

Corporate Governance

Evaluation of the Board of Directors

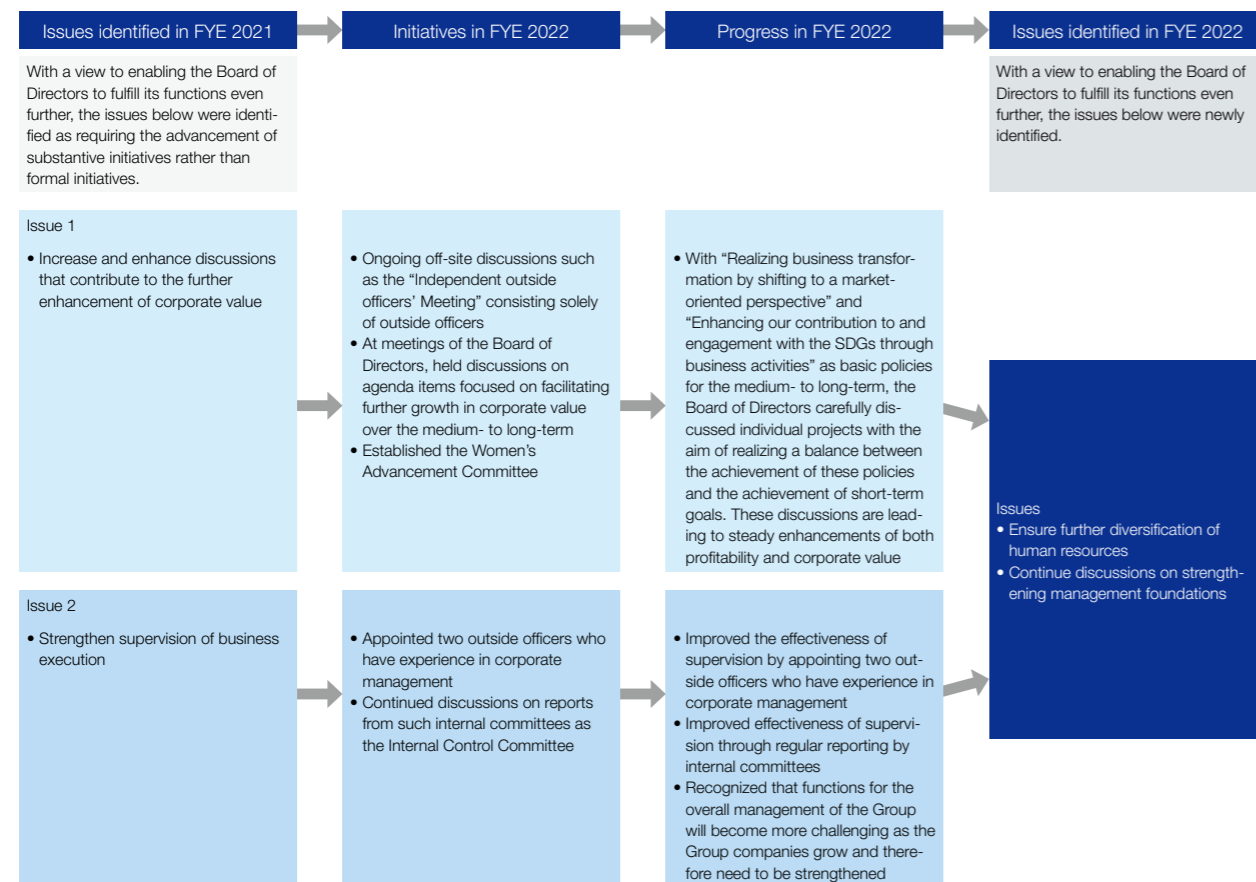
ITOCHU conducted evaluations on the effectiveness of the Board of Directors for all 11 Members of the Board and 5 Audit & Supervisory Board Members for FYE 2022.

