

[Translation for Reference and Convenience Purposes Only]

## (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.*

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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

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

(Principle 3.1 v))

- Explanations with respect to individual appointments and nominations

The Company has traditionally disclosed the reasons for the nomination of outside director candidates and outside corporate auditor candidates in the notification of convocation of the Ordinary General Meeting of Shareholders. For the information disclosed for the current fiscal year, please refer to the following URL

Notification of Convocation: [http://www.itcenex.com/ir/pdf/shareholders/55th\\_convocation.pdf](http://www.itcenex.com/ir/pdf/shareholders/55th_convocation.pdf)

(see pages 49 and 51)

For all director candidates and corporate auditor candidates, the Company will be disclosing the reasons for the nomination of individual candidates in the notification of convocation of the Ordinary General Meeting of Shareholders from next fiscal year.

(Supplementary Principle 4.2.1)

- System for remuneration linked to mid- to long-term results

The remuneration for each director, except outside directors, is composed of the monthly remuneration and a bonus as performance-linked remuneration. The monthly remuneration is determined on the basis of the standard amounts for different ranks, while the bonus is determined on the basis of the payment standards predetermined in consideration of the results and the level of contribution to the Company.

For the fiscal year ended March 31, 2015, the total amount of monthly remuneration paid to the directors reached 228 million yen, of which 4 million yen was paid to outside directors, and the total amount of the performance-linked bonus amounted to 68 million yen.

For the purpose of ensuring that its medium- and long-term growth serves as an incentive for the directors, the Company has established a director shareholding association and encourages directors to own the Company's shares. The system for remuneration linked to the mid- to long-term results will also be examined in the future through the Governance Committee, which consists of two inside directors, one outside director and one outside corporate auditor, or through a different body.

(Principle 4.8)

- Number of independent directors

The Company has two outside directors among its 10 directors. They have the role of providing independent and appropriate advice or suggestions on the Company's management as a whole, as well as the role of strengthening the managerial decision-making and management supervision functions.

To date, the Company has yet to elect more than one independent outside director to meet the independence standards of the Tokyo Stock Exchange and of the Company, partly due to personnel selection. However, the Company will nominate candidates with the knowledge, experience and abilities to contribute to increasing its corporate value and will strive vigorously to secure human resources for election in the General Meeting of Shareholders for the following fiscal year.

(Supplementary Principle 4.11.3)

Analysis and evaluation of the effectiveness of the board of directors as a whole

The Company has its board of directors analyze and evaluate its own effectiveness as a whole after deliberation by the Governance Committee, and implements improvements as necessary.

The disclosure of the outline of the analysis and evaluation results is defined as an issue to be discussed in the

future.

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

(Principle 1.4)

- Policy on cross-shareholdings

The Company has a policy of holding shares of any customer or business partner solely on the condition that the holding of such shares is deemed to help maintain the medium- and long-term relationship with it, expand transactions with it, acquire expertise or otherwise improve the Company's corporate value.

Whether or not to exercise voting rights as to the cross-shareholdings will be properly determined not by uniform standards but from the perspective of whether or not the exercise will help increase the medium- or long-term corporate value in view of the business policies, strategies and suchlike of the company invested in after closely examining the proposal and judging whether or not it will help increase shareholder value.

(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 corporate auditors 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 corporate auditors and other personnel, in accordance with laws, ordinances, the board of directors regulations and the Company's other internal rules.

(Principle 3.1 i))

- Business principles and business plans

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

<http://www.itcenex.com/corporate/mission/>

In addition, on May 14, 2015 the Company announced its medium-term business plan for FY 2015 to FY 2016, entitled *Moving 2016 – Sowing seeds for tomorrow* –.

For this medium-term business plan, please refer to:

<http://www.itcenex.com/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 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 and on its sole 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 will establish a department for dealing with investor relations (IR) operations and appoint a director or officer responsible for IR operations to facilitate dialogues with shareholders. The Company will respond to requests from institutional investors for interviews to a reasonable extent and prepare itself for responding to inquiries from individual shareholders.

