to nearest million yen)

Notes:
1. Maximum compensation paid to all directors:
   ¥1.2 billion per year as total monthly remuneration (including ¥50 million per year for 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 monthly remuneration amount (both resolved at the General Meeting of Shareholders on 24 June, 2011).
2. Maximum compensation paid to all corporate auditors:
   ¥13 million per month (resolved at General Meeting of Shareholders on 29 June, 2005)
3. In response to FY2018 consolidated net profit attributable to ITOCHU of ¥400.3 billion, an amount exceeding the ¥400.0 billion forecast for the full year and a record high for the company, ITOCHU Corporation has decided to pay a special bonus. This bonus is in accordance with the

resolution of the Board of Directors held on 2 February, 2018, after being examined by the Governance and Remuneration Committee The amount of special bonus paid shall be inside a range whereby the amount of special bonus and director bonus combined (Note 1) does not exceed the bonus limit (¥1 billion per year).

4. The introduction of performance-linked stock remuneration for directors (Board Incentive Plan Trust) was approved at the 92nd Ordinary General Meeting of Shareholders held on 24 June, 2016. The total amount of stock remuneration described above is the recorded amount of expenses involving share granted points granted during FY2018 related to the Board Incentive Plan Trust. An overview of this stock remuneration system is provided below, in "(c) Performance-Linked Stock Remuneration for Directors."
5. The retirement benefits system for directors and corporate auditors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on 29 June, 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 FY2019

- Performance-linked Bonuses

Director performance-linked bonuses for FY2019 will be paid in amounts calculated according to the methods described below, in accordance with the Board of Directors resolution at a meeting on 13 June, 2018, and following the conclusion of the 95th Ordinary General Meeting of Shareholders.

a. Total amount paid to all directors:

The total amount paid to all directors shall be the lesser of (i) the sum of the amount paid to an individual director or (ii) ¥1.0 billion.

b. Amount paid to an individual director

The formula to calculate the amount paid to an individual director is below.

Total base amount paid to all directors = (A + B + C) x Sum of Position points for all the eligible directors/55

Where:

A = (Consolidated net profit attributable to the Company for FY2019 for the portion up to ¥200.0 billion) × 0.35%

B = (Consolidated net profit attributable to the Company for FY2019 for the portion more than ¥200.0 billion but up to ¥300.0 billion x 0.525%

C = (Consolidated net profit attributable to the Company for FY2019 for the portion exceeding ¥300.0 billion) × 0.35%

(amount of less than ¥1 shall be rounded down)

The amount paid to an individual director = (Total base amount paid to all directors as above x Position Point/Sum of Position points for all the eligible directors) x 30% + (Total base amount paid to all directors as above x Position Point/Sum of Position points for all the eligible directors) x 70% x plan achievement rate of the consolidated net profit of the assigned division/department
(amount of less than ¥1,000 shall be rounded up)

Provided, however, that the plan achievement rate shall be 100% for the eligible director for whom no plan achievement rate is measurable.

The points assigned to each position are as per below:

Position points	
Chairman and Chief Executive Officer	10

President and Chief Operating Officer	7.5
Executive Vice President	5
Senior Managing Executive Officer	4
Managing Executive Officer	3

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 and Chief Executive Officer	338
President and Chief Operating Officer	254
Executive Vice President	169
Senior Managing Executive Officer	135
Managing Executive Officer	101

- Market Capitalization-liked Bonuses

By resolution of Board of Directors held on 2 February, 2018 and for the purpose of the incentive towards increasing the Company's corporate value, ITOCHU introduced the bonus structure which is linked to the increased amount of the Company's market capitalization as compared to the last fiscal year.

Director market capitalization-linked bonuses for FY2019 will be paid in amounts calculated according to the methods described below, in accordance with the Board of Directors resolution at a meeting on 13 June, 2018.

The formula to calculate the amount paid to an individual director is below.

