

## Outline of the Basic Policy Regarding the Internal Control System

## 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 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. The executive officers are to be appointed pursuant to a resolution by the Board of Directors, and are to carry out their designated functions and duties under the command and supervision of the 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 and employees are to conduct themselves in accordance with the "ITOCHU's Credo and Way" and the "ITOCHU Corporation Code of Conduct."
- 2) ITOCHU is to establish a department that oversees all compliance matters, including all matters relating to the Chief Compliance Officer and the CSR Compliance Committee. 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 Chief Financial Officer to ensure the reliability of financial reporting.
- 2) ITOCHU is to establish the Disclosure Committee and regularly review and improve 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. 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 Stockholders, 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.

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

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

**4. System to Ensure Efficient Performance of Directors****(1) The HMC and other Internal Committees**

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

**(2) Division Company System**

Under the Division Company System, the position of 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 Corporation and its Subsidiaries)****(1) Subsidiary Management System**

ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation 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 Corporation is to send directors and auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.

**(2) Compliance**

ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system at each subsidiary in accordance with the "ITOCHU Group Compliance Program," and is to implement full compliance in the entire ITOCHU Group through education and training.

**(3) Internal Audits**

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 Auditors and Independence of such Personnel from the Directors**

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 Board of Corporate Auditors, and evaluation of such employees is to be carried out by the Corporate Auditors designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by the Board of Corporate Auditors.

**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 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.

**8. Other Relevant Systems to Ensure the Proper Functioning of Audits****(1) Coordination with the Auditors in 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 External Experts**

When deemed necessary, the Corporate Auditors are to independently retain external experts for the implementation of an audit.