The results of this evaluation confirmed that the Company's Board of Directors continues to ensure its effectiveness in terms of the structure of the Board of Directors and advisory committees to the Board of Directors, the roles and duties of the Board of Directors, the operation status of the Board of Directors, the information provision to Members of the Board and Audit & Supervisory Board Members and training, etc. Responses to the majority of the items covered by the questionnaire showed improvement in scores. Furthermore, the specific achievements arising from the effectiveness of the Board of Directors were confirmed, which include the enhancement of profitability and corporate value in a volatile environment, efforts to diversify human resources through the establishment of the Women's Advancement Committee, an increase in the liveliness of deliberations accompanying the appointment of two outside officers with experience in corporate management, and discussion on and strengthening of initiatives related to medium- and long-term issues, such as the SDGs and corporate branding.

Procedure for Evaluation of the Board of Directors

Respondents	All 11 Members of the Board and all 5 Audit & Supervisory Board Members in FYE 2022
Implementation and Evaluation Method	Step 1: Enlist external consultants to conduct questionnaires and individual interviews with each member (anonymous responses) Step 2: Have external consultants compile and analyze respondents' answers Step 3: Conduct analysis at the Governance and Remuneration Committee with reference to the compiled answers and analysis of the external consultants Step 4: Conduct analysis and evaluation at the Board of Directors
Items Covered by Questionnaire	<ul style="list-style-type: none"> • Structure of the Board of Directors • Structure of advisory committees to the Board of Directors, etc. • Role and duties of the Board of Directors • Operation status of the Board of Directors • Information provision and training for Members of the Board and Audit & Supervisory Board Members • Other items

Results of the FYE 2022 Evaluation of the Board of Directors



Promoting More Active Discussions at the Board of Directors Meeting

Based on the results of the FYE 2021 Board of Directors' effectiveness evaluation, in FYE 2022 the Board of Directors was provided with reports on corporate branding strategies, IR activity reports, as well as SDG and ESG initiatives, as summarized below.

Topic	Details of Discussions
Corporate Branding Strategies	Corporate Brand Initiative (CBI)* presented ITOCHU's corporate branding strategy and FYE 2022 branding plan and held discussions. The Outside Directors opined that ITOCHU should first define its vision as a company for the practice of branding. Only after then, the Company should compose the messaging for the wider public, and it is very important to actively incorporate external opinions. In addition, the Outside Audit & Supervisory Board Members held active discussions on questions regarding branding strategies in overseas markets. * Established in January 2020, the CBI promotes corporate branding, reporting directly to the CAO.
IR Activity Reports	The Investor Relations Division presented the Company's annual report formulation policy, dialogue with market participants, responses to credit ratings, and key points and issues for IR activities, and also engaged in discussion. Some Outside Directors voiced the opinion that the presentation of the corporate value calculation formula outlined in the annual report was easy to understand and the corporate value creation story using ITOCHU's unique non-financial capital was clearly explained. Various ideas were discussed, including the potential involvement of outside officers in IR activities going forward.
SDG and ESG Initiatives	The Sustainability Management Division explained the incorporation of the SDGs and ESG into the Company's management, climate change responses, such as GHG emissions reduction targets, responses to human rights and supply chain management, social contribution activities, and SDG-related business and held relevant discussions. Outside Directors presented advice based on independent perspectives through questions related to reducing GHG emissions beyond fossil fuels as well as opinions that the Company should proactively announce its efforts to address human rights issues.

ITOCHU considers it indispensable to fully strengthen the management oversight and supervising functions of outside officers, who bring perspective of the public and shareholders, to invigorate the Board of Directors. As a place for outside officers to deepen their understanding of the Company, we strive to further invigorate the Board of Directors by taking such measures as holding deliberations at the Board of Directors Meetings and off-site discussions from the aforementioned medium- to long-term view.

Helping Enhance Medium- to Long-Term Corporate Value through Outside Officers

To enable outside officers to gain a deeper understanding of the Company, ITOCHU has enhanced opportunities for pre-Board Meeting briefings, direct dialogue with executive officers, and site visits. In addition, in light of "the usefulness of discussions at the Board of Directors Meetings regarding topics that help enhance medium- to long-term corporate value," which was pointed out by outside officers, the Board of Directors in FYE 2022 took up the topics of corporate branding strategies, IR activity reports, and SDG and ESG initiatives. The Board held active discussions from various perspectives on these topics. Regarding IR activity reports, opinions were exchanged on the possibility of dialogue between outside officers and investors. One result of this was that in May 2022, Outside Director Atsuko Muraki took part in the Sustainability Briefing, explaining ITOCHU's work-style reforms from a national macro perspective, drawing on her areas of expertise fields. This event garnered high acclaim from analysts and investors. Going forward, when holding discussions that help enhance corporate value, we will continue striving to contribute to ITOCHU's sustainable development, especially in fields of our expertise, by encouraging each outside officer to proactively offer recommendations that contribute to this endeavor.



