

## (Delayed) Corporate Governance Report

*Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of ITOCHU ENEX Co., Ltd., which has been reported to the Tokyo Stock Exchange. ITOCHU ENEX Co., Ltd. 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.*

Last Updated: June 19, 2019

**ITOCHU ENEX Co., Ltd.**

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The corporate governance of ITOCHU ENEX Co., Ltd. (the Company) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

In accordance with the Employee Code of Conduct and the Declaration of the Group Code of Conduct, the Company will always concentrate on persistently pursuing compliance as people in the business world, focus on shareholder returns, and ensure managerial transparency. In terms of corporate management, it will place emphasis on positive action towards information disclosure with a view to securing managerial transparency, and will endeavor to make swift and accurate disclosures.

○ Employee Code of Conduct: Be Ethical (reliability and sincerity, creativity and flair, transparency and integrity)

○ Declaration of the Group Code of Conduct: The Declaration applies to officers and employees of the Company and its group companies. The Company declares that they will carry out day-to-day duties as conscientious members of the business world and society with constant awareness of being ethical as stipulated in the Employee Code of Conduct.

(1) Relationship with Customers

1) Safety: Safe and secure transactions / Quality management of products and merchandise

2) Sincere response: Improvement of service quality / Management of customer information / Handling of accidents and complaints

(2) Relationship with Business Partners

Fair transactions / Management of corporate information

(3) Relationship with Suppliers

Fair purchasing / Compliance with anti-monopoly law / Procurement standards

(4) Relationship with Employees

Respect for human rights / Respect for health and safety / Comfortable workplace environments / Fair personnel assignments and employment / Appropriate personnel evaluation and treatment / Use of dedicated consulting channels / Prohibition of sexual and power harassment

(5) Relationship with Corporate Properties

Protection of properties and assets/ Appropriate accounting procedures / Management of confidential information

(6) Relationship with Local Communities

Social contribution activities / Dialogue with citizens / Relationship with national and other public authorities

(7) Environmental Activities

Ongoing environmental activities / Environmentally conscious business / Environmental management / Green procurement

(8) Relationship with Shareholders and Investors

Accurate information disclosure / Stable distribution of profits / Active investor relations activities

(9) Moderation in Corporate Behavior

Compliance / Prohibition of insider trading / Giving and receiving gifts / Compliance with the Political Funds Control Act / Prohibition of relationships with antisocial forces / Health management

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

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

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

(Principle 1.4)

- Cross-shareholdings

〈Policy on cross-shareholdings〉

The Company has a policy of holding shares of any customer or business partner solely on the condition that holding such shares is deemed to have commercial potential in the future and is strategic. The policy is limited to holdings in which the chances of achieving an investment return are high and the holdings contribute to increasing the Company's corporate value.

With regard to such shares we already hold, the Board of Directors examines the reasonability of the holding of individual shares every year and the continuation or reduction of cross-shareholdings will be properly determined from the perspective of the chances of achieving the expected investment purpose or whether or not they are creating economic added-value that may lead to enhancing the Company's corporate value.

Examination results as of the end of May 2019 are as follows:

The Company specifically examined the cross-holding shares the Company holds (all 12 issues), to determine whether or not the purpose of the crossholding is appropriate on an individual issue basis, and whether or not benefits or risks associated with the cross-shareholdings are commensurate with the Company's capital cost. As a result, while it was confirmed that there were issues the holdings of which are appropriate, it was also confirmed that there were some issues the Company is to consider in reducing the holding after examining the significance of the holding them going forward.

〈Standard for exercising voting rights as to cross-shareholdings〉

In exercising voting rights concerning the cross-shareholdings, the Company makes it a rule not to abstain from voting, so as not to give another party carte blanche in principle. Moreover, the Company makes a decision for and against each proposal tabled after examining individual proposals, not using uniform standards such as short-term operating results/share prices, but taking the perspective of whether or not it will help increase the medium- or long-term corporate value of the Company and the companies in which shares are held, in view of non-financial information such as the business policies, strategies and suchlike of the company in which shares are held.

(Principle 1.7)

- Related party transactions

〈Transactions with the parent company〉

The Company determines the conditions for transactions with its parent company in the same manner as the conditions for general transactions in consideration of the market prices. For any transaction for which it is

impossible to refer to the market price, the Company ensures its appropriateness by, for example, collecting comments from an outside third party that is independent from the Company or from its parent company and by deliberating its appropriateness at a Board of Directors' meeting attended by Outside Directors, Outside Audit & Supervisory Board Members and other personnel.

<Transactions between directors and the Company>

The Company closely examines whether or not the conditions for transactions with any of its Directors are appropriate through the predetermined decision-making procedures, including deliberations by the Board of Directors attended by Outside Directors, Outside Audit & Supervisory Board Members and other personnel, in accordance with laws, ordinances, the Board of Directors Regulations and the Company's other internal rules.

(Principle 2.6)

-Fulfill function as a Corporate Pension Asset Owner

Although the Company does not participate in a specific corporate pension fund, it has introduced a defined contribution pension plan to enable employees to build assets. The Company regularly confirms investment products with the cooperation of the asset management institution. In addition, the Company has been continuously providing employees with opportunities to understand the status of their investments and receive education on asset management from the time they join the Company.

(Principle 3.1 i))

- Business principles and business plans

The Company publishes its corporate philosophy on its website. Please refer to:

<https://www.itcenex.com/english/corporate/mission/>

In addition, on April 26, 2019, the Company announced its medium-term business plan for FY2019 to FY2020, entitled *Moving 2020 Horizons*. Positioning this period as a time for making a further leap forward, the Company will promote growth strategies and enhance its organizational base by taking advantage of the foundations it has built to date. For the details, please refer to:

<https://www.itcenex.com/english/ir/policy/plan/>

(Principle 3.1 ii))

- Basic views and guidelines on corporate governance

For the Company's basic views on corporate governance, refer to I-1. *Basic Views* above.

In accordance with these basic views mentioned above, the Company adopts a basic policy on corporate governance as stated below.

1. Ensuring shareholders' rights and equality

The Company will take the appropriate action to effectively ensure shareholders' voting rights at the General Meetings of Shareholders and other rights.

2. Appropriate collaboration with non-shareholding stakeholders

In accordance with the Company's Employee Code of Conduct and Declaration of the Group Code of Conduct, the Company will aim to develop itself constantly for a long time and to continuously boost its corporate value as a company that is attractive to customers, business partners, employees, national and other public authorities, local communities and all other stakeholders that the Company regards as important.

3. Appropriate information disclosure and ensuring transparency

In addition to proper disclosure in accordance with the statute, the Company will proactively undertake information disclosure as required in the principles of the Corporate Governance Code for the purposes of ensuring the transparency and fairness of the Company's decision-making and of achieving effective corporate governance.

4. Duties of the Board of Directors and other bodies

The Board of Directors has the duties of determining the basic management policy and supervising the management. It also makes decisions on business execution of great quantitative and qualitative significance in addition to prerogatives as specified in laws and ordinances. Meanwhile, in view of the importance of prompt decision-making, the authority to make decisions on ordinary business execution is increasingly delegated to Directors and Executive Officers, and the board will supervise their execution status. As personnel elected by shareholders to undertake business management, Directors have the obligation of loyalty and diligence in fulfilling their duties to contribute to the Company's continuous growth and to medium- and long-term increases in corporate value.

5. Dialogues with shareholders

The Company endeavors to facilitate dialogues with a view to building good relationships with investors, including shareholders, in accordance with its IR Basic Policy. The department responsible (Corporate

Communications Office, Corporate Planning Department) and the Officer responsible for IR operations (CFO, CCO, and CIO) facilitate dialogue as part of IR communications activities. The opinions and requests obtained through IR communications activities are fed back to management as necessary, and the Company endeavors to use this feedback to continually improve corporate value.  
IR Basic Policy <https://www.itcenex.com/english/ir/policy/basicpolicy/>

(Principle 3.1 iii))

- Policies and procedures in determining remuneration

The remuneration for each Director, except Outside Directors and Non-Executive Directors, comprises monthly remuneration, bonuses and performance-linked stock remuneration. The monthly remuneration and the bonus are determined on the basis of the standard amounts for different ranks in consideration of the short-term results and the level of contribution to the Company, whereas the amount of stock-based remuneration paid is determined on the basis of consolidated net profit attributable to the Company's shareholders for the predetermined period subject to performance evaluation.

