

May 13, 2020

This document is an English translation  
of a statement written initially in Japanese.  
The Japanese original should be considered  
as the primary version.

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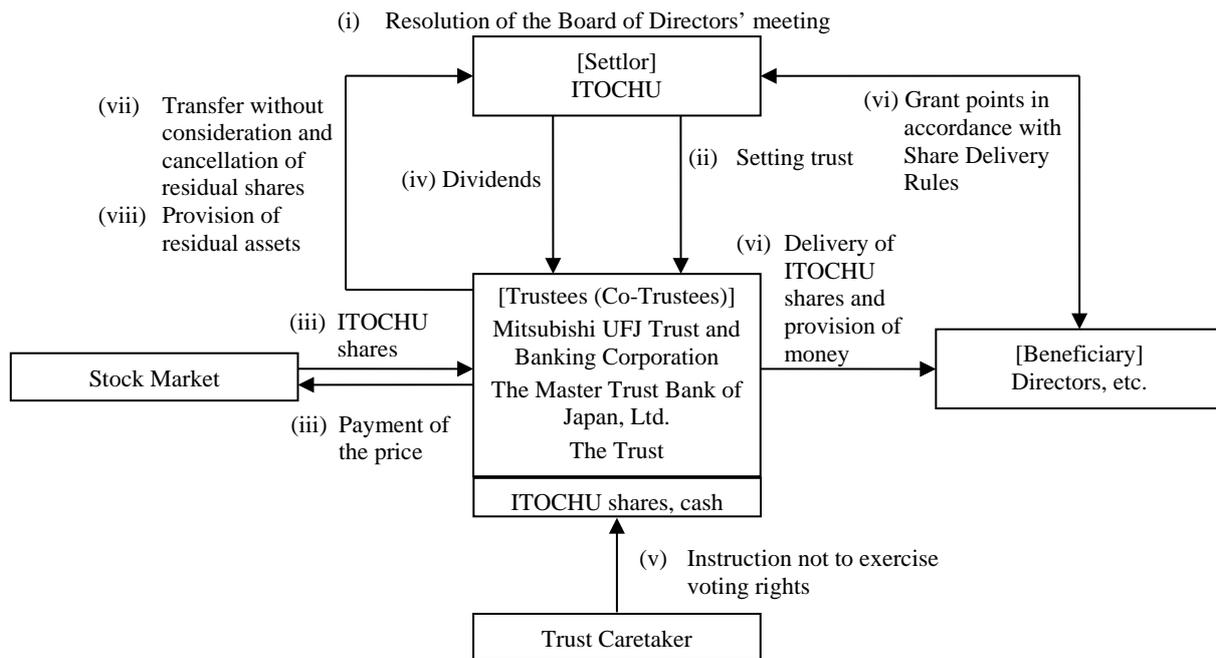
### **Announcement in Relation to Continuation of Performance-Linked and Share-Based Remuneration Plan**

ITOCHU Corporation (“ITOCHU”) hereby announces, as described below, that it resolved at the Board of Directors’ meeting held on May 13, 2020 to continue its performance-linked and share-based remuneration plan (the “Plan”) introduced in the fiscal year ended March 31, 2017 (the “fiscal year 2017”).

#### **1. Continuation of the Plan**

- (1) ITOCHU introduced the Plan for its Directors and Executive Officers (excluding Outside Directors and Directors who are non-residents of Japan; “Directors, etc.”) in the fiscal year 2017, as an executives’ remuneration plan closely linked to the corporate performance, and having high transparency and objectivity, with the objective of heightening their awareness of making contributions to improving ITOCHU’s performance and to increasing its corporate value over the medium-and long-term, and ITOCHU will continue the Plan from the fiscal year ended March 31, 2021.
- (2) The plan adopted a framework called the “Board Incentive Plan Trust (BIP)” (the “BIP Trust”). The BIP Trust is an incentive plan for executives, based on the performance share plans and restricted stock plans in the U.S. ITOCHU will conduct delivery and payment (the “Delivery, etc.”) of the ITOCHU shares acquired by the BIP Trust and an amount of money equivalent to the conversion value of said shares (the “ITOCHU Shares, etc.”), together with dividends derived from the ITOCHU shares, to Directors, etc. following retirement from office (or after death, in the event of the death of a Director, etc.; the same applies hereinafter), based on performance and other factors.