The amount paid to an individual director = (the average daily market capitalization of the Company in FY2019-the average market capitalization of the Company in FY2018) x 0.1% x Position Point / 108.8

The points assigned to each position are same as those applied for performance-linked bonuses.

Market capitalization-linked bonuses together with performance-linked bonuses are paid to the eligible directors within the director bonuses limit of ¥1billion.

(c) Performance-Linked Stock Remuneration Plan

- By resolution at the 92nd Ordinary General Meeting of Shareholders held on 24 June, 2016, ITOCHU introduced the performance-linked stock remuneration plan (the "Stock Remuneration Plan") and, by resolution of the Board of Directors held on 2 May, 2018, we continue this plan from FY2019. This plan is described below.
- Under this plan, in June of ever year during the trust period, directors who served as directors from 1 July of the previous year to the last day of June of the said year are granted points based on performance in the fiscal year that ended on 31 March of said year and in accordance with the number of months of service during that period.
- The method of calculating the number of points granted to directors (excluding outside directors) in FY2019 is described below. One point corresponds to one share in ITOCHU, and amounts of less than one point are discarded.

Points = Individual stock remuneration amount (Note 1) / Average acquisition stock price of ITOCHU shares in the trust (Note 2) × {(Number of months of service from July, the beginning month of the applicable period of payment, to June of the following year (rounding up fractions of less than one month)) / 12} (rounding down fractions)
(Note 1) the individual stock remuneration amount is calculated on the basis of the total stock remuneration amount, which is calculated as indicated below.

a. Total stock remuneration amount
= (the amount of consolidated net profit attributable to ITOCHU for FY2019 – ¥300.0 billion) x 0.175% x Sum total of position points of eligible directors / 55 (rounding up fractions of less than ¥1)
b. Individual stock remuneration amount
= Total stock remuneration amount x Position points of each Director / Sum total of position points of directors (rounding down fractions of less than ¥1,000)
Position points for each director are the same as the number used for calculating director bonuses.
(Note 2) In the event that the trust period has been extended, this is the average acquisition stock price of ITOCHU shares that were 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 this is the closing stock price of ITOCHU shares on the market of Tokyo Stock Exchange on the first day of the extended trust period).

- Points to be 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.

- 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 who 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 profit attributable to the Company (upon which the amount of total stock remuneration will be calculated. See above 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

[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.

[**Status of the Company executives who are the former representative director and president and**

other positions]

Name and other information of the senior advisor/advisor and other positions who are the former representative director and president and other positions

Name	Position	Assignment	Work Condition (full time or non-full time, remuneration etc)	Retirement Date	Term of Assignment
Uichiro Niwa	Director Emeritus (“*Meiyo Riji*”)	None	Non-full time and no remuneration	16 June, 2010	Not fixed
Eizo Kobayashi	Senior Representative for Business Community Relations (“*Tokubetsu Riji*”)	External affairs such as business community relations	Full time and remuneration to be paid	24 June, 2016	2 years from 1 April, 2018

Number of the senior advisor/advisor and other positions who are the former representative director and president and other positions	2

Remarks	**Revised**

The Company, by the resolution of the board of directors on 18 January, 2018, abolished the senior advisor (“*Sodanyaku*”) and advisor (“*Komon*”) positions as from 1 April, 2018 (excluding the advisor(s) to be appointed who are not the executives of the Company). From the past, the Company has Advisory Member (“*Riji*”) position in addition to the senior advisor (“*Sodanyaku*”) and advisor *(“Komon”)* positions, and all of the executives of the Company will be appointed as Advisory Member (“*Riji*”) after their retirement. Advisory Member (“*Riji*”) is an honorary position after the retirement of the executives of the Company, and no Advisory Member (“*Riji*”) is involved in the management and decision making of the Company at all. On the other hand, taking the external affairs such as business community relations of the Company into consideration, we need the support of the former executives of the Company, so the new positions of “Senior Representative for Business Community Relations” (“*Tokubetsu Riji*”) and “Representative for Business Community Relations” (“*Jomu Riji*”) have been established. They are assigned the said business community relations and the appropriate remuneration is paid.