Masatoshi Kawana
 Outside Director
 Mr. Kawana served as Vice-president of Tokyo Women's Medical University Hospital, in addition to other positions, where he gained a high level of experience in hospital management and advanced knowledge of medical care. He assumed a position as a member of the Board of Directors at ITOCHU in June 2018. He uses his expertise to provide many useful proposals and suggestions in the fields of health management and the establishment of preventive measures against in-office infection of COVID-19. In FYE 2023, he is a member of the Governance and Remuneration Committee and the Nomination Committee.



Discussions at the Board of Directors Meeting Related to Individual Projects

Based on the rules of the Board of Directors, to undertake investment and finance projects above a certain threshold, the Company needs the approval of the Board of Directors following a decision by the HMC*. In FYE 2022, multiple projects were presented to the Board of Directors, including an investment in Hitachi Construction Machinery Co., Ltd. As this is an important investment for the Group amid its search for further growth opportunities in the future and is the largest of all investment projects discussed in FYE 2022, the Board of Directors held in-depth discussions on the matter.

First, an explanation related to the project was presented to the Board of Directors, with the content of the Investment Consultative Committee and the HMC's deliberations reported from the executive side. More specifically, the reported deliberations covered investment partnership policies drawn from past reflections and lessons, the validity of acquisition price and business plans, the feasibility of business development and synergy assessments going forward, contract terms and conditions, and medium- to long-term ownership policies. Opinions of related administrative divisions were also reported.

These reports formed the basis for deliberations and, especially, Q&A sessions with members of the Board of Directors. Pre-Board Meeting briefings ensured that outside officers had a sufficient understanding of the investment, key points raised by executives in discussions, and the positioning of the investment in Companywide strategies, etc. Therefore, opinions voiced at the Board of Directors meetings entailed not only the pros and cons of this particular investment but also future business development, such as synergies with Hitachi Construction Machinery Co., Ltd. It was a highly thoroughgoing discussion.

Many opinions were exchanged and issues were identified from various perspectives during the vigorous deliberations of the Board of Directors. Topics included synergy generation that fully taps into the functions of ITOCHU as a business partner, clear communication to market participants about how this investment aligns with the Company's growth strategy, a transformation of the construction machinery business, and establishment of comprehensive systems that focus on the front lines by leveraging the mutual strengths of Hitachi Construction Machinery Co., Ltd. and ITOCHU.

* Headquarters Management Committee

Regarding Project Discussions at the Board of Directors Meetings

Of all the investment proposals submitted to the Board of Directors in FYE 2022, the investment in Hitachi Construction Machinery Co., Ltd. was among the most actively discussed. Despite prior submission to the Investment Consultative Committee, the investment proposal was once sent back and was subject to various opinions from the executive side. Because of the size of this investment, before partaking in a Board of Directors Meeting, we were equipped with a sufficient understanding of the investment, thanks to pre-Board Meeting briefing sessions which informed us of the details and key points of discussions raised by the Investment Consultative Committee.

Historically, businesses undertaken by general trading companies with manufacturers centered on supporting manufacturers' entry into overseas markets through export trade and management of dealer operations, i.e., product distribution. Therefore, there were questions about how this investment would align with a market-oriented business transformation and if it would square up with the expectations of the executive side. However, discussions at the Board of Directors Meeting made it clear that this investment goes beyond conventional distribution / logistics function and into strengthening downstream businesses and meeting various customer needs by utilizing operational data of construction machinery. In this, Hitachi Construction Machinery Co., Ltd. and ITOCHU are expected to act as business partners and leverage their mutual strengths. The investment is imbued with a sense of urgency and crisis for the traditional business model, wherein there are no functions other than the distribution of products. It was also evaluated as being a project that should be undertaken from a market-oriented perspective, and is expected to expand downstream business through collaboration.