(Principle 3.1 iii))

#### - Policies and procedures in determining remuneration

The remuneration for directors, except outside directors, consists of monthly remuneration and a bonus as performance-linked remuneration. The monthly remuneration is determined on the basis of the standard amounts for individual positions. The bonus is properly determined in accordance with the predetermined payment standards in consideration of the performance and the level of contribution to the Company.

The monthly remuneration alone is paid to outside directors, and no bonus is provided to them. The remuneration for corporate auditors is determined through deliberations of the Supervisory Board Corporate Auditors, and no bonus is paid.

The Company has a Governance Committee consisting of four members: two internal directors, one outside director and one outside corporate auditor. The policy, scheme and other matters for remuneration and other payments to directors in FY 2016 and later will be discussed by the Governance Committee and brought to the board of directors at a later date.

(Principle 3.1 iv))

#### - Policies and procedures in the nomination of director and corporate auditor candidates

For the policies and procedures in the nomination of director candidates and *kansayaku* candidates, refer to [Policies and procedures in the nomination of director candidates and corporate auditor 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

Refer to [Reasons for Non-compliance with the Principles of the Corporate Governance Code] in I-1 above.

(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 4.8)

#### - Number of independent directors

Refer to [Reasons for Non-compliance with the Principles of the Corporate Governance Code] in I-1 above.

(Principle 4.9)

#### - Independence standards

The Company evaluates the level of independence of outside directors and officers on the basis of the independence requirements of outside directors/auditors stipulated by Tokyo Stock Exchange, Inc. and other

financial instruments exchanges in Japan in addition to whether or not each outside executive officer meets the criteria specified in (1) to (5) below:

(1) He or she is and has never engaged in business execution (or served as a director not engaged in business execution if he or she is an outside corporate auditor) at the Company or at any of its subsidiaries currently or in the past ten years.

(2) He or she is and has neither served as a director or officer nor engaged in business execution at the Company's parent company, and has never engaged in business execution at any of its fellow subsidiaries currently or in the past three years.

(3) He or she is and has neither been a major shareholder owning 10% or more of the Company's shares directly or indirectly nor engaged in business execution at any such major shareholder currently or in the past three years.

(4) He or she was neither a major business partner with transactions (sales or purchases) with the Company in the most recent fiscal year or in any of the three preceding fiscal years exceeding 2% of the dealings in the fiscal year just before the fiscal year concerned, nor did he or she engage in business execution at any such business partner in the most recent fiscal year or in any of the three preceding fiscal years.

(5) He or she has never served as a consultant, accounting expert or legal expert earning at least 10 million yen per fiscal year apart from the remuneration for a director or officer from the Company (including any person affiliated with any juridical person, association or other organization earning the remuneration mentioned above) in the past three years.

\* A person "engaged in business execution" refers to a director, executive officer or other employee.

(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 corporate auditors serving as directors, corporate auditors or management at other companies

The Company follows its policy of stating all the details about directors and corporate auditors serving as directors and/or officers at other stock-listed companies in the notification of the convocation of the general meeting of shareholders, and will continue to disclose such information in the future. For the disclosure for the current fiscal year, please refer to:

Notification of Convocation at: [http://www.itcenex.com/ir/pdf/shareholders/55th\\_convocation.pdf](http://www.itcenex.com/ir/pdf/shareholders/55th_convocation.pdf)

(Supplementary Principle 4.11.3)

- Evaluation of the board of directors

Refer to [Reasons for Non-compliance with the Principles of the Corporate Governance Code] in I-1 above.