The monthly remuneration alone is paid to Outside Directors and Non-Executive Directors, and no bonus or stock-based remuneration is paid to them. The remuneration for Audit & Supervisory Board Members is determined through deliberations of the Audit & Supervisory Board, and no bonus or stock-based remuneration is paid to them. For details about the method of calculation of remuneration for Directors for FY2018, please refer to *Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods* in 1. *Organizational Composition and Operation* in II. *Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management* below.

(Principle 3.1 iv))

- Policies and procedures in the nomination/dismissal of the executive management and the nomination of Director and Audit & Supervisory Board Member candidates

For policies and procedures in the nomination/dismissal of the executive management and the nomination of Director candidates and Audit & Supervisory Board Member candidates, refer to Policies and Procedures in the Nomination/Dismissal of the executive management and Nomination of Director and Audit & supervisory board member candidates in 2. *Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)* in II. *Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management* below.

(Principle 3.1 v))

- Explanations with respect to individual appointments and nominations

The Company discloses reasons for individual nominations with respect to all Director candidates and Audit & Supervisory Board Member candidates, in addition to reasons for the nomination of Outside Director candidates and Outside Audit & Supervisory Board Member candidates already disclosed previously. Further details can be found on page 6 to page 17 of the *Notice of the 59<sup>th</sup> Ordinary General Meeting of Shareholders* posted on the Company's website. Please refer to

[https://www.itcenex.com/english/ir/stockholder/general\\_meeting](https://www.itcenex.com/english/ir/stockholder/general_meeting)

(Supplementary Principle 4.1.1)

- Scope of matters delegated to the management

The Company is pressing ahead with the delegation of decision-making on ordinary business execution to the management to the extent permitted by laws and ordinances. The Board of Directors not only supervises business execution by the management and makes decisions on corporate governance, but also makes decisions on the business execution of major quantitative and qualitative significance. The Company's Board of Directors Regulations specify the matters to be referred to the board.

(Principle 4.9)

- Criteria for Determining Independence

In regard to criteria for determining the independence of Outside Directors, the Company determines such independence after confirming the presence or absence of conditions (1) through (5) below and in accordance with the requirements for independence set forth by the Tokyo Stock Exchange, Inc. and other financial exchanges.

(1) Is not currently, nor has ever been within the past 10 years, an Executive\* of the Company or of a subsidiary of the Company (for Outside Audit & Supervisory Board Members, this includes Directors who

are not Executives).

(2) Is not currently, nor has been within the past 3 years, an Executive or director of the Company's parent company or an Executive of another company owned by the Company's parent company.

(3) Is not currently, nor has been within the past 3 years, a major shareholder owning a stake of 10% or more, either directly or indirectly, of the Company's shares, or an Executive of such shareholder.

(4) In either the most recent financial reporting period or during the three periods preceding the most recent financial reporting period, has not been a major customer comprising more than 2% of the turnover (sales or transaction volume) during the Company's most recent financial reporting period in which such transactions took place, or an Executive of such customer.

(5) Within the past 3 years, has not served as a consultant or accounting, legal, or tax specialist receiving annual compensation of 10 million yen or more from the Company in addition to Director's compensation (if the person receiving such compensation is an organization, such as a corporation or association, a person who belongs to such organization).

\* "Executive" refers to Directors, Executive Officers, and other such employees.

(Supplementary Principle 4.11.1)

- Constitution of the Board of Directors

The Company considers that the appropriate range of the number of Directors for effective deliberations of the Board of Directors is roughly eight to twelve. It nominates inside and outside human resources with distinguished personalities and knowledge as Director candidates. Particularly with regard to Outside Directors and Officers, the Company nominates those with knowledge in specialized areas such as business administration, law, accounting and energy. The Company aspires to have them involved in the supervision of its management and business execution from different perspectives so that it will result in the enhancement of the Company's corporate value.

(Supplementary Principle 4.11.2)

- Directors and Audit & Supervisory Board Members serving as Directors, Audit & Supervisory Board Members or management at other companies

In addition, important concurrent positions of its Directors and Audit & Supervisory Board Members have been disclosed in the notice of the General Meeting of Shareholders. For the disclosure for the current fiscal year, please refer to: [https://www.itcenex.com/english/ir/stockholder/general\\_meeting/](https://www.itcenex.com/english/ir/stockholder/general_meeting/)

(Supplementary Principle 4.11.3)

- Evaluation as to the Effectiveness of the Board of Directors

The Company asked all Directors and Audit & Supervisory Board Members to give their opinions, based on their own evaluation, of the effectiveness of the Board of Directors as a whole in FY2018, including the composition, operation status and support structure of the board. In consideration of such opinions, after deliberation by the Governance Committee, the Board of Directors conducted the evaluation as to the Effectiveness of the Board of Directors.

The evaluation of FY2018, as in the previous fiscal year, indicated that the Company has generally maintained a high level in each evaluation item, and that the operation of the Board of Directors of the Company was appropriate overall, securing its effectiveness. On the other hand, opinions and advice were provided on matters such as further enhancement of discussion on medium- to long-term strategy. The Company will draw on these evaluation results to seek to further improve the monitoring and decision-making functions of the Board of Directors.

(Supplementary Principle 4.14.2)

- Training policy

For the purpose of ensuring that its Directors and Audit & Supervisory Board Members fully perform their functions, the Company organizes a briefing for Outside Directors and Officers concerning matters to be referred to the Board of Directors through the administrative office of the board, business briefings in individual segments at the time of appointment, inspection tours of operations in Japan and overseas, regular lunch gatherings with the management and other events in an effort to ensure that they will properly recognize the Company's business details and managerial issues. In addition, the Company provides Directors and Audit & Supervisory Board Members with training sessions held by third party organizations and different workshops and briefings on matters they have requested as appropriate in order to offer them training opportunities according to their respective backgrounds and assigned duties.

(Principle 5.1)

- Policy for dialogue with shareholders

The Company provides for its policy on constructive dialogues with shareholders and equivalent parties in its IR Basic Policy as follows:

(1) When engaging in information disclosures and dialogues with shareholders, investors and other stakeholders, the Company places importance on two-way communication through dialogue, on the basis of compliance with relevant laws and regulations and rules, and endeavors to explain the Company's operating status, management policies and other information based on the principles of "timeliness," "fairness," "accuracy," "clarity" and "continuity."

(2) The Corporate Communications Office, Corporate Planning Department as a department handling practical operations report requests and comments made in the dialogues to the management from time to time.

(3) The Corporate Communications Office, Corporate Planning Department as a department handling practical operations work to promote dialogues with shareholders and investors on different occasions.

The Company's IR Basic Policy is published on its website. Please refer to: IR Basic Policy:

<https://www.itcenex.com/english/ir/policy/basicpolicy/>

## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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### [Status of Major Shareholders] Revised

Name / Company Name	Number of Shares Owned	Percentage (%)
ITOCHU Corporation	60,977,809	53.97
Japan Trustee Services Bank, Ltd. (trust account)	5,326,100	4.71
The Master Trust Bank of Japan, Ltd. (trust account)	4,538,200	4.02
Enex Fund	3,040,189	2.69
Japan Trustee Services Bank, Ltd. (trust account9)	2,041,200	1.81
JXTG Holdings, Inc.	2,009,780	1.78
GOVERNMENT OF NORWAY	1,587,914	1.41
Nippon Life Insurance Company	1,542,284	1.36
Itochu Enex Employee Shareholding Association	1,115,247	0.99
MAEDA ROAD CONSTRUCTION Co., Ltd.	956,600	0.85

Controlling Shareholder (except for Parent Company)	N/A
Parent Company	ITOCHU Corporation (Shares listed in Tokyo; Code: 8001)

### Supplementary Explanation Revised

Status of Major Shareholders mentioned above is as of the ends of March, 2019.

Stock ownership percentage described in the Status of Major Shareholders is calculated excluding treasury stock.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the	More than ¥1 trillion

Previous Fiscal Year	
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

As is the case with the conditions for general transactions, the Company determines the conditions for transactions with ITOCHU Corporation, which is its parent company and controlling shareholder, in consideration of market prices. For transactions for which it is impossible to refer to market prices, the Company, depending on the significance, collects opinions from outside third parties that are independent from the Company and from its parent company and discusses the appropriateness of the applicable conditions at the Board of Directors meeting attended by Outside Directors and Outside Audit & Supervisory Board Members and other personnel in a bid to ensure the appropriateness of transactions.