The summary of “*Riji*” positions is as follows:

Position	Number	Term	Work Condition	Remuneration	Assignment	Others
Director Emeritus (“*Meiyo Riji*”)	A few	Not fixed	Non-full time	None	None	The former Chairman and President only
Senior Representative for Business Community Relations (“*Tokubetsu Riji*”)	One	Fixed	Full time in principle	To be paid	External affairs such as business community relations	The former Chairman and President only
Senior Vice Representative	A few	Fixed	Full time in principle	To be paid	External affairs such as business	

for Business Community Relations (“*Semmu Riji*”)					community relations	-
Representative for Business Community Relations (“*Jomu Riji*”)	A few	Fixed	Full time in principle	To be paid	External affairs such as business community relations	-
Advisory Member (“*Riji*”)	Not fixed	Not fixed	Non-full time	None	None	-

* Executives mean Member of the Board (excluding non-executive directors), officers and Corporate Auditors (excluding non-executive members).
** The term of Senior Representative for Business Community Relations (“*Tokubetsu Riji*”), Senior Vice Representative for Business Community Relations (“*Semmu Riji*”) and Representative for Business Community Relations (“*Jomu Riji*”) is fixed at the time of the appointment.
*** Senior Vice Representative for Business Community Relations has been newly established as of 1 April, 2019.

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

[The Current System]

- The Company is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors).
- As from 1 April, 2018, Chairman of the Company is Chief Executive Officer and President of the Company is Chief Operating Officer.
- The Board of Directors, comprising 8 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. One of the outside directors is female, and the average term of overseas assignment period of our internal directors is 5.4 years (as of 1 April, 2019).
- 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 member composition of each committee (as of 1 April, 2019) are as described below.

	Role	Composition
Governance and Remuneration Committee (7 members in total)	To deliberate and advise to the Board on proposals relating to remuneration system for directors and executive officers and other matters on corporate governance.	Atsuko Muraki (Outside Director; Chairman of the Committee), Masahiro Okafuji (Director), Yoshihisa Suzuki (Director), Masatoshi Kawana (Outside Director), Shuzaburo Tsuchihashi (Corporate Auditor), Shingo Majima (Outside Corporate Auditor), Kotaro Ohno (Outside Corporate Auditor)
Nomination Committee (8 members in total)	To deliberate and advise to the Board on proposals relating to nomination and dismissal of executive officers, nomination of	Harufumi Mochizuki (Outside Director; Chairman of the Committee), Masahiro Okafuji (Director), Yoshihisa Suzuki (Director) , Fumihiko Kobayashi (Director),

	candidates for directors and corporate auditors, dismissal of directors and corporate auditors, and appointment and dismissal of responsible directors and officers.	Atsuko Muraki (Outside Director), Kiyoshi Yamaguchi (Corporate Auditor) , Shingo Majima (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 1 April, 2019, the Company has 37 executive officers (some of whom concurrently serve as directors), comprising 35 male executive officers and 2 female executive officers.
- The Board of Corporate Auditors is comprised of 2 internal corporate auditors and non-executive 3 corporate auditors (outside auditors), and oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."
- 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 Operating Officer and the Board of Directors. The HMC is a supporting committee to the President and Chief Operating 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 Operating 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 (as of 1 April, 2019).

