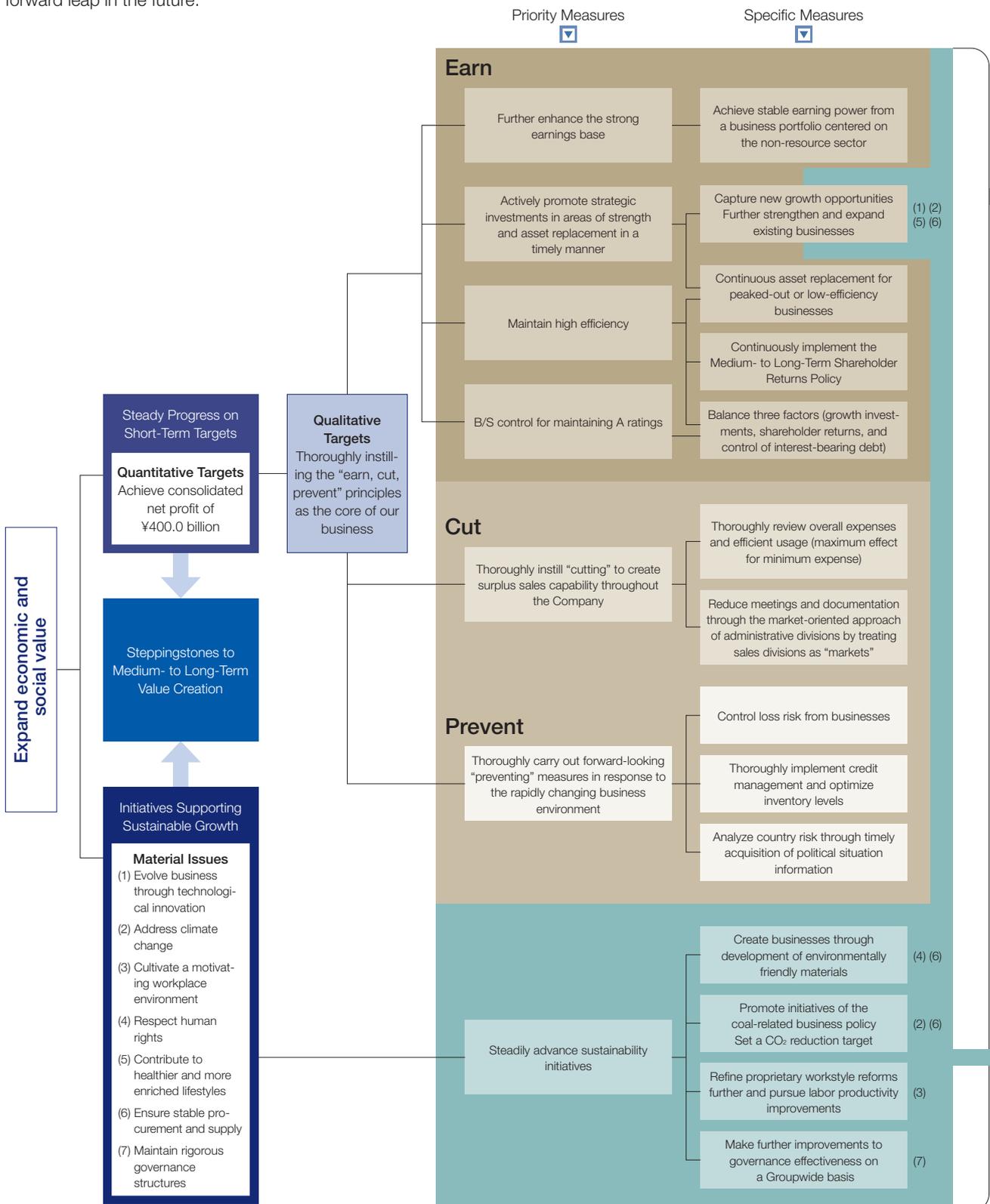


# Relationship between a Logic Tree, Non-Financial Capital, and Material Issues

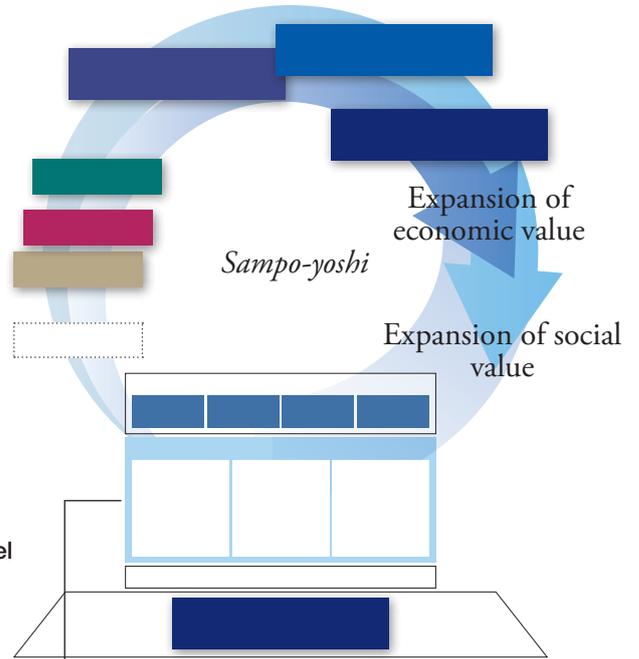
## Logic Tree of the FYE 2021 Management Plan

ITOCHU started the medium-term management plan, “Brand-new Deal 2020,” in FYE 2019 and has accomplished and completed it one year ahead of schedule. With the business environment undergoing tumultuous changes, mainly due to the impact of COVID-19, we have formulated a single-year plan for FYE 2021, in which we will consolidate our footing by thoroughly instilling the “earn, cut, prevent” principles. In this way, we will spend this year on steadily preparing for another forward leap in the future.



## Relationship between Maintaining and Upgrading of Non-Financial Capital and Material Issues

ITOCHU has identified its corporate mission of “*Sampo-yoshi*” which embodies its material sustainability issues and works to resolve material issues through its business. In this way, we maintain and expand our non-financial capital that we have accumulated by leveraging the trust and creditworthiness, and realize a sustainable increase in corporate value.



→ Page 30  
The “Merchant” Business Model

### Relevance of Non-Financial Capital, Material Issues, and the SDGs

		Non-Financial Capital						Related SDGs		
		Internal Capital			Trust and creditworthiness ( <i>Sampo-yoshi</i> )	External Capital				
		Human and Organizational Capital	Business Know-How	Business Portfolio		Client and Partner Assets	Natural Resources	Relationships with Society		
Material Issues	(1) Evolve business through technological innovation	■	■	■		■	■	■	8, 9, 10, 11, 12, 13	
	(2) Address climate change		■			■	■	■	7, 13, 14	
	(3) Cultivate a motivating workplace environment	■	■	■					5, 8, 10, 11, 12, 13	
	(4) Respect human rights				↔		■	■	■	5, 8, 10, 11, 12, 13
	(5) Contribute to healthier and more enriched lifestyles		■	■			■	■	■	3, 12, 13, 14, 15
	(6) Ensure stable procurement and supply					■	■	■	■	6, 12, 13, 14, 15
	(7) Maintain rigorous governance structures	■	■	■				■	■	15

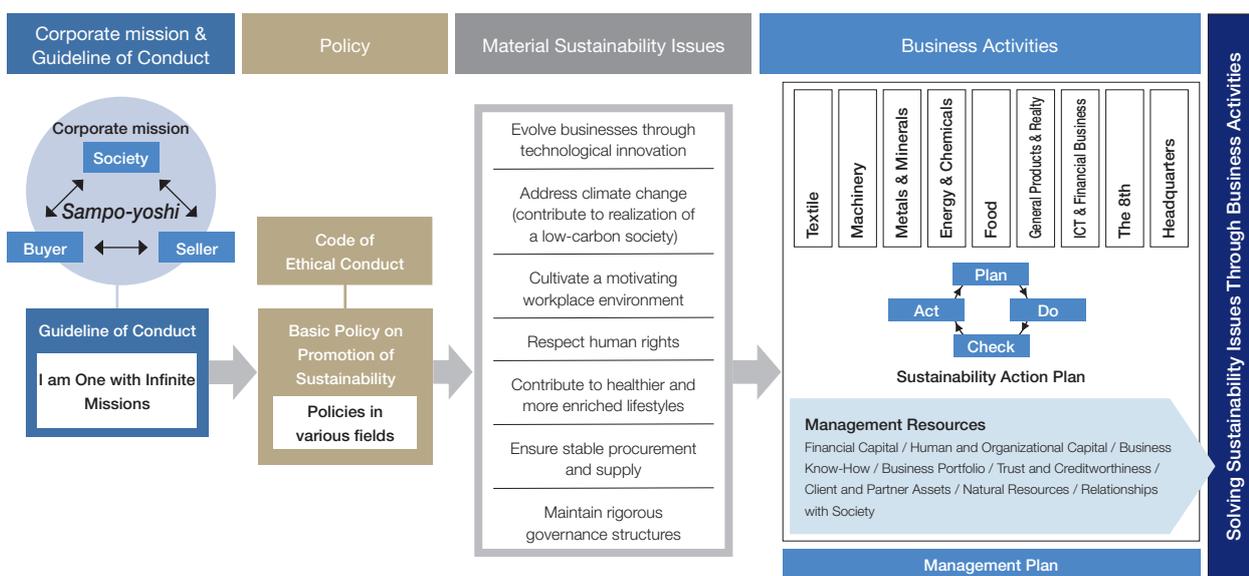
■ Indicates non-financial capital judged to have a particularly high relevance to material issues. We also recognize that trust and creditworthiness are strongly related to all of our material issues.

# Sustainability Initiatives for Sustained Corporate Value Creation

ITOCHU conducts business globally under the Group corporate mission of “*Sampo-yoshi*,” our founding spirit. As such, we consider addressing global environmental and social issues to be one of the top priority issues in our management policy. We contribute to the realization of a sustainable society in order to achieve the goals of the Group Guideline of Conduct, “I am One with Infinite Missions.”

We have established the Basic Policy on Promotion of Sustainability in accordance with our corporate mission and the dynamic environment in which we operate, and promote initiatives in an organized and systematic manner. We have also determined our material issues, which are priority issues that we should resolve, and incorporated these into our Sustainability Action Plans. While maintaining and increasing our earning power, we will achieve both a sustainable increase in corporate value and resolving social issues through our trade and business investment activities.