#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

As the parent company, ITOCHU Corporation owns 53.97% of the voting rights of the Company. The Company is a consolidated subsidiary of ITOCHU Corporation and a core company in domestic sales of petroleum products and in the business of imports to and exports from Japan in the ITOCHU Group. As a significant business partner, the Company exchanges information and personnel concerning transactions of petroleum and other products and domestic and international crude oil and petroleum product market trends, and pushes ahead with business activities concerning electric power, environmental business and global projects. The Company understands that its business is not constrained by the parent company and that it is capable of making independent managerial decisions while retaining its own initiative and autonomy. Some of the Company's Directors hold additional posts at ITOCHU Corporation and in its corporate group and the Company accepts human resources dispatched from them, and vice versa, but they do not hinder the Company in making independent managerial decisions, and the Company maintains its independence.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President and Chief Executive Officer
Number of Directors	9
Election of Outside Directors	Yes
Number of Outside Directors	3
Number of Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Seiichi Shimbo	From another company												
Ichiro Saeki	Attorney												
Motoyo Yamane	From another company												

- \* Categories for “Relationship with the Company”
- \* ”○” when the Director presently falls or has recently fallen under the category; “△” when the Director fell under the category in the past
- \* “●” when a close relative of the director presently falls or has recently fallen under the category; “▲” when a close relative of the Director fell under the category in the past
- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or Executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an Executive thereof
- e. Major client or supplier of the listed company or an Executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (or an Executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors’ Relationship with the Company (2) Revised

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Seiichi Shimbo	Yes	<p>April 1975: Joined Tokio Marine Fire Insurance Co., Ltd. (now Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.)</p> <p>June 2015: Appointed as an Outside Director and an Independent Director of the Company</p>	<p>At Tokio Marine &amp; Nichido Fire Insurance Co., Ltd., Seiichi Shimbo has held the positions of General Manager for the Corporate Planning Department, General Manager for the Third Automotive Sales Department, and Managing Executive Officer. He has been nominated to another term as Outside Director because the Company deemed that he can provide management advisory and appropriate supervision of the execution of operations from an objective perspective based on his broad knowledge and extensive experience in the finance and automobile-related businesses.</p>
Ichiro Saeki	Yes	<p>Attorney and scholar</p> <p>April 1975: Joined The Nippon Credit Bank (currently, Aozora Bank, Ltd.)</p> <p>April 2007: Appointed as a professor at the law school of Aoyama Gakuin University</p> <p>June 2016: Appointed as an Outside Director and an Independent Director of the Company</p>	<p>Ichiro Saeki has specialized knowledge in his capacity as an attorney and extensive experience with corporate legal affairs. He also acquired broad knowledge of banking and finance during his tenure at Nippon Credit Bank Ltd. (currently, Aozora Bank, Ltd.). He has been nominated to another term as a candidate for Outside Director because the Company believes that his deep knowledge of banking and finance will enable him to contribute to the proper oversight of the Company’s business conduct and offer advice from an objective and expert point of view.</p>



Motoyo Yamane	Yes	April 1971: Joined Japan Broadcasting Corporation June 2019: Appointed as an Outside Director and an Independent Director of the Company	Motoyo Yamane worked in the broadcasting industry for many years, where she was involved in the operation of organizations and the development of human resources. She also has sat on various expert committees related to social contribution and cultural activities. She has been newly nominated as a candidate for Outside Director because the Company believes that, based on her knowledge and various perspectives gained through her career, she will suitably provide advice to the Company management and contribute to the proper oversight of the execution of the Company's business.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Governance Committee	Governance Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	2	2
Chairperson	An outside Audit & Supervisory Board Members	An outside Audit & Supervisory Board Members

#### Supplementary Explanation

“Other” in the table above refers to one Outside Audit & Supervisory Board Members.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments Revised

The Company has established the Audit Department under the direct control of the President as a body that monitors and examines whether the internal control system is operating properly. In accordance with the audit regulations, the Audit Department carries out regular internal audits and reports the results to the President and

audit & supervisory board members. It also performs follow-up audits to inspect the implementation of actions for remediation and improvement in the aspects noted or suggested in internal audits. The department consists of 5 audit staff members in addition to the General Manager, Audit Department.

The Audit Department carries out the improvement of the internal system, the regular assessment of the implementation status and the enhancement of its implementation for the purpose of ensuring the appropriateness of financial reporting. The Company has appointed 4 internal control staff members. In the audit performed by Audit & Supervisory Board Members, individual Audit & Supervisory Board Members attend the board meetings and other important meetings, receive reports from Directors and employees on their business execution status, ask them for explanations if necessary, inspect significant decision-making documents, carry out investigations into operational and asset conditions at the head office and other major branches and monitor and verify the state of the internal control system in accordance with the Audit & Supervisory Board Member auditing standards, the audit policy and the allocation of duties determined by the Audit & Supervisory Board.

The Company has a total of 4r Audit & Supervisory Board Members. 2 of them are Standing Audit & Supervisory Board Members, and the other 2 are Non-Standing Audit & Supervisory Board Members.

The Company has contracted with Deloitte Touche Tohmatsu LLC as accounting auditor in accordance with the Companies Act and the Financial Instruments and Exchange Act to perform audits of the Company pursuant to the two laws mentioned above. From its standpoint as an independent third party, the accounting auditor performs an audit of the financial statements. Upon the receipt of the audit results, the Company exchanges opinions as required with respect to internal control and other issues to be considered and receives advice on matters to be addressed. The following specifies the certified public accountants who implemented the accounting audit operations for the Company.

Designated Limited Liability Partner:

(Name of Certified Public Accountant) Katsuhiko Igarashi,  
 (Name of Audit Corporation) Deloitte Touche Tohmatsu LLC,  
 (Continuous audit period) 7 years

Designated Limited Liability Partner:

(Name of Certified Public Accountant) Kazuhiro Souda,  
 (Name of Audit Corporation) Deloitte Touche Tohmatsu LLC,  
 (Continuous audit period) 2 year

The assistants to the accounting audit operations consisted of 15 certified public accountants and 10 other personnel.

- Audit & Supervisory Board Members and the Audit Department hold regular meetings to mutually study and exchange views on the internal audit results and matters noted or suggested. In addition, Audit & Supervisory Board Members attend internal audits if necessary. They therefore work on the close exchange of information and mutual collaboration.

- Audit & Supervisory Board Members and the Audit Department strive to work together by, for instance, closely exchanging information and opinions on the development and implementation of the internal control system.

- Audit & Supervisory Board Members and the Audit Department attend meetings at which the accounting auditor reports on the audit results, and collaborate with the accounting auditor by regularly exchanging information and opinions with it.

Appointment of Outside Audit & supervisory board members	Appointed
Number of Outside Audit & supervisory board members	3
Number of Independent Audit & supervisory board members	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yuji Moritsuka	From another company													
Shozo Tokuda	CPA													
Toyohiro Sunayama	From another company			△		△				△				

\* Categories for “Relationship with the Company”

\* ”○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “△” when the Audit & Supervisory Board Member fell under the category in the past

\* “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “▲” when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-Executive Director or accounting advisor of the Company or its subsidiaries

c. Non-Executive Director or Executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an Executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

#### Outside Audit & supervisory board members’ Relationship with the Company (2)

Name	Designation as Independent Audit & supervisory Board Members	Supplementary Explanation of the Relationship	Reasons for Appointment
Yuji Moritsuka	Yes	April 1974: Joins The Nippon Fudosan Bank, Limited (now Aozora Bank, Ltd.) June 2015: Appointed as a Standing Audit & Supervisory Board Member and an independent Audit & Supervisory Board Member of the Company	Yuji Moritsuka acquired broad knowledge of banking and finance during his tenure at Nippon Fudosan Bank Ltd. (currently, Aozora Bank, Ltd.). He also has abundant experience of Audit & Supervisory Board Member in other company. He has been nominated to another term as a candidate for Outside Audit & Supervisory Board Member because the Company believes that his deep knowledge of banking and finance will enable him to contribute to the proper oversight of the Company’s business conduct and offer advice from an objective and expert point of view.
Shozo Tokuda	Yes	April 1981: Joined Asahi & Co. (Currently, KPMG AZSA LLC) June 2017: Appointed	Shozo Tokuda has specialized knowledge in his capacity as a certified public accountant. He also acquired broad knowledge of corporate accounting. He has been nominated as Outside Audit & Supervisory Board

		as a Audit & Supervisory board member of the Company	Member because the Company believes that his deep knowledge of corporate accounting will enable him to contribute to the proper oversight of the Company's business conduct and offer advice from an objective and expert point of view.
Toyohiro Sunayama	No	April 1983: Joined C. Itoh & Co. Ltd. (Currently, ITOCHU corporation) June 2018: Appointed as a Standing Audit & Supervisory Board Member of the Company	Toyohiro Sunayama has many years of experience at ITOCHU Corporation, primarily in textile-related business, and corporate planning operations overseas, etc. He has been nominated as a new candidate for Audit & Supervisory Board Member because the Company deemed that he can provide management advisory and appropriate supervision of the execution of operations based on his broad knowledge regarding global business management and administrative business gained through abundant experience. Because he does not meet the Standards for Independence stipulated by the Financial Instruments Exchange and by the Company, he is not designated as an Independent Audit & Supervisory Board Member.