Kunio Ishizuka

Outside Director

Mr. Ishizuka has extensive knowledge of corporate management and the retail industry that was earned through his experience as President and Chairman of Isetan Mitsukoshi Holdings Ltd. and as a Vice Chair of Nippon Keidanren (Japan Business Federation). He was appointed to the ITOCHU Board of Directors in June 2021. From FYE 2023, he is serving as chair of the Nomination Committee.

Policy on the Governance of Listed Subsidiaries

ITOCHU respects the autonomy of listed subsidiaries and prohibits any acts that contradict the principle of shareholder equality, in accordance with ITOCHU's Policy on the Governance of Its Listed Subsidiaries, which was announced in October 2019. Each subsidiary and ITOCHU are in a mutually beneficial relationship to enhance corporate value as business partners. With the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of these listed subsidiaries, we ensure independent decision-making at listed subsidiaries by encouraging them to establish well-functioning governance structures that effectively utilize independent outside directors. Further, the Company does not conclude governance-related agreements with any listed subsidiary.

As of the convening of their ordinary general meetings of shareholders in 2022, the listed subsidiaries have established and maintained effective governance systems through such measures as further increasing the percentages of outside directors and newly establishing independent advisory committees to Boards of Directors. ITOCHU will continue to encourage listed subsidiaries to further improve their governance structure, taking into account the Corporate Governance Code.

The significance of holding each listed subsidiary from perspectives including the Group's management strategy is as follows:

(As of July 1, 2022)

Company Name	Significance of Holding	Ratio of Independent Outside Directors	Advisory Committees to the Board of Directors	Ratio of Independent Outside Audit & Supervisory Board Members
ITOCHU ENEX CO., LTD.	Utilizing its wide and diverse domestic customer base, ITOCHU ENEX CO., LTD. is developing new fuel sales, services to enhance logistics efficiency, and next-generation businesses, etc., in addition to existing energy business and power business. It is an important and indispensable presence for the Group in order to build a stable earnings base both in Japan and overseas. In addition, ITOCHU ENEX CO., LTD., with utilizing the Group's extensive domestic and international network, promotes initiatives in the new energy field which contributes to achieve the SDGs, and carries out the fuel supply businesses for the Group companies.	38% (3 out of 8 directors)	<ul style="list-style-type: none"> Governance Committee Special Committee 	50% (2 out of 4 members)
C.I. TAKIRON	C.I. TAKIRON Corporation is positioned as a core enterprise in the Group's plastic resin business, due to its advanced technological capabilities and large-scale production capacity. C.I. TAKIRON Corporation utilizes the Group's extensive domestic and international network for overseas expansion of C.I. TAKIRON Corporation's functional film business, stable procurement of competitive raw materials, and expansion of sales of C.I. TAKIRON Corporation's various products.	43% (3 out of 7 directors)	<ul style="list-style-type: none"> Nomination / Remuneration Committee Governance Committee 	50% (2 out of 4 members)
ISC	The principal and main business of ITOCHU-SHOKUHIN Co., Ltd. is the sale and distribution of alcoholic beverages and processed foods. Based on its presence, ITOCHU secures stable contact points with various domestic retailers, and maximizes profit in the food distribution field by utilizing this sales channel. In addition, by utilizing the Group's diverse customer base and knowledge in implementing the growth strategy of ITOCHU-SHOKUHIN Co., Ltd., such as "Contribution to customers through creating sales floors which utilize DX," etc., ITOCHU is contributing to the expansion and evolution of the services provided by ITOCHU-SHOKUHIN Co., Ltd.	33% (3 out of 9 directors)	<ul style="list-style-type: none"> Governance Committee 	50% (2 out of 4 members)
PRIMA MEAT PACKERS, LTD.	The principal and main business of Prima Meat Packers, Ltd. is to sell meat and processed livestock products, and it assumes an important role of supplying final products in ITOCHU's livestock value chain. Prima Meat Packers, Ltd. utilizes the Group's extensive domestic and international network to ensure a stable supply of high-quality imported raw materials for its core products and to jointly develop pork brands with overseas partners in the Group.	50% (3 out of 6 directors)	<ul style="list-style-type: none"> Management Advisory Committee Sustainability Committee 	75% (3 out of 4 members)
CTC	CTC serves a function as a sales channel for products and services using cutting-edge technology held by the Group's investees and business partners, and utilizes the Group's extensive network. In addition, CTC is expanding its business through cooperation with ITOCHU, such as joint investments in promising new business areas and joint proposals.	57% (4 out of 7 directors)	<ul style="list-style-type: none"> Nomination Committee Remuneration Committee Governance Committee 	50% (2 out of 4 members)
CONEXIO	CONEXIO Corporation is expanding its business by utilizing the Group's extensive domestic and international network. It is expanding its mobile accessory sales business to overseas, as well as promoting more effective use of management resources, such as store assets and know-how in selling products and services to individual customers, in cooperation with companies in other industries in the Group.	38% (3 of 8 directors)	<ul style="list-style-type: none"> Nomination / Remuneration Committee Governance Committee Special Committee 	50% (2 out of 4 members)