## Sustainability Promotion Flow



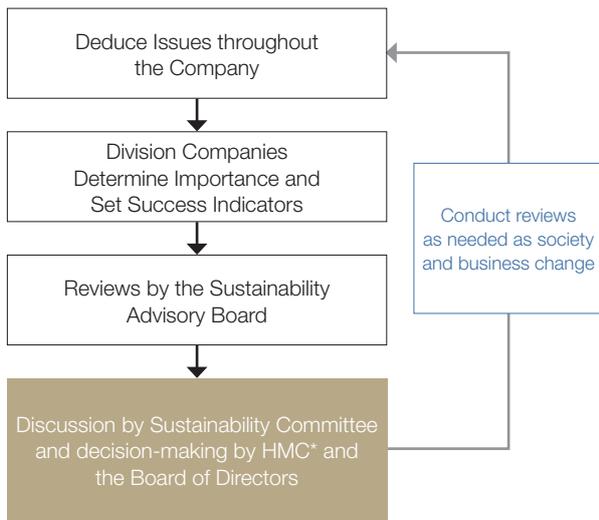
## Material Sustainability Issues

Material Sustainability Issues	Examples of Performance Indicators for Sustainability Action Plans
<p><b>Evolve businesses through technological innovation</b> We create new value by working on new technologies proactively and trying to respond to changes in the industry structure beyond the framework of existing businesses.</p>	<ul style="list-style-type: none"> <li>Rebuild business through the application of AI, IoT, fintech, and other new technologies and services</li> <li>Through the use of AI and the popularization and expansion of RFID tags in the textile business, realize higher levels of supply chain productivity and operating efficiency, better traceability, and enhanced selling capabilities</li> </ul>
<p><b>Address climate change (contribute to realization of a low-carbon society)</b> (⇒ Page 66-67) We strive to adapt to the impact of climate change on business. At the same time, we work to promote business activities aimed at contributing to realization of a low-carbon society and reduce GHG emissions.</p>	<ul style="list-style-type: none"> <li>Develop an optimal asset portfolio that takes social requirements fully into consideration, including the transition to a low-carbon society</li> <li>Promote initiatives aimed at increasing the renewable energy ratio of our power generation business more than 20% (equity interest basis) by FYE 2031</li> </ul>
<p><b>Cultivate a motivating workplace environment</b> (⇒ Page 70-71) We create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity.</p>	<ul style="list-style-type: none"> <li>By FYE 2021, reduce average annual overtime hours by at least 10% compared to the period prior to the introduction of the Morning-Focused Working System</li> <li>Reduce employees who leave work due to cancer or long-term illnesses at 0% by FYE 2021</li> </ul>
<p><b>Respect human rights</b> (⇒ Page 68) We take initiatives for the respect and consideration for human rights through our business activities to stabilize our businesses and contribute to the development of local communities.</p>	<ul style="list-style-type: none"> <li>Comply with societal and environmental maintenance and management standards throughout the entire Group's supply chain</li> <li>Announce a policy for sustainable palm oil procurement that takes into account business partners' conditions, industry trends, and liaison with industry groups, and promote building of a structure for procurement and supply</li> </ul>
<p><b>Contribute to healthier and more enriched lifestyles</b> (⇒ Page 68) We contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.</p>	<ul style="list-style-type: none"> <li>Ensure food safety and security through establishment of the Food Safety Management Department</li> <li>By FYE 2021, aim to manage the health data of 1 million people obtained from medical checkups</li> </ul>
<p><b>Ensure stable procurement and supply</b> (⇒ Page 68) We work to ensure the effective utilization and stable procurement and supply of resources in accordance with demand in each country, in consideration of biodiversity and other environmental issues, aiming to achieve a recycling-oriented society.</p>	<ul style="list-style-type: none"> <li>Further promote the recycled fiber business and increase our handling of sustainable materials</li> <li>By FYE 2026, make 100% of the wood we handle in the wood products business either certified wood or wood that is confirmed to be under a high-level management</li> </ul>
<p><b>Maintain rigorous governance structures</b> (⇒ Page 72-81) The Board of Directors implements highly effective supervision of management from an independent and objective standpoint and ensures appropriate and efficient execution of operations by improving the transparency of decision-making.</p>	<ul style="list-style-type: none"> <li>Continuously conduct measures aimed at strengthening the supervisory function of the Board of Directors through Board of Directors' evaluations</li> <li>Monitor various compliance-related measures and continue face-to-face training, etc.</li> </ul>

For details on the status of initiatives at Division Companies, please refer to the Sustainability Action Plans. <https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/>

## Identification and Review of Material Issues

Since ITOCHU first identified material issues in 2013, we have conducted regular reviews based on trends in the international community and the expectations of stakeholders. In FYE 2019, when the previous medium-term management plan kicked off, we identified seven material issues based on the adoption of the SDGs, the Paris Agreement on climate change coming into effect, and other social developments and changes affecting business. In the FYE 2021 Management Plan, we continue to apply them.



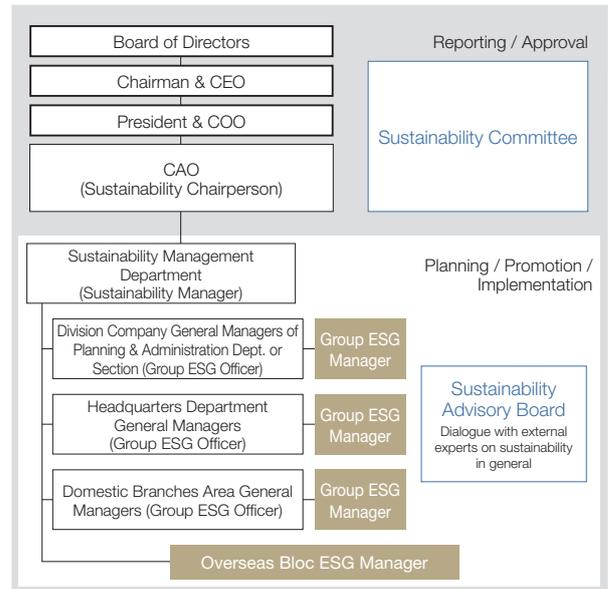
\*HMC = Headquarters Management Committee

Please see the ESG report for details.

<https://www.itochu.co.jp/en/csr/report/>

## Sustainability Promotion Framework

The Sustainability Management Department plans measures to advance sustainability. After these are decided by the CAO, they are carried out by each organization. The Sustainability Committee deliberates and makes decisions concerning formulation and revision of basic policies and important matters. Through dialogue with stakeholders such as the Advisory Board, we gain an understanding of society's expectations and demands, etc., which we use in our efforts to promote sustainability.



Status of Initiatives at Division Companies										SDGs
Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Headquarters		



## Addressing Climate Change

ITOCHU uses the scenario analysis\* in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the impact of climate change on the Group's businesses and their continuity, and to build business strategies based on the various opportunities and risks associated with climate change. We use the "under 2°C" scenario mainly for businesses related to fossil fuels, which will be heavily impacted by transition risk arising from changes in policies, technologies, and markets following the transition to a low-carbon society. Meanwhile, we use the "around 4°C" scenario for businesses in the consumer-related sector, which will be heavily impacted by physical risk arising from increases in average temperatures and changes in weather patterns. In this way, the TCFD scenarios allow a well-balanced analysis covering all of our asset portfolio. Taking the impacts from the above scenarios on each business into account, we will take appropriate steps to prepare for the future, and work to further enhance the continuity of our robust earnings base centered on our businesses in the consumer sector.

### Risks and Opportunities

Risks	Opportunities
<p><b>Transition risk</b></p> <ul style="list-style-type: none"> <li>Reduction in demand for fossil fuels due to business restrictions on GHG emissions</li> </ul> <p><b>Physical risk</b></p> <ul style="list-style-type: none"> <li>Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons, and hurricanes)</li> </ul>	<ul style="list-style-type: none"> <li>Increase in renewable energy and other business opportunities which will contribute to alleviating climate change</li> <li>Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather flexibly</li> </ul>

### Governance

➔ Page 65 Sustainability Promotion Framework

### Metrics and Targets

Metrics	Targets	FYE 2020 Results
Electricity consumption of Tokyo and Osaka headquarters, branches and offices in Japan, and other business facilities in Japan	Reduction of 30% compared with FYE 2011 levels in FYE 2021	Reduction of 44% compared with FYE 2011 levels
	Average annual reduction of at least 1%	Reduction of 2.3% compared with FYE 2019 levels
Renewable energy ratio	More than 20% by FYE 2031	12.5%

### Risk Management

➔ Page 47 Risk Management

### Strategy

• ITOCHU recognizes that the various risks and opportunities associated with climate change are an important perspective for business strategy.

#### \* Scenario Analysis

- In considering scenarios analysis, we established the two scenarios, making reference to the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC): one where average temperature increase by the end of this century is "under 2°C" and one where it is "around 4°C."
- In terms of transition and physical risks, we have identified financially important businesses that could potentially be affected heavily by climate change.

## Agreement with the TCFD Recommendations and Policy on Coal-Related Businesses

In May 2019, ITOCHU announced its endorsement of the TCFD recommendations after conducting a scenario analysis\* based on the recommendations with regard to its power generation-related business with support from the Ministry of the Environment. At the same time, we also participated in the TCFD Consortium established by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency, as a body for promoting discussion and deliberation among companies and financial institutions supporting the TCFD mission. Our policy going forward is to continue analyzing the impacts of climate change on our overall business in line with the TCFD recommendations and to provide timely, appropriate disclosure of relevant information. Moreover, we recognize that the coal-related business has a particularly significant impact on our business and stakeholders. We therefore conducted scenario

analysis an urgent priority, and in February 2019 announced a policy of neither developing any new coal-fired power generation business nor acquiring any new thermal coal mining interest.

We will conduct ongoing reviews and asset replacement with regard to our existing thermal coal mining business, while continuing to respond to social demand from customers in Japan and overseas for a stable supply of energy. At the same time, we will maintain our participation in technological research that contributes to reducing GHG emissions. Our goal in doing so is to contribute to the development of a sustainable society.