#### [Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	5
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#### Matters relating to Independent Directors/Audit & Supervisory Board Members

As mentioned in *Disclosure Based on the Principles of the Corporate Governance Code* in 1-I of this report, the Company has the standards for the independence of Outside Directors and Audit & Supervisory Board Members formulated by its Board of Directors.

#### [Incentives]

Incentive Policies for Directors	Introduction of a performance-linked stock remuneration plan
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#### Supplementary Explanation

The Company has a performance-linked stock remuneration plan as a performance-linked remuneration program. This remuneration is linked with medium- and long-term performance. More specifically, points are granted to Directors according to consolidated net profit attributable to the Company's shareholders, defined as a performance indicator in the Medium-Term Management Plan. At the time of their retirement, they acquire the number of the Company's shares commensurate with the total number of points granted. The plan is intended to thus provide an appropriate incentive.

Performance-linked stock remuneration is offered solely to Executive Directors.

Recipients of Stock Options	
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Supplementary Explanation
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None

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation
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Director/audit & supervisory board member remuneration for the fiscal year ended March 31, 2019 (Unit: million yen)

	Total remuneration, etc.	Base remuneration	Bonus	Stock-based remuneration	Number of persons
Directors (excl. Outside Directors)	256	161	91	3	9
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Member)	4	4	N/A	N/A	1
Outside Directors and Audit & Supervisory Board Members	79	79	N/A	N/A	6

Policy on Determining Remuneration Amounts and Calculation Methods <b>Revised</b>	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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The remuneration of each Director and Audit & Supervisory Board Member of the Company is composed of monthly remuneration, which is paid every month in a fixed amount determined based on the rank and job responsibility of each, a bonus as remuneration linked to the short-term business performance of the Company, and performance-linked stock remuneration linked to the medium- and long-term business performance of the Company. This structure is aimed at linking the remuneration more strongly with the Company's business performance and shareholder value while ensuring transparency and objectivity. The policy on determining the amount of each remuneration type is as follows.

<Monthly Remuneration>

This is a fixed monthly remuneration paid to all Directors and Audit & Supervisory Board Members. Its amount is determined on the basis of the position and job responsibility of each Director/Audit & Supervisory Board Member.

<Bonus>

The bonus is paid to the Executive Directors. The bonus is closely linked to the business performance for each fiscal year. Specifically, the bonus amounts are determined on the basis of the predetermined standard amounts in consideration of the short-term results and the level of contribution to the Company.

<Performance-Linked Stock Remuneration>

Performance-linked stock remuneration is paid to the Executive Directors to enable each of them to share the profits and risks of stock value fluctuations with shareholders and raise their awareness of the medium- and long-term enhancement of the Company's corporate value. Shares whose number is equivalent to that of points, which are calculated and granted objectively in accordance with the position of each and the level of business performance fulfilled in a specific period for performance evaluation, are granted to each Director via a trust formed by the Company (trust period: two years). Of the above remuneration, the bonus and performance-linked stock remuneration are linked with the Company's business performance, and consolidated net profit attributable to the Company's shareholders has been adopted as the indicator for evaluating the business performance of the overall Company. It was adopted to ensure simplicity as an indicator and consistency with the numerical targets related to the Company's business management (or with the quantitative targets set in the medium-term business plan, which applies to the performance-linked stock remuneration) and in light of the trends of other companies. In FY2018, the amounts of bonuses for the Executive Directors, which are linked with the Company's short-term business performance, and performance-linked stock remuneration, which are linked with the Company's medium- and long-term business performance, were calculated based on the target value of the abovementioned indicator (10.8 billion yen) set under the previous medium-term business plan, "Moving 2018 Connecting to the future," which was announced on April 28, 2017, its forecast value that was revised and disclosed in the Consolidated Financial Results dated April 27, 2018 (11.3 billion yen), and its result for FY2018, which is 11.559 billion yen.

The authority to determine the amounts of monthly remuneration and bonuses are delegated by the Board of Directors to Kenji Okada, the Representative Director, President and CEO of the Company, who determines the amounts on the basis of predetermined standards. (The standard amounts of bonuses for the Executive Directors are determined based on the abovementioned short-term business performance and other factors.)

The amounts of performance-linked stock remuneration are determined individually in accordance with the Regulations on Distribution of Stock as approved by the Company's Board of Directors. All of the amounts are determined within the limit on each, which will be described later.

In addition, the Governance Committee, which consists primarily of Outside Directors and Outside Audit & Supervisory Board Members, checks the policy on the evaluation of the reasonableness and appropriateness of the standard amounts and relevant regulations, thereby securing their objectivity, fairness, and transparency.

Of the above remuneration, the annual total amount of monthly remuneration and bonuses as monetary remuneration for the Directors, of which there are nine as of June 19, 2019, shall be within 500 million yen in accordance with the resolution adopted at the 52<sup>nd</sup> Ordinary General Meeting of Shareholders that was held on June 21, 2012. With regard to the performance-linked stock remuneration, the upper limit of the amount that the Company contributes to the aforementioned trust during the above trust period for acquiring the Company's shares is 120 million yen, and the number of points granted by the Company to its Directors is limited to 82,000\*, in accordance with the resolution adopted at the 57<sup>th</sup> Ordinary General Meeting of Shareholders that took place on June 21, 2017. The total annual amount of remuneration for the Audit & Supervisory Board Members, of which there are four as of June 19, 2019, is limited to 70 million yen in accordance with the resolution adopted at the 47<sup>th</sup> Ordinary General Meeting of Shareholders that took place on June 22, 2007.

\*The number of the Company's shares to be provided to each Director is obtained by multiplying the number of points granted to each by 1.0, in principle.

## **[Supporting System for Outside Directors and/or Audit & supervisory board members]**

The Company provides its Outside Directors and Outside Audit & Supervisory Board Members with the support necessary for the performance of their duties in various forms. They include the materials the administrative office for the Board of Directors distributes to them on proposals to be discussed by the board and the administrative office provides them with prior explanations as required. Different departments in the Corporate Administration Division, such as the Corporate Planning Department, the Human Resources & General Affairs Department, the Finance & General Accounting Department and the Legal & Credit Control Department, provide them with the necessary corporate information as appropriate. Outside Audit & Supervisory Board Members are also provided with the necessary support for the fulfillment of their duties through the Audit Department which is under the direct control of the President. On the aforementioned occasions of reporting and reviews, the Outside Directors and Outside Audit & Supervisory Board Members undertake collaboration by making appropriate comments and exchanging opinions.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration**

### **Decisions (Overview of Current Corporate Governance System) Revised**

[Current Structure]

- The Company has a Board of Directors and an Audit & Supervisory Board.
- The Board of Directors consists of a total of 9 members, 6 of whom are Internal Directors and 3 of whom are Outside Directors. In accordance with laws and ordinances and the Company's Articles of Incorporation, regulations for Directors and other internal rules, the board makes decisions on important matters and oversight the Directors' business execution.
- The Directors execute the duties assigned to them in accordance with the roles determined by the Board of Directors and with laws, ordinances, the Articles of Incorporation and internal rules.
- For the purposes of strengthening the Board of Directors' functions of execution and oversight and increasing the transparency of the decision-making process, the Governance Committee was established under the board as a voluntary consultative body (November 19, 2015) The following describes the functions and composition of the Governance Committee as of June 19, 2019
- Governance Committee

[Functions] Verification of the policy on election of Directors and Audit & Supervisory Board Members and individual proposals on nomination/dismissal, evaluation of the form of the Director remuneration system (policy on the determination of remuneration and the appropriateness of the remuneration level, etc.) and the effectiveness of the Board of Directors, and deliberations on other proposals relating to governance.