(Supplementary Principle 4.14.2)

- Training policy

For the purpose of ensuring that its directors and corporate auditors 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 corporate auditors 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) The Investigation and Public Relations Dept. is in charge of dialogues with shareholders, investors and equivalent parties. The director in charge of the Investigation and Public Relations Dept. (General Manager for the Corporate Planning Division) acts as officer responsible for investor relations. Executive members of the management or directors strive to deal with such dialogues in close collaboration with relevant departments in the Company.

(2) The officer responsible for investor relations and the Investigation and Public Relations Dept. as a department handling practical operations report requests and comments made in the dialogues to the management from time to time.

(3) The officer responsible for investor relations and the Investigation and Public Relations Dept. 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: <http://www.itcenex.com/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	52.17
Enex Fund	2,948,589	2.52
Japan Trustee Services Bank, Ltd. (trust account)	2,632,100	2.25
CBNY-GOVERNMENT OF NORWAY	2,555,800	2.19
JX Holdings, Inc.	2,009,780	1.72
Sumitomo Mitsui Trust Bank, Limited	1,974,000	1.69
The Master Trust Bank of Japan, Ltd. (trust account)	1,781,400	1.52
SINANEN CO., LTD.	1,570,560	1.34
Nippon Life Insurance Company	1,542,284	1.32
Itochu Enex Employee Shareholding Association	1,247,833	1.07

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

### Supplementary Explanation

None

## 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 1000
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 Revised**

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 corporate auditors 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 54.0% 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, alternative energy 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 Supervisory Board Corporate Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Yes
Number of Outside Directors	2
Number of Independent Directors	1

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

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Takashi Yasuda	From another company		○					○	○				
Seiichi Shimbo	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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- 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)
- Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent	Supplementary Explanation of	Reasons for Appointment
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	Director	the Relationship	
Takashi Yasuda	No	April 1985: Joins C. Itoh & Co., Ltd. (Now ITOCHU Corporation) June 2014: Appointed as a director of the Company	With extensive experience and knowledge after his long service in the sales department of ITOCHU Corporation, he was expected to give appropriate advice on the Company's business management.
Seiichi Shimbo	Yes	April 1975: Joins Tokio Marine Fire Insurance Co., Ltd. (now Tokio Marine & Nichido Fire Insurance Co., Ltd.) June 2015: Appointed as an outside director and an independent director of the Company	With extensive experience and advanced knowledge based on his long service for Tokio Marine & Nichido Fire Insurance, he was expected to give appropriate advice to the management from an impartial and objective perspective. He is deemed to fulfill the independence standards formulated by financial instruments exchanges and by the Company.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee <b>Revised</b>	Established
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Committee's Name, Composition, and Attributes of Chairperson **Revised**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	1	1
Outside Experts	0	0
Other	1	1
Chairperson	An inside director	An inside director

Supplementary Explanation **Revised**

"Other" in the table above refers to one outside corporate auditor.

**[Corporate Auditors]**

Establishment of Supervisory Board Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

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 corporate auditors. 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 seven audit staff members, including the General Manager for the 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 two internal control staff members.

In the audit performed by corporate auditors, individual corporate auditor 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 corporate auditor auditing standards, the audit policy and the allocation of duties determined by the Supervisory Board Corporate Auditors.

The Company has a total of four corporate auditors. Two of them are standing corporate auditors, and the other two are non-standing corporate auditors.

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) Masahiro Ishizuka, (Name of Audit Corporation) Deloitte Touche Tohmatsu LLC, (Continuous audit period) Two years

Designated Limited Liability Partner (Name of Certified Public Accountant) Katsuhiko Igarashi, (Name of Audit Corporation) Deloitte Touche Tohmatsu LLC, (Continuous audit period) Three years

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

- Corporate auditors 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, corporate auditors attend internal audits if necessary. They therefore work on the close exchange of information and mutual collaboration.
- Corporate auditors 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.
- Corporate auditors 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 Corporate Auditors	Appointed
Number of Outside Corporate Auditors	4
Number of Independent Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hisayoshi Ojima	From another company			Δ						Δ	Δ			
Yuji Moritsuka	From another company													
Tadashi Utsunomiya	From another company			○						○	○			