\* Please see the website below for details on scenario analysis and business impact evaluation.  
Ministry of the Environment "Practical guide for Scenario Analysis in line with TCFD recommendations":

<http://www.env.go.jp/en/headline/2396.html>

## Scenario Analysis

Division Companies									
Machinery		Metals & Minerals		Energy & Chemicals		Food		General Products & Realty	
Business									
Power Generation		Coal		Oil & Gas Upstream Business Development		Dole		Pulp	
Main risks									
Transition risk*					Physical risk				
* The impact under the "around 4°C" scenario on businesses with a significant transition risk is limited.									
Business environment									
4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C
→	→	→	→	→	→	→	→	→	→
<ul style="list-style-type: none"> <li>Even in the "under 2°C" scenario, we can maintain and grow revenue by increasing the number of new renewable energy plants.</li> </ul>		<ul style="list-style-type: none"> <li>In the "under 2°C" scenario, use of fossil fuels will be reduced as a result of technological innovation and changes in regulatory trends, but demand for high-grade coal, which has a relatively lower environmental impact, will remain at a certain level.</li> </ul>		<ul style="list-style-type: none"> <li>Demand for crude oil is expected to shrink across the world in the "under 2°C" scenario. Nevertheless, we will be able to increase revenue by capturing the opportunities of the global increase in demand for LNG and the increase in demand for new energies (e.g., biofuels).</li> </ul>		<ul style="list-style-type: none"> <li>We expect climate change (the impact on the amount of harvest per unit area due to the increase in the average temperature) to have the impact of reducing revenue under both the "around 4°C" and "under 2°C" scenarios. Nevertheless, we will be able to increase revenue by dispersing risks with diversification of production areas (e.g., Sierra Leone) and by striving to improve our cultivation technologies and cultivation efficiency.</li> </ul>		<ul style="list-style-type: none"> <li>We will partially increase revenue due to an increase in pulp production output in some afforestation areas where production output is expected to expand under the "around 4°C" scenario. Nevertheless, our analysis shows that our overall revenue will decrease due to the impact of the reduction in production output in most afforestation areas with the rise in the average global temperature.</li> <li>We will maintain production output at a certain level in afforestation areas with the suppression in the rise of the average temperature in the "under 2°C" scenario. If the carbon prices are introduced in pulp manufacturing factories using biomass energy, we will be able to curtail costs. In addition, we will be able to increase profit by augmenting revenue with an increase in our pulp production output in afforestation areas where production output is expected to expand.</li> </ul>	
Policies and efforts									
<ul style="list-style-type: none"> <li>We aim to achieve a renewable energy ratio of more than 20% (equity interest basis) by FYE 2031 and will reflect this in the future strategy.</li> <li>We will not develop any new coal-fired power generation business.</li> </ul>		<ul style="list-style-type: none"> <li>We will not acquire new thermal coal mining interests.</li> <li>Regarding the existing thermal coal mining projects, we will continue to review it and contribute to the development of a sustainable society while responding to the social demands of stable supply of energy to customers in Japan and overseas.</li> <li>We will continue to be involved in the development of technologies to contribute to reduction of GHG emissions, including carbon capture and storage (CCS) and carbon capture and utilization (CCU).</li> </ul>		<ul style="list-style-type: none"> <li>We will carefully examine an expansion of our crude oil assets.</li> <li>We will aim to stabilize business by participating in excellent projects. We will then examine investment opportunities in gas projects (e.g., LNG).</li> <li>We will examine a business portfolio that anticipates an increase in demand in the new energies field (e.g., the capture of biofuel and hydrogen-related business opportunities).</li> </ul>		<ul style="list-style-type: none"> <li>We will diversify production areas (expand production in Sierra Leone).</li> <li>We will increase the yield by researching and selecting varieties and by improving production methods (e.g., by improving seedling cultivation methods).</li> <li>We will contribute to a low-carbon society through the promotion of biogas power generation utilizing pineapple dregs and solar power generation utilizing factory rooftops. We will aim to further improve the Dole brand and product superiority with the support of highly environmentally conscious consumers.</li> <li>We will implement irrigation as necessary.</li> </ul>		<ul style="list-style-type: none"> <li>We will examine a selection of varieties to respond to climate change.</li> <li>We will conduct on-site monitoring to examine measures before the impact of climate change becomes significant.</li> </ul>	

## Sustainability in the Value Chain

ITOCHU understands that on top of realizing the stable and sustainable procurement and supply of raw materials, it must also respond appropriately to environmental and human rights risks in its increasingly wide-ranging and complex supply chains. Through dialogue with stakeholders, we will work to achieve even greater transparency across the entire supply chain, including suppliers and customers, and make efforts on risk management.

### Risks and Opportunities

Risks	Opportunities
<ul style="list-style-type: none"> <li>Decrease in creditworthiness when safety and health issues occur for consumers and service users</li> </ul>	<ul style="list-style-type: none"> <li>Increase in demand for food safety and security as well as health promotion</li> <li>Building of a secure and stable product supply system through consideration for human rights and improvement of working environments in the supply chain</li> <li>Acquisition of customer trust and creation of new businesses through stable supply of environmentally friendly resources and materials</li> </ul>

### Food Supply Chain in the COVID-19 Pandemic



Plant audit in China

Our supply chain is growing more wide-ranging and complex as our business domains expand, making it more important to manage risks in raw materials procurement and in our supply chains related

to human rights, working environment, and other aspects. For example, in the Food Company, we are promoting sustainable purchasing activities over the long term, mainly in upstream businesses such as palm oil, marine products, dairy products, fresh meat, and coffee. These efforts include participation in international certification organizations and initiatives to increase the procurement ratio of certified products, and through initiatives to promote greater supply chain transparency utilizing blockchains.

In addition, at food manufacturing plants, which are positioned in the midstream section of the supply chain, we have made use of our existing initiatives for increasing transparency across the entire supply chain even under the COVID-19 environment. For example, since January 2015, we have had a food safety management team in China, and have regularly dispatched Japanese experts to sites there. From a perspective of preventative management, we have conducted regular plant audits in accordance with international standards, and fostered communication with our business partners' plants. In addition to reducing the risk of accidents and issues arising, these initiatives also helped us to get a timely grasp of the status of suppliers infection prevention management systems and operating status during the COVID-19 crisis, which enabled us to avoid any interruption in the supply chain. Furthermore, preliminary preparation of crisis response manuals through preliminary surveys regarding BCP measures also contributes to the stable supply of food.

### Initiatives in the Supply Chain Going Forward

As a general trading company that operates businesses globally, ITOCHU takes essential measures to fulfill its responsibilities to reduce the risk of human rights violations in its supply chain and provide a stable supply of goods to support people's lives. Specifically, we will reiterate the Sustainability Action Guidelines for Supply Chains\* and continue to implement annual sustainability inspections at

our suppliers in an effort to ascertain their true status.

Looking ahead, we plan to build processes for conducting more thorough human rights due diligence to identify and assess risks, and to remedy them.

\* The Sustainability Action Guidelines for Supply Chains can be found here: [https://www.itochu.co.jp/en/csr/society/value\\_chain/policy/](https://www.itochu.co.jp/en/csr/society/value_chain/policy/)

# ESG Risk Evaluation in Business Investment

ITOCHU carries out comprehensive ESG risk evaluations when making business investment decisions by using an ESG checklist and making on-site visits after executing investments. These are part of our efforts to ascertain ESG risks for business investments and take preventative actions. Furthermore, the ESG risk evaluation process is continuously reviewed and improved within the Company's sustainability management system framework based on ISO 14001 as a means of reducing risks related to business investments.

## ESG Risk Evaluation of New Business Investment Projects

When making new business investments, we use the ESG checklist for investments to conduct a thorough due diligence check of the status of the business investee's sustainability promotion system and CSR policy, as well as the risks of significant adverse effects on the environment, violations of laws and ordinances, and complaints from stakeholders. This checklist consists of 33 check items, including the elements of the seven core subjects\* in ISO 26000. With this checklist, the division making the

application (sales department) is required to refer to reviews based on risk analysis from relevant administrative organizations, and to request additional due diligence from external specialist organizations on areas of concern that require an expert opinion, such as soil pollution surveys for building construction. The project is then only undertaken upon confirming that there are no problems in those results.

\* Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

## Group Company Fact-Finding Investigations

We have continued to conduct on-site visits and surveys in Group companies since 2001 to prevent environmental pollution. We visited and surveyed two Group companies in FYE 2020, working with external experts upon consideration for the environmental and social risks of each company. (We completed investigations into a total of 285 offices as of the end of March 2020.)

In these investigations, we conduct wide-ranging inspections such as the factory and warehouse facilities, the situation of drainage to rivers, compliance with environmental laws and regulations, consideration for labor safety and human rights, and communication with the local community in addition to holding a Q&A session with management. We also identify problems and present preventative measures, and check to see whether the situation has been corrected afterwards.

In January 2020, we visited and surveyed Dole Philippines Inc., which manufactures canned pineapple.

Based on the insights of an external expert with detailed knowledge of local laws and regulations, we carefully checked the status of soil pollution, waste, and compliance with laws and regulations to confirm that these are being managed properly.

We also confirmed that the company is actively engaged in on-site biomass power generation and making donations to local schools, among other activities.



Survey at Dole Philippines Inc.

Initiatives and Systems Supporting Sustainable Growth



## Increasing Labor Productivity by Building a Companywide Integrated Data Infrastructure

The Company has radically overhauled its mission-critical systems looking ahead to the full-scale arrival of the era of Digital Transformation. As part of this, we have built a Companywide integrated data infrastructure that will improve the speed and flexibility of business data analysis. In addition to accounting data, the system also aggregates all data concerning sales transactions of the eight Division Companies, logistics data, and external data such as stock prices. This enables the provision of reports and business data in accordance with front-line

needs. In conjunction with this, we have established the Business Intelligence Competency Center (BICC) as a dedicated organization for providing assistance with data analysis and use within the IT Planning Division under the Chief Digital & Information Officer. It will support flexible use of data to enable all sales departments to "evolve businesses through technological innovation," which has been identified as a material issue for the Company. The IT Planning Division will support increased efficiency and productivity of management using technology, while supporting thorough implementation of the merchant principles of "earn, cut, prevent."