[Composition] 4 Independent Directors/Auditors (2 Outside Directors, 2 Outside Audit & Supervisory Board Members), and 1 Internal Director.

- For strengthening the Board of Directors' decision-making function and oversight function and for increasing efficiency in business execution, the Company adopts the Executive Officer system. Following decisions made by the board, Executive Officers perform their respective duties as delegated by the board and the Representative Director. As of June 19, 2019, the Company had a total of 10 Executive Officers, including those additionally serving as Directors.
- The Audit & Supervisory Board is composed of 4 Audit & Supervisory Board Members (3 Outside Audit & Supervisory Board Members), 2 of whom are Standing Audit & Supervisory Board Members and the other 2 are Non-Standing Audit & Supervisory Board Members. In accordance with the regulations for the Audit & Supervisory Board Members and the standards for audits by Audit & Supervisory Board Members, it performs audits to examine the appropriateness of the Directors' business execution.
- In FY2018, 13 Board of Directors' meetings were held, the Governance Committee met 8 times, and 15 meetings of the Audit & Supervisory Board were held. Each Director's attendance at Board of Directors' meetings is disclosed in the Notice of the 59<sup>th</sup> Ordinary General Meeting of Shareholders (including the attached Business Report).
- The Company has established the Management Advisory Conference and several committees: the Risk Management Committee, the Internal Control Committee and the Disclosure Committee. They are aimed at helping the President and the Board of Directors to make appropriate and swift decisions on business execution. As an advisory body for the President, the Management Advisory Conference discusses significant matters related to the Company's overall management policy and its business administration.
- Different internal committees carry out careful inspections and deliberations on managerial issues in their respective domains. These activities are helpful to the President and the Board of Directors in terms of decision-making. The principal internal committees and their roles are as follows:

- Internal Control Committee: Deliberations on matters in connection with the development and improvement of the internal control system
- Disclosure Committee: Deliberations on matters in connection with the development, improvement and operation of internal control over the disclosure of corporate information and financial reporting
- Risk Management Committee: Deliberations on matters in connection with the companywide risk management structure and system and balance sheet management (including investment reviews for cross-shareholdings, verification of significance of ownership and other matters)

- As an internal auditing body, the Company has established the Audit Department under the direct control of the President. It had 10 staff members as of June 19, 2019. The Audit Department conducts audits of the Company and its domestic and overseas consolidated subsidiaries to assess various factors, such as (i) whether or not their reports of financial and other information, their records and their procedures for reporting and keeping records are reliable, (ii) whether or not they comply with laws, ordinances and other regulations and whether their relevant internal mechanisms and systems are effective and appropriate, (iii) whether or not their operational procedures and activities are effective and efficient in accomplishing the organizational policies and plans, and (iv) whether or not other managerial activities are implemented reasonably and efficiently. The audit results are reported directly to the president. The Audit Department implements thorough follow-up activities after the audit to monitor whether the matters noted or proposed are remedied or implemented. It also undertakes close collaborations with internal audit bodies in group companies.

- In accordance with the regulations for the Audit & Supervisory Board and the standards for audits by Audit & Supervisory Board Members, and with the audit policy, duty allocation and other matters determined by the Audit & Supervisory Board, individual Audit & Supervisory Board Members attend Board of Directors' meetings and other important meetings, listen to the directors and other personnel regarding the state of the fulfillment of their duties and inspect significant decision-making documents and operational and asset conditions at the head office and major branches, and request business reports from subsidiaries as required to comprehensively examine the business execution of the Directors and Executive Officers. In addition, they have established a group-wide Audit & Supervisory Board consisting of the Audit & Supervisory Board Members for the principal group companies, which holds its meetings with an emphasis on collaboration with the Audit & Supervisory Board Members for the consolidated group companies.

[Policies and Procedures in the Nomination/Dismissal of the executive management and Nomination of Director and Audit & Supervisory Board Member Candidates]

1. Policies and Procedures in the Nomination/Dismissal of the executive management and Nomination of Director and Audit & Supervisory Board member Candidates

To ensure that its Board of Directors performs appropriate oversight of management and makes decisions on important business execution, the Company has a principle of appointing the President, CFO (Chief Financial Officer), CCO (Chief Compliance Officer), CIO (Chief Information Officer) and each person with the highest responsibility for the individual divisions and the equivalent personnel as (business execution) directors, together with several outside directors to strengthen the board's function of management oversight. The Company appoints those expected to contribute to its management using their extensive knowledge cultivated through experience in their respective fields as Outside Directors. Based on this policy, the President drafts a proposal on Director candidates. After deliberations by the Governance Committee, the Board makes a decision regarding the proposal. In addition, if a person proves to lack the required quality or ability needed to execute the job as a Director, after deliberations by the Governance Committee, the Board of Directors decides to submission of a dismissal proposal to a General Meeting of Shareholders.

2. Policy and Procedures for Nomination of Audit & Supervisory Board Member Candidates

To ensure that its Audit & Supervisory Board Members properly perform auditing and the audit of management, the Company appoints those with knowledge of the Company's management and with advanced expert knowledge and extensive experience in accounting, financial and legal affairs, risk management and other domains as Audit & Supervisory Board Members candidates. It appoints as Outside Audit & Supervisory Board Members those expected to properly audit and oversee its management with the use of their advanced specialist knowledge and extensive experience in different areas. In light of the policy mentioned above, the president drafts a proposal on the Audit & Supervisory Board Member candidates. After deliberations by the Governance Committee, the Board of Directors makes a decision upon the approval of the Audit & Supervisory Board.



### 3. Reasons for Adoption of Current Corporate Governance System

As a company with Audit & Supervisory Board Members (or an Audit & Supervisory Board), the Company ensures that its Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, will fully carry out their managerial monitoring in order to achieve the enhancement of their monitoring and oversight functions and transparency in decision-making. In addition to this corporate governance structure based on managerial monitoring by Audit & Supervisory Board Members, the Company has the Governance Committee which consists primarily of Outside Directors and Outside Audit & Supervisory Board Members as a voluntary advisory body for the Board of Directors with the objective of strengthening and improving the effectiveness of management oversight by the Board of Directors and transparency in decision-making. The Company regards its current corporate governance system based on the Audit & Supervisory Board in which Outside Audit & Supervisory Board Members are in the majority in combination with the Board of Directors including Outside Directors and with the Governance Committee including Independent Directors/Auditors as being consistent with the Company's basic views on corporate governance stated in I-1 above.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company has published the Notification of General Meeting of Shareholder on the websites of the Tokyo Stock Exchange, ICJ and the Company around 3 days before the Company send it to shareholders.
Scheduling AGMs Avoiding the Peak Day	The Company strives to avoid the date on which it is generally thought that a large number of companies will hold the General Meetings of Shareholders.
Allowing Electronic Exercise of Voting Rights	Since the Ordinary General Meeting of Shareholders in June 2005, the Company has allowed the electronic exercise of voting rights via the Internet. In addition, since the Ordinary General Meeting of Shareholders in June 2018, the Company has introduced a "Smart Exercise," a system that permits users to log in directly to the website to exercise their voting rights using smartphones, without entering a code or password to exercise their voting rights.
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 Company has joined an electronic voting platform (ICJ) since its annual General Meeting of Shareholders held in June 2016.
Providing Convocation Notice (Summary) in English	The Company publishes the abridged English version of the notice of convocation on the same day as the Japanese version on the websites of the Tokyo Stock Exchange, ICJ and the Company. (The English version of the notice of convocation has been published since the Ordinary General Meeting of Shareholders in June 2016.)
Other	The Company has been sending out the notification of convocation printed in full color since the Ordinary General Meeting of Shareholders in June 2013. By including business reports and topical stories with charts and photographs, the Company has made it more informative and user-friendly for readers. Since the Ordinary General Meeting of Shareholders in June 2017, the Company has introduced a system that allows shareholders to view the notification of convocation and the directions to the venue and to execute their voting rights using their smartphones, tablets and computers.