Toshiharu Kawai	CPA														
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- \* 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
- Executive of the Company or its subsidiary
  - Non-executive director or accounting advisor of the Company or its subsidiaries
  - Non-executive director or executive of a parent company of the Company
  - Corporate auditor of a parent company of the Company
  - Executive of a fellow subsidiary company of the Company
  - A party whose major client or supplier is the Company or an executive thereof
  - Major client or supplier of the Company or an executive thereof
  - Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
  - Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
  - Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
  - Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the corporate auditor himself/herself only)
  - Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
  - Others

#### Outside Corporate Auditors’ Relationship with the Company (2)

Name	Designation as Independent Corporate Auditors	Supplementary Explanation of the Relationship	Reasons for Appointment
Hisayoshi Ojima	No	April 1979: Joins C. Itoh & Co., Ltd. (Now ITOCHU Corporation) June 2014: Appointed as a corporate auditor of the Company	With extensive experience in Japan and overseas and advanced knowledge based on his long service for ITOCHU Corporation. and its affiliated companies in the finance and accounting sector, he was expected to supervise the management and provide appropriate advice.
Yuji Moritsuka	Yes	April 1974: Joins The Nippon Fudosan Bank, Limited (now Aozora Bank, Ltd.) June 2015: Appointed as a corporate auditor and an independent corporate auditor	With extensive experience and knowledge accumulated while serving as a business manager for years, he was expected to supervise and audit the Company’s management from an impartial and objective perspective. He is deemed to fulfill the independence standards formulated by financial instruments exchanges and by the Company.
Tadashi Utsunomiya	No	April 1980: Joins C. Itoh & Co., Ltd. (Now ITOCHU Corporation) June 2013: Appointed as a corporate auditor of the Company	He also serves as chief financial officer of the Energy & Chemicals Company of Itochu Corporation. With extensive experience and advanced knowledge based on his long engagement in the area of finance and accounting, he was expected to monitor the management and provide appropriate advice.
Toshiharu	Yes	June 2014: Appointed	With a wealth of experience as a certified

Kawai		as a corporate auditor, a certified public accountant and an independent corporate auditor of the Company	public accountant and with an advanced sense and knowledge of finance and accounting requisite for the auditing of business execution, he was expected to audit the Company's management from an objective standpoint. He is deemed to fulfill the independence standards formulated by financial instruments exchanges and by the Company.
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**[Independent Directors/Corporate Auditors]**

Number of Independent Directors/Corporate Auditors <u>Revised</u>	3
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Matters relating to Independent Directors/Corporate Auditors

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 corporate auditors formulated by its board of directors. In accordance with the independence standards for independent directors and corporate auditors stipulated by Tokyo Stock Exchange, Inc. and other financial instruments exchanges and with the Company's independence standards mentioned above, the Company designates all the outside directors and corporate auditors who fulfill the independence requirements for independent directors and corporate auditors as independent directors and corporate auditors.

**[Incentives]**

Incentive Policies for Directors	Other
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Supplementary Explanation

Bonuses for individual directors are paid in consideration of their respective performance and other factors.

Recipients of Stock Options	
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Supplementary Explanation

None

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

Director/corporate auditor remuneration for the fiscal year ended March 31, 2015 (Unit: million yen)

	Total remuneration, etc.	Base remuneration	Bonus	Number of persons
Directors (excl. outside directors)	361	239	122	10
Corporate auditors (excl. outside corporate auditor)	24	24	N/A	2
Outside directors and corporate auditors	39	39	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

The remuneration for directors (excluding outside directors) consists of the monthly remuneration and a performance-linked bonus. The monthly remuneration is determined on the basis of the standard amounts for different positions. The bonus is properly determined in accordance with the predetermined payment standards in consideration of the performance and the level of contribution to the Company.