Internal Control Committee (Chairman: Chief Administrative Officer (CAO))	Deliberates on issues related to the development of internal control systems
Disclosure Committee (Chairman: CFO):	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
Asset Liability Management (ALM) Committee (Chairman: CFO):	Deliberates on issues related to risk management systems and balance sheet management
Compliance Committee (Chairman: CAO):	Deliberates on issues related to compliance
Sustainability Committee (Chairman: CAO):	Deliberates on issues related to sustainability and ESG including environmental problems, and social contribution initiatives but excluding governance related issues.
Investment Consultative Committee (Chairman: CFO)	Deliberates on issues related to investment and financing
New Headquarters Project Committee (Chairman: CAO)	Deliberates on issues related to New Headquarters Project

- The Audit Division is established responsible for internal audits under the direct control of the President and Chief Operating Officer (about 50 members as of 1 April, 2019). 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, statutory regulations and other items 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 Chairman and Chief Executive Officer as well as the President and Chief Operating 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. Furthermore, a 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. Mr. Shingo Majima, Auditor, is qualified as a certified public accountant in Japan and Unites States of America, and has adequate knowledge and experience in the fields of finance and accounting. In addition, Mr. Kentaro Uryu and Mr. Kotaro Ohno, both Corporate Auditors, are qualified as a lawyer in Japan and have adequate knowledge and experience in the field of law.

[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 Chairman and Chief Executive Officer 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. In case that an Executive Officer breaches the Executive Officers' Regulation of the Company or otherwise his or her performance is judged to be not appropriate, the Chairman and Chief Executive Officer (or the chairman of the Nomination Committee) firstly makes a proposal of dismissal, and the Board of Directors dismisses such Executive Officer by its resolution based on the deliberation and advice of the Nomination Committee.

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, officers in charge of headquarters administrative functions, one appropriate Division Company president, and such several outside directors that the percentage of outside directors in our Board of Directors is one-third or more 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, 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 the Chairman and Chief Executive Officer taking into consideration diversity such as knowledge, experience, gender and international experience, 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 adequate expertise in finance and accounting. Candidates for corporate auditors are selected by the Chairman and Chief Executive Officer after the discussion with the executive Corporate Auditors and 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.

[Outline of Limitation of Liability Contracts]
Pursuant to Article 427, Paragraph 1, of the Companies Act, ITOCHU has entered into limitation of liability contracts with respect to liability as set forth in Article 423, Paragraph 1, of the Companies Act with outside directors Ms. Atsuko Muraki, Mr. Harufumi Mochizuki and Mr. Masatoshi Kawana and outside corporate auditors Mr. Shingo Majima, Mr. Kentaro Uryu, and Mr. Kotaro Ohno. Under these contracts, their liabilities are limited to the lowest amount of liability pursuant to Article 425, Paragraph 1, of the Companies Act if and so long as they have acted in good faith and without gross negligence in performing their duties.

3. Reason for Adopting the Current System **Revised**

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 appointed outside directors the percentage of which is one-third or more of the total number of the directors, and keep this percentage of outside directors also in FY2019 and onwards. And, the Company has already appointed independent outside directors and established 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 multiple highly independent outside directors, the said advisory committees to the Board 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 and on TDnet 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. Furthermore, since the Ordinary General Meeting of Shareholders held in June 2015, the Company has posted its convocation notice on its website and on TDnet before posting the notice to shareholders.

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: https://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, as either presentations or online conferences.

