

CORPORATE GOVERNANCE

ITOCHU proactively works to reinforce corporate governance, recognizing it as one of the most important issues for management. Our basic policy is to establish a highly transparent management system that benefits stakeholders, including stockholders, through the following approaches:

- 1. Enhance transparency in decision-making processes**
- 2. Strengthen corporate information disclosure and management accountability**
- 3. Thoroughly manage risk, which includes compliance with laws and regulations**
- 4. Maintain business ethics through the strict application of rewards and punishments**

Management System

ITOCHU has established a management system to facilitate the work of the Board of Directors and its members. The system maintains the number of Board members at a level that allows swift decision-making. It also separates business execution from management supervisory functions by introducing the executive officer position, thus

permitting directors and executive officers to carry out each of their roles more effectively.

We have established a compensation system for directors and executive officers that is tied to business performance and evaluates how well they have fulfilled their required functions. In addition, we will bring more clarity to the tie between performance and directors' compensation by discontinuing the directors' retirement and severance system after the regular general meeting of stockholders in 2005.

We also have an Advisory Board composed of outside experts from various fields. The Board's independence allows us to obtain useful opinions on management from an objective point of view.

Instead of creating a company with a Committees System, we will continue to reinforce our corporate governance system by enhancing the current corporate auditors system, which is predicated on management supervision by the Board of Corporate Auditors, an organization that is independent of the Board of Directors, because we believe it is well suited to ensuring adequate independent monitoring.

Current ITOCHU's Corporate Governance System