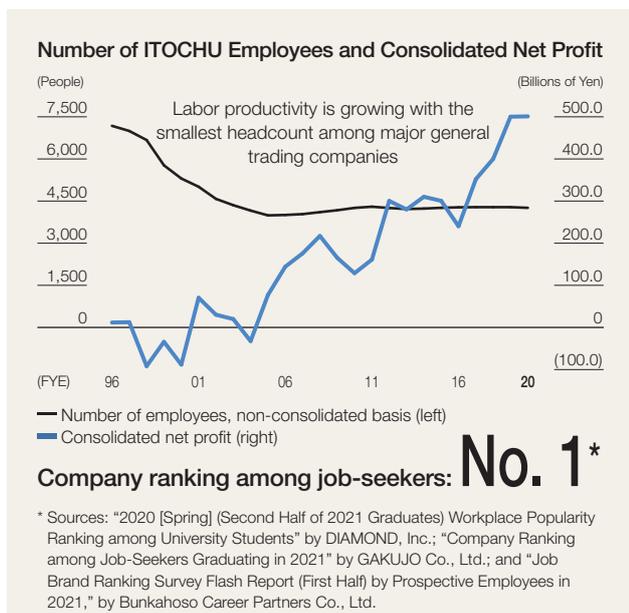


# Human Resource Strategy

One of ITOCHU’s most important attributes is that it advocates the “creation of company environments that are strict but rewarding” and its management is committed to realizing these environments. By clearly positioning a human resource strategy consisting of various measures as a management strategy, we elicit the maximum “individual capabilities” from our employees, who are the driving force behind the functioning of ITOCHU’s business models. As a result, we have steadily increased labor productivity at ITOCHU with the smallest headcount among major general trading companies on a non-consolidated basis.

In addition, by raising their awareness of participation in management, we encourage employees to unite their “individual capabilities,” an ITOCHU strength, and align themselves in the direction of management. This is a further driving force for the virtuous cycle that leads to sustainable increases in corporate value. We plan to introduce additional measures that will strengthen this cycle even more.

## OUTCOME



**Our Understanding of the Environment**  
2030 problem ⇒ Labor shortage, more frequent job changes

**In 2030, a labor shortage of 6.44 million people\***

\* Source: “Labor Market Outlook 2030,” by PERSOL RESEARCH AND CONSULTING Co., Ltd., and Chuo University

## Continuously Develop Employee Capabilities

Continuously Develop Employee Capabilities	OUTCOME
<b>Increasing the Number of Chinese-Speaking Employees (from FYE 2016)</b> <ul style="list-style-type: none"> <li>Increase the number of Chinese-speaking employees to 1,000, or around one-third of career-track employees</li> <li>Provide overseas training in the Chinese language</li> </ul>	<ul style="list-style-type: none"> <li>Expand our foundations in China and other parts of Asia, which are our areas of strength</li> <li>In FYE 2018, met the target of having 1,000 employees with Chinese-language qualifications; figure increased to 1,231 employees in FYE 2020</li> <li>Implementing programs to maintain or increase Chinese-language proficiency</li> </ul>
<b>Hiyoshi Dormitory (from FYE 2019)</b> <ul style="list-style-type: none"> <li>Foster the development of, and a sense of unity among, young employees</li> </ul>	<ul style="list-style-type: none"> <li>Create personal networks that surpass the boundaries of age and department, and build a robust organization</li> <li>Encourage the passing on of a free-spirited corporate culture</li> </ul>

(As of April 1, 2020)

Initiatives to Support the Career Development of Female Employees	OUTCOME
<b>Developing Next-Generation Managers</b> <ul style="list-style-type: none"> <li>Various types of career training</li> <li>Sending to external training sessions</li> <li>Preparation of individual career plans</li> </ul> <b>Establishing Environments That Provide Job Satisfaction to Female Employees</b> <ul style="list-style-type: none"> <li>Allowing employees stationed overseas to bring children with them but without spouse</li> <li>Re-employment system</li> <li>Promotion of awareness of active female participation through organizational leadership training</li> </ul>	<ul style="list-style-type: none"> <li>Two female Outside Directors, two female Executive Officers</li> <li>27 female corporate officers and divisional managers (of whom one is president of an overseas subsidiary)</li> <li>Percentage of female career-track employees: 10.0%</li> <li>Percentage of women in management positions: 8.1%</li> <li>Female career-track employees with overseas experience: 76.0% (Figure excludes employees in their first four years of employment, as employees are in principle not sent overseas during this training period.)</li> </ul>

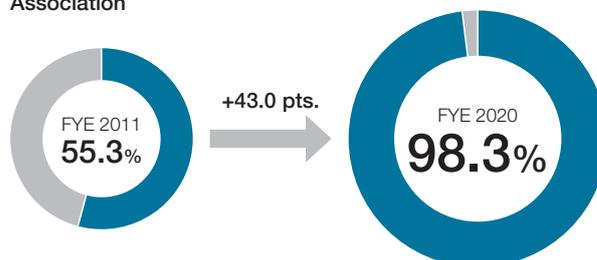


## Increase Awareness of Participation in Management (Shared Value with Shareholders)

### Shareholder-Conscious Stock Compensation Scheme

To achieve sustainable increases in corporate value, we believe it is important for employees, in addition to the management team, to take part in management. We have encouraged participation in our employee shareholding association, and the participation level reached almost 100% in FYE 2019. Going further, in FYE 2020 we used this association to introduce a stock compensation scheme. Under this scheme, we pay special incentives when the Company's performance reaches a certain level, granting shares as consideration.

### Percentage Membership in the Employee Shareholding Association



## Cultivate a Motivating Workplace Environment

Create a Rewarding Workplace Environment	OUTCOME
<b>Morning-Focused Working System (from FYE 2014)</b> <ul style="list-style-type: none"> <li>Shift from the tendency to work late-night to morning-focused working style</li> <li>In principle, prohibit work after 8:00 p.m., and encourage to work in early morning (from 5:00 a.m. to 8:00 a.m.)</li> <li>Offer free breakfast</li> <li>Provide a higher wage rate for people who start work before 8:00 a.m.</li> <li>Extend morning training options, such as Morning Activity Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Improve operating efficiency and use time more effectively (self-improvement, etc.)</li> <li>Reduce overtime work, correcting the issue of long working hours</li> <li>By reducing overtime pay and taxi fares, almost no change in net costs even though providing free breakfast</li> </ul>
<b>Dress-down Days (from FYE 2018)</b> <ul style="list-style-type: none"> <li>Create an environment that encourages flexible thinking</li> <li>Allow employees to work in casual clothing from Tuesday through Friday (every day in summer)</li> </ul>	<ul style="list-style-type: none"> <li>By encouraging employees to think more about their clothing, promote employees to actively have interests in various things and foster an environment conducive to new ideas</li> </ul>

### Results of Morning-Focused Working System

		Before introduction	One year after introduction	FYE 2020
Leaving the Office* <sup>1</sup>	8:00 p.m. or after	30%	7%	6%
	<i>Of which, 10:00 p.m. or after</i>	10%	almost 0%	almost 0%
Entering the Office* <sup>1</sup>	8:00 a.m. or before	20%	34%	43%
Hours of overtime work* <sup>2</sup>		—	(7%)	(8%)
Cost per month (Overtime pay + cost of breakfast)* <sup>2</sup>		—	—	almost no change
Usage of paid holidays* <sup>2</sup>		—	—	increase of 10%

\*<sup>1</sup> 1% of people in the headquarters

\*<sup>2</sup> Compared with the level before we introduced the Morning-Focused Working System

### FYE 2019 Engagement Survey\*<sup>1</sup> Results (Main Items)

	Affirmative response rate	Compare with global average* <sup>2</sup>
ITOCHU considers employees important and takes them into consideration	80%	+17%
ITOCHU places importance on customers	80%	+5%
ITOCHU calls for the achievement of high levels of success	91%	+5%

\*<sup>1</sup> Next survey scheduled for FYE 2023 (conducted every four years)

\*<sup>2</sup> Global average of 330 enterprises and 6.7 million employees



## Improve Employee Health

Improve Employee Health	OUTCOME
<b>Establishment of the ITOCHU Health Charter (from FYE 2017)</b> <b>Support Measures for Balancing Cancer Care and Work (from FYE 2018)</b> <ul style="list-style-type: none"> <li>Hold regular special checkups through a cooperation with the National Cancer Center Research Institute</li> <li>Reflect the balance between treatment and work tasks in individual performance reviews</li> <li>Provide full Company assistance for expenses for advanced cancer treatment</li> <li>Provide schooling and work support for bereaved family members</li> </ul>	<ul style="list-style-type: none"> <li>Maintain and increase employee motivation and sense that work is worthwhile</li> <li>Create an environment where employees can feel secure and devote their full attention to work</li> <li>Reduce uncertainty about the future</li> <li>Nearly 100% screening among people targeted for cancer screening</li> <li>Held a total of three internal seminars themed on cancer, with more than 1,000 participants</li> <li>Strengthen the organizational capabilities</li> </ul>



# Transition of the Corporate Governance System

ITOCHU aims to continuously improve the effectiveness and transparency of its corporate governance system, a foundation that supports sustainable increases in economic and social value under its new “Sampo-yoshi” Group corporate mission.

## Design of Effective Organizations and Systems with Strong Awareness of Corporate Value Improvement

1	2	3
<p><b>Transparent and fair decision-making</b></p> <p>Independent advisory committees to the Board of Directors</p> <p>➔ Page 74</p>	<p><b>Ensure diversity</b></p> <p>Outside Directors with specialized experience in diverse fields</p> <p>➔ Page 75</p>	<p><b>Maintain and improve effectiveness of the Board of Directors</b></p> <p>Continuous confirmation and improvement of effectiveness based on third-party assessments</p> <p>➔ Page 76</p>



### Atsuko Muraki

Outside Director

Ms. Muraki assumed a position as member of the Board of Directors at ITOCHU in June 2016, after serving as Vice Minister of Health, Labour and Welfare. She served as Chairman of the Governance and Remuneration Committee in FYE 2020, leading discussions regarding Corporate Officer remuneration, etc. She has provided many helpful suggestions concerning internal control, compliance, deploying personnel, and strengthening organizations.

### Aiming for Long-Term Increases in Corporate Value

Since being appointed as an Outside Director of ITOCHU, I have served as a member of the Governance and Remuneration Committee, and I also chaired the same committee in FYE 2019 and FYE 2020, fulfilling my role as Outside Director through deep involvement in changing the Company's corporate governance for the better. During my tenure, I have experienced major changes as the Board of Directors transitioned to a monitoring-focused structure. Thereafter, the Company's corporate governance system has steadily improved with each passing year, including an increase in the ratio of Outside Directors to 40%.

The Corporate Officer remuneration system, one of the major topics of discussion by the Governance and Remuneration Committee, is designed to reflect in the remuneration of each Corporate Officer's role and contribution to performance, with the aim of winning the trust of shareholders and other stakeholders.

There is no goal for advancing corporate governance. Therefore, we continue to seek to create an even better system through constant revisions in response to the rapidly changing external business environment. In FYE 2021, as the Chairman of the Nomination Committee, I will work to improve ITOCHU's corporate value by strengthening the Company's corporate governance system through examining succession plans, an important corporate governance issue for the Company, and through discussions about personnel matters relating to Board Members.