Holding Regular Meetings for Foreign Investors	Yes	Meetings are held in Europe, North America, Hong Kong and Singapore etc.
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, reports (*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.)	In our corporate philosophy, we declare that the ITOCHU Group values our individuals and society and fulfills our responsibilities to bear the wealth for the future. Compatible with the medium-term management plan and in order to promote response to issues related to companywide sustainability such as social and environmental problems, we have formulated the basic policies for sustainability promotion in the timing of formulating the said management plan, and "Mutual trust building with society" is clearly stated in the basic policies and published. We aim to have our Company trusted by increasing information to be disclosed, receiving interactive dialogue with stakeholders, receiving expectations and requests from society, and practicing them.
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	Founded since 1858, we have inherited the spirit of Ohmi merchant's management philosophy "*Sampo Yoshi* (Good for the seller, Good for the buyer, and Good for the society)" for such a long period of more than 160 years, and, based on the corporate philosophy "Committed to the Global Good", we believe that it is important to increase sustainable corporate value through our business and fulfill our social responsibilities. Measures for promoting company-wide sustainability, such as social and environmental issues, are planned by the Sustainability Management Department, promoted by domestic and international organizations under the decision of CAO who are responsible for company sustainability. Regarding the formulation of policies and important matters, discussions and decisions are made at the "Sustainability Committee", one of the main internal committees, and the main activities of sustainability promotion are regularly reported to the Board of Directors. In addition, we regularly grasp social expectations and requests for our Company through "Sustainability Advisory Board" aiming at dialogue with internal and external stakeholders, and make use of them in promoting sustainability. In April 2018, we identified material sustainability issues (materiality) incorporating environmental, social and governance (ESG) perspectives. As a specific measure to identify materiality and contribute to solving social issues, we are putting it in the "Sustainability Action Plan" for each business field. This plan sets out "commitment" showing medium and long-term growth and as to how to provide society with value, concrete "response approach" and "outcome indicator" to achieve commitment, and promotes sustainability throughout the entire Company. To resolve the materiality through our business field leads to

	the "sustainable growth through a reinvented *sampo yoshi* approach" which we aim for in the medium-term management plan "Brand-new Deal 2020". Our sustainability efforts to fulfill our responsibility to society now and to the future also contribute to achieving "sustainable development goals (SDGs)" adopted by the United Nations in 2015. In 1997, we introduced the environmental management system (EMS) based on ISO 14001 for the first time as a trading company, and actively engage in environmental protection business that utilizes a wide range of functions as Trading House and network, and we, not only the Company but also our entire group, are promoting efforts in response to the growing global environmental issues such as global warming. Since 2009, we are also participating in the United Nations Global Compact, a global effort to realize sustainable growth in the international community. We are actively participating in activities as a member company of "Global Compact Network Japan" (GCNJ), a local network of the United Nations Global Compact. In accordance with the ten principles of "Human Rights", "Labor", "Environment" and "Prevention of Corruption", we practice the concept of the UN "Guiding Principles on Business and Human Rights" for risk management and promote our employees. ■ Please visit the following URL to see our sustainability action plan thorough our business activities. https://www.itochu.co.jp/en/csr/activities/actionplan/index.html
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	1. Supporting the success of human resources diversification In our recognition, an "attractive company and corporate culture" is that there exists an environment in which each employee can actively perform his or her ability without being conscious of gender, nationality, and age, and such environment leads to strengthening individual and organizational performance as well as enhancing profitability. In particular, as global competition intensifies, "organizational diversity" is indispensable in order to respond precisely to the various needs of the market and to continuously create new business and added value. Based on this idea, the Company formulated the "Human Resource Diversification Promotion Plan" in December 2003, and, during 10 years thereafter, expanded the number of diversified human resources, promoted their settlement and performance, and prepared the support system for compatibility between life events such as nursing and caring and work at a level higher than the statutory level. Currently, with utilizing these systems as safety nets, we sincerely make an individual support according to their life stage and career as by "*Gen*(front)･*Kotsu* (individual)･*Tsu* (connection) *Kaikaku*". These efforts were evaluated, and we were awarded Platinum Kurumin Company from Ministry of Health, Labor and Welfare, FY2015 Nadeshiko stock, New Diversity Management Company Top 100, and FY2017 Equality/Compatibility Promotion Company Award, Family-Friendly Company Division, of Minister of Health, Labor and Welfare. 2. Promoting women success What we mostly focus on human resources diversification is support for women success. Under the "Human Resource Diversification Promotion Plan", we expanded the number of women employees, gradually expanded childcare and nursing care-related regulations, established in-house childcare centers, and