## 2. Overview of the Plan



- (i) ITOCHU's Board of Directors' meeting resolved the continuation of the Plan. ITOCHU has already established Share Delivery Rules for the Plan.
- (ii) ITOCHU will additionally entrust money within the range approved by the resolution of the 92<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 24, 2016 (the "Shareholders Meeting in 2016") and will extend the period of the trust (the "Trust") of which the Directors, etc. who satisfy the requirements for beneficiaries are beneficiaries.
- (iii) The Trust will purchase the ITOCHU shares from the stock market using the money entrusted in (ii) in accordance with the instructions of the trust caretaker. The number of shares to be acquired by the Trust will be within the range approved by a resolution of the Shareholders Meeting in 2016.
- (iv) The payment of dividends for the ITOCHU shares in the Trust will be made in the same manner as paid for other ITOCHU shares.
- (v) Voting rights for the ITOCHU shares in the Trust will not be exercised throughout the trust period.
- (vi) During the trust period, a certain number of points will be granted to Directors, etc. based on performance and other factors during each fiscal year. A Director, etc. who fulfills certain requirements for beneficiaries will, after retirement from office, receive the delivery of the ITOCHU shares corresponding to a certain ratio of the number of points accumulated; money equivalent to a number of the ITOCHU shares corresponding to the residual number of points, converted into cash within the Trust in accordance with the provisions of the trust contract; and money for dividends paid on the ITOCHU shares in the Trust, corresponding to the number of points as of the record date(\*).
- (vii) In the event that there are residual shares at the time of expiry of the Trust due to the non-attainment of performance targets during any fiscal year in the trust period or other reasons, ITOCHU will either continue use of the Trust as a new share-based remuneration plan by amending the trust contract and placing an additional trust, or transfer the residual shares without consideration from the Trust to ITOCHU, and cancel those shares by resolution of the Board of Directors.
- (viii) Residual assets after distribution is made to beneficiaries at the time of the termination of the Trust will belong to ITOCHU within the range of the reserve for trust expenses derived by deducting the funds for purchasing shares from the funds of the Trust. With regard to any portion in excess of the reserve for trust expenses, ITOCHU plans to donate this to groups having no interest in ITOCHU or its Directors, etc.

\* In the event that, during the trust period, a possibility arises that the number of shares in the Trust will fall short of the number of shares corresponding to the Accumulated Points (defined in (4) below) stipulated for Directors, etc. during the trust period, or a possibility arises that the amount of money in the trust assets will fall short of payments of trust fees and trust expenses, ITOCHU may entrust additional money to the Trust, within the upper limit on trust money provided for in (6) below.

(1) Overview of the Plan

The Plan after the continuation is a plan by which Delivery, etc. of ITOCHU Shares, etc. is made to Directors, etc. as executives' remuneration following their retirement from office based on performance and other factors in each fiscal year, applicable to the two fiscal years from the fiscal year ending on the last day of March 2021 to the fiscal year ending on the last day of March 2022 (the "Applicable Period").

In the event that the Trust is continued as provided for in (3) B. below, the Applicable Period will be set to every two fiscal years thereafter.

(2) Eligibility under the Plan (beneficiary requirements)

Directors, etc. may, following retirement from office and contingent upon fulfilling the requirements for beneficiaries, and after following the prescribed beneficiary vesting procedure, receive Delivery, etc. of the ITOCHU Shares, etc. corresponding to the Accumulated Points (defined in (4) below) from the Trust, for the period of service until retirement from office.

The beneficiary requirements are as follows.

- (i) The beneficiary (including persons who became a Director, etc. on or after the commencement date of the Plan) is in office as a Director, etc. on and after the commencement date of the Plan during the Applicable Period.
- (ii) The beneficiary has retired from office as a Director, etc. (\*)
- (iii) The beneficiary is a resident of Japan.
- (iv) The beneficiary has not resigned or has not been dismissed on grounds such as having committed major infractions of duties or company rules or certain unlawful acts during the term of office.
- (v) The beneficiary must have Accumulated Points determined by the calculation method provided for in (4) below.
- (vi) Other requirements deemed necessary to achieve the objectives of the performance-linked and share-based remuneration plan.

\* In the event that the trust period is extended in accordance with (3) C. below and the persons eligible for the Plan are in office as Directors, etc. at the expiry of the extended trust period, the Trust will be terminated at that time and Delivery, etc. of the ITOCHU Shares, etc. will be made to said eligible persons during their term of office as Directors, etc.

(3) Trust period

A. Trust period after the extension

The trust period is the approximately two years from September 2020 to August 2022.

B. Continuation of the Trust

Upon expiry of the trust period, the Trust may be continued by amending the trust contract and placing an additional trust. In this case, the trust period of the Trust will be extended by two years, and for each extended trust period, ITOCHU will make additional contributions to the Trust within the upper limit on trust money approved by a resolution of the Shareholders Meeting in 2016, and will continue to grant points to Directors, etc. during the extended trust period; provided, however, that, in the event that such additional contribution is made, when there are ITOCHU shares (excluding any portion of the ITOCHU shares pending Delivery, etc. and corresponding to the points granted to the Directors, etc.) and money remaining within the trust assets on the last day of the trust period prior to the extension (the "Residual Shares, etc."), the total amount of the monetary amount of the Residual Shares, etc. and additionally contributed trust money are to be within the upper limit on trust money approved by a resolution of the Shareholders Meeting in 2016. This extension of the trust period is not limited to one time only, and the Trust may be subsequently re-extended in the same way.