### History of Changes in the Corporate Governance System

	Purpose	Actions Taken
FYE 2021	Maintenance and improvement of the effectiveness of the Board of Directors and improvement of Group governance system	<ul style="list-style-type: none"> <li>Maintain the ratio of female Directors at 20%</li> <li>Improve the governance structure of listed subsidiaries</li> </ul>
FYE 2020	Further improvement of the effectiveness of the Board of Directors	<ul style="list-style-type: none"> <li>Maintain the ratio of Outside Directors to more than one-third at any time</li> <li>Further improve the diversity of Outside Directors</li> <li>Achieve ratio of 20% of female Directors on the Board of Directors (in addition, two female Executive Officers (non-Director))</li> <li>Formulate ITOCHU's Policy on the Governance of its Listed Subsidiaries</li> <li>Reorganized the Nomination Committee (Majority members of both the Governance and Remuneration Committee and the Nomination Committee are outside executives)</li> </ul>
FYE 2019	Maintenance of the Board of Directors' system in response to internal and external changes	<ul style="list-style-type: none"> <li>Transition to a Management Structure with a Chairman &amp; CEO and a President &amp; COO</li> <li>Improve diversity of Outside Directors</li> <li>Maintain an Outside Directors' ratio of at least one-third</li> <li>Discontinue consultant and advisor system</li> </ul>
FYE 2018	For thorough separation of management execution and supervision	<ul style="list-style-type: none"> <li>Transition to a Board of Directors with a monitoring-focused structure</li> <li>Increase in the ratio of Outside Directors to at least one-third</li> <li>No Directors except one Division Company President appointed to concurrent positions</li> </ul>
FYE 2017	To strengthen the Board of Directors' supervision function	<ul style="list-style-type: none"> <li>Increase in the number of Outside Directors (from two to three)</li> <li>Reorganized the Governance and Remuneration Committee and the Nomination Committee (appointing Outside Directors as chairmen and accounting Outside executive half or more of members)</li> </ul>
FYE 2016	To strengthen the Board of Directors' supervision function and increase transparency	<ul style="list-style-type: none"> <li>Response to Japan's Corporate Governance Code</li> <li>Establishment of the Governance and Remuneration Committee and the Nomination Committee</li> </ul>
FYE 2012	To increase the effectiveness of the supervision of management and improve the transparency of decision-making	<ul style="list-style-type: none"> <li>Appointment of two Outside Directors</li> </ul>
FYE 2000	To strengthen decision-making and supervisory functions of the Board of Directors	<ul style="list-style-type: none"> <li>Introduction of Executive Officer System</li> </ul>

4	5	6
<p><b>Arrangements for lively discussions of the Board of Directors</b></p> <p>Proactive sharing of information with Outside Directors</p> <p>➔ Page 76</p>	<p><b>Improvement in Group governance system</b></p> <p>Announcement and steady application of governance policies for listed subsidiaries</p> <p>➔ Page 77</p>	<p><b>Incentives for earnings growth</b></p> <p>Fair and well-balanced Corporate Officer remuneration system, highly linked to business performance</p> <p>➔ Page 78</p>

## Constant Improvement

Internal Directors	Outside Directors	Ratio of Outside Directors	Ratio of Female Directors
<p>6</p>	<p>4</p>	<p>40%</p> <p>(4 out of 10 Directors)</p>	<p>20%</p> <p>(2 out of 10 Directors)</p>
<p>6</p>	<p>4</p>	<p>40%</p> <p>(4 out of 10 Directors)</p>	<p>20%</p> <p>(2 out of 10 Directors)</p>
<p>5</p>	<p>3</p>	<p>38%</p> <p>(3 out of 8 Directors)</p>	<p>13%</p> <p>(1 out of 8 Directors)</p>
<p>5</p>	<p>4</p>	<p>44%</p> <p>(4 out of 9 Directors)</p>	<p>11%</p> <p>(1 out of 9 Directors)</p>
<p>11</p>	<p>3</p>	<p>21%</p> <p>(3 out of 14 Directors)</p>	<p>7%</p> <p>(1 out of 14 Directors)</p>

P: Division Company President  
 Overseas: CEO for East Asia Bloc; CEO for Asia & Oceania Bloc; Executive Advisory Officer for CP & CITIC Operations



**Harufumi Mochizuki**  
 Outside Director  
 Mr. Mochizuki was appointed as an Audit & Supervisory Board Member of ITOCHU in June 2014 and a Director in June 2017, following a position as the Vice Minister of Economy, Trade and Industry. In FYE 2020, he served as the Chairman of the Nomination Committee, and lead deliberations on the appointment and dismissal of key management members and succession plans. He provides many beneficial and broad-minded suggestions on topics including internal control, compliance, and next-generation businesses.

### Ensuring and Improving Transparency of Decision-Making

There are always many number of options and directions to consider when making business decisions. I believe the primary role of Outside Directors in corporate governance is to maintain an objective and comprehensive perspective and examine whether all the necessary factors have been considered, such as various possibilities and accompanying risks, and voice opinions to the management team. I am confident that steps to ensure and improve the transparency and fairness of decision-making at ITOCHU have led to even better management, as Outside Directors give management their frank opinions based on their specialized knowledge and diverse backgrounds, while management carefully listen to these opinions.

Succession plans for management are one of the most important issues for maintaining and improving the effectiveness of corporate governance at ITOCHU. During my tenure as the Chairman of the Nomination Committee for two years since FYE 2019, we periodically discussed succession plans, and had lively conversations about the "ideal" manager as he or she is pressured to make bold decisions, and policies for grooming successors. In FYE 2020, we worked on having more practical discussions by taking a more flexible approach to meetings, such as creating opportunities for only Outside Directors on the committee to have discussions.



# Overview of the Corporate Governance System

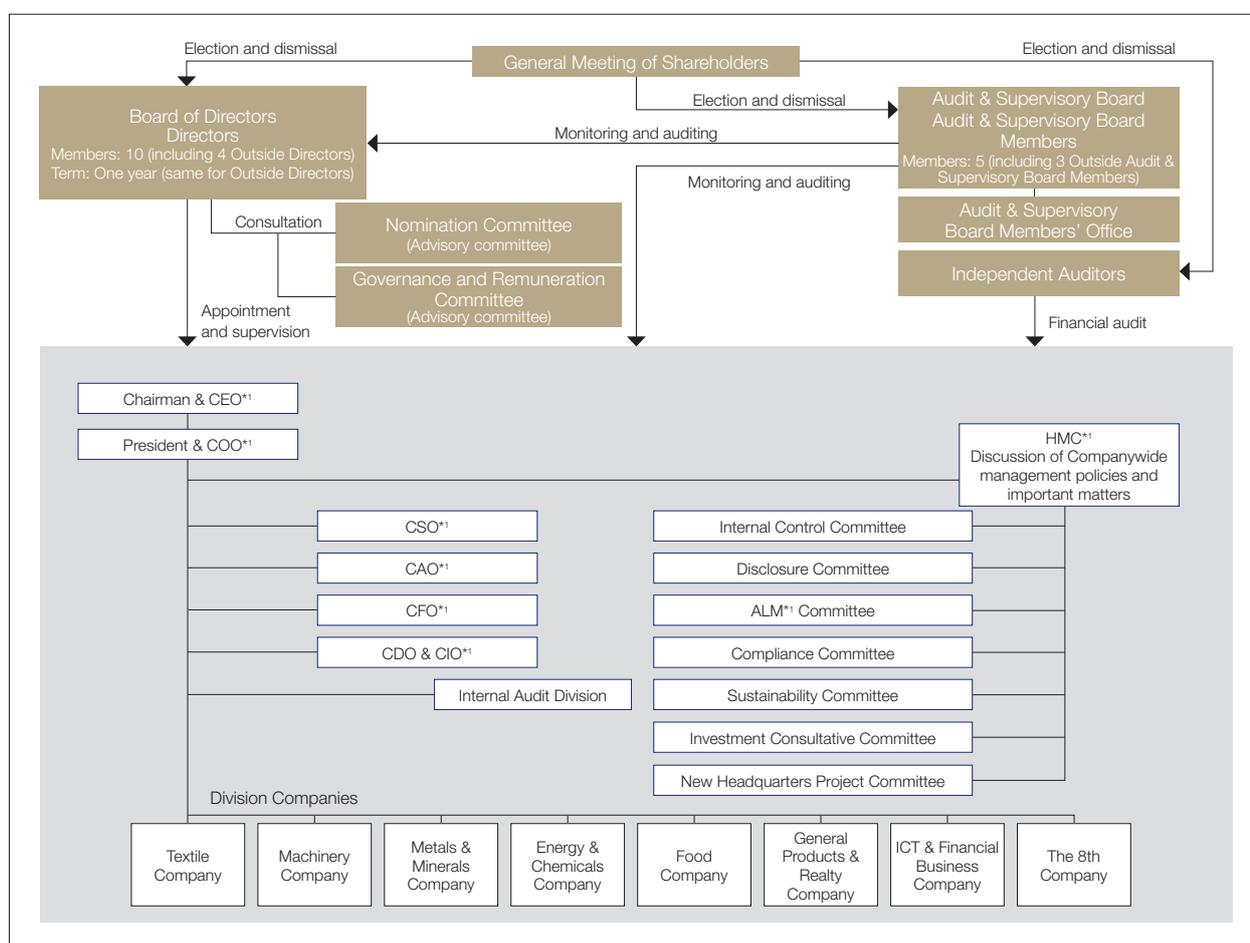
As a company with Audit & Supervisory Board Members (Audit & Supervisory Board), ITOCHU is always implementing measures to strengthen management supervision. After transitioning to a monitoring-focused Board of Directors in FYE 2018, the Company increased the ratio of Outside Directors to at least one-third, and intends to maintain this ratio. As advisory committees to the Board of Directors, the Governance and Remuneration Committee and the Nomination Committee have been established with an Outside Director as the Chairman and Outside Directors forming a majority of members.

ITochu's Inside Directors are nominated from a pool of personnel who have abundant business experience and general knowledge about the management of general trading companies. Outside Directors are appointed from a pool of diverse candidates who have expertise in certain fields. Furthermore, Outside Audit & Supervisory Board Members are selected from candidates who have extensive knowledge in finance, accounting, or legal affairs. They facilitate the neutral and objective supervision and oversight of the Company's management.