	implemented mentor and career forums. Currently, under the action plan corresponding to the Act on Promotion of Women's Activities, we provide carefully individualized support according to individual's life stage and career, and, by providing training for developing young women' career awareness and promoting awareness of managers, we promote mainly improving the environment that women can actively work as well as developing women candidates for managers in the next generation. Specifically, we have introduced (a) support for employees posted overseas to take their children along without taking their spouse, (b) a system that permits leave of absence in the event of the transfer of a spouse and reemployment system within 5 years, (c) the work from home system, which is applied based on specific criteria to employees who have time constraints due to childcare, nursing care, or similar reasons and those who have difficulty commuting for reasons such as pregnancy, injury, or illness, (d) transfers from clerical positions, (e)three-party meeting on return from childcare leave and follow up meeting for those who have returned to work from childcare leave, (f) interviewing system for women's employees before and after transfer to overseas, (g) preparation of individual career plan for the next generation management and (h) sending women employees to the external training session. 【ITOCHU's Action Plan】 https://www.itochu.co.jp/en/files/action_plan_kohyo.pdf 3. Promotion of Working-Style Reform For our company aiming for management based on a small number of elite personnel systems, it is essential to achieve high productivity and individual employee skills. We regard "Working-Style Reform" as an important measure of the management strategy for improving corporate value, consider the customer's perspective first, and are practicing measures aiming for not "easy to work", but "a company that takes on challenges and accomplishes worthwhile work. We introduced "Morning Focused Working System" in FY2014 and affected the working-style reform of government as well as many private entities and thereafter, developed "Health and Productivity Management" in FY2017 and "full support measures for balancing cancer care and work" and "Dress-down Days" in FY2018. As a pioneer of Working-Style Reform, we will promote measures unique to ITOCHU, and we will realize a workplace where all employees have a sense of motivation and can work with peace of mind without worry. 4. Health and Productivity Management To maintain further growth and maintain competitiveness, we believe that an environment in which each and every employee can demonstrate the maximum results is essential, and we believe that it is the cornerstone of strengthening good health of each employee. Under the idea that improvement of "good health" of each employee leads to realization of permanent enhancement of corporate value that is beneficial not only for "employees" but also for "company" and "shareholders", we regard health and productivity management as one of our management strategies and we established ITOCHU Health Charter in June 2016. With this charter as the core, we strongly promote morning focused working system, increase the acquisition rate for the vacation leave, strengthen support system for "meals" and "exercise" (company-wide deployment of health management applications and introduction of individual guidance programs using wearable terminals etc.), and improve the vitality of our employees both mentally and physically through measures such as maintenance of mental health and strengthening of mental response. From August 2017 we introduced "full support measures for balancing cancer care and work" based on the idea that the working environment where our

	employees can survive serious diseases such as cancer and continue to work as much as they wish with no worry, and the Company support such employees leads to motivation and challenge of our employees themselves, and at the same time, their colleagues as well as the organization which such employees work for cooperate each other and thus such cooperation strengthens our organization. As a leading company of health and productivity management, we are awarded "Health Management Stock 2016 · 2017" and "A company promoting cancer care and developing actions" from Minister of Health, Labor and Welfare Award. We will actively promote health and production management in the future.

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 as of 1 April, 2019, which the Board of Directors approved on 19 April, 2006 (and partially revised as of 6 May, 2016).

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 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 Operating 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 as a supporting body to the President and Chief Operating Officer, and a number of other internal committees, are to facilitate the proper and agile decision-making by the President and Chief Operating 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

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 (FY2020), chaired by CAO and with the Corporate Planning & Administration Division as

secretariat, consists of CFO, 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 FY2018, the Internal Control Committee met 2 times, the Compliance Committee 2 times, and the ALM Committee 10 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 2, 2018, 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, 2018 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.

Please refer to Chart 2 for ITOCHU's Corporate Governance and Overview of Internal Control System below.

[Overview of System for Timely Disclosure]

1. Internal Organizational Structure

The company has established internal rules for the handling 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. Also, the company assigned in each division company persons in charge of corporate communication and investor relations, and endeavors to do timely disclosure by closely communicating with such persons in charge.