C. Handling of the termination of the Trust (extension of the trust period not accompanied by additional contributions)

Even if the Trust is to be terminated, in the event that Directors, etc. who may fulfill the beneficiary requirements are in office at the expiry of the trust period (or the extended trust period, in the case where continuation of the Trust has been performed according to B. above), the Trust will not be terminated immediately, and the trust period of the Trust will be extended, limited to a certain period. In this case, however, new points will not be granted to the Directors, etc.

(4) ITOCHU Shares, etc. subject to the Delivery, etc., to Directors, etc.

In June of every year during the trust period, Directors, etc. who served as a Director, etc. from July 1 of the previous year to the last day of June of said year (the “Applicable Period of Payment”), but excluding the persons who retired from office as a Director, etc. before the last day of March of said year, will be granted points based on the corporate performance in the fiscal year that ended on March 31 of said year, and in accordance with the number of months of service in the Applicable Period of Payment, as consideration for the performance of duties during the Applicable Period of Payment. Please see below for more details.

Points granted to Directors, etc. in June of each year

= Individual share-based remuneration amount (\*1) / Average acquisition stock price of the ITOCHU shares in the Trust (\*2) x {(Number of months of service from July, the beginning month of the Applicable Period of Payment, to June of the following year (rounding up fractions of less than one month)) / 12} (rounding down fractions)

\*1: The individual share-based remuneration amount is calculated on the basis of the total share-based remuneration amount, which is calculated as indicated below on the basis of net profit attributable to ITOCHU (consolidated) for the fiscal year that ended on March 31 during the Applicable Period of Payment.

■ Total share-based remuneration amount

= (Net profit attributable to ITOCHU (consolidated) for the fiscal year that ended on March 31 during the Applicable Period of Payment – 300 billion yen) x 0.175% x Sum total of position points of eligible Directors / 55 (rounding up fractions of less than 1 yen)

■ Individual share-based remuneration amount

= Total share-based remuneration amount x Position points of each Director / Sum total of position points of Directors (rounding down fractions of less than 1,000 yen)

*Position points*

	Position	Position points
Directors	Director Chairman & Chief Executive Officer	10
	Director President & Chief Operating Officer	7.5
	Director Executive Vice President	5
	Director Senior Managing Executive Officer	4
	Director Managing Executive Officer	3

\*2: In the event that the trust period has been extended, this is the average acquisition stock price of the ITOCHU shares that were acquired by the Trust in accordance with the extension of the trust period. (However, if no ITOCHU shares were acquired by the Trust in accordance with the extension of the trust period, then this is the closing stock price of the ITOCHU shares on the Tokyo Stock Exchange on the first day of the extended trust period).

Points to be granted to Executive Officers (excluding those serving concurrently as Directors) in June of each year will be calculated using the similar method as the points for Directors.

Following the retirement from office of a Director, etc., the accumulated value of points granted (the "Accumulated Points") will be calculated, and Delivery, etc. of the ITOCHU Shares, etc. corresponding to the Accumulated Points will be performed. One point will correspond to one ITOCHU share; provided, however, that, in the event where a share split, consolidation of shares, etc. involving ITOCHU shares occurs during the trust period, the number of the ITOCHU shares (including the ones to be converted) per point will be adjusted, in accordance with said split ratio, consolidation ratio, etc.

(5) Method and timing of Delivery, etc., of the ITOCHU Shares, etc., to Directors, etc.

In the event that a Director, etc. who fulfills the requirements for beneficiaries, retires from office (excluding the case of death), the Director, etc. will receive delivery of the ITOCHU shares corresponding to 50% of the Accumulated Points calculated pursuant to (4) above (rounding down shares of less than one unit) after retirement from office, and, with regard to the number of the ITOCHU shares corresponding to the residual number of the points, will receive provision of money equivalent to those shares, after the conversion into cash within the Trust.