The following outlines ITOCHU's corporate governance system, the role of each Outside Director and Outside Audit & Supervisory Board Member, and their primary fields of expertise.

## Overview of ITOCHU's Corporate Governance and Internal Control System

(As of June 19, 2020)



\*1 CEO=Chief Executive Officer COO=Chief Operating Officer CSO=Chief Strategy Officer CAO=Chief Administrative Officer CFO=Chief Financial Officer  
CDO & CIO=Chief Digital & Information Officer HMC=Headquarters Management Committee ALM=Asset Liability Management

\*2 CAO is the chief officer for compliance. Also, each Division Company has a Division Company President.

\*3 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.

### Principal Internal Committees

Committee Name	Chairman	Purpose
Internal Control Committee	CAO	Deliberates on issues related to the development of internal control systems
Disclosure Committee	CFO	Deliberates on issues related to business disclosure and the development and operation of internal control systems in the area of financial reporting
ALM Committee	CFO	Deliberates on issues related to risk management systems and balance sheet management

Committee Name	Chairman	Purpose
Compliance Committee	CAO	Deliberates on issues related to compliance
Sustainability Committee	CAO	Deliberates on issues related to sustainability and ESGs (excluding governance)
Investment Consultative Committee	CFO	Deliberates on issues related to investment and financing
New Headquarters Project Committee	CAO	Deliberates on issues related to the new Tokyo headquarters project

## Composition of the Governance and Remuneration Committee and the Nomination Committee

(As of June 19, 2020)

Name	Title	Governance and Remuneration Committee*1	Nomination Committee*2
Masahiro Okafuji	Chairman & CEO	○	○
Yoshihisa Suzuki	President & COO	○	○
Fumihiko Kobayashi	Director		○
Atsuko Muraki	Outside Director		◎ (Chair)
Harufumi Mochizuki	Outside Director	○	○
Masatoshi Kawana	Outside Director	◎ (Chair)	
Makiko Nakamori	Outside Director	○	
Shuzaburo Tsuchihashi	Audit & Supervisory Board Member		*3
Makoto Kyoda	Audit & Supervisory Board Member	○	
Shingo Majima	Outside Audit & Supervisory Board Member		○
Kentaro Uryu	Outside Audit & Supervisory Board Member		○
Kotaro Ohno	Outside Audit & Supervisory Board Member	○	

(7 members)

(7 members)

\*1 The Governance and Remuneration Committee deliberates and advises on proposals related to the remuneration system for Directors and Executive Officers and other matters on corporate governance.

\*2 The Nomination Committee deliberates and advises on proposals related to nomination and dismissal of Executive Officers, nomination of candidates for Directors and Audit & Supervisory Board Members, dismissal of Directors and Audit & Supervisory Board Members, and appointment and dismissal of responsible Directors and officers.

\*3 Shuzaburo Tsuchihashi, Audit & Supervisory Board Member, attends as an observer.

## Principal Specialized Area of Experience of Outside Directors

Name Role	Gen- der	Length of services *1	Principal specialized area of experience					Main career history & qualifications, etc.	
			All aspects of management	Overseas assignment (Global)	Finance and accounting	Human resources and labor	Internal control & legal affairs / compliance		Health and medical care
Atsuko Muraki Outside Director Chairman of the Nomination Committee		4 years	●			●	●	●	Vice Minister of Health, Labour and Welfare
Harufumi Mochizuki Outside Director		3 years*2	●	● (North America / Europe)		●	●		Vice Minister of Economy, Trade and Industry
Masatoshi Kawana Outside Director Chairman of the Governance and Remuneration Committee		2 years	●	● (North America)		●	●	●	Vice President of Tokyo Women's Medical University Hospital, Doctor of Medicine
Makiko Nakamori Outside Director		1 year	●		●		●		Served as outside director and audit & supervisory board member at several companies including ITOCHU Techno-Solutions Corporation Certified Public Accountant

## Principal Specialized Area of Experience of Outside Audit & Supervisory Board Members

Name Role	Gen- der	Length of services *1	Principal specialized area of experience					Main career history & qualifications, etc.	
			All aspects of management	Overseas assignment (Global)	Finance and accounting	Human resources and labor	Internal control & legal affairs / compliance		Health and medical care
Shingo Majima Outside Audit & Supervisory Board Member		7 years	●	● (North America)	●		●		Executive Director of Chuo University, Senior Partner, KPMG LLP, Certified Public Accountant in Japan and the U.S. (New York State)
Kentaro Uryu Outside Audit & Supervisory Board Member		5 years	●	● (Asia)			●		Managing Partner, URYU & ITOGA, Attorney-At-Law
Kotaro Ohno Outside Audit & Supervisory Board Member		3 years	●			●	●		Prosecutor General, Vice Minister of Justice, Attorney-At-Law

\*1 Number of full years of service as of June 30, 2020

\*2 Harufumi Mochizuki served for three years as an Audit & Supervisory Board Member before being appointed as an Outside Director



## Maintaining and Improving the Effectiveness of the Board of Directors

### Procedure for Evaluation of the Board of Directors and Evaluation by External Consultant in FYE 2020

For the purpose of maintaining and improving the effectiveness of the Board of Directors, ITOCHU conducts an evaluation of the effectiveness of the Board of Directors. We have confirmed its effectiveness based on the results of the evaluation in FYE 2020.

Based on the results of this evaluation, ITOCHU will continue to examine measures to improve diversity among Outside Directors and strive to enhance discussions of major topics at meetings of the Board of Directors.

Respondents	All 10 Members of the Board and 5 Audit & Supervisory Board Members in FYE 2020
Evaluation method	Step 1 Enlist external consultants to conduct questionnaires and interview all members (anonymous responses) Step 2 Conduct independent evaluation of respondents' answers by external consultants Step 3 With consideration for the results of the evaluation by external consultants, hold deliberations by the Governance and Remuneration Committee Step 4 Conduct analysis and evaluation by the Board of Directors
Questions	Centered on items related to following five sections: <ul style="list-style-type: none"> <li>• Structure of the Board of Directors</li> <li>• Structure of advisory committees to the Board of Directors</li> <li>• Roles and duties of the Board of Directors</li> <li>• Operation status of the Board of Directors</li> <li>• Information provision and training for Members of the Board and Audit &amp; Supervisory Board Members</li> </ul>
Evaluation by external consultant	<ul style="list-style-type: none"> <li>• In addition to scores improving in the majority of the questionnaires, the effectiveness of the Board of Directors has made further progress through means including: <ol style="list-style-type: none"> <li>(1) Progress in external form such as improvement of diversity and the structure of advisory committees</li> <li>(2) Invigoration of discussions in the Board of Directors through improvements in proceedings and operation of meetings</li> <li>(3) Enhancement of information sharing</li> </ol> </li> <li>• With regard to the operation of the Board of Directors based on the transition to a Monitoring-Focused Structure, which was recognized as an ongoing issue in the previous evaluation, discussions were held with the goal of improving medium- to long-term corporate value, which ITOCHU seeks in its management strategy and corporate mission, and steady progress was observed</li> <li>• As remaining issues, there is a need for initiatives to address: <ol style="list-style-type: none"> <li>(1) Further diversity in the Board of Directors</li> <li>(2) The further enhancement of medium- to long-term discussions in the Board of Directors</li> <li>(3) The strengthening of provision of information to Outside Directors and Outside Audit &amp; Supervisory Board Members</li> </ol> </li> </ul>

### Initiatives for More Constructive Discussions

ITOCHU takes various steps to ensure the Board of Directors can have more lively discussions by deepening the understanding of the Outside Directors and Outside Audit & Supervisory Board Members of the overall state of operations and issues pertaining to its diverse businesses as a general trading company.

For example, in preliminary briefings about proposals for meetings of the Board of Directors, we endeavor to provide useful information and clear, detailed briefings about the specifics and backgrounds of each proposal in order to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members on perspectives and key points that should be discussed. The Corporate Planning & Administration Division is in charge of leading the preliminary briefings with explanations of not only the details of each proposal, but also their position in overall management, for the purpose of facilitating the exchange of essential opinions based on the actual conditions of the ITOCHU Group.

Moreover, opportunities to visit business sites at subsidiaries and affiliates inside and outside Japan are periodically created. The aim is to increase the effectiveness of the Board of Directors by having Outside Directors and Outside Audit & Supervisory Board Members directly exchange opinions with management teams, engage in dialogue with employees, and see firsthand the products and services offered.



Visit to Via Transportation, Inc. in the U.S.



Tour of MASTER-HALCO, Inc. plant in the U.S.

#### Major Topics Discussed by the Board of Directors in FYE 2020

- (1) Revisions to the Group corporate mission
- (2) Organizational reforms (establishment of The 8th Company)
- (3) Governance policies for listed subsidiaries
- (4) Reform of the Nomination Committee
- (5) Short-term management plan

# ITOCHU's Policy on the Governance of Its Listed Subsidiaries

## Generating Synergies While Ensuring Autonomy

Significance of holdings of listed subsidiaries includes the increases in transactions based on the reputation, credibility and an independent standpoint away from ITOCHU, as well as the expansion of synergies within the Group, including with ITOCHU.

In October 2019, ITOCHU announced the following policies regarding listed subsidiaries in light of the growing interest of shareholders and institutional investors in parent-subsidary listings, based on the idea that ITOCHU appropriately protecting the interests of general shareholders in listed subsidiaries would ultimately increase the corporate value of the listed subsidiaries.

- 1 In case that there is a listed subsidiary in the ITOCHU Group, ITOCHU respects the autonomy of the listed subsidiary and prohibits any acts that contradict the principle of shareholder equality.
- 2 In particular, with the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of the listed subsidiary and in order to secure the independent decision-making of the listed subsidiary, we request the listed subsidiary to set up the governance structure under which the independent outside directors of the listed subsidiary are well functioned.
- 3 With respect to the listed subsidiary, ITOCHU will perform its accountability as to the rationale to maintain the listed parent-subsidary relationship as well as the effectiveness of the governance structure of the listed subsidiary.

## State of Governance Systems at Listed Subsidiaries

ITOCHU requires that its listed subsidiaries (1) have independent outside directors for at least one-third of its directors, (2) establish independent advisory committees for their board of directors, and (3) have independent outside members for a majority on their audit & supervisory boards. At the listed subsidiaries shown below, governance systems have been put into place that mostly satisfy these requirements.