The monthly remuneration alone is paid to outside directors, and no bonus is provided to them. The remuneration for corporate auditors is determined through deliberations of the Supervisory Board Corporate Auditors, and no bonus is paid to them.

The Company has a Governance Committee consisting of two internal directors, one outside director and one outside corporate auditor. It will hold discussions on policies and systems concerning remuneration for the board of directors for the FY 2016 and subsequent fiscal years, and then bring the issue up with the board.

#### **[Supporting System for Outside Directors and/or Corporate Auditors] **Revised****

The Company provides its outside directors and outside corporate auditors with the support necessary for the performance of their duties in various forms. For example, the administrative office for the board of directors distributes materials to them on proposals to be discussed by the board and provides them with prior explanations as required. Different departments in the Corporate Administration Division and the Corporate Planning Division, such as the Corporate Planning Department, the Human Resources & General Affairs Department, the Finance and General Accounting Department and the Legal & Credit Control Department provide them with the necessary corporate information as appropriate. Support for outside corporate auditors is also offered through the standing corporate auditors and the Audit Department under the direct control of the Supervisory Board Corporate Auditors.

With the current personnel elected and the current structure, the Company believes that its outside directors and its outside corporate auditors will fulfill the respective functions and roles expected of them.

The Supervisory Board Corporate Auditors and the Audit Department regularly report and review the following at the board of directors' meetings:

- Supervisory Board Corporate Auditors: Audit plans, audit policy, corporate auditors' audit reports and reports on accounting audit results, etc.
- Audit Department: Audit plans, audit results, reviews on the state of operation of internal control, etc.

The accounting auditor regularly holds reporting sessions to deliver reports on accounting audit results and internal control audit results.

On the aforementioned occasions of reporting and reviews, the outside directors and outside corporate auditors undertake collaboration by making appropriate remarks 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 a Supervisory Board Corporate Auditors.
- The board of directors consists of a total of 10 members, nine of whom are internal directors and one of whom is an outside director. 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 supervises 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 supervision and increasing the transparency of the decision-making process, at the board meeting held in November 2015 it was decided to establish a Governance Committee under the board as a voluntary consultative body. The following describes the functions and composition of the Governance Committee as of November 19, 2015.

- Governance Committee

[Functions] Policy on election of executive officers and nomination of candidates for directors and corporate auditors, deliberations of proposals on election and nomination, the form of the executive officer and director remuneration system (policy on the determination of remuneration and the appropriateness of the remuneration level, etc.), and deliberations on other proposals relating to governance.

[Composition] Two internal directors, one outside director and one outside corporate auditor.

- For strengthening the board of directors' decision-making function and supervisory 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 November 19, 2015, the Company had a total of 21 executive officers, including those additionally serving as directors.

- The Supervisory Board Corporate Auditors is composed of two standing corporate auditors (corporate auditors) and two non-standing corporate auditors (outside corporate auditors). In accordance with the regulations for the Supervisory Board Corporate Auditors and the standards for audits by corporate auditors, it performs audits to examine the appropriateness of the directors' business execution.

- 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 nine staff members as of November 19, 2015. 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 Supervisory Board Corporate Auditors and the standards for audits by corporate auditors, and with the audit policy, duty allocation and other matters determined by the Supervisory Board Corporate Auditors, individual corporate auditors 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 Supervisory Board Corporate Auditors consisting of the corporate auditors for the principal group companies, which holds its meetings with an emphasis on collaboration with the corporate auditors for the consolidated group companies.

[Policy and Procedures for Nomination of Director and Corporate Auditor Candidates]

### 1. Policy and Procedures for Nomination of Director Candidates

To ensure that its board of directors performs the appropriate supervision of management and to make decisions on important business execution, the Company has a principle of appointing the president and director, the general managers for the individual divisions and the equivalent personnel as (internal) directors and several outside directors to strengthen the board's function of supervising the management. The Company appoints those expected to contribute to its management with the use of their extensive knowledge cultivated through experience in their respective fields as outside directors.