Corporate Governance

Corporate Officer Remuneration

ITOCHU's remuneration plan for Directors is designed to be an incentive to grow business performance. Variable remuneration ratio is extremely high, even when compared to other companies. The system clarifies management's responsibility, with Director remuneration increasing as performance improves, and significantly decreasing if performance deteriorates. Furthermore, this remuneration plan, including the calculation method, has been previously disclosed publicly, making it highly transparent. More specifically, the remuneration plan consists of fixed remuneration (1) monthly remuneration, and variable remuneration (2) performance-linked bonuses, (3) share price-linked bonuses, and (4) performance-linked stock remuneration, with performance-linked bonuses reflecting short-term performance and share price-linked bonuses and performance-linked stock remuneration reflecting the enhancement of corporate value in the medium- to long-term.

Monthly remuneration is decided based on the standard amount by position and the level of contribution to ITOCHU Corporation, including its response to climate change, the SDGs, and ESG.

The Company has adopted consolidated net profit as the linked indicator for the performance-linked bonus and performance-linked stock remuneration, as it is the source of capital for growth-oriented investment and returns to shareholders, and is of high interest on the stock market. In the unlikely event that consolidated net profit falls into a deficit, there is a strict system whereby no such bonus or remuneration is paid out. Furthermore, the share-price linked bonuses, which are indices linked to ITOCHU's share price, are calculated based on the increase in ITOCHU's stock price for each consecutive two fiscal years and relative evaluation between the growth rate of the average value of ITOCHU's share price and the growth rate of the average value of the Tokyo Stock Price Index (TOPIX).

Overview of Remuneration System and Maximum Remuneration Limit

Fixed / Variable	Overview	Remuneration Limit	Resolution at General Meeting of Shareholders
Fixed remuneration	(1) Monthly remuneration Determined based on the standard amount by position and the level of contribution to ITOCHU Corporation, including its response to climate change, the SDGs, and ESG.	¥1.0 billion per year as total amount of monthly remuneration (including ¥0.1 billion per year as a portion paid to Outside Directors)	June 24, 2022
Variable remuneration (Single year)	(2) Performance-linked bonuses Determined based on consolidated net profit, and each individual payment amount is determined in relation to the position points for the Director.	¥3.0 billion* per year as total bonuses paid to all Directors * Not paid to Outside Directors	
Variable remuneration (Medium- to long-term)	(3) Share price-linked bonuses Calculated based on the increase in ITOCHU's stock price for two consecutive fiscal years and relative growth rate of ITOCHU's stock price compared to Tokyo Stock Price Index (TOPIX). (4) Performance-linked stock remuneration (non-monetary 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 bonuses.	The amounts below are limits for two fiscal years, for Directors and Executive Officers Total payment amount is determined based on: • 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

* If a special bonus is paid separately, it is paid from the amount of the remuneration limit for bonuses.