(As of July 1, 2020)

Division Company	Company name	(1) Ratio of independent outside directors		(2) Advisory committees for the board of directors	(3) Ratio of independent outside audit & supervisory board members
		Directors	Outside directors		
Energy & Chemicals	ITOCHU ENEX CO., LTD.	5 	3 	38%  (3 out of 8 directors)	- Governance Committee  (2 out of 4 members)
	C.I. TAKIRON Corporation	5 	3 	38%  (3 out of 8 directors)	- Nomination / Remuneration Committee  (2 out of 4 members)
Food	ITOCHU-SHOKUJIN Co., Ltd.	6 	3 	33%  (3 out of 9 directors)	- Governance Committee  (2 out of 4 members)
	Prima Meat Packers, Ltd.	3 	2 	40%  (2 out of 5 directors)	- Management Advisory Committee  (1 out of 3 members)
ICT & Financial Business	ITOCHU Techno-Solutions Corporation	4 	2 	33%  (2 out of 6 directors)	- Nomination Committee - Remuneration Committee - Governance Committee  (2 out of 4 members)
	CONEXIO Corporation	5 	3 	38%  (3 out of 8 directors)	- Nomination / Remuneration Committee - Governance Committee  (2 out of 4 members)
The 8th	FamilyMart Co., Ltd.*	8 	4 	33%  (4 out of 12 directors)	- Remuneration Committee  (2 out of 4 members)

\* The ITOCHU Group announced on July 8 2020 a tender offer for shares in FamilyMart Co., Ltd. for the purpose of delisting the company.



# Corporate Officer Remuneration

## A Highly Transparent Remuneration Plan Linked to Corporate Value

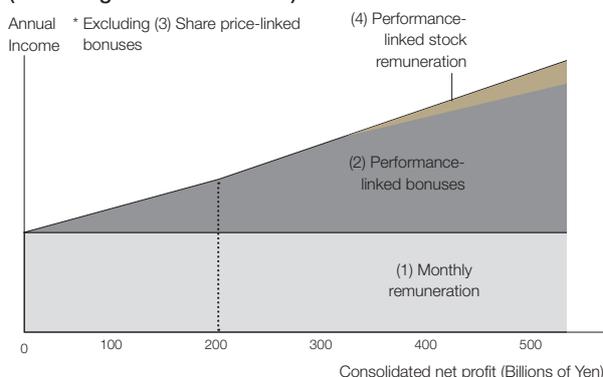
ITOCHU's remuneration plan for Directors is designed to be an incentive to grow business performance. Every fiscal year, the Board of Directors passes a resolution on Director remuneration based on the deliberations of the Governance and Remuneration Committee, an advisory committee to the Board of Directors.

Performance-linked bonus has a high proportion of overall remuneration. This percentage is not fixed at a certain level, and it slides upwards as the Company's earnings expand. Consolidated net profit is the key performance-linked indicator, a metric of high interest to the stock market for representing the source of funding for growth investments and shareholder returns. To raise awareness of contributing to medium- to long-term expansion in earnings and corporate value, a portion of remuneration includes stock remuneration. In addition, share price-linked bonuses depend on the rate of growth in the Company's share price between FYE 2019 and FYE 2021.

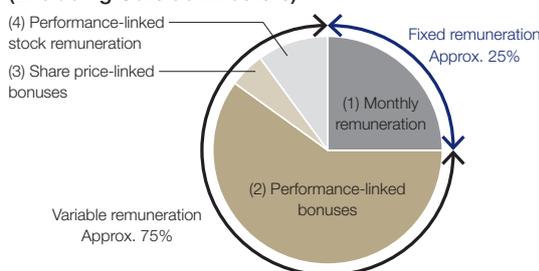
To maintain high levels of transparency, ITOCHU has externally disclosed the details of this remuneration system, including the calculation method.

As of FYE 2021, the remuneration system for Directors (excluding Outside Directors) is as follows.

**Remuneration Image of Directors (Excluding Outside Directors)**



**Composition of Remuneration for Directors (Excluding Outside Directors)**



\* In the event of a consolidated net loss, neither performance-linked bonuses nor performance-linked stock remuneration will be paid.

Type of remuneration	Details	Fixed / Variable	Remuneration limit	Resolution at general meeting of shareholders
(1) Monthly remuneration	Determined according to factors that include degree of contribution to ITOCHU, based on a standard amount for each position	Fixed	¥0.8 billion per year as total amount of monthly remuneration (including ¥0.1 billion per year as a portion paid to Outside Directors)	June 21, 2019
(2) Performance-linked bonuses	Total amount of payment is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director	Variable (Single year)	¥2.0 billion per year as total bonuses paid to all Directors * Not paid to Outside Directors	
(3) Share price-linked bonuses	Calculated based on an evaluation of the relative growth rate of ITOCHU's share price from FYE 2019 to FYE 2021 vs. the growth rate of TOPIX	Variable (Medium to long term)	The amounts below are limits for two fiscal years, for Directors and Executive Officers - Limit on contribution to trust by ITOCHU: ¥1.5 billion - Total number of points granted to eligible person: 1.3 million points (conversion at 1 point = 1 share) * Not paid to Outside Directors	June 24, 2016
(4) Performance-linked stock remuneration	Total payment amount is determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director used in calculating the individual performance-linked bonus			

### Details of the Remuneration Paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2020

Type	Number of people	Total amount of remuneration (Millions of yen)	Details (Millions of yen)					
			Monthly remuneration	Performance-linked bonuses	Share price-linked bonuses	Special benefits	Stock remuneration	
Directors	Inside	6	2,239	532	1,273	105	180	149
	Outside	4	59	59	—	—	—	—
	Total	10	2,298	591	1,273	105	180	149
Audit & Supervisory Board Members	Inside	2	86	86	—	—	—	—
	Outside	3	45	45	—	—	—	—
	Total	5	131	131	—	—	—	—

\*1 Following deliberation by the Governance and Remuneration Committee, at a meeting of the Board of Directors held on May 13, 2020 ITOCHU resolved to pay special benefits. This is paid within the limit of bonuses for Directors, and is based on ITOCHU's record profits despite the increasingly severe business environment.

\*2 The amounts of the share price-linked bonuses are calculated at the end of FYE 2021.

\*3 The retirement benefits system for Directors and Audit & Supervisory Board Members was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that Directors and Audit & Supervisory Board Members retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

## Calculation Formulas for (2) Performance-Linked Bonuses and (4) Performance-Linked Stock Remuneration

### Total Amount Paid to All Directors

Total amount paid to all Directors = (A + B + C) x Sum of position points for all the eligible Directors ÷ 55

A = (Of consolidated net profit for FYE 2021, the portion up to ¥200.0 billion) x 0.35%

B = (Of consolidated net profit for FYE 2021, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%

C = (Of consolidated net profit for FYE 2021, the portion exceeding ¥300.0 billion) x 0.525% (of which, 0.175% as stock remuneration)

The total amount paid shall be the sum of A, B, and C, which shall be adjusted with due regard to the increase / decrease in the number of eligible Directors, the change in position, and other factors. (Remuneration limits exist on bonuses and stock remuneration.)

### Amount Paid to an Individual Director

Amount paid to an individual Director = Total amount paid to all Directors x Position points ÷ Sum of position points for all the eligible Directors

Amount paid to an individual Director is determined by dividing total amount paid to all Directors based on points assigned by position shown below;

Chairman	President	Executive Vice President (Resident in Japan)	Executive Vice President (Resident outside Japan)	Senior Managing Executive Officers	Managing Executive Officers
10	7.5	5	4	4	3

Of the amount paid to an individual Director, the portion corresponding to A and B is paid entirely in cash. In regard to the portion corresponding to C, 0.175% is paid as stock remuneration and the balance is paid in cash. Furthermore, 80% of the amount paid in cash is linked to the plan achievement rate of the consolidated net profit of the assigned division / department.\*

In regard to stock remuneration during the term of office, annual points are awarded (1 point = 1 share), and at the time of retirement stock remuneration is paid from the trust in correspondence with accumulated

points. Plans call for all of the stocks paid from the trust to be acquired on the stock market, and accordingly there will be no dilution of shares.

A Director that is a resident outside Japan is not eligible for performance-linked stock remuneration. As a substitute, such Director is eligible for the Equivalent Amount of Individual stock remuneration. The Equivalent Amount of Individual stock remuneration is calculated in accordance with the above formula (except the points assigned to such Director being 15) as if such Director were subject to performance-linked stock remuneration, and the amount will be added or subtracted according to a certain performance achievement rate. The remuneration will be determined and paid separately from the performance-linked bonus based on formula above.

\* Formula for 80% of the Amount Paid in cash to an Individual Director:

(Total base amount paid to all Directors as above x Position Point / Sum of Position points for all the eligible Directors) x 80% x the Rate (defined below) determined based on plan achievement rate of the consolidated net profit of the assigned division/department

- The Rate: 100% + (plan achievement rate of the consolidated net profit of the assigned division / department - 100%) x 2 (if negative, it will be 0%)
- The plan achievement rate shall be 100% for the eligible Director for whom no plan achievement rate is measurable.

## Calculation Formula for (3) Share Price-Linked Bonuses

Amount Paid to an Individual Director\*1 (Aggregate amount after the revision to Share price-linked bonuses (FYE 2020 and FYE 2021)) = ((Simple average of daily closing price in FYE 2021) - (Simple average of daily closing price in FYE 2019)) x 1,300,000 x (Total position points\*2 of FYE 2020 and FYE 2021) / (108.8 points x 2 (years)) x Relative Stock Price Growth Rate\*3

\*1 Share price-linked bonus amounts are determined and paid when the Director retires or when, in the case of taking on the position of Executive Officer after retirement of the Director, the Executive Officer retires.

\*2 The position points assigned to each Director are the same as those applied for calculating (2) performance-linked bonuses.

\*3 Relative Stock Price Growth Rate = (simple average of daily closing price in FYE 2021 / simple average of daily closing price in FYE 2019) / (simple average of daily TOPIX in FYE 2021 / simple average of TOPIX in FYE 2019)

## Eyeing Further Improvement in Effectiveness of Corporate Governance

One year has passed since I was appointed as an Outside Director of ITOCHU. On multiple occasions, I felt that the Company's corporate governance system was functioning effectively, and not just on the surface. First of all, at the meetings of the Board of Directors, various briefings and venues for exchanging opinions are managed to encourage lively and meaningful deliberations against a backdrop of frank and open internal discussions. Regarding important matters for discussion, the honest opinions of the management team are presented to the Outside Directors, and management listens attentively to the frank opinions of the Outside Directors, resulting in constructive dialogues. As Outside Directors not directly involved in business operations to give helpful opinions, we must gain a deep understanding of the diverse operations of a trading company. At ITOCHU, Outside Directors are given opportunities to attend preliminary briefings prior to each meeting of the Board of Directors, tour business sites inside and outside Japan, and participate in other briefings, enabling us to receive precise explanations that are on point.