### 2. IR Activities

	Supplementary Explanations	Explanations Given by the Representative
Preparation and Publication	The Company has established its IR Basic Policy. Refer to:	

of Disclosure Policy	IR Basic Policy: <a href="https://www.itcenex.com/english/ir/policy/basicpolicy/">https://www.itcenex.com/english/ir/policy/basicpolicy/</a>	
Holding Regular Meetings for Individual Investors	The Company holds around 2 briefings each year.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds 2 briefings each year: one after the full-year results are confirmed and the other after the results for the first six months of the fiscal year are confirmed.	Yes
Posting of IR Materials on Website	A page titled <i>Investor Information</i> includes not only the Company's business results and financial information but also earnings reports, timely disclosure materials, notices of the General Meeting of Shareholders, integrated reports, and different topical stories.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Corporate Communications Office, Corporate Planning Department as a body specializing in investor relations, and appointed the officer responsible for IR operations (CFO, CCO, and CIO).	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Declaration of the Group Code of Conduct provides for relationships with different stakeholders. Declaration of the Group Code of Conduct: <a href="https://www.itcenex.com/english/csr/employee/">https://www.itcenex.com/english/csr/employee/</a>
Implementation of Environmental Activities, CSR Activities etc.	Under the corporate philosophy of “The Best Partner for Life and Society - with Energy, with the Car, with the Home -,” the Company Group engages in business activities for creating diverse values as well as social contribution activities in its efforts to help enrich people's lives and realize the sustainable development of society. [Three themes of social contribution activities] 1. Environmental preservation The Company Group continues to engage in activities for contributing to realizing a low-carbon society, reducing the environmental impact of its business activities, and preserving the global environment under its Environmental Policy, with the aim of realizing a better global environment and harmonious coexistence with society. • Environmental Policy <a href="https://www.itcenex.com/english/csr/policy/">https://www.itcenex.com/english/csr/policy/</a> 2. Nurturing the next generation The Company Group engages in activities for passing down sustainable society to future generations, including dietary education activities and the Ultimate Frisbee course, with the aim of developing an environment, human resources, and communities that nurture the next generation.

	<p>3. Contributing to communities</p> <p>The Company Group contributes to society as a good corporate citizen through activities including disaster recovery assistance and support for people with disabilities. At the same time, the Group supports employees to engage in social contribution activities as individual citizens. In addition, the employees exercise sound judgment as responsible businesspeople and members of society in the day-to-day conduct of business in accordance with the Declaration of the Group Code of Conduct.</p> <ul style="list-style-type: none"> <li>• Declaration of the Group Code of Conduct <a href="https://www.itcenex.com/english/csr/employee/">https://www.itcenex.com/english/csr/employee/</a></li> </ul>
Development of Policies on Information Provision to Stakeholders	<p>The Company has established the IR Basic Policy, and its Declaration of the Group Code of Conduct prescribes that the Company shall maintain close communications with citizens and society.</p>
Other	<p>1. Work style reform</p> <p>In November 2016, the Company launched an Enex Early Bird initiative to transform the Company into a much better and more rewarding place for each of its members to work and an entity that they are proud to present to their families and society. The Company has implemented drastic reform based on a three-pronged strategy that involves putting a stop to excessive working hours, promoting employee health, and improving the quality of the work they perform. In December 2016, the Company was certified by the Tokyo Metropolitan Government as a company committed to work style reform under the <i>Tokyo Hataraki-kata Kaikaku Sengen Kigyo</i> program.</p> <p>In addition, the Company introduced casual dress days in September 2017 to foster a corporate culture that enables flexible thinking. In April 2018, the Company established the Enex Nursery for its employees to help them balance work and childcare. Further, in February 2019, the Company implemented workplace reform by relocating its head office, aiming for improved productivity.</p> <p>2. Health and productivity management</p> <p>In promoting the Enex Early Bird initiative as work style reform, the Company Group attaches importance to the promotion of good health among employees and the lifestyle of every one of them and works to build a structure that enables diverse human resources to demonstrate their capabilities.</p> <p>As a result, the Company has been certified as an Outstanding Health and Productivity Management Organization/White 500 every year since FY2017. In addition, the Company encourages employees to leave the office on time and takes measures to promote sports activities among employees, including the provision of financial assistance to internal sports clubs. As a result, since</p>

	<p>FY2017, the Company has been certified as a company that is committed to promoting sports by the Tokyo Metropolitan Government (<i>Tokyo-to Sports Suishin Kigyō</i>) and as a company that encourages sports (“Sports Yell Company”) by the Japan Sports Agency.</p> <p>3. Promoting initiatives to enhance the diversity of human resources</p> <p>The Company Group believes that to create the values desired by customers and the market in a sustainable manner, it needs to be rich in diversity in terms of perspective, sensibility, intelligence, career, set of values, and action. For this purpose, it is taking initiatives to enhance diversity.</p> <p>Specific initiatives include proactively recruiting foreign employees, encouraging their active participation, exchanging human resources with employees of overseas Group companies, and training for working overseas. In addition, the Company established a Diversity Promotion Office and appointed its first female Director in FY2019. The Company will thus accept diverse opinions from internal and external people and encourage the creation of a healthier organization and corporate culture.</p>
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#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

1. The Company has established a system for ensuring that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and that the structure required to ensure the appropriateness of other operations (internal control system) is in place as described below. The following is the outline of the Basic Policy on Internal Control System as of June 19, 2019. (The Company’s Basic Policy on Internal Control System was decided on at the meeting of the Board of Directors held on May 2, 2006, and its latest revision was made on February 21, 2019.)

1. System for ensuring that the execution of duties by Directors, Executive Officers, employees of the Company, Directors of the Company’s subsidiaries, and any other person who is equivalent to those persons (referred to as “Directors, etc.” in 4. and 5. below) complies with laws and regulations and the Articles of Incorporation

(1) Corporate governance

- The Board of Directors shall decide on important matters related to the management and supervise the Directors' execution of their duties in accordance with laws and regulations, the Articles of Incorporation, resolutions of the General Meeting of Shareholders, the Regulations on Decision-Making Authority, the CSR and compliance program, the Declaration of the Group Code of Conduct, the Employee Code of Conduct, and the Board of Directors’ Regulations.

- Directors shall execute the Company's operations in accordance with laws and regulations, the Articles of Incorporation, resolutions of the Board of Directors, and internal regulations.

- Executive Officers shall be appointed by resolution of the Board of Directors. In accordance with decisions of the Board of Directors, Executive Officers shall execute their duties within the range stipulated in the Regulations on Division of Duties under the command and supervision of the Representative Director and the

Director in charge of their division of duties.

- Representative Directors and Directors who are appointed by resolution of the Board of Directors as Directors who are to execute operations must report on the situations of the execution of their own duties to the Board of Directors at least once every 3 months and whenever necessary.

- Audit & Supervisory Board Members shall conduct an audit to check the appropriateness of the execution of duties by the Directors in accordance with the regulations for the Audit & Supervisory Board and the standards for audits by the Audit & Supervisory Board Members.

- In principle, the Company shall dispatch its Directors and Audit & Supervisory Board Members to the subject subsidiaries (subsidiaries to which the Company directly contributes funds and key subsidiaries to which it indirectly contributes funds *and* which need direct management, instructions, etc. from the Company; the same applies hereinafter) and establish a system for securing the appropriate business operation of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) while respecting the autonomy of each subject subsidiary.

## (2) Compliance

- It is stipulated that Directors, Executive Officers and employees shall behave in accordance not only with laws and the Articles of Incorporation but also with the CSR and compliance program, the Declaration of the Group Code of Conduct, the Employee Code of Conduct and other relevant rules.

- The Company has appointed a CCO (Chief Compliance Officer) and established a committee relating to corporate social responsibility (CSR) and compliance and a department that oversees matters concerning CSR and compliance. It has also established a CSR and compliance program to make efforts to improve compliance, such as the appointment of the CSR and compliance managers at each departments, the provision of compliance education and training, the preparation of a compliance manual, the formulation of responses to compliance incidents, the creation of a whistleblowing system and a system under which documents shall be obtained from all Directors, Executive Officers and employees in connection with compliance with the Employee Code of Conduct.

- When an employee learns of any act in violation of a law, ordinance, the Articles of Incorporation or any internal rule or against social norms, he or she shall contact the designated internal consulting contacts in accordance with the CSR and compliance program. With regard to the whistleblowing system, the Company has established whistleblowing regulations to protect whistleblowers and ensure an appropriate response action with transparency maintained.