In accordance with the policy mentioned above, the president drafts a proposal on the director candidates. After deliberations by the Governance Committee, the board makes a decision regarding the proposal.

### 2. Policy and Procedures for Nomination of Corporate Auditor Candidates

To ensure that its corporate auditors properly perform auditing and the supervision 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 corporate auditors. It appoints as outside corporate auditors those expected to properly audit and supervise 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 corporate auditor candidates. After deliberations by the Governance Committee, the board of directors makes a decision upon the approval of the Supervisory Board Corporate Auditors.

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

As a company with corporate auditors (or a Supervisory Board Corporate Auditors), the Company ensures that its corporate auditors, including outside corporate auditors, will fully carry out their managerial monitoring in order to achieve the enhancement of their monitoring and supervisory functions and transparency in decision-making. In addition to this corporate governance structure based on managerial monitoring by corporate auditors, the Company has the Governance Committee consisting of members including outside directors and outside corporate auditors as a voluntary advisory body for the board of directors with the objective of strengthening and improving the effectiveness of management supervision by the board of directors and transparency in decision-making. The Company regards its current corporate governance system based on the Supervisory Board Corporate Auditors in which outside corporate auditors are in the majority in combination with the board of directors including outside directors and with the Governance Committee including outside directors and outside corporate 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 dispatches the notification earlier than the statutory deadline.
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 general meetings of shareholders.
Allowing Electronic Exercise of Voting Rights	At the Company, the electronic exercise of voting rights has been allowed since its annual general meeting of shareholders held in June 2005.
Other	The Company has been sending out the notification of convocation printed in full color since the fiscal year ended March 31, 2013. By introducing charts and photographs to it, the Company has made it more informative and user-friendly for readers.

#### 2. IR Activities **Revised**

	Supplementary Explanations	Explanations Given by the Representative
Preparation and Publication of Disclosure Policy	The Company has established its IR Basic Policy. Refer to: IR Basic Policy: <a href="http://www.itcenex.com/ir/policy/basicpolicy/">http://www.itcenex.com/ir/policy/basicpolicy/</a>	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds two 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 document titled <i>Investor Information</i> includes not only the Company's business results and financial information but also different topical stories and materials.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR & Public Relations Section in the Investigation and Public Relations Department as a body specializing in investor relations under the officer responsible for investor relations, namely the General Manager for the Corporate Planning Division.	

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

	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="http://www.itcenex.com/csr/employee/">http://www.itcenex.com/csr/employee/</a>
Implementation of Environmental Activities, CSR Activities etc.	It is stipulated in the Declaration of the Group Code of Conduct and in the Environmental Policy. Declaration of the Group Code of Conduct: <a href="http://www.itcenex.com/csr/employee/">http://www.itcenex.com/csr/employee/</a> Environmental Policy: <a href="http://www.itcenex.com/csr/policy/">http://www.itcenex.com/csr/policy/</a>
Development of Policies on Information Provision to Stakeholders	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.

## **IV. Matters Related to the Internal Control System**

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

#### **1. Corporate Governance**

No statement on this matter is made, given that a statement is made in II-2. *Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)* and in II-3. *Reasons for Adoption of Current Corporate Governance System*.

#### **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 Chief Compliance Officer (CCO) and established a committee relating to corporate social responsibility (CSR) and compliance and a department that supervises 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 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 (refers to the principal companies in which the Company has a direct or indirect stake and which require direct management, guidance and the like from the Company) 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 the Company and all its subsidiaries (hereinafter collectively referred to as "the 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 corporate auditors. 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 the Group and maintains its close linkage with internal audit bodies inside the Group in an effort to upgrade the quality of audits conducted in the Group.