Details of the Remuneration Paid to Directors and Audit & Supervisory Board Members of the Company in FYE 2022

(Rounded to the nearest million yen)

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	7	3,611	682	2,000	—	576	352
	Outside	5	81	81	—	—	—	—
	Total	12	3,692	763	2,000	—	576	352
Audit & Supervisory Board Members	Inside	2	92	92	—	—	—	—
	Outside	4	60	60	—	—	—	—
	Total	6	152	152	—	—	—	—

* Following deliberation by the Governance and Remuneration Committee, a meeting of the Board of Directors convened on March 17, 2022, resolved to pay a special bonus on the condition that proposal No. 5 (Revision of Remuneration Amount for Directors) was passed at the General Meeting of Shareholders held on June 24, 2022. (Said General Meeting of Shareholders approved and passed said proposal No. 5.) This special bonus has been calculated using the formula of FYE 2022 and paid within the existing remuneration limit amount of ¥2.0 billion per year. (As the performance-linked bonus amount will reach ¥2.0 billion per year, share price-linked bonuses will be zero.) Any amount exceeding said remuneration limit amount shall be paid as a special bonus that is separate from the Director bonus.

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 2023, the portion up to ¥200.0 billion) x 0.35%
B = (Of consolidated net profit for FYE 2023, the portion exceeding ¥200.0 billion and up to ¥300.0 billion) x 0.525%
C = (Of consolidated net profit for FYE 2023, 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

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 formula on the left (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 the formula on the left. In FYE 2023, said special provision is not applied because no Director is a resident outside Japan.

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	Executive Officers
10	7.5	5	4	4	3	2.2

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%*1 of the amount paid in cash is linked to the plan achievement rate of the consolidated net profit of the assigned division / department and a rate determined based on a comparison with the business performance of the previous fiscal year. In regard to stock remuneration during the term of office, annual points are awarded (1 point = 1 share), and after 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

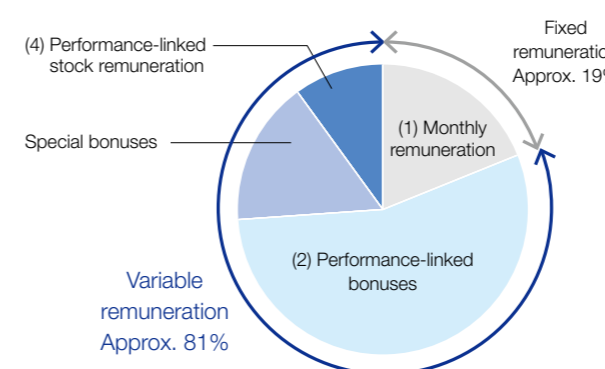
- *1 Formula for 80% of the amount paid in cash to an individual Director: (Total base amount paid to all Directors x Position Point / Sum of Position points for all the eligible Directors) x 80% x (Rate determined based on plan achievement rate of the consolidated net profit of the assigned division / department*2 x 50% + Rate determined based on a comparison with the consolidated net profit of the previous fiscal year*3 x 50%)
- *2 Rate determined based on plan achievement rate of the consolidated net profit of the assigned division / department: 100% + (plan achievement rate of the consolidated net profit of the assigned division / department - 100%) x 2 (if negative, it will be 0%. Maximum will be 200%.)
- *3 Rate determined based on a comparison with the consolidated net profit of the previous fiscal year: 100% + (Year-on-year ratio of the consolidated net profit of the assigned division / department - 100%) x 2 (if negative, it will be 0%. Maximum will be 200%.)
- *4 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 (FYE 2023)
= ((Simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023) - (Simple average of daily closing price of ITOCHU stock from FYE 2020 to FYE 2021)) x 1,300,000 x (Total position points*2 of FYE 2022 and FYE 2023) / (108.8 points x 2) x Relative stock price growth rate*3 - Share price-linked bonuses of FYE 2022 calculated based on the formula applied in FYE 2022

- *1 Share price-linked bonus amounts are determined and paid after the Director retires (after the Executive Officer retires, in the case of taking on the position of Executive Officer after retirement of the Director).
- *2 The position points assigned to each Director are the same as those applied for calculating (2) performance-linked bonuses, excluding the 5 points assigned to an Executive Vice President who resides outside of Japan.
- *3 Relative stock price growth rate = (simple average of daily closing price of ITOCHU stock from FYE 2022 to FYE 2023 / simple average of daily closing price of ITOCHU stock from FYE 2020 to FYE 2021) / (simple average of daily TOPIX from FYE 2022 to FYE 2023 / simple average of TOPIX from FYE 2020 to FYE 2021)

Composition of Remuneration for Directors (Excluding Outside Directors) (FYE 2022)



Remuneration Image of Directors (Excluding Outside Directors)