As an Outside Director, I intend to fulfill my check and supervisory functions from the standpoint of creating an even more sound management structure while directly engaging with the management of ITOCHU, the Company which can leverage its advantages in rapid decision-making without being bound to preconceived ideas, and its ability to adapt to major changes in the business environment.



### Makiko Nakamori

Outside Director

Ms. Nakamori possesses a high level of expertise on finance and accounting as a certified public accountant and a wealth of experience as a corporate manager. She was appointed as an Outside Director of ITOCHU in June 2019. She has helped advance corporate governance at ITOCHU while serving as a member of the Governance and Remuneration Committee in FYE 2020. She has often provided helpful advice based on her specialized knowledge and unique experience in the fields of internal control, compliance, and next-generation businesses.



# Members of the Board, Audit & Supervisory Board Members, and Executive Officers (As of July 1, 2020)

## Members of the Board



1			
3	4	5	6
7	8	9	10

**1 Chairman & Chief Executive Officer**

**Masahiro Okafuji**

1974 Joined ITOCHU Corporation  
2018 Chairman & Chief Executive Officer  
**Number of shares held: 275,613** (104,018<sup>\*1</sup>)

**2 President & Chief Operating Officer**

**Yoshihisa Suzuki**

1979 Joined ITOCHU Corporation  
2018 President & Chief Operating Officer  
2020 President & Chief Operating Officer;  
Chief Digital & Information Officer  
**Number of shares held: 133,154** (63,470<sup>\*1</sup>)

**3 Member of the Board**

**Tomofumi Yoshida**

President, General Products & Realty Company  
1979 Joined ITOCHU Corporation  
2019 Executive Vice President  
**Number of shares held: 95,265** (28,115<sup>\*1</sup>)

**4 Member of the Board**

**Yuji Fukuda**

CEO for East Asia Bloc;  
CEO for Asia & Oceania Bloc;  
Executive Advisory Officer for CP & CITIC  
Operations  
1979 Joined ITOCHU Corporation  
2019 Executive Vice President  
**Number of shares held: 44,200**

**5 Member of the Board**

**Fumihiko Kobayashi**

Chief Administrative Officer  
1980 Joined ITOCHU Corporation  
2017 Senior Managing Executive Officer  
**Number of shares held: 123,163** (40,183<sup>\*1</sup>)

**6 Member of the Board**

**Tsuyoshi Hachimura**

Chief Financial Officer  
1991 Joined ITOCHU Corporation  
2018 Senior Managing Executive Officer  
**Number of shares held: 115,050** (37,450<sup>\*1</sup>)

**7 Member of the Board<sup>\*2</sup>**

**Atsuko Muraki**

2016 Outside Director, ITOCHU Corporation  
**Number of shares held: 2,300**

**8 Member of the Board<sup>\*2</sup>**

**Harufumi Mochizuki**

2014 Audit & Supervisory Board Member<sup>\*3</sup>,  
ITOCHU Corporation  
2017 Outside Director, ITOCHU Corporation  
**Number of shares held: 4,000**

**9 Member of the Board<sup>\*2</sup>**

**Masatoshi Kawana**

2018 Outside Director, ITOCHU Corporation  
**Number of shares held: 1,800**

**10 Member of the Board<sup>\*2</sup>**

**Makiko Nakamori**

2019 Outside Director, ITOCHU Corporation  
**Number of shares held: 400**

"Number of shares held" indicates the number of ITOCHU shares.

<sup>\*1</sup> Figures indicate the number of shares scheduled to be granted post-retirement based on the stock remuneration plan (figures corresponding to points for rights determined under the performance-linked stock remuneration plan (trust type)). The number of shares held includes these shares.

<sup>\*2</sup> Indicates an Outside Director as provided in Article 2, Item 15 of the Companies Act

<sup>\*3</sup> Indicates an Outside Audit & Supervisory Board Member as provided in Article 2, Item 16 of the Companies Act

<sup>\*4</sup> Ms. Mitsuru Chino's registered name is Mitsuru Ike. For executives' career histories, please see the website:

<https://www.itochu.co.jp/en/about/officer/>

## Audit & Supervisory Board Members



Audit & Supervisory Board Member

### Shuzaburo Tsuchihashi

1985 Joined ITOCHU Corporation  
2018 Audit & Supervisory Board Member

Number of shares held: 13,650



Audit & Supervisory Board Member

### Makoto Kyoda

1987 Joined ITOCHU Corporation  
2020 Audit & Supervisory Board Member

Number of shares held: 12,050



Audit & Supervisory Board Member\*3

### Shingo Majima

2013 Audit & Supervisory Board Member, ITOCHU Corporation

Number of shares held: 0



Audit & Supervisory Board Member\*3

### Kentaro Uryu

2015 Audit & Supervisory Board Member, ITOCHU Corporation

Number of shares held: 6,300



Audit & Supervisory Board Member\*3

### Kotaro Ohno

2017 Audit & Supervisory Board Member, ITOCHU Corporation

Number of shares held: 0

## Executive Officers

### Chairman & Chief Executive Officer

#### Masahiro Okafuji

### President & Chief Operating Officer

#### Yoshihisa Suzuki

### Executive Vice Presidents

#### Tomofumi Yoshida

President, General Products & Realty Company

#### Yuji Fukuda

CEO for East Asia Bloc;  
CEO for Asia & Oceania Bloc;  
Executive Advisory Officer for CP & CITIC Operations

### Senior Managing Executive Officers

#### Fumihiko Kobayashi

Chief Administrative Officer

#### Tsuyoshi Hachimura

Chief Financial Officer

#### Keita Ishii

President, Energy & Chemicals Company;  
Chief Operating Officer, Power & Environmental Solution Division  
Number of shares held: 55,966 (29,663\*\*)

### Managing Executive Officers

#### Hiroyuki Tsubai

President, Machinery Company  
Number of shares held: 44,643 (9,388\*\*)

#### Masahiro Morofuji

President, Textile Company;  
Chief Operating Officer, Brand Marketing Division 2  
Executive Advisory Officer for Osaka Headquarters  
Number of shares held: 63,356 (29,274\*\*)

#### Mitsuru Chino\*4

President & CEO, ITOCHU International Inc.  
Number of shares held: 26,204

#### Hiroshi Sato

Chief Executive for European Operation;  
CEO, ITOCHU Europe PLC  
Number of shares held: 28,100

#### Shigetoshi Imai

General Manager for Chubu Area  
Number of shares held: 64,683 (9,351\*\*)

#### Hiroyuki Kaizuka

President, Food Company  
Number of shares held: 59,967 (25,070\*\*)

#### Motonari Shimizu

Executive Vice President, Textile Company;  
Chief Operating Officer, Apparel Division  
Number of shares held: 51,878 (15,682\*\*)

#### Tomoyuki Takada

General Manager, Corporate Communications Division  
Number of shares held: 60,082 (15,682\*\*)

#### Hiroshi Oka

General Manager, Secretariat  
Number of shares held: 42,298 (15,682\*\*)

#### Tatsushi Shingu

President, ICT & Financial Business Company  
Number of shares held: 41,831 (20,131\*\*)

#### Toshikazu Otani

Chief Executive for Africa  
Number of shares held: 27,849

### Executive Officers

#### Yoichi Ikezoe

Deputy CEO for East Asia Bloc;  
Chairman, ITOCHU (CHINA) HOLDING CO., LTD.;  
Chairman, ITOCHU SHANGHAI LTD.;  
Chairman, ITOCHU HONG KONG LTD.;  
Senior Officer for Asia & Oceania Bloc;  
CP & CITIC (Overseas Operation)  
Number of shares held: 10,200

#### Kensuke Hosomi

President, The 8th Company  
Number of shares held: 57,004 (20,131\*\*)

#### Hisato Okubo

Executive Vice President, Energy & Chemicals Company;  
Chief Operating Officer, Energy Division  
Number of shares held: 41,232 (13,382\*\*)

#### Hidefumi Mizutani

Vice President, ITOCHU East Asia Bloc (East China);  
Managing Director, ITOCHU SHANGHAI LTD.  
Number of shares held: 23,720

#### Shinjiro Tanaka

CEO, European Tyre Enterprise Limited  
Number of shares held: 7,249

#### Takanori Morita

Chief Operating Officer, Automobile, Construction Machinery & Industrial Machinery Division  
Number of shares held: 35,150 (8,195\*\*)

#### Masaya Tanaka

Chief Operating Officer, Chemicals Division  
Number of shares held: 33,395 (8,195\*\*)

#### Kenji Seto

President, Metals & Minerals Company  
Number of shares held: 39,694 (14,944\*\*)

#### Shinichi Aburaya

Chief Operating Officer, Plant Project, Marine & Aerospace Division  
Number of shares held: 15,186

#### Yoshiko Matoba

General Manager, Research & Public Relations Division  
Number of shares held: 43,345

#### Hiroyuki Naka

General Manager, Corporate Planning & Administration Division;  
General Manager, CP & CITIC Business Development Department  
Number of shares held: 14,629

#### Tatsuya Izumi

General Manager, General Accounting Control Division  
Number of shares held: 20,352

#### Kenji Tanaka

Deputy CEO for Asia & Oceania Bloc (Indo-China Area);  
Chief Officer for Indo-China Area;  
President, ITOCHU (Thailand) Ltd.;  
President, ITOCHU Enterprise (Thailand) Ltd.  
Number of shares held: 5,752

#### Shuichi Kato

Executive Vice President, ICT & Financial Business Company;  
Chief Operating Officer, Financial & Insurance Business Division  
Number of shares held: 10,155

#### Masatoshi Maki

Chief Operating Officer, Construction & Real Estate Division  
Number of shares held: 16,823

#### Tatsuo Odani

President, Leilian Co., LTD.  
Number of shares held: 16,610

#### Masazumi Nishikage

Director, SEVP & COO, Dole Asia Holdings Pte. Ltd.  
Number of shares held: 10,331

#### Tadayoshi Yamaguchi

SVP & CAO, ITOCHU International Inc.;  
General Manager, Corporate Planning Division, ITOCHU International Inc.;  
President & CEO, ITOCHU Canada Ltd.  
Number of shares held: 5,912