The Investor Relations Department, promptly after the public announcement of our financial result in each year, notifies each division company and headquarters administrative departments of the criteria and other details related to our and our subsidiaries' qualitative and quantitative information which is required to timely disclose pursuant to the relevant regulations of Tokyo Stock Exchange, and holds explanatory sessions, regularly and if required, to relevant departments in our company in order to strictly follow the regulations of Tokyo Stock exchange, thereby promoting the awareness of such timely disclosure rules.

2. Decision of timely disclosure

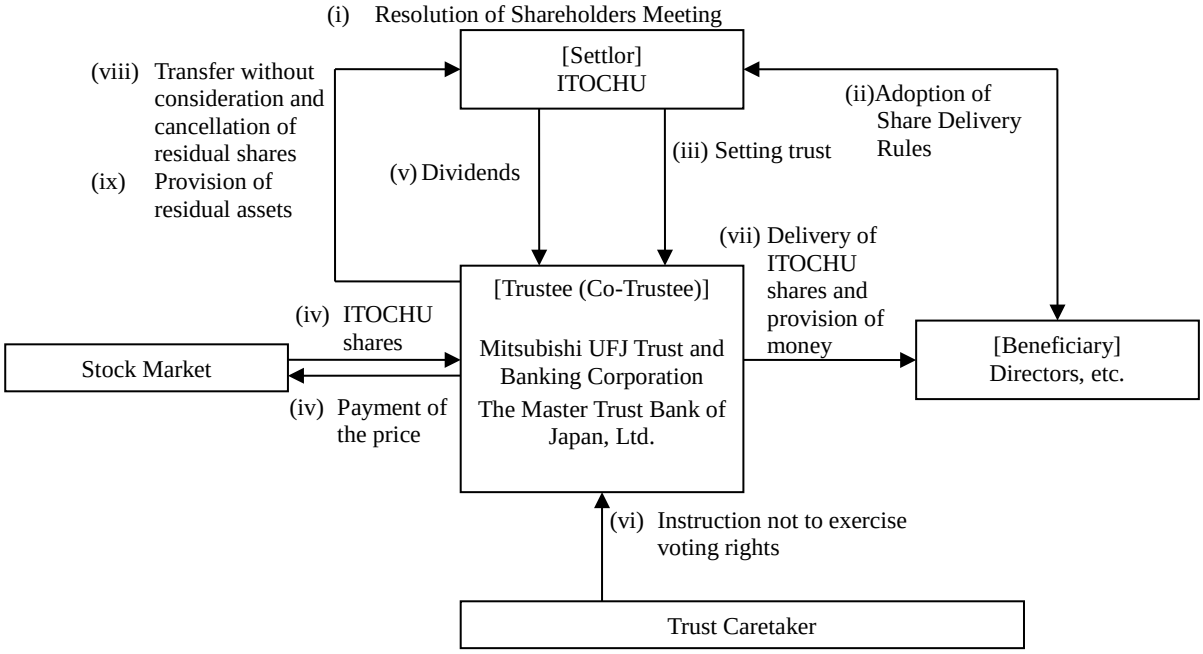
Our decision for timely disclosure is as follows.

(1) The person in charge of each division company, of each domestic or 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 to disclose based on the regulations of the Tokyo Stock Exchange.

(2) 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, he/she requests the approval of the CFO about the disclosure.

(3) 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.

