

## Evaluating the Effectiveness of ITOCHU's Board of Directors

With the objectives of confirming the effectiveness of the Board of Directors, identifying issues for consideration by the Board of Directors, and contributing to the improvement of the Company's future corporate governance system, in March 2016 ITOCHU implemented an evaluation of the effectiveness of the Board of Directors for the first time. For the evaluation, an independent, external specialist institution was used to ensure objectivity in the evaluation process. Taking into account the results of the analysis by the external specialist organization, the effectiveness of the Board of Directors and issues for future consideration were discussed.

### [Evaluation Items]

- Structure of the Board of Directors
- Structure, etc., of advisory committees to the Board of Directors (Nomination Committee, Governance and Remuneration Committee)
- Roles and duties of the Board of Directors
- Operation status of the Board of Directors
- Information provision and training for Directors and Corporate Auditors

### [Evaluation Method]

Based on answers to questionnaires provided to all Directors (13 people) and all Corporate Auditors (5 people) who were serving in those positions as of the end of March 2016, individual interviews with all of the respondents were conducted by an external specialist institution. With consideration for the results of the analysis by the external specialist institution, deliberations were held by the Governance and Remuneration Committee, followed by analysis and evaluation by the Board of Directors.

### [Results of the Effectiveness Evaluation]

Based on the results of the evaluation, in terms of the structure of the Board of Directors and its advisory committees as well as the roles and duties, operation status, information provision and training and other items thereof, the Board of Directors of ITOCHU confirmed that it was functioning appropriately as a whole, and the effectiveness of the Board of Directors was secured. Specifically, the evaluation by the external specialist institution concluded that such factors as the prior deliberations at various layers of meetings, clear and concise materials, thorough discussions in crucial situations, and ITOCHU's corporate culture that values substance over form worked effectively to secure the effectiveness of the Board of Directors.

### [Issues]

The Board of Directors of ITOCHU confirmed that it needs to continue discussing, following an additional review of the structure of the Board of Directors and matters to be submitted to the Board of Directors, whether the Board of Directors should shift to a governance model where it focuses more on "monitoring (supervision)" of business execution in the future. At a meeting of the Governance and Remuneration Committee held in advance of a meeting of the Board of Directors, active discussions were held regarding the positive and negative aspects of shifting to the governance model where the Board of Directors would focus on "monitoring (supervision)" while maintaining the type of system as a company with corporate auditors.

## Corporate Officer Compensation

Actual corporate officer compensation for FYE 2016 was as follows.

### Actual Corporate Officer Compensation for FYE 2016

Type	Number of people	Amount paid (Millions of Yen)	Details	Maximum compensation paid
Directors (Outside directors)	13 (2)	1,198 (24)	(1) Monthly compensation ¥751 million (2) Bonuses ¥447 million Please refer to Page 59	(1) ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) (2) ¥1.0 billion per year as total bonuses paid to all directors (excluding outside directors) (Both (1) and (2) were resolved at the General Meeting of Shareholders on June 24, 2011)
Corporate auditors (Outside corporate auditors)	7 (4)	117 (36)	(1) Only monthly compensation	(1) ¥13 million per month (Resolved at the General Meeting of Shareholders on June 29, 2005)
Total (Outside directors and corporate auditors)	20 (6)	1,315 (60)		

\* The retirement benefits system for directors and corporate auditors 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 corporate auditors 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.

### FYE 2016 Corporate Officer Compensation System

The compensation paid to all directors of ITOCHU (excluding outside directors) consists of (i) monthly compensation, (ii) performance-linked bonuses, and (iii) performance-linked and share-based remuneration (trust type), which was newly introduced from FYE 2017. The total amount of (i) monthly

compensation is determined by the contribution to ITOCHU of each director according to a base amount set by position, whereas the total amount of (ii) performance-linked bonuses and (iii) performance-linked and share-based remuneration is determined based on consolidated net profit attributable to