- Under the CSR and compliance program, the Company audits and provides guidance to Subject Subsidiaries for the construction and improvement of compliance systems, for example, with respect to the formulation of their compliance programs, the appointment of CSR and compliance managers, the creation of compliance manuals, the determination of response action to be taken in the wake of the occurrence of any compliance incident, and the development of a group-wide whistleblowing system with the Company’s relevant section and an outside lawyer as consulting contacts. In so doing, the Company is seeking to raise compliance awareness in Our Group.

## (3) Development of System for Ensuring Appropriateness of Financial Reporting

- The Company has established accounting regulations, the Enex Group international financial reporting standards (IFRS)-compliant uniform accounting principles and other internal rules, ensures compliance with the accounting standards and other related laws and ordinances and has built an internal structure for securing the legality and appropriateness of financial reporting.

- The Company has established an organization that engages exclusively in internal control and has constructed a mechanism for regularly evaluating and improving the status of the improvement and operation of the internal system for ensuring the appropriateness and other qualities of financial reporting.

## (4) Internal Audit

- The Company has installed the Audit Department under the direct control of the President. The Audit Department regularly performs internal audits of overall operations in accordance with the audit regulations, specifically whether or not the laws, ordinances, Articles of Incorporation and internal rules are observed, and whether or not the procedures and details of business execution are appropriate. Subsequently, the department reports the results to the President and the Audit & Supervisory Board Members. It also carries out follow-up audits of whether or not the points noted or proposed that were found in the internal audit have been improved or implemented.

- The Company defines the overall business activities of its Subject Subsidiaries as being subject to internal audits conducted by the Audit Department. This department pushes ahead with the construction of an internal

control system for Our Group and maintains its close linkage with internal audit bodies inside Our Group in an effort to upgrade the quality of audits conducted in Our Group.

(5) Basic Policy against Antisocial Forces

- The Company makes group-wide efforts to preclude any relationship with antisocial forces, irrespective of the circumstances.

## 2. Structure for storage and management of information on exercise of duties by the Company's Directors

### (1) Storage and management of information

Directors shall appropriately store and manage statutory documents such as minutes of the General Meeting of Shareholders and minutes of the Board of Directors, and documents containing information on the execution of important duties (including electronic or magnetic records; the same applies hereinafter) as well as relevant documents, pursuant to the provisions of the Regulations on Document Management and other internal regulations.

### (2) Access to information

Directors and Audit & Supervisory Board Members may have access to the information set forth in the preceding paragraph at any time.

## 3. Regulations and other systems for management of the risks of loss for the Company and its subsidiaries

In order to deal with market risk arising from changes in commodity markets, foreign exchange rates, interest rates and share prices, credit risk, investment risk, CSR and compliance risk, information security risk and various other risks, the Company shall establish an internal committee and a department or division exclusively responsible for the tracking and management of risks of the Company and subject subsidiaries, develop the necessary risk management system and management methods including the establishment of management rules, criteria for approaches, investment criteria, setting of the maximum amount of risks and transactions, and reporting and monitoring systems, and manage the risks of the Company and subject subsidiaries both comprehensively and individually.

## 4. System for ensuring efficient execution of duties by Directors of the Company and Directors, etc. of its subsidiaries

### (1) Various internal committees

For proper and agile decision-making on the execution of their duties, the Company shall establish the Management Advisory Conference as an advisory body for the President, where deliberations are held on the Group's general management policies and business plans and other important matters concerning the execution of their duties, and formulate management benchmarks and business plans, etc. on a consolidated basis. In addition, for the President or the Board of Directors to make decisions in a lawful, fair and efficient manner, the Company shall establish various internal committees where careful deliberations are held on business challenges in each assigned area and that will contribute to the decision-making of the President and the Board of Directors.

### (2) Divisional organization system

- The Company shall adopt the divisional organization system where each of multiple divisions operates business in its assigned business domain.
- General Managers shall efficiently operate business in accordance with their authority allocated based on the

Regulations on Decision-Making Authority and a predetermined business plan.

- General Managers shall operate business in the business domain for which they are responsible in accordance with laws and regulations, the Articles of Incorporation, internal regulations and internal criteria. General Managers shall manage operations by setting numerical targets for major items on the balance sheet and income statement for each division, verifying the achievement of those targets periodically, and reporting the status of the execution of operations to the Board of Directors.

(3) Clarification of administrative authority and responsibility

The Company shall develop various internal regulations such as the Regulations on Division of Duties, the Regulations on Administrative Authority and the Regulations on Decision-Making Authority, clarify the authority and responsibility of each officer or manager, and build a system that enables the proper and efficient execution of duties.

5. System for reporting matters on the execution of duties by Directors, etc. of the Company's subsidiaries to the Company

The Company shall require subsidiaries to which it directly contributes funds to report important management matters to the Company in accordance with the Group company management rules. The Company shall also periodically call the presidents of the subject subsidiaries and hold a liaison conference to enhance the business management of the subject subsidiaries.

6. Other system for ensuring that operations of the corporate group that consists of the Company and its parent company and subsidiaries are conducted in an appropriate manner

(1) Transactions with the parent company

The Company shall determine the terms and conditions of transactions with its parent company in the same manner as general terms and conditions in light of market prices. For transactions for which market prices are not referred to, the Company shall ensure the appropriateness of the transactions by obtaining the opinions of a third party that is independent of the Company and the parent company or other methods, depending on the importance of the transaction.

(2) System for management of subsidiaries

- The Company shall assign personnel for supervising the subject subsidiaries to each division and headquarters' administration departments and sections and choose the responsible department or section for each subject subsidiary. Each responsible department or section shall conduct business management and provide business guidance for the relevant subject subsidiary in accordance with the Group company management rules and other internal regulations.

- For subsidiaries to which the Company indirectly contributes funds, the Company shall require subsidiaries that directly contribute funds to those subsidiaries to manage their business, except as otherwise provided in this policy. That is, the Company shall manage the business of such subsidiaries through its business guidance and the management of the subsidiaries that directly contribute funds to such subsidiaries.

7. Matters concerning employees who are to assist with the duties of the Company's Audit & Supervisory Board Members

(1) Appointment of employees assisting Audit & Supervisory Board Members

The Company appoints several employees to assist the Audit & Supervisory Board Members and has the employees serve concurrently with their other posts.

(2) Ensuring of independence of employees assisting Audit & Supervisory Board Members from Directors and effectiveness of directions from Audit & Supervisory Board Members

The command authority over employees assisting Audit & Supervisory Board Members shall belong to the Audit & Supervisory Board Members or the Audit & Supervisory Board to the extent that the auditing services are assisted. Directors, Executive Officers and other employees do not have command authority over employees assisting the Audit & Supervisory Board Members. The prior consent of full-time Audit & Supervisory Board Members is required for decisions on personnel changes, personnel evaluation, disciplinary punishment, etc. of such employees assisting the Audit & Supervisory Board Members.

8. System concerning reporting to the Company's Audit & Supervisory Board Members

(1) Attendance at important meetings

Audit & Supervisory Board Members may attend the Board of Directors' meetings as well as the Management Advisory Conference and other important meetings, hear the status of the execution of duties by Directors, Executive Officers and employees from them and inspect relevant documents in accordance with auditing plans and the assignment of duties determined by the Audit & Supervisory Board.

(2) Duty to report of Directors, Executive Officers and employees

• Directors, Executive Officers, heads of the sales division and heads of administration departments and sections, etc. shall report the status of execution of their own duties to the Audit & Supervisory Board Members upon the request of the Audit & Supervisory Board or the Audit & Supervisory Board Members.

• Other than the matters stipulated by laws and regulations, Directors shall report the following matters to the Audit & Supervisory Board Members immediately in each case:

- Content of decision, etc. that could affect the finance and business significantly (non-consolidated basis and consolidated basis)

- Content of announcement of business results and earnings forecasts (non-consolidated basis and consolidated basis)

- Business plans, financial plans, and status of CSR and compliance

- Content and results of internal audits

- Status of provision of information based on the whistle-blowing system

- Content of administrative dispositions

- Other cases where an event that greatly affects the Company management occurred or is expected to occur, such as significant losses

- Matters requested by Audit & Supervisory Board Members, other than those set forth in the preceding items

(3) Report by Executive Officers and employees

Executive Officers and employees may report the following matters directly to the Audit & Supervisory Board Members.

