

Messages from Outside Directors

Strengthening Corporate Governance through the Governance and Remuneration Committee

I have been given the opportunity to serve as the chair of the Governance and Remuneration Committee. Governance is the foundation of all corporate activities, and society's interest in governance is increasing. Through the Board of Directors and the Board of Corporate Auditors, outside directors and outside corporate auditors participate in corporate management. The principal objective is to check the functioning of governance from a third-party perspective. In other words, outside directors and outside corporate auditors are expected to look at decisions, even those decisions that might be seen as a matter of course internally due to business practices of long-standing, and to determine if they will be accepted by society and if there are any issues with regard to accountability. It is important to take preventive actions before problems arise.

The Governance and Remuneration Committee conducts detailed discussions with a smaller number of members than the Board of Directors. This year, the committee reviewed the report on the evaluation of the effectiveness of the Board of Directors, which was consigned to outside experts. After active discussion, the committee identified issues for future consideration.

The committee also discussed the introduction of the share-based remuneration plan prior to the meeting of the Board of Directors.

In FYE 2016, ITOCHU became the No. 1 general trading company in terms of profits. In the period after a success like this, it is especially important that we do not relax our guard. In consideration of the important mission of the Governance and Remuneration Committee, all of the members have newly resolved to do their utmost to fulfill their duties.



Ichiro Fujisaki

- Apr. 1969 Joined Ministry of Foreign Affairs
Worked in the Embassy of Japan in Indonesia, Permanent Delegation of Japan to the OECD, Budget Bureau, Ministry of Finance
- Aug. 1987 Counselor, Embassy of Japan in the UK
- Feb. 1991 Director, Overseas Establishments Division, Minister's Secretariat, Ministry of Foreign Affairs
- Mar. 1992 Director, Financial Affairs Division, Minister's Secretariat, Ministry of Foreign Affairs
- Feb. 1994 Deputy Director-General, Asian Affairs Bureau, Ministry of Foreign Affairs
- Jul. 1995 Minister, Embassy of Japan in the United States of America (Political Affairs)
- Aug. 1999 Director-General, North American Affairs Bureau, Ministry of Foreign Affairs
- Sep. 2002 Deputy Minister for Foreign Affairs (Economic Affairs), Ministry of Foreign Affairs
- Jan. 2005 Ambassador Extraordinary and Plenipotentiary, Permanent representative of Japan to the International Organizations in Geneva
- Apr. 2008 Ambassador Extraordinary and Plenipotentiary to the United States of America
- Nov. 2012 Retired from Ministry of Foreign Affairs
- Jan. 2013 Distinguished Professor, Chairman of International Strategies, Sophia University (current position)
- Jun. 2013 Outside Director, ITOCHU Corporation
- Jun. 2014 Outside Director, NIPPON STEEL & SUMITOMO METAL CORPORATION (current position)



Chikara Kawakita

- Apr. 1977 Joined Ministry of Finance
- Jul. 2001 Director, Income Tax and Property Tax Policy Division, Tax Bureau, Ministry of Finance
- Jul. 2002 Director, Policy Planning and Research Division, Minister's Secretariat, Ministry of Finance
- Jul. 2004 Director, Management and Co-ordination Division, Minister's Secretariat, Ministry of Finance
- Jul. 2005 Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency
- Jul. 2007 Deputy Director-General, Tax Bureau, Ministry of Finance
- Jul. 2008 Deputy Vice Minister for Policy Planning and Co-ordination, Minister's Secretariat, Ministry of Finance
- Jul. 2009 Director-General, Financial Bureau, Ministry of Finance
- Jul. 2010 Commissioner, National Tax Agency
- Aug. 2012 Retired from Ministry of Finance
- Oct. 2012 Professor, Graduate School of Law, Hitotsubashi University
- Jun. 2013 Outside Director, ITOCHU Corporation
- Oct. 2014 Vice President, General Insurance Rating Organization of Japan (current position)

Establishing the Nomination Committee Supervision Process

For companies, the nomination of candidates for senior management is the most fundamental issue that needs to be decided. The Company's Nomination Committee is a voluntary committee for the provision of advice to the Board of Directors. The committee does not have the authority to make final decisions regarding nominations, but it does have the important role of supervision regarding the nomination of senior management and succession planning for the position of president.

To strengthen the supervision function of this committee, in FYE 2017 the Company transitioned to a system under which the proportion of committee members who are outside members has been increased and the committee is chaired by an outside director. The names of committee members are announced, and the outside committee members are independent directors and independent corporate auditors. As a committee chair, under this type of system, which is based on neutrality, transparency, and independence, I recognize that we must conduct deliberations that serve the interests of shareholders while closely exchanging opinions with the president and other senior managements.

The committee will need to accumulate experience moving forward. I believe that this year, in the operation of the committee, it will first of all be important to establish a normative supervision process aligned with the aim of the establishment of this committee.

For the Company to further increase corporate value and fulfill greater responsibilities in a "New Era for the *Sogo Shosha*," the Nomination Committee will conduct appropriate supervision to support appropriate decisions by the Board of Directors.