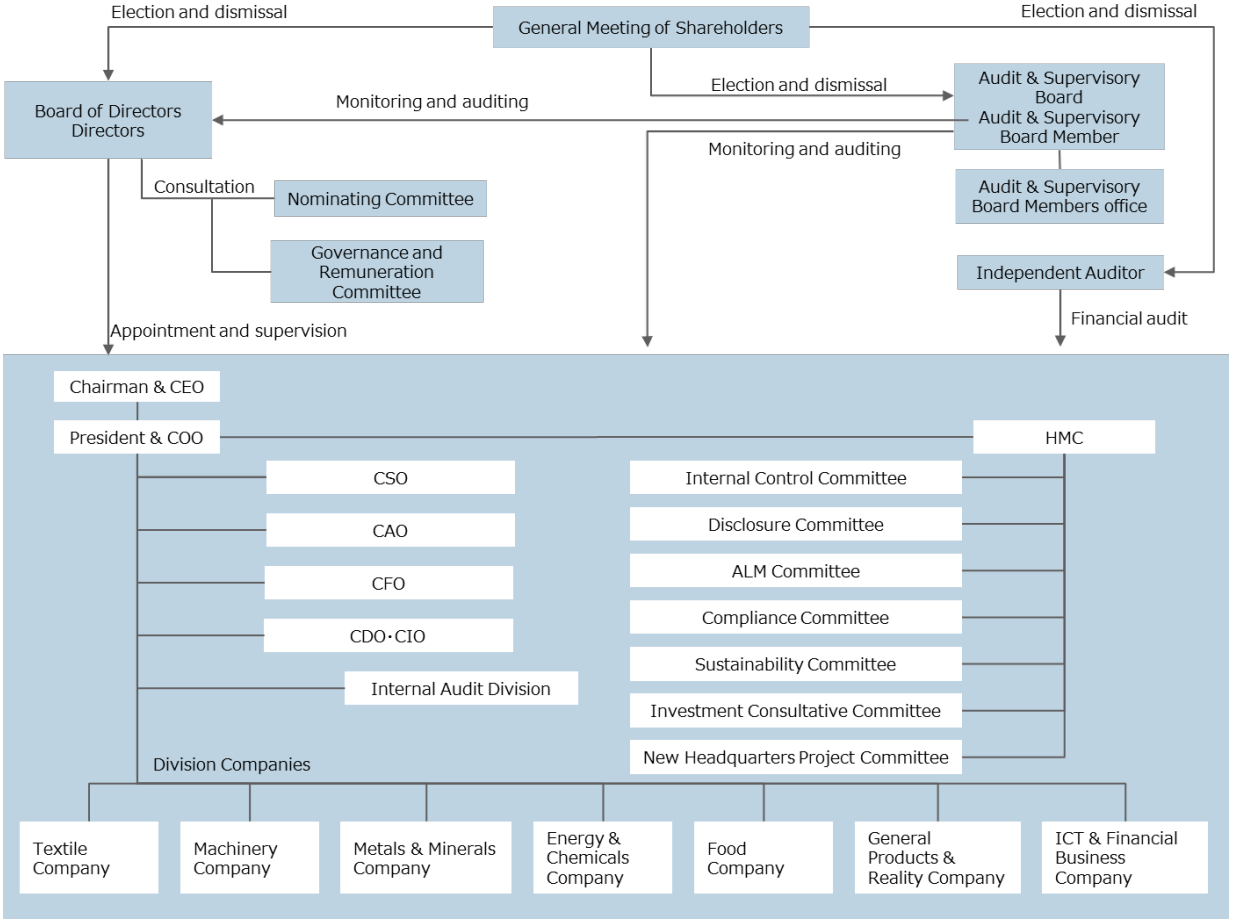
[Chart 1] Overview of the BIP Trust



(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 stock 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

(As of 1 April, 2019)



*1 CEO＝Chief Executive Officer
COO=Chief Operating Officer
CSO=Chief Strategy Officer
CAO＝Chief Administrative Officer
CFO＝Chief Financial Officer
CDO・CIO＝Chief Digital & Information Officer
HMC＝Headquarters Management Committee
ALM＝Asset Liability Management

*2 CAO is the chief officer for compliance. Also, each Division Company has a Division Company president.

*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

[Chart 3]Overview of System for Timely Disclosure