- Fact that could cause significant damage to the Company

- Fact of any material violation of laws and regulations or the Articles of Incorporation



#### (4) Report on subsidiaries

The Company shall periodically report the results of internal audits for the subject subsidiaries and the operational status of the Group's whistle-blowing system to the Audit & Supervisory Board Members. The Audit & Supervisory Board Members shall hold meetings of the Group's Audit & Supervisory Board and receive reports on the status of compliance, etc. among the subject subsidiaries from the Audit & Supervisory Board Members of the subject subsidiaries.

#### (5) Prohibition of disadvantageous treatment

The Company shall prohibit any person from treating disadvantageously a person who made a report to the Audit & Supervisory Board Members due to the provision of this report, and communicate and inform all companies in the Group of the prohibition.

#### (6) Report from subsidiaries

Directors and Audit & Supervisory Board Members of subsidiaries may directly report matters, including facts that could cause significant damage to the subsidiaries, to the Company's Audit & Supervisory Board Members.

### 9. Other system for ensuring that audits by the Company's Audit & Supervisory Board Members are implemented effectively

#### (1) The Audit Department's cooperation with Audit & Supervisory Board Members

The Audit Department shall deliberate on an internal auditing plan for each fiscal year with the Audit & Supervisory Board Members and seek close exchanges of information and cooperation, for example by holding periodic meetings to discuss and exchange views on the results of internal audits, findings and recommendations, etc. The Audit & Supervisory Board Members and the Audit Department shall also seek cooperation with the Accounting Auditors.

#### (2) Policy on treatment of audit costs

The Company shall secure a certain amount of budget every year to cover audit costs. In addition, the Audit & Supervisory Board Members may use attorneys at law, certified public accountants, consultants and other external professionals in their own right if deemed necessary in the implementation of audits.

To ensure the appropriate operation of the internal control system, the Company has adopted a system where the Internal Control Committee examines the status of the establishment and operation of the internal control system every 6 months with regard to each of the items set forth in the basic policy. The results of deliberations by the Internal Control Committee are also reported to the Board of Directors, which conducts the final evaluation of the status of the establishment and operation of the internal control system. The Company constantly reviews the internal control system to carry out continual improvements to it in its efforts to build a more appropriate, efficient system. At the Board of Directors' meeting that took place on April 26, 2019, the Company evaluated the status of the establishment and operation of the internal control system in the fiscal year ended March 31, 2019 with regard to each of the matters set forth in the basic policy. As a result, the Company confirmed that there were no serious defects or flaws.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company makes group-wide efforts to preclude any relationship with antisocial forces, irrespective of the circumstances. The Declaration of the Group Code of Conduct explicitly provides for this policy. The Company constantly strives to construct and maintain close collaborative relationships with outside specialist organizations and others and encourages the inclusion of the clause for the elimination of organized crime groups in contracts in order to prepare itself for swift action in response to unexpected circumstances.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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None

### 2. Other Matters Concerning to Corporate Governance System

[Timely Disclosure System]

#### 1. Basic Policy on Timely Disclosure

In accordance with the rules for timely disclosure prescribed by Tokyo Stock Exchange, Inc., the Company has a basic policy of making the timely and appropriate disclosure of material information to investors for their appropriate investment decisions.

#### 2. Actions Toward Construction of Timely Disclosure System

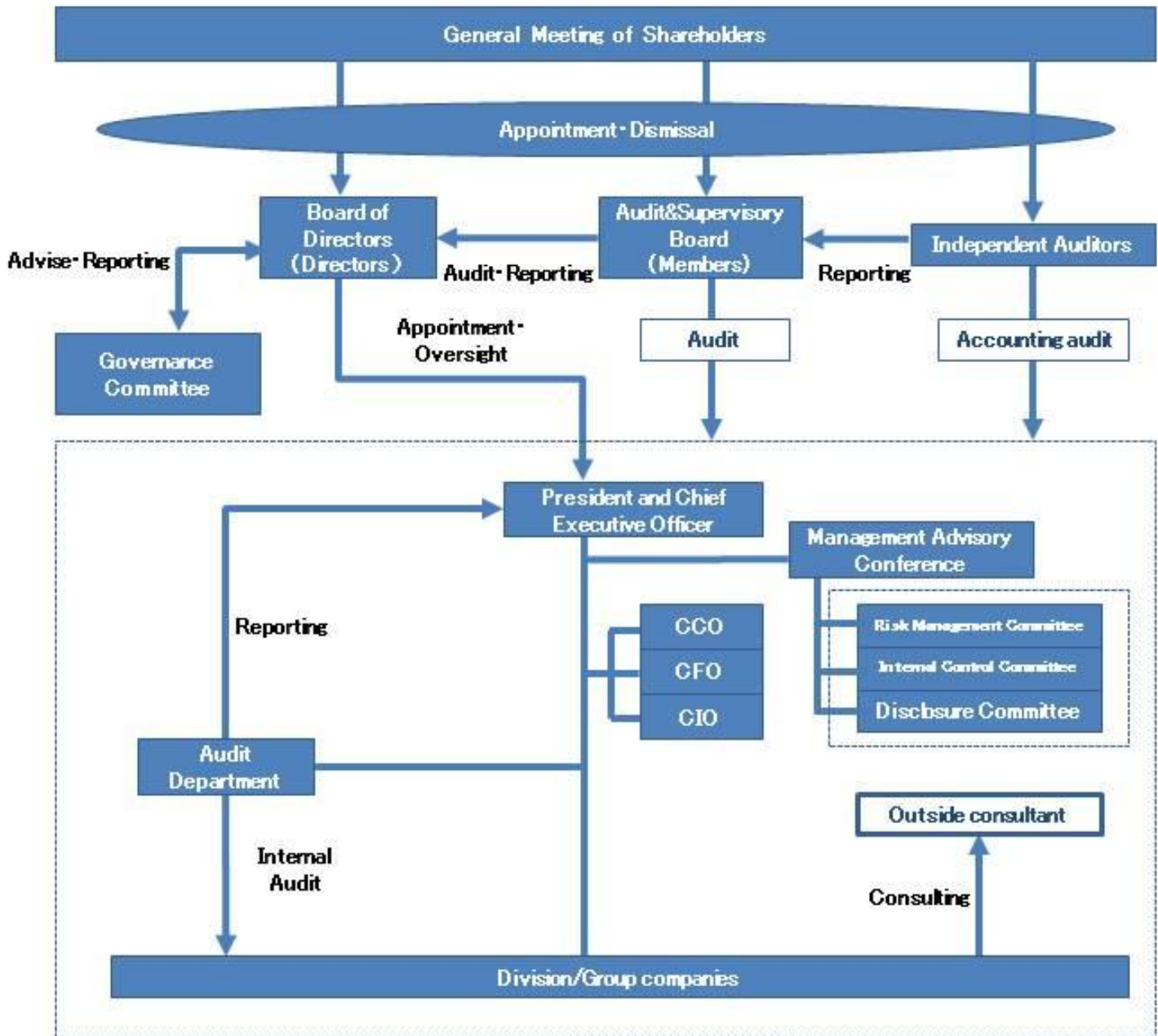
The Company has the Corporate Communications Office, which engages in disclosure operations, as a controlling organization for collecting information concerned with timely disclosure information. For the purpose of increasing accuracy in decision-making on disclosure, the Company established a Disclosure Committee in FY 2005 consisting of those in charge of several departments. The Company discloses timely disclosure information pursuant to the rules for timely disclosure of the stock exchange mentioned above via the timely disclosure system provided by the said stock exchange, which is known as the Timely Disclosure Network, or TDnet. The information provided for TDnet is also published on the Company's website at the same time, although the publication of the information on the website may be delayed due to the preparation. Accordingly, for the purpose of viewing information disclosed by the Company, it is advisable to refer to TDnet and other information sources in addition to this website.

#### 3. Status of Providing Investors with Opportunities to Obtain Information Impartially and Easily

For the purpose of providing opportunities to obtain important information on the Company impartially and easily, it not only makes timely disclosure in compliance with the rules for timely disclosure of the stock exchange mentioned above, but also publishes the information on its website and by other means in a bid to implement more positive and impartial information disclosure.

## Corporate Governance System

\*Business execution, internal control, managerial monitoring and risk management system, etc.



\*CSR and Compliance Structure