In the event that a Director, etc. who fulfills the requirements for beneficiaries passes away during the trust period, the heir of the Director, etc. will receive a provision of money from the Trust equivalent to the number of the ITOCHU shares corresponding to the Accumulated Points calculated after death, after the conversion into cash within the Trust. In the event where a Director, etc. who fulfills the requirements for beneficiaries is posted overseas during the trust period, with regard to the number of the ITOCHU shares corresponding to the Accumulated Points at that time, and taking into account the number of days until the overseas posting, (1) if the delivery of shares is possible before the Director, etc. is posted overseas, the Director, etc. will receive the delivery of the ITOCHU shares equivalent to 50% (rounding down shares of less than one unit), and the provision of money equivalent to the number of the ITOCHU shares corresponding to the residual number of points, converted to cash; and (2) if the delivery of shares is difficult before the Director, etc. is posted overseas, the Director, etc. will receive the provision of money equivalent to all of the shares, converted into cash within the Trust.

(6) Upper limit on the total amount of trust money contributed to the Trust and upper limit on the total number of points granted to Directors, etc. in the Trust

The total amount of trust money contributed to the Trust during the trust period and the number of points granted to Directors, etc. in the Trust are subject to the upper limits below, pursuant to the approval of the resolution of Shareholders Meeting in 2016.

Upper limit on the total amount of trust money contributed to the Trust: ¥1.5 billion (for two years)(\*)

\* This is the combined amount of funds for acquiring shares by the Trust during the trust period, trust fees, and trust expenses.

Upper limit on the total number of points to be granted to Directors, etc. during the trust period of the Trust: 1,300,000 points (for two years)

(7) Method of acquisition of the ITOCHU shares by the Trust

The initial acquisition of the ITOCHU shares by the Trust is scheduled to be conducted from the stock

market, within the range of the amount of funds for acquiring shares and the total number of granted points in (6) above.

(8) Exercise of voting rights of the ITOCHU shares in the Trust

In order to ensure neutrality toward management, voting rights of ITOCHU shares in the Trust will not be exercised during the trust period.

(9) Handling of dividends of the ITOCHU shares in the Trust

With regard to dividends paid on the ITOCHU shares in the Trust, following receipt thereof by the Trust, and except where appropriated for purposes of trust fees and trust expenses, an amount equivalent to the per-share dividend will be reserved per point in accordance with the Accumulated Points of Directors, etc. as of the record date, and will be provided to Directors, etc. together with the ITOCHU Shares, etc. for which Delivery, etc. is performed under (5) above.

(10) Handling upon termination of the trust period

In the event where there are residual shares at the time of expiry of the trust period due to the non-attainment of performance targets or other reasons during the Applicable Period, ITOCHU may continue use of the Trust as an incentive plan same as or similar to the Plan, by making amendment to the trust contract and additional contribution to the Trust. In the event where the Trust is terminated by expiry of the trust period, ITOCHU plans to transfer the residual shares without consideration from the Trust to ITOCHU, and to cancel the shares by resolution of the Board of Directors.

Residual dividends from the ITOCHU shares in the Trust occurring at the time of expiry of the trust period will be used as funds for acquiring shares in the event of continued use of the Trust. However, in the event that the Trust is terminated by expiry of the trust period, ITOCHU plans to donate any portion in excess of the reserve for trust expenses to groups having no interest in ITOCHU or its Directors, etc.

**(Reference)**

**[Details of the trust contract after the continuation]**

(i) Type of trust	Trust of money other than a specified individually operated monetary trust (third party beneficiary trust)
(ii) Purpose of trust	Granting of incentives to Directors, etc.
(iii) Settlor	ITOCHU
(iv) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
(v) Beneficiary	Directors, etc. who have retired from office and who fulfill beneficiary requirements
(vi) Trust caretaker	A third party having no interest in ITOCHU (certified public accountant)
(vii) Trust contract date	August 3, 2016
(viii) Trust period	August 3, 2016 to August 31, 2022
(ix) Starting date of the Plan	September 1, 2016 (Granting of points was started from June 2017)
(x) Exercise of voting rights	Not to be exercised
(xi) Class of shares to be acquired	Common shares of ITOCHU
(xii) Upper limit of trust money	1.5 billion yen (including trust fees and trust expenses)
(xiii) Stock acquisition period	May 13, 2020 (tentative) to August 31, 2020 (tentative) (excluding the 5 business days before the end of each fiscal period (including quarterly fiscal periods))
(xiv) Method of acquisition of shares	Acquired from stock market
(xv) Rights holder	ITOCHU
(xvi) Residual assets	Residual assets that may be received by ITOCHU as the rights holder will be within the range of reserve for trust expenses, after deduction of funds for acquiring shares from the trust money.

**[Details of operational work associated with trust and stock]**

- (i) Operational work associated with trust Mitsubishi UFJ Trust and Banking Corporation is scheduled to become a trustee of the BIP Trust, and to handle operational work associated with trust.
- (ii) Operational work associated with shares Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is scheduled to handle operational work for the delivery of shares of ITOCHU to beneficiaries, in accordance with an outsourcing contract.