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

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

None

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

[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

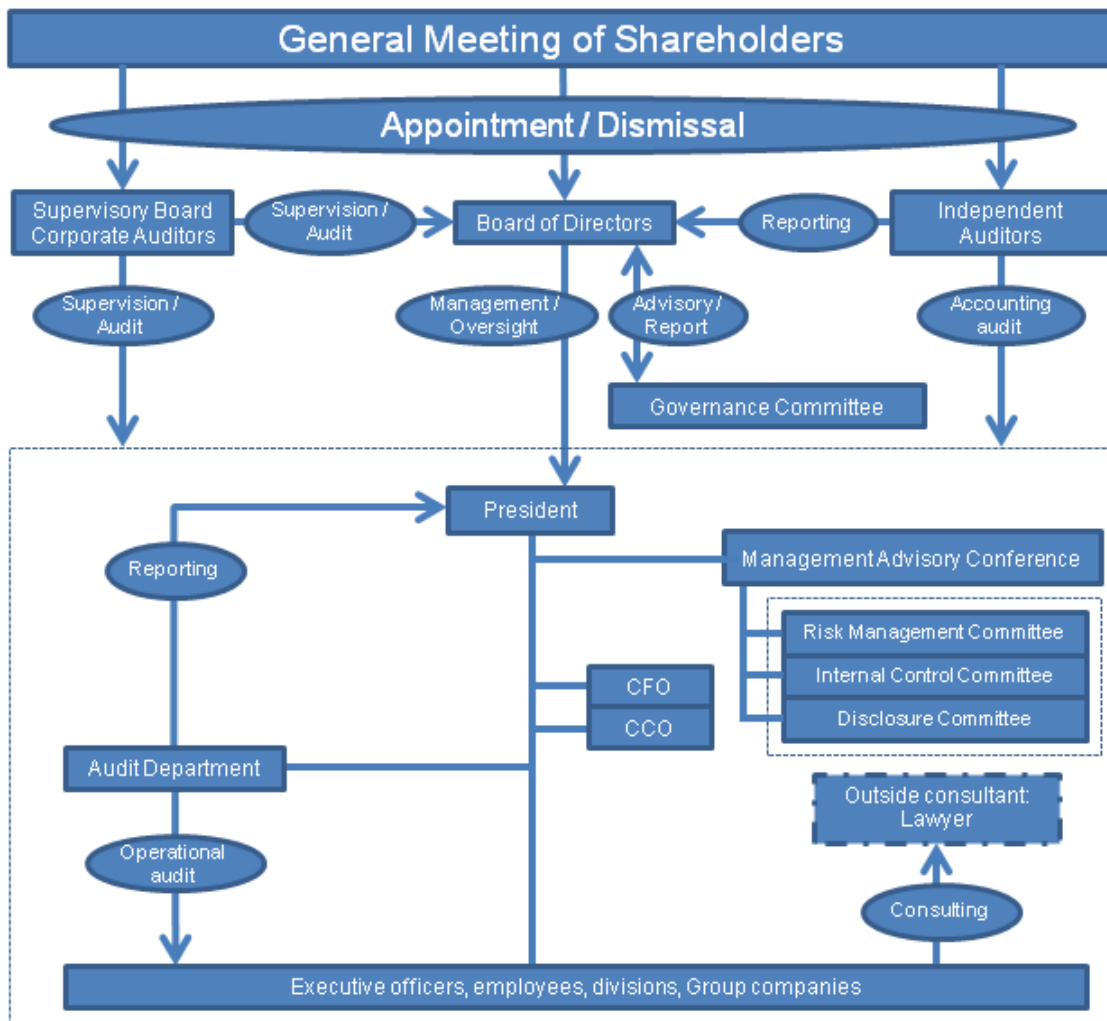
The Company has the Investigation and Public Relations Department (and the IR and Public Relations Section), which engages in disclosure operations, as a controlling organization for collecting information concerned with timely disclosure information. For the purpose of increasing accuracy in decision-making 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 of PDF files and other tools. 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

